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Financing Social Enterprises Serving Base-of-the-Pyramid Markets: Towards an Integrative Financing Model

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ABSTRACT
Social enterprises grapple with accessing external funds, a predicament linked to organisational failures. Anchored in resource dependence theory and financial growth cycle theory, this qualitative investigation employs multiple case studies, using primary and secondary data sources to examine how social enterprises serving base-of-the-pyramid markets can blend diverse sources to address financing pitfalls. The findings underscore the significance of not only external financing but also internal capability enhancement. The study consequently introduces an integrative financing model and proposes amalgamating of three major theories as enablers for social enterprises to synergize the acquisition of external financing with growth phases and internal capabilities.

KEYWORDS
Financing social enterprises; resource dependence; growth cycle financing; capability building

Introduction

The term 'social enterprises' gained popularity in the United States and Europe during the 1970s and 1980s (Defourny and Nyssens 2010). Since then, social enterprises have been widely recognised as a new form of business that uses market-based mechanisms to address social issues (Battilana and Lee 2014; Battilana, Besharov, and Mitzinneck 2017; Doherty, Haugh, and Lyon 2014; Santos, Pache, and Birkholz 2015). With millions of social enterprises worldwide, these businesses play a significant role in pursuing the dual goals of social value and profit generation to create a better world (Austin, Stevenson, and Wei–Skillern 2006; Teasdale 2012). Their importance is particularly emphasised in base-of-the-pyramid markets—a term that refers to the billions of people living in low-income economic segments (Prahalad and Hammond 2002). People in these markets commonly experience poverty and related social issues (Dembek, Sivasubramaniam, and Chmielewski 2020), such as inadequate access to food, clean water, healthcare, and education (Goyal, Sergi, and Kapoor 2014). Geographically, base-of-the-pyramid markets can be found in sub-Saharan, Southeast Asian, and Latin American countries, as well as in parts of wealthy

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nations, including those in North America and Europe (López-Morales, Rosario-Flores, and Huerta-Estevez 2020).

However, in striving for social value over maximising profit, social enterprises often face a major challenge: a lack of financial resources to sustain and grow their businesses (e.g. Defourny and Nyssens 2010; Lyons and Kickul 2013; Gupta et al. 2020; Schätzlein, Schlütter, and Hahn 2023; Yang, Kher, and Newbert 2020). Research commissioned by the British Council & Social Enterprise UK 2022 found that more than half of social enterprises across countries struggle to obtain funding and/or access to external finance, and this lack of external finance accounts for many social enterprise failures. This issue is not limited to small organisations as larger organisations can also face difficulties securing funding for growth (Janah 2019; Yunus and Jolis 2007).

While research on social entrepreneurship has progressed over time (Clarkin and Cangioni 2016; Doherty, Haugh, and Lyon 2014; Gupta et al. 2020), the subject of financing social enterprises remains nascent and fragmented (Schätzlein, Schlütter, and Hahn 2023). Specifically, we identify three key research gaps related to financing social enterprises serving base-of-the-pyramid markets. First, most research has been conducted in developed markets, with little attention given to social enterprises serving base-of-the-pyramid markets (López-Morales, Rosario-Flores, and Huerta-Estevez 2020; Gupta et al. 2020; Gupta and Srivastava 2021). This is problematic because social enterprises play a crucial role in tackling enduring social and environmental challenges in these settings (Argiolas, Rawhouser, and Sydow 2024; Schätzlein, Schlütter, and Hahn 2023); and thus they warrant greater attention (Goyal, Sergi, and Kapoor 2014). Second, while financial constraints have been identified as a major challenge facing social enterprises (Gupta et al. 2020), there is a lack of research on transformative financing solutions (Schätzlein, Schlütter, and Hahn 2023), particularly in terms of combining different financing instruments and the effects of alternative financing models (Wright and Siegel 2021). Past studies have focused on traditional non-profit funding sources, such as donations and government funds, rather than exploring innovative sources of funding that align with the hybrid identities of social enterprises (Lyons and Kickul 2013; Martin 2015; Gupta and Srivastava 2021). Third, while novel financing mechanisms emerge (Clarkin and Cangioni 2016; Lehner and Nicholls 2014; Lyons and Kickul 2013; Nicholls 2021), research on new financing models, such as impact investment and social impact bonds, is still emerging and requires further exploration for academic and theoretical development (Block, Hirschmann, and Fisch 2021; Brandstetter and Lehner 2015; Kickul and Lyons 2015; Martin 2015; Nicholls 2010; Schätzlein, Schlütter, and Hahn 2023). Wright and Siegel (2021, 2) further argue that the emergence of new and alternative financing models 'opens up potential for extending existing theories', such as resource dependence theory.

Given these research gaps, it is imperative to examine how social enterprises can pursue a different financing model to reduce dependence on any single source that may fall short at any time (Dees 1998; Zhao and Lounsbury 2016; Schätzlein, Schlütter, and Hahn 2023). Therefore, the question we aim to answer in this research is as follows: *How can social enterprises serving base-of-the-pyramid markets integrate diverse financing options to achieve their business goals?*

Our research seeks to make three key theoretical contributions. First, we fill the void in scholarly exploration (Lyons and Kickul 2013; Schätzlein, Schlütter, and Hahn 2023) by investigating social enterprises in diverse base-of-the-pyramid markets, uncovering their characteristics and the influence of the external environment on acquiring external resources. Second, we offer a thorough assessment of financing instruments, considering their suitability and applicability to social enterprises. Financing options for social enterprises are growing (Lehner and Nicholls 2014; Nicholls 2021); nevertheless, they are often discussed in a fragmented manner, lacking a comprehensive synthesis (Schätzlein, Schlütter, and Hahn 2023). Third, we advance applicable theories and develop a framework – what we can 'the integrative financing model' – to synergize external financing with the organisations' growth phases and capabilities. In view of practical implications, our study emphasises the imperative for significant changes among social enterprises, financiers, and other actors to optimise the financing landscape, given that existing mechanisms do not fully capitalise on their potential advantages.

Our article is structured as follows. First, we introduce our theoretical framework, which incorporates the resource dependence theory of Pfeffer and Salancik (1978, 2003) and the financial growth cycle theory of Berger and Udell (1998) and provide an overview of social enterprises and the financing instruments available to them. Second, we describe and justify the methodological choices related to our multi-case study of four distinct social enterprises. Third, we present our findings and components of the integrative financing model. Finally, we elaborate on our study's theoretical and practical implications, limitations and offer suggestions for future research aimed at advancing the field of social enterprise financing.

Theoretical background

Social enterprises serving base-of-the-pyramid markets

The field of social entrepreneurship garners academic attention (Dacin, Dacin, and Matear 2010). Definitions of what constitutes a social enterprise are thus numerous (Doherty, Haugh, and Lyon 2014; Teasdale 2012), with some being broader and others narrower. For instances, the Organisation for Economic Cooperation and Development (OECD 1999) defines a social enterprise as

> any private activity conducted in the public interest, organised with an entrepreneurial strategy, whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has the capacity for bringing innovative solutions to the problems of social exclusion and unemployment.

Scholars, such as Ebrahim, Battilana, and Mair (2014); Mair and Martí (2006); Nicholls (2010); Yunus and Jolis (2007), view a social enterprise as a specific model of business that generates profits for addressing social problems. Various terminology, such as social ventures, social businesses, hybrid ventures, social impact businesses, have been employed to designate social enterprises (Schätzlein, Schlütter, and Hahn 2023). Dacin, Dacin, and Matear (2010) have discovered a minimum of 37 distinct definitions used to describe this concept. The range of organisations that fall under the umbrella of social enterprises is therefore diverse, and these organisations balance their social missions with their economic goals in various ways (Dees 1998).

In this study, we propose a definition of social enterprises that combines the notions of Dees (1998) with those of Doherty, Haugh, and Lyon (2014). Dees (1998) envisions social enterprises as a spectrum extending from non-profit to for-profit entities, whereas Doherty, Haugh, and Lyon (2014) regard them as exemplars of hybrid organisations that fuse values and economic logics from different sectors. We define social enterprises as hybrid organisations that are motivated by both mission and market factors and that use distinct economic logics to create both financial and social value. This definition emphasises the hybrid nature of social enterprises and allows us to explore the effects of combining philanthropic and commercial logics on funding matters.

Previous studies (Table 1) have shown that social enterprises serving base-of-the-pyramid markets face greater challenges and tensions in sustaining their businesses and promoting their social impact than their counterparts in developed markets. Challenges are manifold, primarily stemming from resource scarcity, market imperfections, insufficient institutional support and the premature development of ecosystem actors (British Council & Social Enterprise UK 2022; Bocken, Fil, and Prabhu 2016; Goyal, Sergi, and Jaiswal 2015; Gupta, Beninger, and Ganesh 2015; Schätzlein, Schlütter, and Hahn 2023). On the financing front, social enterprises in developed markets may have better access to resources, such as state financial support in the United States or resources provided by the European Social Fund for European Union (EU)-based enterprises (Akbulaev, Aliyev, and Ahmadov 2019). In contrast, those serving base-of-the-pyramid markets face challenges in meeting their financial needs (Argiolas, Rawhouser, and Sydow 2024). This is exacerbated by the fact that many of these organisations are young and small, lacking a robust track record in securing funding (British Council & Social Enterprise UK 2022).

Diverse sources of funding for social enterprises

Funding options for social enterprises emerge, as highlighted by Lyons and Kickul (2013), Nicholls (2021) and Schätzlein, Schlütter, and Hahn (2023). These organisations might have a broader financing spectrum compared to their purely for-profit or non-profit counterparts (Brakman Reiser and Tucker 2023; Bugg-Levine, Kogut, and Kulatilaka 2012; Lehner and Nicholls 2014). However, the discussion of financing instruments available to these organisations is scattered throughout the literature (Schätzlein, Schlütter, and Hahn 2023).

