

Crowdfunding

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Abstract:

The hardships and challenges that new ventures face in attracting external finance are ubiquitous. Bank loans and equity capital are the gap fillers for heavy investment for large ventures but in case of small businesses the funds are provided by the entrepreneurs themselves or by their friends and family. For small businesses, the biggest barrier is access to capital. Due to lack of personal funds, insufficiency of value to be pledged to investor, and inability to convince the financiers lead many small ventures to be remained unfunded. To skirt these challenges creative founders have introduced the concept of “crowdfunding”. Crowdfunding, which is the financing of a project or a venture by a group of individuals instead of professional parties, comes as a solution to the challenges faced by the small ventures. In online Crowd-funded markets, contributors collectively select and evaluate projects, and pledge funds in support of the project they want to be accomplished. Crowdfunding isn't dependent on the crowd's knowledge, creative energies, or judgments. It merely taps their spare dollars, pounds or pesos.



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