



# Crowdfunding for Startups: Awareness and Trust Among Small Investors

Sheetal Kushwah<sup>1\*</sup>, Rachna Yadav<sup>2</sup>

1. Master's of Business Administration, HR & Finance, Vikrant University, Gwalior, M.P., India  
sheetalkushwah8834@gmail.com ,
2. Master's of Business Administration, HR & Marketing, Jiwaji University, Gwalior, M.P., India

**Abstract:** This research looks at small investors' knowledge and confidence in startup crowdfunding in India. The study investigated investor opinions, trust-related aspects, awareness levels, comprehension of crowdfunding ideas, and demographic features using a structured questionnaire survey with 80 respondents. The results show that while small investors acknowledge crowdsourcing as a practical and creative source of funding, their general understanding is still modest, and their inclination to get involved is mostly influenced by worries regarding platform trustworthiness, transparency, and regulation. The most significant factors influencing investor trust were found to be the availability of a clear regulatory framework and the transparency of fund use. The research comes to the conclusion that increasing investor knowledge, improving regulatory monitoring, and fostering institutional confidence in crowdfunding platforms are all critical if crowdfunding is to become a viable financing instrument for Indian startups.

**Keywords:** Small Investors, Startups, Crowdfunding, Investment, Trust, Awareness

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## INTRODUCTION

A new financial mechanism that enables startups and entrepreneurs to obtain cash directly from a huge pool of small investors using digital platforms is known as crowdfunding. This mechanism has developed as a novel approach to financing. Crowdfunding, in contrast to more conventional means of financing such as bank loans or venture capital, democratizes investment options and makes early-stage cash more available to emerging businesses. [1] The proliferation of crowdfunding throughout the world has provided a vital option for new businesses that are having difficulty gaining access to traditional financing, especially in countries that are still in the process of growing. [2] Crowdfunding has received interest as a possible tool to mobilize capital and promote entrepreneurial endeavors in India, where early-stage financing shortfalls continue to hamper the development of small enterprises. [3] Crowdfunding has been gaining attention as a potential tool in India. [4] The success of crowdfunding, on the other hand, is dependent not only on the platforms and the entrepreneurs that use them, but also on the knowledge and engagement of small investors, who are the fundamental component of this model of financing. [5]

The degree to which small investors are willing to participate in crowdfunding is largely determined by the level of trust that they have in other investors. Small investors are often worried about dangers such as fraud, a lack of transparency, and legal ambiguity. This is due to the fact that crowdfunding entails significant degrees of information asymmetry and insufficient investor protection. [7] Previous research has shown that platforms that give genuine information, display responsibility, and assure effective monitoring procedures are more likely to earn the confidence of investors. [8] Due to the fact that crowdfunding is still

in its infancy and does not have complete regulatory control, it is especially important in the Indian context to raise knowledge and improve confidence among small investors. The current research, which is conducted against this background, investigates the knowledge and confidence of small investors in India with regard to startup crowdfunding. It also highlights the potential and problems that are associated with the future expansion of this industry. [9]

## OBJECTIVES

- To assess the level of awareness and understanding of small investors towards startup crowdfunding in India.
- To analyze the trust-related factors that influence small investors' willingness to participate in startup crowdfunding.
- To examine small investors' perceptions and attitudes towards the benefits and risks of investing in startup crowdfunding.

## RESEARCH METHODOLOGY

**Research Design:** To investigate small investors' awareness and confidence in startup crowdfunding in India, this study used a descriptive and analytical research approach. While the analytical technique enabled the research to evaluate the elements impacting trust and involvement, the descriptive design assisted in capturing investor demographics, awareness levels, and attitudes. The scope and complexity of small investors' experiences with crowdfunding were sufficiently documented thanks to the study design.

**Data Collection Methods:** Research employed a structured questionnaire survey to collect primary data. The questionnaire was tailored to India after reviewing investor trust, crowdfunding awareness, and alternative financing studies. Demographics, platform awareness, crowdfunding concept understanding, opinions toward crowdfunding-funded enterprises, and trust concerns were polled. For clarity and reliability, a pilot test was conducted with a small sample of respondents and any necessary changes were made. Secondary data from selected publications, industry reports, and academic research aided questionnaire design and interpretation.

**Sample Size:** The research polled 80 individual investors from a range of demographics, including age, income, and level of education. In order to guarantee that the people included in the sample have experience or interest in investing in startups via crowdfunding platforms, a purposive sampling approach was used to choose the respondents. The sample size was deemed sufficient to derive significant insights into the awareness and trust elements that impact the decision-making of small investors in the Indian setting.

