



# The Civic Crowdfunding Handbook

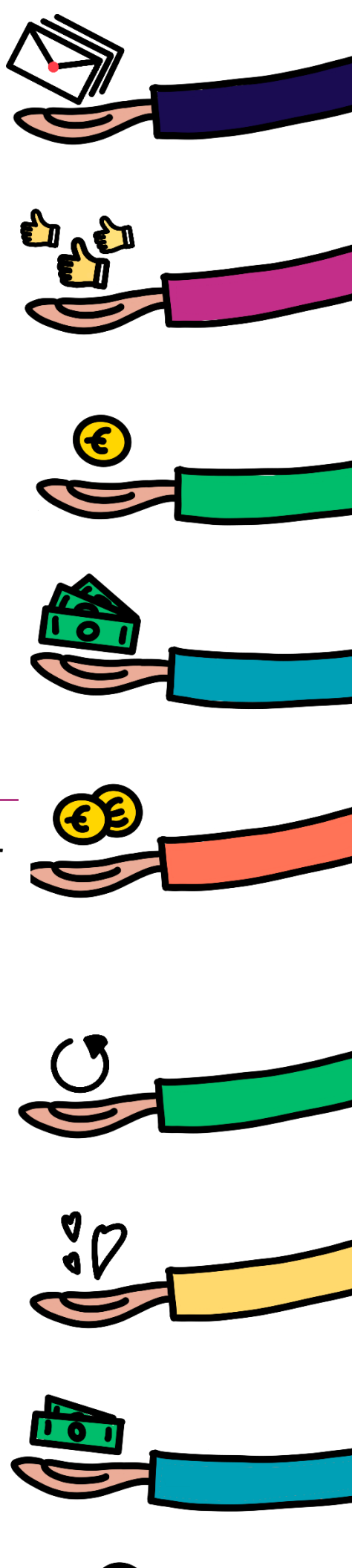
A Practical Student Guide for  
Community Finance



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# The Civic Crowdfunding Handbook: A Practical Student Guide for Community Finance

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## Foreword

People often come up with inspiring ideas that could enhance their communities' well-being, such as building a safe playground, organising a cultural festival, or launching a local recycling initiative. These projects have the potential to improve daily life, making it better, easier, or simply more vibrant. However, in many cases, they never progress to the implementation phase, and one crucial obstacle is a lack of funding. In fact, projects that are not profit-oriented often fail to attract investors or banks, and seeking support through public budgets can be a lengthy and uncertain process.

The emergence of crowdfunding has opened new possibilities for turning these ideas into reality. It allows you to appeal to neighbours who share the same concern, and, at the same time, to individuals living far away who want to support a meaningful initiative. In its simplest form, crowdfunding is about collecting small contributions from many people, typically through online platforms. However, crowdfunding is not only about collecting money; it is about gathering people around to bring projects to life.

This book is designed as a practical, accessible guide for students seeking to understand crowdfunding not only as a financial tool but also as a mechanism for civic engagement and sustainable development. In a world facing complex social, economic, and environmental challenges, innovative forms of collective action and alternative finance have become increasingly important - and crowdfunding stands at the intersection of these developments. Written with students in mind, the book combines theoretical insights with practical perspectives to support learning, discussion, and application. Whether you are studying business, economics, or the social sciences, this book aims to equip you with the knowledge and critical awareness needed to evaluate and use crowdfunding responsibly and effectively.

**SU-CCES! Team**



## Table of Contents

<b>1. Sustainable Development Goals and Civic Action</b>	<b>9</b>
<b>2. Introduction to Crowdfunding: Definition, Principles, Taxonomies and Stakeholders</b>	<b>25</b>
<b>3. Crowdfunding as an Alternative Finance: Roles, Advantages and Disadvantages</b>	<b>35</b>
<b>4. Crowdfunding in Crisis: Solidarity Beyond Charity</b>	<b>46</b>
<b>5. Types of Crowdfunding Platforms, Functionalities and Their Appropriateness for Various Business Models and Civic Projects</b>	<b>58</b>
<b>6. The Importance of Rules and Regulations in Crowdfunding – How to Instill Trust Among Funders and Funds’ Beneficiaries</b>	<b>69</b>
<b>7. Crowdfunding Process</b>	<b>79</b>
<b>8. Success Factors in Crowdfunding</b>	<b>103</b>
<b>9. The Main Ethical Dilemmas in (Civic) Crowdfunding</b>	<b>125</b>



# 1. Sustainable Development Goals And Civic Action

Time to complete the chapter: 30 minutes

## Keywords



Sustainability, Sustainable Development Goals, Triple Bottom Line, Policy Integration, Civic Engagement

## Objectives



- To present the concept of sustainable development and explain the historical context that led to the creation of the SDGs.
- To discuss the core values of the SDGs along with their associated targets.
- To identify initial steps for integrating the SDGs into policies, practices, and strategies, and recognize key civic issues related to them.
- To explain how to measure and track progress towards the SDGs using appropriate tools and demonstrate effective reporting of results.

## Learning outcomes



### Knowledge

Define Sustainable Development and understand the core values including the historical context

Identify the SDG associated targets.

### Skills

Examine the 17 SDGs and their associated targets in the context of civic crowdfunding.

Apply SDG knowledge to real-world scenarios and effectively communicate the importance of SDGs in everyday actions.

### Attitudes

Develop a critical perspective on the importance of SDG for local communities.

## Introduction

Sustainability is about making choices that protect the environment and preserve resources for future generations. Sustainable development focuses on creating a future where people can flourish without harming the planet. It seeks to balance present needs with the responsibility to ensure that future generations have access to the same resources and opportunities. This requires harmonizing economic growth, social inclusion, and environmental protection to promote the long-term well-being of both our planet and our society.

The concept of sustainable development has evolved in response to various global challenges and social movements, expanding from a focus on environmental conservation to a more comprehensive approach that integrates social, economic, and environmental goals for global sustainability

The roots of sustainability can be traced back to ancient practices, where societies engaged in resource management practices aimed at balancing human needs with environmental protection. In 1713, Hans Carl von Carlowitz introduced the **Sustainable Yield Principle**, emphasizing the need to manage natural resources, especially wood, for long-term availability. This principle was crucial for silver mining, as a constant supply of wood was required for mining operations, and overharvesting posed a serious threat to the industry's future. Carlowitz's work laid the foundation for sustainable resource management, linking ecological balance to economic development (Sächsische Hans-Carl-von-Carlowitz-Gesellschaft, 2013).

In 1962, Rachel Carsons groundbreaking book „Silent Springs” raised awareness about the dangers of pesticides, marking a movement in environmental consciousness. In the 1970s, approximately 20 million people came to the „Earth Day” celebration in the USA, which triggered attention towards the importance of environmental protection, and future global environmental organizations such as „Friends of the Earth” and „Greenpeace” (Mulligan, M. 2018).

The concept of **environmental sustainable development** was first introduced in the **Brundtland Report**, submitted to the UN, which also introduced the two-fold principle of „intra/intergenerational equity”, encouraging people to consider about the long-term consequences of their actions both for themselves and for people around the world. The Brundtland Report was later published as „Our Common Future”, by the United Nations World Commission on Environment and Development in 1987 and defined **sustainable development** as „meeting the needs of the present generation

**without comprising the ability of future generations to meet their needs”** (UN-WCED, 1987). This laid the foundation for modern sustainable development theory, which focuses on intergenerational equity, and highlights the integration of social, economic, and environmental values. The three pillars of sustainable development, commonly known as the „three E’s (economic, equity, and environmental sustainability), address global challenges while ensuring that resources are used responsibly without harming society (Berke and Conroy, 2000; Brinkmann, 2016). The Brundtland Report further paved the way for global collaboration and the development of frameworks to promote sustainable development worldwide (e.g. bio-diversity charters, etc.).

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*Sustainable development is „meeting the needs of the present generation without comprising the ability of future generations to meet their own needs”*

*Brundtland Report (1987), also known as "Our Common Future" (UN-WCED, 1987).*

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The 1992 United Nations Earth Summit in Rio de Janeiro brought together global leaders to address environmental issues, resulting in **Agenda 21**, a comprehensive action plan for sustainable environmental development at all levels (Mulligan, M., 2018). The strategies outlined in Agenda 21 aimed to integrate environmental and developmental concerns, focusing on fulfilling basic needs, improving living standards, and managing ecosystems toward a more prosperous and sustainable future (UN, 1992; ICLEI, 1997).

In 1994, John Elkington introduced the concept of the “**Triple Bottom Line**” in the field of economic sustainability, emphasizing that business performance should be assessed not only in terms of profits but also its impact on people and the planet (Henriques, A.; Richardson, J., 2004). For businesses to be sustainable, they must balance these three aspects.

The 1997 conference on human-induced climate change in Kyoto, Japan, resulted in the **Kyoto Protocol**, which set binding targets for industrialized countries to reduce greenhouse gas emissions by an average of 5% compared to 1990 levels. While it was a significant step, its effectiveness was limited due to the non-participation of major emitters like the United States and the exclusion of developing countries from binding targets (UNFCCC, 1997). The Protocol was later succeeded by

the **Paris Agreement**, adopted at the UN Climate change conference (COP21), in Paris, by 196 parties. (UNCC, 2015)

In 2000, the United Nations introduced the **Millennium Development Goals** (MDGs), which consisted of eight goals: to eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria, and other diseases, ensure environmental sustainability, and develop a global partnership for development (UNMDGR, 2015). The MDGs set the stage for more comprehensive global frameworks aimed at addressing sustainability. However, the MDGs were primarily focused on developing nations in the Global South and often failed to address the needs of marginalized subgroups. This shortcoming led to the creation of the Sustainable Development Goals (SDGs) in 2015, which expanded the focus to include all nations and emphasized a more inclusive, universal approach to sustainability. The key lesson was that sustainability could not be achieved by targeting only certain regions or groups but needed to involve all countries and populations.

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*The Millennium Development Goals (MDGs) were a set of eight international development goals established by the United Nations in the year 2000, following the Millennium Summit. These goals were agreed upon by all 191 UN member states and aimed to address major global challenges by the target year of 2015.*

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The creation of the 2030 Sustainable Development Agenda aims to be achieved by 2030. The **17 Sustainable Development Goals** (SDGs) and 169 targets form a crucial framework for guiding global action and cooperation in economic growth, social inclusion, and environmental protection (UN, 2015). The core values of the SDGs emphasize the need for holistic, inclusive, and equitable approaches to development that benefit both people and the planet, guiding this framework.



Figure 1: Sustainable Development Goals (United in Diversity, CC BY-SA), Wikimedia

As we continue to face pressing issues like climate change, poverty, and inequality, the need for **sustainable development practices** has never been more critical. By focusing on integrated solutions, sustainable development helps create a world that is just, equitable, and resilient for future generations. The SDGs provide stakeholders with an opportunity to reflect on how their current strategies contribute to the achievement of broader social, economic, and environmental benefits. They can also serve as a framework to guide business investments, innovation, and decision making (Ordonez-Ponce and Khare, 2020).

Organizations can proactively plan, anticipating the changes and actions required from employees (Young et al., 2015). Companies can also demonstrate their commitment to the SDGs through transparent reporting systems, highlighting their governance and efforts toward achieving these goals (Bebbington and Unerman, 2018). **Local governments** play a vital role in sustainable development by implementing a range of policy tools, such as urban development plans, transportation regulations, waste management, and other initiatives that contribute to a more sustainable future.

The Sustainable Development Goals (SDGs) **represent** a global commitment to fostering economic growth, social equity, and environmental sustainability. However, the transition from high-level global objectives to national, regional, and local implementation presents significant challenges. The SDGs demand more than policy declarations; they require structural integration into governance mechanisms, coherent strategies across multiple levels of government, and the mobilization of diverse stakeholders, including civil society, private companies, and academic institutions. The European Union (EU) and its Member States have increasingly mainstreamed the SDGs within their policy frameworks and governance models. However, some implementation gaps are still

noticeable in areas such as policy coherence, institutional coordination, and local-level participation (DEVE, 2019).

Understanding the initial steps required to integrate SDGs into policies, practices, and strategies is critical for effective implementation. Recognizing key civic issues that influence SDG outcomes, particularly in areas related to social justice, economic inclusion, and environmental resilience (CBSS, 2023), is equally important. The SDGs cannot be successfully realized without addressing these fundamental societal challenges that shape governance at all levels.

### Policy Integration: Aligning National and Regional Frameworks with the SDGs

Translating the SDGs into **actionable policies** requires a systematic process of policy integration, which involves embedding sustainability principles into national development plans, regulatory frameworks, and sectoral policies. Governments at all levels must ensure that SDG targets are aligned with existing legislative frameworks, avoiding fragmented approaches that could undermine long-term impact. The EU has taken significant steps toward embedding the SDGs into its overarching strategies, including the European Green Deal, which aims to achieve climate neutrality by 2050.

Despite these efforts, **policy fragmentation remains a challenge**. Many national policies continue to operate within sectoral silos, limiting cross-sectoral coordination and creating inconsistencies between economic, environmental, and social development goals (DEVE, 2019). Effective SDG implementation requires a coordinated government approach, ensuring that different ministries, agencies, and levels of governance work together to design and implement policies that support the SDGs holistically. Some EU Member States have developed National Sustainable Development Strategies (NSDS) to address these coordination challenges. However, we still observe a need for stronger enforcement mechanisms that ensure policy commitments translate into measurable progress.

At the regional level, the Baltic Sea Region provides an illustrative example of coordinated SDG implementation. The **Council of the Baltic Sea States** (CBSS) has promoted cross-border cooperation on sustainability initiatives, including joint environmental management programs and shared reporting frameworks that help align national efforts with regional priorities (CBSS, 2023). This approach highlights the value of regional governance mechanisms in bridging policy gaps and

fostering more effective SDG integration. The role of regional cooperation is particularly relevant in addressing transnational sustainability challenges such as marine ecosystem preservation, climate adaptation, and cross-border economic development.

Local governments play a crucial role in SDG implementation, as they are often responsible for delivering services and infrastructure that directly impact sustainability outcomes. Urban planning, waste management, public transportation, and social services all intersect with SDG targets, making municipal governance a key driver of sustainable development. However, many local authorities face significant constraints, including limited financial resources, insufficient technical expertise, and a lack of adequate policy guidance from national governments (ICLEI, 2020). To address these barriers, **local stakeholders should be provided adequate funding**, capacity-building programs, and decentralized decision-making powers that enable them to integrate SDG principles into regional policies and development plans.

## Recognizing Key Civic Issues in SDG Implementation

Beyond policy alignment, SDG integration must address pressing civic issues that influence the success of sustainability initiatives. Social inequalities, economic disparities, and environmental vulnerabilities present **significant obstacles** to achieving SDG targets. One of the most critical civic issues is the persistence of poverty and socio-economic exclusion, particularly in disadvantaged communities. While SDG 1 emphasizes the need to eliminate poverty in all its forms, many structural barriers, including income inequality, access to quality education, and labor market discrimination, continue to undermine progress (ISGlobal, 2021).

Public health is another central concern in SDG implementation. The COVID-19 pandemic revealed substantial inequalities in access to healthcare services, exposing vulnerabilities in both high-income and developing countries. SDG 3, which focuses on ensuring healthy lives and promoting well-being, requires policies that go **beyond healthcare** to address environmental determinants of health, such as air quality, water sanitation, and food security. The ISGlobal report (2021) underscores the need for science-driven approaches to public health policymaking, emphasizing the interdependence between health, climate resilience, and socio-economic stability.

Environmental sustainability remains a cornerstone of the SDG framework, yet many governments struggle to **balance economic growth with environmental protection**. The need to transition

toward low-carbon economies and sustainable energy systems has been widely recognized. However, policy trade-offs between economic development and environmental protection often result in delays in implementing climate mitigation strategies (European Commission, 2020). In many cases, resistance from industrial sectors and economic stakeholders slows down the adoption of renewable energy policies, carbon pricing mechanisms, and green infrastructure investments. Overcoming these challenges requires governments to strengthen regulatory frameworks, provide financial incentives for sustainable business practices, and enhance corporate accountability in environmental governance.

**Public participation** is another key determinant of SDG success. Effective sustainability policies require broad-based societal engagement, ensuring that citizens, civil society organizations, and marginalized communities have a voice in decision-making processes. Participatory governance mechanisms, such as public consultations, stakeholder dialogues, and community-led monitoring initiatives, enhance policy legitimacy and improve long-term sustainability outcomes (CBSS, 2023). One promising example is the use of Citizen-Generated Data (CGD), which allows local communities to contribute data on environmental changes, social conditions, and governance performance. Such initiatives complement official government statistics, ensuring that policy decisions reflect ground-level realities and diverse perspectives.

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The integration of SDGs into national, regional, and local governance frameworks requires systematic policy alignment, institutional coordination, and civic engagement. Governments must adopt holistic, cross-sectoral strategies that embed sustainability objectives across economic, social, and environmental policies. Addressing key civic issues—such as social inequality, public health challenges, and environmental degradation—is essential to ensuring that sustainability policies are both effective and inclusive. The role of regional cooperation mechanisms, local governance structures, and participatory decision-making processes is increasingly recognised as critical to achieving SDG success. As the 2030 deadline approaches, a greater emphasis on multi-level collaboration, evidence-based policymaking, and robust monitoring mechanisms will be necessary to ensure meaningful progress.

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## **Learn how to measure and track progress towards SDG goals, using appropriate tools and effectively reporting results**

The ability to measure and track progress toward the Sustainable Development Goals (SDGs) is fundamental to ensuring accountability, guiding policy decisions, and refining sustainability strategies. The United Nations (UN) SDG Indicator Framework, developed as part of the 2030 Agenda, serves as the global reference point for sustainability tracking, encompassing 231 indicators designed to measure the economic, environmental, and social dimensions of sustainable development (United Nations, 2015). These indicators are widely used by national governments, regional institutions, and international organizations to evaluate the effectiveness of SDG-related policies and programs. However, the complexity of sustainability obstacles, the diversity of governance systems, and the evolving nature of global development trends present significant challenges to SDG measurement and reporting.

Ensuring that sustainability efforts remain effective requires governments to develop reliable data collection mechanisms, enhance statistical capacities, and align monitoring frameworks with international best practices (European Parliament, 2019). As sustainability initiatives often extend across multiple governance levels, from national ministries to local municipalities, ensuring policy coherence and data comparability is critical. Many countries and regional institutions have implemented specialized SDG tracking mechanisms, such as the EUROSTAT SDG Monitoring System at the European level or Voluntary National Reviews (VNRs) at the global level, to assess progress and promote transparency in sustainability governance (European Commission, 2020). However, persistent gaps in data quality, cross-country comparability, and methodological consistency continue to hinder comprehensive SDG reporting efforts (CBSS, 2023).

### **The Role of Monitoring and Reporting in SDG Implementation**

Tracking sustainability progress is an essential function of governance, enabling policymakers to ensure that government commitments to sustainable development are upheld and that policy interventions remain effective over time. The existence of structured SDG monitoring frameworks allows for periodic evaluations of sustainability initiatives, helping to identify weaknesses and refine strategies to achieve better outcomes. Governments rely on sustainability tracking not only as a

means of measuring progress but also as a mechanism for holding public institutions, businesses, and civil society accountable for their contributions to the 2030 Agenda (OECD, 2021).

Monitoring frameworks also play an essential role in data-driven decision-making, ensuring that policy priorities are based on empirical evidence rather than political or economic pressures. Decision-makers require accurate, timely, and disaggregated data to assess whether sustainability policies are meeting their intended objectives (European Parliament, 2019). However, achieving high-quality SDG reporting remains an ongoing challenge, as many national statistical offices face capacity constraints, inconsistent reporting methodologies, and - quite often - insufficient financial resources for large-scale data collection efforts. Addressing these limitations requires greater investment in data management infrastructure, cross-border cooperation in data standardization, and the integration of emerging digital technologies into sustainability monitoring frameworks (ISGlobal, 2021).

## **Institutional Frameworks for SDG Progress Tracking**

At the international level, the UN Global SDG Indicator Framework serves as the primary reference point for sustainability monitoring, providing a standardized methodology for tracking progress across all 17 SDGs (United Nations, 2015). This framework enables comparative assessments of global sustainability trends while allowing individual countries to adapt their reporting mechanisms based on national priorities. Many governments have developed localized indicators that align with their specific development contexts, ensuring that SDG reporting remains relevant to domestic policy objectives. However, ensuring consistency across different national frameworks remains a challenge, as countries apply different methodologies in their sustainability assessments.

The European Union (EU) has established a regional SDG monitoring system, integrating sustainability tracking into its broader policy frameworks. The EUROSTAT SDG Monitoring Reports, published annually by the European Commission, provide data-driven evaluations of sustainability progress across EU Member States. These reports assess multiple dimensions of sustainability, including economic growth, social inclusion, climate resilience, and governance effectiveness (European Commission, 2020). By adopting a harmonised reporting approach, the EU aims to ensure that sustainability policies across Member States remain aligned with global SDG objectives while reflecting the unique socio-economic contexts of individual nations.

At the national level, many governments submit Voluntary National Reviews (VNRs) to the UN High-Level Political Forum (HLPF) as part of their global SDG reporting commitments. These reports outline national sustainability strategies, progress updates, and key policy recommendations for enhancing SDG implementation (United Nations, 2023). However, as VNRs are not legally binding, their effectiveness depends on the degree of government commitment, data transparency, and institutional capacity for monitoring SDG progress. Some countries have successfully leveraged VNRs to improve their sustainability policies, while others have struggled to provide consistent and actionable reporting (OECD, 2021).

## Challenges in SDG Data Collection, Standardization, and Reporting

Despite advances in SDG monitoring, many countries continue to face significant challenges in data collection, standardization, and reporting methodologies. The diversity of governance systems, economic structures, and institutional capacities means that not all countries have equal access to the technical expertise and financial resources necessary for comprehensive SDG tracking (CBSS, 2023). Some still face issues such as outdated statistical systems or limited technological infrastructure.

In addition to national challenges, there are broader issues related to inconsistencies in global SDG reporting frameworks. Although the UN has established a common indicator framework, the application of these indicators varies widely between regions, leading to difficulties in cross-country comparisons (European Parliament, 2019). Some indicators rely on self-reported data from national governments, which may raise concerns about their objectivity and data reliability. Improving SDG reporting requires harmonized methodologies, enhanced international collaboration, and greater integration of digital technologies into data management processes (OECD, 2021).

## Conclusion

This chapter describes the evolution and nature of sustainability, tracing its origins from ancient resource management practices to contemporary manifestation through the Sustainable Development Goals (SDGs). It highlights the balance between economic growth, social inclusion, and environmental protection, emphasizing the importance of intergenerational equity. The

discussion underscores the significance of policy integration, regional cooperation, and local governance in achieving sustainability objectives. The chapter presents sustainability as a dynamic and inclusive framework, essential for fostering a resilient and equitable future.

### **Practical Advice**

To effectively implement the SDGs, it's important to use a collaborative and inclusive approach. Local governments should prioritize integrating SDG targets into existing policies and budgets, ensuring alignment with community needs and capacities. Establishing transparent monitoring systems, such as digital dashboards, can facilitate real-time tracking of progress and enhance public accountability. Engaging diverse stakeholders, including civil society, academia, and the private sector through participatory processes like community consultations and participatory budgeting can foster ownership and drive collective action. By fostering an open culture of collaboration and continuous learning, communities can navigate the complexities of SDG implementation and work towards a more sustainable and equitable future.

### **Process for Implementing the SDGs**

To make the Sustainable Development Goals (SDGs) work in your community, it's important to work together and use data to guide decisions.

1

**Learn and Adapt**

Regularly review your strategies and be open to making changes. Learning from both successes and challenges helps improve future efforts.

2

**Promote Awareness and Education**

Educate the community about the SDGs and encourage active participation. The more people understand and care about these goals, the more likely they are to support and contribute to them.

3

**Include Everyone in the Process**

Involve residents, schools, businesses, and community groups in planning and decision-making. This helps ensure that the SDGs reflect the needs and ideas of

4

**Use Data to guide decision**

Set up simple tools, like digital dashboards, to monitor how well your community is doing in achieving the SDGs. This makes it easier to see what's working and

5

**Be transparent and accountable**

Share progress openly and regularly, allowing the community to see how goals are being met and where improvements are needed.

Figure 2: Process for implementing the SDGs, own representation

By following these steps, you can help your community make meaningful progress towards a sustainable and fair future.

