Secure and Transparent Crowdfunding Systems: Blockchain's Role in Optimizing Fund Utilization

[#1]Mrs.M.V.Sheela Devi, *Assistant Professor*

[#2]G.Bhargavi, *B.Tech Student*,[#3]G.Pragna, *B.Tech Student*,

[#4]G.Bhargavi sai, *B.tech Student*,[#5]A.Gauthami, *B.Tech Student*

[#1-5]*Department of CSE,*

KKR AND KSR INSTIUTE OF TECHNOLOGY AND SCIENCES(Autonomous),Guntur

Abstract: Crowdfunding through blockchain technology revolutionizes the traditional funding models by decentralization, transparency, and automation. Blockchain allows the development of secure systems through smart contracts, where conditional fund allocation reduces fraud and operational inefficiencies. The cryptocurrency payments make it possible to be access globally, enabling micro-investments and participation from diverse demographics. These immutable records provide transparency while decentralized governance empowers the stakeholders to have a voice in the project's output. This creates accountability, inclusivity, and innovation with blockchain being the transformative tool for crowdfunding generation and usage. The findings aim to guide entrepreneur, investors, stakeholders and leveraging crowdfunding for sustainable and impactable ventures. Crowdfunding is a revolutionary financial tool, filling the gap between conventional sources of funding and the growing need for accessible, inclusive, and community-driven financial solutions. It is based on collective contributions from a wide-ranging pool of people, typically facilitated through online platforms, to fund projects, startups, charitable initiatives, and creative. This research paper is a comprehensive review of the crowdfunding ecosystem in terms of two key areas: fund generation and fund utilization Our platform allows tracking in real-time how the funds collected are being utilized so that it can be ensured that it is utilized properly and misused is not done. Smart contracts make transactions automatic, with funds being released only for specified purposes. By combining blockchain's openness with a strong tracking system, our solution increases donor trust.

Index Terms: Crowdfunding, Blockchain, decentralization, cryptocurrency, demographics.

I. INTRODUCTION

Blockchain refers to decentralized, immutable technology for recording transactions over the internet in multiple nodes and in a highly transparent way. It also prevents middlemen by directly performing transactions between peers in accordance with the consensus mechanisms applied: proof-of-work or proof-of-stake. Crowdfunding gained popularity in no time as a revolutionary way to finance, empowering the raising of capital for individual needs, startups, or organizations by tapping into a large audience's collective support. Online platforms have made funding accessible in a democratized fashion, breaking down barriers to traditional loans, venture capital, or grants. This is a very innovative method for entrepreneurs, artists, and social activists to present ideas directly to potential backers. This money is contributed to a cause in exchange for rewards, equity, repayment, or just the satisfaction of supporting a cause.

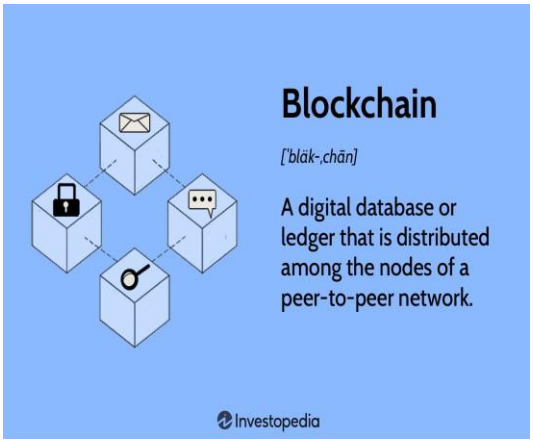


Fig 1. Architecture of the system

crowdfunding has a close relationship with developments in digital technology and social media, which have expanded reach, encouraged community-led-support.Platforms as Kickstarter, GoFundMe, and Indiegogo have played a pivotal role in the development of opportunities for small- scale ventures, creative projects, and social campaigns that would otherwise be difficult or impossible to achieve due to the bureaucracy and limitations that often accompany conventional funding routes.This paper examines the two aspects of crowdfunding: fund generation and their proper use. Crowdfunding is huge potential, but success will depend on a variety of factors such as building trust, creating an effective campaign, and ensuring transparency. The same goes for the proper use of funds in achieving the project goals and promises to the backers. The purpose of this study is to provide insight into how crowdfunding can be leveraged as a sustainable financial tool for innovation, community empowerment, and economic growth by exploring these dimensions.