**Data Analysis:** The Statistical Package for Social Sciences (SPSS) was used to code and evaluate the replies. While mean scores and standard deviations were used to examine perceptions and aspects connected to trust, descriptive statistics like frequencies and percentages were utilized to describe demographic information and awareness levels. Ranking techniques were used to determine the most important elements impacting trust, and Likert scale analysis was used to gauge respondents' level of agreement. The results of the investigation showed distinct trends that connected small investors'

involvement in startup crowdfunding to awareness and trust.

## RESULTS

**Table 1: Demographic Characteristics of Small Investors**

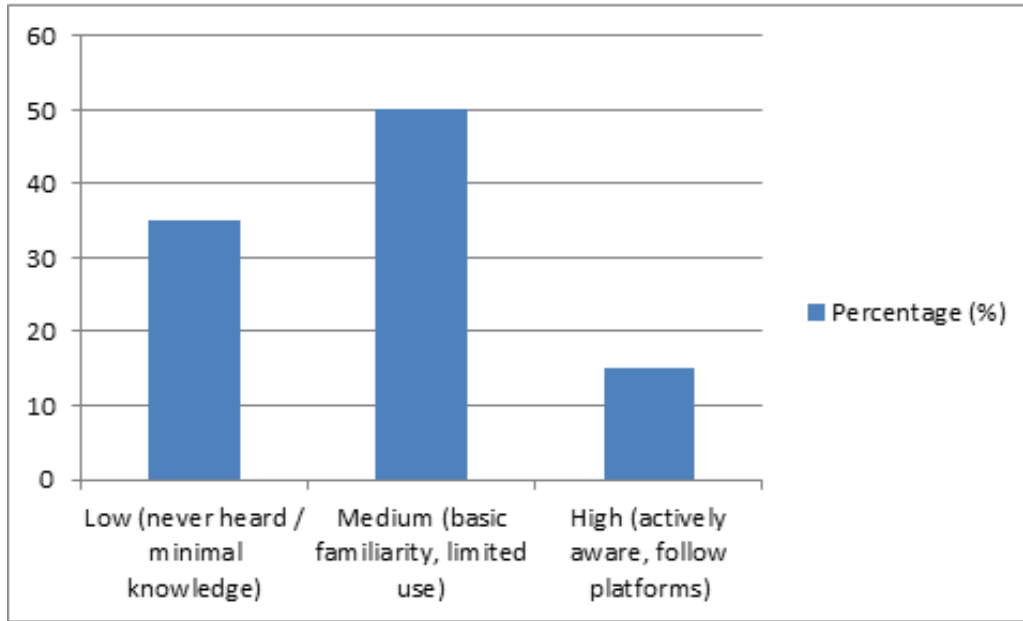
Variable	Category	Frequency	Percentage (%)
Gender	Male	46	57.5
	Female	33	41.2
	Other / Prefer not to say	1	1.3
Age	Below 25	18	22.5
	25–34	32	40.0
	35–44	20	25.0
	45 & above	10	12.5
Education	Graduate	42	52.5
	Postgraduate	30	37.5
	Professional (CA, MBA, etc.)	8	10.0
Monthly Income	Below ₹25,000	20	25.0
	₹25,000–50,000	28	35.0
	₹50,000–1,00,000	22	27.5
	Above ₹1,00,000	10	12.5
Investment Experience	New / First-time	30	37.5
	1–3 years	28	35.0
	3+ years	22	27.5

According to the data shown in the table above, 57.5% of the respondents were male, while 41.2% were female, and 1.3% of them chose not to declare their gender. For example, forty percent of the investors were between the ages of twenty-five and thirty-four, and twenty-five percent were between the ages of thirty-five and forty-four. The majority of the respondents (52.5% of them) had completed their undergraduate degrees, while 37.5% of them had completed their postgraduate degrees.

The distribution of income reveals that 35% of the individuals reported a monthly income that fell between ₹25,000 and ₹50,000, while 27.5% reported an income that was between ₹50,000 and ₹1,000,000 per month. In terms of investing experience, 37.5% of the participants were first-time investors, while 35% had experience ranging from one (1) to three (3) years. Specifically, this profile underlines the fact that the sample is mostly comprised of young, educated, middle-income individuals who have minimal expertise in the investing industry.