## Quiz Questions

1. Which report is credited with defining sustainable development as “meeting the needs of the present without compromising the ability of future generations to meet their needs”?
  - a. Silent Spring (1962)
  - b. Earth Day Declaration (1970)
  - c. The Brundtland Report (1987)
  - d. The European Green Deal (2019)
  
2. Which of the following best describes policy integration for the SDGs?
  - a. Creating separate policies for each SDG goal
  - b. Embedding sustainability principles into national development plans and sectoral policies
  - c. Prioritizing economic growth over environmental and social goals
  - d. Assigning SDG responsibility solely to international organizations
  
3. What is one major challenge to effective SDG implementation in national governance?
  - a. Overfunding of local governments
  - b. Excessive reliance on citizen-generated data
  - c. Policy fragmentation and sectoral silos
  - d. Lack of global support for the SDGs
  
4. Which regional initiative demonstrates coordinated SDG implementation through cross-border cooperation?
  - a. European Green Deal
  - b. Council of the Baltic Sea States (CBSS)
  - c. Voluntary National Reviews (VNRs)
  - d. OECD Monitoring Reports

5. What is one key civic issue that undermines SDG progress, particularly SDG 1?
  - a. Lack of urban planning initiatives
  - b. Socio-economic exclusion and poverty
  - c. Overuse of digital dashboards
  - d. Limited involvement of the private sector
  
6. What is the primary purpose of the UN Global SDG Indicator Framework?
  - a. To fund local SDG projects directly
  - b. To standardize global sustainability tracking and monitoring
  - c. To replace national development strategies with international policies
  - d. To ensure all countries adopt the same economic growth model

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## 2. Introduction To Crowdfunding:

### Definition, Principles, Taxonomies and Stakeholders

Time to complete the chapter: 30 minutes

#### Keywords



Crowdfunding, Campaign Design, Campaign Management, Crowdfunding Models, Stakeholder

#### Objectives



- Understanding the concept of crowdfunding and its underlying logic.
- Understanding different models of crowdfunding.
- Understanding key aspects of crowdfunding campaign design.
- Understanding key stages of crowdfunding campaign management.
- Understanding key stakeholders in crowdfunding engagements, their benefits, and roles

#### Learning outcomes



- Explain the concept of crowdfunding and the underlying logic behind its use as an alternative financing method.
- Understand and differentiate between the main models of crowdfunding, including donation-based, reward-based, equity-based, and lending-based approaches.
- Design an effective crowdfunding campaign, including key elements such as goal setting, storytelling, platform selection, budgeting, and marketing strategies.
- Manage the stages of a crowdfunding campaign, from pre-launch planning through campaign execution to post-campaign follow-up.

## Introduction

Crowdfunding is a fundraising mechanism where small sums are collected from multiple contributors often outside traditional financial intermediaries (Mollick, 2014). Such an approach avoids dependence on a single or few fund providers, and the power imbalances that come with them. As such, it replaces more democratic participation and balanced power between fundraisers and funders. While the core principle underlying crowdfunding practices is not new and has existed throughout human history, its digital manifestation implies empowering fundraising efforts with potentialities for greater speed, scale, and scope. These are achieved thanks to the increasing prominence of digital service platforms in our daily lives, and internet technology that enables them.

Crowdfunding is part of a wider financial industry development, which was triggered by the combination of the outcomes of the financial crisis of the mid 2000's and the resulting tightening of restrictions on traditional financial institutions, the limited innovation and independence of their legacy systems, the enhanced efficiencies afforded by internet-enabled services, and the growing pervasiveness of social media in curating people's information diet (Haddad & Hornuf, 2019). These conditions allowed the flourishing of new innovative financial service providers which leverage internet technologies, while representing solutions to previously excluded and underserved segments in parallel to offering an alternative to those already included and served by traditional channels.

## Models

Crowdfunding represents an umbrella term for a wide variety of fundraising models, which differ in terms of the benefits they offer to prospective backers (Shneor, 2020). At the most basic level, distinction is made between investment models offering financial returns to investors, and non-investment models offering non-monetary benefits to funders. The four main crowdfunding models include the following:

**Equity crowdfunding** – offering ownership stakes in the forms of shares (with or without voting rights) in the fundraising ventures according to prespecified valuations and minimum ticket conditions.

Examples of campaigns can be seen the following platforms:

[www.invesdor.com](http://www.invesdor.com)

[www.republic.com](http://www.republic.com)

[www.crowdcube.eu](http://www.crowdcube.eu)

**Crowdlending / P2P lending** – offering returns in form of interest payments from loans provided to fundraising ventures according to prespecified terms and repayment schedules.

Example campaigns can be seen on some of the following platforms:

[www.capitalia.com/](http://www.capitalia.com/) (example for business lending)

[www.lendahand.com](http://www.lendahand.com) (example for small business lending in developing countries)

[www.estateguru.co](http://www.estateguru.co) (example for property development)

[www.lande.finance](http://www.lande.finance) (example for agriculture projects)

**Reward crowdfunding** – offering tangible and non-tangible benefits associated the pre-purchasing of products and services not yet produced or fully developed in accordance with prespecified delivery terms and expected schedules.

Example campaigns can be seen on some of the following platforms:

[www.kickstarter.com](http://www.kickstarter.com)

[www.indiegogo.com](http://www.indiegogo.com)

[www.ulule.com](http://www.ulule.com)

[www.startnext.com](http://www.startnext.com)

**Donation crowdfunding** – offering non-tangible benefits associated with satisfaction and joy of giving from charitable contributions to projects addressing issues one cares about.

Example campaigns can be seen on some of the following platforms:

[www.gofundme.com](http://www.gofundme.com)

[www.justgiving.com](http://www.justgiving.com)

[www.crowdfunder.com](http://www.crowdfunder.com)

Since different models offer different benefits, they also have different characteristics with respect to amounts being raised, risk associated with projects, and the time horizons involved (see Table1 for details). Generally, investment models involve higher sums, higher risks, and longer time horizons when compared to non-investment models.

	<b>Non-investment</b>		<b>Investment</b>	
	<i>Reward</i>	<i>Donation</i>	<i>Equity</i>	<i>Lending</i>
<b>Goal amounts</b>	Relatively Low  (few thousands to few tens of thousands of EUR)	Relatively Low  (few hundreds to few thousands of EUR)	Relatively High  (few hundreds of thousands to few millions of EUR)	Relatively High  (few hundreds of thousands to few millions of EUR)
<b>Funder Benefits</b>	Products and services	Warm glow and joy of giving	Monetary returns on ownership	Monetary returns in interest payments
<b>Time horizon</b>	Few weeks to few months	Few weeks to few months  Long term in case of subscription for repeated donations	Several to many years	Months to few years
<b>Risk</b>	Medium (non-delivery)	Low	Medium-High (venture failure)	Low-Medium (loan default)

**Figure 3: Main crowdfunding models' characteristics**

## Principles

The activities associated with crowdfunding practice are centered on a **campaign**. The campaign is a process that includes the preparation, presentation, and promotion of information related to the specific fundraising effort. It includes the content presented to prospective backers, as well as the interactions around such content in the provision of updates, engagement in questions and answers, as well as various forms of dynamic probing for harvesting feedback. Moreover, it includes

all actions taken to promote the project to prospective backers, primarily via social media. As such, the core components of the campaign include the following:

- Goal sum – the stated minimum amount necessary for delivering fundraisers’ promises. This should reflect the sum below which the project cannot materialize. Goal sums should cover project costs as well as crowdfunding campaign costs.
- Duration – the period during which contributions are collected, specifying the start and end date of the fundraising collection effort. In most cases, campaigns run for 30 days.
- Text – describing the project’s objectives, scope, team members’ profiles, expected project outcomes, benefits offered to supporters, and risk assessments.
- Visual elements – videos and images most often presenting the product/service being developed, the people behind the project, endorsements and recommendations, as well as personal disclosures of mission and passions for the project.
- Social media posts – content snippets including both textual and visual elements for the purpose of attracting and engaging prospective backers.

Additional pieces of information are necessary when running an equity campaign, which at minimum will require company documents presenting firm registration and ownership structures, financial reporting and plans, business plans, and risk statements.

In any case, different approaches for the release and use of funds raised exist (Cumming et al., 2019). Most crowdfunding platforms follow an **all-or-nothing** approach, which implies that if the minimum goal set is not met by campaign deadline, all contributions collected are returned or not charged to committed backers. Such an approach is followed whenever projects have a commercial nature, and where fundraisers are expected to make a profit from developments following the campaign. However, when donation is concerned, some platforms allow for a **keep-it-all** approach, as it is better to do some good than no good at all. Nevertheless, the latter approach is not recommended for commercially oriented projects, as backers view such use as a worrying sign or desperation at best, or as a cynical use of goodwill questioning why fundraisers are asking for more money than they need.

## Campaign Process

Overall, the campaign process includes three main stages: preparation, execution, and delivery (Shneor et al., 2020). At the **preparation stage**, fundraisers create and upload the textual and visual content elements to the platform, prepare content for social media posts, establish social media presence in dedicated pages and accounts, build mailing and contact lists, and await verification and feedback from platform operators. At the **execution stage**, the campaign page is published and becomes publicly available, while fundraisers actively and intensely engage in its promotion. During this stage, fundraisers also interact with prospective backers answering questions they have, as well as encouraging them to spread the word further within their own networks. Moreover, this is also a time to introduce updates to campaign information when new information becomes available, or when questions repeat themselves. At the **delivery stage**, and assuming the campaign has reached its end date while collecting the minimum goal amount set, fundraisers issue thank you notices to supporters, complete formalities (e.g., share emissions, loan agreements, etc.), and maintains contact with backers about project progress (even when things do not go according to plan), while eventually delivering products promised, financial reports to owners in case of equity investments, or make scheduled repayments in case of loans.

For more details on the crowdfunding process see chapter II.6.

Here, it is important to note that in some cases, the end of one campaign may be followed up with a new campaign aiming to cover costs associated with other aspects of the project. Some projects may be divided into several stages that follow and build on each other. In any case, fundraisers should avoid running multiple campaigns in parallel, as these are likely to end up with mutual cannibalization and missing goals in all.

## Crowdfunding Campaign Process

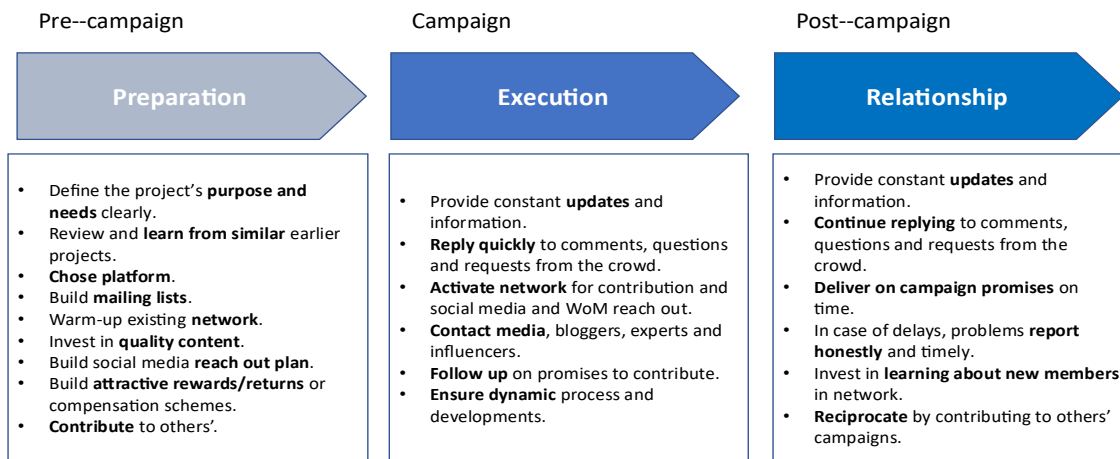


Figure 4: Crowdfunding Campaign Process (Shneor et al. 2020)

## Stakeholders

At minimum, crowdfunding reflects a win-win interactive game between three key stakeholders: platforms, fundraisers, and backers (Shneor et al., 2020). Each stakeholder's success depends on responsible practices by the other two.

First, **platforms** are firms that operate and/or develop web applications through which crowdfunding campaigns can be managed. Platform's value is in its ability to provide a technology that will be otherwise too costly to develop independently, serve as an attractive window for presenting information related to the campaign, ensure legal compliance in the fundraising process, as well as serve as a trust facilitator between people that otherwise are unfamiliar with each other. Platform earnings come from commissions on successful campaigns (often 3%-7%), as well as fixed fees for due diligence process for equity or loan listings (often few thousands of euros).

Second, **fundraisers** are individuals or organizations that require funding for realizing a certain goal. They can be for-profit and non-profit organizations, entrepreneurs, social activists, artists, sports people, public institutions, or any regular member of the public. As such, fundraisers are the content providers for platforms, populating them with projects requiring financing. To qualify, fundraisers at minimum need to be an identified, verified, and traceable legally operating individual or organization (note: various models may have different requirements to ensure legal operations).

Third, **backers** are individuals or organizations that have an interest in contributing financially to a project they find interesting for different reasons. Backers can be any legal, verifiable, and traceable member of the public that is operating legally. Backers have a wide range of motivations to contribute financially to campaigns and are usually associated with philanthropy, relations with other people, interest in products, financial gains and profits, as well as enhancement of reputation and prestige (Miller et al., 2019).

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#### Backer Types Differ by Model

Backers are referred to as donors when contributing to donation crowdfunding, consumers when contributing to reward crowdfunding, investors when contributing to equity crowdfunding, and lenders/investors when contributing to crowdlending.

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## Conclusion

Crowdfunding represents a mechanism for funding projects by collecting small amounts from many backers. It comes in a variety of models offering different benefits to prospective backers whose different needs and motivations. Crowdfunding campaigns represent a multi-staged process in which platforms, fundraisers, and backers interact in mutually beneficial manners. At the heart of the campaigns is the successful communication of information about the project that seeks funding while employing textual and visual elements both on the campaign page and its social media presences.

## Practical Advice for Successful Crowdfunding Campaigns

To launch a successful crowdfunding campaign, start by crafting a story that clearly communicates the problem your project addresses, your solution, and the impact it will have. Consider the most appropriate investment model; equity, lending, reward, or donation crowdfunding, based on your project's objectives and the benefits you aim to offer backers. Clearly define your campaign's goal amount, ensuring it reflects the minimum amount necessary to realise your project's promises, and set a realistic duration, typically around 30 days, to maintain momentum. Make sure to outline your

project's objectives, scope, team, expected outcomes, and risk assessments, complemented by high-quality visual elements like videos and images to engage potential backers. Use social media platforms to promote your campaign actively, provide regular updates, and engage with your audience to foster a sense of belonging and trust. During the campaign's execution, maintain transparency by updating and sharing progress as well as addressing any concerns. Make sure of timely delivery of rewards or fulfilment of commitments to uphold credibility and encourage future support.

## Quiz Questions

1. Which of the following best describes the value added by crowdfunding platforms?
  - a. Identifying, reaching, and promoting campaigns to relevant backer segments.
  - b. Providing legal compliance, technical solutions, and trust facilitation.
  - c. Ensuring that fundraiser's delivery on promises once campaign finishes.
  - d. All of the above.
  
2. Which of the following describes a reward-crowdfunding campaign?
  - a. A fundraiser gives shares in the company to backers as a reward.
  - b. A fundraiser only provides a thank you note to backers as a reward.
  - c. A fundraiser provides a product or service pre-ordered by backers as a reward.
  - d. A fundraiser gives backers part of future income generated by the firm as a reward.
  
3. Which of the following can be a backer of a crowdfunding campaign?
  - a. Only individuals can be backers in crowdfunding campaigns.
  - b. Both individuals and organizations can be backers of crowdfunding campaigns.
  - c. Individuals and public organizations, but not commercial organizations, can be backers of crowdfunding campaigns.
  - d. Only private or public organizations can be backers of crowdfunding campaigns, but not individuals.

4. Which crowdfunding model represents the greatest financial risk for backers?
  - a. Reward – don't know if firm will deliver products it offered.
  - b. Equity – don't know if firm will survive and grow in value.
  - c. Lending – don't know if borrower will repay loan and do so on time.
  - d. Donation – don't know if donation collectors will deliver

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### 3. Crowdfunding as an Alternative Finance: Roles, Advantages and Disadvantages

Time to complete the chapter: 20 minutes

#### Keywords



Crowdfunding, alternative finance, traditional finance, roles

#### Objectives



- Understand the shifting finance landscape and crowdfunding's rising role as an alternative tool.
- Assess the advantages and disadvantages of crowdfunding.
- Analyze the core differences between crowdfunding and traditional finance models.
- Understand certain practical considerations in choosing crowdfunding as a finance tool over traditional finance models.

#### Learning outcomes



- Explain the role of crowdfunding as an alternative financing tool in today's financial market.
- Evaluate the advantages and disadvantages of using crowdfunding as a funding source.
- Understand and differentiate the core elements of crowdfunding that makes it unique from traditional finance models.
- Manage a crowdfunding campaign end-to-end: pre-launch planning, execution, and post-campaign follow-up.

## Introduction

Like a wide range of financial services, fundraising has been immensely shaped by digitalization in recent years. Notably, digitalization and financial technology is shaping funding methods so fast that certain financial tools may be obsolete in the near future while others will continue their success trajectory. Regardless of market configurations, advancement in digitalization and technology significantly influences peoples' behavior in financial markets as they adopt services generally termed as "alternative finance". This could be explained by the consistent change in people's expectations towards providers of financial services either to fulfill the existing financial needs of people not fulfilled by current actors and/or sprout of novel financial technologies that create a desire for such technologies among people.

Simply defined, alternative finance includes financial services offered outside of traditional capital markets and funding sources, which includes fundraising services that operate outside of traditional financial channels (Allen & Qian, 2024). This includes crowdfunding (loans, debt, bonds, invoice trading, equity), cryptocurrencies and initial coin offerings, block-chain tokens (security tokens and non-fungible tokens), among other services and tools. While traditional financial institutions and actors such as bank credit, angel investors, venture capitalists and government support agencies still provide majority of funds to fundraisers, there is a noticeable shift where both individuals and businesses explore alternative sources of funding in various forms. This is mainly associated with the increasing inclusivity underlying alternative financial services, as well as their perceived usefulness, ease-of use (Baah-Peprah, Nyarko, et al., 2024) and seamless integration with traditional funding mechanisms and niche-service solutions. For instance, both individuals and small and medium enterprises (SMEs) have relied on crowdfunding in the past two decades for fundraising in support of both profit and non-profit causes. Fundraisers campaigning efforts lead to wider adoption of the services by backers (investors, consumers, and donors). As alternative finance user-adoption increases, so do the pressures for regulations and legitimation, as evidenced by the new development and implementation of alternative finance frameworks in many countries.

## Advantages and Disadvantages

Playing its role of democratization, crowdfunding provides a level playing field where both novel and experienced fundraisers and backers all have the chance to support and be supported by a wider

network and community of interested stakeholders (Baah-Peprah, Shneor, et al., 2024). In summary, and as elaborated in Table 1, crowdfunding provides several advantages to both investors and supporters while complementing traditional funding sources, which in turn leads to its growing adoption and popularity.

First, compared to traditional financing options in the financial market, crowdfunding poses a **lower barrier to entry in terms of accessibility, ease of use, and reduced costs**. A wide range of crowdfunding platforms offer fundraisers a variety of fundraising services in the forms of loans, donation, pre-purchase, and equity stakes (Kim & Hann, 2019), hence increasing the **accessibility to funds** for project owners, which may or may not qualify for traditional financing. Disqualification from traditional finance may result from factors such as; lack of collateral, short credit history (in the case of bank loans), lack of proven track records (in the case of angel investor and venture capital funding), or misalignment with government's prioritized areas (in the case of government grants).

Additionally, crowdfunding is **easy to use**. Beyond the needs for basic familiarization for first-time fundraisers (Baah-Peprah & Shneor, 2022), developing a crowdfunding campaign is often simpler and more efficient than applying for funding from traditional sources. Yet, the chances of project campaigns getting accepted by crowdfunding platforms (onboarding), as well as eventually getting funding is relatively high. As documented by Shneor et al. (2024), over 60% (in 2021) and 50% (in 2022) of crowdfunding campaigns across all crowdfunding models in Europe were onboarded by crowdfunding platforms with very high campaigns success rates in both years, 98% in 2021 and 88% in 2022. Compared to traditional funding sources, for instance, bank loans, match fundings or even angel and venture capital investments, these success rates of onboarded crowdfunding campaign are high and worth the required efforts in crowdfunding campaign development.

Finally, crowdfunding **reduces the cost of raising capital**, especially compared with interest on bank loans, or costs related to equity demands by angel or venture capital for the very few that get them. Indeed, platform services are often based on success fees ranging between 3%-7% (of funds raised), in addition to relatively low due-diligence fees only in the cases of crowdfunding investment. In the case of crowdlending, interest rates range between 4% to 11% (varying across models) with relatively low default rate between 0.08% to 4% (varying across models) (Shneor et al., 2024). The combination of these lower costs and the associated uncertainties of projects' outcomes, justifies the attractiveness of fundraising through crowdfunding compared to other traditional funding mechanisms.

Second, compared to traditional financing options in the financial market, crowdfunding provides **access to a wider global audience, offering a broader reach, marketing and exposure, ideas validation and flexibility, and community building**. Fully dependent on online platforms, crowdfunding **enhances a broader reach** where geographical boundaries pose lesser challenges (still relevant for shipment consideration, or ownership protections). With crowdfunding, fundraisers have access to a potential pool of global backers (Testa et al., 2019), an aspect that has become extremely beneficial in niche products and services where local markets are not big enough to provide the necessary support or demand.

Also, crowdfunding campaigns may serve as an essential tool **in marketing and exposure enhancement for products and services**, (Zhang & Tian, 2021) which may even be the primary objective of some campaigns (in cases when funding represents a more minor objective). Here, by gaining social media traction through supportive promotional mechanisms, a ‘buzz’ can be created around the product or services being promoted, which if effectively managed, leads to market validation and the buildup of a customer base. Overall, these marketing aspects are often unique to crowdfunding when compared to traditional funding sources.

Despite these advantages of crowdfunding, there are also inherent challenges that are associated with it. These include **potential fraud, campaign goal achievement uncertainty, fear of failure, and information overload**. Though fraudulent acts in crowdfunding are documented by anecdotal studies, it is not a mainstream development in the crowdfunding industry overall. Notably, crowdfunding backers’ intention and behavior to contribute to campaigns are positively associated with ethical factors and platform trust (Shneor, R., Baah-Peprah, P., Cox, J. et al., 2025). In this respect, Shneor and Torjesen (2020) outline ethical pitfalls in crowdfunding, including fraud, as well as mitigation strategies to avoid them. Here, as fundraisers are eager to achieve their campaign goals and avoid failure in the eyes of the public, they may be tempted to engage in acts such as ‘overselling’ and providing misleading information, tempted to misuse personal information of backers to gain attention, or simply engage in raising funds for causes with unethical objectives or outcomes. Relatedly, early backers who may feel invested or attached, financially or emotionally, may be pressured to ensure the campaign gets funded. Here, backers may engage in acts such pressuring others to fund the campaign, funding campaigns with unethical objectives and outcomes, or when closing deals directly with fundraisers without platforms (Shneor & Torjesen, 2020). Similarly, crowdfunding platforms, due to their limited resources and long-term survival objectives as start-

ups, may be pressured to engage in acts such as relaxing controls for campaign quality and security checks, approving and publishing campaigns with unethical objectives or outcomes, or misusing of funders and backers' personal data. Considering these concerns, countries are developing regulatory sandboxes and frameworks to monitor crowdfunding activities which enhance responsible and ethical crowdfunding practice. Indeed, it was found that adopting crowdfunding regulatory policies is associated with higher volumes raised (Shneor et al., 2024).

Another important aspect relates to **fear of failure**, and its potential negative effects on reputation and prestige, as well as raising funding through other channels. While failure is part of entrepreneurial venturing processes often leading to pivoting, due to the public nature of campaign results, prospective fundraisers may be concerned with effects of failure than with rejection via less visible channels. Here, one must also recognize that on the one hand, sometimes failure could also be good in preventing waste of time and resources on ventures that cannot deliver needed values or reach necessary scale. On the other hand, one failure could be an opportunity to learn, adjust, and initiate a new campaign that may be successful. Such repeated attempts are often used successfully by firms that learn from earlier mistakes.

Finally, the broad reach of crowdfunding campaigns and the possibility of fundraisers receiving feedback from potential backers may lead to **information overload** (Thapa et al., 2025). This may be challenging for fundraisers to manage in a public and timely manner, as well as distract founders from their original ideas. Furthermore, from a backer's perspective, too much information may be confusing and may negatively impact abilities to make clearly informed funding decisions, or dropping them altogether.

## Conclusion

Understanding the unique aspects and role of crowdfunding as a form of alternative financing amid the existing traditional financing tools is essential. Irrespective of the market configurations of traditional and alternative financing tools, crowdfunding plays a unique role of democratizing investment and fundraising while offering benefits such as lower barriers to entry, ease of use, and reduced costs, broader audience reach, marketing and exposure, market validation, flexibility, and community building. On the other hand, there are inherent challenges associated with crowdfunding such as risks of potential fraud, campaign goal achievement uncertainty, and information overload.

The balance between these benefits and challenges justifies the attractiveness. Supported by the increasing trend in development of regulatory sandboxes and frameworks to monitor crowdfunding activities including the passporting of crowdfunding licenses across countries (as witnessed in developed crowdfunding markets e.g., ECSP within Europe<sup>1</sup> and in less-developed crowdfunding markets e.g. in Africa, Ghana and Rwanda<sup>2</sup>), industry players being better positioned to address some of crowdfunding's underlying challenges. These developments signal a in the future as an alternative source of funding and investment option while calling for the exploration of behavioral dynamics driving crowdfunding adoption as an investment tool vis-à-vis traditional investment option.

### **Practical advice to consider when choosing crowdfunding over traditional finance models**

Choosing crowdfunding over other traditional finance models may appear to be a smart move in today's digitalized world — yet crowdfunding is not suitable for all projects or businesses.

