

SOCIAL CROWDFUNDING: A NEW MODEL FOR FINANCING REGIONAL DEVELOPMENT?

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Abstract: Crowdfunding is an increasingly attractive source to fund social projects. However, to our best knowledge, the study of crowdfunding for social purposes has remained largely unexplored in the literature. This research envisages a detailed examination of the role of crowdfunding on the early-stage of the social projects at regional level. By comparing the characteristics of the projects available in the Portuguese Social Stock Exchange platform with others that did not use this source of financial support, we envisage to show the critical role of crowdfunding on regional development. The use of inferential techniques (Chi-square test, the Cramer's V statistic, the Goodman and Kruskal λ and the odds ratio) demonstrates that the use of the Portuguese Social Stock Exchange platform was linked to the geographical location of the social venture as well as its geographical scope. Also, social ventures located on rural regions are more likely to use social crowdfunding platforms than social ventures located in urban areas. Further, the circumstance of having the social ventures acting at a local or regional level seems to be strongly associated with the possibility of using crowdfunding for financing social projects.

Key Words: *social entrepreneurship, crowdfunding, social crowdfunding, regional development.*

Introduction

The term crowdsourcing is frequently used as a convenient label for a diverse range of activities and projects involving public participation. It is a concept based on business and production that was coined in 2006 by Jeff Howe in the article: "*The rise of crowdsourcing*" (Oomen et al. 2014, Ridge 2014). The idea behind the concept derives from the application of open source principles to fields outside the software industry.

Crowdsourcing in social entrepreneurship benefits from its ability to draw upon the notion of common social causes in invitations to participate, and this may explain why projects generally follow collaborative and cooperative models, rather than competitive ones. Hence, the term crowdfunding (CF) derives from the concept of crowdsourcing and could be characterized as the collective cooperation of people who pool their money and other resources together to support efforts initiated by others.

In the digital world, social CF can be defined as an open call for raising funds, essentially through the internet, in the form of donation or in exchange for some sort of reward in order to support initiatives for social goals (Tomczak and Brem 2013, Ridge 2014). The ability of digital technologies to provide almost instantaneous data gathering and feedback, computationally validate contributions and the ability to reach both broad and niche groups through loose networks have all been particularly important in different situations (Ridge 2014).

The study of social CF in the digital world and its role on regional development has remained largely unexplored in the literature, specifically through Social Stock Exchange platforms. Lehner (2013) reinforces this assertion claiming for a more rigorous and robust conceptual and empirical research to address and inform policy makers and practitioners likewise in order to increase the success of CF of new (social) ventures.

The main goal of this research is to gain deeper knowledge on the use of CF for social purposes and to examine its role on the support of social projects that contribute to the development of local communities. So that, the study takes an exploratory approach to understand whether this new financial instrument has been used at local or regional level by social entrepreneurs. To attain this objective, we examine the main characteristics of the social projects available on the Portuguese Social Stock Exchange (PSSE) platform and we contrast them with other social projects financed by other sources. Doing this, we aim to display the main differences in the background of the projects' promoters, and we scrutinize the regional orientation of the projects. By exploring these issues, we hope to enhance the body of knowledge on social entrepreneurship and regional policy and to make practical contributions for social entrepreneurs, policy makers and the managers of similar platforms.

This paper is organized into several sections. The next section emphasizes the role of social entrepreneurship, regional policy and social CF platforms as a source of financial support for social ventures (SV). Section 2 contains a short literature review on CF for social purposes. Section 3 outlines the methodological aspects concerning sampling and data collection. Section 4 elaborates on the statistical analysis and discusses the findings of the study. The conclusion section provides a summary of the paper, it explores policy implications and it presents the limitations of the study.

Social entrepreneurship, regional policy and the Portuguese Social Stock Exchange

Social entrepreneurship has its origins in the entrepreneurs' spirit and in the way they face social issues, by searching for an innovative way to address permanent social necessities for which classic mechanisms show serious difficulties in providing solutions. Therefore, social entrepreneurs have a key role to play in identifying social problems and developing new ways to help solving different sort of social problems.

Social entrepreneurship has been recognized as a helpful instrument of the social and economic policy, particularly when dealing with unemployment, social exclusion and sustainable regional and local economic development (Alvord et al. 2004, Quintão 2004, Friedman and Desivilya 2010, Borzaga and Galera 2012, Lambu 2012, Parente et al. 2012). The European Commission (BEPA 2011) recognised very early the importance of social organisations in economic growth and social innovation, through the contribution of such organisations to the development of societies endowed with higher levels of democracy, activism and social cohesion. Feld (2012) and Azmat (2013) recognize the potential of social entrepreneurship to attenuate the more persistent social problems and to promote wealth in communities and societies through innovative strategies and creative solutions. According to the authors, social entrepreneurs usually adopt innovative approaches with the potential to take a positive and critical role in poverty reduction and to help with the promotion of sustainable growth in developing countries. Likewise, Yiu et al. (2014) argue that social entrepreneurship plays an important role in the community development of emerging economies, and Nega and Schneider (2014) highlight the significant role of social entrepreneurship in economic development. For McAnany (2012), social entrepreneurship has a great potential to contribute to: (i) social change; (ii) the development of local communities; (iii) the enhancement of economic growth; (iv) poverty reduction; and (v) environmental sustainability. Social entrepreneurship could promote structural adjustments and economic revitalization by launching extensive new services for disadvantaged communities. However, not all

communities affected by social problems offer the same potential to capture resources (human, financial, physical) to satisfy the community needs.