**Table 2: Awareness Levels of Startup-Focused Crowdfunding**

Awareness Level	No. of Respondents	Percentage (%)
Low (never heard / minimal knowledge)	28	35.0
Medium (basic familiarity, limited use)	40	50.0
High (actively aware, follow platforms)	12	15.0
Total	80	100



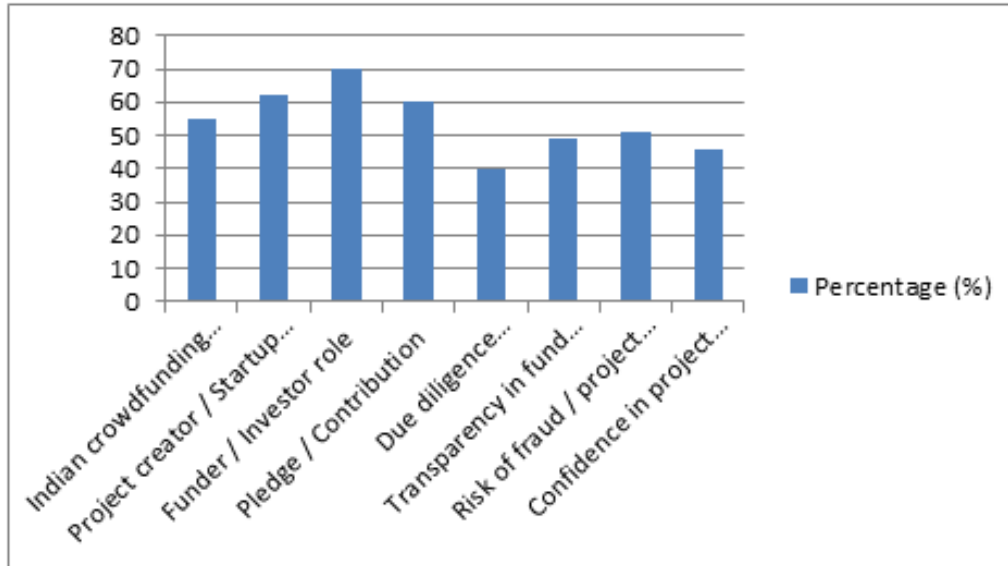
**Figure 1: Awareness Levels of Startup-Focused Crowdfunding**

According to the data shown in the table and figure above, 35 percent of the respondents had a low level of knowledge about crowdfunding for startups, while fifty percent of the respondents reported having a medium level of awareness. The percentage of respondents who indicated a high degree of awareness and familiarity with crowdfunding platforms for startups was just 15%. This demonstrates that while crowdsourcing is becoming more popular as an alternative investment option in India, the general knowledge among small investors is still rather restricted, with the majority of investors just having a fundamental comprehension of the concept.

**Table 3: Understanding of Crowdfunding Concepts & Trust-Related Factors**

Concept / Factor	No. of Respondents	Percentage (%)
Indian crowdfunding platforms (e.g., Ketto, FuelADream, Wishberry)	44	55.0
Project creator / Startup founder	50	62.5
Funder / Investor role	56	70.0
Pledge / Contribution	48	60.0
Due diligence (verification before funding)	32	40.0
Transparency in fund utilization	39	48.8

Risk of fraud / project failure	41	51.3
Confidence in project reliability (combined factor)	37	46.0



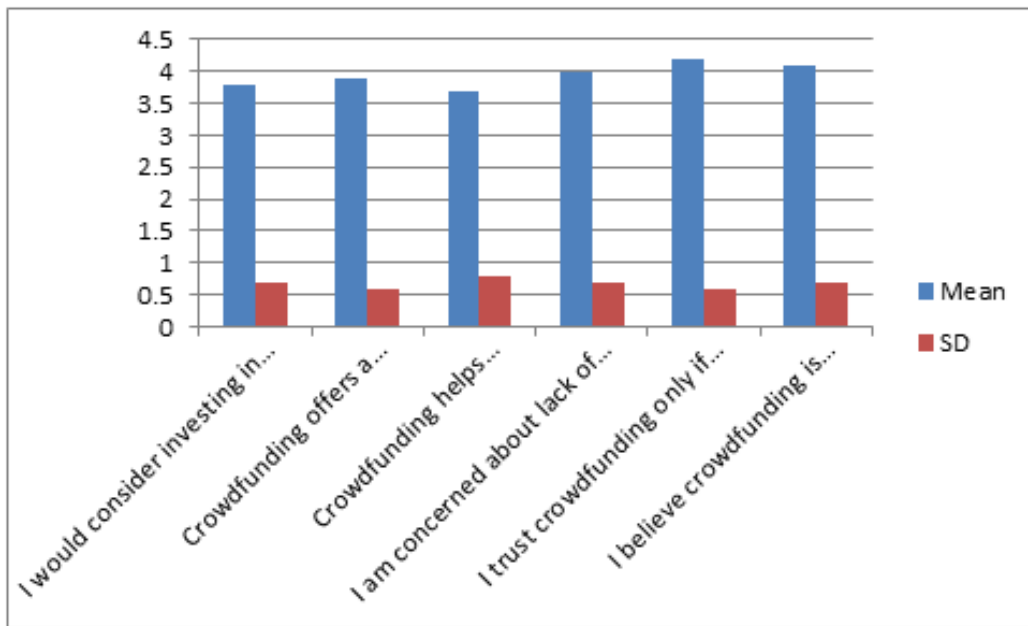
**Figure 2: Understanding of Crowdfunding Concepts & Trust-Related Factors**