PROBLEM STATEMENT:

•Traditional crowdfunding platforms such as Kickstarter, GoFundMe faces massive challenges regarding transparency, trust and efficiency.
•Contributors lack direct control over their contributions. Once funds are transferred, making the process less secure and more prone to disputes.

•Thus, a decentralized, secured and transparent crowdfunding solution ensuring accountability, reducing costs and making it accessible on a global scale is highly required.

RESEARCH GAPS:

•Limited research on ensuring post-campaign transparency and accountability for how raised funds are utilized by campaign managers.

•Existing studies do not address the challenges of handling high transaction volumes for global crowdfunding campaigns using blockchain.

•Lack of integration of real-time data and analytics with blockchain to track campaign progress, fund allocation, and milestones.

•Insufficient exploration of how blockchain can operationalize ESG criteria to promote environmentally and socially responsible crowdfunding campaigns.

• Limited focus on designing blockchain platforms with user-friendly interfaces to make them accessible for non-technical users.

• Gaps in research on integrating blockchain-based crowdfunding systems with traditional platforms for seamless user experiences.

• Inadequate discussion on addressing cross-border compliance, legal challenges, and regulatory requirements for blockchain-based crowdfunding.

• Limited exploration of cost-effective blockchain mechanisms and emerging platforms (e.g., EOS, Stellar) to reduce operational expenses.

• Lack of advanced fraud detection mechanisms, such as AI-integrated systems, to identify and mitigate fraudulent campaigns or fund misuse.

• Minimal focus on using blockchain to monitor and ensure that campaign outcomes align with stated goals and project milestones.

LITERATURE REVIEW

Santosh et.al(2024): Crowdfunding holds significant promise for supporting innovative projects and startups. Blockchain technology ensures transparency, security, and accessibility in crowdfunding. The system uses Ethereum smart contracts to improve trust and control over funds.The approach eliminates intermediaries, providing a secure and decentralized fundraising method. This solution has the potential to revolutionize how startups raise capital.

LIAQAT ALI, et.,al This paper presents a blockchain-based Local Energy Market (LEM) enabling secure and transparent peer-to-peer (P2P) energy trading among consumers, prosumers, and electric vehicles. By utilizing forecasting profiles, trading agents, and a matchmaking engine, the platform optimizes energy dispatch, reduces grid congestion, and lowers operational costs.

OMAR KHALID ALIA et.al(2024) :IHSAN introduces full decentralization, removing the need for central authority in managing crowdfunding processes. Utilizes Big chain DB and smart contracts for secure handling of user interactions and funds
.Decentralization enhances user privacy and minimizes risks associated with centralized data breaches.

All platform functions, including project creation, approval, and refunds, are automated via smart contracts . Offers significantly lower fees (1%) and

near-instant transaction times compared to traditional platforms.

Filippo Corsini et.al (2024): Green product co- design, market insights, and the development stage positively impact green crowdfunding campaign success.

Does not significantly influence the success of campaigns, contrary to expectations.

The development stage reduces the positive effect of co-design practices on campaign outcomes. Results are limited by the use of keyword-based project selection and the lack of quantitative platform data due to respondent anonymity. Highlights the importance of specific factors in green crowdfunding while addressing gaps in existing literature.

Priyanka Gupta1et.al(2024):Online crowdfunding simplifies and secures the fundraising process for project creators and investors .Blockchain technology enhances transparency and security through decentralized transactions The platform educates users on modern funding mechanisms, promoting awareness and understanding. Adoption of newer platforms like EOS in the future could offer improved features and flexibility .Ethereum-based D Apps are gaining acceptance, paving the way for widespread blockchain adoption in crowdfunding.

Prof. Shweta Joshi et.al(2024): Blockchain ensures transparency in transactions, addressing common criticisms of traditional crowdfunding platforms
.The decentralized structure minimizes the risk of fraud by eliminating intermediaries .Decentralized smart contracts build trust among users by securely managing funds .Transactions are handled directly by the system, ensuring secure and efficient processing .The growing interest in blockchain underscores its ability to transform the crowdfunding landscape.