Considering traditional sources of funds from non-profit avenues, social enterprises can seek funding from philanthropic sources, such as grants, funds, charitable donations from individuals or private and public sectors, as well as subsidies from governments, foundations, credit unions, cooperatives, and mutuals (Brakman Reiser and Tucker 2023; Dees 1998; Galera 2007; Lehner and Nicholls 2014). Through for-profit avenues, social enterprises can access multiple commercial sources of funds, such as from external parties in the form of equity investments or repayable finance over a committed term (Berger and Udell 1998; Brakman Reiser and Tucker 2023), in addition

Table 1. Primary traits of social enterprises serving base-of-the-pyramid markets.

Authors	Markets Researched	Key features
British Council and Social Enterprise UK (2022)	Algeria; Bangladesh; Brazil; Egypt; Ethiopia; Ghana; Greece; Hong Kong; India; Indonesia; Jamaica; Kenya; Kyrgyzstan; Malaysia; Morocco; Nigeria; Pakistan; Philippines; Sri Lanka; Singapore; South Africa; Sudan; Thailand; Turkey; United Arab Emirates; United Kingdom, Vietnam	• Most social enterprises are relatively small and have been established less than a decade. They operate under diverse legal structures, including sole proprietorships, partnerships, private/limited companies, charities/non-profit organisations, and cooperatives. • Access to funding stands out as a significant challenge for most social enterprises. • The ecosystem that backs social enterprises is seen as evolving, vibrant, but somewhat disorganised.
Bocken, Fil, and Prabhu (2016)	India	Most social enterprises face difficulties in not only surviving but also expanding. This is attributed to the complexities of addressing societal requirements while maintaining financial sustainability within resource-constrained settings that lack crucial infrastructure and institutions. Given the operational obstacles within base-of-the-pyramid markets, it is uncommon to have successful and scalable social businesses.
Goyal, Sergi, and Jaiswal (2015)	India	Social enterprises operating in base-of-the-pyramid markets encounter several key challenges, such as (i) market imperfections that create complex environmental conditions, (ii) struggles to balance social and commercial objectives, (iii) a lack of coordination among market ecosystem participants, (iv) hurdles in mobilising limited resources, like capital and a skilled workforce, (v) challenges in comprehending the genuine needs of and crafting appropriate offerings for the base-of-the-pyramid market, and (vi) difficulties in assessing and quantifying their social performance and impact.
Gupta, Beninger, and Ganesh (2015)	Africa	In Africa's distinct context, which represents base-of-the-pyramid markets, noteworthy challenges include scarcity of resources, market complexities and institutional gaps at various tiers. Social enterprises in these markets employ innovation and a hybrid approach that merges elements of non-profit and private sector strategies. This enables them to effectively pursue dual objectives.

to income generated from commercial activities, such as earnings from product or service offerings. These funding sources include angel investment offered by high-net-worth business investors, debt/equity-based investments injected by venture capitalists, and loans, lines of credit, and other financial instruments provided by financial institutions (Brakman Reiser and Tucker 2023; Zhao and Lounsbury 2016).

In recent years, various novel financing options have developed to help meet the funding needs of hybrid social organisations (Martin 2015; Nicholls 2021; Schätzlein, Schlütter, and Hahn 2023) as outlined in the following four points. First, crowdfunding allows organisations to raise funds from a large group of people through fundraising campaigns posted on technology-assisted platforms (Lehner and Nicholls 2014; Mitra 2012). Investment-based crowdfunding has been found to be better suited to purely commercial organisations and reward- and donation-based crowdfunding to causeoriented fundraising campaigns/organisations (Mitra 2012; Schätzlein, Schlütter, and Hahn 2023). Second, quasi-equity financing combines traits of debt and equity financing, working as an unsecured and flexible debt that provides investors with the right to a percentage share in the revenue of the enterprises (Bugg-Levine, Kogut, and Kulatilaka 2012; Nicholls 2021). Third, impact investing, defined by the Organisation for Economic Cooperation and Development (OECD 2019, 4) as 'finance provided to organizations addressing social and/or environmental needs with the explicit expectation of measurable social and financial returns' is an extension of socially responsible investments. It aims to provide finance to companies that catalyse sustainable solutions for the world's poor population or address environmental problems (Brakman Reiser and Tucker 2023; Nicholls 2021). Fourth, social impact bonds—another novel financing approach—involve collaboration between the public and private sectors (Nicholls 2010; Nicholls and Edmiston 2019; Schätzlein, Schlütter, and Hahn 2023). They entail agreements between governments or commissioners, social service providers (such as non-profit organisations or social enterprises), and investors to finance the delivery of predetermined social outcomes (Galitopoulou and Noya 2016; Nicholls and Edmiston 2019). These contracts are commonly referred to as 'payment-by-results' or 'pay-for-success' arrangements and aim to bring together private finance and social enterprises to provide outsourced public services (Floyd 2017; Nicholls and Teasdale 2021). Given their potential, Roy, McHugh, and Sinclair (2018) consider social impact bonds to be the future of financing social organisations.

Considering these diverse financing options, we compile a spectrum of external financing (Figure 1), which is juxtaposed with the social enterprise spectrum devised by Dees in 1998.

This spectrum implies that, by encompassing dual organisational forms, social enterprises can leverage their distinct paradigms, logics, and value systems to tap into various sources of funding (Battilana and Lee 2014; Doherty, Haugh, and Lyon 2014; Zhao and Lounsbury 2016). Put differently, these hybrid organisations have the flexibility to approach both traditional and innovative funding mechanisms, spanning philanthropic and commercial avenues (Brakman Reiser and Tucker 2023; Nicholls 2010, 2021).

Paradoxically, despite the evolving spectrum of financing, many social organisations still encounter difficulties in seeking appropriate funding (Brakman Reiser and Tucker 2023; Moss et al. 2018; Schätzlein, Schlütter, and Hahn 2023; Yang, Kher, and Newbert 2020). It is therefore essential to examine the suitability of these financing options. Table 2 provides a condensed overview of the financing landscape and the pros and cons associated with different financing instruments.

Each financing instrument evidently possesses unique characteristics and is particularly suitable for specific types of enterprises. Given the smaller and newer characteristics, coupled with the less transparent and resource-scarce environment in which social enterprises serving base-of-the-pyramid markets operate, it appears that they have limited opportunities to secure long-term and reliable funding (cf. Schätzlein, Schlütter, and Hahn 2023).

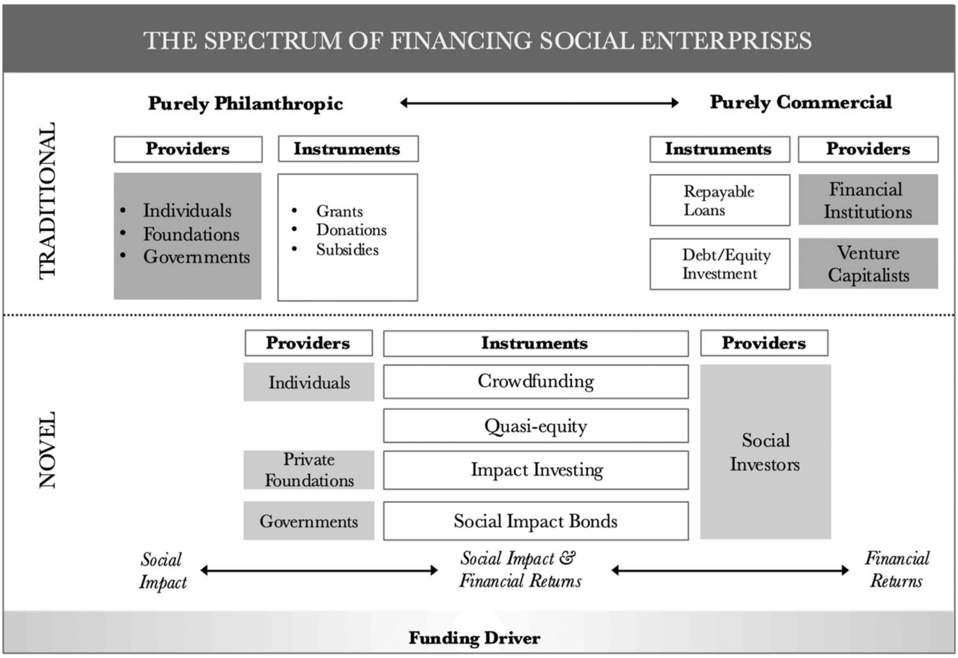

Figure 1. The spectrum of financing social enterprises.

Strategies to manage reliance on external funders during the growth cycle

Financing social enterprises through the lens of the financial growth cycle

The financial growth cycle theory, developed by Berger and Udell (1998), asserts that the financing needs and options of an organisation evolve over time, particularly as the business grows, gains experience, and becomes less opaque in terms of information. Initially, when organisations are smaller, younger, and have less clear information, they rely primarily on nonrepayable financing options, such as grants, donations, and subsidies. As organisations grow and establish a track record, they gain access to a broader range of funding options provided by financial institutions and venture capitalists, who consider the firm's transaction history and growth potential to make financing decisions. These options may include term loans and venture capital investments. Finally, when organisations reach the stage of going public, they can access funds from public equity and debt markets, such as through an initial public offering (Berger and Udell 1998)

Not all organisations follow the same progression or timeline from one phase to another (Scott and Bruce 1987). However, the fundamental concept behind the financial growth cycle theory assumes that each organisation has distinct financial needs and approaches to acquiring funds based on its current stage of business. Multiple empirical studies validate the financial growth theory (e.g. Cotei and Farhat 2017; Gregory et al. 2005; Lyon and Owen 2019) and align with the perspective of Berger and Udell (1998) that larger and more mature organisations with transparent information find it easier to obtain external funding (Lyon and Owen 2019).

