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# How Crowd Funding Act as a Strategic Springboard to Empower Women?

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## ABSTRACT

Empowerment of women is crucial for economic growth and diversification, that is when more women force is put to use, it adds to the economic growth. It also enables women in generating their own source of income, which gives them control over their financial needs increasing the sense of self-worth. An economically independent women could offer better education and living standards to her family. Thus, by facilitating women's access to finance they can be economically empowered, satisfy their financial needs, and enable them to launch and expand their own businesses, which promotes women's advancement into positions of leadership and decision-making. But in the real scenario women face difficulties in accessing finance from conventional sources, mainly due to lack of appropriate collateral and gender inequalities persisting in the society. Here comes the role of crowdfunding, as it can be used as a tool to bridge the funding gap because the crowdfunding platforms democratizes a funding process where the woman doesn't need to give any collateral securities or guarantors for accessing fund and in addition to this, their ideas and needs will be looked upon to rather than their gender. Irrespective of the growing academic concentration in this area, there is lack of studies incorporating the views of previous research about this topic in a single study. The descriptive and exploratory analysis in this article brings together the collective insight from the current studies and relevant literature. The main objective of this conceptual study was to figure out the major barriers faced by women in accessing finance from conventional financial system. The study will also explore crowd funding as a tool for economic empowerment of women.

**Keywords:** Crowd funding, Economic empowerment, Women, Financial system, Business ventures.

## INTRODUCTION

Economic empowerment of women is an imperative driver of inclusive growth. The World Bank reports that" India could increase GDP growth by 1.5 percentage points by including 50% of the women in the workforce" (Niti Aayog, 2022). Women's empowerment is emphasised in Sustainable Development Goal 5 and is a critical component of the World Bank Gender Strategy 2024 – 2030 (World bank, 2023). Further empowering women economically not only enhances their well-being but also contributes significantly to the overall economic growth by increasing productivity, improving family income and raising the standard of living for entire communities. Entrepreneurship is the best avenue to empower women economically, but RBI survey shows that out of 1,246 startups, only 5.9 per cent of the participating startups were founded by females in comparison to 55.5 per cent founded by only male founders. Only 38.6% had both male and female as co-founders, this situation persists as female entrepreneurs "face limited access to credit, capacity-building that remains concentrated in limited sectors, lack of information, absence of networking, and low market linkages. These challenges and adverse social norms impact their entrepreneurial ambitions and aspirations" (Niti Aayog, 2022). In this regard, new fundraising methods like crowdsourcing have come to light as viable solution for the financial exclusion of women entrepreneurs.

"Crowdfunding is a means of raising finance for projects from the crowd often through an internet-based platform where project owners pitch their idea to potential backers, who are typically not professional investors, although increasing activity by institutional investors has been recorded" (Kallio et al., 2020). Crowdfunding is a financing escalator which boosts Small and Medium Enterprises and start-ups. It enhances capital sources and facilitates financing access for certain groups of individuals. Crowdfunding allows entrepreneurs in raising finance online from various private sources (Ritika et al., 2024). As per (World Bank, 2015) predictions, crowdfunding markets would reach an estimated $93 billion by 2025 and women entrepreneurs are increasingly leveraging this innovative financial tool to overcome their barriers.

Women face a multitude of challenges when seeking finance through traditional financial system and understanding these barriers is very crucial in addressing the systemic obstacles to women's economic participation. Thus, this conceptual research paper aims to identify the barriers faced by women in raising finance from the traditional financial systems and also this study will examine how crowdfunding platforms provide women with an alternative route to finance, which will help them to overcome traditional barriers and participate more fully in economic activities and thereby promoting their financial independence and leadership in the business world.

**Objectives of the study**

1. To identify the major barriers faced by women in accessing finance from conventional financial system**.**
2. To explore crowd funding as a tool for economic empowerment of women.

**Statement of the problem**

Despite the significant involvement of women in entrepreneurship, access to fund remains a major hindrance for the sustainability and growth of women entrepreneurship in India. This funding challenges prevents many women to come forward to the main arena of business. This causes a negative impact on the equal access of opportunities and gender equality. Entrepreneurship is a powerful tool to make women economically empowered leading to the empowerment of the society. In this scenario crowd funding can be a better tool to overcome the limitations of conventional financial system as this innovative mechanism provides more decentralised and inclusive financial platform for raising fund. But the extent to which crowd funding plays as a catalyst for economic empowerment of women remains underexplored. This study tries to understand the problem faced by women in raising capital and the role of crowd funding in promoting economic empowerment of women and women entrepreneurship.