Ashrit Chattani (2023): Crowdfunding is a powerful tool for fundraising, with significant scope for growth and innovation. Blockchain technology enhances transparency, security, and accessibility in crowdfunding. The system leverages Ethereum smart contracts to ensure secure and automated transactions
.The proposed platform eliminates transaction fees, making it cost-efficient for users.

Jiyoung Park1 et.al(2022): Development of a Success Prediction Model for Crowdfunding Based on Machine Learning Reflecting ESG Information
.This study uses machine learning methods like XG Boost and Light GBM to predict crowdfunding success, highlighting the importance of ESG factors. Predictions are most accurate with environmental data, followed by social activity, with governance having the lowest impact, confirming ESG's significance in crowdfunding success.

Atluri Divija Choudary et.al(2021): Crowdfunding has significant potential to assist start-ups, entrepreneurs, and creators in bringing their ideas to life .Incorporating blockchain technology enhances transparency, credibility, and accessibility in crowdfunding .Emerging technologies are shaping crowdfunding into a more efficient and impactful platform .Crowdfunding is evolving into a tool for societal betterment by enabling smart and responsible investments Despite inherent challenges, crowdfunding continues to grow as a viable funding model for innovation and creativity.

CUI ZHAO1 et.al(2019): Collaborative investment by project creators and platforms leads to higher crowdfunding success when resources are sufficient
.In cases of limited budgets, project creators should prioritize investing in sales efforts .Platforms should contribute only if the effectiveness of sales efforts or network externality is low, or if funding goals are modest .Tailored sales effort strategies enhance revenue and success across different financial scenarios .Strategic allocation of resources between creators and platforms is crucial for maximizing crowdfunding outcomes.

II. METHODOLOGY

OBJECTIVES:

Enable individuals, startups, and organizations to easily raise funds for innovative projects through a transparent and secure crowdfunding platform.

Utilize blockchain technology to ensure secure, transparent transactions, reducing fraud and increasing trust among donors and campaign creators.

Develop a system for tracking contributions, project progress, and financial milestones in real time, offering insights to both funders and research creators.

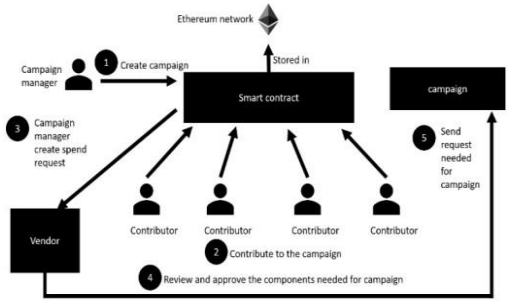


Figure 2. Flow of ether in proposed blockchain model

Provide tools for creators to engage with backers effectively, sharing updates, addressing concerns, and fostering a community around their researches.

Enable the tracking of crowdfunding campaign performance, including success metrics and factors influencing campaign outcomes, to inform future project planning

USED METHODOLOGY:

Crowdfunding has emerged as a powerful tool for raising funds to support startups, creative projects, charitable initiatives, and more. Traditional crowdfunding platforms, however, face several challenges, including high transaction fees, lack of transparency in fund allocation, and vulnerability to fraud. These issues have raised concerns about the credibility and trustworthiness of such systems, deterring potential contributors and limiting the growth of the crowdfunding ecosystem.

network and contains a list of transactions ensuring **immutability**, **transparency**, and **security**. Blockchain contains of Public blockchain, Private blockchain, Consortium blockchain, smart contracts for trust, scalability.

- **Consensus Algorithms**: Algorithms such as Proof of Work (PoW), Proof of Stake (PoS), or Delegated Proof of Stake (DPoS) ensure data integrity and secure decentralized network operations.
- **Smart Contracts**: Automate fund disbursement and enforce project-specific conditions, such as releasing funds only upon achieving predefined milestones.
- End-to-end encryption ensures secure data exchange, protecting sensitive information such as user credentials and financial details.
- Cryptographic hash functions like SHA- 256 are used to secure transaction data and ensure immutability. Each transaction is hashed and stored on the blockchain ledger, preventing unauthorized alterations.
- Fraud detection algorithms analyze patterns in transaction data and user behavior to identify and flag suspicious activities.

