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# CONFIGURATION OF FINANCIAL INSTRUMENTS FOR SOCIAL ENTERPRISES: INITIAL FINDINGS OF A THEORETICAL ESSAY AND OPPORTUNITIES FOR EMPIRICAL RESEARCH

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## 1 INTRODUCTION

In the face of growing demand for health, education, safety, and leisure services (DOHERTY, HAUGH, LYON, 2014), and in the face of government's limited ability to act, social enterprises have emerged as alternatives to improve the living conditions of populations in precarious situations (FOGAÇA et al., 2021) such as hunger, unemployment, and environmental degradation (MOLLINGER-SAHBA, 2020).

These enterprises, which can take many forms, such as cooperatives, development trusts, commercial branches of charities, credit unions, community businesses, etc. (ISLAM, 2020), are dedicated to solving social problems while maintaining the focus on making profits, contributing to economic development and sustainability (MIKOŁAJCZAK, 2022), creating a more balanced society (AKBULAEV; ALIYEV; AHMADOV, 2019), generating regional development, and promoting innovation (NEVERAUSKIENE; PRANSKEVICIUTE, 2021).

On the other hand, despite efforts to develop these enterprises, there are still difficulties in their creation and maintenance, as social enterprises have limited access to financial institutions, instruments, and resources and do not have many sources of funding (THOMPSON; PURDY; VENTRESCA, 2018). Like commercial enterprises, social enterprises also operate in a highly competitive resource environment. However, as they focus their efforts on social goals, they are in a more difficult position (MIKOŁAJCZAK, 2022), and obtaining funding (KABBAJ; HADI; LEMTAOUI, 2016) and access to investment [i]are crucial problems (AKBULAEV; ALIYEV; AHMADOV, 2019).

In this context, the discussion of the sources of funding and resources available and accessible to social enterprises becomes more important. From this perspective, the main sources and instruments for financing social enterprises are represented by different actors (RESPONDOVESK, 2018; AKBULAEV; ALIYEV; AHMADOV, 2019), which are divided into groups of investors, intermediaries, companies, and funds (BARMAN, 2015). For this theoretical essay, the actors and institutions included in these groups represent the financial structurers for social enterprises as they elaborate, assemble, and organize investments (and sources of financing) for these enterprises.

This group of funders also reflects the Benefits Theory of Nonprofit Finance (BTNF), a theoretical perspective that presents the diversity of funding sources for nonprofit organizations (YOUNG, 2007; WILSKER; YOUNG, 2010) and social enterprises (YOUNG, 2017; ZOOK, 2020). This perspective also points to the importance of knowing the characteristics of these sources and their relationship with social enterprises (YOUNG; WILSKER; GRINSFELDER, 2010; ASCHARI-LINCOLN; JAEGER, 2015).

The sources of financing and investment for social enterprises have different origins (BARMAN, 2015), such as public institutions (CALDERINI; CHIODO; MICHELUCCI, 2018), companies (TEKULA; ANDERSEN, 2018) and institutions of other types (MOLLINGER-SAHBA, 2021). It is also noted that these initiatives do not follow capital standards, concession criteria, disclosure mechanisms (LYONS; KICKUL, 2013) and other configurational aspects. In addition, there are significant differences in how financing/investment initiatives are initiated and structured, i.e., who the promoters are, the degree of innovation of the intervention, the structure

of the investment, the financial return, and the types of investors involved. (VECCHI; CASALINIŸ, 2019).

Moreover, there are no studies that explicitly present the modes of representation and configurations of resources and financial instruments for social enterprises, not even the similarities and complementarities in the actions of the institutions that promote the financing of these enterprises and impact investments (LYONS; KICKUL, 2013; ROTH, 2021).

In addition to the above reasons, it is also clear that the body of research on impact investing is small and that discussions on the topic have been from the perspective of the beneficiaries (more attractive enterprises-housing, microfinance, energy, food, agriculture, water and sanitation), with little discussion of the financing instruments, their operators (ROTH, 2021), the frameworks, and the impact on the social enterprise ecosystem. Furthermore, as the Benefits Theory of Nonprofit Finance incorporates features of social enterprise revenue streams (YOUNG, 2017; ZOOK, 2020), including financing mechanisms (ASCHARI-LINCOLN; JAEGER, 2015), this theory is a potential lens for understanding the configuration of financial sources and instruments available to social enterprises.

Likewise, more comprehensive research on the effectiveness of current financing instruments is needed (LYONS; KICKUL, 2013), i.e., an expanded classification of the criteria and attributes that enterprises, projects, and social investments must meet.

Despite the discussions already held about these companies and their funding sources, there is still clear potential for the field of social impact investing to grow and contribute to creating an impact of the same kind. However, this potential can only be realized if we better understand this topic (GLANZEL; SCHEUELE, 2015), including its sources, structure, and configuration. Consequently, there is a need to systematize and classify the different approaches to social finance and impact investing in order to stimulate positive changes in business and society (VASYLCHUK; SLYUSARENKO; KOTANE, 2019), for which this theoretical essay makes a first attempt.

For this reason, this topic has attracted increasing interest in recent years (CHIAPELLO; KNOLL, 2020), as traditional valuation structures, theories, tools, and approaches, while applicable, do not meet the needs of impact investors and social enterprises (ABRAHAMS; WALAZA, 2019). These limitations also hinder the systematization and organization of modalities and the structuring and configuration of financial instruments from different sources that target social enterprises.

In this context, this study addressed the following problem: How are financial instruments configured for social enterprises? To answer this question, this paper aimed to analyze the configuration of financial instruments for social enterprises through a theoretical essay with a systematic literature review.

The relevance of social enterprises and the need of knowing and structuring of investments for this type of business make relevant the proposal of this theoretical essay and its discussion through a systematic literature review. It was divided into five sections to make this article easier to understand. The first was this introduction that attempts to contextualize the topic. The second conceptualizes impact investing and its possible connection with the Benefits Theory of Nonprofit Finance, while the third presents the main aspects identified in the studies evaluated. The fourth section presents an analytical structure for the process of social enterprise finance and possible avenues for empirical exploration of this topic. Finally, final considerations are provided.

## 2 IMPACT INVESTMENT AND BENEFITS THEORY OF NONPROFIT FINANCE (BTNF): A PRELIMINARY DISCUSSION

It should be explained at the outset that terms and expressions such as impact investing, social finance (HOCHSTADTER; SCHECK, 2014), social impact investing, socially responsible investing and development venture capital refer to the same process (BHATT; AHMAD, 2017; AGGARWAL; ELEMBILASSERY, 2018). In this context, social finance and impact investing resulted from a social movement that started in the 1990s in the US and the UK and gained momentum in the following decades (CHIAPELLO; KNOLL, 2020).

These terms refer to various alternative lending strategies and investment modalities for financing projects and ventures that aim to achieve positive social, environmental/sustainable development impacts and financial returns (RIZZI; PELLEGRINI; BATTAGLIA, 2018). Moreover, impact investing is the result of the integration of five major social and financial/economic trends: philanthrocapitalism, natural capitalism, social capital, combined value, and social entrepreneurship (RIZZI; PELLEGRINI; BATTAGLIA, 2018).