- As crowdfunding works best for projects with public appeal, ask yourself; how strong your project's appeal is in terms of emotion, social appeal, or innovation that resonates with netizens. That is, **you must be able to score yourself at least 5, on a scale 1 to 7 on the question “would someone I do not know on the internet care enough to give me his/her money for my project/business?”**
- Unlike traditional finance models, ***crowdfunding requires “marketing hustle”***. ***If you are not comfortable preparing a campaign pitch and spreading it widely online, crowdfunding would be difficult for you; hence, a third party's service should be considered.***
- While crowdfunding models such as reward-based models do not give away ownership, equity crowdfunding does. Here, **you must first decide on the extent of control and ownership of your business before choosing a crowdfunding model, before contrasting it with traditional funding models.**

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<sup>1</sup> European Crowdfunding Service Providers for Business: <https://eur-lex.europa.eu/EN/legal-content/summary/european-crowdfunding-service-providers-for-business.html?fromSummary=19>

<sup>2</sup> Ghana and Rwanda to Introduce Fintech License Passporting to Boost Cross-Border Operations <https://www.modernghana.com/news/1378497/ghana-and-rwanda-to-introduce-fintech-license-pass.html>

- **Do not understate the cost dynamics that are at play in crowdfunding.** Crowdfunding may take months to prepare and publish and still may fail. In case of success, you must also know the platform fees and other hidden costs (e.g., video production, marketing, and fulfilling rewards). **Consider all costs including your own time and do not expect to keep all the money raised — unlike traditional financing models, e.g., bank loans.**
- A failed crowdfunding campaign is publicly visible — unlike a bank rejected loan. This may hurt your personal emotions, and the product’s reputation. While such failure and feedback may be used to possibly relaunch improvement, you must **be prepared to fail publicly while examining your level of resiliency before choosing crowdfunding over other traditional finance models.**

Financing Method	Comparison							
	Accessibility	Ease of Use	Reduced cost	Broader Reach	Marketing & Exposure	Idea Validation	Flexibility	Community Building
<b>Crowd-funding</b>	High (open to many)	Simple clear online forms and functions	Lower fees, relatively lower interests than elsewhere, and ability to offer lower equity shares	Wider audience of individuals and institutions with lesser geographical constraint	Part of process, and built-in promotional functions	Popular early market validation	Higher flexibility in setting terms and conditions, campaigns can be updated, interactive Q&A	Engaged backers, fans, consumers, and investors
<b>Traditional Financing</b>	Low (strict requirements)	Complex/unclear application process	High Interest, high equity demands, and high fees	Limited to specific individuals and institutions	Separate effort	Often assumed and speculated	Low flexibility in setting terms and conditions, often a one-shot opportunity	Transactional relationships

**Figure 5. Comparing Financing Methods: Crowdfunding vs Traditional Finance Model**

## Quiz Questions

1. Which of the following practical considerations is relevant before choosing crowdfunding over other traditional finance models?
  - a. Assessing how strong your project's appeal is in terms of emotion, social appeal, or innovation that resonates with netizens.
  - b. Considering all costs including your own time and do not expect to keep all the money raised — unlike traditional financing models, e.g., bank loans.
  - c. Prepared to fail publicly while examining your level of resiliency before choosing crowdfunding over other traditional finance models.
  - d. All of the above.
  
2. Which of the following is incorrect regarding crowdfunding and traditional financing comparison?
  - a. Regarding marketing exposure, crowdfunding form part of the process, and built-in promotional functions while traditional finance demands separate effort.
  - b. Regarding accessibility, crowdfunding is low with strict requirements while traditional financing is high and open to many.
  - c. Regarding broader reach, crowdfunding serves a wider audience of individuals and institutions with lesser geographical constraint while traditional finance models is normally limited to specific individuals and institutions.
  - d. Regarding ease of use, crowdfunding is simple with clear online forms and functions while traditional financing is complex with unclear application process.
  
3. Which of these is NOT an inherent challenge associated with crowdfunding?
  - a. Risks of potential fraud,
  - b. Uncertainty of campaign goal achievement
  - c. Joy of success.
  - d. Fear of failure.
  
4. Relatively, crowdfunding increases the cost of raising capital for start-ups than traditional financing models e.g. bank loans?
  - True
  - False

5. Like traditional finance models, crowdfunding does not require “marketing hustle”. If you are not comfortable preparing a campaign pitch and spreading it widely online, crowdfunding would be difficult for you; but a third party’s service should not be considered.

True

False

## Toolbox

Digital transformation of financial services and dominance of alternative finance and the: implications for market structure and public policy  
<https://www.bis.org/publ/bppdf/bispap117.pdf>

When less-developed crowdfunding markets position themselves to mitigate certain inherent risks of crowdfunding by developing regulatory sandboxes and frameworks to monitor crowdfunding activities, they are more likely to be successful. <https://www.jbs.cam.ac.uk/wp-content/uploads/2020/08/2017-05-eastafrika-crowdfunding-report.pdf>

Comparing financing models: crowdfunding vs traditional finance model  
<https://www.business.com/articles/business-loan-vs-crowdfunding-which-is-best-for-you/#pros-and-cons-of-bank-loans-vs-crowdfunding>

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## 4. Crowdfunding in Crisis: Solidarity beyond Charity

Time to complete the chapter: 35 minutes

### Keywords



Crisis response; community empowerment; youth action; social trust; public institution involvement

### Objectives



- Understand the shifting paradigm in today's finance market and the dominant role of crowdfunding as an alternative financing tool in such process.
- To explain the role of crowdfunding in crisis situations and highlight the limitations of traditional aid.
- To explore real-life examples of civic crowdfunding campaigns that respond to crises and community needs.
- To encourage young people to envision their own community-focused initiatives.

### Learning outcomes



#### Knowledge

Explain the psychological mechanisms that influence giving during crises Identify the phases in the evolution of crisis crowdfunding in relation to technology.

#### Skills

Examine crowdfunding campaigns and identify how psychological and technological factors are used to drive donations

Apply possible strategies to counteract compassion fade and donor fatigue

#### Attitudes

Value the role of global solidarity and local empowerment in responding to crises.

Appreciate crowdfunding as a tool for collective solidarity.

Develop a critical perspective on the ethical and equity issues linked to crisis crowdfunding.

## Introduction: Understanding Crowdfunding in Crisis Context

Natural disasters, pandemics, and wars are all examples of massive crises with far-reaching humanitarian, social, environmental, and economic consequences for entire regions and societies. Such dramatic events, which often pose a direct threat to human and animal life, require an immediate response and the organization of wide-ranging assistance, for instance: conducting rescue operations, securing shelter, food, water and medical care, establishing an information system, and in later stages also supporting funds for reconstruction.

It is natural that communities affected by such disasters, faced with the scale of damage and personal loss, need external organizational and financial assistance, especially from local and national governments. These public institutions are indispensable and play a vital role in coordinating emergency response. At the same time, the capacity of their resources is not unlimited, and funds may be slow to mobilize (Yang et al., 2023). Bureaucracy, logistics, and political constraints often delay the delivery of aid. For communities caught in a wildfire, a war zone, or a sudden medical emergency, waiting weeks or months for official support can feel like waiting forever. Moreover, even when assistance does arrive, the scope of public funding available for reconstruction often falls short of meeting the significant needs that arise in the aftermath of a disaster. This is where various social organizations, NGOs, and spontaneous initiatives play a role. They are more flexible, mobile, and able to draw on diverse resources (Yang et al., 2023; Park & Yoon, 2022). Unlike public authorities, which operate under strict bureaucratic frameworks, these organizations and initiatives can act faster. This is where crowdfunding proves to be a powerful tool. By leveraging digital platforms and the power of social media, crowdfunding enables ordinary people moved by a critical situation to respond in real time. Here, a single story shared online can quickly spread to reach thousands of donors worldwide. This form of support feels direct and personal as funds are collected for families, schools, or to support frontline responders.

During the COVID-19 pandemic, millions of dollars were raised on GoFundMe and other platforms to buy protective equipment for hospitals, support laid-off restaurant workers and help small businesses stay afloat. In Ukraine, civilians and diaspora networks leveraged crowdfunding as a lifeline, raising funds for medical kits, evacuation vehicles, and even defense equipment, often more quickly than state programs could respond.

At the start of COVID-19, platforms like GoFundMe saw a massive surge of new campaigns, particularly in March 2020. However, over time, donations declined, and most campaigns raised only a fraction of their goals, with many receiving little or no support at all (Igra et al., 2021; Rajwa

et al., 2020; Saleh et al., 2021). This illustrates how early attention and novelty drive giving, but sustaining long-term support proves to be much harder. The lesson: campaigns need compelling stories and trust to keep people engaged.

Crises can take many forms; some erupt suddenly, while others persist over time. Humanitarian crises are particularly challenging because they are ever-present and numerous (famine, limited access to drinking water, and shortage of medical supplies). In such situations, organizations must find ways to stand out, often relying on strong storytelling, transparency, and credibility to gain attention and support. Crises can also be highly localized and individual, affecting smaller groups, such as specific communities or neighborhoods, for example, restaurants during periods of economic downturn or social tension.

In September 2024, prolonged and intense rainfall in south-western Poland (Państwowe Gospodarstwo Wodne Wody Polskie, 2025) triggered a devastating flood that affected over 240,000 people. The disaster damaged over 10,000 private and public buildings and critical infrastructure. Entire communities were left without safe drinking water, electricity, or access to basic services, while agriculture and local businesses suffered enormous losses. The flood also impacted areas that are particularly protected due to their natural value. Amid the destruction, various actions started to provide relief efforts through crowdfunding. One organisation, Polska Akcja Humanitarna (PAH, 2025), which has decades of experience in responding to humanitarian crises, launched the "SOS Flood" campaign on the platform [zrzutka.pl](https://zrzutka.pl). It raised over PLN 1.3 million, enabling immediate relief efforts in the affected region. After the fundraiser ended, PAH presented a summary of its activities for flood victims in the updates section on the campaign's website. Below is a piece of this update describing the scope of activities:

"Initially, the victims needed above all clean drinking water and non-perishable food, as well as basic hygiene items - soap, toothpaste, toilet paper and wet wipes. (...) The following week, we delivered the following items to residents: 150 dehumidifiers, 111 heaters, 130 ozonators and 16 power generators. In cooperation with local authorities, we assessed the residents' needs and purchased household appliances and equipment, including 294 refrigerators, 280 washing machines, 100 microwave ovens, 50 cookers, 207 mattresses and 63 sinks. We also supported 15 fire brigades by supplying, among other things, 17 sludge pumps, 2 chainsaws, 3 wheelbarrows, 3,000 sandbags and two radiotelephones" ([zrzutka.pl](https://zrzutka.pl), 2025).

## The Psychology of Crisis Giving

In the early stages of a crisis, powerful psychological forces drive a surge of various forms of support. Nowadays, the strong news and media coverage of critical events draw public attention and trigger emotional contagion, where people “catch” the intense feelings of others (Pantti, 2009). When crisis information spreads rapidly through news, social media and personal networks, it creates a wave of empathy that induces moral commitment, motivating individuals to undertake action. In literature, this need for action is connected to the modern cultural value system and belief that others are similar to us (Sznajder, 1998). Thus, the suffering of others even in distant locations needs to be addressed since their suffering is treated as an “offence to common humanity” (Sznajder, 1998; Pantti, 2009).

One of the most immediate forms of such action is donating to those in need, which explains why large numbers of donations are often sent within the first days after a critical event. This early surge is further amplified by social proof: seeing others donate signals that helping is expected within one’s social circle. Seeing others donate signals that helping is the expected within our social circle. The social proof creates a feedback loop: more visible support leads to more donations, which in turn creates even more social proof, attracting additional supporters. In a crisis crowdfunding campaign’s first days, donors often pile in precisely because they observe community action and feel swept up in the collective emotion.

Media coverage plays a crucial dual role in this dynamic. On the one hand provides information, draws attention and allows emotions to evoke. On the other, while sharing stories of people involved in collecting funds (including celebrities) and amounts gathered media can create new social norms that encourage giving, transforming the entire society into a ‘peer group’ that expects donations (Einolf, Philbrick & Slay, 2013).

Another key driver is psychological proximity. Proximity bias means people are more inclined to help those who feel “close to home.” Studies show people are more willing to help members of our own group or community than distant strangers. During a disaster, donors give faster when they identify with the victims, geographically, culturally, or personally (Einolf, Philbrick & Slay, 2013; Zagefka & James, 2015). This helps explain why in some European countries, after the tsunami catastrophe in 2004, personal stories of tourists visiting Thailand triggered a stronger emotional response than reports about the suffering of local inhabitants (Pantti, 2009). Psychological proximity is also especially visible in the engagement of people from the diaspora: although they no longer live in a given region, they often maintain strong emotional ties to it and can be mobilised to contribute to relief efforts through crowdfunding (Flanigan, 2017).

This ties into the identifiable victim effect, where a single relatable story elicits far greater compassion than abstract statistics about many sufferers (Small & Loewenstein, 2003; Small, Loewenstein & Slovic, 2013). Seeing one family's photo or hearing one survivor's plea creates vivid empathy, whereas large anonymous numbers feel impersonal. Information about an individual, identifiable victim evokes stronger emotional responses and generosity than news of a faceless mass tragedy. Crowdfunding campaigns leverage this by featuring personal stories and images, knowing that donors connect with people, not numbers.

However, these early surges of compassion inevitably confront compassion fade, which is a decline in empathy and urgency as time passes, or the scale of suffering grows (Markowitz et al., 2013). Psychologists have documented that human compassion is greater towards individual suffering than large crowds. In other words, people are less moved when the number of victims rises (Meier, 2025). Although this may seem counterintuitive, the phenomenon is linked to the diminishing strength of the identified victim effect: the 'recognised individual' becomes less emotionally salient within a group of victims. Moreover, presenting statistics about a large group of victims may lower the chances of funding, as potential donors may feel that their contribution would merely be a 'drop in the sea' and unlikely to make a significant difference (Zagefka & James, 2015).

As a crisis response drags on, donors often experience fatigue; the initial emotional spark dims and attention shifts elsewhere. The same shocking story that moved thousands on day one may elicit far less interest after weeks of news saturation. People also tend to react most strongly to sudden emergencies and far less to "old" or ongoing crises. This means crowdfunding campaigns face a challenge of sustaining support once the novelty wears off, which requires precise planning of the duration and intensity of the campaign.

Early emotional contagion and social proof might kick-start a fundraiser, but maintaining momentum requires continual engagement. Without fresh storytelling, updates, and reminders of impact, even well-intentioned supporters can lose motivation over time. Understanding these psychological patterns is crucial for campaigners. By tapping into empathy effectively (through relatable stories and shared emotion) and countering compassion fade (through updates and renewed appeals), crowdfunding efforts stand a better chance of success over the full arc of a crisis.

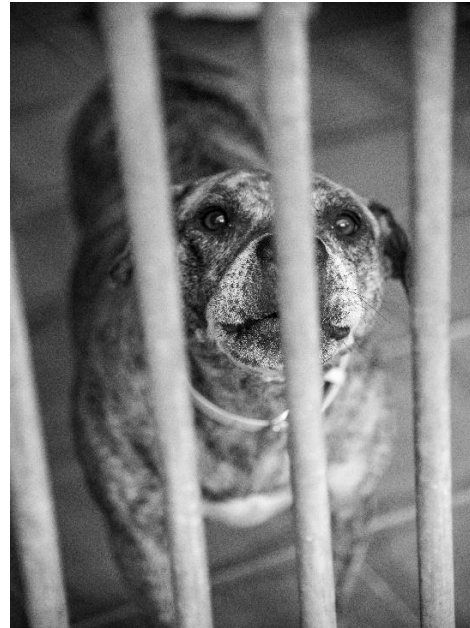
Imagine you are going to start a campaign of collecting funds for an animal shelter, specifically for dogs. You are deciding now on pictures which are going to be used and also depicting the brief story.



**Figure 6. AI Generated Picture**

Over 300 dogs are waiting for your love and compassion.

They urgently need clean water, nourishing food, warm blankets, and cozy sleeping beds. We are also raising funds to heat the shelter building to keep them safe through the winter. Your support can bring warmth and comfort to hundreds of loyal friends in need.



**Figure 7. Dog by Siebe Vanderhaeghen (Unsplash 2025)**

Strawberry is a gentle, loving soul who dreams of a safe home.

She survived two years alone in the forest after being abandoned by her previous owner. You can support her by symbolic adoption or, even better, by giving her a real forever home. Help Strawberry leave the past behind and start a new life filled with care and love.

## Technology and Crisis Response Evolution

The rise of crisis crowdfunding closely follows the evolution of communication technology. In the SMS era of the mid-2000s, mobile texting emerged as a breakthrough tool for rapid donations. When Hurricane Katrina struck in 2005, the American Red Cross launched one of the first text-to-donate campaigns, raising about \$250,000 through simple text pledges. A few years later, after the 2010 Haiti earthquake, donations amounted to \$500,000 per hour via SMS appeals. This era demonstrated how basic cell phone technology could lead to mass charity in real-time, allowing anyone with a phone to contribute instantly to disaster relief. Text donations, usually billed in \$5

or \$10 increments to phone bills, lowered the barrier for impulse giving. The SMS phase showed the potential of technology to mobilize solidarity beyond geographic limits, with relatively small individual contributions and simpler networks (no rich social media yet, just TV and radio incentivising citizens to text).

By the 2010s, the social media era had transformed crisis crowdfunding into a global, participatory phenomenon. Dedicated crowdfunding platforms and social networks via Facebook and Twitter enabled personal appeals to reach millions within hours. Campaigns like “Donate a Bayraktar” for Ukraine in 2022 (where citizens crowdfunded a drone for defence) exemplified how a social-media-driven appeal can rally donors globally in days, something unimaginable in the pre-internet era. The social media phase also made fundraising more interactive: donors could share links, post encouraging comments, and watch funding amounts climb in real time, reinforcing that sense of global community action.

Crisis crowdfunding is entering a new phase infused with AI technologies. For example, during the war in Ukraine, government and NGO appeals didn’t stop at traditional currencies, but also used cryptocurrency. Ukraine’s government famously posted Bitcoin and Ethereum wallet addresses on Twitter, raising nearly \$13 million in crypto donations within days of the 2022 invasion. By accepting crypto, fundraisers opened up a new pool of international support and enabled swift cross-border transfers when banking systems were strained. Beyond crypto, blockchain technology is being tested to increase donor trust through immutable records. Pilot projects use smart contracts and ledgers to trace each donation’s path from contributor to end beneficiary, creating a transparent “track record” of how funds are spent. Donors could technically one day verify that their money bought the aid it was promised to, addressing concerns about fraud or mismanagement.

Other emerging tech tools are enhancing crisis responses as well. Satellite imagery can now quickly verify disaster damage or the delivery of aid in remote areas, providing evidence to back crowdfunding appeals. Instead of relying solely on reports from the ground, campaigners might show before-and-after satellite photos to prove that supplies reached a village or that rebuilding has begun, further strengthening credibility. Meanwhile, AI-driven translation is breaking language barriers (language being a key part of crowdfunding success) in global funding. A campaign started by someone in a non-English-speaking region can be instantly translated into dozens of languages, allowing their story to reach donors everywhere. AI chatbots are also beginning to assist in crisis fundraising by answering donor questions in real time and guiding people through the giving process online. On the other hand, these technologies open up a

number of risks, by allowing to generate a plethora of fake claims, creating stories with no grounding in reality, altering images and videos.

## Public Institutions and Their Involvement

The engagement of public institutions in crowdfunding presents both advantages and drawbacks. On the one hand, their participation can enhance credibility, increase visibility, and attract additional donors by signalling trust and stability. It may also encourage collaboration with NGOs and strengthen the impact of funded projects. On the other hand, public involvement can introduce bureaucracy, reduce flexibility, and potentially discourage grassroots initiatives that thrive on independence and innovation. Balancing institutional oversight with the core values of crowdfunding remains a key challenge.

Public institutions can engage in civic crowdfunding through several approaches, offering both financial and non-financial support. Their involvement typically takes four forms:

1. sponsorship, where they run their own campaigns;
2. match-funding, where they co-finance successful community initiatives;
3. facilitation, by providing expertise, legal support, or planning permissions; and
4. platform provision, by creating dedicated crowdfunding platforms.

Such participation can help bridge the gap between limited public budgets and rising demand for public goods, but it also raises concerns. Because local authorities are perceived as closer to communities and more relatable than central governments, their endorsement, through platforms or co-financing, can help overcome trust barriers and increase the success of civic projects.

While public backing can validate community initiatives, it may also introduce bureaucracy, inefficiency, and reduce the grassroots character of civic crowdfunding.

Trust is essential for effective collaboration between civic organizations and public institutions. Transparency in fund management is critical to building this trust, yet mistrust is deeply rooted in society and extends beyond civic crowdfunding, reflecting a broader systemic challenge. The role of trust is discussed more in depth in following chapters.

## Conclusion

Crowdfunding thrives because it is fast, digital, global, and human. It shows that in times of uncertainty; community itself is often the first responder. But it also has clear limitations. The major benefits of crowdfunding in crisis situations are:

1. **Speed and accessibility:** Platforms allow almost instant creation and sharing of appeals, enabling communities to mobilize quickly in the early phases of a crisis.
2. **Awareness and signal generation:** Campaign narratives provide insights into local needs and public sentiment, complementing official data for situational awareness.
3. **Flexibility:** Campaigns cover a wide range of needs (medical bills, funerals, rent, small business support), letting donors fill urgent gaps.
4. **Global solidarity:** Donations often come from strangers worldwide, turning compassion into collective action.

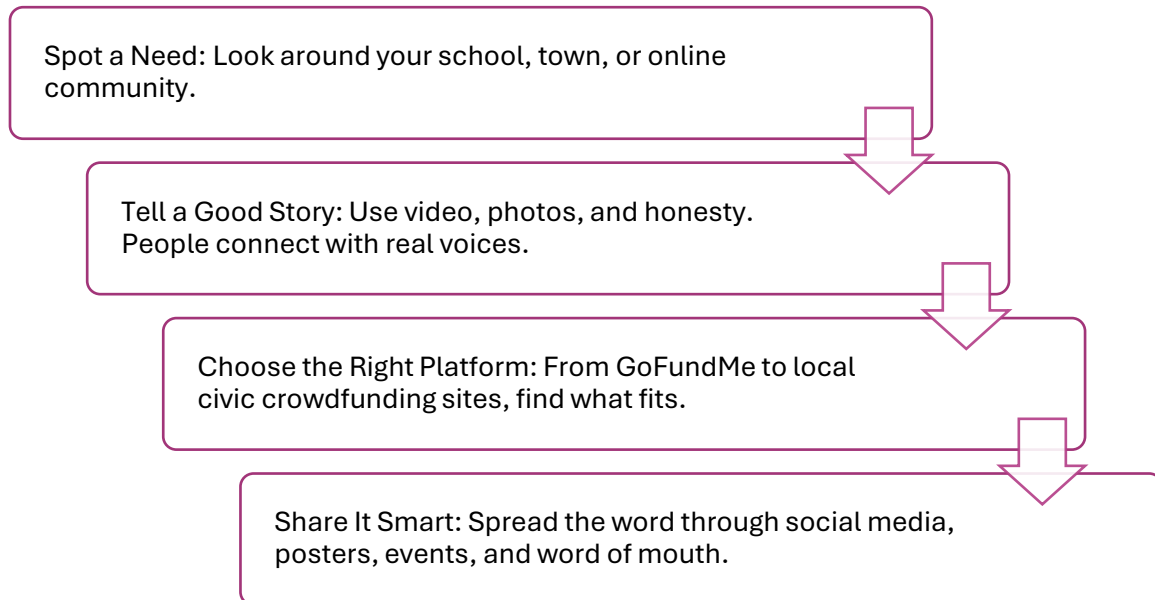
Yet limitations and equity concerns are just as important:

1. **Concentration and inequality:** Campaigns from wealthier, better-educated areas tend to raise more, while marginalized communities often struggle to gain traction. This might amplify pre-existing inequalities in disaster recovery.
2. **Platform incentives:** Corporate crowdfunding platforms prioritize campaigns that attract attention, media coverage, or growth for the platform itself, which may not align with the greatest need.
3. **Stopgap, not a system:** Crowdfunding cannot replace coordinated public relief or robust social safety nets. It benefits only a subset of users and should be seen as a complementary tool rather than a substitute.

The Ukraine-Russia war demonstrates both the promise and the limits of this model. Crowdfunding became a vital source of support for military units, NGOs, humanitarian groups, and civilians, reshaping how grassroots fundraising influences geopolitics (Fischmann & Xu, 2024). At the same time, the uneven success of campaigns shows how access, visibility, and trust remain decisive factors.

## Practical Advice: Youth Action: How to Get Started

Crowdfunding is not just about raising money, it is about building trust, awareness, and networks of solidarity. Even campaigns that fail to meet their goals can spark conversations, mobilize volunteers, and inspire future action.



**Figure 8. 4 Steps to begin, own representation**

## Quiz Questions

1. Which of the following is typically a limitation of government-led crisis response?
  - a. Immediate local presence
  - b. Bureaucratic procedures
  - c. Decentralised funding streams
  - d. High emotional engagement of donors
  
2. What is the key advantage of NGOs and grassroots initiatives during crisis situations?
  - a. They control national emergency budgets
  - b. They operate with high flexibility and mobility
  - c. They follow complex administrative protocols
  - d. They are always more transparent than public authorities

3. Imagine that a crowdfunding campaign goes viral in the first days of a disaster. What is likely to happen next?
  - a. Donations rapidly increase due to emotional engagement and social proof
  - b. Government agencies suspend their own relief efforts
  - c. Campaign organisers must return funds
  - d. Fewer people are aware of the crisis

## Matching Question

Match each term to its correct description.

