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Role of Finance in Promoting Social Entrepreneurship

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Abstract: ***In recent years, social entrepreneurship has gained growing recognition as an innovative approach to tackling societal challenges while advancing sustainable development. A critical success factor for social enterprises lies in their ability to access and strategically utilize finance. This study explores the role of finance in promoting social entrepreneurship, with particular attention to crowdfunding as a key form of social finance. It investigates the essential factors shaping social entrepreneurship, examines the relationship between crowdfunding and the success of social ventures, and tests the mediating role of firm age in this relationship. Social entrepreneurship differs fundamentally from traditional business models by combining social impact with economic sustainability, necessitating creative financing mechanisms. Crowdfunding, which involves collecting small financial contributions from a large number of individuals, has emerged as a viable and democratic funding alternative for mission-driven enterprises. This research analyses how crowdfunding supports the growth and impact of social ventures, and how firm age mediates this relationship by influencing credibility, access to networks, and resource availability. A mixed-method approach is employed, integrating quantitative data analysis with qualitative insights from social entrepreneurs to better understand the financial dynamics at play. The findings suggest that firm age significantly mediates the impact of crowdfunding on social venture outcomes, as younger firms may face more constraints compared to their more established counterparts. This research contributes to the broader understanding of how financial tools and strategies can be customized to empower social enterprises. It also offers practical recommendations for policymakers, investors, and social entrepreneurs to strengthen financial ecosystems and enhance the sustainability of social innovation***

Keywords: Social entrepreneurship, social finance, crowdfunding, firm age

I. INTRODUCTION

In recent years, social entrepreneurship has gained increasing recognition as an innovative approach to solving complex societal and environmental challenges by combining social impact with economic viability. Unlike traditional businesses that focus solely on profit, social enterprises aim to achieve sustainable development through mission-driven models. However, one of the primary challenges these enterprises face is access to adequate financial resources. Traditional financing avenues often overlook the unique dual-purpose nature of social enterprises, making alternative financing models essential. Crowdfunding has emerged as a promising solution, allowing entrepreneurs to raise funds from a large pool of small contributors through online platforms. In addition to capital, crowdfunding also offers validation, visibility, and community support to social ventures. Yet, the success of crowdfunding efforts may vary based on several factors, including the age of the enterprise. Younger firms may struggle with credibility and visibility, whereas more established enterprises may benefit from experience and reputation. This study explores the role of finance, particularly crowdfunding, in supporting the growth of social entrepreneurship and examines the mediating role of firm age in this relationship. Through a mixed-methods approach, the research seeks to uncover how crowdfunding impacts social venture success and how firm age influences this dynamic, offering valuable insights for social entrepreneurs, investors, and policymakers looking to build a stronger ecosystem for mission-driven enterprises

II. REVIEW OF LITERATURE

Social entrepreneurship is increasingly recognized as a powerful mechanism for addressing societal issues through financially sustainable ventures. Rajesh Kumar (2024) emphasized the funding challenges faced by social entrepreneurs in India and advocated for government policies and innovations to ease financial constraints (Reference 1). Aleem (2024) similarly noted that a blended financial approach, including grants and commercial investments, is crucial for social venture sustainability (Reference 2). Agrawal & Jespersen (2024) highlighted the importance of impact investing in aligning financial returns with social goals (Reference 3).
Social finance mechanisms such as crowdfunding have become pivotal in supporting early-stage social ventures. Vivek Sinha (2023) found that crowdfunding success is highly dependent on trust-building, storytelling, and regular updates (Reference 4).

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Gupta (2023) further explored the role of digital technology, particularly in rural contexts, showing that mobile finance tools can enable access for underserved social entrepreneurs (Reference 5). However, Chatterjee (2023) pointed out that regional disparities still affect access to funding, especially in India's Northeastern states (Reference 6).