In simple terms, social finance represents the allocation of financial capital that, in addition to economic returns, aims to achieve social services and outcomes for individuals/communities with social-ecological needs (ARENA et al., 2016; VASYLCHUK; SLYUSARENKO; KOTANE, 2019). It is an asset allocation strategy combines financial profitability with measurable social and environmental impact (CALDERINI; CHIODO; MICHELUCCI, 2018). Impact investments look for companies that pursue a specific social and/or environmental goal and have a viable business model that can generate measurable financial returns (BHATT; AHMAD, 2017; MOTTA; DINI; SARTORI, 2017), and therefore include a proactive selection of social and environmental goals along with financial intentions (GLANZEL; SCHEUELE, 2015).

In this way, impact investing aligns philanthropic and governance goals (HOCHSTADTER; SCHECK, 2014) with conventional financial decisions (GLANZEL; SCHEUELE, 2015; SHENGFEN, 2018). The expected is the creation of social impact associated with lasting change and long-term success, whether intended or not, in the lives of beneficiaries, communities, and society (SCHROETGENS; BOENIGK, 2017).

Concerning funding sources, this section provides a preliminary account of these potential sources for social enterprises, considering their possible inclusion in the benefit theory of nonprofit finance (BTNF). This theoretical perspective, originally proposed by Young (2007), is a simplified conceptual lens of finance that considers the diversity and variation in funding sources for nonprofit organizations (WILSKER; YOUNG, 2010) and social enterprises (YOUNG, 2017; ZOOK, 2020).

This theoretical perspective presents the composition of the portfolio of funding sources holistically. It addresses nonprofits and social enterprises while addressing the nuances of each revenue source, as these entities can be self-financing once established (ZOOK, 2020).

From this perspective, these enterprises seek diverse and mixed funding patterns, presumably because different stakeholders–consumers, donors, institutional philanthropy, and taxpayers–seek to fund them based on the scale of the benefits they provide (YOUNG, 2007; WILSKER; YOUNG, 2010), i.e., based on the goods and solutions they provide to address social needs (STUHLINGER; HERSBERGER-LANGLOH, 2021). Moreover, this theoretical view presents the multiple sources from which these organizations can sustain themselves rather than focusing exclusively on fundraising for charitable purposes or on practices characteristic of commercial enterprises (WILSKER; YOUNG, 2010).

Therefore, BTNF has the potential to discuss social finance from the perspective of social enterprises and also its investment/financing sources, as it intends to develop deep insights into the characteristics and the relationship between the revenue sources (financing/investment) (YOUNG; WILSKER; GRINSFELDER, 2010; ASCHARI-LINCOLN; JAEGER, 2015) and the beneficiaries (social enterprises) (YOUNG, 2007).

This view is supported by the recognition that although this theory focuses on revenue data from nonprofit organizations, it needs to be extrapolated to other organizational contexts, and the impact of revenue source characteristics, including funding, needs to be explored (ASCHARI - LINCOLN; JARGER, 2015). Therefore, this theory is a potential lens for understanding the configuration of financial sources and instruments available to social enterprises.

In this context, a preliminary interpretation is that social enterprises are embedded in social enterprise ecosystems, spaces that bring together governments, entrepreneurs, commercial enterprises, civil society organizations, research institutions, multilateral organizations, financial institutions, banks, and financing providers (ÁGUIAR, 2020). In financial terms, these institutions are characterized by offering broader financial support in the form of providing funds (donations), granting interest-free or low-interest loans, methodological support, mentoring, and the like (AKBULAEV; ALIYEV; AHMADOV, 2019).

Furthermore, this funding can originate from pension funds, union groups, credit unions, banks, foundations, high-income individuals, investors, risk philanthropists, financial intermediaries and donation or deposit programs for social investors (REXHEPI, 2017). In this essay, this set of agents are designated as financial structurers for investments and financing of social enterprises.

In addition, various authors point out that this financial support can be offered through: 1) participation in competitions to obtain a scholarship, rather than a loan, that is, without paying interest (AKBULAEV; ALIYEV; AHMADOV, 2019); 2) crowdfunding: open appeals over the Internet to raise funds in the form of monetary donations, sometimes in exchange for future products, services, or rewards (AKBULAEV; ALIYEV; AHMADOV, 2019), with amounts intended for nonprofit activities, social enterprises, and for-profit activities (ANDRIKOPOULOS, 2020); 3) Social Impact Bonds, which aim to raise funds from charities and investors to finance preventive social programs (AKBULAEV; ALIYEV; AHMADOV, 2019), with returns calculated based on rigorously measured social outcomes (KPMG, 2020); 4) microfinance (microcredit), which is small amounts of money provided by banks or other financial institutions (AKBULAEV; ALIYEV; AHMADOV, 2019; FALKOWSKI; WIŸNIEWSKI, 2013).

There are also: 5) governments that support social enterprises in various ways, e.g., through government subsidies and incentives (FALKOWSKI; WIŸNIEWSKI, 2013); 6) multilateral organizations and supporting organizations, such as the Inter-American Development Bank, the United Nations Development Program (UNDP), SEBRAE, and ICE, that support impact enterprises through investment and knowledge transfer (ÁGUIAR, 2020); 7) venture philanthropy, i.e., the use of venture capital methods to finance and develop businesses that seek social impact in addition to profit (ANDRIKOPOULOS, 2020).

Concerning the financing options presented above, it should be noted that while the BNTF represents the diversity of financing sources, there is no standardization in terms of use, configuration of concession instruments, and/or comparative analysis of the parameters used by the different sources. Moreover, its direct impact on the social enterprise ecosystem has yet to be demonstrated, reinforcing the question that prompted this theoretical essay.

## 3 IMPACT INVESTMENT: WHAT HAS BEEN PORTRAYED IN THE LITERATURE?

This study has focused on identifying the configuration and structuring of financial resources for social enterprises from their different sources, be they investors, intermediaries, companies, and funds (BARMAN, 2015). To this end, an integrative systematic review was carried out in the Scopus, Web of Science and SPELL databases, the latter of which, although inserted to integrate national studies, did not provide results consistent with the proposal of this theoretical paper.

The search was conducted in August 2022 and included all published articles representing the proposed topic. For this reason, no restrictions were placed on the publication year, as impact investing is an emerging field and the term is relatively new (HOCHSTADTER; SCHECK, 2014; VASYLCHUK; SLYUSARENKO; KOTANE, 2019). For quality reasons, the review focused only on academic articles published in peer-reviewed journals (HOON, 2013).

Since the goal of the research was to investigate the availability and configuration of financial instruments for social enterprises, various search terms were first searched, such as "social enterprise* financ*; social venture financ*; social organization* financ*; social business financ*; social organization* financ*; Hybrid organization* finance; Hybrid venture* financ*; Hybrid enterprise* financ*; social venture* funders; social venture* investors; Social enterprise* investor*; social enterprise financing institution; social venture* financing institution; social venture* funding institution; social venture* fund* corporation*; social enterprise* funding corporation*; social enterprise* financing corporation*. However, when reading the abstract of the papers found, it became apparent that the results were not consistent to match the goal of this paper.