Emotional contagion	People are more willing to help those they perceive as geographically, culturally, or personally close to them.
Social proof	A decline in empathy and emotional response as the number of victims increases.
Psychological proximity	The tendency for people to donate because they see others donating, which creates a reinforcing cycle of giving.
Identifiable victim effect	A gradual loss of motivation and interest to support a campaign as time passes and attention shifts elsewhere.
Compassion fade	
Donor fatigue	

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## 5. Types of Crowdfunding Platforms, Functionalities and Their Appropriateness for Various Business Models and Civic Projects

Time to complete the chapter: 15 minutes

### Keywords



Sustainability, Sustainable Development Goals, Triple Bottom Line, Policy Integration, Civic Engagement

### Objectives



- To present the concept of sustainable development and explain the historical context that led to the creation of the SDGs.
- To discuss the core values of the SDGs along with their associated targets.
- To identify initial steps for integrating the SDGs into policies, practices, and strategies, and recognize key civic issues related to them.
- To explain how to measure and track progress towards the SDGs using appropriate tools and demonstrate effective reporting of results.

### Learning outcomes



#### Knowledge

Define Sustainable Development and understand the core values including the historical context

Identify the SDG associated targets.

#### Skills

Examine the 17 SDGs and their associated targets in the context of civic crowdfunding.

Apply SDG knowledge to real-world scenarios and effectively communicate the importance of SDGs in everyday actions.

#### Attitudes

Develop a critical perspective on the importance of SDG for local communities.

## Introduction

Before launching a crowdfunding campaign, project initiators should understand that crowdfunding platforms may be tailored for specific types of projects and may have different functionalities. Therefore, not all crowdfunding platforms may be suitable for every type of crowdfunding project.

## The Benefits of Using Crowdfunding Platforms

By posting the crowdfunding project on a crowdfunding platform, the project initiator **gains exposure** within a community of potential investors or backers who may be willing to **financially support** the project. This environment allows for **interaction**, enabling further **promotion** of the campaign and/or the product. In case of business oriented projects, by entering into a direct **dialogue** with potential customers, crowdfunding campaigns become tools for **customer acquisition and retention**.

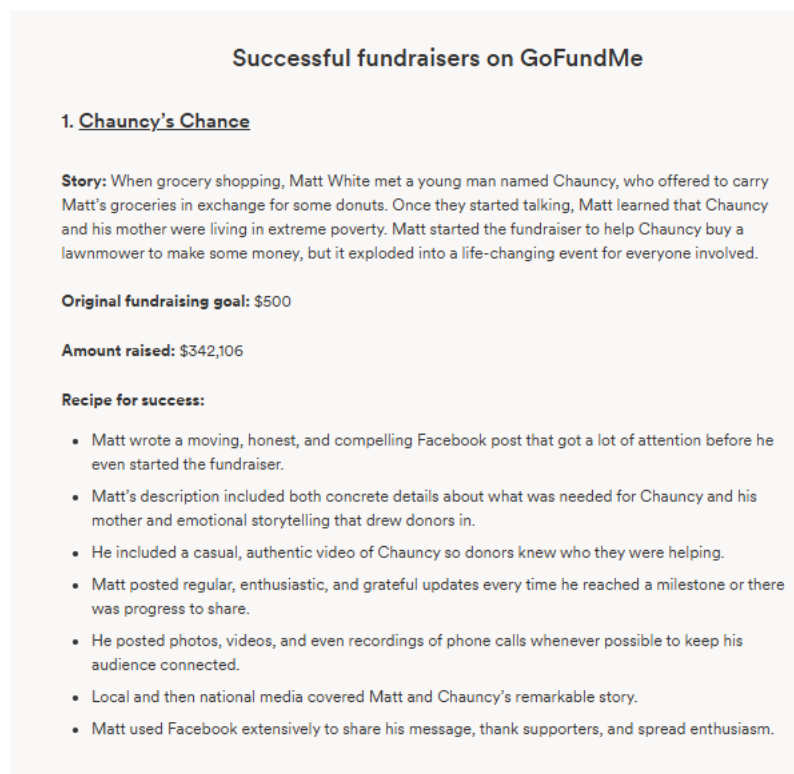
The promotion of the crowdfunding project represents a **marketing tool** that must be well designed from the planning phase until its implementation (see Chapter 7 for more details on the crowdfunding process). Once created, the campaign must be promoted through various channels - both online and offline.

Crowdfunding is not just a mere method of raising funds from the community via a crowdfunding platform. It offers plenty of additional opportunities that can be seized, such as allowing the community to **contribute technology or knowledge**. Sometimes, the crowdfunding platform plays the role of a technological platform within which various new forms of **collaboration** and **competition** can be established based on the interaction between the various interested stakeholders (Nucciarelli et al., 2017).

Crowdfunding has also become a source of **public engagement** and **participatory culture**. Within this process, a certain **identity** takes shape, and the connection between the online and offline environments is strengthened by individuals and groups that are interconnected within **networks** (Zheng & Liu, 2017). The network supporting the crowdfunding project comes into existence with the help of social relations in the offline environment, but this initial form is not sufficient to ensure the successful completion of the respective project (Agrawal et al., 2015). However, public perception is that the main purpose of crowdfunding is to raise funds from a large community, despite the fact that this type of relationship often involves the exploration and **tapping of collective wisdom**.

## How to Choose a Crowdfunding Platform Based on its Functionalities

The choice of a crowdfunding platform for launching a project funding call is usually made after a detailed analysis of its functionalities – the **way the projects are presented**, the **audio-visual facilities** and the **transparency of information**. The existence of sufficient information on ongoing projects and on successfully financed projects on the site is one of the main premises to cultivate backers' trust and to ensure the continuity of the platform's activity. **Success stories** (Fig. 5) become, practically, the mirror of the achievements of the entrepreneur-public-crowdfunding platform partnership.



The image shows a screenshot of a GoFundMe success story. At the top, it says 'Successful fundraisers on GoFundMe'. Below that is the title '1. Chauncy's Chance'. The story describes how Matt White started a fundraiser to help Chauncy buy a lawnmower. It lists the original goal of \$500 and the amount raised of \$342,106. A 'Recipe for success' section follows, listing seven key factors: a compelling Facebook post, detailed description, a casual video, regular updates, photos/videos, local and national media coverage, and extensive use of Facebook for sharing and thanking supporters.

**Successful fundraisers on GoFundMe**

**1. Chauncy's Chance**

**Story:** When grocery shopping, Matt White met a young man named Chauncy, who offered to carry Matt's groceries in exchange for some donuts. Once they started talking, Matt learned that Chauncy and his mother were living in extreme poverty. Matt started the fundraiser to help Chauncy buy a lawnmower to make some money, but it exploded into a life-changing event for everyone involved.

**Original fundraising goal:** \$500

**Amount raised:** \$342,106

**Recipe for success:**

- Matt wrote a moving, honest, and compelling Facebook post that got a lot of attention before he even started the fundraiser.
- Matt's description included both concrete details about what was needed for Chauncy and his mother and emotional storytelling that drew donors in.
- He included a casual, authentic video of Chauncy so donors knew who they were helping.
- Matt posted regular, enthusiastic, and grateful updates every time he reached a milestone or there was progress to share.
- He posted photos, videos, and even recordings of phone calls whenever possible to keep his audience connected.
- Local and then national media covered Matt and Chauncy's remarkable story.
- Matt used Facebook extensively to share his message, thank supporters, and spread enthusiasm.

**Figure 9. A success story posted on GoFundMe<sup>3</sup>**

The project initiator posts the fundraising call, in which they provide all the necessary details through a **text description, photos and video files**, which are uploaded to the crowdfunding platform. Here, the project initiator provides a detailed description of the project – how the idea was born and what the expected outcome will be. Some platforms, such as Kickstarter, are very transparent in that there is a **Risks** section, where the project initiator informs the public about the possible challenges. Similarly, Crowdcube, an investment crowdfunding platform, displays a **'capital at risk'** disclaimer for all projects to educate and inform the public. An example of Risks

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<sup>3</sup> Source: <https://www.gofundme.com/c/crowdfunding-lessons/follow-by-example>)

and challenges is “All singers listed are currently signed on to perform on the album. We know schedules can shift and life can get in the way, but we will keep our supporters updated every step of the way if there are any casting changes. We don't have dates scheduled yet for in-person events/rewards (release party, individual recording sessions), but we will inform backers once those are set. We are confident that we can meet any challenge that comes our way!”<sup>4</sup>

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Capital at risk refers to money invested, contributed or donated could be partially or entirely lost depending on whether or not the project is.

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Pictures and videos create more impact and they complement the written description. The **presentation** of the project involves an effort to synthesize all the important elements that define both the organization and the project itself, a synthesis that must be a real marketing and promotion tool, both comprehensible and attractive to all. Besides such functionalities, crowdfunding platforms may display a **label** (for instance, ‘projects we love’), the **category of projects** and the **location** (city and country).

**Project initiator information** is vital for the success of the project, especially if they are already public figures and renowned for success in their field of activity. This goes into the project description, too.

**Equity-based crowdfunding platforms** (e.g., Fundable) disclose the **profile** and the **comments** to all platform visitors, but the **business plan** is only visible based on access request and authentication. In addition, certain companies may require for investors to be **accredited** in order to be able to finance. The presentation includes **facts, the problem statement, the solution, the market and the competition, reasons for contributing, information on team**, etc.

Other platforms are more transparent, as is the case of Crowdcube – companies disclose the **amount raised, the number of investors, the target, equity percentage, pre-money valuation, share price, tax relief and tax reduction**.

**Comments, updates, frequently asked questions** all pertain to the way the communication is fostered between the community of backers and the project initiator. Therefore, the more visible

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<sup>4</sup> [https://www.kickstarter.com/projects/brainstormrecords/the-fitzgeralds-of-st-paul-musical-concept-album?ref=discovery\\_category&total\\_hits=13353&category\\_id=284](https://www.kickstarter.com/projects/brainstormrecords/the-fitzgeralds-of-st-paul-musical-concept-album?ref=discovery_category&total_hits=13353&category_id=284)

and used such functionalities, the higher the odds of success for the campaign. These pages or tabs also keep track of the messages, by displaying the total number of updates/comments/frequently asked questions (Fig. 10). Last but not least, some platforms (e.g., Kickstarter) have a **blog section** ('community' on Kickstarter, 'discussion' on Indiegogo), where only backers have the privilege of taking part in discussions or debates (Fig. 10).

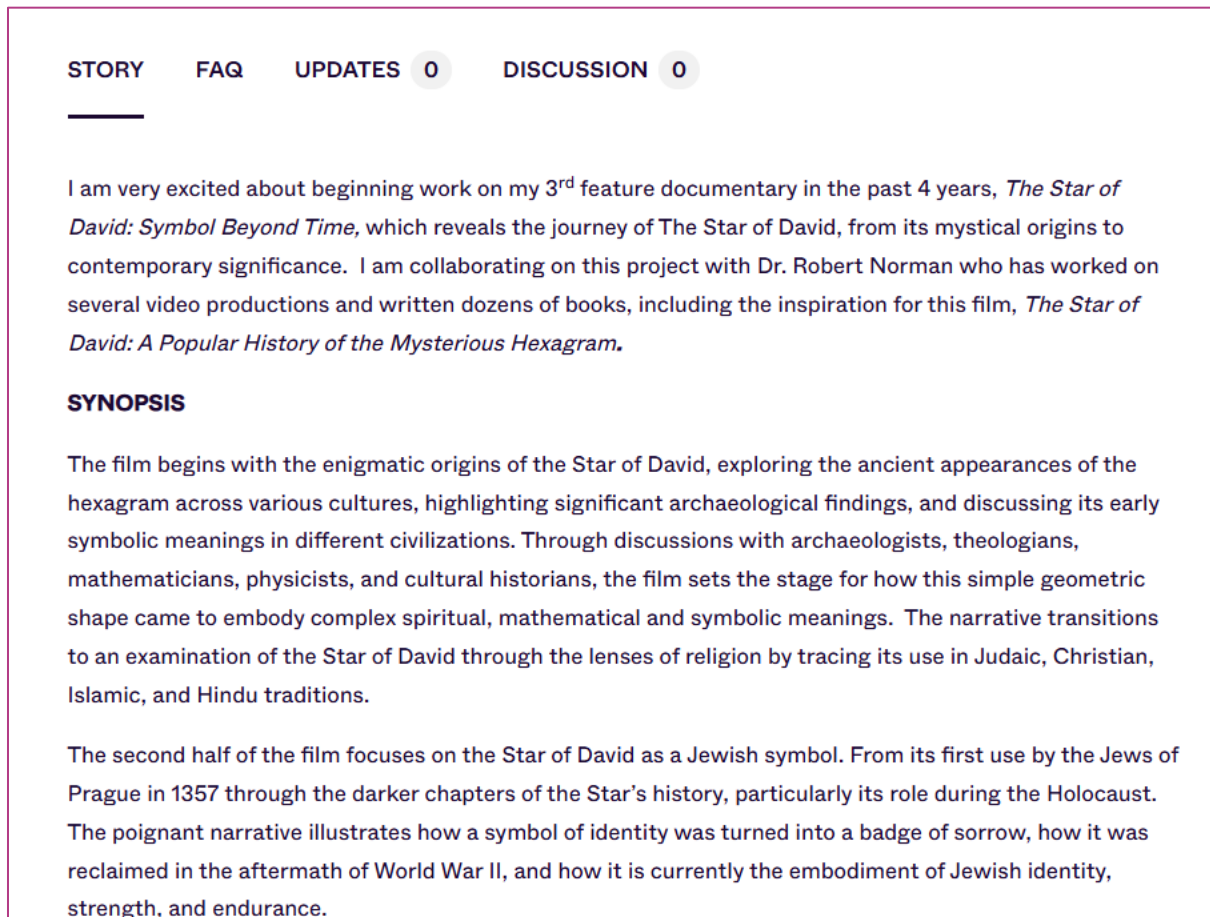


Figure 10. Project sections on Indiegogo project, including Discussion<sup>5</sup>

Some of the information that can be found on the platform refers to the **personal details of backers**. Platforms have the option of not making the backers' identity public. This is the case, for instance, of gofundme. However, this functionality may not work to the benefit of the campaign, as research shows that the decision of not revealing one's identity when contributing discourages future contributions of the others and determines a decrease of the amounts contributed (Burtch et al., 2016). An example of a platform that discloses the identity of backers

<sup>5</sup> <https://www.indiegogo.com/projects/star-of-david-symbol-beyond-time-documentary-film#/>

is Crowdfunder, where the ‘Investors’ section presents the name, the amount, how many projects the person funded previously, the date and time of the contribution.

**Updated raised sum, the number of backers and the time left** are functionalities set by the platform, irrespective of the type of platform – **keep-it-all or flexible goal** (e.g. Indiegogo) or **all-or-nothing** (e.g., Kickstarter) (Fig. 11 and Fig.12). **Financial transparency** is of utmost importance for all types of crowdfunding (investment or non-investment) – **how much money was raised, how the money was used, and even how the money is refunded in case of project failure.**

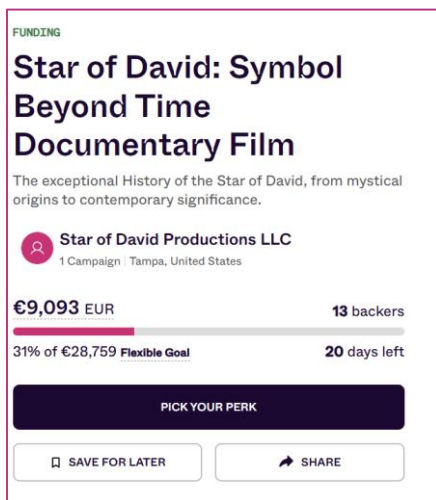


Figure 11. Flexible-platform – Indiegogo<sup>6</sup>  
Kickstarter<sup>7</sup>

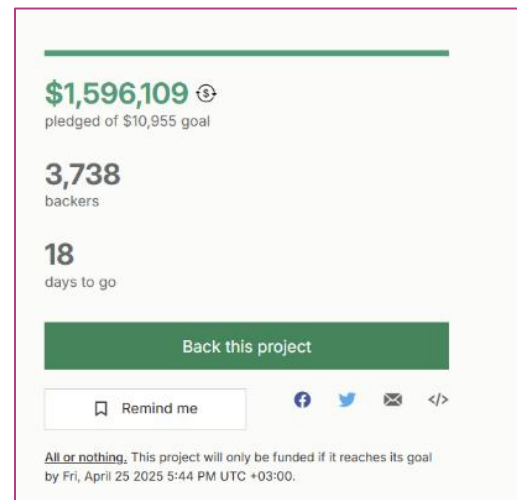


Figure 12. All-or-nothing platform –

Equally, the **contract** between the platform and project initiator should be easy to find (or the main terms and conditions). Information on **bank fees** should also be public for project initiators, who most likely have to bear these costs.

Types or **brackets of rewards/benefits** (interests, dividends, profit-sharing schemes) are another functionality that platforms provide, especially in non-donation crowdfunding types. For instance, rewards need to be associated with the contributed amount, and the rewards may be accompanied by picture. Some reward-based crowdfunding platforms provide backers with the option of contributing without a perk, as in the case of donation crowdfunding (Indiegogo). (Fig. 13)

<sup>6</sup> <https://www.indiegogo.com/projects/star-of-david-symbol-beyond-time-documentary-film#>

<sup>7</sup> [https://www.kickstarter.com/projects/metmo/metmo-fractal-vise?ref=5t531q&gad\\_source=1&gclid=Cj0KCQjw782\\_BhDjARIsABT\\_VJbNw8m3KFf2YvXTakMrih6vjqh3OVj5EMBDvLKNHeYdGuMebf\\_GSYsaAjrxEALw\\_wcB](https://www.kickstarter.com/projects/metmo/metmo-fractal-vise?ref=5t531q&gad_source=1&gclid=Cj0KCQjw782_BhDjARIsABT_VJbNw8m3KFf2YvXTakMrih6vjqh3OVj5EMBDvLKNHeYdGuMebf_GSYsaAjrxEALw_wcB)

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A perk or reward is an incentive or benefit offered by the project initiators to backer/supporters/financiers in exchange for their support.

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### Choose your Perk

<p><b>1 Coffee + 1 Pastry</b></p> <p>🕒 <b>€10 EUR</b></p> <p><del>€13 EUR (28% OFF)</del></p> <p>\$10 USD</p> <p>Est. Shipping May 2025</p> <p>7 claimed</p> <p>GET THIS PERK</p>	<p><b>5 Coffees</b></p> <p>🕒 <b>€24 EUR</b></p> <p>\$25 USD</p> <p>Est. Shipping May 2025</p> <p>6 claimed</p> <p>GET THIS PERK</p>	<p><b>5 Coffees and 5 Pastries</b></p> <p>🕒 <b>€48 EUR</b></p> <p>\$50 USD</p> <p>Est. Shipping May 2025</p> <p>2 claimed</p> <p>GET THIS PERK</p>	<p><b>25 Coffees</b></p> <p>🕒 <b>€96 EUR</b></p> <p>\$100 USD</p> <p>Est. Shipping May 2025</p> <p>4 claimed</p> <p>GET THIS PERK</p>	<p><b>Come to my event &amp; make...</b></p> <p>🕒 <b>€479 EUR</b></p> <p>\$500 USD</p> <p>Est. Shipping May 2025</p> <p>0 out of 5 of claimed</p> <p>GET THIS PERK</p>
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Figure 13. Example of perks for a project on Indiegogo<sup>8</sup>

## Conclusions

Selecting a crowdfunding platform by project initiators or by backers is a critical part of the crowdfunding project success. Not all crowdfunding platforms are suitable for all types of project. There are various details that need to be checked, and the pros and cons of different functionalities need to be carefully weighed in. In making the right decision, past projects should be checked and good practice examples examined.

## Practical Advice

Do you raise money for a business, a social or civic cause? Platforms address investment or non-investment projects, so this is the first thing you need to check when choosing the platform.

Do you wish to have a local or a worldwide reach? Some platforms are national, while some others are global. Choose the best suited type.

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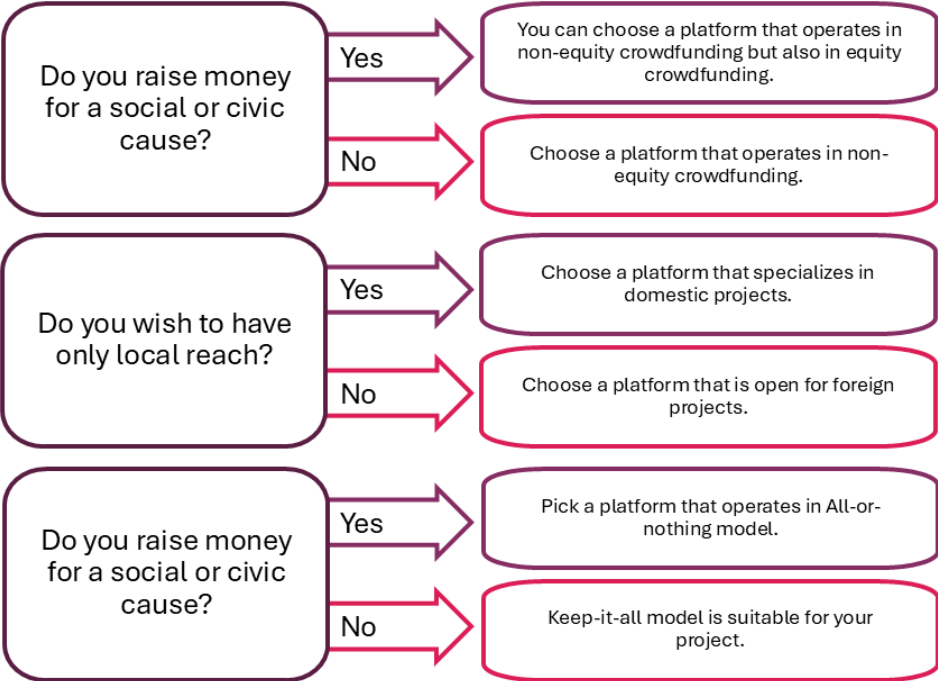
<sup>8</sup> <https://www.indiegogo.com/projects/get-stroll-coffee-rolling-in-phoenix#/>

If you intend to raise money for a project, it is important to check several crowdfunding platforms before choosing one. Some platforms have flexible goal (keep-it-all model), while others have a fixed target (all-or-nothing model). In case you cannot raise the entire amount you need, can you implement the project with less money? Can the scale be adjusted? Do you have other financing means for your project? How would the backers feel knowing that you will actually use the money only if you manage to raise the entire amount, will they trust you more? These are all questions that need to be answered before actually posting a project on a platform.

Use as many details, pictures and videos in your campaign! Backers tend to be more likely to contribute the more transparent you are.

Consider using a platform that discloses information on past campaigns. If past campaigns are available, the community of backers can keep in touch with the project initiator, which instils trust.

If you intend to support a project, get informed before doing so! Check the risk section, if available. Ask relevant questions and decide to back projects where all your questions are answered.



**Figure 14. Before you decide on platforms: ask yourself important questions (Own creation designed using ChatGPT)**

## Quiz Questions

1. Which of the following is NOT a functionality typically provided by crowdfunding platforms?
  - a. Project description with photos and videos
  - b. Transparent information on risks and challenges
  - c. Personalized coaching sessions for every backer
  - d. Updates, comments, and FAQs
  
2. What happens if backers choose to remain anonymous on platforms like GoFundMe?
  - a. Contributions increase because people feel more comfortable
  - b. There is no significant effect on campaign success
  - c. Future contributions from others may be discouraged
  - d. The platform automatically hides all donation amounts
  
3. What is one of the main advantages of including videos in a crowdfunding campaign?
  - a. They replace the written description entirely
  - b. They make the presentation more impactful and complement the text
  - c. They eliminate the need for photos
  - d. They guarantee reaching the fundraising goal

## True/False

1. Crowdfunding platforms can function as marketing tools by helping project initiators engage with potential customers.
2. The “all-or-nothing” crowdfunding model means that the project initiator keeps any funds raised, even if the target is not reached.

## Matching Questions

Match each platform with its specific functionality:

- |                |  |
|----------------|--|
| 1. Kickstarter | a. Includes a “Risks and challenges” section |
| 2. Crowdcube   | b. Displays a “capital at risk” disclaimer   |

3. GoFundMe

c. Allows anonymous contributions from backers

4. Indiegogo

d. Offers both flexible (keep-it-all) and fixed (all-or-nothing) funding models

Match the type of crowdfunding platform with the information it typically discloses:

1. Equity-based platforms (e.g., Crowdcube)

a. Provide perks or benefits linked to the amount contributed

2. Reward-based platforms (e.g., Indiegogo)

b. May display details such as equity percentage, pre-money valuation, or share price

3. Donation platforms (e.g., GoFundMe)

c. Allow contributions without expecting material benefits

### Fill in the Missing Words

1. The choice of a crowdfunding platform is usually based on its \_\_\_\_\_, such as project presentation, audio-visual facilities, and information \_\_\_\_\_.

Options: functionalities, transparency, rewards, competition

2. Backers' trust is strengthened when crowdfunding platforms present sufficient information on \_\_\_\_\_ projects and \_\_\_\_\_ projects.

Options: successful, cancelled, ongoing, private

### Select the Missing Words

1. Equity-based crowdfunding platforms like Fundable make the \_\_\_\_\_ and comments public, but the \_\_\_\_\_ is only visible upon request and authentication.

- project initiator's name / fundraising goal
- profile / business plan
- rewards list / campaign video

- number of investors / tax relief

2. Some platforms, like Kickstarter, include a \_\_\_\_\_ section, while others, like Crowdcube, display a \_\_\_\_\_ disclaimer to inform potential backers.

