
ROLE OF CROWDFUNDING IN SUPPORTING SOCIAL ENTREPRENEURSHIP: AN EMPIRICAL STUDY

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ABSTRACT

Any entrepreneur's most significant hurdle is obtaining investors and raising cash for their firm. When raising investment funding, social entrepreneurs can face stiff competition from commercial entrepreneurs. As a result, loans and Crowdfunding become the only viable options for ethical entrepreneurs to remain competitive in the market. Thus, it is critical to examine and comprehend the values and consequences of crowd fundraising. Our research examines and surveys the advantages and disadvantages of crowd financing or crowd investing in social entrepreneurship. In hindsight, social entrepreneurs' failures with equity crowd fundraising reveal many drawbacks, including insufficient public visibility, an indistinctive pool of small investors, inexperienced investors, and often more extraordinary expenses than commercial entrepreneurship. However, there are some benefits, such as increased visibility and marketing of social causes with a powerful message, more accessible access to impact-minded people, increased firm value, and a favorable power balance.

KEYWORDS: Crowdfunding, Social Causes, Environmental Challenges, Social Entrepreneurs, Social Enterprises.

INTRODUCTION

The paper explores how crowdfunding platforms facilitate and encourage social entrepreneurship and host their initiatives to ensure validity and fairness. Big investors often gravitate toward social entrepreneurship due to the increased risks of investing in social causes, which may be unprofitable or even result in considerable losses. Here, crowdsourcing emerges as a hero, often serving as the financial backbone of the business. Social enterprises are frequently argued to be the only solution to global problems such as hunger, poverty, crop yields during droughts, sanity and hygiene, lack of education, water scarcity, housing issues, loans to the poor, deforestation, climate change, resource depletion, rising fuel prices, expensive medicines and medical equipment, child labor, and women exploitation, among others (Pratono et al., 2020).

It becomes critical to be self-sufficient and self-sustaining to solve these difficulties, free of government interference. When the government is involved, it is often seen that the

government attempts to repress, distort, and conceal the truth to safeguard its image in the world's eyes. As a result, social entrepreneurs become critical to being self-sufficient and self-sustaining (Balboni et al., 2014).

Suppose social entrepreneurs have enough funding without interference. In that case, they may engage with a diverse range of persons from various social backgrounds, attempting to develop solutions that serve the social cause. They recognize current and future social problems that concern people and seek to address them to fulfill and contribute to society. Such self-sufficiency without surrendering any investments is only possible via crowd financing. Crowd financing is the collective investment in social businesses by many like-minded individuals who believe in the cause; they financially and physically contribute to society's elevation and resolution of its issues (Lehner et al., 2014).

LITERATURE REVIEW

Social enterprises deal with many social problems effectively and efficiently, in ways government bodies and schemes fail to achieve or even make progress in some cases. Social entrepreneurship gives us the belief that it can solve a social cause or an environmental challenge with the help of business methods in an innovative way (Farhoud et al., 2021). It is advantageous at a satisfactory level and helps bring social and economic changes at a national level. Social enterprises are the most sustainable and bring about the change that government fails to bring in. The other three entities we all commonly know of: strictly for-profit entities, strictly for nonprofit entities, and public entities (Government entities) have great intentions, but frequently they try to help with financial aids when compared to developing nations or third world nations which have to work physically on the grassroots levels to address the issue (Yilmaz et al., 2021). Nonprofit organizations, on the other hand, have the opposite problem. They are too dependent on traditional investors who may have more significant influence over their work and schedule than they would encourage. Since they solely depend on huge donations from a few investors, it becomes hard for them to turn them down quickly (Renko et al., 2019). Lastly, the public (government) sector is not necessarily the most productive option either because they work with the conservative approach and lack the necessary innovation and drive to bring about any noticeable change. The bureaucratic red tape and censoring of important issues make the social problems get buried under paperwork. Here, social enterprises financed by Crowdfunding take the benefits and points of all three entities and bring out the best of them (Bergamini et al., 2017).

There is much talk about social entrepreneurship these days, but who is a social entrepreneur? Social entrepreneurs are innovative and thoughtful-minded individuals who like to take up world problems and environmental challenges and work to better social causes. They achieve that by creating solutions and manufacturing products that can help solve the problems faced by society (Braund et al., 2016). They have the power to predict and capture potential opportunities. With that, they also endure the passion and drive to solve the problems faced by the general public. They also take the required risks of entrepreneurship and try to give their everything to the challenge they have taken up. They are ready to have a hassle-filled life. They are the trailblazers and flag bearers of society. Consider Florence Nightingale and how she revolutionized nursing, Mohammed Younis, and how he innovated the microfinance industry. Organizations like the One Acre Foundation are constantly attempting to transform

the farming sector by increasing yields and addressing issues such as world hunger (Hoque et al., 2018).