Table 2. Pros and cons of financing options.

Instruments	Providers	Pros	Cons	Suitability
Grants, donations, subsidies	• Foundations • Governments	• No repayment obligation • No collateral requirements • No credit evaluation	• Intense competition; limited value; project-specific; short-term funds	New/micro-sized social enterprises
Loans, debt/ equity investment	• Financial institutions • Venture capitalists	Resourceful capital access	• Collateral/secured asset requirements • Required track record (profitable, scalable, creditworthy, growth potential) • Elevated expenses (interest, ownership dilution) • Divergent funding outlooks	Experienced, medium-, or large-sized social enterprises
Crowdfunding	Individual funders	• Funds acquired with flexibility, minimal risk, and low cost • Utilised as a promotional instrument	• No assurance, i.e. funds not granted if target unmet	New/micro or small-sized social enterprises
Quasi-equity financing	Social-oriented investors	• Flexible, low-risk, low-cost funds with extended repayment period • Returns linked to the performance of social enterprises	Historical performance or positive anticipated cash flow/achievements	Established enterprises or enterprises with substantial growth potential
Impact investing	• Social-oriented investors • Private foundations	• Impact-oriented model • Extended investment timeframe	Nascent market, particularly in developing regions with limited local investor involvement	All social enterprises generating impact via innovative solutions
Social impact bonds	• Social-oriented investors • Governments/ public foundation	• Fostering social innovation and facilitating collaborations between the public and private sectors.	Technical intricacies in setup and operations	Well-established/ large-sized social enterprises

Sources: Berger and Udell (1998), Bugg-Levine, Kogut, and Kulatilaka (2012), Dees (1998), Floyd (2017); Martin (2015), Mitra (2012), OECD (2019), Roy et al. (2018).

Although the financial growth cycle theory was originally developed for commercial businesses, the fundamental understanding of different financing needs and options at various stages of the growth cycle (Berger and Udell 1998) remains applicable to social enterprises. Social enterprises may experience a financial growth cycle similar to that of for-profit and non-profit organisations (Lyon and Owen 2019; Martin 2015).

Managing resource dependence through diversification strategy

The resource dependence theory of Pfeffer and Salancik (1978, 2003) posits that all organisations are interconnected in networks of dependencies and social relationships, and their need for critical resources leads to dependence on external providers. Although this theory is a well-established framework for resource-related research, it has been underutilised in social enterprise research (Joy, Poonamallee, and Scillitoe 2021). Resource dependence affects an organisation's autonomy and ability to shape core activities to achieve desired outcomes (Drees and Heugens 2013; Pfeffer and Salancik 1978, 2003). Inadequately employing this theory to study the topic of social enterprise financing would therefore leave a loophole in understanding how the organisations manage the complexities and consequences of relying on the external resource providers to secure funding (Schätzlein, Schlütter, and Hahn 2023).

Social enterprises, like any other organisations, must make prudent decisions to effectively manage resource dependence in order to achieve complete autonomy in orchestrating their core operations (Pfeffer and Salancik 1978, 2003). Relying on a single source of external finance inevitably creates dependency and gives significant power to the resource providers, placing the organisation's survival at stake if that funding source becomes insufficient or problematic (Greenwood et al. 2011). Diversifying external financing sources may appear to be one of sound strategies for organisations to lessen the dominance of resource providers and decrease reliance on any single critical source of resources (Pfeffer and Salancik 1978, 2003).

The diversification strategy refers to strategic choices made by organisations to combine various financing instruments and obtain funding from different external sources to reduce the criticality of resource exchange (Pfeffer and Salancik 1978, 2003). This approach assumes that if social enterprises can acquire funds from multiple sources in roughly equal proportions, they will gain more autonomy because no single resource provider can exercise dominant control over the relationship. Consequently, the organisation's survival is not jeopardised if any funding source encounters difficulties or ceases to exist (Pfeffer and Salancik 1978, 2003). This perspective is echoed by scholars focusing on social enterprises, such as Dees (1998) and Martin (2015), who emphasise the importance of diversifying funding sources to achieve autonomy and reduce dependence. However, 'too many cooks spoil the broth'. Various funders might have distinct expectations regarding their investments, making it difficult for organisations to navigate varying demands of different funders (Khieng and Dahles 2015). The diversification strategy therefore deserves further attention while investigating the funding of social enterprises.

Pfeffer and Salancik (1978, 2003) resource dependence theory have been extensively examined and empirically tested to understand organisational behaviour and actions (Drees and Heugens 2013). While the strategic concepts of avoiding, coping, coordinating, and controlling resource dependence have provided a solid theoretical framework for understanding resource- and strategy-related matters (Hillman, Withers, and Collins 2009), it would be advantageous to integrate this classical theory with other complementary theoretical perspectives to gain a better understanding of how the dynamics of interorganisational relations and organisational responses evolve over time (Hillman, Withers, and Collins 2009).

Bringing together the resource dependence theory of Pfeffer and Salancik (1978, 2003) with the financial growth cycle theory of Berger and Udell (1998) reveals how social enterprises serving base-of-the-pyramid markets can blend diversified funding sources to manage resource dependence at different points in their growth cycles. By aligning their financing needs at different stages with suitable external financing options from multiple sources, social enterprises can reduce their reliance on a single financing provider, gain greater autonomy in organising their business activities. However, we currently lack knowledge on how social enterprises serving base-of-the-pyramid markets can effectively acquire external financing from various sources and manage the downsides of involving multiple financiers. Therefore, we suggest the formulation of an integrative financing approach at the intersection of financial growth cycle theory and resource dependence theory. This theoretical lens will guide our empirical investigation.

Research methods

The means of financing social enterprises are ontologically fluid as social organisations and their financing landscape continuously evolve. Hence, this study adopted a qualitative method, using multiple case studies, cross-case analysis, and a combination of inductive and deductive reasoning to explore how social enterprises serving base-of-the-pyramid markets solve their financing challenges. Case studies, as defined by Yin (1981), are valuable tools for examining contemporary phenomena within their real-life contexts. They are particularly useful for addressing 'how' questions (Gehman et al. 2018) and are considered appropriate for qualitative research that aims to present complex and challenging issues in a relatable, vivid, personal, and accessible manner (Eriksson and Kovalainen 2008). This method is crucial for studying the financing subject. Every organisation has distinct strategies and perspectives on acquiring external finance. By analysing multiple case organisations and their unique narratives, we can capture the intricacies of the issue for theoretical enhancement.

Case study selection

In rigorous qualitative research, appropriateness and adequacy of data are indispensable (Fossey et al. 2002). To understand the dynamic nature of financing social enterprises in base-of-the-pyramid markets, we explored multiple organisations (multiple cases) to gain diverse and comprehensive insights into the topic and avoid the idiosyncratic pitfall provided by a single case study. This approach allows for a deeper understanding of the phenomenon by unveiling the varied choices and access to financing options of each studied organisation.

Our case company selection is influenced by the purposeful sampling, 'one of the core distinguishing elements of qualitative inquiry… in selecting *information-rich* cases for study in depth' (Patton 2002, 272–73). We purposefully examined four diverse social enterprises, labelled Enterprises A, B, C, and D. Framing our case research as 'theory elaboration' (Ketokivi and Choi 2014), this purposeful sampling allows us to study diverse, data-rich cases based on clearly defined criteria. By doing so, we can reach the analytical conclusions that help critically elaborate on the resource dependence theory and financial growth cycle theory in the context of financing social enterprises.

We selected four case social enterprises based on the following criteria: (1) their primary mission is to serve or benefit vulnerable individuals, especially those in base-of-the-pyramid markets; (2) these organisations exhibit hybrid structures and have the ability to access both non-profit and for-profit sources of funding; (3) they represent different stages of development and vary in size, ranging from micro to large organisations, whenever possible; and (4) they have been founded in diverse markets, including underdeveloped, developing, and developed economies.

The key features of the four selected case enterprises, summarised in Table 3, demonstrate the diversity of case organisations. They operate in different locations, vary in size, and are at different stages of development. Enterprises A, B, and C have been serving base-of-the-pyramid markets over a decade, while Enterprise D is a relatively young organisation currently expanding its services to global markets. These organisations possess distinct and diverse characteristics and have encountered different experiences in their financing journeys. Their divergence enables the generation of insightful findings (Yin 1981). This approach aligns with the pluralistic stance advocated by Welch et al. (2011), who argue that contextualisation and pluralism in case studies are pivotal elements for theorising.

The determination of the number of cases for our study is fundamentally guided by the saturation concept, introduced by Glaser and Strauss (1967) and established as a cornerstone in qualitative research (Morse 1995). Though the examination of our four case organisations, complemented by insights from subject expert informants, secondary data, and literature, we reached the saturation point. We recognised the coherent emergence of themes (Morse 1995, 147) and gained no new information. Hence, we ceased collecting additional data.

Table 3. Case enterprises under examination.