- rewards / flexible goal
- risks / capital at risk
- project updates / financial report
- FAQs / anonymity policy

## Toolbox

Benefits and drawbacks of crowdfunding: <https://www.youtube.com/watch?v=SwW5JaHERiU>

How to choose crowdfunding platforms: <https://www.youtube.com/watch?v=XVjNGsmHgC4>

How to choose the right crowdfunding for your business:

<https://www.youtube.com/watch?v=PlfrVKXDeM4>

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## 6. The Importance of Rules and Regulations in Crowdfunding or how to instill Trust among Funders and Funds' Beneficiaries

Time to complete the chapter: 15 minutes

### Keywords



Crowdfunding, alternative financing, institutions, institutional arrangements, rules, regulations

### Objectives



- To understand why rules and regulations matter for social cooperation.
- To learn how crowdfunding is affected by rules and regulations and how can become an alternative financing tool.
- To emphasize which regulations generally apply for each of the main crowdfunding models in Europe.

### Learning outcomes



- Explain why trust, rules, and regulations are essential for effective social cooperation, in general, and particularly in crowdfunding.
- Distinguish between rules and regulations and understand their role in preventing opportunistic behavior.
- Analyse how institutional arrangements create incentives and constraints that shape crowdfunding practices.
- Assess how financial-sector regulations and bureaucratic constraints associated with public spending on civic projects influence the rise of crowdfunding as an alternative financing option.
- Identify risks arising from information asymmetries and the need for transparency among funders, platforms, and beneficiaries.
- Summarize the key features of the EU's ECSP regulatory framework and emphasize how regulations balances investor protection with access to finance for small firms.

## Introduction

Crowdfunding, mainly its civic component, represents a specific type of social cooperation that needs to be built on trust between large groups of individuals (funds providers) and funds' beneficiaries (private investors or nonprofit organizations). This means that potential interactions between these parties to the crowdfunding process should be protected against possible opportunistic behavior. Such situations are quite possible if beneficiaries become abusive of donors' and investors' trust, as when using their funds for completely different aims than they initially claimed. To instill trust, and ensure protection of stakeholders, a set of rules and regulations is needed. Accordingly, participants in crowdfunding interactions should be informed and aware about the rules of the crowdfunding game and, thus, opportunistic behavior to be mitigated. For instance, the existence of common rules and regulations concerning licensing of crowdfunding services providers could ensure responsible and compliant operations, hence creating trust and confidence among fund providers and their beneficiaries. Thus, facilitating an effective crowdfunding process.

## Why do Rules and Regulations Matter

Whatever the level of social cooperation, be it a small community or the society itself, individuals need rules and regulations to overcome their own limitations and achieve goals by effectively interacting with each other. This statement is inevitably true and defines the importance of *institutions*, whatever their particular significance and level of applicability. Therefore, one can speak about social institutions, political institutions, economic institutions and so on. In this context, the meaning of institution is that of a particular set of rules and regulations (*institutional arrangements*) that govern the social, economic and political *game* in a society (North, 1990). This means that an institution (as mentioned above) must not be confused with firms, governmental agencies, schools, universities or hospitals. These are *organizations* and they represent *the players* of the social or economic or political game which gain legitimacy when operating in line with existing institutional guidelines, be they regulations or norms.

For the best use of the terms of rules and regulations in this chapter, a simple differentiation must be made between them. So, for the purpose of simplicity we will understand *rules* as an outcome of recurrent behaviors, whereas *regulations* are specifically designed rules that are meant to create or to encourage a certain behavior of the game's players. The former appear unintentionally, it is not particularly designed by anyone, but it is a result of long-term

socialization experiences through social cooperation processes; the latter are specifically created and codified by organizations such as firms or government agencies. For instance, a rule is an accustomed behavior such as a handshake or saying “hello” when you are meeting someone. Using money when buying something is also a rule, a result of the recurrent behavior of “voluntary exchange”. When governments create specific formalized and codified rules (e.g., with respect to paying taxes, starting a business, buying from abroad, enforcing contracts, property protection and so on), we will refer to these as regulations.

As in any game, players should act based on rules and regulations to choose the proper strategy needed to achieve their goals. Accepting this means that whatever the game, its outcomes are defined and constrained by a specific set of rules and regulations. For instance, one cannot imagine basketball being basketball without its rules and regulations concerning the number of players in each team, counting points, separation between two points and three points kicks and so on. If these rules and regulations are broken, for instance when a team uses six players or is cheating by counting the two points kicks as being three points kicks, benefits and losses are occurring, opportunistic behaviors are developing, and the game itself ends up being undermined.

This is also true when it comes to social cooperation, whatever the level of it. Let’s take the traffic rules and regulations for instance. If an individual drives a car in his own manner, as he sees fit according to his or her own purpose, this could mean high speed, driving on whatever side of the road, ignoring pedestrians and other drivers and so on. Such behavior, inevitably, is likely to end up in a car crash or worse. In this case, the driver’s purpose cannot be achieved. Let’s multiply this by a hundred or a thousand or more: the obvious outcome is that driving becomes impossible and dangerous. Therefore, driving involves social cooperation for the drivers to achieve their purposes, and for this to succeed, we need traffic rules and regulations.

One cannot consider “social cooperation” a situation where individuals are impeding each other from achieving their own goals. This is the reason why particular situations of social cooperation need rules and regulations: to achieve goals more effectively. Extending this rationale, one can state that *society* is the result of social cooperation in a specific set of rules and regulations (institutional arrangements), which enables individuals’ purpose achievement.

## How Crowdfunding is Affected by Rules and Regulations

Crowdfunding is based on specific social cooperation, which manifests in fundraising as part of wider economic activities. To obtain financial resources, the players involved must cooperate, and this cooperation is what facilitates successful crowdfunding practice. Like any other type of social cooperation, crowdfunding needs particular rules and regulations to facilitate the achievement of goals for each entity involved. For instance, in civic crowdfunding, funders want to see their funds properly used, according to their agreed destination; platforms are interested in attracting as many funders and projects as possible; NGOs, too, want their projects to be successful and consistently financed.

Moreover, crowdfunding is influenced by the existing rules and regulations that govern a country's financial sector. In fact, the very emergence of crowdfunding, including its civic component, is a response to institutional arrangements - the rules and regulations that shape the activities of traditional banking and financial organizations. This creates an opportunity or an alternative when traditional financing options are more costly, time-consuming, and/or unavailable. This is the moment when crowdfunding options become attractive for investment projects as well as for civic, artistic, or cultural initiatives. For instance, a growing number of bands and independent musicians are financing their musical projects through crowdfunding, using donors' contributions.

When discussing institutional arrangements, one must consider them in terms of incentives and constraints. These are not necessarily tied to a specific set of rules and regulations governing a particular activity. As stated above, when the institutional arrangements of the banking sector create constraints, incentives emerge for alternative financing methods, such as crowdfunding. This is particularly evident in the case of civic crowdfunding. Since financing civic projects is often within the government's responsibility, implementing such projects involves bureaucratic decision-making processes and negotiations for limited public financial resources. These constraints, as mentioned above, lead NGOs and local communities to seek alternative solutions. Hence, incentives arise for crowdfunding platforms and local communities to bridge the gap - either by bypassing or accelerating bureaucracy, addressing financial shortages, expanding the range of civic projects that can be financed and directly supervised by funders, or in combination.

Thus, crowdfunding is sensitive to exogenous incentives and constraints. As a process of social cooperation, crowdfunding also generates its own set of institutional arrangements through interactions between fund providers, platforms, and financing beneficiaries. This evolution is

driven by technology (e.g., online platforms and payment systems) and is increasingly mirrored in other online processes. Alston et al. (2022) describe permissionless blockchain protocols as an example of institutional arrangements emerging within these networks. The continuous process of modifying, adapting, and updating network protocols gives rise to interest groups composed of cryptocurrency stakeholders and developers who negotiate institutional arrangements that shape the future of these networks.

This could also create liability or a risky situation: the emergence of opportunistic behavior due to the diversity of institutional arrangements resulting from the specific interactions between the actors involved in the crowdfunding process. Opportunistic behavior is further encouraged by the inevitable information asymmetries between funders, online platform owners, and project initiators. This is why, in civic crowdfunding, for example, many funders hesitate to contribute, fearing that their money may not be used as intended. Additionally, they may feel discouraged from making financial contributions due to a lack of information about the crowdfunding project, such as its duration, the required funding amount, stages of implementation, and other key details.

Hence, the entire crowdfunding process requires an institutional framework that ensures transparency in the interactions between fund providers, online platforms, and project initiators. Such a set of rules and regulations must enhance credibility among crowdfunding participants and facilitate diverse and frequent interactions, especially when they come from different countries and cultural backgrounds.

## **Regulations that Generally Apply for Each of the Main Crowdfunding Models in Europe**

In 2013, an analysis of the crowdfunding process and its regulations in four EU member states (Germany, the UK, Italy, and Spain) highlighted both similarities and differences in the use of crowdfunding and the institutional arrangements affecting it (Aschenbeck-Florange et al., 2013). The common characteristics included the widespread use of crowdfunding and the presence of three crowdfunding models in all four countries: the equity model, the lending model, and the donations or rewards model.

Regarding regulations and the overall regulatory framework, some differences were evident. In Germany, crowdfunding was already highly regulated compared to other European countries. In the UK, the regulatory framework was more permissive. In Italy, the lending model was already

regulated, while the equity model was about to be regulated in a way that seemed to discourage fundraising through crowdfunding. Spain had a rather "original" approach: under the lending model, crowdfunding platforms were not formally considered platforms but financial intermediaries, while the equity model was not viable due to inefficiencies created by extensive regulations.

A significant common feature was that the donations or rewards model was not subject to specific regulations in any of the four countries.

In this context, it is important to explore which institutional arrangements are necessary for crowdfunding to become more efficient - or, if not, whether the regulatory framework is already transforming crowdfunding into a burdensome and less efficient financing process. The existence of a common market within the EU becomes contradictory when different regulatory frameworks affect the crowdfunding market. Furthermore, a harmonized regulatory framework could bring predictability and reduce the time required to comply with specific regulations across EU member states (Cicchello, 2019).

To develop the crowdfunding market across the EU, European authorities adopted a regulatory framework in 2020 for all European crowdfunding service providers (ECSP). The main argument for this was different licensing requirements as well as campaign threshold limitations across the EU, and consequently, the lack of common rules for crowdfunding more broadly. As a result, essential requirements were established for all participants in the crowdfunding process: client complaint-handling procedures, due diligence, risk assessment and management procedures, highly standardized fact sheets provided by project owners to increase transparency, and investor knowledge tests.

Regardless, the ECSP only applies to investment crowdfunding involving equity or lending for business purposes. It excludes non-investment models like reward and donation, as well as individual level loans. Donation is subjected to national laws overseeing donation collection rules (mostly for avoiding misuse of funds by collectors, money laundering, and terror funding). Reward crowdfunding is mostly regulated as e-commerce transactions, where consumers are informed about longer delivery times than usual (mostly for ensuring consumer protection, and taxation compliance).

The key aspects of the ECSP:

- Limiting campaigns up to a maximum of EUR 5 million per organization per year.

- Fundraisers have no criminal record and not established in non-cooperative jurisdiction.
- Campaigns require the publication of a short key information sheet outlining investment conditions and risks.
- The platform must have a quality assurance system for verifying completeness, correctness and clarity of such information
- Non-sophisticated investors need to pass a basic knowledge test confirming understanding and ability to bear loss.
- Platforms cannot participate as investors in campaigns promoted on their platform (to avoid conflict of interest).
- Platforms need to warn investors in case they attempt to invest more than EUR 1000 or 5% of their net worth.

The outcome of these regulations was a significant decrease in the number of platforms operating across the EU, but enabling easier scaling across countries thanks to easy passporting based on same requirements in all member countries. Moreover, a standardized regulatory framework that offers excessive protection for investors could negatively affect small firms that cannot access finance from professional investors. Therefore, creating an effective regulatory framework must balance investor protection with the need for small firms to access capital. This may require a tailored approach to regulation (Hornuf & Schwiebacher, 2017).

## Conclusions

To answer the question of what constitutes an optimal regulatory framework, one could argue that regulations are necessary to increase credibility in the crowdfunding process and mitigate opportunistic behavior. Requirements to ensure transparency in projects, licensing online platforms, ensuring secured payments and use of funds by stakeholders, clear information for funders and investors, and risk mitigation standards are crucial to instilling trust among crowdfunding participants.

These features are particularly important in civic or donation-based crowdfunding models, especially in cultural environments where it is customary for local or community projects to be initiated and financed by local public authorities. Potential funders in these communities may be discouraged from supporting civic projects if they are uncertain about the destination of the funds, do not trust the project initiator, or both.

Crowdfunding, however, is a process of social cooperation, where funders or investors, platform owners, and project initiators interact with each other, creating a specific market for project funding. As in any other market, competition is inevitable, as project initiators strive to attract funders or investors while seeking to use the best and most trustworthy crowdfunding platforms. As Economics teaches us, competition leads to better resource allocation, which is essential in crowdfunding, where the main goal of participants' interactions is to find and attract scarce financial resources as an alternative to traditional banking and financial markets. However, if the regulatory framework stifles competition, imposes additional burdens, and increases costs (even if only in terms of compliance time), the primary advantage of crowdfunding compared to traditional financing methods could be diminished or even lost.

## Practical Advice

In choosing crowdfunding (whatever the model) rules and regulations are very important, along with the particular project that needs to be alternatively financed. This is a valid observation whether it is about the specific regulations applying to crowdfunding in different countries, or about the institutional arrangements affecting financial and banking system as well.

## Quiz Questions

1. Why do rules and regulations matter for crowdfunding?
  - a. because fund providers and their beneficiaries could not cooperate otherwise.
  - b. being the only beneficiaries of crowdfunding, public authorities demand regulations.
  - c. to effectively cooperate, parties involved in crowdfunding need to rely on each other and avoid opportunistic behaviors.
  - d. as any other service provided by the state, crowdfunding needs to be regulated.
  
2. Adopting same crowdfunding rules and regulations across the EU (ECSP, for example) could mean:
  - a. the disappearance of civic crowdfunding.
  - b. spurring civic initiatives financed by crowdfunding.
  - c. optimal allocation of public funds through crowdfunding.
  - d. decreasing number of platforms and excessive protection for investors.

## True/False

1. Crowdfunding process is influenced by the banking system regulations.
2. Rules and regulations affecting crowdfunding involved parties can occur only because of governments' decisions.
3. When public authorities decide to spend more money for social needs in a city, civic crowdfunding based on private financing is stimulated.
4. Civic crowdfunding might occur and expand as a consequence of the constraints created by the bureaucracy involved in publicly financed social projects.

## Identify Missing Words in the Text

Let's suppose that a public authority decides to allocate public funds to build a **hospital/donut shop** in a small city for five years' time. After two years, because of budgetary constraints, the public funds are **increased/cut off**. Moreover, new rules and regulations are set for the construction firms and beneficiaries in order to further receive public funding. This creates a **burdensome/favorable/neutral** institutional arrangement. Therefore, the local community can **stop paying taxes for/keep financing** the project. If a decision is made to continue financing, the appropriate solution could be **civic crowdfunding/expanding public budget's deficit**. This could be the case when civic crowdfunding initiatives may **expand/contract/disappear** because social projects are **efficiently/inefficiently** financed using **public/private** funds.

## Toolbox

When traditional financing options are more costly, time-consuming, and/or unavailable crowdfunding become attractive for civic, artistic, or cultural initiatives

<https://www.crowdcruX.com/top-crowdfunding-sites-for-artists-and-bands/>

Government's responsibility in implementing civic projects means burdensome institutional arrangements, making civic crowdfunding an efficient financing alternative

<https://www.daruiesteviat.ro/en/proiecte>

The crowdfunding market across the EU and essential institutional requirements

<https://crowdestate.eu/article/crowdfunding-regulation-in-the-european-union>

A summary of the ECSP implementation outcomes

<https://crowdestate.eu/article/crowdfunding-regulation-in-the-european-union>

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## 7. Crowdfunding Process

Time to complete the chapter: 45 minutes

### Keywords



All-or-nothing (AON), keep-it-all (KIA), crowdfunding phases, budget, rewards, communication and promotion, post-campaign stage.

### Objectives



- To develop a comprehensive understanding of the stages of a crowdfunding campaign.
- To identify key decisions in structuring a campaign.
- To analyze evidence-based factors that enhance the efficiency of communication and community development around the campaign.

### Learning outcomes



#### Knowledge

Understand the stages of a campaign and key strategic decisions, including budgeting, promotion, communication, and post-funding management.

#### Skills

Apply best practices in campaign structuring, communication, and engagement strategies using insights from scientific research and real-world examples. Critically assess effective communication strategies based on the characteristic of a specific type and context of a crowdfunding.

#### Attitudes

Develop a proactive, problem-solving mindset toward crowdfunding by strengthening the ability to navigate uncertainty. Assess your communication strengths and weaknesses to enhance your effectiveness in engaging backers and managing challenges.

## Introduction

Behind every successful crowdfunding campaign is careful planning, creative content, and smart marketing. It is not enough to just post the idea on a crowdfunding platform and hope for the best. The most successful campaigns are carefully prepared down to the last detail. They tell a story, connect with the right audience, and deliver a clear, compelling message. They also deliver on their promises and maintain contact with backers after the campaign. Planning provides structure to the campaign and ensures it is ready for every step, from goal-setting and budgeting to effective communication after project implementation. The campaign process consists of three main stages.



**Figure 15. Campaign process, own representation**

In this chapter, we will break down each crowdfunding stage step by step. From planning the campaign and creating the content to managing backers, measuring project's impact, and keeping supporters engaged after the campaign ends.

## Financial Plan

A well-planned campaign sets clear goals, breaks down how funds will be used, and ensures everything runs smoothly once the campaign goes live. Financial planning of the crowdfunding campaigns includes the following elements:

- Realistic goal
- Budget breakdown
- Other sources of finance

Imagine this: You are planning a road trip across the country. What is the first thing you do? You figure out your destination, right? The same goes for a crowdfunding campaign. Your goal is your destination, and is guiding every step you take, from how much money you raise to how you plan

to use it. The goal, however, is not just about picking a random number. It must be realistic, transparent, and supported by solid planning. Depending on the model used: Keep-It-All (Flexible Funding) or All-or-Nothing (Fixed Funding), the goal-setting strategy can make or break a crowdfunding campaign.

- **All-or-Nothing Model:** A goal that is too high can scare backers away, leading to campaign failure.
- **Keep-It-All Model:** If the goal is set too low, fundraiser risks not having enough funds to deliver on promises, which can damage trust and reputation.

This is where the **goal gradient** effect comes in. Studies show that people are more likely to contribute when a campaign is close to reaching its goal (Kuppuswamy & Bayus, 2017; Li & Wang, 2019). This means that setting a realistic, attainable target not only ensures feasibility but also psychologically motivates backers to push the campaign over the finish line.

Consider one of the most famous crowdfunding successes is Pebble, a smartwatch project that raised over \$20 million on Kickstarter in 2016. The creators set an initial goal of \$100,000, even though they could have aimed much higher. Why? They wanted to reach the goal quickly and build momentum. A lower goal meant less risk in an all-or-nothing model. They could use stretch goals to keep backers engaged once the initial target has been met.

Setting the right goal is both science and art. It is about understanding psychology, managing risk, and strategically building momentum. It is better to set a smaller goal and provide information on what will happen if the project is overfunded, including the next goals or steps.

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The Free Rider Problem is a concept from economics and public goods theory. It happens when individuals benefit from a resource, service, or project without contributing to its cost, because they assume others will cover it. In civic crowdfunding, where people raise money for community projects the free rider problem can be a challenge. Many people support the idea of a project but might think: “Why should I donate if others will fund it anyway?” This mindset can lead to underfunded projects, even if many people would enjoy the benefits.

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The question is, how to properly estimate the financial goal? And here comes the budget breakdown. Think of your budget like a packing list for your road trip, if you forget something important, like fuel (aka marketing funds), you might get stuck halfway.

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This project is enabled for overfunding. If the project hits its funding goal before the end of the campaign period, any extra funds raised will be spent (in order of priority) on:

- Developing feasibility ideas
- Creating pool and surrounding area
- Running of Community Interest Company

This is an example of from one of the civic crowdfunding project launched on the SpaceHive platform.

Source: [www.spacehive.com](http://www.spacehive.com)

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A transparent **budget breakdown** is necessary to estimate the minimum goal but is also essential for building trust and showing backers that the project is feasible. Backers want to know exactly where their money is going and feel that the project is well planned, financially.

**What to include in budget breakdown:**

- Production or construction costs
- Marketing and promotion: Social media ads, printing flyers, press outreach.
- Rewards, logistics and shipping: When physical rewards are included, account for packaging and delivery.
- Platform fees: Crowdfunding platforms typically take a percentage of the total funds raised (usually 3–7%).
- Buffer (10–15%): Things do not always go as planned. It is worth setting aside a little extra for surprises like price changes or delays.



**Figure 16. Sample budget breakdown**

**Budget disclosure** is typically not mandatory on most crowdfunding platforms or in most models. However, providing a clear budget breakdown can significantly increase a campaign’s chances of success, in particular when it comes to social and civic projects. Research shows that campaigns that disclose their budgets receive over 100% more funding on average compared to those that do not. This is because budget transparency reduces information asymmetry and builds trust with backers. Unlike other crowdfunding marketing tools (e.g., videos, project updates), a detailed budget has a more direct and substantial impact on funding success (Fu et al., 2024).

Just like you would not start a road trip without checking gas prices and mapping out rest stops, you shouldn’t launch a crowdfunding campaign without due diligence.

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Due diligence is the process of conducting comprehensive research, verification, and risk assessment before making a financial, business, or investment decision. It involves gathering, analyzing, and validating information to ensure informed decision-making and to minimize risks.

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Many crowdfunding campaigns fail not because of lack of support, but because of financial miscalculations. Poor budgeting can lead to underfunded projects, delays, or an inability to deliver on promises.

### **How to estimate the cost of the campaign?**

#### Contact manufacturers & suppliers

- Get actual quotes for materials, production, and shipping.
- Ask about potential cost fluctuations (e.g., material shortages, shipping delays)

#### Marketing & promotion costs

- Research ad rates for Social Media, Google Ads.
- Consider PR costs if hiring a media agency.

Assess logistics & shipping

- Calculate shipping costs based on weight, size, and destination.
- Check import/export fees for international deliveries.

Crowdfunding is rarely the only funding source, especially in civic crowdfunding and large-scale projects. Successful fundraisers often blend **multiple financial streams**, combining crowdfunding with public grants, private sponsorships, donations from family and friends or matching funds from local governments and businesses.

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Research in behavioral finance suggests that people are more willing to contribute when they know their donations will be matched (e.g., Every \$1 you donate will be doubled by a corporate partner). This creates a psychological incentive and increases participation.

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Consider The Solar-Powered Bike Path (SolaRoad) in the Netherlands that combined crowdfunding with government funding and corporate sponsorships to cover the full cost of the project. This approach expanded their reach and boosted credibility.

The hybrid funding approach serves two critical purposes:

- Reducing risk perception & encouraging backers
- Signaling credibility & building social proof

Having secured partial funding before launching the campaign reassures potential backers. According to **Loss Aversion Theory** in behavioral economics, people are more likely to contribute when they perceive lower financial risk. When backers see that institutions, businesses, or government bodies have already invested in the project, they feel more confident that it will succeed.

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The concept of loss aversion was introduced by Daniel Kahneman and Amos Tversky in Prospect Theory in 1979. It states that people feel the pain of losses more strongly than the pleasure of equivalent gains.

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But that is not all. **Social Proof Theory** suggests that people are more likely to support projects that already have backing from respected entities.

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Social Proof Theory, developed by Robert Cialdini in his book *Influence: The Psychology of Persuasion* (1984), states that people tend to follow the actions of others, assuming that if many individuals are doing something, it must be the correct or desirable behavior.

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When local governments, public institutions, or private companies promise funds, they act as testimonials, increasing trust and legitimacy. Thus, securing funds is an important signal to backers and we will continue discussion on signals in the next chapter.

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Research in behavioral finance suggests that people are more willing to contribute when they know their donations will be matched (e.g., Every \$1 you donate will be doubled by a corporate partner). This creates a psychological incentive and increases participation.

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We believe in the project, which is why we're going to match the crowd's contribution 50/50 during the campaign (i.e. circa £20k of the £40k) which we'll put in at the start.

We've already raised 94% of our funding - now we need your help to get over the finishing line before our grants expire. If we can raise the money, the centre will be built and open for use by summer 2012!

Examples of how match funding is mentioned by fundraisers in civic crowdfunding projects.

Source: Spacehive.com

## Preparation of the Campaign

Once the budget is set and fundraisers know exactly how much funds they will need, it is time to pack bags and plan the route. Just like a road trip, a crowdfunding campaign needs the right essentials to make sure it reaches the final destination: full funding!

### What to pack for a successful campaign:

- Title
- Description
- Video
- Photos & Infographics

The campaign's **title** is like a highway sign; it needs to grab attention fast. A strong title is clear, engaging, and easy to remember, just like a catchy slogan. Marketing psychology suggests that the first few words people see can determine whether they continue reading or move on. Also, good titles should be short and impactful so that potential backers immediately understand what the project is about. Research shows that the project title should be neutral and conservative in style and should not be extremely positive (Lelo de Larrea et al., 2023).

The next crucial element is the **project description**, where the fundraiser clearly presents what the project is about. This section serves a dual purpose:

1. **Informational Role** – Since there is a significant information asymmetry between the project's creators and potential backers, the description must bridge this gap by explaining the project's purpose, goals, key stages, and execution plan. Transparency in this section helps backers make informed decisions and feel confident about their contributions.

