



## Article

# Financing Ecuadorian Social Enterprises: What Is the Role of Impact Investment?

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**Abstract:** Social entrepreneurship is a topic of great development at the research level, which aims to discover, exploit and define the possibilities of increasing social wealth through activities and processes carried out with the creation and management of an innovative enterprise. From this, it has been identified that one of the main problems of social entrepreneurs in underdeveloped countries is the lack of financing, where new forms of financing have not been consolidated, as is the case with impact investment. Therefore, the objective of this research is to determine the role of impact investment in each of the Ecuadorian social enterprises under study. To this end, a qualitative research methodology of an interpretive nature was adopted through in-depth interviews with social entrepreneurs for the construction of results by means of summary tables and descriptive and graphic taxonomy. The results show that for most of the social enterprises studied, the role of impact investment is null, without this implying a lack of knowledge on the part of the social enterprises. Finally, it is necessary that policymakers take into account the need to promote sustainable development by improving social inclusion to support projects and enterprises that generate employment and opportunities for marginalized and vulnerable groups, promoting policies and measures that encourage this type of investment to generate a positive impact on the country.

**Keywords:** social entrepreneurship; financing; impact investment



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## 1. Introduction

In recent years, social entrepreneurship (SE) has received a great reception in the academic world, with several studies providing evidence of its contribution in relevant aspects, such as the economy and politics, to a country [1]. In addition, research confirms that SE is a powerful tool to address social and environmental challenges in Ecuador [2]. These ventures, driven by individuals and organizations committed to social change, seek to generate a positive impact on society through the implementation of innovative and sustainable solutions [3].

However, despite their transformative potential, many of these ventures face significant barriers to their development and growth, mainly due to a lack of adequate financing [4,5]. In this sense, financing is essential for the success and sustainability of social ventures [6]. Traditionally, social entrepreneurs have faced challenges in accessing traditional sources of funding as their business models and focus on generating a social impact do not easily fit the criteria of traditional financial institutions [7]. This funding gap has led to a search for new forms of financing that fit the goals and principles of social enterprises.

In this context, the fundamental question is as follows: What is the role of impact investment in financing Ecuadorian social enterprises? Impact investment, also known as socially responsible investment or triple impact investment, is characterized by its focus on generating both social and financial benefits as it goes beyond simple economic return and

seeks to promote positive changes in society and the environment [8]. In the case of social enterprises, impact investment can play a critical role in providing the necessary financial resources for their long-term development and sustainability [9].

However, there is a knowledge gap because there is little research on impact investing in Latin America and in Ecuador in particular; the literature is very scarce, despite the fact that there are active and growing communities of influential investors in many countries of the region [10]. Therefore, understanding how this form of financing is implemented in the Ecuadorian context and its effectiveness in promoting social entrepreneurship is fundamental; thus, the objective of this research article is to analyze some cases of social entrepreneurship, conducting in-depth interviews and a taxonomy that will enable the research questions to be answered.

In this way, this research seeks to provide valuable information for social entrepreneurs, investors, government agencies and other actors interested in promoting social entrepreneurship in Ecuador. By understanding the role of impact investment in the financing of social entrepreneurship, it will be possible to develop strategies to improve the capacity of Ecuadorian social entrepreneurs to generate financing relationships and a favorable environment for the development of social entrepreneurship.

Therefore, the purpose of the study is to explore and analyze the role of impact investing in the financing of social enterprises in Ecuador. It is expected that the results of this study will contribute to the generation of knowledge about financial practices and challenges in the field of social enterprises in Ecuador and will serve as a basis for the development of policies and strategies that promote the development and sustainability of these enterprises and activities for the benefit of society and the environment.

Finally, this article is structured first through the theoretical framework and review of the bibliography, where the main themes for the subsequent development of the study are conceptualized and the literature to be treated is analyzed. Later, the methodological model is explained to give way to its development and the presentation of the results. Finally, a discussion and the conclusions drawn from the analysis of Ecuadorian social enterprises are presented.