For this reason, the term "social impact investment*" was used in the databases studied. Thus, in the Web of Science and Scopus databases, the topic option (title, abstract, author's keywords, and keywords plus) and "article title, abstract, and keywords," respectively, were considered as search engines were entered, for which 35 results were generated in Web of Science and 51 results in Scopus. Thus, 86 results were combined, and the list was manually cleaned to remove repeated articles (31). Fourteen articles could not be accessed through the Periódicos Capes access (14), so 41 works were initially considered for the study. Of these papers, three publications were unrelated to the concept of impact investing and were therefore excluded from the analysis. The final sample used for further analysis consisted of 38 papers.

Considering that these studies had similar arguments and ideas, those that dealt with social impact investing were mentioned in more detail. All these documents were inserted into the Atlas TI software. As they were read, categories related to the configuration of social impact investing were created, which are explained below.

Based on these initial clarifications, the next sections present aspects and results from a selected corpus of texts, primarily concerning comparing countries, financing instruments, and the configuration of financing instruments.

### 3.1 Comparison between countries

First, it was noted that the discussion on social impact investing has also addressed the geopolitical characteristics of this issue, especially considering that in European countries, the debate on financial support for social enterprises is more active at all levels of government than in the United States (AKBULAEV; ALIYEV; AHMADOV, 2019).

In the North American context, support from international funds and organizations differs from European funding of social enterprises, which receive broad institutional and government

support in the form of the provision of funds (donations), social investment funds, the granting of interest-free loans or preferred shares, methodological support, mentoring, and the like. In fact, in this continent, there is government support for social enterprises in almost all countries, with laws, financial and legal conditions for developing such enterprises (AKBULAEV; ALIYEV; AHMADOV, 2019).

In this way, Europe has introduced a series of measures aimed at creating a structure that helps entrepreneurs achieve social goals by pooling the financial benefits and flexibility of companies, provided that their organizational actions have a social mission that creates public benefits (GLANZEL; SCHEUELE, 2015).

On the other hand, social impact investments in the United States are primarily designed and implemented by the private sector and civil society, including the implementation of commercial partner banks that focus on generating revenue to support a wide range of social causes. (AKBULAEV; ALIYEV; AHMADOV, 2019).

Although these two financing profiles were portrayed more frequently, there are also the existence of community bonds in Canada, social impact bonds in France, social bonds in Italy and savings bonds in Germany (CALDERINI; CHIODO; MICHELUCCI, 2018). However, these countries have a more stable and consolidated socioeconomic environment favoring this investment (bonds). In developing countries such as India, social enterprises are adopting innovative financing strategies such as “bricolage” and combinations of available resources, as social enterprises in these regions face an environment of scarcer resources and insufficient financial institutions (BHATT; AHMAD, 2017).

Looking at the European context mentioned earlier, it is clear that, unlike in India, the United States, and the United Kingdom, the financing of social enterprises is based on broad support and legal guidance (SHAHI; PAREKH, 2022). This perception was confirmed by the European Commission approving a Regulation on European Social Entrepreneurship Funds and creating its investment vehicle, the Social Impact Accelerator (SIA), in 2013 (GLANZEL; SCHEUELE, 2015).

### 3.2 Investors and Financing Instruments for Social Enterprises

Social investors (financiers) are divided into three major groups: The first group are the so-called strategic benevolent investors, i.e., those who take a very strategic approach but are not overly concerned with financial returns. The second group are the so-called double enhancers, who are looking for a social return but still have a strong interest in financial returns. Finally, there are the Social Business Angels, who focus on the social aspects and impact of the investment and therefore do not focus on the financial aspects of the financial interventions carried out (MINGUZZI; MODINA; GALLUCCI, 2019).

There are different approaches to these categories of investors and, consequently, to the financial instruments available, classifying them as finance-first or impact-first investors. The first group demands non-concessional financial returns (equal or close to market value). In contrast, the second group prioritizes impact, i.e., emphasizes social outcome, and is therefore willing to accept concessional financial returns (below market value) (MORAN; WARD-CHRISTIE, 2022).

Investors with a finance-first logic provide capital to social enterprises based on market rates of return (MORAN; WARDŸ- CHRISTIE, 2022) and operate under principles very similar to those of commercial logic, although they express a desire to achieve positive social impact as well (FREIREICH; FULTON, 2009). In this context, finance-first investors endowed with a

commercial logic hope to solve society's problems (RUEBOTTOM, 2013) and achieve investment returns associated with performance, efficiency, and effectiveness, resulting from well-defined objectives and mechanisms for the efficient allocation of capital (NICHOLS, 2010). Consequently, the selection process by these investors is primarily driven by the expectation of economic compensation (MAXWELL et al., 2011).

In contrast, the idea of impact-first, also referred to as impact-led, describes investors who offer investments to achieve deeper social and environmental impact (FREIREICH; FULTON, 2009). In this logic, investors focus on creating measurable social impact (GLANZEL; SCHEUERLE, 2015), and financial returns are viewed as additional benefits that can range from return on capital (PETRICK; WEBER, 2014), minimum required financial return (HARJI; JACKSON, 2012) or return adjusted for market risk (MORAN; WARDŸ- CHRISTIE, 2022).

This does not mean that, according to this logic, investors refrain from generating financial returns, but rather that they seek them to a moderate extent (AGRAWAL; HOCKERTS, 2019). The impact-first logic becomes even more relevant because the current phase of market development requires investors to be more flexible than usual regarding company size, investment horizon, and liquidity (ORMISTON et al., 2015).

It is also mentioned that in cases where the financial return occupies a relevant position in the investors' orientation and where the receiving companies can generate financial returns adjusted to the market risk, there is greater availability of regular investment and fewer barriers to impact investment (GLANZEL; SCHEUELE, 2015). This context seems more feasible in countries with established economies and business ecosystems with strengthened social impact.

Recognizing the distinctive aspects of financiers of social impact businesses, studies on this topic have presented existing funding sources and investment instruments. Indeed, academic research has presented these sources. However, without an extended discussion of their characteristics, how they are operationalized, and the configuration of available financial resources, aspects sought in the sample studied. They will be discussed later in this text.

As in the case of small businesses, the investment capital of the founders may be the main source of financing for social enterprises (BUSCH; BARKEMA, 2022). In addition, social impact investments may come from various sources, such as nonprofit organizations, limited liability companies, and corporations (HO; YOON, 2022), i.e., these investments may result from the actions of businesses in general. Moreover, this distribution between for-profit and nonprofit organizations confirms that social enterprises can access financing instruments from different sectors whose investors may have low or high expected returns (SHAHI; PAREKH, 2022).

In addition, this group of potential investors is expanded by the mention of microfinance (RIZZI; PELLEGRINI; BATTAGLIA, 2018), high net worth individuals, bonds (SHENGFEN, 2018), credit unions, pension funds, retired funds ( GLANZEL; SCHEUERLE, 2015), commercial banks (WIGGAN, 2018), development banks, for-profit companies, government agencies, asset managers (TEKULA; ANDERSEN, 2018), philanthropic donors (MORAN; WARDŸCHRISTIE, 2020), crowdfunding ( MINGUZZI; MODINA; GALLUCCI, 2019), social impact funds, institutional investors, retail investors, and financial institutions (GLANZEL; SCHEUERLE, 2015; CALDERINI; CHIODO; MICHELUCCI, 2018; MINGUZZI; MODINA; GALLUCCI, 2019; VECCHI; CASALINIŸ, 2019; SHENGFEN, 2018; MOTTA; DINI; SARTORI, 2017).