Case company	Year of establishment	Main office location	Main activities	Markets served	Latest annual turnover	Full-time employees	Size
Enterprise A	2009	Sweden	Providing reliable weather predictions to aid small-scale, base-of-the-pyramid farmers in improving crop yields	Existing: Burkina Faso, Ghana, Mali, and Nigeria New: Brazil	$ 2,000,000	30	Small
Enterprise B	2010	Ghana	Offering outdoor adventure experiences to individuals, corporate employees, students, and youth groups within base-of-the-pyramid markets	Ghana	$ 500,000	15	Small
Enterprise C	2015	Vietnam	Delivering first-aid education to individuals, corporate employees, and the community within the base-of-pyramid segment	Vietnam	$ 85,000	6	Micro
Enterprise D	2020	Finland	Offering artistic, cultural, and educational experiences to individuals and organisations to revolutionise mental healthcare	Existing: Finland Target: Global	€ 39,000	1	Micro

Data collection and analysis

We utilised a combination of primary and secondary data sources to address the research question, aiming to capitalise on the advantages of each method (Saunders, Lewis, and Thornhill 2019). To determine the characteristics of social enterprises serving base-of-the-pyramid markets and their reliance on external funding sources, we examined a range of publicly available materials, such as published publications, reports, company documents, portals, and other relevant sources. Additionally, we conducted semi-structured interviews, spanning from June 22 to December 19, 2022, with selected informants, drawing upon their expertise and experiences. These interviews enhanced our understanding of social enterprise financing and provided valuable insights into how the case study enterprises effectively integrate multiple funding sources. The empirical study adheres to the standards set by the Finnish National Board on Research Integrity (http://www.tenk.fi/en), which align with the EU General Data Protection Regulation. As per the general guidelines of the Ethics Committee for the Human Sciences at our university, ethical approval for data collection was not required as our informants were not considered vulnerable, and the research strictly followed the research guidelines.

We conducted semi-structured interviews with the founders of the social enterprises under examination and subject matter experts knowledgeable about social enterprise financing. These experts maintain close ties with founders of social enterprises across diverse base-of-the-pyramid and global markets, whereas the chosen founders possess direct expertise in financing matters pertinent to their social enterprises. Their knowledge provided valuable perspectives on the funding strategies employed by their respective organisations.

We followed a three-step iterative process to collect data. First, we used open searches and networks to identify potential social enterprises and, as a result, selected four suitable companies through personal contacts and Ashoka[1]'s networking event. Second, we retrieved secondary data from internet sources and scientific databases. Third, we conducted semi-structured interviews, between June and December 2022, with selected informants through various channels as detailed in Table 4. To ensure interpretability and aid analysis, audio recordings and corresponding transcriptions were created for each interview.

For interviews, two sets of questions were developed, tailored for two types of informants, as detailed in Table 5. This is crucial as it enables informants to openly discuss critical matters surrounding financing social organisations, drawing on their real-life experience and expertise (cf. Merriam 2002). From founders, we collected specific information about the business activities of their key enterprises, the funding issues they face, the challenges and opportunities they encounter in accessing external funding, the details of external finance they have acquired, and strategies they have employed to acquire such funds. We also sought their views on integrating different sources of funding and other critical elements concerning financing their organisations.

With subject matter experts, we began by exploring their experience in working with social enterprises, particularly in different markets, and then delved into their insights regarding funding challenges and opportunities, the financing instruments utilised by these social organisations, and the organisations' options. We also discussed

Table 4. Data collection.

No.	Informants	Role	Data collection methods	Date
1	Founder A	Founder of Social Enterprise A, based in Sweden	• Email exchange • Video interview, 30 min in English	• Oct 11, 2022 • Oct 19, 2022
2	Founder B	Founder of Social Enterprise B, based in Ghana	• Email exchange	• Oct 18, 2022
3	Founder C	Co-founder of Social Enterprise C, based in Vietnam	• Audio interview, 50 min in Vietnamese • Email follow-up	• Jun 22, 2022 • Oct 23, 2022
4	Founder D	Founder of Social Enterprise D, based in Finland	• Face-to-face interview, 30 min in English	• Sep 15, 2022
5	Expert A	Impact Investor and Social Entrepreneur in Finland	• Face-to-face interview, 45 min in English	• Oct 27, 2022
6	Expert B	Centre Director, Centre for Social Innovation and Entrepreneurship in Vietnam	• Video interview, 60 min in Vietnamese	• Jul 01, 2022
7	Expert C	Founder of a Social Fundraising Company in Kenya	• Video interview, 60 min in English	• Dec 19, 2022
8	Expert D	Ashoka's Quality and Selection Associate in Finland	• Face-to-face interview, 75 min in English • Email follow-up	• Oct 12, 2022

the importance of funding for both survival and growth, the potential differences in funding acquisition between large and small organisations, various strategies employed by social enterprises to attract funds, and the informants' perspectives on combining or diversifying funding sources.

Our deliberate collection of primary and secondary data and our use of diverse interview questions, designed for each type of informant, allowed us to uncover unique narratives (Saunders, Lewis, and Thornhill 2019) surrounding funding and its impact on the survival and growth of social enterprises throughout their growth cycle. These narratives shed light on how social enterprises integrate different sources of funding, achieve autonomy, and reduce their reliance on external resources, providing valuable insights for our development of an integrative financing model.

Data analysis

We employed a multistep, iterative, and cross-case data analysis process to ensure the integrity and rigour of research (Creswell 2009; Eriksson and Kovalainen 2008). Data collected from eight informants and various secondary materials were first transcribed into text-based Word documents and uploaded into NVivo for organisation, storage, and analysis. We broke down transcribed data into smaller, meaningful chunks, to which we assigned codes to identify initial concepts. We built the first-order concepts, primarily using the informants' languages, to represent their views and then clustered them to second-order themes to explain patterns across the first-order data (Van Maanen 1979b). We proceeded by consolidating similar themes into aggregate dimensions. The data structure, as depicted in Figure 2, illustrates the

Table 5. Interview protocols.

A. Questions for founders of social enterprises

SQN		Questions
1.		Could you share about your Social Enterprise, such as key business activities, beneficiaries, legal structure?
2.	a.	How big is your organisation in terms of turnover, headcounts, years of operations, etc.?
	b.	To what extent has your organisation reached the financial self-sufficiency?
3.	a.	What are your thoughts on the funding issues that your organisation face?
	b.	What are the challenges your organisation face when it comes to acquiring external funding?
	c.	What are the opportunities your organisation have regarding the external funding acquisition?
4.		How and where can your organisation access external funds – globally, regionally, or only locally?
5.		Which financing instruments are available to your organisation?
6.		Which financing options have you/ your organisation exploited/ used the most? Why?
7.	a.	Has your organisation explored and attracted new financial instruments such as quasi-equity, impact investment, social impact bond, etc.?
	b.	If yes, why have you chosen to do so?
	c.	If no, why don't you/ your organisation explore these new financial options?
8.	a.	What are your thoughts on the importance of funding to the survival of your organisation?
	b.	What are your thoughts on the importance of funding to the growth of your organisation?
9.	a.	What are your thoughts on the difference between large social enterprises and younger and smaller ones in terms of attracting external finances?
	b.	To what extent do you believe that the age and size of an organisation have an impact on its ability to acquire funding?
10.		What strategies have you/ your organisation employed to attract funds?
11.		What are your views about combining or diversifying sources of funding?
12.		Are there any other thoughts about external funding and/or how your social enterprise can achieve financial self-sufficiency stage if it is not there yet?
13.		How do you see that the funding situation would change in the future?

B. Questions for subject-matter-experts

SQN		Questions
1.		Could you tell me about yourself and your role/ experience working with the Social Enterprises?
2.	a.	How often do you work with social enterprises in underdeveloped/ developing markets?
	b.	How different is it compared to working with social enterprises in developed markets?
3.	a.	What are your thoughts on the funding issues that these organisations face?
	b.	What are the challenges these organisations have when it comes to acquiring external funding?
	c.	What are the opportunities these organisations have when it comes to acquiring external funding?
4.		How and where can these organisation access external funds – globally, regionally, or only locally?
5.		Which financing instruments are available to these organisations?
6.		Which financing options have these organisations exploited/ used the most? Do you know why?
7.	a.	Why have these organisations explored and attracted new financial instruments such as quasi-equity, impact investment, social impact bond, etc.?
	b.	If they have not done so, why don't these organisations explore new financial options?
8.	a.	What are your thoughts on the importance of funding for the survival of these social organisations?
	b.	What are your thoughts on the importance of funding for the growth of these social organisations?
9.	a.	What are your thoughts on the difference between large social enterprises and younger and smaller ones in terms of attracting external finances?
	b.	To what extent do you believe that the age and size of an organisation have an impact on its ability to acquire funding?
10.		What common strategies do you think these organisations employ to attract funds?
11.		What are your views about combining or diversifying sources of funding?
12.		Are there any other thoughts regarding how these organisations can source funding better?
13.		How do you see that the funding situation would change in the future?

progression from raw data to the identification of themes and the construction of the emergent framework.