2. **Persuasive Role** – A well-crafted description is more than just factual, it is an important tool that builds trust, evokes emotions, and inspires action. By framing the project in a compelling way, fundraisers can engage backers and increase their willingness to support the campaign.

The most successful campaigns use engaging storytelling, highlight the problem they are solving, and break down the information into clear, structured sections to keep readers engaged. At the same time, it should not be overloaded with information, no one enjoys reading long, unclear, or overwhelming descriptions.

Just like a travel vlog captures the excitement of a road trip, **photos and videos** are essential tools for making the crowdfunding campaign engaging. Research on crowdfunding success suggests

that campaigns with high-quality visuals receive significantly more backers and funding (Shneor & Vik, 2020). Pictures shown on a crowdfunding page can serve as a good tool to show the product or project in action (is not created yet, then perhaps visualizations can help), behind-the-scenes shots and team photos, which can become a good way to build authenticity, but also infographics, for example with budget breakdown or rewards' structure. This can help tell the story visually and make it easier for backers to understand what they are supporting at a glance.

Finally, imagine trying to convince someone to join your road trip without showing them the amazing places they will see. A **campaign video** is often perceived most influential piece of content in the fundraising process. A great video does not only inform, but also connects emotionally with backers and builds trust. The video should introduce the fundraisers and showcase the product or the project. It should always end with a strong call to action.

More about storytelling, campaigns' descriptions and visual elements will be presented in Chapter 8.

#### Video examples

SimCam: <https://www.youtube.com/watch?v=Oo7RijlXTWs>

A professionally crafted, emotionally engaging commercial project video that combines sleek visuals with a compelling product narrative.

Exploding Kittens: <https://www.youtube.com/watch?v=OtREUajBwIQ>

A quirky, humorous, and highly engaging crowdfunding video that perfectly captures the playful essence of the card game, making it both entertaining and persuasive.

Baubax 3.0: [https://www.youtube.com/watch?v=T\\_NfwwG6JFY](https://www.youtube.com/watch?v=T_NfwwG6JFY)

A dynamic and visually engaging video that seamlessly blends professional storytelling with clear, informative product demonstrations, making it highly effective for backers.

## Incentives & Rewards Planning

Crowdfunding is not an 'easy money' trip. Designing campaigns requires quite a lot of effort from fundraisers to predict the expectations and behaviours of backers. Here, success depends solely

on convincing 'many' who often contribute 'tiny' amounts. Therefore, fundraisers must understand backers' motivational drivers (Ryu & Kim, 2016) and apply this knowledge when designing campaign incentives. The task is not as easy as it looks. Backers vary significantly in terms of their values, motivations, and crowdfunding experience (Bernard & Vale, 2020). Therefore, they may be sensitive to different incentives, including rewards.

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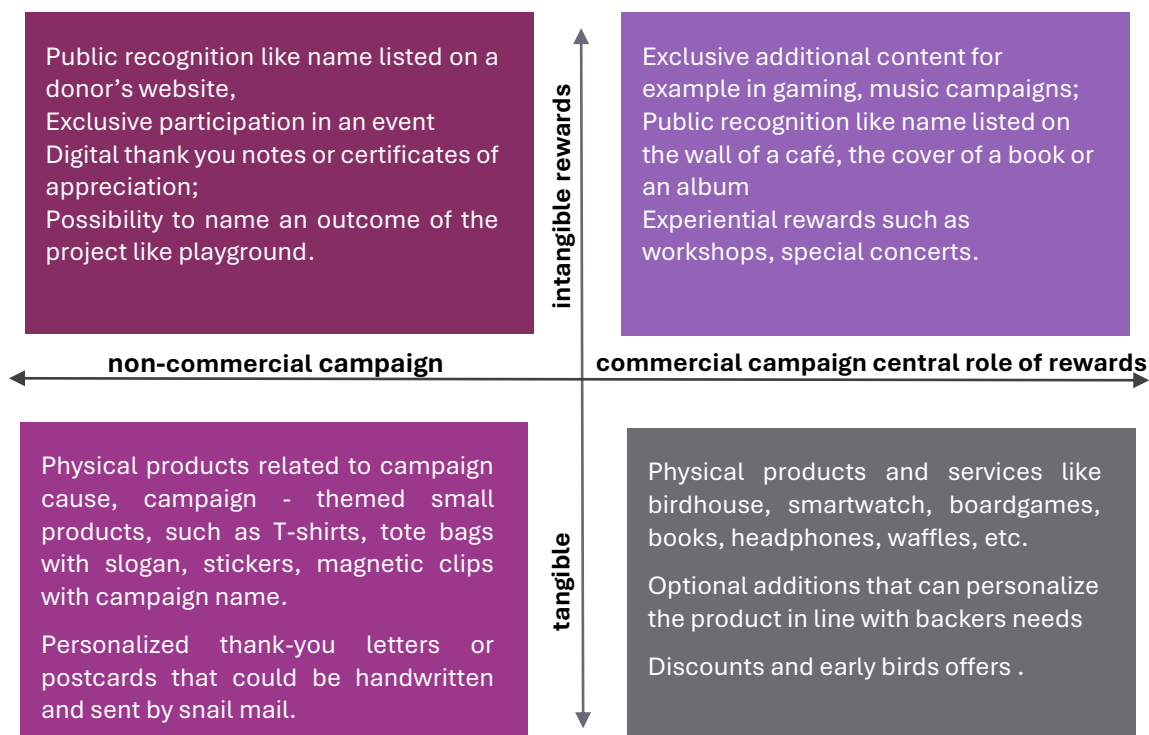
In donation-based crowdfunding, backers' contributions are based on philanthropic or civic motivational factors, and they do not expect any rewards or tangible returns for their support. In contrast, in rewards-based crowdfunding, backers pledge money with the expectation of receiving something in return for their financial support, for example, a product or service.

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The type of reward offered depends strongly on the nature of the fundraising goal. In profit-driven projects, rewards are typically products or services available to backers on a pre-purchase basis. Thus, rewards form the core of the commercially oriented campaign. For non-commercially driven campaigns, like civic campaigns, rewards play a rather complementary role and have more often symbolic character (Thürriidl & Kamleitner, 2016).

The second important dimension in the categorization of rewards is their tangibility. Material rewards are evaluated by recipients in terms of their usefulness. They bring "hard benefits" to backers, and the physical product, i.e. a watch or a board game, is the most typical form of a tangible reward. In turn, non-material or symbolic rewards will take the form of individualized communication, e.g. a personalized thank-you note. In this category, rewards will also allow for an additional 'distinction' of a generous donor among other supporters, for example, by mentioning their name on the book jacket or on the gallery ceiling they supported (Thürriidl & Kamleitner, 2016; Wei Shi, 2018).

Research shows that while material rewards provide direct material gratification, they are effective in building relationships with backers in the short term. Symbolic rewards, on the other hand, allow supporters to feel special and are effective in building long-term relationships (Wei Shi, 2018).



**Figure 17. Basic dimension in designing rewards structures with examples, own representation**

Does this mean that the fundraiser should not offer symbolic prizes in commercial projects? According to Graph X, rewards belonging to the 'opposite' category can be found in both project categories. Thus, we will find, for example, opportunities to co-create products in commercial campaigns and small tangible rewards like T-shirts and cups in non-profit driven initiatives.

*Imagine this: You live outside the city center and some time ago; you noticed that the children in your neighborhood have no place to play outside. The area is surrounded by parking lots, with no benches, sandboxes, or swings in sight. Determined to make a difference, you discussed the issue with your neighbors and gained their support. The district council has agreed to provide half of the necessary funding, but you need to secure the other half from different sources. The total amount required is substantial, but considering the number of residents in the neighborhood, a crowdfunding campaign could be a viable option. While a community campaign is an excellent idea, you need to think about what rewards you can offer to supporters without spending all the funds raised on them.*

In such cases, focusing on symbolic or small-in-value material rewards is better. Then, you can allocate the collected funds entirely for project implementation. Consider whether your neighbors would appreciate being recognized for supporting the idea and think about the types of rewards that you can offer without damaging the project budget. In the process of choosing

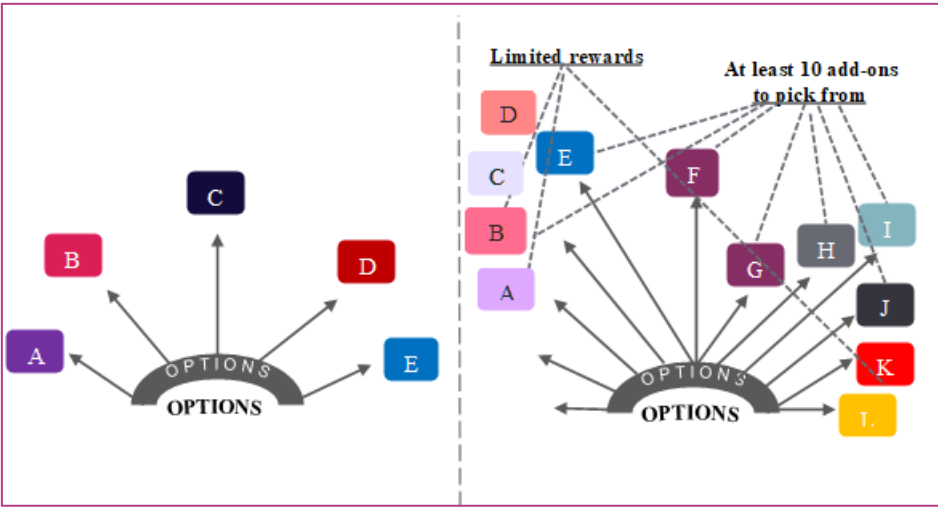
rewards for the project you also need to have a clear structure of rewards, with different levels (tiers) corresponding to varying amounts of support from contributors. The reward structure allows 'capturing' individuals with various financial capacities and offers unique benefits for backers (Bernard & Vale, 2020). Even in commercial projects, there are people willing to contribute a small amount without expecting any products in return, simply for the sense of gratitude or recognition. This may happen, for example, when they do not need the product themselves but believe in the value of the idea.

Some studies indicate that material rewards are more efficient in capturing attention of backers, especially at the lower levels of reward tiers (Wei She, 2018). These backers are mostly extrinsically motivated. In this respect, the efficiency of symbolic rewards depends on the more personal connection of backers with fundraisers. However, symbolic rewards are more appealing at higher levels of reward tiers, such as engaging in creative collaboration on a project or receiving creative souvenirs like photos or meetings with the project's authors. Backers who choose higher reward levels may exhibit stronger commitment and therefore be more interested in receiving intangible benefits that enhance their sense of status (Wei She, 2018).

Moreover, when determining the number of reward tiers, fundraisers should keep in mind that backers love variety, personalized products and experiences. However, offering too many complex rewards with additional options can be difficult to 'digest' cognitively and may overwhelm backers in the decision process, leading to lower collection of funds. Research proves that most projects typically have between 6 and 14 reward tiers, and it is relatively uncommon to have more than 18 levels (Wei She, 2018). Some studies suggest having between 8 to 12 reward options (Forbes & Schaefer, 2017).

Rewards may account for a sizeable amount of a campaign's budget, therefore fundraiser should assess their capacity to provide these rewards on schedule and guarantee their promised quality. A good strategy could be to restrict the number of rewards or to unlock additional rewards if a campaign goal is already accomplished. Limiting rewards helps the fundraiser manage the budget effectively while attracting backers who value the exclusivity of the product or service. Research indicates that this strategy is more financially efficient for lower-value rewards than higher-value ones (Wei She, 2018). Fundraisers can also stretch the campaign's goals, which means unlocking an additional reward when the campaign exceeds its initial funding target (Khachatryan, 2025). In this strategy, creators can bring additional funds without taking the risk

of campaign failure (Yasar et al., 2022), mainly when fundraisers communicate openly about this feature of the campaign from the beginning.



**Figure 18. Number of rewards options in crowdfunding campaign (own compilation)**

Finding the right balance between the needs of backers and fundraisers is crucial for success. Consider campaigns within the same category, such as board games (see Graph X). While offering various options and add-ons is quite regular, it can be harder to understand the value of the rewards based on your preferences. Limited rewards create a sense of urgency and enhance their appeal, however, complex reward structures can complicate the decision-making process, making it more demanding, and time-consuming.

**Promotion & Marketing Planning in Social Media**

Crowdfunding campaigns succeed due to various factors, among which social media channels, email communication and cooperation with other entities play an important role. Successful projects are led by creators skilled in digital communication, active in various online social media channels, and maintain extensive social networks. These creators recognize the importance of attracting online communities early on to generate excitement, build interest, and drive traffic to the campaign website on launch day and beyond. In this context, electronic word of mouth (eWOM) and conversion rates are the main focus. The first involves expressing and sharing opinions online, while conversion rates represent percentage of visitors to the campaign website, YouTube, Facebook, Twitter followers or email list subscribers who contribute financially to the campaign. Not surprisingly, these percentages are crucial metrics for fundraisers.

Creating an email list is one of the first steps to conducting an efficient promotional strategy online. Creators can use emails to send personalized messages compared to other online communication channels. Moreover, comparing to other social media channels, like Facebook and Twitter, email is perceived to enhance strongest social ties (Tosatto et al., 2022) which is especially important in crowdfunding context.

**When conducting communication based on an email you can think of the following steps:**

- Start with friends, family members, and professional colleagues by sending them a message about the project. Ask if they would be willing to share information about the idea within their social networks and if they would like to be included on your mailing list.
- Create a dedicated webpage for the project that includes an option for visitors to subscribe to the mailing list (landing page).
- Define the project's target audience, focusing on their values and needs. This will help identify the communities that should be reached out to.
- Prepare personalized messages tailored to specific individuals and communities.
- Think of brief summaries or newsletters that could be sent out on a regular basis.

Sharing messages on social media platforms, including specific groups and forums, can increase awareness among potential backers and influence their decision to visit the campaign webpage and contribute. Research confirms that the number of shares a project receives on Facebook, and the size of the Facebook network positively impact the financial results of the campaign (i.a. Lagazio & Querci, 2018). Moreover, projects without Facebook fanpage raised on average 32% of the amount collected by projects that employed a fanpage (Fietkiewicz et al., 2018).

Social media channels, such as YouTube, Facebook, Tik-Tok, Instagram, Twitter, and LinkedIn, gather various respondents – members. Therefore, channelling their attention demands adjusting promotional messages and accentuating these communities' specific benefits and values. Thus, as social media overall raises chances of success, fundraisers need to make wise choices in picking the right channels for their campaigns, as covering all of them would be costly in terms of money and time devoted to responding to all messages.

Finally, gaining support from a recognisable individual or organisation is a positive signal of quality and reputation, thus enhancing the perceived reliability of the campaign (De Crescenzo et al., 2022). Project creators should consider using endorsements from credible figures well before the campaign begins (Shneor et al., 2020). Suitable endorsers may include social media influencers, well-known fundraisers, backers, journalists, radio stations, newspapers local

NGOs, or city councils. These are individuals or organisations that resonate with the online audience the fundraiser is trying to reach. Endorsements can also bring in new potential.

## Campaign is Live: Execution stage



**Figure 19. No time to rest ( Photo by authors)**

Preparing a campaign is a demanding process. So, when the long-awaited day of the collection arrives, it's expected to you'll be tired from the number of decisions that had to be made and materials that needed to be prepared. Nevertheless, the day the campaign starts marks the beginning of a new phase during which fundraisers cannot afford to fall asleep. Campaigns need the attention of the creators. In this phase, it is important to keep the campaign's interest, show commitment and employ efficiently communication to ensure success.

Effective communication with potential backers has several important functions. It encourages the early involvement of social networks, which can drive traffic to the campaign website. Until the day of the campaign's launch, almost all 'messages' in the communication process were sent from the fundraiser. However, once the campaign begins, communication shifts to a more dynamic form of social interaction (Clauss et al., 2018), especially when it resonates emotionally with people. By providing updates and answering comments, the fundraiser reveals more information about the project, thus lowering information asymmetry (De Crescenzo et al., 2022). Fundraisers may explain the project benefits in-depth and show their knowledge and commitment. Effective communication improves the chances of raising money (Tang et al., 2022; Clauss et al., 2018; Shneur & Vik, 2020; Salvi et al., 2022).

In the communication process, it is therefore essential to express gratitude to those who have already supported the campaign and encourage them to spread the news about the campaign on various social media channels. Maintaining a professional tone is necessary, even when negative comments are posted on the campaign website. Effective dynamic communication is

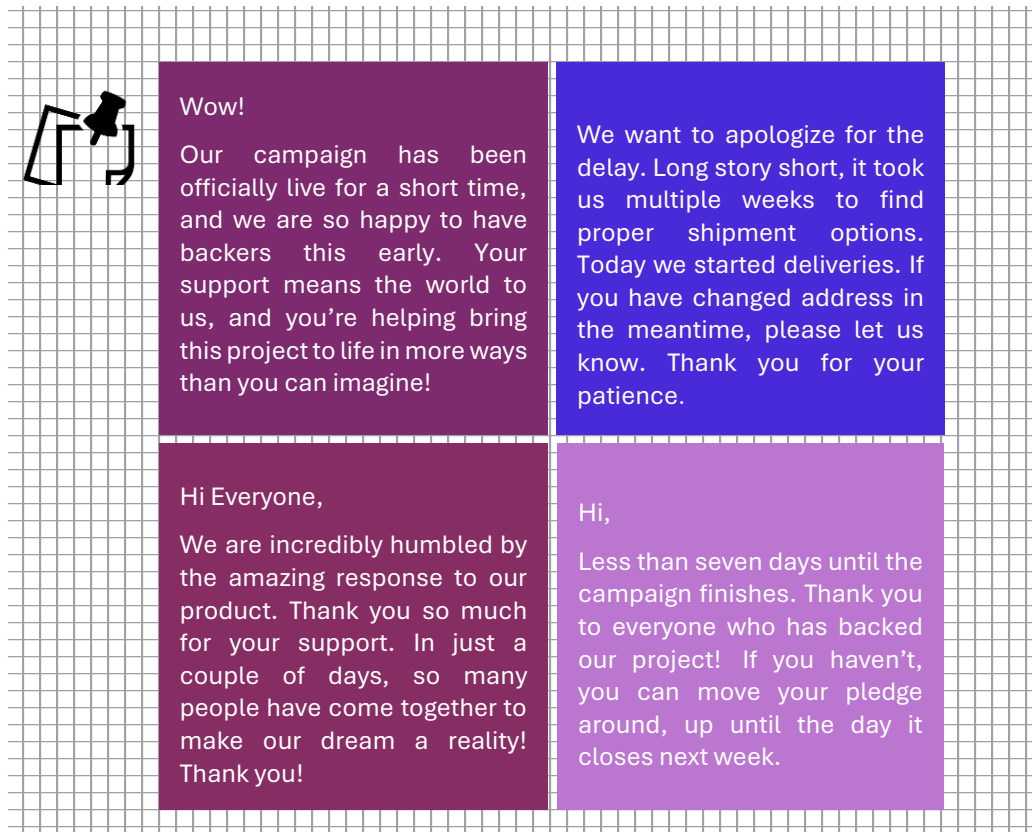
fundamental in building trust and relationships with backers. It supports social engagement and enhances the campaign's reliability (Prędkiewicz & Kalinowska-Beszczynska, 2021).

There are four main communication tools that fundraisers can use at this stage of the campaign:

- providing the section of frequently asked questions (FAQ) on campaigns' website,
- publishing project updates,
- responding to comments,
- if possible providing more endorsements.

Sections of frequently asked questions (FAQ) are enabled on many crowdfunding platforms. However, the fundraisers are not using this tool very often. That is a mistake, especially when potential backers have many or repetitive questions regarding the campaign. Questions from the audience mean that after reading the project description, some essential information is unclear or missing. For example, specific shipment details, rewards-specific add-ons, product risk or payment safety. In such cases, providing an FAQ section is worth enhancing transparency, reducing time for answering repetitive questions and showcasing a responsive attitude toward the backers (Kunz et al., 2017). Although fundraisers may think of the FAQ section in advance, they will only be faced with new questions after launching the campaign. Therefore, the FAQ section should usually be built during the campaign and after the collection of funds is closed. Prior studies prove that the FAQ section in crowdfunding campaigns has a positive impact on the success of the campaign (Kunz et al., 2017).

Keeping campaigns alive and attractive requires fundraisers to post updates on the project' website. Updates can encompass various information, such as announcements about reaching a certain level of financing (like 20%), radio interviews with the project creator, third-party endorsements, and reminders of how many days are left to contribute. Posting updates is a flexible way of informing the audience that the campaign is ongoing. Frequent updates enhance transparency and trust, raising the chances of reaching the financial goal (De Crescenzo et al., 2022; Clauss et al., 2018), especially in the case of rewards, in contrast to the donation model of crowdfunding (Solodoha, & Blaywais, 2023).



**Figure 20. Example of updates (text of updates is coming from various campaigns; some words are changed for illustrative purposes), own representation**

Now, imagine that you have finally launched the campaign you have dreamed about for a long time. You have prepared a great video pitch with an appealing description and attractive rewards. Everything seems perfect, except for a tiny detail: nobody has supported you yet. But look, someone has posted a comment on the project website. They like the idea but doubt whether the small backpack for runners you offer has an additional pocket for IDs and credit cards. So, what now?

Comments give creators great opportunities to engage with online audiences, which is crucial for the project's success. Posted comments should make creators happy. This means the campaign made some buzz, and people are expressing their opinions. Initially, many of these comments were positive words of support, which helped to create a positive attitude toward the project. Moreover, people share their ideas and ask additional questions regarding the quality of the rewards (Clauss et al., 2018). Keeping a responsive, positive attitude while responding to comments enhances trust and relationship building.

### **Example of comments from the Kickstarter campaign that was successful in financing the smartwatch – Pebble Time – Awesome Smartwatch:**

I miss pebble.

Wow - this place is STILL open!!!! I still have my Pebble Time Steel !!! But - I still have my Series 7 Apple Watch.....!

OMG, lol... 32K+ comments in here! I've never seen kickstarter take so long to load before!

I just wanted to chime in that my wife and I gave up our Pebble Time Steel units to our elementary aged kids just over a year ago. They both gave us reliable service for all these years and still going pretty strong with about 4 days charge still. Every now and then one of the watches gets less than 2 days on the battery, but the kids tend to engage with the screen far more frequently than we ever did and they change the watch face frequently so that could explain that.

I may try to give fresh batteries, but that will destroy the waterproof seal and my kids are not

### **Delivery Stage: What's Next?**

Imagine that you have completed the campaign and collected the targeted amount. This is a moment of pride; your project has convinced many people. On the other hand, now it is time to get down to work and fulfil the promises made to a broad audience. So, delivering promises is the main task now.

Many things may go wrong here, and success depends largely on your management and leadership skills. What happens quite often is the delays in delivering the promised rewards. In such a case, fundraisers should notify the public in advance. Keeping the backers informed also applies to other deviations from project promises. In the post-funding phase, it is crucial to maintain strong communication with backers who are financially and emotionally involved in the project. Therefore, they expect regular updates on its progress, which still serve as signals reducing information asymmetry (Kunz et al., 2017). Online communities can be impatient, and since backers have limited ways to assess whether the creator is meeting their commitments, they often react emotionally. They may leave negative comments about the campaign. It's essential to respond to all comments promptly and, whenever possible, to anticipate concerns.

Another essential element is keeping detailed records of all activities related to the campaign, particularly regarding the shipment of rewards. In many projects, funding and realization of the project takes several months. In the meantime, many things can happen in the backer's life. For example, they can change their living place or lose email confirmation of the chosen reward. Therefore, keeping comprehensive records of all correspondence and information is extremely important now and, in the future, as there are many complaints about mistakes in delivery addresses. Sometimes, backers even do not remember if they received the prize. To solve these sometimes-unpleasant situations, which can damage a project's reputation, fundraisers need to have a solid record-keeping system.

Finally, the post-funding phase is an excellent time to reflect on the values that motivate fundraisers, particularly the principle of reciprocity. It may also be a proper moment to consider other projects and contribute to those initiatives (Shneor, et al. 2020) to symbolically give back for the support received from so many people.

## Conclusions

Running a successful crowdfunding campaign is a bit like planning a road trip: it's all about the journey, not just the destination. And that journey doesn't start when you hit "launch"; it begins much earlier, with careful planning, clear budgeting, and a compelling campaign setup. Along the way, you'll need to communicate, adapt, motivate, and – above all – deliver on your promises. Crowdfunding success is never accidental. It's built in stages: setting a realistic **financial goal**, designing attractive **rewards**, crafting a **story** that resonates, **promoting** it through the right channels, **engaging** actively **with backers**, and keeping them in the loop all the way through delivery. At its core, crowdfunding is a people-powered engine, running on trust, communication, and shared enthusiasm.

What separates successful campaigns from the rest isn't just a clever product or catchy video. It's the ability to connect with people, to make them care, act, and come along for the ride. Fundraisers who understand this process as a whole, and prepare for each stage intentionally, have the best chance of not only reaching their goal, but exceeding it and building lasting community support.

## Practical recommendations

### Set realistic goals

Aim for a funding goal you can reach and build momentum with. Use stretch goals to keep interest high after the initial target is met.

### Break down your budget

List where every dollar (or euro) goes: production, marketing, rewards, platform fees, shipping. Include a 10–15% buffer. Transparency builds trust.

### Blend funding sources

Combine crowdfunding with grants, sponsorships, or local government support. Matched funds send a strong signal to potential backers.

### Use visuals and videos to tell your story

High-quality photos and a short (1–2 minute) video can significantly boost credibility. Don't skip this step, it's your campaign's elevator pitch.