In this discussion of funding sources, social impact bonds stand out-the most frequently mentioned instrument in the literature-which; in simplified terms, these are performance-based financial instruments (MOLLINGER-SAHBA, 2021) that have emerged at the intersection of the state, the (financial) market, and philanthropy (BERNDTŸ; WIRTH, 2018). These titles derive

from the involvement of third-party investors who provide money to fund the operations of a social service program, i.e., private investors, philanthropists, and the government fund services under a contractual agreement and receive a “payment” for improving a specific social outcome analyzed through sophisticated measurement and evaluation configurations (BERNDTŸ; WIRTH, 2018).

In this sense, it is explained that these bonds are financed by foundations, charities and religious institutions representing most investors. Investment companies and traditional investors are used to operationalize the operation of these securities. Impact investment companies act as specialized asset managers that direct capital to companies and projects that seek financial and social returns. These companies represent the second largest group of investors in social impact securities. Finally, traditional investors such as banks and financial intermediaries are often involved in projects (availability of funding) previously established by previous actors (VECCHI; CASALINIŸ, 2019).

Impact investing can also be done by private philanthropists (venture philanthropy) or corporate foundations that invest in companies to address social problems (SHENGFEN, 2018). This strategy provides social financing through financial fundraising with grants, equity, and loans to support social enterprises financially and non-financial. In addition, venture philanthropy provides a soft social return for investors, cannot distribute investment returns, and takes responsibility for unfavorable outcomes, such as unsatisfactory return levels (SHENGFEN, 2018).

Similarly, governments can be social impact investors when they support community development financial institutions or promote tax exemptions for social enterprises based on differentiated incentives and policies (WIGGAN, 2018). Governments can also finance social enterprises by hiring them as service providers or product suppliers (CALDERINI; CHIODO; MICHELUCCI, 2018). On the other hand, social enterprises do not always invest in these relationships, mainly for fear of losing their independence if they work too closely with government agencies, which can lead to the loss of donations from private entities (GAZLEY; BRUDNEY, 2007).

As for microfinance (microcredit), this type of financing is characterized by the availability of small amounts of money granted by banks and other organizations (AKBULAEV; ALIYEV; AHMADOV, 2019). Microfinance provides funds for social enterprises and promotes economic activity among the poorest segments of the population to empower them and help them better cope with crises and adversities (FALKOWSKI; WIŸNIEWSKI, 2013).

Concerning the banks, whether they are specialized or commercial institutions, they tend to offer tailored products and services to address the needs of social enterprises, whether in the form of loans, guarantee programs, subsidized loans, and affordable mortgages (CALDERINI; CHIODO; MICHELUCCI, 2018).

Regarding crowdfunding, it is added that it is a newer modality of financing social enterprises, characterized by the search for funds to open businesses or implement innovative ideas obtained by social entrepreneurs or microenterprise owners through fundraising platforms (SHENGFEN, 2018). Crowdfunding can be divided into non-profit modalities, which approach donation behavior, or for-profit operations, which are represented by equity crowdfunding (SHENGFEN, 2018). In this modality, social enterprises predominantly develop a reliance on crowdfunding practices without adequate support from institutional funding sources (ZOOK, 2020).

There are also the so-called social stock exchanges, platforms that bring together social organizations and impact investors, especially institutional investors, willing to buy shares in social enterprises. These exchanges function like a regular stock exchange, listing potential recipients,

trading and settling shares, bonds, and other financial instruments, with the difference that the investment decision is based not only on financial outcomes but also on the potential to positively impact society, which is done by reviewing social and environmental impact reports in addition to traditional financial criteria (PATEL; PATEL, 2022).

Given the diversity of sources and financing instruments presented, Table 1 summarizes the key aspects of the sources discussed.

Table 1: Main sources and financial instruments for investment/financing of social enterprises

| | | Core features | Key Investors |
|---|---|---|---|
| Sources | Founders | Self-financing by entrepreneurs/founders | Own resources of entrepreneurs/founders. |
| | Governments | Availability of capital, in the form of investment or tax waiver, by government entities. | Government: government agencies and other organs of state. |
| | Banks | Availability of affordable loans, collateral schemes and mortgages | Commercial and retail banking. |
| Financing instruments | Social impact bonds | Investments based on measurement and evaluation of results. | Private investors, philanthropists and government. |
| | Risk philanthropy | Financial and non-financial support for social enterprises. | Business foundations, grants and loans. |
| | Microfinance | Lending of small amounts of money upon payment of fees and interest. | Banks and financial organizations. |
| | Crowdfunding | Non-profit crowdfunding. | Individual investors. |
| | Equity funding | For-profit crowdfunding. | Individual investors and companies. |
| | Social stock exchanges | Similar to the traditional stock market, but in social enterprise financing. | Institutional investors, social associations and impact investors. |

Souce: Prepared by the authors (2023)

The analysis of Table 1 shows that while social impact investing is categorized into sources (institutions) and financial instruments (mechanisms), the papers analyzed do not make this distinction and treat both as the same element. However, while the source highlights the origin of the resource, the instrument represents how it can be made available to social enterprises, so dividing them into different groups makes sense. Moreover, although it was possible to mention some of the main investors for the instruments presented, the same could not be done with the sources since it is not clear in the literature consulted which financial instruments and their characteristics derived from the sources indicated.

As explained in Table 1 and throughout this section, the instruments and funding/investment sources listed and discussed in the literature were conceptualized. The instruments and funding/investment sources that are only mentioned in the studies evaluated were

not discussed because there were no targeted debates in the sample obtained. In summary, an impact investor can choose between different financial instruments, strategic options, sectors, impact goals, and asset classes (HOCHSTADTER; SCHECK, 2014).

### 3.3 Configuration, requirements, and operationalization of financial instruments for social enterprises

A common aspect in academic texts that present social impact investing is identifying sources, types of investors, and social impact funds. However, there is no discussion of the configuration of financial resources and instruments made available to social enterprises. This topic is usually discussed from various perspectives, from institutional theory to impact scales to impact measurement, without focusing on the financial instruments.

Consequently, these studies do not present with any significant frequency the volume of investments made available, the way investors are selected, the sources of capital of the investing institutions, the evaluation mechanisms, and not even the procedures for implementing these financial resources, which we understand to be the configuration of the financial instruments made available to social enterprises and whose understanding could expand the scope of these resources and the performance of social enterprises in identifying and accessing these sources of financing.

On the other hand, there are papers that, while not adopting the terminology of configuration, arrangement, operationalization, or structure, present these aspects partially. In this context, since it is the most frequently mentioned financing strategy in the literature, some studies present details that are close to what is assumed to be the configuration of financing from social impact bonds.

Therefore, for this tool, there is a configuration that (1) covers a social problem that services provided by public sector organizations already cover; includes actions based on (2) innovation with proven results that need to be replicated for different target groups; with a clear definition of a (3) target area, i.e., the place where the investment should achieve social impact, and the levels of government that will be part of this process - local, regional, national (ARENA et al., 2016).