The data shown in the table and figure above demonstrates that seventy percent of the respondents were aware of the function of funders or investors, while sixty-two point five percent were aware of the function of project creators or founders of startups. Sixty percent of respondents were familiar with the notion of pledges or donations, and around fifty-five percent were aware with crowdfunding sites in India such as Ketto, Wishberry, and FuelADream. On the other hand, just forty percent of respondents were acquainted with due diligence, forty-eight percent with transparency of money use, and fifty-three percent with the danger of fraud or project failure. In general, the results indicate that while fundamental ideas are comprehended, small investors have a lower level of familiarity with trust-related characteristics such as transparency, dependability, and due diligence.

**Table 4: Perceptions towards Crowdfunding for Startups**

Statement	Mean	SD
I would consider investing in a startup through crowdfunding	3.8	0.7
Crowdfunding offers a simpler and faster investment option	3.9	0.6
Crowdfunding helps diversify small investment portfolios	3.7	0.8

I am concerned about lack of regulation in crowdfunding	4.0	0.7
I trust crowdfunding only if project creators/platforms are transparent	4.2	0.6
I believe crowdfunding is riskier than traditional investments	4.1	0.7



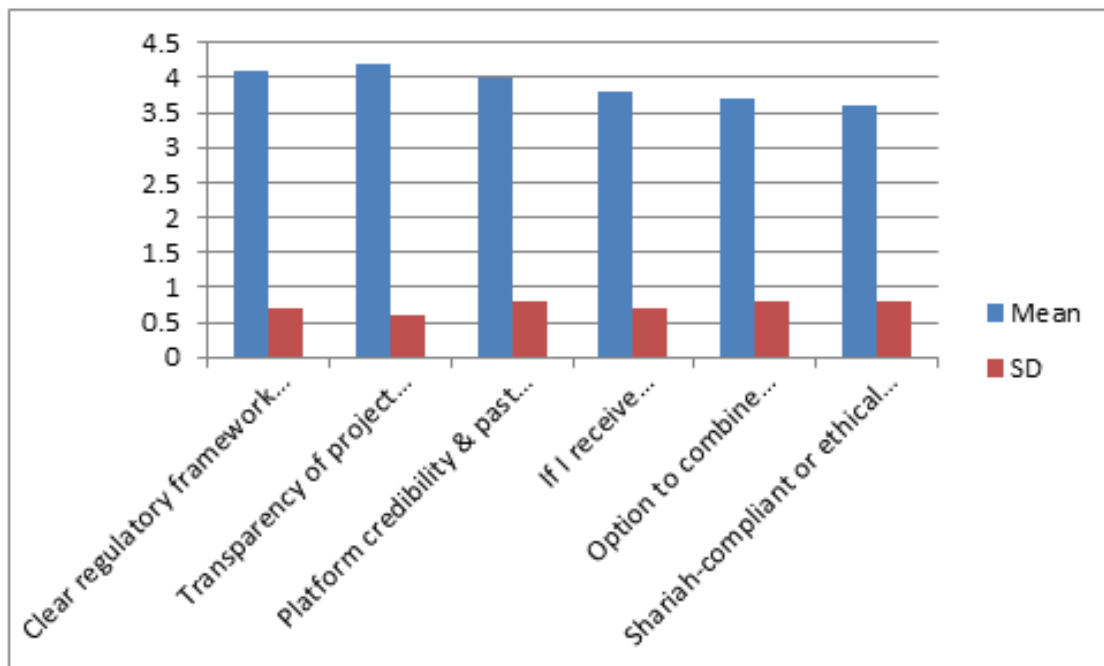
**Figure 3: Perceptions towards Crowdfunding for Startups**