Social entrepreneurial activities are driven by individuals although they are heavily influenced by the environment, which comprises all the external influences that affect the entrepreneur's behaviour and performance (Covin and Slevin 1991, Cajaiba-Santana 2010, Mair 2010, Welter 2011). Environmental influences can be classified as economic, technological, demographic, social, cultural, and governmental/institutional (Hill and Jones 2013). Indeed, SVs are not developed in a vacuum but they are constrained by a particular environment (Weerawardena and Mort 2006).

As stated by Katz and Kahn (1966) in the open system theory, the emergence of organizations (mainly private companies) derives from the interaction between agents and environment, which suggests a strong influence of the environment on the creation of organizations. The same applies to social entrepreneurship, as the environmental forces could incite or deter the launching of new SVs (Ziegler 2009, Ferri and Urbano 2010, Mair 2010).

Social problems are increasingly complex and interlocking even in local communities. The idea that a social entrepreneur can design and implement a solution for a local problem without financial support is misleading. A social project to grow depends both on government and the existing network of stakeholders for financing the local initiatives. However, since the global financial crisis of 2007, social entrepreneurs are struggling with their most difficult challenges in the past half-century. Therefore, new instruments for financing regional and local development policies are needed and can be adopted by public and private organizations.

Regional policy. Today's challenges have taken an increasingly social (Hoogendoorn and Hartog 2011) and territorial (Rocha-Trindade 1996, Ferreira Silva and Cadima Ribeiro 2014) dimension. Nonetheless, the social problems tend to be felt differently from region to region (Polèse 1998, Souziazis and Antunes 2006, Cherodian and Thirlwall 2015). This reality has to do with resources endowment, with productive specialization but, in most of the cases, with regions' capabilities, including leadership and entrepreneurial initiative. As underlined by Kuznets (1973), long ago, in what concerns development, not everything is explained on the basis of resources endowment. In a much more recent paper, Cherodian and Thirlwall (2015), among others, have subscribed to this idea. Having that in mind, the search for new solutions to social and territorial problems have to rely on innovative instruments. In regards to regional development, the endogenous resources and capabilities of territories are critical (Romer 1986, Krugman 1998, Maillat 2002, Vazquez-Barquero 2006, Dallabrida 2010, Cherodian and Thirlwall 2015).

One of the most enduring societal challenges, no matter if we are following a macroeconomic or a regional approach, is the fight against unemployment. This phenomenon is often linked to increased crime and social exclusion, with long-lasting consequences, not only for those losing their jobs, but also for their children, who have fewer opportunities in the society (BEPA 2011). Rural and peripheral populations tend to feel the problems of unemployment and social exclusion more deeply (Rocha-Trindade 1996, Krugman 1998, Polèse 1998, Ferreira Silva and Cadima Ribeiro 2014).

In times of economic and financial crisis, public and private institutions have scarce financial resources to commit to social causes or to be more selective when applying their funds (Acs 2010, Karlsson et al. 2010, Hoogendoorn and Hartog 2011). In such a context, policy makers can play a strategic role in fostering social entrepreneurship by functioning as catalysts to simplify the legislative environment and to develop policy initiatives (taxation) that support the accomplishment of social organizations' mission. That is, even if public money is scarcer, solutions (policies) are available or must be found to deal with the difficulties faced by deprived

social groups and depressed territories.

Financial resources are vital for starting new social ventures (De Clercq et al. 2013), as the level of financial system development within a nation is highly consequential to entrepreneurial activity (Levie and Autio 2008). A highly developed financial system frequently includes financial institutions, helping new social entrepreneurs to access financial resources. To finance the social venture borrowing funds from individual donors and social responsible firms may be inadequate. New financial mechanisms, such as CF, could be used to provide funds with less onerous conditions than in systems where financial capital is often provided by banks and at higher interest rates. In such cases, the cost of forming a new social venture may be prohibitive. Thus, in societies in which financial capital is more accessible and affordably available to new social ventures from informal investors or advanced financial mechanisms, new social ventures will be more likely to flourish (Whitley 1999). The social entrepreneurs' access to finance at the early-stage of the social project might be very demanding. But, according to the World Bank (2013), social CF is a powerful force for change that can generate opportunities to fund social projects.

As noted earlier, social entrepreneurs can have difficulties to fund social projects due to factors such as a lack of a 'track record', which make the cost of agreeing finance for relatively small amounts of extremely high, or of a higher perceived risk in investing in social institutions that depend most exclusively on the state (Gajda and Walton 2013). The government financial support can be crucial for running a social organization in times of increased pressure to respond to local problems (Shockley and Frank 2011, Mitra 2012). In addition, the provision of a wide range of training, information and advice could assist potential or existing social entrepreneurs to improve learning and developing their managerial skills. Courses on issues such as regulations (taxation), management practices (marketing, strategy, human resources, logistics, motivation, leadership) and technical training could be useful to assist social entrepreneurs on the everyday tasks. In this regard, following Naghiu et al. (2005), one must keep in mind that a set of historical, cultural, educational and organizational factors will always determine the capability of the actors of a certain territory to generate and accept multi-faceted social change. Thus, some of the external stimulus already mentioned might be required in order to promote social entrepreneurship.