At the heart of this discussion, particularly about innovation, some authors explain that while a high level of innovation may increase the chances of receiving funds from foundations or similar funders, it is also likely to reduce their competitiveness in terms of public revenue opportunities, especially if they involve a certain level of complexity (GLANZEL; SCHEUELE, 2015). This leads us to believe that innovation is a distinctive tool for accessing funding from government sources or private institutions.

In addition to these formative components, these titles are designed with (4) a clear definition of the role of public administration and private organizations. At the same time, they guarantee opportunities for (5) flexibility in the implementation structure, meaning that access to financial resources and the generation of impact can be achieved through flexible and collaborative arrangements between public and private actors (ARENA et al., 2016).

These securities usually (6) determine the distribution of risk among the participating organizations, as risk may be borne by private investors or distributed among different actors (public and private) through capital protection measures and equity agreements (ARENA et al., 2016).

However, although the presented configuration is the result of experiences in European countries, Israel, and the United States of America, it was not possible to identify the appropriate

and common mechanisms between these nations in the analyzed texts, which underlines the need for a comparative analysis between countries with different levels of socio-economic development.

Similar to the descriptions of the configurations of financial instruments, there are few studies and instruments in this discursive path that present the operationalization (investment process) of financial resources for social enterprises. In this case, it is often described that a service provider, e.g., a charitable institution, a non-profit organization, or a social enterprise, takes responsibility for providing a social service to a predetermined group. In return, these institutions receive financial capital upfront and provide the service on contractually agreed terms (ARENA et al., 2016), while private investors raise the financial resources necessary to provide these services and expect a profit in return for financial and social benefits (BERNDTŸ; WIRTH, 2018; MOLLINGER-SAHBA, 2021).

In social impact bonds, the financial risks arising from the investment are unevenly distributed (MOLLINGER-SAHBA, 2021) since the investor receives his return only if the project achieves its predefined performance targets (ARENA et al., 2016) and even if he receives the funds upfront, the service providers have no direct financial risk, on the contrary, it is the investing agency that assumes it. However, there is no systematization regarding these bonds' management and operational requirements (BERNDTŸ; WIRTH, 2018).

Social impact bonds, when brokered by the government, are operated by outside investors who finance the implementation of the program that creates social outcomes, and the government pays the investors for those services, plus a financial return, if the outcome targets are met, i.e., the government assumes the role of guarantor.

Also, in this model, the risk associated with the performance of the outcome can be transferred to investors or shared among stakeholders, be they investors, philanthropists, service providers, and the public sector (TEKULA; ANDERSEN, 2018). If the pre-agreed measurable outcomes are achieved, the government reimburses investors for their initial investment plus a return on the financial risks they took. In case of lower or higher performance in achieving the intended results, the payment is higher or lower; in the latter case, no payment is guaranteed if no result is achieved (VECCHI; CASALINIŸ, 2019).

Although some scholars point out that these titles are concentrated in large companies, given the procedures and the extension of their processes (HOCHSTADTER; SCHECK, 2014), no results have been found that specifically present the concentration and management institutions of this type of investment in social impact.

Some studies also present, albeit partially, the configuration for investment based on actions in risk philanthropy. In this case, this model adopts a socially oriented approach of foundations and emphasizes investments capable of achieving social impact while implementing investment practices developed in the traditional venture capital model. Venture philanthropy can include management actions such as a board seat, networking, access to prospective new investors, financial and accounting management, human resources services, marketing, communications, coaching, mentoring the management team, and establishing a fundraising strategy for funds or revenue for the invested social enterprise (DI LORENZO; SCARLATA, 2019).

In terms of operationalizing venture philanthropy, the combination of venture capital investment practices with the approach of foundations is thought to result in these investors varying along a continuum of goals: some investors seeking purely social returns (where economic returns are economic sustainability) and others investors seeking economic and social returns (SCARLATA et al., 2016). In venture philanthropy, investors seek to improve structures and

processes so that commercial practices are integrated into the organizational practices and routines of the social enterprise (DI LORENZO; SCARLATA, 2019; SCARLATA et al., 2019).

In this theoretical path, it is clear that although there are discussions about social impact bonds, venture philanthropy, and even crowdfunding (due to the simple understanding of using platforms to raise funds), companies and social investors have doubts about their role, forms of allocation, and access to investment (SHENGFEN, 2018). In this context, microfinance is also highlighted as a more accessible alternative to social enterprises (BATISTA JÚNIOR; SOUZA-FILHO, 2020), as these organizations often resort to fees, additional costs and essentially commercial sources of income (ASCHARI-LINCOLN; JAEGER, 2015) as microcredit in response to economic uncertainty.

In this context, there is an indication of a connection between the profile of investors and the financing instruments available to the social enterprise market, as each of the groups of financing sources enforces its investment approaches and has its group of investors, which can also be classified according to their investment priorities (VASYLCHUK; SLYUSARENKO; KOTANE, 2019).

With this in mind, investors motivated to achieve financial returns at or above market value while receiving social and environmental benefits will invest in companies that lead to a sustainable, socially viable business and are maturing, while socially motivated investors seeking to invest in creating positive impact will participate in a variety of social enterprise funds. Moreover, most impact investors prefer investing in growth-stage companies, followed by venture-stage companies; investing in mature publicly traded companies is rare (HOCHSTADTER; SCHECK, 2014). On the other hand, individuals with high expectations of positive impact and low financial returns may be socially motivated to participate as members of social investment funds (VASYLCHUK; SLYUSARENKO; KOTANE, 2019).

Finally, investors willing to take high risks and have high return expectations focus on investing in companies in the early stages of development and choose philanthropic venture capital funds (VASYLCHUK; SLYUSARENKO; KOTANE, 2019). All these characteristics suggest that an essential element to consider when granting investments (and consequently) when designing them is the impact (role) of social funders' expectations (BHATT; AHMAD, 2017).

One aspect that stands out in works dealing with social impact investing is that the requirements and criteria for selecting recipient companies are not clear. Indeed, studies often mention the need to generate positive social and environmental impacts (GLANZEL; SCHEUELE, 2015) without providing clear direction on how these impacts are assessed and measured. In this sense, it seems that the organizational growth of a social enterprise, even if taken into account by investors, does not necessarily mean an effective increase in impact, so that some social enterprises express their dissatisfaction with the pressure of financiers to grow quantitatively, to the detriment of a deeper and more enriching form of impact, that is, a sustainable scaling up (ASCHARI-LINCOLN; JACOBS, 2018).

This perception is supported by the understanding that a measurable social return - social impact - is a particularly important element for social impact investing, as investors often use this evidence as a prerequisite for initiating or continuing an investment (BHATT; AHMAD, 2017; SCHRÖTGENS; BOENIGK, 2017).

On the other hand, this focus on demonstrating social impact, even without clear requirements, can lead investors and investment intermediaries to always focus on the same candidate social enterprises (GLANZEL; SCHEUELE, 2015). Thus, it is clear that impact

investing strategies tend to be defined and discussed in goals and impact areas rather than focusing on specific goods or services that already meet social needs (HOCHSTADTER; SCHECK, 2014).