The data shown in the table and figure above indicates that seventy percent of respondents recognized the role of funders or investors, whilst sixty-two point five percent acknowledged the role of project developers or founders of businesses. Sixty percent of respondents were acquainted with the concept of pledges or contributions, while around fifty-five percent recognized crowdfunding platforms in India, including Ketto, Wishberry, and FuelADream. Conversely, just forty percent of respondents were familiar with due diligence, forty-eight percent with the transparency of fund use, and fifty-three percent with the risks of fraud or project failure. The findings suggest that while core concepts are understood, small investors have a diminished familiarity with trust-related attributes such as transparency, reliability, and due diligence.

**Table 5: Elements of Trust Considered by Small Investors in Startup Crowdfunding**

Element of Trust	Mean	SD
Clear regulatory framework in India	4.1	0.7

Transparency of project goals & fund usage	4.2	0.6
Platform credibility & past success rate	4.0	0.8
If I receive training/awareness on how to use crowdfunding	3.8	0.7
Option to combine crowdfunding with other investments	3.7	0.8
Shariah-compliant or ethical crowdfunding options	3.6	0.8



**Figure 4: Elements of Trust Considered by Small Investors in Startup Crowdfunding**

According to the data shown in the table and figure above, the most significant factors that influence confidence are the availability of a clear regulatory framework in India (mean = 4.1) and the transparency of project objectives and budget use (mean = 4.2). In addition, the legitimacy of the platform and its previous success record received good marks (mean = 4.0). Investors gave a significant amount of consideration to the possibility of combining crowdfunding with other investments (mean = 3.7) and training and awareness initiatives (mean = 3.8). It was comparatively less important that crowdfunding choices that were ethical or Shariah-compliant (mean = 3.6) were available. These findings indicate that small investors put the greatest significance on openness and regulation, highlighting the fact that enhancing these areas would be essential in establishing confidence in the crowdfunding process for startups.



Young, educated, middle-class, and often investing for the first time or in their early stages are the characteristics most often associated with small investors in India, according to the survey. Although people are aware of crowdfunding, their familiarity with the concept is minimal, and they don't fully grasp important details like transparency and due diligence. Investors see crowdfunding as a fresh and easy way to spread their money around, but worries about regulation, risk, and the legitimacy of the platform still make a big difference in whether or not they join. Investor confidence was shown to be primarily affected by two trust-related factors: the availability of a transparent regulatory framework and the openness about the use of funds. Despite crowdfunding's growing popularity as a startup funding alternative, these results show that small investors in India still need more education and confidence in crowdfunding platforms and project developers before they'll use it.

## **DISCUSSION**

The study's findings show that while crowdfunding is becoming more popular among Indian small investors, understanding of the practice is still low, and the most important elements influencing investment choices are still trust criteria including transparency, regulation, and platform trustworthiness. This is in line with research showing that investor engagement in crowdfunding marketplaces is greatly aided by regulatory certainty [10]. It has also been shown that supporter behavior is strongly influenced by trust in platforms and project creators, especially for first-time investors [11]. According to recent research, small investors in India see crowdfunding as a feasible option, but they are still wary because of the possibility of fraud and the lack of adequate monitoring systems [12]. These difficulties are further supported by international research, which points out that information openness and transparency lessen investor hesitancy [13] [14]. More recently, it has been noted that strengthening legal frameworks and investor education is necessary to foster long-term trust, which is necessary for equity-based crowdfunding to flourish. The future of crowdfunding in India's startup ecosystem depends on raising investor knowledge via outreach and education initiatives while also strengthening institutional safeguards that protect investor confidence. [15]

## **CONCLUSION**

Crowdfunding is slowly but surely becoming a real alternative for entrepreneurs in India, according to the survey. However, small investors are still hesitant to use it because of modest knowledge and big trust issues. The potential for crowdsourcing to streamline investments and diversify portfolios is well-known to investors, but their trust is contingent on concerns about platform reliability, regulatory protections, and transparency. The findings highlight the need of a robust legislative framework, better disclosure standards, and focused awareness campaigns to safeguard investors and guarantee accountability. By enhancing these areas, crowdfunding will help small investors feel more secure, which in turn would help Indian companies get the cash they need and encourage innovation within the entrepreneurial ecosystem.

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