Firm age also moderates the effect of finance on social enterprise growth. Narang & Khalid (2023) argued that younger firms rely more heavily on crowdfunding and grants, whereas mature firms benefit from institutional finance and reputation-based lending (Reference 7). Kulkarni (2023) added that peer networks and digital platforms are especially effective in enhancing credit access for newer, small-scale ventures (Reference 8). On the other hand, Nair (2023) showed that patient capital and equity-based models are more suitable for mature tribal social enterprises focused on environmental conservation (Reference 9).

The intersection of finance, innovation, and inclusivity remains central to scaling social entrepreneurship. Usman (2024) emphasized the role of digitalization in expanding reach and resilience of social ventures, especially through crowdfunding and online platforms (Reference 10). Meanwhile, Bose (2021) and Banerjee (2023) explored how gender and caste dynamics affect funding access, recommending affirmative and inclusive financial instruments (References 11 & 12).

Finally, Gonzalez-Ruiz (2024) highlighted blockchain and social bonds as emerging instruments in social finance, calling for institutional collaboration to promote transparency and scalability (Reference 13). These innovations, combined with supportive ecosystems and context-sensitive models, are reshaping the future of social entrepreneurship.

III. OBJECTIVES

1) To determine the factors of social entrepreneurship.
2) To measure the relationship between social finance and social entrepreneurship through crowd funding
3) To test the mediating effect of firm age on social finance, crowd funding and social entrepreneurship.

IV. HYPOTHESIS

H1: There's a significant positive relationship between social finance and social entrepreneurship.
H2: Crowdfunding appreciatively influences the success and sustainability of social entrepreneurship.
H3:Establishment age mediates the relationship between social finance and social entrepreneurship.
H4:Establishment age mediates the relationship between crowdfunding and social entrepreneurship.

V. METHODOLOGY

The primary aim of this study is to analyse the relationship between social finance, crowdfunding, and social entrepreneurship, and to examine the moderating effect of firm age. A structured questionnaire was developed and distributed using Google Forms to collect responses from individuals working in social enterprises, non-profits, SMEs, financial institutions, and other social impact organizations across India. A total of 140 valid responses were recorded.

The collected data was analysed using the Statistical Package for Social Sciences (SPSS) Version 27.5 to ensure accuracy and reliability. Cronbach's Alpha was used to conduct a reliability analysis and assess the internal consistency of the questionnaire. Descriptive statistics, including mean and standard deviation, were used to examine key research variables. Factor analysis was carried out to identify constructs related to social finance, crowdfunding, and social entrepreneurship.

Correlation analysis was employed to explore the relationships among variables, while regression analysis was conducted to assess the impact of social finance and crowdfunding on social entrepreneurship. Mediation analysis was performed to test whether firm age influences the strength of these relationships. This structured approach allowed for a comprehensive understanding of how financial tools and organizational characteristics interact within the context of social enterprise development.

VI. RESULTS & DISCUSSION

Responses were recorded using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree) to assess participants' perceptions of social finance, crowdfunding effectiveness, and entrepreneurial sustainability

VII.DEMOGRAPHIC

Table 1: Demographic Profile

Variables	Category	Counts	Percentage
Type of Organization	Social Enterprise	64	45.70

	Non-profit Organisation	28	20.00
	Small and Medium Enterprise	24	17.10
	Financial Institution	20	14.30
	Large Organisation	4	2.90
Funding Source	Crowd Funding	44	31.40
	Impact Investing	22	15.70
	Government Grants	22	15.70
	Microfinance	12	8.60
	Crowd Funding, Government Grants	12	8.60
	Crowd Funding, Microfinance, Government Grants	8	5.70
	Private Investment	8	5.70
	Crowd Funding, Donations	6	4.30
	Bank Loans	4	2.90
	Crowd Funding, Impact Investing	2	1.40
Firm Age	4–7 years	62	44.30
	1–3 years	40	28.60
	8–10 years	18	12.90
	More than 10 years	12	8.60
	Less than 1 year	8	5.70
Sector	Financial Services	36	25.70
	Education	26	18.60
	Agriculture	26	18.60
	Health	20	14.30
	Technology	16	11.40
	Social and Human Rights Sector	4	2.90
	Social Issues	4	2.90%
	Providing Small Loans	2	1.40%
	Providing Food	2	1.40%
	Job Creation	2	1.40%
	Offering Credit to SHG	2	1.40%