For this reason, the perception of social impact alone should not (or ought not) influence social impact investing behavior, but rather act as a moderator of the relationship between financial returns and impact investing behavior, as there is no clear definition of how much this impact influences the configuration and operation of this type of investment. As it may have a different meaning for each group of stakeholders and investors (SCHRÖTGENS; BOENIGK, 2017).

The perception that the texts superficially present in the form of mentions also stands out, the relationship between the receiver and the financial investor, the way payments (investments) are made, the flow of payments, the requirements of the investor, disruption risks, potential cooperation practices or management interventions (ASCHARI-LINCOLN; JACOBS, 2018), in the case of the latter, it is assumed that investors require competencies from the receiving organizations to develop and implement the available capital (GLANZEL; SCHEUELE, 2015). However, there needs to be more information on how these processes can be carried out, designed, and operationalized in financial instruments for social enterprises.

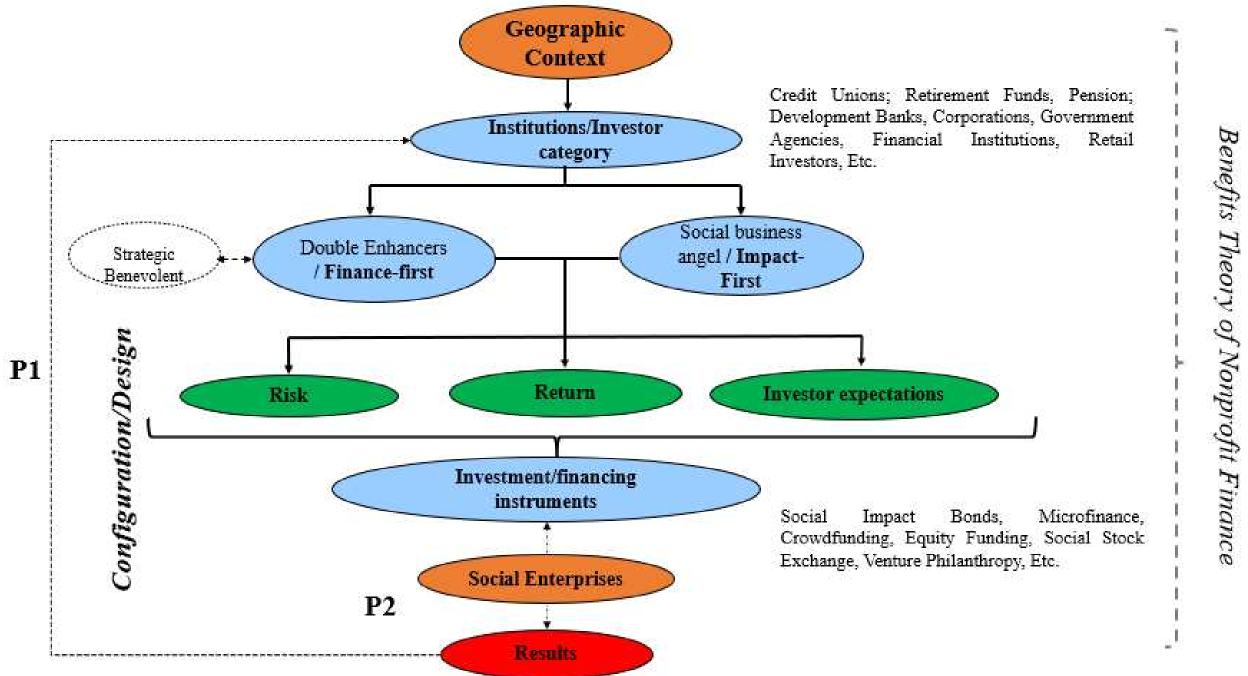
It is concluded that all these aspects may result from the lack of infrastructure for the social impact investment market as an organizational field (GLANZEL; SCHEUELE, 2015), i.e., the difficulties in understanding and implementing impact investing may be related to the need to structure or strengthen a social enterprise ecosystem.

## 4 RESEARCH MODEL AND PROPOSITIONS

The issues raised in this theoretical essay show that the absence of a discussion of the financial instruments made available to social enterprises (including the attributes considered to configure these instruments - such as the volume of investment, the forms and criteria for selecting social enterprises, the sources of capital, the role of the actors and intermediaries involved, the requirements for financial management, internal performance evaluation, operational requirements, risk management, impact assessment, and the procedures for implementing these funds), demonstrates in various aspects the need for a model that portrays the process of financing social enterprises, for which the framework presented below is a first attempt.

Thus, the joint analysis of the results of this theoretical essay allows us to assume that the configuration of financial instruments for social enterprises depends on the geographical context and the institution/category of investors, as proposed in the structure below.

**Figure 1**. Social impact investments: context and potential configurations




Source: Prepared by the authors (2023)

The idea underlying the proposed structure is based on the discussions presented above and states that the geographical context, including the concept of ecosystem, determines the availability of financial resources and the performance of state and private actors as financiers of social enterprises (AKBULAEV; ALIYEV; AHMADOV, 2019; GLANZEL; SCHEUELE, 2015; CALDERINI; CHIODO; MICHELUCCI, 2018; BHATT; AHMAD, 2017; SHAHI; PAREKH, 2022).

In this case, the understanding of social governance, whether based on government action or market actors, will influence the definition of financing institutions and the categories of existing investors in each location. These institutions can be credit unions, retirement funds, pension funds (GLANZEL; SCHEUERLE, 2015), development banks, corporations, government agencies (TEKULA; ANDERSEN, 2018), financial institutions, retail investors, etc. (CALDERINI; CHIODO; MICHELUCCI, 2018; MINGUZZI; MODINA; GALLUCCI, 2019; VECCHI; CASALINIŸ, 2019; SHENGFEN, 2018; MOTTA; DINI; SARTORI, 2017), whose investors can assume logics and roles of strategic benevolent, double Enhancers, social business angels (MINGUZZI; MODINA; GALLUCCI, 2019) and finance-first or impact-first (MORAN; WARDŸCHRISTIE, 2022).

As a result, and with different approaches, these investors provide funds through financial instruments such as social impact bonds (MOLLINGER-SAHBA, 2021; BERNDTŸ; WIRTH, 2018), microfinance (RIZZI; PELLEGRINI; BATTAGLIA, 2018), social stock exchanges (PATEL; PATEL, 2022), venture philanthropy, crowdfunding, and equity funding (SHENGFEN, 2018).

Although the institutions and financing modalities for social enterprises are diverse, how financial instruments are organized and systematized, i.e. their configuration, depends on the social

and market logic of the institutions/investors, which prescribe different configurations in terms of the volume of investment, the way and criteria for selecting beneficiary social enterprises, the sources of capital, the role of the actors and intermediaries involved, financial management requirements, internal performance evaluation, operational requirements, risk management, impact assessment, and the procedures for implementing these features.

Although researchers on this topic have not yet addressed these configuration aspects in depth, the understanding is emerging that they are associated with existing risks (ARENA et al, 2016; VASYLCHUK; SLYUSARENKO; KOTANE, 2019; BERNDTŸ; WIRTH, 2018; TEKULA; ANDERSEN, 2018; VECCHI; CASALINIŸ, 2019), the expected rate of return (MINGUZZI; MODINA; GALLUCCI, 2019; MORAN; WARDŸCHRISTIE, 2022; GLANZEL; SCHEUELE, 2015; SHAHI; PAREKH, 2022) and investor expectations (BHATT; AHMAD, 2017; VASYLCHUK; SLYUSARENKO; KOTANE, 2019; SHAHI; PAREKH, 2022).