We connected the themes that emerged from the data and linked them with the theoretical framework by conducting a combination of inductive and deductive reasoning to construct and present our findings. During this iterative process, we moved back and forth between the data collection and analysis stages to ensure the

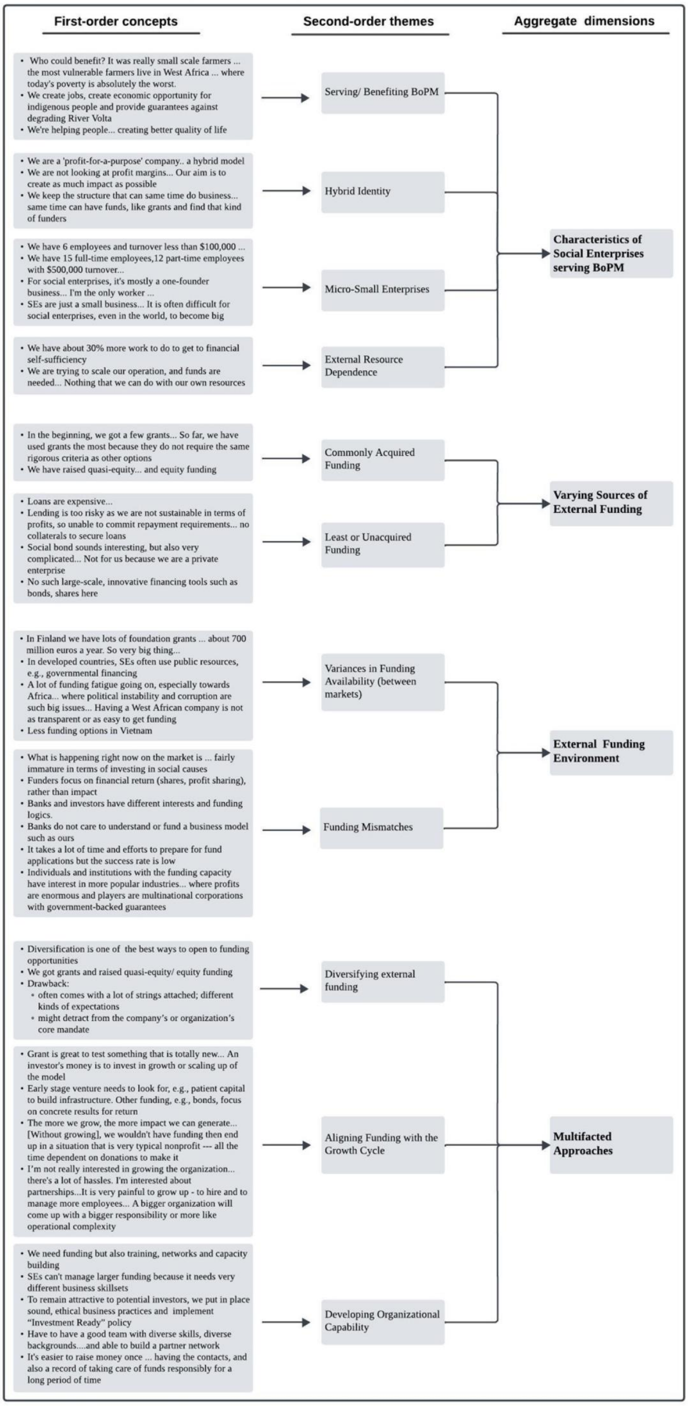

Figure 2. Data structure.

adequacy and richness of the story. We also used the theoretical concepts as a 'map' to derive meanings from the raw data (Van Maanen 1979a) and ensure the trustworthiness of the reported findings (Lincoln and Guba 1986). In the following section, we selectively include informants' narratives to preserve the authenticity and originality of our findings.

Findings

Impact of external environment on social enterprises' acquisition of external finance

All the studied enterprises strive to uplift living conditions and combat poverty in base-of-the-pyramid markets—that is, resource-constrained environments and finance are crucial for their creation of social impact. Some organisations have the flexibility to establish businesses not only in base-of-the-pyramid markets but also in more transparent and resourceful markets, as seen in the cases of Enterprises A and D, permitting them to tap into the abundance of resources from the latter environments.

While Enterprise A caters to small-scale farmers in West Africa, the company is based in Sweden—a strategic choice that enhances its ability to attract external funding:

> I think it would have been hard to just have a West African company simply because it's not as transparent or as easy, perhaps, you know, to get funding from at least from an investor point of view into such companies. (Founder A)

Indeed, social enterprises in developed countries have extended access to various funding sources. For example, in Sweden, social enterprises like Enterprise A can obtain external finance from sources including the Swedish Inheritance Fund and various EU funds such as European Social Fund, Erasmus+, Horizon 2020, Interreg Europe, L'Instrument Financier pour l'Environnement (LIFE)[2], among others (Dupain et al. 2021). They can also explore financing options offered by banks, commercial investors, and social/impact investors (Gawell 2019; Wilkinson et al. 2014).

According to Founder D, incorporating a combination of non-profit and for-profit elements into the organisation's legal entity allows it to leverage the abundant funding resources provided by the state:

> In Finland, we have associations like Veikkaus, which means that all the gambling money is handled by the NGOs. And that one, I think it's about 700 million euros a year. So, a very big thing for NGOs. (Founder D)

Unfortunately, not all social enterprises possess the flexibility to choose their business location. Enterprises B and C, originating from Ghana and Vietnam, respectively, are constrained by the necessity of registering their businesses in their home countries to serve local people. However, the financing environments in Ghana and Vietnam are limited for social enterprises.

In Ghana, several policies have been implemented to facilitate financing and investments in organisations targeting vulnerable communities, including the Micro and Small Loans Centre, Venture Capital Trust Fund (Act 680) 2004, the Free Zone Act, 1995, Ghana Investment Promotion Centre Act, 2013, and the Social Investment Fund (Agyeman-Togobo et al. 2016; Osei, Alagidede, and Agbodjah 2023). Paradoxically, almost half of the social enterprises in Ghana struggle with resource limitations for growth, and more than 70% face challenges in obtaining grant funding due to limited networks and access to investors, a lack of available capital, and mismatches between business models and funding requirements (Agyeman-Togobo et al. 2016). Common sources of external funding for Ghanaian social enterprises are nonrepayable options, such as donations, foundation grants, government grants, and donation-based crowdfunding (cf. Osei, Alagidede, and Agbodjah 2023). Less than 10% of social enterprises in Ghana utilise financial instruments such as equity investments, commercial loans, or concession loans. Notably, more than 20% of Ghanaian social enterprises have no external financing (Agyeman-Togobo et al. 2016). Founder B highlighted the firm's challenges in acquiring external finance:

> A lot of the funding opportunities available externally are either too small for our kind of business or way too large for our kind of business. … Banks in Ghana do not care to understand or fund a business model such as ours that falls within what is generally termed as "innovation beyond regulation." … Individuals and institutions with the funding capacity for our kind of business have interest in the more popular import and export industries, as well as in oil and gas, where profits are considered enormous, and players are multinational corporations with government-backed guarantees. … A lot of funds do not target outdoor adventure per se, except research funding, which is inappropriate for us because we are effectively a profit-making business. (Founder B)

Likewise, although Vietnam, a developing country in Southeast Asia, has witnessed rapid economic transformation, Vietnamese social enterprises still have limited access to funding options. According to a survey undertaken by British Council & the United Nations Economic and Social Commission for Asia and the Pacific (British Council & UN.ESCAP 2019), more than half of Vietnamese social enterprises face difficulties in accessing investors or finding suitable funding options. Challenges in the approval process, inappropriate investment sizes, collateral requirements, high interest rates, and short lending terms hinder their ability to secure external financing. In terms of funding sources, traditional donation-based financing is dominant (24%), followed by equity investment (11%), and grants (9%). Commercial loans, such as corporate loans, mortgages, and overdrafts, are the least sought-after funding options. (British Council & UN.ESCAP 2019). Notably, novel forms of financing, such as impact investment and social impact bonds, are currently nonexistent for social enterprises in Vietnam (cf. British Council & UN.ESCAP 2019; Umfreville and Bonnin 2021)[3]. Government funding, such as the Small and Medium-sized Enterprise (SME) Development Fund, support from foreign charities (e.g. Abilis and Thrive), and crowdfunding are available but very competitive to acquire (British Council & UN.ESCAP 2019). Founder C asserts:

> Vietnam is no longer considered a poor country; therefore, there has been less international funding. International funders are starting to leave Vietnam … For small private funders, they use a different logic, which is not fair and accessible for social enterprises. (Founder C)

> There are no such large-scale, innovative financing tools such as bonds, shares here in Vietnam. This is still a long-awaited dream. (Expert B)

Overall, the evidence reveals crucial insights regarding the external financial instruments that all four organisations use. First, the enterprises predominantly employ traditional funding sources, with a preference for non-repayable and non-debt

Table 6. Perspectives of informants regarding novel financing options.

Perspectives	Informants
… other start-up companies used crowdfunding to the company's benefit because with crowdfunding, you also gain visibility … through crowdfunding, they did not only get funds, but they also got visibility or ambassadors for the company.	Expert A
This is the first time we are reading or hearing of impact investment and have started applications to two funds.	Founder B
Impact investing? It is new.	Expert C
That [social impact bond] sounds interesting, but also very complicated. I have to admit that … that's a part of the funding instrument I'm not so … so familiar with. I've just come across the term, of course.	Expert A
New financing instruments? Quasi-equity investment, social impact bonds? We are not aware of any other options like that in Vietnam. Perhaps they exist in developed countries, but not here.	Founder C
I have just finished coordinating a nine-month training program for social enterprise founders as part of Asian Venture Philanthropy Network (AVPN). Our Vietnamese founders know nothing about these new financing instruments and concepts.	Expert B

instruments. Grants are commonly sought by micro-sized businesses or during the early stages of development, while non-debt investments (such as equity or quasi-equity) are more suitable for businesses with established track records. Equity-based financing offers organisations a time window and support to enhance their firm's value, subsequently leading to better share prices. Commercial lending is less favoured due to its burdensome requirements, including collaterals and high interest rates. Both Founders B and C highlight the barriers to accessing loan products, citing expensive interest rates and difficulties in meeting the lending requirements. Second, in terms of novel funding sources, crowdfunding, and impact investing options are relatively better known, while social impact bonds remain unfamiliar and less popular. Impact investment and social impact bonds are not widely known in certain markets, such as Vietnam, and many investors and social enterprise founders lack an understanding of the mechanisms and rationale behind such financing options. Table 6 summarises insights from informants regarding their opinions on novel financing instruments. These innovative funding mechanisms are perceived as complex, contributing to the limited understanding of and engagement with such options.

These findings align with the framework depicted in Figure 1 to some extent. The spectrum of financing options available to social enterprises encompasses a wide range, from philanthropic to commercial ends. However, the empirical evidence highlights that not all financing instruments are advantageous for social enterprises, especially those serving base-of-the-pyramid markets.

