

Chapter 4

Startups Financing Lessons Learned From Saiz– Alvarez Microdonations

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ABSTRACT

From the perspective of a non-profit microlender, this chapter analyzes with accurate data how civil society can improve the living conditions of those most in need through micro donations and crowdfunding. To this end, in addition to analyzing crowdfunding as a strategy, it invites the reader to help micro-SMEs related to green innovation and societal awareness in order to generate future B Corps. Although the analysis is made to help the civilian population sensitive to poverty, many of the ideas expressed in the chapter are also valid to help disadvantaged communities that survive in the economically wealthiest nations of the planet.

INTRODUCTION

One of the main problems of many micro-SMEs in developing countries is the difficulty of accessing commercial credit circuits. Lacking sufficient collateral or regular income over time, micro-SMEs are often excluded from the traditional means of access to credit that exist on the planet: conventional bank loans, venture capital, angel investors, and government, regional, or local aid. As a result, they can only use their personal savings (if any) and financial support from family and friends, while crowdfunding through nonprofit organizations is a whole new way to explore.

Microfinance is one of the solutions being implemented in developing countries to address this serious socio-economic problem that hinders economic growth and wealth creation. Also, microfinance is looked upon as a means of credit-based poverty alleviation through financial inclusion (Maity, 2023). However, this chapter will not focus on microfinance, but rather on micro donations, due to the lack of

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knowledge in the literature on this topic. In fact, a special type of microfinance is given when there is no profit motive on the part of those who lend the money, giving rise to micro donations.

Technology applied in the finance sector has become a means to combat the financial exclusion of the world's socially disadvantaged population (Demirgüç-Kunt, Klapper, & Singer, 2018). The growing expansion of the Internet in developing countries is making it possible to access greater possibilities of obtaining financing that will benefit startups. In this process of technification of the territory, the public administration plays a fundamental role, whether acting alone or in public-private partnerships. Therefore, the role played by public administrations is essential to relaunch entrepreneurship in the early stages of development and promote its growth in the population at risk of social exclusion, such as young people and women.

While in developed countries civil society plays a decisive role through non-governmental organizations (NGOs) and civic associations (political or otherwise), in developing countries the responsibility of civil society is reduced (or even non-existent) because these are countries where the population is fighting for survival and not for the harmonious development of the territory. This struggle for survival becomes even more intense in countries characterized by corruption. Corruption processes eliminate any possibility of expansion, since the economic resources generated are channeled to a few individuals who monopolize the political and economic power of these countries. As a result of these corruption processes, the economic oligarchies want to maintain the existing status quo in order to preserve their privileges, many of which generate social injustice.

Social justice is, in fact, an essential objective in developing countries to ensure a balanced and equitable distribution of resources, opportunities, and rights among all members of society. Some mechanisms that can contribute to achieving social justice in developing countries are by complementing wealth distribution policies, assuring equitable access to education, strengthening social protection by public administrations and avoiding corruption, promoting women's autonomy, encouraging decent employment, and citizen participation and inclusive governance.

Regarding wealth redistribution policies, the implementation of progressive fiscal policies taxes more significantly those sectors with more significant economic capacity and redistribute income through social welfare programs, such as conditional cash transfers, food and housing subsidies, and access to essential services such as education and health. Respecting the equitable access to education, promoting education is a fundamental right and ensures equitable access to quality education for all citizens, regardless of socioeconomic background. This fact implies investing in educational infrastructure, providing scholarships and support programs for low-income students, and promoting inclusive education and vocational training. Education can be complemented by strengthening social protection by public administrations and avoiding corruption. Establishing social protection systems provide coverage for the most vulnerable sectors of the population, such as the unemployed, informal workers, people with disabilities, and older adults, to include social security programs, such as non-contributory pensions, unemployment insurance, and universal health insurance. Especially since the end of the last century, empowering women through education promotes equal opportunities and enables women to develop socially and psychologically, shown by saving practice, access to credit, skill development training, and the development of female entrepreneurship (Abebe & Kegne, 2023). This objective can be achieved by implementing laws and policies that protect women's rights, encourage participation in decision-making, and address discrimination in all its forms.

Complementary to female education in developing countries, encouraging decent employment is also needed. Creating decent and productive employment opportunities for all members of society, espe-

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