One must be aware that a strong start-up infrastructure (buildings, logistics system, etc.) is imperative even for social entrepreneurs. In any case, we assume that, besides for general infrastructures, resources can be gathered from the community via social entrepreneurs or CF. To attain this objective, based on the perceived value for the local community, a strong appeal must be made by the social entrepreneur to the solidarity and generosity of the internal and external community, namely, to those who keep an affective relationship with the community and the territory where the social venture will be implemented. Exploring this affective link is surely rewarding as it can be seen when people have to deal with dramatic events (natural disasters, terrorism, refugees, etc.) that take place somewhere all over the world and are public through the news of the traditional media (Press, TV, etc.) and the various social media (Facebook, Twitter, You Tube, etc.).

Social entrepreneurship can also act as a force for regional development through improving access to and support for developing new technologies. Cooperation of social institutions with universities and government research agencies should promote technology transfer in order to develop new products or services for disadvantaged people (Berzin et al. 2014). Resources and local know-how, together with scientific knowledge, might provide sustainable solutions for social and regional problems no matter their complexity (Cadima Ribeiro and Freitas Santos 2005). The social mission of universities equally matches with this kind of demand but, often, social actors and territories are not able to establish a sustainable relation of cooperation

between the different actors.

The continuous scan of social problems in the society and the search of new responses according to the available resources are symptomatic of an entrepreneurial culture, which should, in terms of behavior (team work, leadership) and a more positive attitude towards social problems, improve social and civic entrepreneurship. Such a culture is needed in certain territories and circumstances and it can be disseminated through the practice of systematic social innovation, education and role models (Naghiu et al. 2005). A general commitment towards the development of this culture should be pursued by the government (national, regional and local levels) and the more dynamic agents of the entrepreneurial ecosystem.

Portuguese Social Stock Exchange. The Social Stock Exchange model was adopted by the United Nations as a case study and it is recommended as an exemplary case to be followed by other stock exchanges, also receiving the UNESCO endorsement (Grecco 2010). The Portuguese Social Stock Exchange (PSSE) was created in 2009 as a social initiative that aimed to reproduce, with some adaptations, the environment of a conventional stock exchange. The main objective is to mobilize resources for promising new SVs.

Despite the similarities, the PSSE is slightly different from a traditional stock exchange, since the concept of a social investor (used for individuals or entities that provide funds to the projects) corresponds to a donor. Likewise, following the logic of capital markets, social shares represent the unit of donation established by the PSSE (1 euro each). The owners of the projects may issue shares that can be acquired by potential investors in order to generate funds for the social venture. At present, projects listed on the PSSE do not have a 'price' like their counterparts in the conventional stock exchanges. However, PSSE promotes the visibility of the selected projects, leverages the resources available for the project and it facilitates the contact between donors (social investors) and civil society organizations undertaking relevant work in the fields of education and social entrepreneurship.

In Portugal, projects carried out by nonprofit Portuguese civil society organizations are eligible to apply for membership of the social stock exchange. The selection of projects is made by a specialized technical team, and the criteria for assessing these projects are, among others, the objectives of the project, its innovative nature, its scalability and replicability, the expected social impact and its technical and financial viability. Through the PSSE website (www.bvs.org.pt), the persons (or entities) interested in investing in social causes can access a brief description of projects that need funding. There are two thematic investment funds, one in the area of education and the other in the area of social entrepreneurship. The PSSE currently has 26 projects, 8 of which have gathered all of the necessary funding.

The existence of a mediator (PSSE), which tries to adjust the demand for grants with the projects of social entrepreneurs, increases the transparency and scrutiny of the whole process. These projects require a strong commitment in terms of their governance and accountability. Social investors may follow the projects and evaluate the social impact through the analysis of reports published in the website of the PSSE.

Crowdfunding and social entrepreneurship: a literature review

The literature of the social CF focusing on alternative sources of donation based financing (traditional vs. social CF) is scarce (Belleflamme et al. 2014, Mollick 2014). Likewise, to our best knowledge, the analysis of the regional impact of CF platforms on financing social projects in contrast with the traditional donation model does not exist. In the absence of a specific framework, we adapt the current literature on the process of choosing the best alternative forms of CF financing from the social entrepreneur's (capital seekers) perspective. Lehner (2013) advocates the convergence between CF and social entrepreneurship as a process that

can not only provide the necessary funds for the social organizations, but also lead to a higher legitimacy of these through early societal interaction and participation.

Traditionally, government subsidies and private altruistic donations are the main sources of financing for the social sector. Due to the increased number of social organizations and the need of the European countries to reduce their deficits, the social sector has experienced some difficulties in gaining access to traditional private funding (pension funds, private banks, risk capital) when trying to launch their activities. The main reasons are peculiar to the social sector as many financial instruments are not designed for organizations with the aims, size, form of governance and legal status that are intrinsic to the social sector (Guézennec and Malochet 2013). To start with, the aims of social projects are not to maximize return on investment but generally to ensure the capital is repaid. Secondly, the perception of high risk associated with social projects is enough to deter potential investors whose aversion to risk has been significantly reinforced by the financial and economic crisis. Such a perception can be explained by both the very nature of the activities in the social sector, aimed at the most vulnerable and least solvent section of society, and by the ignorance of potential investors concerning the sector. Thus, in the eyes of the classical investor, there is a lack of credibility, a lack of conviction in the projects' viability, and very often a lack of guarantees. The small to medium size of social organizations is another element that constrains access to private funding as initial funding requirements are often considered too costly to be of interest to private investors. Finally, the legal status of social organizations can also be a deterrent to accessing private funding, as most of the organizations' status excludes the possibility of paying to the investors a rate of return (Guézennec and Malochet 2013).