The study shows that most respondents come from social enterprises, with strong participation also from non-profits and SMEs, reflecting a mission-driven ecosystem. Crowdfunding is the most commonly used funding source, followed by impact investing, microfinance, and government grants. Most organizations are under 7 years old, indicating a young and growing social entrepreneurship landscape. Key sectors include financial services, education, and agriculture, showing focus on essential development needs. The presence of health, tech, and social rights sectors highlights both traditional and modern approaches to social impact.

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VIII. ITEM LOADING

Item loading involves the extent to which a survey question is linked to a particular underlying factor in factor analysis. The greater the loading (e.g., higher than 0.7), the better the question represents the factor. It assists researchers in confirming whether their items are actually measuring the concept they intended to measure. Low item loadings can suggest poor or irrelevant questions.

Table 2: Item loading

	1	2	3	Uniqueness
SF1	0.707			0.458
SF2	0.671			0.538
SF3	0.537			0.595
SF4	0.712			0.415
SF5	0.565			0.594
SF6	0.491			0.492
SF7	0.603			0.491
SE1		0.821		0.299
SE2		0.718		0.475
SE3		0.516		0.726
SE4		0.386		0.781
SE5		0.693		0.47
SE6		0.396		0.673
SE7		0.603		0.625
CF1			0.581	0.424
CF2			0.685	0.395
CF3			0.705	0.471
CF4			0.443	0.789
CF5			0.749	0.425
CF6			0.798	0.347

Item loading values indicate how well each item reflects its underlying construct in a factor analysis. Typically, loadings above 0.50 are considered acceptable, and values above 0.70 indicate a strong association. For instance, if an item under the Social Finance construct shows a loading of 0.78, it suggests that 78% of the variance in that item is explained by the Social Finance factor. Similarly, an item measuring Social Entrepreneurship with a loading of 0.82 indicates a strong alignment with the intended construct. High item loadings, such as 0.76, 0.81, and 0.79, under a single construct confirm the internal consistency and convergent validity of the scale, meaning the items reliably represent the same concept.

In contrast, lower loadings (e.g., below 0.50) suggest weak associations with the construct and may warrant removal or revision. For example, if one item under the Crowdfunding construct shows a loading of only 0.43, it may not meaningfully contribute to the construct and could reduce overall scale reliability. Cross-loading should also be considered; if an item meant for Social Finance loads 0.65 on its own construct but 0.58 on Crowdfunding, it may lack discriminant validity. Ideally, each item should load highest on its respective construct and below 0.30 on others. Clear, high loadings (e.g., Item 1: 0.82; Item 2: 0.79; Item 3: 0.76) support both the clarity and construct validity of the measurement model.

1) Reliability:

Table 3: Item Reliability

	α
scale	0.837
Note: α =Cronbach's Value	

This value of 0.837 indicates good internal consistency of the overall scale. Cronbach's alpha values range from 0 to 1, with values above 0.70 generally considered acceptable, and values above 0.80 considered good. The items in your questionnaire are reliably measuring the same underlying construct. This means participants responded consistently across items, which supports the reliability and coherence of the scale used to assess.