Multifaceted approaches of social enterprises: acquiring external funding and navigating resource dependence

The theories of Pfeffer and Salancik (1978, 2003) and Berger and Udell (1998) stress the importance of acquiring external resources and developing strategic actions over time to fuel an organisation's survival and growth. Our case studies and the insights from the subject matter experts reveal three significant aspects that both align with and challenge these theories.

Diversifying the sources of financing

Diversification is considered a means of mitigating the potential dominance resulting from 'asymmetric exchanges' (Pfeffer and Salancik 1978, 2003). The founders of the case companies concur that diversification serves as an effective strategy for exposing the organisation to a variety of financial instruments, minimising risks associated with concentration, and decreasing dependence on a single resource provider. These organisations have demonstrated the advantages of a diverse approach to acquiring and seeking financing instruments. Enterprise A has strategically utilised grants, funds from family and friends, and equity-based investments to support its operational and growth plans. Enterprise B has obtained grants, combined various external financing sources, including quasi-equity investment and impact investment, and is exploring the potential of social impact bonds. While Enterprise C has not yet received external financing, it has explored options such as grants and lending due to the absence of emerging financing options such as impact investing and social impact bonds in Vietnam. Enterprise D has adopted a unique approach by securing stable government-backed grants to fund product/service development that benefits civil society. The company also generates income by selling these offerings to other companies, leveraging the combined structure of a non-profit organisation (NPO) and a limited liability company. This approach enables them to access non-profit funding while generating revenue through business activities.

However, the informants also drew attention to the drawbacks of employing the diversification strategy, which have not been adequately addressed in resource dependence theory. Founder A recognised that although having diverse sources of funding can be beneficial, each investor comes with distinct expectations regarding the allocation and utilisation of funds:

> When it comes to different kinds of, you know, ways of either giving, lending, or investing money, in social enterprises, they often come with a lot of strings attached … There are suddenly different kinds of expectations of what we are supposed to do. So, either that we should be more—what would you call—we would have more pressure on making more revenue, for example, or the other way around, that we would have an extreme governance kind of administration to record absolutely everything we do and how the impact is there. (Founder A)

Achieving full alignment between funders and the business over the course of the journey is challenging due to the dynamic nature of business operations. These challenges underscore the importance of social enterprises possessing the necessary capabilities to effectively handle the various 'strings attached' and expectations associated with different funding sources when implementing diversification strategies.

Founder B further expressed concerns about the potential distraction caused by excessive diversification in seeking external finance. They emphasised that social enterprises, as business-like organisations, should primarily focus on their core mandate of 'doing business' and generating profits to meet their financial requirements while simultaneously benefiting the communities they serve. An overemphasis on seeking and diversifying external finance may divert the organisation from its primary objectives.

Aligning external finance with the organisational growth cycle

During the early stages of development, Enterprises A, B, and D relied on non-repayable grants to support their infrastructure building, product testing, and market exploration. The founders perceived these grants as suitable for organisations in the early stage as investors generally prefer to invest in established models with growth potential. As the organisations have grown and gained momentum, Enterprises A and B have been able to diversify their sources of financing, including by attracting equity or quasi-equity investments from various investors. The founders identified the following two key factors that have facilitated their ability to access multiple financing options: a reputation for effectively managing invested funds and a track record of success that has been built over time. These factors contribute to the organisations' credibility and attractiveness to potential investors, providing the organisations with opportunities to secure additional financing beyond non-repayable grants. This progression in their financing journey reflects the different phases of development that the organisations have undergone. The founders' perspective on establishing transparency and creditability aligns with the argument about the role of informational opacity in driving the financial growth cycle put forth by Berger and Udell (1998), who assert that the level of information asymmetry and uncertainty in an organisation influences its ability to acquire external finance at various stages of growth.

It is, however, interesting to note that not all organisations prioritise or express a strong need for growth. Growth aspirations may vary among social enterprises, and not all see expansion as a primary objective. Founder D held that the organisation is not focused on growing its size or managing additional personnel and the associated challenges; instead, its primary objective is to replicate its successful model and expand its impact through collaborations, partnerships, and global networks. This viewpoint is supported by other subject matter experts in the field, as illustrated in Table 7.

These informants emphasised the importance of creating broader social impact rather than solely focusing on organisational growth. They believed that scaling up in terms of size and complexity could divert resources and attention away from the core mission of making a positive difference in communities. By leveraging partnerships and global networks, social enterprises could, the informants asserted, amplify their influence, and achieve a wider reach, while maintaining a lean and manageable organisational structure. However, there were differing opinions on this matter. For example,

Table 7. Opinions of experts regarding the growth of social enterprises.

Opinions	Experts
… it is very painful to grow up—to hire and to manage more employees … Personally, I still feel that social enterprises follow a very small, gradual phase of development; they grow incrementally every one or two years because they get used to that kind of growth, employees, size, regulations, taxes, etc.	Expert B
Social enterprises are very clear in the sizes they want to deal with because a big organisation is going to lead to larger overheads, more staff needed, more training needed; you then start paying high taxes, you know, you then become a full business, you know.	Expert C
I have definitely encountered this in my experience that they are afraid that if they grow too much over some level, that they will need to deal with problems that are probably not even relevant to address—because what they are interested in is creating impact and changing people's lives.	Expert D

the founder of Enterprise A believed that organisational growth is essential for acquiring external financing, generating more revenue, and achieving a larger social impact and viewed the organisation's various components as interconnected and in need of coordinated growth, similar to different parts of a body.

While there appears to be a disparity in perspectives regarding organisational growth, deeper analysis reveals a consistent theme: all social enterprises shared a common goal of serving communities and benefiting those in need, thereby creating social impact. However, organisations may choose different approaches and behaviours to achieve these end goals. Growth-oriented organisations like Enterprise A prioritise acquiring necessary funds, expanding their organisation and revenues independently to reach a wider audience. Other organisations like Enterprise D, however, may opt for partnerships and collaborations to catalyse their social mission alongside ecosystem partners. Both approaches align with the proposition by Pfeffer and Salancik (1978, 2003, 133) that 'depending on how the environment is enacted and the organization's capabilities and resources, different strategies for managing interdependence will be adopted'. The researchers further suggest that 'growth is but one solution' (Pfeffer and Salancik 1978, 2003, 173), emphasising the importance of social linkages with external organisations to stabilise the environment and ensure favourable resource exchanges.

Developing organisational capabilities

The theoretical framework discussed in the literature review does not explicitly address the strategy of building organisational capabilities. However, all the interviewed founders and subject matter experts emphasised the importance of such development:

> … to your question about financing, it is true that they [social enterprises] feel the need for capital, but if someone gives them $100,000 or $1M, they can't manage it because it needs very different business skillsets. (Expert B)

Organisational capabilities are defined as the collective skills, abilities, and expertise of an organisation (Smallwood and Ulrich 2004), while resources refer to the assets or inputs owned, controlled, or accessible by the organisation (Helfat and Peteraf 2003). The question, therefore, arises: what capabilities do social enterprises need to acquire financing and reduce their dependence on resources? These capabilities include hiring the right people, developing a robust business strategy, effective business operations, alignment with larger objectives, building trust with funders, capital acquisition and management, establishing connections, and fostering collaboration within ecosystems (Shanmugalingam et al. 2011; Smallwood and Ulrich 2004). Table 8 summarises the opinions of the subject matter experts regarding building organisational capabilities.

The experts' perspectives emphasise the importance of a strong team, partner networks and collaboration to develop organisational capabilities in social enterprises. These enhanced capabilities are seen as essential for effectively managing interdependence and achieving the organisations' objectives. This perspective aligns with the argument advanced by Collis (1994) that organisational capabilities are built rather than acquired and can contribute to sustainable competitive advantages for firms.

Table 8. Opinions of experts on building organisational capabilities.

Opinions	Experts
… You have to have a good team in place, with diverse skills, and also diverse backgrounds. Then, you need to be able to build a partner network because you can't build this company on your own; you need to have good partners. … when you build your partner network, I would wish to replace that with the word "ecosystem" … and we can all work together to seek different kinds of funding for different purposes.	Expert A
… Currently, funders only give money for product and market development, but no one has provided aid to develop the team, develop the organisation's capability … Instead of giving money for product development, they can give grants to pay salaries, hire executives and core management members for one or two years to improve/develop the social enterprise's capability …	Expert B
It [capability building] is more important because then it ensures that the social enterprise runs and that the impact actually is realised.	Expert C
… there have been actors in this field for quite some time, they know how things work. And then they can connect you to the, to better partners, you know. And I think that's a huge resource … through collaboration, they access resources, through collaboration, they replicate their innovations, etc.	Expert D

Discussion

This empirical research, based on four case studies, uncovered the following five main findings:

First, social enterprises serving base-of-the-pyramid markets are typically small-scale organisations with a dual identity, operating in both non-profit and for-profit domains. They require external finance to support their business operations and create social impact. However, their mixed identities and mismatched financing approaches pose challenges in securing funding.

Second, the external environment plays a significant role in a social enterprise's ability to attract external finance and manage resource dependence. Social enterprises founded in developed markets have an advantage in accessing external funding, allowing them to serve a larger number of individuals in base-of-the-pyramid markets.

Third, while various financing options exist, not all are suitable for or accessible to social enterprises serving base-of-the-pyramid markets. Traditional nonrepayable financing instruments, such as grants, remain the preferred choice for these organisations. Novel financing instruments may be unavailable in certain markets or too complex for social enterprises to utilise effectively.

Fourth, the theory of financing social enterprises based on growth cycles by Berger and Udell (1998) and the proposal to employ diversification strategies by Pfeffer and Salancik (1978, 2003) can be effective in achieving autonomy and managing resource dependence. However, this study identifies limitations in these conventional theories and suggests the need for a combination of different strategies to address these shortcomings.