New ideas that simultaneously meet social needs and create new social relationships or collaborations are needed for social and regional development (MacCallum et al. 2009). Innovations are not only good for society but also they enhance the society's capacity to act (BEPA 2011). These innovations usually happen by trial and error, learning-by-doing, and exchanging ideas within groups where exchange of opinions assists new ways of functioning. The CF platforms for social purposes or social CF combine the latest developments of the digital economy with technologies and finance that could be an innovative response to problems and needs of social entrepreneurs.

Most of the not exclusively social CF projects are based on the lending model in which funds are offered as a loan, with the expectation of some rate of return on capital invested (Schwienbacher and Larralde 2012, Belleflamme et al. 2014). Some social CF efforts, such as those with humanitarian goals, tend to follow a patronage model, placing funders in the position of philanthropists, who expect no direct return for their contributions (OECD 2014). The patronage model is donation-based and it materializes when a crowd-funder (the giver) receives no-rewards for his funding besides altruism, generosity or personal and corporate promotion (Mollick 2014). This model can not only provide the necessary funds for social projects, but may also lead to their higher legitimacy through early societal interaction and participation (Lehner and Nicholls 2014). According to Gajda and Walton (2013), the difference between donation-based CF and traditional fundraising is that social entrepreneurs can use the social CF platform to collect and ear-mark donations for a dedicated project. This could help raise higher amounts per donor, because funders know that their money will be used on a specific project. Such donors also tend to give recurring donations if the social organization keeps them updated about the project's progress. Social CF is most applicable to community-related projects and microfinance to micro development (World Bank 2013).

There are three important topics on the study of CF that are relevant for the present study and the statement of the research questions. One is to investigate the following question: 'how do entrepreneurs that use traditional donations based financing instruments differ in demographic terms from those that use the social CF platforms?' The second is to understand 'what is the

relative impact of social projects characteristics on the alternative forms of donations based financing (traditional vs. social CF)?' The third research topic seeks to examine whether social CF is able to contribute for regional development.

There are different motivations for social entrepreneurs to choose a CF platform for financing their projects (Moritz and Block 2016). The first is obviously to receive funding from the donors to attenuate a particular problem by displaying the main characteristics of the projects and the managerial structural schemes of support (such as a social organization) for efficiency and sustainability (Belleflamme et al. 2014). This is important because it offers the possibility to obtain funds for the project's early-stage financing gap, when traditional funding is not possible. Another motivation could be raising awareness as well as feedback on the project (Bouncken et al. 2015).

Projects with a social or non-profit oriented background have a higher probability of receiving funding from the crowd (Moritz and Block 2016). This relationship has been confirmed both theoretically and empirically (Belleflamme et al. 2013, Belleflamme et al. 2014). According to these authors, the non-profit organizations have a higher credibility in the realization of the project, in contrast to profit-oriented organizations. Also, the characteristics of the entrepreneur influence the chance for a project to be successfully funded, while investors contribute to projects they want to see realized (Belleflamme et al. 2013, Moritz and Block 2016). Therefore, non-profit organizations or socially focused companies are more likely to be supported by investors than others (Bouncken et al. 2015).

Mollick (2014) suggests that geography may play an important role in the success of CF efforts and it has the potential to mitigate many of the distance effects found within traditional fundraising efforts. Therefore, we can consider a home bias effect that could be explained by an emotional and cultural preference for local projects that could attract donors from different regions in a country.

Methodology

On the basis of the literature review, a draft questionnaire was prepared that included the questions judged to have importance in answering the research questions, and pretested on ten experts on the field. The final version of the questionnaire reflected a few modifications suggested by those participants.

Our sampling frame consisted of a random sample of 99 of the 151 Non-governmental organizations (NGOs) listed in the directory of the Portuguese Institute for Development Assistance (IPAD – Instituto Português de Apoio ao Desenvolvimento) that met the criteria of not being managed by religious, political or other business entities. These criteria were introduced in order to ensure that the factors that lead civil society to develop social entrepreneurship initiatives were independently entrepreneurial. To this sample we added all the projects (29) listed on the Portuguese Social Stock Exchange (PSSE). For each selected project an email with a link to the Lime Survey, an open source on-line survey platform, was sent requesting the questionnaire's completion. The platform was active between September 9th, 2012 and January 3rd, 2013. After multiple follow-up emails and phone calls, 68 useable responses were received on 44 NGOs and 24 PSSE projects, resulting in an overall online response rate of 53.1% (44.4% on NGO and 82.8% on PSSE), well above the 33% overall response rate that Nulty (2008) found in 8 studies using online surveys.

Based on the formula for finite population ($N=128$) and assuming the normality of the data distribution (nothing prevented us from accepting that assumption), a level of confidence of 95% and a sampling error of 10%, the size of the sample estimated was $n=55$ (Malhotra 1999).

In our study we use 68 responses in the empirical analysis, which is considered to be reasonably representative of the total population of NGOs and PSSE projects.

The main aim of this research was to gain deeper knowledge on the use of CF for social purposes and to explore its role on local or regional development. In order to achieve this purpose, we attempt to contrast the main characteristics of the social projects available on the PSSE platform with other social projects funded by other financial mechanisms. Taking into account this general goal, we investigated the nature of the social entrepreneurial venture according to the following series of categorical variables that were introduced into our research model (Table 1).

