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# EXPLORE

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## CROWDFUNDING AS A FINANCING OPTION FOR MSMEs

Prof. Sakeerthi. S<sup>1</sup> and Prof. Vikku Agarwal<sup>2</sup>

<sup>1</sup>Assistant Professor, ISME, Bangalore

<sup>2</sup>Professor, ISME, Bangalore

### ABSTRACT

Crowdfunding is a source of mobilizing funds from the general public through the internet or by making use of social media. It is a very popular medium of fundraising for businesses as well as for social causes due to the increasing penetration of technology into our day to day lives. It allows a large group of people to replace banks or other financial institutions and makes finance accessible to those who find it difficult to raise it via such formal channels. It not only helps in raising funds, but most of the time validates the ideas or innovations of the person or firm raising it. In India, the concept of crowd funding is still in its nascent stage and in this backdrop, its future scope is huge. When we speak of crowd funding in India, it's the contribution towards social causes which always comes first as that is the general trend that has been observed in the Indian crowd funding platforms. But when we speak of the scope of crowd funding in business, MSMEs are the sectors which can never be avoided as they form the backbone of the Indian industrial sector, contributing almost around 45% to the country's GDP and providing employment to nearly 106 million people, which is around three times of what the big fat corporates put together contribute. Needless to say, raising funds (both in the setup stage and for daily operations) is one of the biggest challenges in front of the Indian MSMEs. Although, there are quite a few numbers of the funding sources for MSMEs in India and moreover multiple government schemes aimed at promoting MSME growth, there still is a gap in terms of the actual fund requirement and the availability of funds for such enterprises. Through this paper, the authors try to analyse how crowd funding can be used as a potent and reliable source for filling up these gaps and for boosting the growth of MSMEs. It also tries to find out the scope of debt funding and the legalities of equity funding concepts and how debt funding could be a great source of MSME funding. The study is conducted using secondary data and interpretations are drawn from the same.

*Keywords: MSME Funding, Crowd funding, Debt funding*