Fifth, developing organisational capabilities is crucial for the success of social enterprises, prompting modifications in both the theoretical framework and financing model. This study emphasises the significance of enhancing organisational capabilities to facilitate successful finance acquisition and resource management.

Resource and capability dependent: towards an integrative financing model

Drawing on the findings and insights from a thorough review of financing alternatives, we introduce an integrative financing model (depicted in Figure 3) that emphasises two key elements: building organisational capabilities and combining diverse financing options. This model empowers social enterprises serving base-of-the-pyramid markets to balance internal capability development and external finance acquisition, addressing the common pitfall of excessive focus on external finance over internal competence.

First, building organisational capabilities is crucial for social enterprises, regardless of their stage of development (cf. Ausrød 2018; Block, Hirschmann, and Fisch 2021). These capabilities, which include knowledge building, skill enhancement, network expansion, collaboration strengthening, and ecosystem enlargement, enable organisations to position themselves as capable, competitive, and attractive to funders (Moss et al. 2018; Osei, Alagidede, and Agbodjah 2023). Strong capabilities empower social enterprises to navigate market imperfections, uncertainties, and resource scarcity, leading to the achievement of their dual goals (cf. Smallwood and Ulrich 2004). The failure of many social enterprises is often attributed not to a lack of resources but rather to their inability to efficiently demonstrate their capabilities (Gupta, Beninger, and Ganesh 2015).

Second, depending on the stage of development, social enterprises should combine and utilise various financing options (Lehner and Nicholls 2014; Nicholls 2021). This integrative financing model offers a wide range of financial instruments suitable for social enterprises to access funding. In accordance with the financial growth cycle model of Berger and Udell (1998), the experts interviewed in this study recognised that different instruments can benefit social enterprises throughout their various

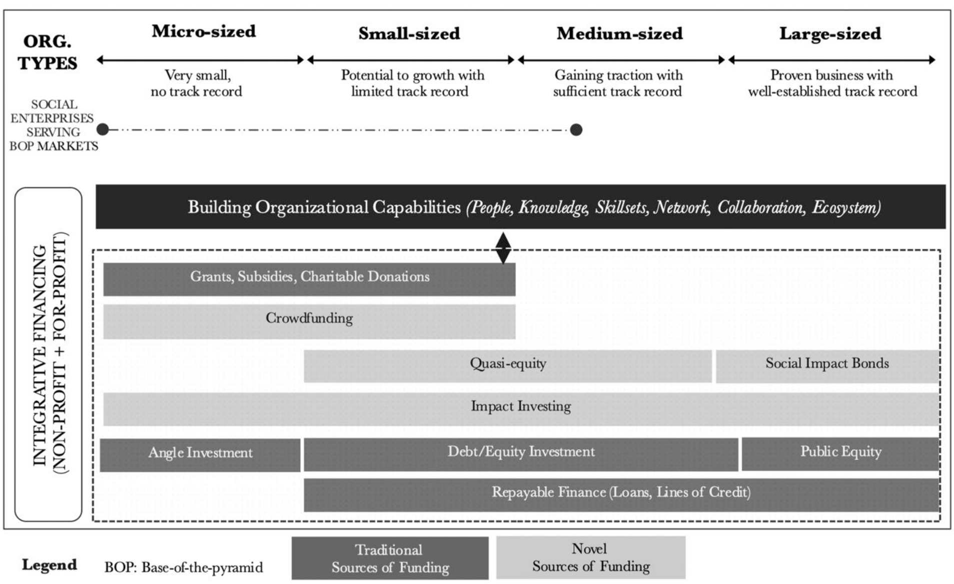

Figure 3. The integrative financing model for social enterprises.

development phases. The ability to attract external finance relies significantly on the firm's track record and well-defined fundraising approaches, also known as the firm's capabilities.

Early-stage enterprises should seek less risky and more patient capital that allows them to experiment, build structures, and focus on their mission and long-term impact creation, rather than emphasising immediate monetary returns (Lyons and Kickul 2013; Nicholls 2021). However, social enterprises with a solid trajectory can explore more complex funding options, such as bonds, which prioritise immediate tangible results and pay-per-result mechanisms (Nicholls and Edmiston 2019; Nicholls 2021; Roy, McHugh, and Sinclair 2018). It is crucial for social enterprises to critically assess their stage of development to identify appropriate financing vehicles. Many social enterprises, particularly those in less developed markets, lack knowledge of different financing options and their feasibility. This can lead to exhaustion and approaching incorrect avenues.

The findings of this study confirm that blending diverse sources of financing, as proposed by Pfeffer and Salancik (1978, 2003), is more dependable than relying on a single funding source. However, over time, social enterprises should aim to attract a few mainstream and larger financiers instead of numerous small players, helping them minimise the complexities associated with managing different investor expectations and to pre-empt distraction.

Put differently, the integrative model proposed in this study provides a comprehensive framework for financing social enterprises. It enables social enterprises serving base-of-the-pyramid markets to access external finance and effectively manage resource dependence throughout their development phases. This model, built on organisational capabilities and the combination of various financial instruments, addresses the main question of this research.

Advancing knowledge and practice: Key contributions for financing social enterprises

Theoretical contributions. This study makes three key theoretical contributions. First, it addresses research gaps highlighted by Gupta et al. (2020), López-Morales, Rosario-Flores, and Huerta-Estevez (2020) and Schätzlein, Schlütter, and Hahn (2023) by examining social enterprises serving base-of-the-pyramid markets founded in underdeveloped, developing, and developed countries. The findings reveal the homogeneous and heterogeneous characteristics of social enterprises and shed light on the impacts of the external environment on the enterprises and their ability to acquire external finance and manage resource dependence.

Second, the study presents a comprehensive overview of the traditional and novel financing instruments accessible to social enterprises, assessing the suitability, pros and cons, and limitations of each instrument for different types of social enterprises. Additionally, it provides a comprehensive integrative financing model, enabling social enterprises to develop their internal capabilities and integrate various financing instruments across different stages of their development. This study bridges research gaps identified by various scholars, such as Battilana and Lee (2014), Doherty, Haugh, and

Lyon (2014), Lehner and Nicholls (2014); Lyons and Kickul (2013), and Nicholls (2021) who have called for further development in understanding financing for social enterprises.

Third, this study suggests integrating organisational capability theory (Smallwood and Ulrich 2004), resource dependence theory (Pfeffer and Salancik 1978, 2003) and financial growth cycle theory (Berger and Udell 1998) to understand the financing of social enterprises, as depicted in Figure 4.

This three-in-one theoretical framework highlights how social enterprises that serve base-of-the-pyramid markets, like other organisations, operate within networks of interdependencies and social relationships (Pfeffer and Salancik 2003). Consequently, they are influenced by their external environments. To survive and thrive, these organisations must develop organisational capabilities and employ effective strategies

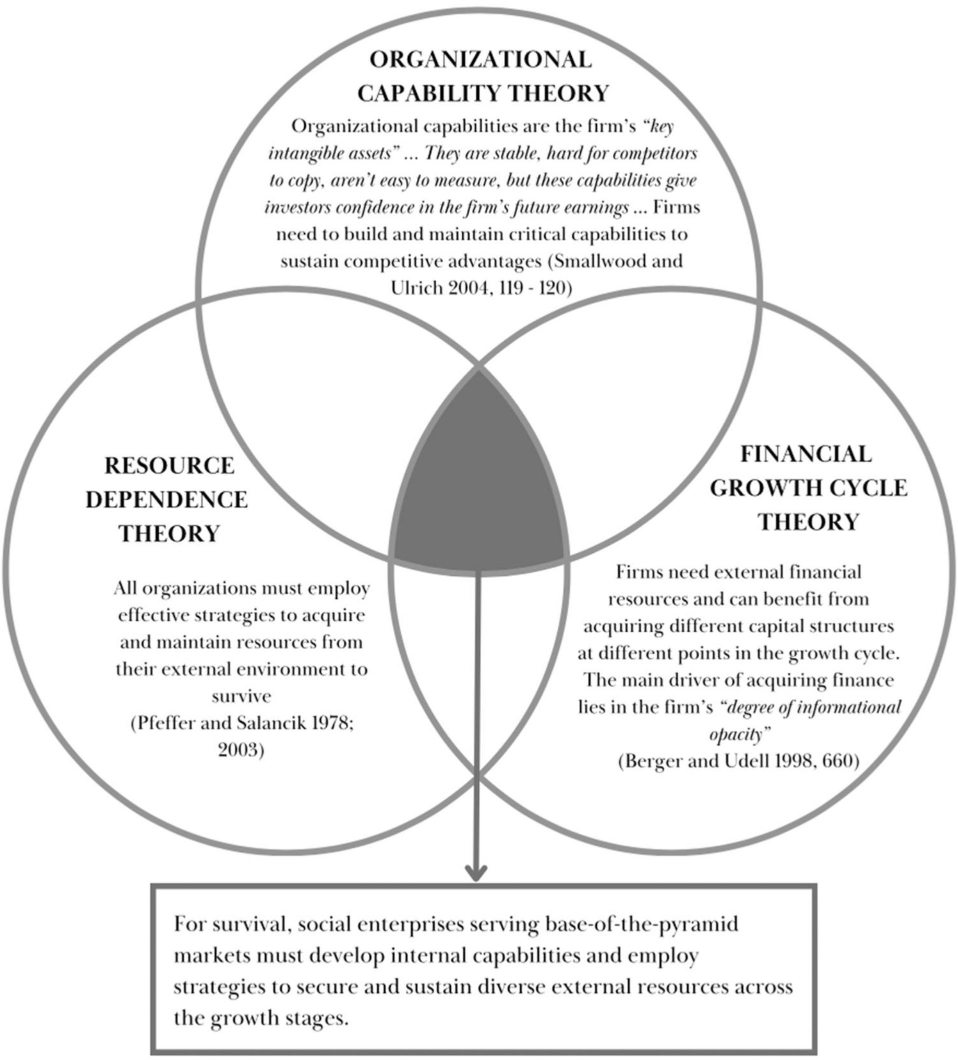

Figure 4. The integrated three-in-one theoretical framework.

throughout their growth cycle to acquire and sustain various resources from the external environment (Berger and Udell 1998; Pfeffer and Salancik 1978, 2003; Smallwood and Ulrich 2004). In other words, this theoretical amalgamation suggests that social enterprises should extend their focus beyond seeking external resource and equally prioritise enhancing their internal capabilities. By bolstering these capabilities, organisations can attain autonomy, attract a diverse range of external financing, and enhance their ability to manage influence from external funders in line with their developmental stages. This model responds to the call of Pfeffer and Salancik (2003, xxiv) for the study of a wide range of organisational actions to address resource dependence.