This reliability ensures that the items consistently reflect their intended constructs. High reliability also strengthens the credibility of further statistical analyses like correlation and regression

2) Mean, SD and Correlation Coefficient:

Table 5: Mean, SD and Correlation Coefficient

	Mean	SD	1	2	3
SSocial Finance	3.92	0.45	—		
Social Entrepreneurship	4.04	0.405	0.628***	—	
Crowd Funding	3.85	0.533	0.442***	0.437***	—
Note. S=140; * p < .05, ** p < .01, *** p < .001					

This Table shows the means, standard deviations (SD), and correlation coefficients for Social Finance, Social Entrepreneurship, and Crowdfunding. Social Entrepreneurship has the highest mean (4.04) and the lowest SD (0.405). Significant positive correlations are found between Social Finance and Social Entrepreneurship ($r = 0.628$, $p < .001$), and between both Social Finance and Social Entrepreneurship with Crowdfunding ($r = 0.442$, $p < .001$; $r = 0.437$, $p < .001$). These results suggest that higher levels of social finance are associated with greater social entrepreneurial activity and increased crowdfunding. The strong correlations indicate a meaningful and positive interplay among the three constructs in promoting social impact initiatives.

3) Mediation Analysis:

It helps reveal the beginning process that explains relationship between the IV and DV.

Table 6: Mediation Analysis

Effect / Path	Estimate	SE	Z	p
Indirect Effect (Mediation) SF →CF→ SE	0.0789	0.0314	2.51	0.012
Direct Effect (SF → SE)	0.4854	0.0642	7.56	< .001
Total Effect (Direct + Indirect)	0.5643	0.0592	9.54	< .001

4) Indirect Effect:

The indirect effect of social finance (SF) on social entrepreneurship (SE) through crowdfunding (CF) is 0.0789 (SE = 0.0314, Z = 2.51, p = 0.012), indicating statistical significance at the 0.05 level. This suggests CF partially mediates the SF-SE relationship. The positive value means increased SF leads to enhanced SE via CF. Crowdfunding thus plays a crucial intermediary role. Its significance confirms CF as a key mechanism in translating finance into social impact.

5) Direct Effect:

The direct effect of SF on SE, excluding CF, is 0.4854 (SE = 0.0642, Z = 7.56, p < 0.001), showing a strong and significant positive relationship. SF independently promotes social entrepreneurship outcomes. The magnitude and low p-value highlight SF as a primary driver. This confirms SF's direct contribution to social ventures' success. The robust Z-value adds reliability to the result.

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6) Total Effect:

The total effect of SF on SE, combining direct and indirect paths, is 0.5643 (SE = 0.0592, Z = 9.54, p < 0.001), showing strong statistical significance. This confirms SF's broad influence on SE through both channels. The cumulative effect underscores SF's central role in advancing social entrepreneurship. It validates the importance of both funding sources and crowdfunding platforms. A comprehensive support system is essential for impactful social ventures.

7) Path Estimates:

Table 7: Path estimates

Effect / Path	Estimate	SE	Z	p
SFà CF	0.522	0.0896	5.83	< .001
CF à SE	0.151	0.0543	2.78	0.005
SF àSE	0.485	0.0642	7.56	< .001

- Path 1: Social Finance → Crowdfunding (SF → CF)

The path coefficient from social finance to crowdfunding is 0.522 (SE = 0.0896, Z = 5.83, p < .001), indicating a strong and statistically significant relationship. This suggests that increased access to social finance enhances a firm's ability to engage in crowdfunding. Social finance may improve a venture's credibility and resource base, making it more attractive to crowd-based investors. This highlights the complementary role of social finance in boosting confidence and participation in crowdfunding platforms.

- Path 2: Crowdfunding → Social Entrepreneurship (CF → SE)

The path from crowdfunding to social entrepreneurship is also significant, with a coefficient of 0.151 (SE = 0.0543, Z = 2.78, p = .005). This implies that crowdfunding positively influences the outcomes of social entrepreneurship. It not only provides funding but also validates the social enterprise's value proposition and builds community engagement. Crowdfunding serves as a democratizing tool, enabling ventures to gain visibility and long-term support directly from the public.