**Research Methodology**

This paper is descriptive and exploratory nature, based on intensive literature review. The descriptive aspect focuses on outlining the key financial barriers women face in accessing traditional finance. While the exploratory element delves into the potential of crowdfunding as a financial tool to empower women. Secondary sources of data obtained from respective published articles in journals, books, past studies and from official websites were extensively used and critical observations were made through scanning of various data.

**Crowd Funding**

Crowdfunding refers to "the ability of pooling small amounts of capital from a potentially large pool of interested funders and supporters" (Short et al., 2017). Crowdfunding platform is "an internet application bringing together project owners and their potential backers, as well as facilitating exchanges between them, according to a variety of business models" (Shneor et al., 2015). In other words, crowdfunding can be stated as a way of raising small amounts of capital from a large number of people (backers) through an online platform with the aid of social media networking. Crowdfunding does not give the burden of interest and collateral security to the fund raisers like that of traditional funding mechanism and in addition it also checks the feasibility of the project, gives validations and also offer feedbacks on the proposed project. Crowdfunding is an innovative alternative source

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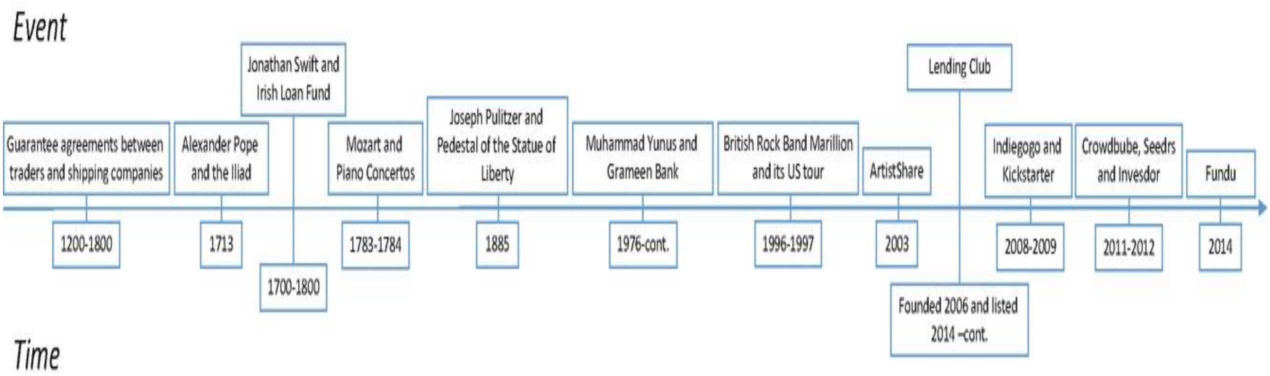
of financing provide benefits to both investors and entrepreneurs. Crowdfunding technique of fund raising helps in spreading the risk faced by women entrepreneurs (Prakash et al., 2019).

Even though crowdfunding often viewed as a modern phenomenon, it indeed has deep historical roots. Long before the internet era similar methods of pooling funds to manage investment risks have been in practice. For instance, early shipping ventures used risk-sharing agreements where by traders use to collectively bore the cost of lost cargo and when shipments succeeded, they shared profits. Crowdfunding principles can also be traced back to the 18th century like the Jonathan Swift's Irish Loan Fund, which provided small loans to low-income families without having any collateral. Further notable early crowdfunding efforts include Joseph Pulitzer's 1885 campaign, which was done to fund the Statue of Liberty's pedestal and then Mozart's attempts to raise funds for concert performances. The modern crowdfunding began to emerge in the late 20th century, which was driven by the rise of the internet and online platforms like ArtistShare, Indiegogo, and Kickstarter, which allowed creators to directly engage with supporters (Kallio et al., 2020).

Figure 1 Timeline—Brief history of crowdfunding




Source: (Kallio et al., 2020)

**Barriers faced by women in accessing finance from conventional financial system.**

The mastercard index of women entrepreneurs says that out of 100 entrepreneurs only 9 are women. Funding issue is the main challenge faced by women in India to start a business. The latest economic census report (fig 2) shows that most of the women entrepreneurs use self-finance to start a business, only a very nominal percentage of women have access to other financial sources which indicates that the women face difficulties in accessing fund from conventional financial system.

Figure 2 Percentage distribution of number of establishments under women entrepreneurs by major source of finance in India

| **Source of finance** | **Sixth economic census (2013)** |
|---|---|
| Self-finance | 79.07 |
| Financial assistance from government sources | 3.37 |
| Borrowings from financial institutions | 1.08 |
| Borrowings from non -institutions/ money lenders | 0.84 |
| Loan from self help group | 1 |
| Donations/transfers from other agencies | 14.65 |

Source: Sixth Economic Census Report

There are several barriers faced by women entrepreneurs in accessing fund from conventional financial system. The major such barriers are listed below:

Lack of collateral:

Due to limited asset ownership, women funds it difficult to produce collateral securities to the financial institutions for availing loans .Women entrepreneurs in India, especially those in rural areas, often face challenges in accessing credit due to a lack of assets for collateral (Chatterjee & Das, 2016).When approaching for a loan women are being asked with the ownership of the asset they posses for keeping as a security to secure loans , most of the women in India lack assets in their own name so they can't avail such loans and they approach family or friends for fund which is limited. This act as a hindrance for starting or expanding a women led ventures.