There is much confusion regarding how social entrepreneurs make their profits. Whether they make little profit or no profit, sometimes people speculate that they try to profit from the poor and the less fortunate sufferings. Mostly it is a market-based profit business model in which profit is decided to keep the wellbeing of the targeted audiences in mind (Comite et al., 2018). They make their business models so that when their product is made on a large scale, they can make their profits by adding up the sum of all the little profits. The International Development community has realized the role of social entrepreneurship and values its part in tackling major social problems and environmental challenges (Cosma et al., 2019).

Social entrepreneurs have higher accountability than other entrepreneurs as they have to satisfy their customers with the right product that must get popular to make noticeable gains. To scale and mass produce products and services made for a classified set of audiences. Questions like how to reach people beyond that classified set of audiences? How to break boundaries and reach a global level? How do people live in different geographical and social locations? All these significant hindrances hurdle the way to scale in social entrepreneurship (Bergamini et al., 2015).

USAID (United States Agency for International Development) is trying to build up social entrepreneurship-friendly ecosystems and spaces to help social entrepreneurs grow and flourish. Being a government body takes away a lot of independent enterprise power that the company may achieve if it takes the route of Crowdfunding. This may include monetary limits, technology acquiring issues, problems regarding setting up offices at favorable destinations, buying the rights to specific necessary machinery and robotics, and many more (Lee,wt al., 2016).

Another critical challenge is access to capital, which refers to the initial funding stage and the middle stage of their company's growth when they are performing well but wish to expand and scale their business to a larger public or customer base but lack the necessary private funding. However, again, development actors are trying to step in and fill some of those gaps. Some private investors created the Global Innovation Fund. The fund's objective was to steer, test, and sell innovation. Countries that lack an adequate number of large or medium-sized corporations see social entrepreneurship as a vehicle to help them create jobs. This is mainly the case in developing nations as they lack proper job creation but have an abundant workforce of young ages (Langley et al., 2020).

There is an increasing trend in investing in trainee entrepreneurs who can create the required number of jobs to help facilitate the nation's unemployment problems to provide employment and jobs. There are certainly some skeptics and pessimists who question the motives of social entrepreneurs. Since not everyone is as optimistic as social entrepreneurs and lacks the innovations, they do not have that drive or that risk appetite but what does seem clear is that social entrepreneurship is a channel that can lead to job creation in developing nations and contribute to their overall development (Rey-Martí et al., 2019).

To summarise the notion of Crowdfunding, it is a method of raising money for a business or startup from many individuals or a crowd who believe in it. The money raised on the site or in the organization is called a donation. Users may earn a reward for contributing but not equity. There is a new crowdfunding method where private owners can raise money. They

need to grow by offering inquiry in their company to the crowd. It has called equity Crowdfunding. To be an investor, one needs to fill monetary and other rightful criteria to have that company or startup (Short et al., 2019).

There are many advantages to Crowdfunding, like crowd funders are very risk tolerant compared to traditional investors if the company's purpose is good. In the case of traditional investors, they tend to analyze the factors of risk and return, which many times prevent them from investing in risky but great ideas. This directly impacts the betterment of society. Second, there is a greater alignment of crowd investors with the social entrepreneurs as their principles often match because there is transparency in work done by the social enterprises. Third, there is greater engagement between the crowd and social enterprises. Crowd funders support financially and sometimes may also contribute and engage at a physical level. They establish relationships with the employees to contribute to and be a part of the community. Fourth, there is a balanced power distribution between the public and the firm since the crowd generally does not interfere with their decision-making. In contrast, very wealthy investors constantly watch and intervene with their business to make it more lucrative. Fifth, if the social company is well-valued by crowd investors, it becomes simpler for entrepreneurs to execute their promises to their audiences.

Their authenticity and validity are instantly increased when a vast population values them. Given that objective is development for social good, it becomes very persuasive for the general public to allow a chance to shine. Sixth, having many contributors enables the business to access almost infinite financial resources if the circumstance warrants it. Seventh, market viability is always present if crowd investors own shares in the social company. It indicates that the social entrepreneur is already on the right track, as he or she has already received some validation and acceptance from a large number of audiences via their support. This instills people with confidence and conviction in the validity and power of their objectives. Eighth, statistics and research data demonstrate that Crowdfunding is very advantageous in safeguarding companies from failure. Ninth, it is evident that crowdfunders nearly never back out on their pledges and seldom smear the social business if it is experiencing financial difficulties or bankruptcy (Najah et al., 2015).

Additionally, Crowdfunding to assist ethical companies have significant drawbacks: The first and most significant concern is that Crowdfunding may be somewhat sluggish in raising the required capital, sometimes so delayed that it becomes inadequate and ultimately ruins the firm. Second, since everyone and everyone may own shares in a firm, Crowdfunding can sometimes be more costly than banks. Thirdly, crowd investors are often novice investors, resulting in significant financial losses if the management team is ineffective and unskilled. As a result, it is entirely up to the management team to develop precise calculative metrics. Fourth, communication issues may arise when many investors from diverse social and economic backgrounds participate, resulting in miscommunications and misunderstandings. Fifth, complete public openness may also result in significantly increased stress due to prospective shame in the event of failures (Clarkin et al., 2014).