Table 1

Variables included in the research model

Variable	Codification used
SV's characteristics	
Type of financial support	0- NGOs 1- PSSE projects
Seniority (the length of time the venture has been operating)	0 Otherwise 1 ≤ 10 years old
Geographical location	0- Otherwise 1- Rural
Geographical scope	0- National or International 1- Local or Regional
Audience target	
Older people	0- Otherwise 1- The SV deals with this social issue
People with physical disabilities and/or special needs	0- Otherwise 1- The SV deals with this social issue
People from minority ethnic communities	0- Otherwise 1- The SV deals with this social issue
People with particular financial needs	0- Otherwise 1- The SV deals with this social issue
Refugees	0- Otherwise 1- The SV deals with this social issue
People suffering from addictions	0- Otherwise 1- The SV deals with this social issue
Socially excluded/vulnerable people	0- Otherwise 1- The SV deals with this social issue
Local organizations and associations	0- Otherwise 1- The SV deals with this social issue
Aims	
To complement services supplied by the markets	0- Otherwise 1- Yes
To complement services supplied by the public sector	0- Otherwise 1- Yes
To compete with other providers	0- Otherwise 1- Yes
To compete with the public sector	0- Otherwise 1- Yes
To perform an activity that is not provided by the public or the private sectors	0- Otherwise 1- Yes

Source: authors' own survey

Thus, through the empirical work we aimed to evaluate the impact of the SV's characteristics in the decision to use a social CF platform, specifically the length of time the venture has been operating (seniority), geographical location, geographical scope, target audience and aim of the activities developed.

For the statistical analysis of data, we used the chi-square test, a non-parametric test which allows us to evaluate the extent to which two pairs of variables are independent or not (Field 2005). Taking into account the sample size, we used the likelihood ratio in the implementation of this statistical inference tests (Field 2005). Furthermore, we also aimed to measure the strength of the association observed between the variables. For that purpose, Cramer's V statistic was used (Field 2005). Then, based on chi-square approximation, we computed the Goodman and Kruskal λ , in order to measure the extent to which the membership of a category of one variable is able to predict the membership category presented in the other variable. Finally, to make the data analysis more complete and comprehensive, based on the contingency tables previously built, we computed the odds ratio to measure the extent to which the presence of some characteristics of the project is able to foster the use of social CF in Portugal or not.

Results and Discussion

Referring to the descriptive characteristics of the sample, about half of the responses obtained (48.9%) were completed by the head of the organization and the remainders were fairly evenly distributed between directors, board members, technicians or others. Around half of them (51.1%) worked as volunteers, wherein this percentage was higher in the NGOs case (62.5%) than in PSSE projects (23.1%).

Concerning the SV's characteristics, we observe that most of PSSE projects were 10 or more years old (62.5%), followed by ventures aged between 3 and 10 years (29.2%). Most of NGOs, in turn, were aged between 3 and 10 years old (56.8%), and only a small proportion were also less than 3 years old (6.8%). These results could be justified by the time required by organizations for being aware of the benefits of using social CF platforms and by the time required for taking the necessary steps to access the PSSE.

Both PSSE projects and NGOs were mainly located in the greater Lisbon area (58.3% and 50.0%, respectively). The other PSSE projects were geographically distributed by the Portuguese territory (Table 2). Two of them had a simultaneous presence in various geographical locations (8.3%) and nine (13.2%) were located in the interior of the country. Most of the projects listed on PSSE had a national (41.7%) and local scope (29.2%), the case of projects acting in international (12.5%) or regional levels (16.7%) being less frequent. NGOs, in turn, worked mainly at an international (77.3%) or national level (13.6%), and only a small percentage referred to act regionally (6.8%) or locally (2.3%).

We observe that social entrepreneurial ventures cover a wide range of social areas. The most common within PSSE projects are those that dealt with socially excluded and/or vulnerable people (37.5%), people with physical disabilities or special needs (29.2%), elderly people (20.8%) or with people with financial needs (20.8%). Several PSSE projects preferred to work with other target audiences, such as children (6), young people (2), the whole population (2), potential entrepreneurs (1) and AIDS/HIV infected (1). NGOs also dealt with a great diversity of social issues, where the most frequent were the socially excluded people (47.7%), the people with financial needs (38.6%), other organizations or associations (38.6%) and the elderly people (25.0%).

Table 2

General characteristics of the sample

Characteristics	PSSE projects		NGOs		Total	
	N (24)	%	N (44)	%	N (68)	%
Age						
1-3 years	2	8.3%	3	6.8%	5	7.4%
3-10 years	7	29.2%	25	56.8%	32	47.1%
>10 years	15	62.5%	16	36.4%	31	45.6%
Geographical location						
North	2	8.3%	8	18.2%	10	14.7%
Center	2	8.3%	8	18.2%	10	14.7%
Lisbon	14	58.3%	22	50.0%	36	52.9%
Alentejo	3	12.5%	2	4.5%	5	7.4%
Algarve	0	0.0%	1	2.3%	1	1.5%
Islands	1	4.2%	0	0.0%	1	1.5%
Various	2	8.3%	3	6.8%	5	7.4%
Geographical scope						
Local	7	29.2%	1	2.3%	8	11.8%
Regional	4	16.7%	3	6.8%	7	10.3%
National	10	41.7%	6	13.6%	16	23.5%
International	3	12.5%	34	77.3%	37	54.4%
Target audience						
Older people	5	20.8%	11	25.0%	16	23.5%
People with physical disabilities and/or special needs	7	29.2%	4	9.1%	11	16.2%
People from minority ethnic communities	4	16.7%	9	20.5%	13	19.1%
People with particular financial needs	5	20.8%	17	38.6%	22	32.4%
Refugees	0	0.0%	6	13.6%	6	8.8%
People suffering from addictions	2	8.3%	2	4.5%	4	5.9%
Socially excluded/vulnerable people	9	37.5%	21	47.7%	30	44.1%
Local organizations and associations	4	16.7%	17	38.6%	21	30.9%
Others	11	45.8%	22	50.0%	33	48.5%
Aims						
To complement services supplied by the markets	10	41.7%	11	25.0%	21	30.9%
To complement services supplied by the public sector	12	50.0%	21	47.7%	33	48.5%
To compete with other providers	3	12.5%	4	9.1%	7	10.3%
To compete with the public sector	0	0.0%	2	4.5%	2	2.9%
To perform an activity that is not provided by the public or the private sectors	6	25.0%	16	36.4%	22	32.4%