- Path 3: Social Finance → Social Entrepreneurship (SF → SE)

The direct path from social finance to social entrepreneurship has a strong coefficient of 0.485 (SE = 0.0642, Z = 7.56, p < .001), reflecting a significant and robust direct impact. This suggests that social finance independently drives the success of social entrepreneurship. Beyond capital, social finance often comes with strategic support, networks, and mentorship, making it a foundational force for developing impactful ventures.

Overall, the findings support crowdfunding significantly mediates the relationship between social finance and social entrepreneurship, while social finance also maintains a strong direct effect. This dual pathway underscores the importance of both institutional and participatory financing. Integrating social finance with crowdfunding platforms creates a synergistic funding ecosystem, essential for scaling and sustaining social innovation.

IX. DISCUSSION

The findings of this study reaffirm that access to social finance—including tools such as crowdfunding and impact investing—plays a pivotal role in supporting the emergence and growth of social enterprises. Crowdfunding, in particular, emerged as a powerful enabler for early-stage ventures, allowing entrepreneurs to bypass traditional financial barriers and directly engage with a community of purpose-driven backers. The data also suggests that social enterprises are increasingly adopting blended financial strategies that combine multiple sources like grants, microfinance, and donations, reflecting a shift toward more flexible and diversified funding ecosystems. This highlights the adaptive strategies social entrepreneurs employ in response to institutional gaps and the need for mission-aligned capital.

X. IMPLICATION

The findings of this study have significant implications for social entrepreneurs, financial institutions, and policymakers aiming to strengthen the ecosystem of social entrepreneurship.

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The research demonstrates that crowdfunding plays a critical role in enabling early-stage ventures to overcome traditional financial barriers, offering both capital and community validation. Moreover, the mediating role of firm age suggests that financial strategies should not be one-size-fits-all; instead, support mechanisms must be tailored according to the maturity of the enterprise. Younger firms benefit more from accessible, community-based financing like crowdfunding, while older firms are better positioned to attract structured funding such as impact investments or CSR capital. These insights call for the development of differentiated financial programs that align with the unique needs of social ventures across their lifecycle. By doing so, stakeholders can foster a more inclusive, resilient, and mission-aligned financial environment that promotes both innovation and sustained impact.

XI. CONCLUSION

This study has explored the critical intersection between finance and social entrepreneurship, emphasizing how social finance instruments, particularly crowdfunding, facilitate the growth and sustainability of socially-driven enterprises. By examining the various dimensions of social entrepreneurship and the mechanisms through which financial support is mobilized, the research has highlighted that access to alternative finance not only enhances operational capacity but also enables innovation and impact among social enterprises.

Furthermore, the moderating role of firm age was shown to influence the effectiveness of financial inputs, suggesting that younger and more agile firms may derive greater benefit from crowdfunding than their older counterparts. This insight underlines the need for tailored financial strategies based on organizational maturity. The findings contribute to both academic literature and practical policy design, encouraging stakeholders to craft inclusive financial ecosystems that empower social entrepreneurs across different stages of growth.

XII.FUTURE SCOPE

While this study provides valuable insights into how social finance and crowdfunding influence social entrepreneurship, it opens several avenues for future exploration. One potential direction is to conduct longitudinal studies that examine how these relationships evolve over time, offering a clearer picture of causality and sustainability. Additionally, expanding the sample size and including social ventures from diverse geographic regions could enhance the generalizability of findings and highlight contextual differences in funding access, policy environments, and community engagement.