Practical implications. On the practical front, this study suggests a number of recommendations for specific actors. First, social enterprises serving base-of-the-pyramid markets should priortize strengthening internal capabilities and building proficient organisations while seeking financing options. Rather than operating in isolation, organisations should tap into external networks and ecosystems for insights, partnerships, and funding opportunities. By leveraging knowledge-sharing among established organisations, employing a diverse financing toolkit and enhancing impact measurement throughout the growth cycle, these enterprises can effectively navigate resource dependence.

Second, both traditional and novel financial providers should consider enacting changes to facilitate easier and more effective access to funding for social enterprises. Financing offerings should be tailored to diverse organisations, prioritising impact creation over financial returns. For innovative financing instruments which hold potential to finance social enterprises, the success hinges on simplification, widespread adoption, and targeted introduction to base-of-the-pyramid markets in need of resources.

Third, policymakers, ecosystem builders, and enablers should participate in thorough dialogues with social enterprises, offering essential policy and initiative support to address challenges stemming from a lack of institutional recognition. Network facilitators and capability builders should explore expanding their assistance, linking social enterprises with appropriate funders and aiding in to the development of essential capabilities for these organisations.

Table 9 delineates specific recommendations, underscoring the importance of collective efforts from multiple actors in driving the necessary changes in financing social enterprises. It serves as a catalyst for actors to reconsider their roles and collaborate to effect meaningful transformations. By embracing these practical ideas, stakeholders can collectively work towards creating an enabling environment that supports the growth and impact of social enterprises.

Limitations and future research

One limitation of this study is the potential incomplete representation of social enterprises serving base-of-the-pyramid markets, despite purposeful sampling of case studies and informants, whose views underwent triangulation with secondary data and literature. To bolster robustness, future research could employ varied sampling

Table 9. Practical implications.

Actors	Practical considerations
Social enterprises serving the base-of-the-pyramid markets	• Strengthening internal capabilities takes precedence over seeking external funding. Focus on refining the business model, developing key skills, and building a proficient enterprise for sustainable financial acquisition and management. • Rather than acquiring funds and developing organisations in a silo manner, tap into the support of networks and ecosystems such as Ashoka, AVPN, the Social Entrepreneurship Network, the British Council, and similar entities, for broader insights, partnerships, and funding opportunities. Leverage ecosystem support and partnerships to reach potential funders beyond national boundaries. • Embrace the concept of "social enterprises support social enterprises." Established and thriving social enterprises can share knowledge and resources to assist emerging and smaller counterparts along their financial pathways. Young and new social enterprises stand on the experience of successful enterprises to uplift the sector. • A diverse range of financing options exists. Develop a financing toolkit to match suitable instruments with the organisation's developmental stage. • Resource limitations can drive innovative solutions. Use scarcity to encourage entrepreneurial behaviour and efficient practices. Demonstrate the mantra of achieving more with fewer resources. • Measuring and recording impact is vital for attracting impact-focused funding.
Traditional financers	• Grant and donation providers should simplify application and reporting processes, enhancing accessibility for social enterprises. • Crowdfunding platforms can designate dedicated sections specifically for social enterprises, distinct from commercial organisations. This enables these enterprises to spotlight their causes and secure funding, encompassing aspects like engaging with funders, demonstrating impact, and showcasing their projects. • Investors, including venture capitalists, should prioritise social impact alongside financial returns, reducing the emphasis on short-term gains. • Conventional lenders should tailor products to suit socially driven organisations. • Esteemed financial entities such as the World Bank and development banks can design lending policies favouring social enterprises serving base-of-the-pyramid markets. The United Nations Development Programme and Impact Finance can influence and/or develop social lending products to cater to these social organisations.
Novel financers	• Address the evident lack of awareness regarding new financing instruments. Educate social enterprises, especially those serving base-of-the-pyramid markets, and other stakeholders to enhance comprehension. Prioritise knowledge dissemination. • Innovate simplified yet impactful social finance products. Base financing decisions on impact as a primary criterion. Consider organisational size and developmental stage when designing suitable funding methods. • While impact investment gains traction, limited options exist in underdeveloped or developing markets. Introduce and make available these innovative financing products to base-of-the-pyramid markets where resources are urgently required.
Policy makers	• Social enterprises confront hurdles due to a lack of public policies and hybrid characteristics. Developing policies and initiatives that acknowledge these hybrids and foster favourable conditions for cooperation between them and funders holds substantial importance. • Engage in extensive dialogues with social enterprises to gain timely insights into institutional challenges. This understanding aids in crafting effective policies that address deficiencies.
Ecosystem builders and/or enablers	• Enablers like Ashoka, AVPN, and Siemens Stiftung—to name a few—enhance social enterprises' skills and link them with suitable supporters. However, their reach in base-of-the-pyramid markets remains limited, necessitating enhancement. • Incubators, accelerators, and coworking spaces should broaden their assistance beyond tech start-ups. Extending support to social enterprises can prove invaluable, aligning with their expertise and services.

strategies and replicate this study in diverse settings, uncovering the consistency of perspectives across different contexts.

Another aspect deserving further attention is the potential for a thorough exploration of various factors influencing financing matters. Future studies could contribute to the field by investigating why some organisations refrain from pursuing growth, exploring the implications of non-growth strategies on financing, identifying the organisational capabilities needed at different phases of development, and understanding the interactions of different types of finance – whether they create synergies or tensions. Together, these inquiries could provide valuable insights, enhancing the financing model for social enterprises serving base-of-the-pyramid markets.

Furthermore, researchers could advance knowledge by exploring innovative social finance models that integrate both financing and capability-building elements, along with examining the future evolution of the social enterprise financing landscape. These represent essential research areas that can contribute to advancing our knowledge of financing social enterprises.

Conclusion

While financing social enterprises is a topic of great significance to the success of these organisations and the realisation of their financial and social goals, it has received scattered research attention (Battilana and Lee 2014; Clarkin and Cangioni 2016; Doherty, Haugh, and Lyon 2014; Kickul and Lyons 2015; Lyons and Kickul 2013; Martin 2015; Schätzlein, Schlütter, and Hahn 2023; Wright and Siegel 2021). The primary aim of this study was to contribute to the research stream by examining how social enterprises serving base-of-the-pyramid markets can integrate diverse financing sources to achieve their business goals.

To lay the foundation for this research, the study combined the resource dependence theory of Pfeffer and Salancik (1978, 2003) and the financial growth cycle theory of Berger and Udell (1998), which are well-established frameworks for examining resource-related issues. It further incorporated relevant literature on social enterprises, base-of-the-pyramid markets, and financing instruments to develop an initial theoretical framework for the empirical investigation.

The empirical study provided mixed findings, suggesting necessary modifications to existing theoretical framework and practices. Some of the results confirm certain aspects of existing knowledge. Namely, they show that social enterprises, as small, hybrid organisations, depend on resources from the external environment to catalyse their social missions in the base-of-the-pyramid markets. The evolving but fragmented financing environment and instruments affect the ability of and strategies employed by social enterprises to attract external finance and manage resource dependence. The majority of social enterprises examined in this study employ diversification and attract external finance in alignment with the organisations' growth cycles.

However, the study reveals that social enterprises can be established not only in resource-deprived markets but also in developed, transparent, and resourceful markets to utilise the resourcefulness of the external environment to benefit base-of-the-pyramid communities. Further, the study highlights that certain traditional financing instruments, such as commercial lending, and newly developed financing instruments, such as social impact bonds, may not be beneficial to the social enterprises. More importantly, the study challenges the applicability of the strategies proposed in Pfeffer and Salancik (1978, 2003) resource dependence theory and Berger and Udell (1998) financial growth cycle theory to real-life settings, highlighting the drawbacks of pursuing growth and diversification strategies. In our findings, the concept of building organisational capabilities emerges as a significant factor that enables these organisations to acquire external finance and manage resource dependence more effectively. This internally oriented approach diverges from the externally oriented tradition advocated by Pfeffer and Salancik (1978, 2003).

Consequently, these insights prompt necessary modifications to the initial theoretical positioning discussed in the literature review. The two-in-one theoretical positioning evolves into a 'three-in-one' model by incorporating the organisational capability theory put forth by Smallwood and Ulrich (2004). Similarly, the integrative financing model is introduced to emphasise the importance of building organisational capabilities and blending diverse financing options. Overall, the study proposes that social enterprises serving base-of-the-pyramid markets need to focus on building organisational capabilities and employing effective strategies to acquire and maintain different resources from the external environment at various stages of their growth cycles to sustain their businesses and fulfil their social missions.

Notes

1. Ashoka is a global non-profit organization that supports social entrepreneurs and promotes social innovation.
2. LIFE is EU funding for the environment and climate action.
3. The researchers' perspective aligns with the viewpoints expressed by Expert B and Founder C.

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