Source: authors' own survey

It should be noted that social entrepreneurship ventures tend to focus their activity on a limited number of social issues, whereas PSSE projects worked, on average, in two of the inquired social areas (average of 1.95) and NGOs between two and three categories (average of 2.4).

With respect to the developed activities, we observe that in most cases both PSSE projects and NGOs complemented the services offered by the State (50.0% and 47.7%, respectively) or by the private sector (41.7% and 25.0%, correspondingly), whereas it is not frequent that they compete with other providers (this occurs in only 12.5% and 13.6% of the cases, respectively). Furthermore, about a quarter of the projects present in PSSE operate in areas that were not being addressed neither by the services offered by the State nor by the private sector (25.0%), being the same verified in more than a third of NGOs (36.4%).

Following the general characteristics of the sample, we proceed to a comparative study of the PSSE projects and NGOs characteristics, in order to assess the extent to which the different features are able to explain why some SVs use social CF platforms, while others only rely on traditional based financing.

The data analysis reveals that SV's seniority degree and the use of the social CF platforms are not independent variables ($\chi^2(1) = 4.3$; $p = 0.038$). Although the capacity to predict if a SV access to PSSE according to its seniority is only about 6.3% (Goodman and Kruskal $\lambda = 0.063$, $p = 0.040$), we observe a moderate association between both variables (Cramer's $V = 0.251$, $p = 0.039$). The analysis of the odds ratio suggests that more recent ventures are 2.9 times more likely to access PSSE than those aged over 10 years. This result could be explained for two reasons: first of all, because social CF is a recent phenomenon and the presence of PSSE is quite recent; secondly, younger ventures are often faced with increased difficulties in accessing financial resources, which could encourage them to be more active in finding new and alternative financing sources.

The statistical results indicate that there is also a significant association between the geographical location and the used model of financing ($\chi^2(1) = 4.257$; $p = 0.038$; Cramer's $V = 0.256$, $p = 0.034$) (Table 3). The results suggest that the SV's location is able to predict the use of social CF platforms in a percentage similar to its seniority (Goodman and Kruskal $\lambda = 0.066$, $p = 0.063$). Social projects located in rural and interior areas are 4,556 times more likely to be listed on PSSE than projects located on urban or coastal areas, as suggested by the odds ratio. This finding could be justified by the increasingly financial difficulties of SVs located in less favored regions that require a more proactive attitude from promoters in order to find alternative sources of financing. So, according to the empirical evidence gathered, we could accept the possibility of SVs located in the rural areas being more prone to access social CF.

We also observe that the use of PSSE is conditioned by the geographical scope of the SV ($\chi^2(1) = 11.848$; $p = 0.001$). The fact that the social venture act at a local or regional level is strongly associated with the possibility to use social CF (Cramer's $V = 0.423$, $p < 0.001$) and the consideration of this variable is able to reduce by about 11.9% the probability of error of forecasting if an initiative is or not listed on PSSE (Goodman and Kruskal $\lambda = 0.179$, $p = 0.001$). Our empirical data suggest that local and regional SV are much more likely to use PSSE than those ventures which act at national or international levels (odds ratio = 8.5).

The greatest propensity of these SVs to use social CF platforms could be explained by the socio-economic characteristics of the local population they aim to address, which could have scarce resources to support the venture's social mission. The financial constraints experienced by the local population seem requiring SV to get support from a broader audience, expecting that Portuguese citizens interested in contributing to relevant social causes could help financing these projects. Additionally, the 'localized' appeal maybe also abler to capture philanthropic attitudes, related to the affective relationship with the territories and their social structures, as

Table 3

SV's characteristics and financing mechanisms used

Variables	Likelihood Ratio		Goodman and Kruskal λ		Cramer's V		Odds ratio
	Value	Sig. (2 sided)	Value	Sig.	Value	Sig.	
Social Projects with less than 10 years vs. more than 10 years (Seniority)	4.300	0.038**	0.063	0.040**	0.251	0.039**	2.917
Rural vs. urban social projects (Geographical location)	4.257	0.039**	0.066	0.063*	0.256	0.034**	4,556
Local / regional vs. national / international focus (Geographical scope)	11.848	0.001***	0.179	0.001***	0.423	0.000***	8.462

***The result is statistically significant, for $\alpha=0.01$;

**The result is statistically significant, for $\alpha=0.05$;

*The result is statistically significant, for $\alpha=0.10$;

Source: authors' own survey

mentioned in the review of literature. NGOs, in turn, due to their size and international action (particularly within developing countries) could possibly have access to other kind of incentive programs, which makes the search of new financing sources not so pressing and, on the other side, eventually, they are less able to make appeal to donors based on affective links. This result is consistent with the positive relationship verified between the rural social projects and the use of PSSE, and it generally supports the argument that CF does seem to be an instrument endowed with regional development potential, when dealing with socially oriented projects. Indeed, the CF as an instrument to finance small social projects could be a source of employment creation and regional economic diversification in less developed areas. Furthermore, the talents and energy of social entrepreneurs are expected to emerge as CF attracts funds that could have a positive impact on their lives and the lives of peoples' community.