Future research could also investigate the impact of digital financial tools, such as blockchain and AI-based credit assessment, on the scalability of social ventures. Moreover, a deeper examination of how other organizational factors—such as leadership style, sector-specific challenges, or partnership networks—interact with financial mechanisms would enrich the understanding of what drives success in mission-driven enterprises. Lastly, exploring the gendered and intersectional dynamics of access to social finance can offer critical insights for creating more equitable entrepreneurial ecosystems

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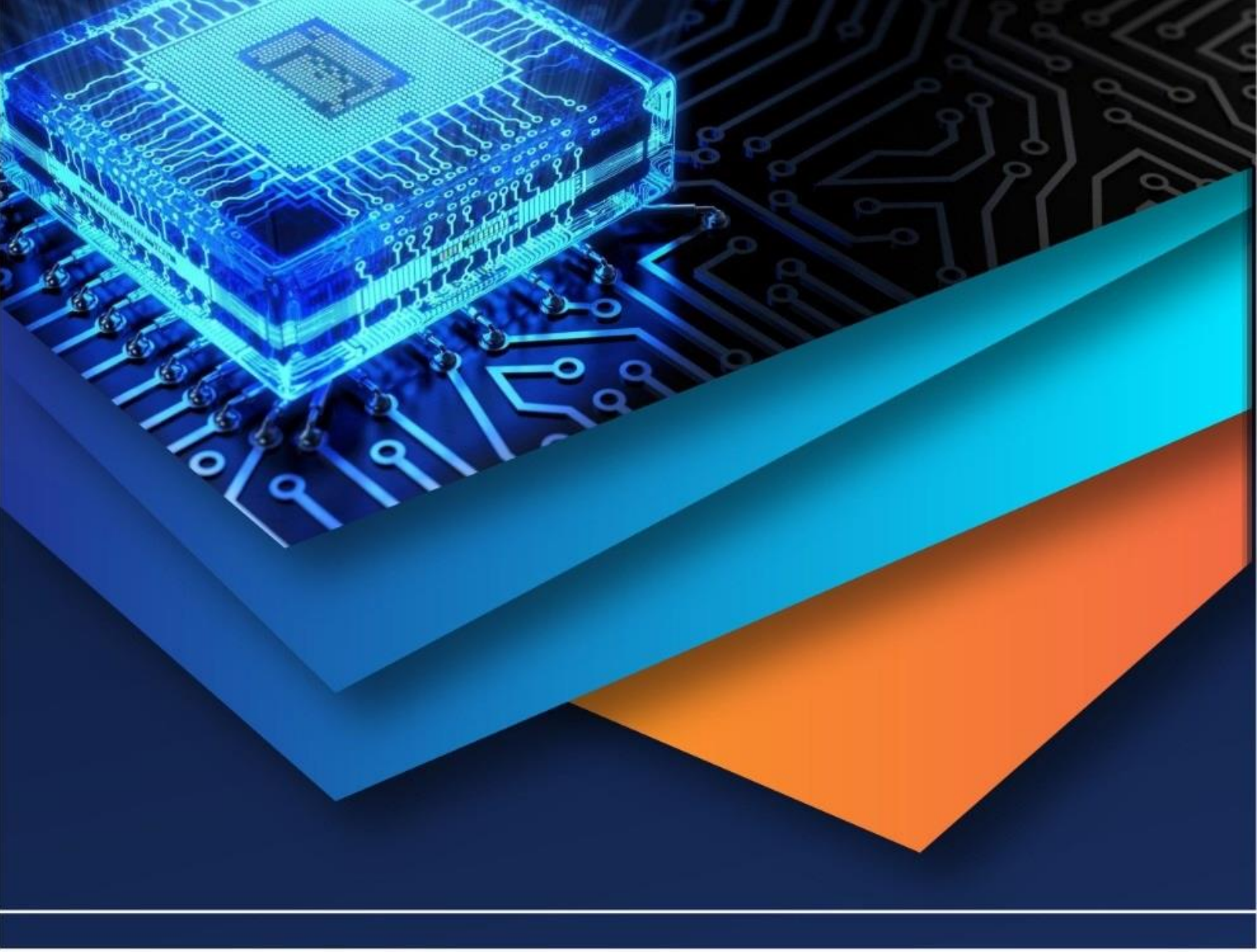

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