OBJECTIVES OF THE STUDY:

1. To find the role of Crowdfunding in supporting social entrepreneurship
2. To ascertain the role of Crowdfunding in supporting social entrepreneurship

RESEARCH METHODOLOGY:

The current research is descriptive, examining the influence of Crowdfunding in fostering social entrepreneurship. The research analyzed a sample of 130 individuals. The data were acquired using a structured poll on a five-point scale and analyzed using the mean characteristics and t-test.

Table1 Demographic profile of the respondents

Variables	Number of respondents	% age
Gender		
Males	66	51%
Females	64	49%
Total	130	100%
Profession		
Entrepreneur	45	35%
Businessman	47	36%
Salaried	38	29%
Total	130	100%
Age		
25-40	49	38%
40-55	37	28%
55-70	44	34%
Total	130	100%

Table 1 presents the demographic profile of the respondents on the role of Crowdfunding in supporting social entrepreneurship. There are 51% males and 49% females in the study. Among the respondents, 35% are entrepreneurs, 36% are businessmen, and 29% are salaried. 38% of the respondents are 25-40 years of age, 28% are 40-55 years of age, and 34% are 55-70 years of age.

Table 2 Mean Value of the factors affecting the adoption of cashless transactions in India

Sr. No.	Role of Crowdfunding in supporting social entrepreneurship	Mean Score
1.	Crowdfunding fuels social entrepreneurship	4.16
2.	Businesses perform better when there are no governmental pressures	4.11
3.	Social enterprises need to be self-sufficient	4.09
4.	Social enterprises are more efficient in handling social problems as compared to governmental institutions	4.07
5.	Self-reliance is the most significant advantage of social enterprises	4.12
6.	Social entrepreneurs make a good amount of profit	4.17
7.	Social entrepreneurs have higher accountability as compared to other entrepreneurs	4.08
8.	Social enterprises are successful mainly because there is no interference from the crowd that invests in them	4.04
9.	Crowdfunding protects the startups from potential failures	4.02
10.	Social enterprises mainly depend on Crowdfunding for sustenance	4.05

Table 2 shows the opinions of the respondents. It is observed that Social entrepreneurs make a good amount of profit with a mean value of 4.17. It is followed by Crowdfunding fueling social entrepreneurship (4.16), Self-reliance is the most significant advantage of social enterprises (4.12), and Businesses perform better when there are no governmental pressures(4.11). Social enterprises must be self-sufficient and self-reliant (4.09), social entrepreneurs are held to a higher standard of accountability than other entrepreneurs (4.08), social enterprises are more effective at resolving social problems than governmental institutions (4.07), social enterprises rely heavily on Crowdfunding (4.05), and social enterprises are successful primarily due to the absence of interference from the crowd that invests in them (4.04). Reasons like Crowdfunding protect the Startups from potential failures (4.02) were also viewed as necessary.

Table 3

Sr. No.	Role of Crowdfunding in supporting social entrepreneurship	Mean Score	t-Value	Sig
1.	Crowdfunding fuels social entrepreneurship	4.16	8.171	0.000
2.	Businesses perform better when there are no governmental pressures	4.11	7.102	0.000
3.	Social enterprises need to be self-sufficient	4.09	6.699	0.000

4.	Social enterprises are more efficient in handling social problems as compared to governmental institutions	4.07	5.528	0.000
5.	Self-reliance is the most significant advantage of social enterprises	4.12	6.310	0.000
6.	Social entrepreneurs make a good amount of profit	4.17	7.690	0.000
7.	Social entrepreneurs have higher accountability as compared to other entrepreneurs	4.08	6.917	0.000
8.	Social enterprises are successful mainly because there is no interference from the crowd that invests in them	4.04	7.122	0.000
9.	Crowdfunding protects the startups from potential failures	4.02	6.233	0.000
10.	Social enterprises mainly depend on Crowdfunding for sustenance	4.05	6.635	0.000

Table 3 shows the results of the t-test. The table indicates that the significance value for each assertion is less than 0.05, indicating that all claims about the role of Crowdfunding in fostering social entrepreneurship are significant.

CONCLUSION

To maximize social entrepreneurship's potential for addressing social concerns and environmental challenges, it must have unrestricted access to capital. Given the enormous problems they experience in raising capital for their enterprises, they rely on Crowdfunding to succeed and advance. They rely heavily on crowd investors to come forward and provide financial assistance. Though Crowdfunding limits can limit their growth potential, there are more benefits than drawbacks to Crowdfunding than private or governmental investments. Thus, it becomes critical for social entrepreneurs to interact with new and present crowd investors and express their vision for their future growth (Presenza et al., 2019). Crowdfunding has evolved to be an utter behemoth in terms of gathering sufficient capital to make a business entirely self-sufficient and self-sustaining in the modern-day. Equity Crowdfunding, in particular, is a relatively new concept that is showing promise. Unlike conventional fundraising from government or private investors, crowd funders are less concerned with the business strategy and financial risks involved; instead, they are more concerned with the social goal of making the world a better place for everyone (Bernardino et al., 2016).

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