Complexity in the loan application process:

Many women find it difficult to navigate the bureaucratic procedures required by banks and financial institutions (Jain & Muthayya, 2017). The time consuming and complex loan processing mechanism discourages women from accessing conventional financial system for applying loan as they lack expertise and resources to run behind it. Thus, complexity of loan application processes serves as a major financial barrier for women entrepreneurs. Many women entrepreneurs, struggle with the stringent documentation process, requirements, and procedures set by traditional financial institutions. These challenges, coupled with lengthy approval processes create additional obstacles in accessing the needed funds to grow or sustain their businesses. These complexities force women to look for self-financing or other alternative sources.

Gender bias:

Gender inequalities in traditional financing systems have historically hindered women from accessing financial resources (Agrawal, 2023). Many financial institutions consider women as low risk takers and less creditworthy compared to their male counterparts , which makes them difficult to secure loans .Banks are mainly interested in lending loans to male led businesses and they make less favourable terms and rates when women entrepreneurs approach for loans because banks are of the perception that women are less likely to take up risk and they are not competent to take up and make a business success in the male dominated arena of entrepreneurship.

Limited financial literacy;

Women from underprivileged areas and rural backgrounds have limited knowledge regarding the financial products and services, which act as a barrier in their financial inclusion and accessing loans for starting up a venture. Many women entrepreneurs do not have formal training in financial management, understanding loan processes, or dealing with the intricacies of financial institutions. This lack of knowledge often places them at a disadvantage when attempting to secure funding (Shastri & Sinha, 2010). Lack of financial knowledge prevents women from accessing formal financial system making them economically dependent on men and remains in the circle of low income and low investment (Das, 2000; Manta, 2019)

Lower credit scores:

Due to lower credit histories women's eligibility for loans are negatively affected, which make them difficult to apply for loans. Conventional financial institutions are less likely to approve loans for women, particularly for first-time entrepreneurs who may not have established credit histories (Chatterjee & Das, 2016). Credit scores are the primary factor financial institutions check for assessing the credibility of the loan applicant As many women does not possess adequate credit history as that of men, the financial institutions reject their loan application thinking them as incapable to repay the loan. This becomes a barrier for women in seeking financing from conventional methods.

High interest rates and fees:

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The high interest rates and fees charged by the financial institutions and stringent loan conditions prevents women from accessing conventional funding system (Kumar & Singh, 2012).As most financial institutions are interested in lending loans to male led businesses, they make the loan terms and rates less favourable to women, making it less accessible to Financial institutions perceive lending loans to women entrepreneurs are risky due to gender bias, small size business, lack of business history, thus making the loan process more stringent and charging higher interest rates.

Limited awareness of alternative finance mechanism:

Most of the women have limited awareness towards various alternative funding mechanisms like micro finance and crowd funding. Which limits their financial accessibility (Mukherjee, 2019). The underutilization of such platforms further limits their ability to raise capital, forcing them to rely on personal savings or informal sources of finance (Kantor, 2002).

**Crowd Funding for Economic Empowerment of Women**

Crowdfunding has emerged as a game-changing tool for empowering women entrepreneurs, as it gives women entrepreneurs access to financing that is often inaccessible through traditional financial systems. The promising outcomes of crowdfunding in empowering women are as follows:

Bridging the Financial Gap:

The biggest obstacles that women entrepreneurs encounter in the traditional financing system is the lack of access to capital of finance, which was primarily due to the absence of collateral or financial guarantees with them. While women are less likely to own significant assets like property or land, especially in developing countries where inheritance laws and societal norms are more likely in favour of men. Here comes the relevance of crowdfunding (Niti, 2022; Agrawal, 2023; Ahsan, 2024). According to (Cumming et al., 2019) crowdfunding platforms democratize access to finance by completely eliminating the need for collateral or guarantors. This increases capital or finance availability for women entrepreneurs, who are frequently underrepresented in traditional banking systems. Thus, through crowdfunding women can raise finance for their ideas on the basis of their merit rather than their creditworthiness or collateral, this allows them to undertake entrepreneurial ventures that would not be possible through traditional financing methods.