Regarding to the social issue addressed, our analyses shows that in the majority of cases no relationship is observed between the venture's target audience and the kind of social entrepreneurial activity pursued (Table 4). The exceptions are observed in organizations that deal with people with physical disabilities and/or special needs ($\chi^2(1)= 4.409$; $p= 0.036$; Cramer's $V=0.261$, $p=0.032$), refugees ($\chi^2(1)= 5.536$; $p= 0.019$; Cramer's $V=0.230$, $p=0.058$) and with local organizations and associations ($\chi^2(1)= 3.738$; $p= 0.053$; Cramer's $V=0.227$, $p=0.006$).

We found that organizations that dealt with people with physical disabilities and/or special needs were about 4.12 times more prone to use PSSE than the other ones, and this fact predicts the membership of the venture in the social CF platform by approximately 7% (Goodman and Kruskal $\lambda= 0.068$). The development of activities in this social area could require an additional investment in infrastructure and equipment suitable to the features of the public they intent to serve. Due to the fact they are more capital intensive, they have a

particular need for obtaining the required financial resources and, therefore, they are more prone to apply to PSSE.

On the other hand, our results suggest that SVs that used to work with refugees were less likely to access social CF. In fact, none of the PSSE projects dealt with this issue (which result

Table 4

SV's target audience and mechanisms of financing

Variables	Likelihood Ratio		Goodman and Kruskal λ		Cramer's V		Odds ratio
	Value	Asymp. Sig. (2 sided)	Value	Approx. Sig.	Value	Approx. Sig.	
Older people	0.152	0.697	0.002	0.701	0.047	0.699	0.790
People with physical disabilities and/or special needs	4.409	0.036**	0.068	0.033**	0.261	0.032**	4.118
People from minority ethnic communities	0.146	0.702	0.002	0.706	0.046	0.704	0.778
People with particular financial needs	2.344	0.178	0.033	0.137	0.182	0.134	0.418
Refugees	5.536	0.019**	0.053	0.060*	0.230	0.058*	0.000
People suffering from addictions	0.386	0.610	0.006	0.529	0.077	0.526	1.909
Socially excluded/vulnerable people	0.664	0.415	0.010	0.420	0.098	0.417	0.657
Local organizations and associations	3.738	0.053*	0.052	0.063*	0.227	0.061*	0.318
Others	0.108	0.742	0.002	0.744	0.040	0.743	0.846

***The result is statistically significant, for $\alpha=0.01$;

**The result is statistically significant, for $\alpha=0.05$;

*The result is statistically significant, for $\alpha=0.10$;

Source: authors' own survey

in an odds ratio=0). Acting on this social problem, reversely, was more common within NGOs, which could be explained by the international cooperation needed to cope with this kind of issue.

Even with respect to the target audience, we observe that PSSE were less likely to deal with other local organizations and associations than NGOs (odds ratio=0.318). In other words, we have observed that social projects present in PSSE had a greater propensity to work directly with the individuals or families which were affected by a social problem than NGOs (3.15 times more likely). Thus, we can conclude that NGOs tended to be marginally more concerned with the intervention built through actions developed towards other organizations. This could mean that SVs that have a more national or international scope tend to act upon other organizations (of a local nature) in order to implement the response model they had conceived. Thus, their intervention involves the capacity of building and empowering the local communities, as a way of spreading and optimizing the social impact they jointly are able to achieve.

One the other hand, PSSE projects which act mainly in a local or regional way (as previously mentioned), are more predisposed to work directly with the individuals they intend to serve.

This result could be justified by the proximity observed between them (SV and final target audience), which is seen as a critical factor to identify and evaluate the problems and to improve efficiency in the actions taken. Once again, physical and affective proximity looks to be a moving factor behind those social initiatives. That is something that boosts their potential and, simultaneously, catalyzes the power for social change.

With respect to the aims of the activity provided by the SVs, our results suggest that the level of complementarity or competition with the services provided by other entities (public or private sectors) are not able to explain the access (or not) to the social CF platform (Table 5). By analyzing the odds ratio, we observe that it is far more likely that NGOs compete with the work developed by the State than PSSE projects (it should be highlighted that none of the PSSE projects dealt with social problems already addressed by the public initiative). This result, although it lacks statistical significance, could indicate that PSSE projects which have a more local action have a deeper understanding and awareness of the actual needs of its target audience and the extent to which these needs were (or not) being adequately addressed by the

Table 5

SV's activity aims and financing mechanisms used

Variables	Likelihood Ratio		Goodman and Kruskal λ		Cramer V		Odds ratio
	Value	Sig. (2 sided)	Value	Sig.	Value	Sig.	
To complement services supplied by the markets	1.982	0.159	0.030	0.158	0.172	0.155	2.143
To complement services supplied by the public sector	0.032	0.858	0.000	0.859	0.022	0.858	1.095
To compete with other providers	0.191	0.662	0.003	0.661	0.054	0.658	1.429
To compete with the public sector	1.774	0.183	0.017	0.293	0.129	0.289	0
To perform an activity that is not provided by the public or the private sectors	0.938	0.333	0.013	0.342	0.116	0.338	0.583

***The result is statistically significant, for $\alpha=0.01$;

**The result is statistically significant, for $\alpha=0.05$;

*The result is statistically significant, for $\alpha=0.10$;

Source: authors' own survey

existing social responses. Thus, the results attained suggest that the SV's characteristics have a greater influence on the funding decision rather than in the interaction established with other potential service providers.