### Offer the right rewards

Mix tangible and symbolic rewards. Structure reward tiers to capture a range of backer motivations from small gestures to exclusive experiences.

### Promote smart, not everywhere

Focus on the right social channels for your audience. Start email outreach early and build a list. Use newsletters, updates, and endorsements to keep buzz alive.

### Communicate like a pro

Launch day is just the beginning. Answer questions, post updates, and engage with comments. A visible, responsive creator earns more trust.

### Reflect, give back, and grow

After the campaign ends, update backers regularly. Share your learnings. Consider supporting others, just as your backers supported you.

## Quiz Questions

1. Before launching your crowdfunding campaign, your teammate secures additional funding from a municipality that will cover 10% of the project costs. How should you handle this information on the campaign page?
  - a. Do not mention it. Potential backers might think their contributions are not necessary.
  - b. Include it transparently on the campaign page to show that the project is partially supported and well planned financially.
  - c. Wait until backers ask, then provide the information privately.
  - d. Mention it only after the campaign ends.
  
2. You are preparing a crowdfunding campaign to raise money for planting 500 trees and restoring a wasteland just outside the city. A campaign title should be clear, engaging, and easy to remember. Which of the following titles would be the best choice?
  - a. Reforest the wasteland: planting trees to bring nature back.
  - b. A complete project to plant hundreds of trees on the wasteland area that was destroyed years ago to restore nature and help the Local ecosystem survive.
  - c. Do not be lazy. Our neglect has ruined this planet - it is time to reforest the wasteland.
  - d. Exciting outdoor activities for a greener future!
  
3. What is the main purpose of posting updates during the campaign?
  - a. To show off the creator's personal achievements
  - b. To inform backers, enhance transparency, and increase trust
  - c. To replace the need for FAQ sections
  - d. To distract from low funding levels
  
4. Which of the following is not listed as one of the four main communication tools for a crowdfunding campaign?
  - a. Publishing project updates
  - b. Responding to comments
  - c. Providing FAQs.
  - d. Offering discounts on future products

## True/False

1. Successful crowdfunding campaigns rely primarily on posting an idea on a platform and waiting for audience traction, which is guaranteed by the largest platforms.
2. In commercial crowdfunding campaigns, symbolic rewards may play a complementary role.
3. Fundraisers should ignore negative comments on the campaign website to focus on positive feedback.

## Matching Question

You are organizing a 3-day fun and recreation camp for 25 children from low-income families in your neighbourhood. Since you and your organization will be running the camp, you do not need to worry about paying the educators. However, there are many other expenses to consider. To raise enough funds to cover these costs, you plan to conduct a crowdfunding campaign - donation model. Think of your budget as your "backpack" – you must pack everything necessary to ensure a safe and successful camp.

Items to sort:

- Accommodation by the lake in a recreational centre
- Meals (food and drinks)
- Kayaking equipment rental with life jackets and safety equipment
- Professional safety personnel - certified lifeguards, first aid
- Camp t-shirts for children
- Insurance for children (accident/health coverage)
- Transportation to/from camp
- Materials for games and quizzes
- Marketing & promotion (social media, flyers, local PR)
- Platform fees for crowdfunding
- Buffer for unexpected costs (10–15%)
- A professional photographer to document the event
- Souvenirs for educators

Matching categories: Essential and Optional

## Crowdfunding Cloze Exercise

Anna wants to organise a street festival for her neighbours to honour a heroic firefighter who lived in the area. To fund the event, she decides to use a (1) \_\_\_\_\_ crowdfunding model. She thinks carefully about how to persuade her neighbors to support the idea, so she prepares interesting (2) \_\_\_\_\_ to capture their attention. To encourage donations, she promises to (3) \_\_\_\_\_ for contributions made on the platform. For participants in the festival, she plans to give them (4) \_\_\_\_\_ gifts, such as thank-you notes or commemorative badges. These are considered (5) \_\_\_\_\_ rewards, as they focus on recognition rather than material gain.

1. investment, non-investment
2. description, manual, products,
3. make a list of donors, provide a voucher for a cosmetic service, send a pack of sweets, pay it back in the future
4. thank-you notes, T-shirts, gold pendant with water and fire
5. tangible, symbolic, material, extrinsic

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## 8. Success Factors in Crowdfunding

Time to complete the chapter: 30 minutes

### Keywords



Crowdfunding success, success factors, story, trust, backers, visuals alternative financing, institutions, institutional arrangements, rules, regulations

### Objectives



- To develop a comprehensive understanding of crowdfunding success factors
- Explain the role of storytelling in crowdfunding campaigns and how it influences emotional engagement and decision-making.
- To identify and evaluate the core strategies for effective crowdfunding.
- To explore real-world examples and lessons from successful and failed campaign.

### Learning outcomes



#### Knowledge

Understand the key elements of successful crowdfunding campaigns, including pre-launch strategies, storytelling, and visual presentation.

#### Skills

Analyze and evaluate crowdfunding campaigns to identify strengths, weaknesses, and areas for improvement.

#### Attitudes

Reflecting on the role of honest communication and realistic promises to backers

## Introduction

Crowdfunding has transformed how ideas come to life, enabling creators to bypass traditional gatekeepers and secure support directly from the public. Yet success goes far beyond hitting a financial target. Fully funded campaigns can fall short if they fail to deliver promises, satisfy backers, or build lasting impact. This chapter explores the complex and evolving definitions of success in crowdfunding, from measurable outcomes like funding goals to intangible factors like trust, storytelling, and community engagement. Understanding these dynamics is essential for anyone looking to launch a meaningful, credible, and successful crowdfunding campaign.

So, imagine you have a groundbreaking idea, an app that translates cat meows into human speech, or maybe a solar-powered backpack that charges your devices on the go. You believe in it, your friends believe in it, but there is just one problem, you need money to bring it to life. Banks are a hassle, and investors want too much control. Let's consider **crowdfunding**, the modern solution that can turn an idea into reality, that is, if you play your cards right.

But here is the catch: **Most crowdfunding campaigns fail.**

In fact, statistics show that about 60% of crowdfunding campaigns never reach their funding goal (Soublière & Gehman, 2020). Research conducted on major crowdfunding platforms like Kickstarter and Indiegogo highlights several consistent patterns among successful and unsuccessful campaigns. Success is often determined by factors such as effective pre-launch strategies, strong community engagement, and a compelling narrative. On the other hand, campaigns lacking these elements tend to pause early and fail to gain momentum.

So, what separates the winners from the forgotten? Is it just about having the right idea at the right time, or is there more to it? Let's break down the **science of success in crowdfunding**.

In crowdfunding, particularly in all-or-nothing models (such as those used by Kickstarter), success is primarily defined by **reaching the financial goal** within the specified time frame. In this model, fundraisers must raise the full amount of their funding goal, or they receive nothing, no funds, even if they were just a few dollars short.

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Success in crowdfunding:

Reaching the final financial goal within the specified time frame.

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A flop occurs when the campaign fails to meet its funding target within the timeframe. In an all-or-nothing model, this means zero funding, regardless of how much support the campaign received.

However, crowdfunding **success** is often perceived more than just reaching your financial goal; it's about delivering the promised outcomes, maintaining backer satisfaction, and creating a lasting impact. A **flop**, on the other hand, is a campaign that fails to meet its funding target or, even worse, raises funds but **fails to deliver the promised results**.

A successful campaign typically has:

- **Achieved or exceeded its funding goal.**
- **Delivered on its promises**
- **Satisfied backers** through clear communication and transparency.
- **Created long-term value** (e.g., a new business, social change, or creative project).

Consider Zano Drone that raised \$3.5 million on Kickstarter but became one of the platform's most notorious failures. Despite early excitement and significant funding, the creators lacked the technical expertise and realistic timelines needed to deliver the product. Communication with backers broke down, and the project collapsed, leaving thousands disappointed.

## The Story

Have you ever thought about helping the environment and building a home for bees? You might love honey and would like to get some from your own garden or balcony. What sounds surprising? As it turns out, many people worldwide have this hobby and have supported the Flow Hive® crowdfunding campaign. The idea came from a father and son from Australia; it was revolutionary as their beehive allows honey to flow straight from the hive into your jar. So, there is no smoke, stress, or disruption to the bee colony. When they launched their Indiegogo crowdfunding campaign in 2015, they hoped to raise \$70,000 to bring their ideas to life. However, they collected over \$ 2 million in just 24 hours, ending up with over \$12 million in 30 days, making it one of the most successful crowdfunding campaigns ever. They won a business prize in Australia. They expanded, offered new models and patented their ideas, but most importantly, they inspired many people to act on their own.

The Flow Hive® was not just practical; it was inviting backers to imagine themselves as part of an experience. **Storytelling** is often the core element of the campaign's success. While facts and features are essential, they do not inspire action. People invest in ideas that spark their imagination and emotions. A strong story transforms a product from something functional into something meaningful. A good crowdfunding story does not just describe a product; it explains the “why” behind it. Why does this project exist? Why is it supporting solving problems? Why is it important now? Backers are not just buying a product; they are investing in the vision and passion of the fundraiser.

Crowdfunding campaigns exist in a space of **information asymmetry** (Courtney, Dutta & Li, 2017). Backers have limited information about the creator's capabilities and the actual feasibility of the project. Unlike traditional businesses, crowdfunded projects often do not have a track record or physical product to evaluate. This lack of complete information creates uncertainty for potential backers, who need reassurance before committing their money.

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Information asymmetry is a situation in which one party in a transaction has more or better information than the other, leading to an imbalance that can affect decision-making and outcomes.

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Here is where **signaling theory** (Spence, 1978) comes into play. Successful campaigns use signals to reduce information asymmetry and build trust.

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Signaling theory explains how individuals or organizations convey credible information to reduce information asymmetry and build trust. Developed by Michael Spence in the 1970s, it originated in economics and focuses on how signals help communicate trustworthiness or ability to less-informed parties.

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It originated in economics and focuses on how signals help communicate trustworthiness or ability to less informed parties. These signals can take many forms. For example:

- Well-crafted, engaging stories may serve as a strong signal of professionalism and dedication (De Crescenzo et al., 2022).

- High-quality visuals may indicate that the creator has invested time and resources into the project (Blanchard et al., 2023).
- Social proof, such as testimonials, endorsements, or early backer support, signals that others believe in the project, making it appear more trustworthy and credible (De Crescenzo et al., 2022).

In this context, **storytelling is a powerful signaling tool**. It shows that the creator understands their audience, knows the market, and is committed to delivering on their promises.

Consider Exploding Kittens, a card game that raised over USD 8.7 million on Kickstarter in 2015, making it one of the most-funded games in history. The secret to its success wasn't a revolutionary game mechanic; it was humor, simplicity, and storytelling. The creators used absurd, playful illustrations and a light narrative that resonated with a broad audience. Backers were joining a community built around fun and shared interests.

Research in consumer psychology shows that **emotions drive decisions** far more than logic. When potential backers watch the campaign video or read the description, they are not just evaluating the technical aspects of the product; they are imagining how it will make them feel.

Successful campaigns tap into emotional responses. For instance:

- Excitement and anticipation drive backers to support tech and gadget campaigns.
- Nostalgia and community make people support creative or cultural projects.
- Hope and altruism motivate backers to contribute to social or environmental causes.

Another crucial element of a successful campaign is how the idea is presented. Backers are often browsing multiple campaigns, so clarity and shortness are crucial. If the campaign description is too long or too complicated, there is a risk of losing backers' attention. Successful campaigns should avoid niche jargon. At the same time, key points should be easy to skim through. Headings, bullet points, and bold text can help guide the reader's eye. It is found that the typical description length is between 374 to 555 words (Koch and Siering 2019). Moreover, a reasonable description of the campaign paired with a short video should most effectively engage the crowd. Too short a description may leave backers with unanswered questions and reduce trust. On the other hand, too long may overwhelm backers and make the key message harder to find. Some estimate that approximately 1500 words is the limit, above which the chances of getting funding decrease, although this varies between project categories (Moy, Chan & Torgler, 2018). And finally, descriptions must be free from spelling and grammatical errors, as these can be interpreted as a lack of precision and professionalism (Adamska-Mieruszezowska et al., 2021).

## The Crowd

One of the biggest mistakes made by first-time crowdfunders is the belief that platforms like Kickstarter or Indiegogo will magically bring backers to their campaigns. They won't. It is the fundraiser who must bring their own crowd. While platforms offer tools such as special labels, promotional features, and advertisements to help creators find backers, the most successful campaigns build excitement and momentum long before they go live.

The behavior of backers is highly influential in determining the success of a campaign. Research highlights the importance of early backers, who play a critical role in creating initial momentum.

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Do you remember the card game Exploding Kittens?

Its early success can be attributed to mobilizing an existing community of fans and influencers in the first 48 hours. Within hours of its launch, the campaign had already hit its funding goal, creating massive buzz and social proof that attracted thousands of backers who didn't want to miss out on the fun.

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Campaigns that reach about 1/3 of their goal within the first 48 hours are far more likely to succeed. **Early backers** provide social proof that convinces others the campaign is worth supporting (Colombo, Franzoni, & Rossi-Lamastra, 2015).

In contrast, **late backers** often wait to see how a campaign performs before contributing. These backers are influenced by a project's popularity and its perceived likelihood of success, a phenomenon known as the **bandwagon effect**. Studies show that campaigns with a high number of backers in the early stages generate more pledges because people are more likely to join a project they perceive as already successful (Wessel, Adam, & Benlian, 2019).

So, how can fundraisers create this early momentum?

- Email lists: Building an engaged email list before launching can determine the campaign's success.
- Social media buzz: Engage with online communities, influencers, and potential backers early.

At the heart of every successful crowdfunding campaign lies **social capital** (Cai, Polzin, & Stam, 2021). Social capital is the network of connections, shared values, and mutual trust that helps

people and communities get things done. Unlike financial capital (money) or human capital (skills), social capital is all about who you know, who you trust, and who's willing to help you out. In simpler terms: It is a network. Friends who connect to a job, the neighbor who helps with a community project, or crowdfunding backers who trust the vision because they know the fundraiser. In crowdfunding, social capital is critical for building trust, generating awareness, and mobilizing backers. In practical terms, social capital manifests as the support of friends, family, and extended networks, who often become early backers. Campaigns with high social capital, built on strong community connections, and are more likely to go viral.

Social capital refers to networks of relationships, trust, and shared values that enable cooperation and collective action.

Social capital is often categorized into three types:

**Bonding:** Close-knit relationships within a small group (family and close friends).

**Bridging:** Connections across diverse groups (different social or professional networks).

**Linking:** Relationships with institutions or authorities that offer resources and legitimacy

In Bedfordshire, England in 2024, a crowdfunding campaign was launched to save Strawberry Hill Farm, a rewilded sanctuary for endangered species. The campaign raised over £1.5 million thanks to the community's strong social capital. Local supporters mobilized their networks, shared personal stories about the farm's importance, and enlisted influential environmental advocates.

### Who are the backers and what motivates them

Backers are not a homogenous group; they come with diverse motivations and behaviors, and include:

- **Friends and family:** Often the first to contribute, providing initial credibility and momentum.
- **Community backers:** Support projects tied to shared interests, local communities, or social causes.

- **Innovation seekers:** Passionate about discovering and supporting new technologies or creative ideas before they hit the mainstream.
- **Altruistic backers:** Motivated by social good and a desire to help without expecting a tangible reward.
- **Opportunity seekers:** Attracted by rewards or potential financial returns in equity crowdfunding.

Backers contribute to crowdfunding campaigns due to a mix of intrinsic and extrinsic motivations.

- **Intrinsic Motivations:** Altruism, community participation, personal interest, and emotional connection to the story.
- **Extrinsic Motivations:** Gaining exclusive access, receiving tangible rewards, or benefiting financially (especially in equity crowdfunding).

## Trust

Trust is the cornerstone of crowdfunding success. Backers often fund projects with no guarantee that the product will be delivered or that the promised outcomes will be achieved. Unlike traditional purchases, crowdfunding involves higher information asymmetry, meaning that creators know far more about the project than potential backers. This uncertainty makes trust essential for reducing risk, encouraging participation, and ensuring campaign success.

**Trust theory** suggests that people decide whom to trust based on past behavior, credibility signals, and social influence (Mayer, Davis, & Schoorman, 1995). In crowdfunding, this means backers evaluate:

- The credibility of the creator (Does the creator have the expertise or reputation to deliver on promises?)
- The reliability of the platform (Is a platform like Kickstarter or Indiegogo a trusted space for transactions?)
- The behavior of other backers (Are many people supporting this project, and are they engaged?)

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Trust theory was developed by Roger C. Mayer, James H. Davis, and F. David Schoorman in 1995, as part of their work on organizational trust, focusing on the dimensions of ability, integrity, and benevolence in trust-building.

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Trust is often classified into three levels, which applies well to crowdfunding (Steigenberger, 2017):

Ability – **Competence-based trust**: The belief that the project creator has the knowledge, skills, and resources to deliver the project.

Consider The Flow Hive campaign that raised over \$12 million. The campaign was driven by the creators' deep expertise in beekeeping and innovative design. They provided backers with high-quality videos demonstrating the product's functionality and shared their beekeeping experience, which reinforced their competence.

Integrity – **Institutional trust**: Confidence in the standards of the creator and the crowdfunding platform; established platforms and institutional frameworks are in place to increase the likelihood of a successful outcome.

Consider campaigns launched by the **Malala Fund** on GoFundMe. The idea was to support girls' education, and it raised hundreds of thousands of dollars. Backers trusted both the GoFundMe platform and Malala Yousafzai's global reputation, making them more willing to donate.

Benevolence – **Interpersonal trust**: The belief that the creator cares about delivering value to backers, that backers can rely on their word or promise (Moysidou & Hausberg, 2020).

Consider the campaign called the Humans of New York – it raised over \$1 million for social causes, including scholarships for underserved students. Creator Brandon Stanton had built significant interpersonal trust through years of storytelling and engagement on social media, making his crowdfunding efforts highly successful.

While the original model focuses on trust in the creator and platform, crowdfunding adds a new layer: **peer trust**. In crowdfunding, backers do not just trust the project initiator. They also rely on the behavior of other backers as a signal of credibility. Community-based trust is the belief that if many others are backing the project, it is likely to be legitimate and successful. This form of trust is closely linked to social proof and the bandwagon effect.

Consider the Veronica Mars Movie Project. The campaign raised \$5.7 million, driven largely by peer trust within the fan community. Early backers were fans who quickly spread the word through online forums, fan pages, and social media.

There are several ways fundraisers can reduce information asymmetry and increase trust:

**Transparency:** Clearly communicate risks, production timelines, and potential challenges.

**Proof & credibility:** High-quality visuals, prototypes, and expert endorsements.

**Regular updates:** Campaigns that post at least three updates during their funding period tend to attract and retain more backers.

**Leverage social proof:** Early backers leaving positive comments and sharing the campaign.

Timely and responsive **communication:** Fast and accurate answers in a friendly tone to any questions or comments on the campaign page help build a credible fundraiser image.

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Once people decide to support a project that gives them inspiration and positive emotions. They also are keen on sharing their thoughts and enthusiasm. See a couple of comments written by early supporters from various projects:

- Absolutely thrilled that this project is here! Congratulations to Your team!
- So excited about this!
- Congratulations John &Co! Our family is very excited to experience your boardgame!

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Supporters are not very patient. When the delivery time of a product is extended, questions appear in the comments and uncertainty grows as to whether the campaigners will deliver on their promises. Fundraisers should, therefore, disclose delays in updates and respond to queries as quickly as possible.

Backer Linda: I backed up this project but still haven't received what I ordered.

Fundraiser Team BooKS: @Linda, I am so sorry to hear that. I'm reaching out to you now via email to resolve this issue. Thank you!

@All If anyone else is missing their orders, please email us at Team BooKS with your backer number so we can settle it!

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\*The examples in box are based on real crowdfunding campaign comments, but names and details have been altered for illustrative purposes.

## Visual Elements

In crowdfunding, visual elements are secret weapons. Photos, videos, and graphics help backers **see a vision** and trust that fundraisers will deliver the project. Think about it, when was the last time you scrolled past a wall of text but paused for a video or a clean, vibrant photo? Visuals grab attention, spark curiosity, and build instant credibility.

Research shows that campaigns with a high-quality video are more likely to succeed than those without one (Shneor & Vik, 2020). Why? Because visuals signal professionalism, competence, and creativity. In fact, visuals act as trust signals, helping backers feel confident about supporting the project.

The most effective crowdfunding visuals strike a balance between a professional tone and a personal touch. Backers expect polished content that demonstrates competence while still feeling connected to the creator's story.

### Visuals help:

- Build competence-based trust: A well-produced video signals expertise and dedication.
- Reduce information asymmetry: Showing a prototype or final product makes the project tangible and credible.
- Create emotional engagement.

### What to do and how?

#### Engaging Videos (1–2 minutes)

- Concise and to the point. Long videos risk losing backers' attention.
- Start strong: The first 30 seconds should grab attention and highlight the project's core value.
- If you need to show more footage to get your point across, you can use a plot twist or change the music to keep the audience focused and engaged. Use a friendly and personal tone but maintain a professional presentation.

#### Photos

- Show backers exactly what they are funding. A clear, high-resolution image of the product reduces uncertainty.
- Use before-and-after visuals for civic projects (e.g., a rundown playground versus a digitally rendered proposal for renovation).
- Team photos or behind-the-scenes content.
- Avoid cluttering the page with too many images.

In the context of signaling theory, visual elements serve as important signals to backers, reducing uncertainty and building trust. High-quality visuals signal that the fundraiser has invested time and resources in the project, indicating competence and seriousness. Prototype demonstrations signal feasibility and technical readiness. Behind-the-scenes content signals authenticity and transparency. Visual content acts as a trust signal, reassuring backers that the creator is both capable and committed to the project.

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The Elaboration Likelihood Model (ELM) offers insight into how visual elements influence decision-making. It includes central and peripheral route persuasion. Central Route Persuasion: For highly engaged backers, detailed visual demonstrations (e.g., product specs, prototype testing videos) provide logical reasons to back the project. Peripheral Route Persuasion: For less-involved backers, surface cues, such as professional design and polished videos, create an impression of competence and increase trust. Combining both routes increases the likelihood of capturing a broad audience of backers with varying engagement levels.

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The way visual content for crowdfunding campaigns is generated is being transformed by **Artificial Intelligence** (AI). AI tools are being used to enhance visuals, generate scripts and voiceovers, and produce custom graphics. However, trust can be reduced when AI is heavily relied on. Maintaining an authentic touch should be prioritized as an important signal that shows backers the real story and the people behind it. When everything feels artificially generated, backers may question the project's authenticity and whether it represents a real, deliverable idea. Human connection and personal storytelling are often valued by backers, making authenticity essential.

Tools to explore:

- **Runway AI (Web)** – For video generation and background removal.
- **Copy.ai** – For generating creative video scripts.
- **DALL-E (AI Art)** – Create unique campaign images or concept art.
- **Canva (Web/Mobile)** – Create stunning visuals, edit photos, and add text overlays.
- **Remove.bg (Web)** – Automatically remove backgrounds for cleaner product images.
- **Adobe Lightroom (Mobile)** – Enhance your photos for a professional touch.

When visual elements are created or sourced, it is crucial that copyright laws are respected and that all content is either **original or properly licensed**. Licensed images and music should be used, while generic stock photos that do not match the campaign’s style should be avoided. Royalty-free resources can be explored, or licenses for high-quality visuals can be purchased to enhance the project’s presentation. Proper credit should be given to designers, photographers, or musicians when their work is included in the campaign. It must also be ensured that AI-generated visuals do not violate intellectual property rights, particularly when AI trained on copyrighted materials is used. This approach will maintain professionalism and help avoid potential legal issues.

Tools to explore: Unsplash; Pixabay; Freepik.

Imagine you want to find a cozy home for a cat. On the left is an original photo of a live cat, though obviously not the best quality. On the right is an AI-generated photo. While there is nothing wrong with using AI or other tools to enhance image quality, sometimes it is worth considering whether the new owner would be disappointed if they only saw the photo on the right before deciding.



**Figure 21. Resting cat (Photo by authors)**



**Figure 22. Resting cat (Photo generated by AI)**

\*The cat on the left is not looking for a new home. This one belongs to one of the authors. The photo is for illustrative purposes.

## Metrics

### Funding goal

In all-or-nothing models, setting a realistic and achievable goal is crucial. A low funding goal increases the likelihood of success, but it must still cover the minimum costs to deliver the project.

- **Too high:** Risk of failing to meet the target and receiving no funding.
- **Too low:** Risk of underfunding the project and not being able to deliver on promises, which can damage fundraiser credibility and backer trust.

It is always worth adding a small **buffer** (10–15%) to account for unexpected expenses, such as production delays, increased shipping costs, or unforeseen complications. The goal should also include the costs of rewards and shipping.

### Budget

When setting your crowdfunding goal, it's essential to provide a transparent breakdown on how the budget funds will be used. This not only builds trust with backers but also shows that fundraisers carefully thought through the project's financial needs.

### Campaign duration

The duration of the crowdfunding campaign can significantly impact its success. Most successful campaigns last between 30 to 45 days, long enough to build momentum but short enough to maintain backer interest.

## Conclusion

Success in crowdfunding is multi-dimensional. While reaching a funding goal is the most visible metric, true success lies in delivering promises, maintaining backer trust, and creating lasting value. Campaigns thrive not just on clever ideas, but on authentic storytelling, social capital, and trust signals that reduce uncertainty and inspire confidence where early backers may convince others that a campaign is worth supporting. In a landscape shaped by information asymmetry, creators must actively communicate their competence, passion, and credibility through every element of their campaign, while building trust to support their success. Trust can be increased through transparency, credibility, regular updates, and social proof. Those who understand and

embrace this broader definition of success are far more likely to turn their campaign into a sustainable venture.

