

Chapter 10

Crowdfunding: A New Funding Source for NGOs

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ABSTRACT

In this chapter, the research deals with NGOs and their current weight in state's development and public conditions improvement. The researcher also goes to connect the financial challenging faced by NGOs and how the use of crowdfunding platform is important specifically to solicit funding to start, continue, and expand its works. The chapter will highlight the crowdfunding models suitable for NGOs specifically crowdfunding and NGOs in developing countries with describing crowdfunding policies and regulations. Through that, the researcher helps in shaping best practices based on NGO success stories. This chapter will also review previous studies and statistics as a guide for the researcher to present crowdfunding as a tool for the non-profit sector.

INTRODUCTION

In the last decade, crowdfunding began to increase exponentially (Dushnitsky, 2016). In 2012, the total worldwide crowdfunding volume reached \$2.7 billion; the following year, the volume increased to \$6.1 billion and in 2014 the amount of money collected through crowdfunding topped \$16.2 billion. The predicted volume for 2015 is estimated at \$34.4 billion dollars (Marketwired, 2015). The annual increase in raised

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Crowdfunding

funds and the development of new fields for crowdfunding applications (e.g., civic crowdfunding) shows that the financing method has become a trustworthy way for potential funders to contribute and for founders to raise funds in an alternative way.

The variation of crowdfunding applications (e.g., collecting funds for start-ups, existing companies, donating or lending money to individuals in need of investing in companies' equities) creates the potential for financing third sector organizations where the problem of lack resources still remains. crowdfunding can be used as an additional source of raising funds. (e.g., smith et al., 2014, bog et al., 2012).

The objective of this thesis is to bring a new and innovative approach to using crowdfunding as an alternative source of funding for NGOs. I will first shed the light on the NGO's different specificities, their main intervention to developing countries. by going through the different conventional and non-conventional funding sources of NGOs, and analyzing its financial sustainability challenges. the thesis includes a deep understanding of how the crowdfunding will contribute to NGO sustainability by raising funds through a crowdfunding platform.

BACKGROUND

During the last decade, there has been a notable rise of non-governmental organizations (NGOs) not only in the developing but has sustained itself suitably in the developed, world, triggering off an "associational revolution". Clarke (1998). Despite this significant growth, there has been a relatively minor contribution to the sphere of contemporary NGO literature. Salamon (1994) highlighted this gap as the following:

"A striking upsurge is underway around the globe in...the creation of private, nonprofit or non-governmental organizations...Indeed, we are in the midst of a global 'associational revolution' that may prove to be as significant to the latter twentieth century as the rise of the nation-state was to the latter nineteenth."

MAIN FOCUS OF THE CHAPTER¹

Issues, Controversies, Problems

This chapter emphasizes on the crucial role of NGOs, which is to support the Government and the private sector when they are unable to gill the community's needs.

"Theory of Government failure/ Market failure"

However, to fully achieve this noble role, NGOs need to be independent and possess the required resources to reach its financial sustainability.

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