The international action of NGOs, in turn, could result in a greater difficulty in adjusting the intervention built to the answers already existing at the different spheres and, therefore, could turn to some overlapping in the activities developed.

Conclusion

The main goal of our research was to broaden the knowledge basis of social CF for local and regional development, addressing its potential as a new instrument of regional policy. This was empirically approached through the examination of the main characteristics of the social

projects available on the Portuguese Social Stock Exchange platform. Our objective is to be able of making practical contributions for social entrepreneurs, managers of similar platforms and policy makers, and, lastly, to explore the potential contribution of CF to regional development.

The study emphasizes that social change can be accomplished by including CF as an alternative source of financing social projects. This decision might be able to promote local economic revitalization by launching new services for disadvantaged communities. In times of crisis such as the one some countries (including Portugal) are living, resources (human, financial, physical) are critical for sustaining social organizations. The State can hardly make a major contribution to support social ventures, even if they take place in peripheral territories. In these circumstances, an innovative financial instrument like CF can play a role, both, as a way of gathering resources to social entrepreneurs, and as a net contributor to regional development.

The potential of CF is closely related to philanthropic concerns in struggling to solve social problems and in the affective relationship kept by certain internal and external agents towards their places of origin or the one of their ancestors and relatives. Exploring this affective link is surely rewarding, as seen from time to time when people are confronted with certain natural disasters or other adverse circumstances.

The study found that more recent SVs are more likely to access PSSE than those aged over 10 years, which is not surprising since social CF is a recent phenomenon and the existence of PSSE is also quite novel. The empirical data suggest that rural SVs are much more likely to use PSSE than those ventures located in urban areas. Furthermore, statistical results indicate that local and regional SVs are also more likely to use PSSE than those ventures which act at national or international levels, suggesting that there is a significant association between the geographical location and the financial mechanism pursued. Also, it is worth mentioning that, in most cases, both PSSE projects and Non-Governmental Organizations complemented the services offered by the State or by the private sector. Further, about a quarter of the projects present in the PSSE operated in areas that were not being addressed neither by the services offered by the State nor by the ones of the private sector.

The propensity of social entrepreneurs to use CF may have its explanation on the socio-economic characteristics of the local community they aim to reach. A possible reason for that can be related with the efficacy of appealing to philanthropic attitudes when we are dealing with 'localized' social projects due to their capacity to get the affinity of people based on close relationships with territories, inside and outside the region, taken by them as their mother land or the one of their relatives. An alternative explanation may be the access that NGOs have, due to their links and scope of action, to other kind of incentive programs, which makes the search of new financing sources not so demanding. In summary, a positive relationship does seem to verify between local and regional social initiatives and the use of CF as an instrument to promote social change in local communities.

Based on our results, it seems there is place for managers to systematically design and implement potential improvements into their social CF platforms in order to attract the crowd to invest in social projects. On the other hand, social entrepreneurs do seem to have the chance to capture a considerable amount of financial resources to develop SVs by improving the awareness of the social problems and the projects that are designed to improve the quality of life of the residents. Likewise, social entrepreneurs must target particular agents outside the territory in order to maintain an affective relationship with the local communities and their residents.

As underlined by the more recent theoretical frameworks on regional development, not everything is explained on the basis of resources endowment. Knowing that, the search for solutions to social and territorial problems has to rely on innovative instruments and agents of change. Entrepreneurship (social or not) is, surely, an essential key of the regional development process. In this regard, policy makers can play a strategic role in fostering social entrepreneurship by functioning as catalysts in simplifying the legislative environment and to develop policy initiatives (advice, technical training, information on several issues related to the launching of social entrepreneurs, etc.) that support the accomplishment of social organizations' mission. If CF can be a valuable source of regional funding to attack a few of the problems felt by certain communities and territories, social entrepreneurs should explore its potential, and public authorities should, at least, look to donors as people deserving special recognition by its philanthropic role.

The study paper suffers from several limitations that might inhibit the generalization of the results to social entrepreneurs operating under different conditions. First, all the social entrepreneurs participating in the study are Portuguese, operating in the same domestic environment and online platform (PSSE). Thus, findings may not be directly applicable to social entrepreneurs operating in other domestic or foreign platforms and other countries. Second, the codification scheme used to classify the variables of SV's characteristics, audience target and aims was based on a dichotomous and not an interval scale which prevented us of using more advanced statistical techniques. Third, the study focused on a number of factors that need further analysis. The use of supplementary qualitative methods can uncover greater depth of insights of the social entrepreneur's regional orientation, and improve our understanding about the strategies used both by the managers of the CF platform and by crowdfunders and crowdfundees. Future research could include the study of other online platforms dedicated to finance social projects in order to validate the conclusions attained in the PSSE case. Also, the motivations of crowdfunders and crowdfundees to be engaged in the social projects listed within the CF platforms could enhance our understanding of the phenomenon.

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