Despite the distinctions presented, some scholars argue that the field of social investment, even when associated with social-ecological impacts, continues to be dominated by financial logic and thus by a finance-first approach (MORAN; WARDŸCHRISTIE, 2022), which certainly influences the configuration of available financial instruments and leads us to suspect that:

**Proposition 1 (P1). Financial instruments targeting social enterprises, generally based on financial risk and return contracts, have aspects and combinations that initially aim to serve financially oriented investors to turn them into impact-first investors gradually.**

The implicit idea of this statement is that the financial instruments (and their sources) available to the social enterprise market, although usually following commercial parameters (MORAN; WARDŸCHRISTIE, 2022), can be adapted (and consider) financing aimed at the impact-first and social business angel. This would occur as funders/investors approach and participate in the benefits and role of social enterprises in promoting innovation, regional development (NEVERAUSKIENE; PRANSKEVICIUTE, 2021) and economic sustainability (MIKOŁAJCZAK, 2022).

Moreover, the insight that social investment needs to be discussed and economically stimulated within the impact-first rationale is emerging, as this rationale seems to be stagnating (CASTELLAS; ORMISTON; FINDLAY, 2018; MORAN; WARDŸ- CHRISTIE, 2022) has not been subject to institutionalization (PHILLIPS; JOHNSON, 2019), and is evident to a much lesser extent compared to the finance-first parameters (SHARAM et al., 2018). In addition, adopting the impact-first logic is relevant to strengthening social impact investment markets, as under this logic, social enterprises facing financial gaps and serving low-income users/consumers can be made accessible (HEANEY et al., 2017).

As for the transition from finance-first to impact-first, it is based on the recognition that finance-first logic prevails in the social investment market (MUDALIAR et al., 2018; CASTELLAS; ORMISTON; FINDLAY, 2018; MORAN; WARDŸ- CHRISTIE, 2022) and that the social enterprises that best meet the requirements of this rationale (that are engaged and whose management is qualified to provide a financial return) are preferred by investors (EBRAHIM, 2003).

On the other hand, invested social enterprises expect their investors to recognize and value the social value created by the enterprise in addition to the capital (ANGRAWAL; HOCKERTS, 2019). Thus, in seeking social investment, the social enterprises must first focus on demonstrating their responsibility in activities that generate economic returns (STUHLINGER; HERSBERGER-LANGLOH, 2021), and when they receive volumes of capital, highlight the social returns and their

requirements, such as the longest term for economic returns(ROUNDY et al., 2017), liquidity metrics (ORMISTON et al., 2015), and minimum rate returns (HARJI; JACKSON, 2012; PETRICK; WEBER 2013). In this way, it is possible to build trust with investors (ORMISTON et al., 2015) and keep them active even when the social impact outweighs the financial return.

It is also considered that this gradual transition from finance-first to impact-first is possible and relevant (in the context of a longitudinal approach), as social finance challenges this traditional dichotomy, which states that there is an inverse relationship between social impact and financial return and demonstrates the existence of a combined value between the two (NICHOLLS, 2010; ORMISTON et al., 2015). Thus, considering that investors tend to apply these logics in combination, while invested companies tend to focus on social impact (MORAN; WARDŸ-CHRISTIE, 2022), it can be concluded that this migration or focus on impact-first logic is possible.

Moreover, although the conditions for receiving financial resources are not explicit in the studies on this topic, the need for proof of social impact (GLANZEL; SCHEUELE, 2015; ASCHARI-LINCOLN; JACOBS, 2018; BHATT; AHMAD, 2017; SCHROTGENS; BOENIGK, 2017; HOCHSTADTER; SCHECK, 2014) and good performance in management (GLANZEL; SCHEUELE, 2015; DI LORENZO; SCARLATA, 2019) are repeatedly mentioned. In this way, focusing on the generation of social impact with the definition and measurement of this process can lead to the selection of experienced social enterprises, which leads us to believe that:

**Proposition 2 (P2). Financing instruments/investors of social enterprises prefer enterprises whose generated social impact is tangible and measurable.**

This statement provides evidence that, although funding sources need more explanatory power in impact focus, the tasks related to it - social impact - play an increasingly crucial role in attracting funding (EBRAHIM, 2003; STUHLINGER; HERSBERGER-LANGLOH, 2021).

The discussions presented above, which are exemplary but not exhaustive, help better to clarify the role of finance-first and impact-first logic and to understand the importance of these positions in shaping the impact investing scenario. Therefore, the prevailing and determining logic in a given location tends to influence the mechanisms, characteristics, and financial instruments provided to social enterprises, whether in the form of the definition of the social issue, innovation, or target area (ARENA et al., 2016); risk distribution (TEKULA; ANDERSEN, 2018); loss tolerance and return periods (ROUNDY et al., 2017); selection mechanisms (DI LORENZO; SCARLATA, 2019); or even the requirements for fees, additional costs, revenue sources, and expansion of funds received (ASCHARI-LINCOLN; JÄGER, 2016).

## 4.1 Theoretical contributions and opportunities for empirical research based on the gaps found

The theoretical contribution may be the presentation of new concepts and theories as well as the verification, extension, or refutation of existing theories. Theoretical contributions may arise from reflections and elaborations based on existing theories or even from analyzes and reflections based on empirical data (BISPO, 2023).

This research is first, but not mainly, about extending existing theories, in this case, the Benefits Theory of Nonprofit Finance, by listing the characteristics and configurations of financial instruments for social enterprises and their financing process based on data reflections of empirical and conceptual studies on the subject. This theoretical lens was chosen because, while it incorporates the characteristics of corporate and social enterprise revenue sources (YOUNG, 2017;

ZOOK, 2020), including financing mechanisms (ASCHARI-LINCOLN; JÄGER, 2015), it does not do so with a specific discussion of the structuring and configuration of financial instruments available and accessible to these enterprises, nor of the process (resulting from the configuration of financial instruments) of financing these enterprises.

Specifically, starting from an empirical phase (research possibilities), the theoretical contribution of this study focuses on the elements of "what; how; why; who, where and when" (DUBIN, 1978; WHETTEN, 2003), which are considered fundamental in this process.

In the scenario related to the "what" element, with the proposal of a model for the financing process (adapting the proposed structure), it will be possible to describe the configuration of financial instruments available and accessible to social enterprises and to add to the literature specific aspects related to the forms and selection criteria of social enterprises, the sources of capital, the role of actors and intermediaries involved, financial management requirements, internal performance evaluation, operational requirements, risk management, impact assessment and procedures for the implementation of these resources, with an explanatory discussion able to identify the characteristics of these aspects, their conceptual scope and their forms of presentation (financing process).

Also, considering that social enterprise funding sources do not follow capital standards, concession criteria, disclosure mechanisms (LYONS; KICKUL, 2013), and other configurational aspects, this "what" can facilitate future discussions and promote (optimize and amplify) the debate on social impact investment from the perspective of investors, and not just invested enterprises.