Overcoming Gender Bias in Financing:

Gender inequalities in traditional financing systems have historically hindered women from accessing financial resources (Agrawal, 2023). Crowdfunding platforms are uniquely positioned to challenge these prejudices as they offer a setting where a broad and diverse audience may evaluate the business ideas of women. Research studies highlights that women are more likely than men to be successful in crowdsourcing campaigns largely because these platforms prioritize the idea's potential over the entrepreneur's gender (Greenberg et al, 2017; Seeboli et al., 2023). Crowdfunding allows women to directly pitch their ideas to supporters who may share their vision and be prepared to willingly invest in their success, avoiding the prejudices that is inherent in traditional financing.

Financial Independence and Economic Empowerment:

Crowdfunding assists women in achieving financial independence by fostering an environment in which women can exercise control over their businesses and financial decisions. As per (Belleflamme, 2014) crowdfunding empowers women by providing them the tools to raise funds, it helps entrepreneurs to validate their ideas in the market and also helps them attain entrepreneurial experience. Finally, this procedure increases women's confidence in running their own businesses and handling Their finances, which ultimately leads to greater economic empowerment. In addition, Women entrepreneurs who rely on crowdfunding to diversify their sources of income are less dependent on personal savings and traditional financial institutions. When women complete crowdfunding projects successfully, they acquire much more credibility and may eventually be able to get access to other types of finance like bank loans or venture capital. Women's economic status and financial autonomy

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are improved by this dual funding and credibility-building method. Thus, women's economic status and financial autonomy are improved by crowdfunding.

Building Social Networks:

Crowdfunding enables women to build social networks and social capital, which are imperative factors for entrepreneurial success. The visibility that crowdfunding platforms provide to women entrepreneurs in gaining networks of supporters who believe in their ideas are huge. These networks frequently consist of investors, mentors, and advisors who can offer valuable guidance, resources, and opportunities beyond the campaign (Mollick et al., 2016). Through utilizing these networks, women can scale up their companies, reach a wider market, and enhance their leadership skills, which all will ultimately lead to long-term economic empowerment of women.

Promoting Gender Equality in Leadership:

Crowdfunding has the potential to promote gender equality as it gives women greater opportunities to start and expand their businesses ventures, which will further enhance their leadership and decision-making roles. Research studies have stated that women who successfully raise funds through crowdfunding have a higher chance of rising to top leaders in their industry and can create jobs for others, especially they are more likely to employ more women to their workforce (Marom et al., 2016). As per Women in India's Startup Ecosystem Report reveals that "startups with woman founder have 2.5x women in senior roles compared to men only founders and women founders are more acutely aware of barriers for women including safety and care responsibilities and are consequently more likely to introduce policies to address them".

Overall, crowdfunding offers a non-discriminatory platform where women are empowered to pursue their business aspirations and to break through institutional financial constraints.

## DISCUSSION

Despite the strong capabilities and innovative ideas women posses to become an entrepreneur, they are pulled back by the inaccessible funding situation in our country. The financial institutions consider women as less creditworthy and hesitates to give them loans other than with high interest rates or stringent policies. Due to comparatively less asset ownership of Indian women, they find it difficult to produce collateral securities or guarantors to back them. These problems paves way to suppression of women's entrepreneurial dreams.

Crowdfunding has an imperative role in addressing the systemic obstacles that prevent women from accessing traditional finance, making it an essential tool for promoting economic empowerment. Crowdfunding helps women realize their entrepreneurial potential by providing a gender-neutral platform for raising capital, fostering financial independence and creating supportive networks. Crowdfunding helps women realize their potential as entrepreneurs, contributing to both their personal economic growth and broader societal development. Further research and policy support for crowdfunding as a financial mechanism for women entrepreneurs and can help ensure its crucial role in bridging the gender financing gap and fostering economic inclusion.

## CONCLUSION AND SUGGESTION

Women empowerment is a transformative force that goes beyond gender equality. Economic empowerment is crucial for the upliftment of women in society. Entrepreneurship is a proven method to foster this empowerment in women which could help women to become leaders and decision makers in the society by gaining financial freedom and control. Despite the strong capabilities and innovative ideas women have about to become an entrepreneur, they are pulled back by the inaccessible funding situation in our country. Crowd funding can be a powerful funding mechanism in this scenario, which could minimise the traditional funding barriers and provides more inclusive and accessible economic opportunities to women which can in turn function as a catalyst for their economic empowerment. Consequently, crowdfunding promotes broader gender equality in business leadership by generating a ripple effect wherein prosperous women entrepreneurs support and mentor other women. It is inevitable to propagate the idea of crowd funding among women especially in rural areas so that women could reap the benefit of this system to the fullest and contribute to the growth of the economy. There should be proper government interventions regarding this system and should conduct training and awareness sessions to educate women to participate effectively and know the prospects of this system.

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