## Practical Advice

For those preparing to launch a crowdfunding campaign, start by building your crowd well before going live. Success rarely comes from platform traffic alone. Craft a clear, emotionally resonant story that explains not just what your project is, but why it matters. Invest in high-quality visuals, especially compelling videos, and avoid overloading your page with technical jargon or excessive length. Be transparent about your budget, realistic with your funding goal, and clear about your timeline. Use social proof in the early stages and mobilize friends, family, and your wider network to generate initial momentum. Most importantly, communicate openly and consistently with backers. Trust is built through transparency, responsiveness, and authenticity; including these attributes, can support turning backers into long-term supporters.

## FAQ: Answering key questions

A well-organized FAQ section is a game-changer. It provides clarity, reduces backer hesitation, and minimizes repetitive questions. Most common concerns in the FAQ can include: What's the timeline for delivery? What happens if the goal isn't met? How will the funds be used?

## Updates

Campaign updates are critical for maintaining backer engagement and building long-term trust. Updates should be planned and scheduled before the launch of the campaign. They may include information about progress, milestones, and setbacks, thanking backers when goals are reached, or milestones are achieved and may include photos or short videos to make them more engaging.

## Conclusions

Crowdfunding success is more than a numbers game: more than just reaching a funding goal. Real success means earning backer trust, delivering what was promised, and sparking genuine impact. The most successful campaigns are built on **four solid pillars**: authentic **storytelling**, strategic **community building**, **visual clarity**, and above all, **trust**.

**Storytelling** breathes life into a project, helping backers understand not just what the product does, but why it matters. **Visuals** – images and engaging videos – make the idea tangible and professional. **Community** is the foundation; without a crowd, even the best idea may go unnoticed. And **trust**? It is the glue that holds it all together, established through transparency, updates, credibility signals, and meaningful communication.

Campaigns that thrive do so because they connect emotionally, present their message clearly, and build momentum from day one. Ultimately, it's not just about funding a product – it's about inviting others into a shared vision.

## Practical recommendations

### Plan before you act

Build your network and email list weeks (or even months) before launch. Your first supporters are likely to be people who already know you, so make sure they are ready and excited.

### Tell a story

Explain not just *what* you're making, but *why* it matters. What inspired it, what problem does it solve, why now.

### Be visual. Be real

Use high-quality images and a short, engaging video (1–2 minutes). Show your face, show your product, and above all, show your passion. Keep it authentic.

### Create early momentum

Aim to raise 30% of your goal in the first 48 hours. Reach out to friends, communities, and social media followers to jump-start the campaign.

### Be clear and concise

Avoid jargon. Use short paragraphs, bullet points, and bold headers to guide the reader. Keep your description relatively short and make it easy to follow.

### Build trust through consistent delivery

Be transparent about risks, timelines, and budget. Respond to comments quickly, update regularly, and don't go silent, even if things get tough.

### Choose the right funding goal

Set a realistic target with a small buffer (10–15%) for unexpected costs. Too low, and you may underdeliver. Too high, and you may not get funded at all.

### Keep momentum going

Backers are not just donors, they're your first community. Keep them informed, fulfill promises, and continue the relationship even after funding ends.

## Quiz Questions

1. In an all-or-nothing crowdfunding model, what happens if the campaign does not reach its funding goal?
  - a. It receives partial funding
  - b. It gets zero funding
  - c. It can keep all the pledges anyway
  - d. It can extend the time automatically
  
2. Which of the following is an example of social proof in crowdfunding?
  - a. A high-quality campaign video
  - b. Testimonials and endorsements
  - c. A short description of 200 words
  - d. Technical specifications of the product
  
3. When product delivery is delayed, fundraisers should:
  - a. Stay silent to avoid negative comments
  - b. Blame the platform for delays
  - c. Disclose delays and respond quickly to questions
  - d. Cancel the campaign immediately
  
4. Which of the following is NOT listed as a way to reduce information asymmetry in crowdfunding?
  - a. Transparency about risks and challenges
  - b. Providing high-quality visuals and prototypes
  - c. Posting regular updates
  - d. Using complex jargon to show expertise
  
5. Which of the following is a key risk of setting the funding goal too low?
  - a. Receiving no funds at all
  - b. Overfunding the project
  - c. Underfunding and failing to deliver promises
  - d. Losing access to the platform's promotional tools
  - e. Read the following descriptions of the playground project and answer questions.

Blue	Green
<p>Playgrounds spark curiosity, inspire imagination, and build connections.</p>	<p>Playgrounds function as multi-sensory environments that stimulate cognitive development, scaffold imaginative projection, and facilitate socio-emotional interaction.</p>
<p>With your help, we will create in our neighbourhood the Submarine Odyssey, a unique ocean-themed playground where children can climb, swing, explore, and discover the wonders of our blue planet.</p>	<p>With the support of funders, the construction of the Submarine Odyssey will be possible. A marine–engineering–themed playground designed to integrate embodied learning with exploratory recreation will be created.</p>
<p>Submarine Odyssey will be an unforgettable journey of learning. Here is what we plan to do:</p>	<p>Submarine Odyssey will constitute an immersive experiential framework for applied discovery. The plan encompasses:</p>
<ol style="list-style-type: none"> <li>1. build a submarine tower featuring rope nets and slides;</li> <li>2. construct an echo tube that allows kids to experience how sound travels underwater;</li> <li>3. create abstract and colourful climbing walls inspired by corals;</li> <li>4. construct a shipwreck adventure zone with tilted decks, balance beams, and hidden discovery spaces;</li> <li>5. install swings with dolphin-shaped seats, giving the sensation of swimming with dolphins while swinging;</li> <li>6. decorate the playground with playful graphics, fun facts on information boards, and interactive puzzles linked to an octopus pedestal.</li> </ol>	<ol style="list-style-type: none"> <li>1. engineering a vertically stratified submarine tower with ropes and slides;</li> <li>2. installing an acoustic transmission tube mimicking underwater sound;</li> <li>3. fabricating climbing geometries inspired by underwater corals;</li> <li>4. construction of a shipwreck adventure zone with inclined deck planes, dynamic balance systems, and concealed research alcoves;</li> <li>5. deploying swing apparatus with marine-fauna-inspired seating;</li> <li>6. integration of environmental graphics, didactic information systems, and interactive puzzle interfaces centred on a cephalopod-inspired pedestal.</li> </ol>
<p>Submarine Odyssey will inspire children to see themselves as explorers and protectors of our oceans. Together, we will create a place where play and imagination are inseparable.</p>	<p>Submarine Odyssey will cultivate children’s perception of themselves as marine explorers and ecological stewards. This playground will allow for kinesthetic play, imagination, and environmental cognition to converge.</p>
<p>The playground will meet the European safety standards for playground equipment.</p>	<p>The installation will conform to European safety standards for playground equipment.</p>

1. Which version is written in a more persuasive and emotionally engaging style?
  - a. Green version
  - b. Blue version
  - c. Both equally
  - d. Neither
  
2. Which of the following best describes the tone of the Blue version?
  - a. Inspirational and accessible
  - b. Neutral and descriptive
  - c. Formal and highly academic
  - d. Skeptical and critical
  
3. Which description would be easier for the general public to understand quickly?
  - a. Blue version
  - b. Green version
  - c. Both are equally easy
  - d. Neither

### True/False

1. Storytelling can act as a signal of professionalism and dedication.
2. A campaign can be considered a flop even if it raised funds.
3. Crowdfunding is always about financial outcomes only.
4. Successful crowdfunding campaigns usually build excitement and momentum after they start raising funds.

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## 9. The Main Ethical Dilemmas in Crowdfunding

Time to complete the chapter: 15 - 20 minutes

### Keywords



Public trust, social justice, vulnerability, solidarity and charity, power dynamics, emotional abuse, data privacy, political tool, social change

### Objectives



- To explore the ethical dilemmas involved in civic crowdfunding.
- To assess how ethical decisions in civic crowdfunding affect public trust, vulnerable groups, civic engagement, and social justice.
- To consider the role of civic crowdfunding in reinforcing or challenging existing power dynamics and social divisions.

### Learning outcomes



#### Knowledge

Understanding the definition and implications of ethical dilemmas in civic crowdfunding. Gaining insight into how civic crowdfunding operates as a tool for social change. Learning about the factors that influence public trust in crowdfunding campaigns.

#### Skills

Analyzing the potential risks and benefits of civic crowdfunding initiatives. Evaluating the impact of crowdfunding campaigns on vulnerable social groups and communities. Assessing the ethical implications of fundraising and project management in civic crowdfunding.

#### Attitudes

Developing an ethical mindset toward online fundraising and the responsible use of crowdfunding platforms. Encouraging critical thinking regarding the social, political, and economic impacts of crowdfunding. Fostering an awareness of the need for transparency and trust in digital platforms.

## Introduction: You Can't Have Your Cake and Eat it Too

The Greek-origin word "**dilemma**" refers to a situation in which you must choose between two or more equally undesirable options. The resolution of a dilemma results in something gained, but also something lost. The Greek-origin word "ethos" also refers to the values that guide our decisions and actions, often reduced to a question of good and evil. Therefore, ethical dilemmas pertain to our intentions, decisions, and actions that create both positive and negative outcomes at the same time.

The civic version of crowdfunding, which is our primary focus here, is an alternative funding method for projects aimed at the common good. While it offers numerous advantages and potential solutions for social initiatives, it can also have negative consequences. In this context, we must consider not only the conscious outcomes of such actions but also the unintended consequences of our choices (Giddens, 1984). This broader perspective equips us to make well-informed decisions about the "cake".

## Trust Matters

Fake campaign and the abuse of funds have a greater impact on the public perception than successful and ethical campaigns. Failed cases are disproportionately highlighted compared to the many successful ones, reinforcing the suspicions of those who doubt the good intentions of ethical fundraisers. Trust is shaped by several factors: the social trust culture of a country (Shneor, 2021), the credibility of the fundraiser and platform, the amount being requested, the clarity of the campaign's purpose, and the realism of the rewards or social benefits offered.

Trust is highly sensitive to delays and becomes vulnerable when schedules are not met (Hossain, 2016). Even well-intentioned and ethical fundraisers have experienced delays, often due to underestimating external or internal factors—such as higher implementation costs or larger-than-expected amounts raised that require different organisational structures. It is crucial to acknowledge that while a campaign may benefit the community, it could also undermine public trust in crowdfunding and the intentions of those leading these initiatives. Civic crowdfunding must focus on strengthening the public trust in the potential for collective benefit, not the opposite.

## Don't believe everything you read on the internet just because there is a quote with a picture next to it - Abraham Lincoln

We often feel a stronger sense of hesitation when making online payments compared to in-person transactions, as the reliability of the internet is not guaranteed. While the internet has transformed humanity by providing access to almost all human knowledge; it also provides access to a vast amount of misinformation.

The misleading aspects of the internet subtly shape how we perceive the information it holds. The justified suspicion and risk we feel when giving money online often extends to (civic) crowdfunding initiatives, creating a negative social representation of those involved. Someone seeking funds for health reasons may genuinely need assistance and could be facing a life-or-death situation. Yet, thousands of people might immediately suspect fraud. In the ambiguous space of the internet, we may find ourselves unintentionally kicking someone who is already down. This is a thought we should keep in mind before passing judgment.

## Double Stigma and the Tyranny of the Majority

(Civic) crowdfunding can be a great way to support vulnerable social groups, promoting equality in access to fundamental rights. Initiatives like increasing accessibility for people with disabilities, providing fresh water to drought-stricken communities, raising awareness about LGBTQ+ issues, or organizing vaccination programs for the uninsured can be excellent ways to create a fairer world.

However, when the situation of these vulnerable groups is presented without the necessary care and respect, it can unintentionally reinforce their social stigma, perpetuating their vulnerability. When minorities lack the power to seek support and must rely on the majority to advocate for them, they can suffer from the tyranny of the majority (Shneor, 2020). The motto "Nothing About Us Without Us," from the global disability movement, can inspire meaningful resistance to double stigma and the tyranny of the majority.

## Divide and Rule

Similarly, supporting vulnerable social groups that face hostility from other groups, driven by fear of otherness (Kristeva, 1982), can strengthen social divisions and trigger dynamics that empower the few while weakening the active participation of the many, thus diminishing communities' social capital. Supporting the "other" may provoke xenophobic reactions and influence public discourse in unpredictable ways. Again, the issue is not *whether* we should act, but *how* we do so. Civic crowdfunding may not solve all the world's problems, but at the very least it can avoid creating new ones. Civic crowdfunding is inherently political as a funding tool; ideally, it should be used and recognised as such.

## Whose Side Are We On?

Civic crowdfunding is a political tool, a form of know-how, a technology for social and political initiatives that can support groups without or with limited access to traditional financial institutions, thereby contributing to their social liberation.

However, as a technology, it can also be wielded by powerful minorities with the intent to oppress others. Throughout history, powerless social groups have often become targets of moral panics, with moral crusades mobilized against them (Cohen, 2002). Minors, single-parent women, the elderly, people with disabilities, the homeless, migrants, refugees and those from lower socio-economic background all share limited access to public discourse, and moral panics have been directed against them. Civic crowdfunding can strengthen democracy by amplifying the voices of the marginalized. While democracy can be challenging, it is always inclusive, taking seriously the voices of those who are socially excluded. This makes it the best system we have.

## Solidarity and Charity

Civic crowdfunding has the potential to increase civic engagement, create active communities around a common good, and strengthen solidarity and social security. For some, this aspect is more important than the immediate funding of a cause.

However, raising a large amount of money from many small contributions is not enough to foster communities and strengthen solidarity. It can create the illusion that by merely financially contributing to a cause, one has fulfilled their duty to the community. Moreover, it may reinforce social and/or economic power imbalances. The privileged, by helping the underprivileged, might

enjoy and perpetuate the status quo in a "marketplace of compassion" (Snyder, 2024). Is this the outcome we desire?

Civic engagement is about taking collective responsibility for the community. Civic crowdfunding campaigns should cultivate a sense of collective responsibility and reinforce the actions of their supporters. It is important to recognize that the participant is not just a donor; they are recipients of help as members of the community. As the Aboriginal Activist Group in Queensland, Australia, said in the 1970s:

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"If you have come here to help me, you are wasting your time. But if you have come because your liberation is bound up with mine, then let us work together."

Watkins, 2019

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## Emotional Abuse

Appealing to emotions is a powerful tool for successful marketing. However, boundaries must be respected to prevent emotional appeals from turning into emotional abuse. The person initiating a civic crowdfunding campaign is not inherently better than those who have not done so. Likewise, supporters of such campaigns are not superior to those who haven't contributed. The effort to gather support must not involve emotional blackmail, pressure, or harassment—whether overt or implied. Satisfaction comes from participation and the achievement of goals that benefit the entire community, not just those with "charisma." The results of civic crowdfunding are socio-centered, not personality-centered.

## Does the End Justify the Means?

An environmental protection campaign should not involve the production of single-use plastic products. T-shirts for a human rights initiative should not be sourced from sweatshops that exploit workers. The means we use to create a better world must align with the better world we envision; not reproduce the world we aim to change.

## The Medium is the Message

In crowdfunding, the public decides which initiatives to fund through online platforms that present them on seemingly objective terms. In this sense, "power to the people" becomes a reality, and democracy takes a much-needed breath of relief.

But who decides which initiatives appear on these platforms, and based on what criteria? Crowdfunding platforms are intermediaries, acting as gatekeepers between fundraisers and supporters. If we approach them through the theory of media (Hall, 1997), we realize that these platforms do not reflect reality in its entirety; they represent it, offering a filtered and partial version. While online crowdfunding platforms feature far more initiatives than traditional financial institutions, we must remember that they selectively shape reality.

## Data-ism

The flow of data and information is increasingly becoming a "supreme value" in a new ideology, or even a religion (Harari, 2018). But where do agnostics fit into this environment? Will they be able to choose which personal data flows, when, by whom, and in which direction?

The misuse of personal data by platforms and fundraisers, or its commercial exploitation without the consent or awareness of users, has been described as an abuse of power (Shneur, 2020). A stricter system of controls and a more cohesive regulatory framework to protect user rights could reduce unethical data usage and increase public trust in crowdfunding.

## Those who would give up essential Liberty, to purchase a little temporary Safety deserve neither Liberty nor Safety - Benjamin Franklin

Hmm... Even if it's a genuine quote from a real person, let's not rush to adopt it without critical thinking. A functional regulatory framework for private online platforms could reduce fake campaigns, fund abuse, and data misuse, thereby boosting public trust in alternative funding opportunities and helping develop communities around civic projects.

On the other hand, tightening oversight and imposing stricter conditions on civic crowdfunding campaigns could create a stifling framework for civil society, with excessive regulations that define precisely what one can and cannot do. Such overregulation, which may stem from citizens' legitimate demands for security, could reinforce the monopoly of traditional financial institutions in funding, essentially nullifying the concept of crowdfunding. It could support the idea that the

common good can only be provided by the public sector or the profit-driven private economy, leaving citizens with individual, rather than collective, responsibility.

## A Public Sector Alibi

Civic crowdfunding can provide solutions where the state and public sector fail. Especially in the last two decades of economic crisis, state resources have been withdrawn from many social sectors, like health, culture, education, and care for the vulnerable. In liberalism, the mutual agreement is that citizens delegate some of their powers to the state in exchange for social goods that neither morally nor economically can be provided by the private, profit-driven economy. This reciprocal logic forms the foundation of taxation and contributions to the state.

However, this social contract has been seriously fractured, and not at the initiative of the citizens. In many cases, the state no longer responds to the basic needs of its people. Whether due to lack of resources, mismanagement, or deliberate neoliberal policies that shrink public services in favor of private interests, a significant gap has emerged. This gap can be partially filled by civic crowdfunding, which seeks funding to cover social goods that the state and public sector can no longer provide or to further extend those already provided.

Hence, the success of civic crowdfunding carries a bittersweet undertone of paradox. On one hand, it addresses the need for social goods and reactivates communities that may have been dormant due to previous state provisions. On the other hand, it seems to legitimise the absence of the public sector, fostering a belief among citizens that they are on their own and that it is futile to advocate for a welfare state grounded in social justice. As Peter Pan once said, “*The moment you doubt whether you can fly, you cease forever to be able to do it*” (Barrie, 1962). By paraphrasing, we might say the same applies to the welfare state and social justice. The moment we doubt whether they can exist, we lost the ability to claim them. At the same time, when existing institutions fail to deliver welfare and social justice, the emergence of alternative sourcing mechanisms such as civic crowdfunding, allows us to re-claim them, as alternative solutions are still better than no solution at all.

## Conclusion

Ethics guide our decision making toward options that enhance well-being and flourishing lives. In the specific case of civic crowdfunding practice, one may encounter ethical dilemmas rooted in

the very concept of crowdfunding, as well as ethical dilemmas unique to the civic version of it. The former dilemmas relate to awareness of the risks of the tyranny of the majority, abuse of power by stakeholders, incongruence between ends and means, as well as violations of individual protections and rights. The latter dilemmas relate to awareness of the fine balance between provision of public goods and serving as an alibi for dysfunctional public sectors. Accordingly, when contemplating engagement in civic crowdfunding practice, all related stakeholders need to consider these ethical dilemmas, to support action that is not only well-intentioned but also reflects ethical practice.

## Practical Advice

Ethical dilemmas can often feel paralyzing, especially when every well-intentioned action seems to carry the risk of unintended negative consequences. This sense of moral complexity may discourage individuals or groups from taking any action at all, for fear of doing the wrong thing. However, ethical awareness should not lead to inaction. On the contrary, it should empower us to act with greater clarity, responsibility, and care. Recognizing potential dilemmas is not a reason to retreat, but a call to move forward with greater intentionality.

The key is not to avoid engagement, but to engage more consciously. This means taking the time to reflect on our strategy, the tools we use, the tone and framing of our messages, the partnerships we form, and the broader social impact of our efforts. By doing so, we can maximize the potential benefits of civic crowdfunding while minimizing harm. Ethical practice is not about perfection—it's about striving to be as thoughtful, inclusive, and community-oriented as possible, so that our actions genuinely contribute to a more just and democratic society.

## Quiz Questions

1. Which of the following is a major factor shaping public trust in crowdfunding?
  - a. The duration of the campaign
  - b. The implementation of the campaign only by a public institution
  - c. The credibility of the fundraiser and the platform
  - d. The geographical location of the donor
  
2. What is the role of crowdfunding platforms according to media theory?
  - a. They objectively present all reality
  - b. They selectively shape and represent reality
  - c. They act as neutral observers
  - d. They guarantee full access to all initiatives
  
3. Which of the following best describes the “tyranny of the majority” in the context of civic crowdfunding?
  - a. When minorities must rely on the majority to advocate for them
  - b. When minority groups dictate campaign outcomes
  - c. When crowdfunding campaigns ignore ethical dilemmas
  - d. When everyone has equal power in decision-making

## True/False

Civic crowdfunding always eliminates social divisions and stigma.

Civic crowdfunding can sometimes act as an alibi for a dysfunctional public sector.

## Select the Missing Words

Civic crowdfunding has the potential to increase civic engagement, create active communities around a common good, and strengthen \_\_\_\_\_ and \_\_\_\_\_.

- (a) wealth / competition
- (b) solidarity / social security
- (c) fear / distrust
- (d) profit / private interest

## Toolbox

### **"What is Solidarity?"**

The value of this 3-minute video, lies not only in its brief and clear definition of the concept but also in the examples it provides and the benefits of solidarity it highlights. Moreover, it does not omit the critical perspectives that deepen our understanding of the term and can equip us to avoid the unintended consequences of our good intentions.

<https://youtu.be/dualCHGvzCY?si=-X1lhXLkyC-LbK5O>

### **“Ethics Boot Camp”**

The Ethics Boot Camp offers around 10 hours of interactive ethics exercises tailored for students, suitable for diverse educational environments. Its purpose is to provide an enjoyable and captivating experience, while teaching foundational ethics principles, guiding ethical decision-making, and helping students identify ethical challenges.

<https://www.mbaresearch.org/wp-content/uploads/2022/05/2022-Ethics-Boot-Camp.pdf>

### **“The Danger of a Single Story”**

In this brief and captivating talk, novelist Chimamanda Adichie challenges us to reflect on the dangers behind one-dimensional representations of social situations and groups. She highlights how the power to tell someone else’s story carries a deep responsibility—to first question how you yourself perceive that “other.”

[https://www.ted.com/talks/chimamanda\\_ngozi\\_adichie\\_the\\_danger\\_of\\_a\\_single\\_story?utm\\_campaign=tedsread&utm\\_medium=referral&utm\\_source=tedcomshare](https://www.ted.com/talks/chimamanda_ngozi_adichie_the_danger_of_a_single_story?utm_campaign=tedsread&utm_medium=referral&utm_source=tedcomshare)

(with subtitles in English, German, Romanian, Greek, Polish and Norwegian)

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## Answer key

### Chapter 1:

Multiple Choice Questions

1. c.; 2. b.; 3. c.; 4. b.; 5. b.; 6. b.

### Chapter 2:

Multiple Choice Questions

1. b.; 2. c.; 3. b.; 4. b.; 5. b.; 6. b.

### Chapter 3:

Multiple Choice Questions

1. d.; 2. b.; 3. c.; 4. b.; 5. b.

### Chapter 4:

Multiple Choice Questions

1. b.; 2. b.; 3. a.

Matching Question

A - Psychological proximity;

B - Compassion fade;

C - Social proof;

D - Donor fatigue.

### Chapter 5:

Multiple Choice Questions

1. c.; 2. c.; 3. b.

True/False

1. True; 2. False

Matching

1) 1. a.; 2. b.; 3. c.; 4. d.

2) 1. b.; 2. a.; 3. c.

Drag and Drop (fill in missing words)

1. functionalities; transparency.

2. ongoing; successful.

Select Missing Words (drop-down menu)

1. profile / business plan;

2. risks / capital at risk.

## Chapter 6:

### Multiple Choice Questions

1. c.; 2. d.

### True/False

1. True; 2. False; 3. False; 4. True

Identify missing words in the text and fill in the correct ones using the drop-down menu

hospital, cut off, burdensome, keep financing, civic crowdfunding, expand, inefficiently, public

## Chapter 7:

### True/False

1. False; 2. True; 3. False

### Multiple Choice Questions

1. b.; 2. a.; 3. b.; 4. d.

### Matching Question

Essential: Accommodation by the lake in a recreational centre; Meals (food and drinks); Kayaking equipment rental with life jackets and safety equipment; Professional safety personnel - certified lifeguards, first aid; Insurance for children (accident/health coverage); Transportation to/from camp; Materials for games and quizzes; Marketing & promotion (social media, flyers, local PR); Platform fees for crowdfunding; Buffer for unexpected costs (10–15%).

Optional: A professional photographer to document the event; Souvenirs for educators; Camp t-shirts for children)

### Crowdfunding Cloze Exercise

(1) non-investment; (2) description; (3) make a list of donors; (4) thank-you notes; (5) symbolic

## Chapter 8:

### True/False

1. True; 2. True; 3. False; 4. False

### Multiple Choice Questions

1. b.; 2. b.; 3. c.; 4. d.; 5. c.

### Blue/Green

1. b.; 2. a.; 3. a.

## Chapter 9:

### Multiple Choice Questions

1. c.; 2. b.; 3. a.

### True/False

1. False; 2. True

### Select Missing Words

(b) solidarity / social security