Fig 2: Architecture of the concept

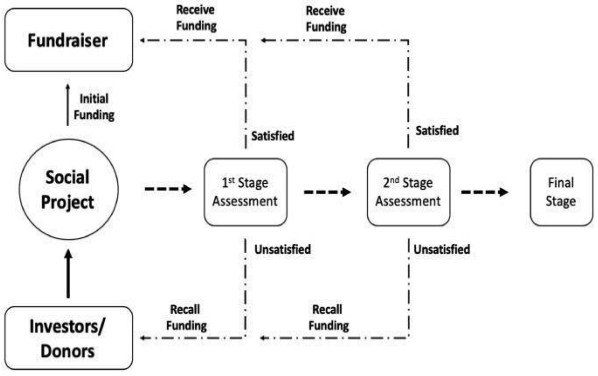


Fig 3: Process Flow

- Algorithms consolidate and represent real- time fund application and sale data, providing transparency.
- Auditing algorithms ensure campaign data consistency against the blockchain records, which instils user trust.

Fundraiser Initiates Funding:

- The fundraiser suggests a social design and is funded originally by investors or donors.

1st Stage Assessment:

- The progress of the project is estimated in the first stage.
- If the progress is acceptable, the project is funded further.
- If the progress is unsatisfactory or having errors, investors or donors can recall their funding.

2nd Stage Assessment:

- The project undergoes another evaluation in the next stage.
- If the progress is satisfactory, funding continues toward the final stage.
- If the progress is unsatisfactory, funding is recalled by investors or donors.

Final Stage Completion:

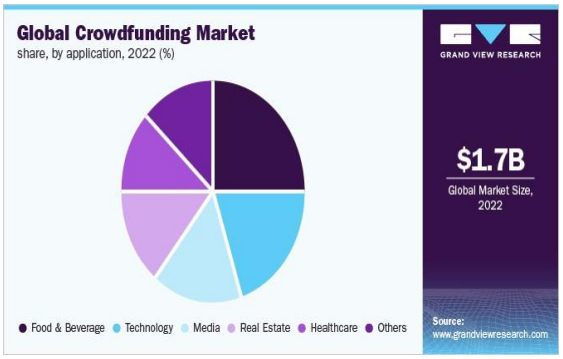
- After successfully passing all assessments, the project reaches its final stage.

III. RESULTS AND DISCUSSIONS

Implementation of blockchain technology in crowdfunding platform enhance contributor's privacy in donating to campaign. This is because of the nature of transactions on blockchain which is transparent. All users are able to see each transaction record which can be accessed by using Etherscan API. Apart from this, the use of smart contracts also reduces the requirement of trust of every investor of the campaign since the contract will execute automatically when the conditions are fulfilled. We are in the process of completing the implementation of the system and data of outcomes would be in our hands shortly which is currently unavailable in our hand at the moment. There would be some study of acceptance too which is ongoing.

Use of blockchain technology in crowdfunding platform enhance contributor's privacy while donating to campaign. This is because the nature of blockchain transactions which is transparent. All users are able to see the records of every transaction which can be accessed by using Etherscan API. In addition, use of smart contracts also removes the necessity of trust of every stakeholder for the campaign since the contract is executed automatically once the conditions are fulfilled.

This makes all transactions transparent and traceable by all parties. Donors are safer as their money is directly tied to the campaign and not managed by a third party. Smart contracts minimize human intervention and the possibility of fraud. For instance, money is only paid out to the project creator upon the achievement of specific milestones, making it accountable.



CONCLUSION

This work introduces a blockchain-powered crowdfunding platform with an incorporated fund utilization monitoring mechanism to provide increased transparency and accountability in fund- raising. Through the use of smart contracts, our system guarantees that raised funds are spent and utilized for their specified purposes, preventing fraudulent activities and misappropriation. The immutability of data, security, and trust less transactions offered by the decentralized nature of blockchain ensures increased trust among donors and stakeholders. Our method helps advance

crowdfunding by providing a new way of tracking funds in real-time, which can be used as a model for future fundraising platforms. Future research and development can further improve this system, enhancing scalability and interoperability for wider use across different industries.

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