In terms of "how," empirical studies will be able to identify, describe, and analyze the relationships between the configurational aspects of financial instruments and their relationship to finance-first and impact-first logics and report on how these aspects are represented in financial instruments, process financing, and the perceptions of social impact investors. In this way, future studies can focus efforts on understanding these logics through the main financial instruments used, the main institutions/investors involved, and the most sensitive aspects in each of them.

As for the "why," empirical approaches can present and analyze the economic and social dynamics that justify the configuration of financing instruments, the prevailing logic (finance-first, impact-first, or some other modality), and their relationship to the ecosystem of social impact enterprises. In this scenario, it would also be possible to extend the theory of Benefits Theory of Nonprofit Finance and not just rewrite what this theoretical lens has already reported.

Thus, this theoretical essay aims to stimulate empirical research and develop insights into the characteristics and relationship between income sources (funding/investment) (YOUNG; WILSKER; GRINSFELDER, 2010; ASCHARI-LINCOLN; JAEGER, 2015) and social enterprises ( beneficiaries) (YOUNG, 2007), increasing theoretical discussions, and dispel doubts that enterprises and social investors have about their role, how to allocate, and how to access impact investments (SHENGFEN, 2018).

In terms of "who, where, and when," it is assumed that empirical studies will be able to narrow down the participating actors, their location, and the period for which the research results and contributions will be representative. In this way, contributions related to the "who" element are presented by examining the actions of investors and social financiers-primarily founders, government, banks, philanthropists, foundations, institutional investors, associations, and other actors that may emerge throughout the research-discussing, the role of these actors in the financing process and the definition of financial instruments for social enterprises. In this respect, it will be possible to examine whether there are patterns in these configurations, whether one actor is more

or less influential, and what differences (or common guidelines) exist between finance-first and impact-first logic.

The " where " element in the theoretical contributions of an empirical study will reinforce the discussions on the ecosystem of social enterprises by verifying to what extent the configurations and the way of operationalizing the financial instruments for social enterprises are linked to the absence or need to strengthen this ecosystem.

In short, given that the configuration of financial instruments for social enterprises is not systematized in the literature, it is expected that the association between "finance-first" and "impact-first" logics with the configuration aspects of these instruments will be able to identify the main characteristics associated with these logics - beyond the generic definition of social or financial focus.

Moreover, it would be possible to link configuration aspects and investment logic with the Benefits Theory of Nonprofit Finance (BTNF) in the portrait (WILSKER; YOUNG, 2010), configuration and characteristics of investment sources and instruments (YOUNG; WILSKER; GRINSFELDER, 2010; ASCHARI-LINCOLN; JÄGER, 2015) of social enterprises (YOUNG, 2017; ZOOK, 2020). In this way, it would be possible to use a theory that has not yet been explored in the Brazilian context, nor integrated with finance-first and impact-first logics, to define the structuring and configuration of financial instruments in the financing process of companies inserted in social impact ecosystems.

Moreover, proposing a model for the financing process - combining the theoretical proposal of this paper with empirical evidence and taking into account the investors' perspective, the configuration of financing instruments, and the finance-first and impact-first logic - can improve the legitimacy and access of social enterprises to financial resources.

## 5 FINAL CONSIDERATIONS

This theoretical essay uses a literature review to show that academic research has presented the sources about the financing of social enterprises but without an extended discussion of their characteristics, the way they are operationalized, and the configuration of available financial resources.

Considering the geographical differences, two initial conclusions emerge: First, while there are reports of the impact investing environment in some countries, there needs to be a focused discussion of the characteristics, systematization, and configuration of these resources. Similarly, while sources are cited, usually focusing on titles with social impact, there is no broad debate on the originating institutions, forms of administration, and systematization of available titles.

The second conclusion is that although foreign contexts were reported, practices in Latin America still needed to be explored. This indicates the need to know the characteristics of impact investments from countries in this region. The ideal would be to compare the effectiveness of the North American, European, and Latin American models (which have not yet been studied) and, considering the Brazilian context, propose adjustments that would strengthen and improve the impact of these investments in Brazil, based on the best practices of each of them.

In terms of the financial instruments available to social enterprises, microfinance and banks have very similar characteristics to the financial instruments offered to enterprises of other modalities and, therefore, may be more accessible to impact enterprises, which does not necessarily mean that they increase the generation of social impact.

In addition, while the studies address the importance of risk analysis in defining and making financial instruments available to social enterprises, they do not report on the design of risk sharing or the potential consequences for those who do not take it. Besides, for the different instruments and investors, it needs to be clarified whether governments act only as intermediaries or as coordinators in the financing process.

The studies also reveal the perception that investors seek to improve the structures and processes of the invested social enterprise. However, there needs to be a discussion of how this can be done and whether this definition is part of the tools used to select investment recipients. Another little-discussed aspect is social impact, particularly how it is defined and measured by investors and the evaluation forms, according to financial instruments.

The relationship between the recipient and the financial investor needs to be adequately addressed in the studies, and the specified requirements for the management skills of the recipient organizations to develop and implement the available capital also should be discussed. Consequently, there needs to be an indication of how these processes can be carried out, designed, and operationalized in financial instruments for social enterprises.

It can be concluded that the studies evaluated do not often present the configuration of financial instruments for social enterprises, the understanding of which can expand the scope of these resources, the proposal of a financing model, and the performance of social enterprises in identifying and accessing these sources of financing.

Thus, few financial instruments are presented in their configuration. Even when they do, the papers are general and little focused on the different types of investments, the characteristics of investors and the requirements of financing institutions (corporations, foundations, financial institutions/banks, investment funds). Even given the existence of credit unions, pension funds, retired funds, development banks, corporations, government agencies, financial institutions, retail investors, etc., only the configuration of social impact bonds and philanthropy has been partially described.

With this in mind, we propose to prove with empirical surveys that it is possible to develop a Brazilian model for financing social enterprises (including the configuration of their financial instruments) within business ecosystems with social impact. It is intended that this model does not only represent the Brazilian reality but that it is combined with the international reality, especially the European and North American, according to the aspects identified in this theoretical essay. The results obtained illustrate the possibility of developing and integrating a Brazilian model that incorporates, where appropriate, international contributions, standards, and characteristics.

Finally, it is considered that the aspects discussed, and the proposals presented can extend the utility theory of nonprofit finance, since this theoretical perspective represents the portfolio composition of financing sources for social enterprises, without specifying and directing the debates about these sources and their financial instruments. This article is thus a first attempt to provide ideas into the characteristics and relationship between the sources of income (funding/investment) and social enterprises (beneficiaries), trying to stimulate research that addresses the doubts of companies and social investors about their role, the nature of allocation and access to impact investing.

Moreover, it is noticeable that without systematization and discussion of the configurations of financial instruments for investment and financing of social enterprises, it is not possible to identify the best financing alternatives and not even to establish standards so that these enterprises in their various forms - cooperatives, development trusts, commercial branches of charities, credit cooperatives, joint ventures, etc., - meet the demands and needs of the society. Furthermore, this

absence makes it difficult to compare the benefits and risks associated with each source of financing and to define best practices based on investment logics.

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[i] Financing for the social enterprise receiving the resource and investment for the agent/institution providing it.