## 2. Literature Review

In recent years, innovative financing mechanisms such as guarantees, impact investing, crowdfunding and complementary currencies have emerged to address these challenges and enable organizations to thrive. Despite this, according to the GIIN report, which collected information from nearly 1300 impact investors, only 4% of them are based in Latin America and the Caribbean, including Mexico, with the largest share in the United States and Canada [11].

The Inter-American Development Bank [12] emphasizes that it must be taken into account that social enterprises generate opportunities that contribute social value to a country, city or nation, thus fulfilling a fundamental role within societies; however, a lack of funding has caused many social enterprises to remain an unconsolidated idea, despite the importance they have in the economic and social sphere of a country [3].

On the other hand, research on social entrepreneurship and its financing is limited in Latin America [13]. As mentioned by Martínez and Dutrenit [14] in their report based on the UAM-Ashoka survey focused on Mexico, Latin America and the Caribbean, there are barriers or capabilities for social entrepreneurship to consolidate and maintain over time, where the main sources of financing come either from the contributions of partners or donations from third parties and, as a result, economic conditions are one of the main barriers to accessing financing, as well as the lack of public programs for social entrepreneurship.

In addition, De la Pedrosa [15] explained that the financing of social entrepreneurship is not easy; despite this, there is currently a slow but steady growth of financial instruments such as impact investments that allow the development of these companies, which are usually born as a venture and generate a great social impact, without neglecting that social entrepreneurship is the main asset of impact investments and, therefore, it is the only responsible investment strategy that seeks profitability accompanied by social and environmental impact.

In some cases, a lack of knowledge on the subject leads to a wrong choice of medium; thus, it is important to treat impact investment as a healthy financing alternative, taking into account the lack of resources that this type of investment has and how crucial they are currently for the construction of social ventures [16].

Chile is developing its impact investment market; the country already has some key players in the public and private sectors as well as a well-developed entrepreneurial ecosystem. Currently, there are several programs, funds and contracts with institutions to support social entrepreneurs [17].

However, Romero [18] argued that the Bolivian state is depriving the country of attracting impact investment mechanisms and partnerships with public and private institutions. He stated that it should implement laws or any type of regulation that supports and encourages this type of investment so that the country can become a destination for thousands of economic resources that are channeled through this type of investment and relationships with different organizations. On the other hand, in an analysis carried out in Peru on impact investment and social entrepreneurship, a lack of financing for this type of venture was demonstrated, especially when businesses are in their early stages [19].

In Ecuador, financing for social entrepreneurship is a problem. The Alliance for Entrepreneurship and Innovation (AEI) states that a mechanism is being sought in entrepreneurship law to create a financing base for entrepreneurs; it is also important to highlight the existence of the simplified corporation, which is a mechanism to formalize the creation of a business quickly and at a lower cost [20].

Below is a summary of impact investor cases developed in recent years, all of which include projects and ventures that have benefited from these investments (Table 1).

**Table 1.** Latin American impact investor cases.

Impact Investor	Type of Financing	Purpose
CREAS	Capital Investment	Invests in companies classified as public limited companies or simplified joint stock companies that have a positive environmental and/or social impact [21].
IMPAQTO	Impaqto Capital	Impact investment fund that supports early-stage startups [22].
Bank of Pichincha	Biocredits and Women's Credit	These are loans for SMEs and microenterprises that meet certain requirements to apply for this type of credit [23].
Bolivarian Bank	Credimax Green Mortgage and Credimax Green Credit	Financing for projects or ventures that save electricity, contribute to the environment and support sustainable construction [24].
Produbanco	Green Credits	Financing for businesses with sustainability certifications, such as agriculture, as well as green businesses and businesses with efficiency in the use of resources, such as eliminating leaks, changing lighting and others [25].
Banco ProCredit	EcoCredit	Provides financing to companies that use renewable energy and other activities that benefit the environment [26].
BBVA	Energy Efficiency Loan	Financing for people or companies to start carrying out any project or dream using ecology or activities that take care of the environment [27].
Inter-American Development Bank	Institutional Investments	They seek to finance the development of projects and businesses through high net-worth individuals, foundations and other impact investors to provide technical and financial support for projects that help address the needs of economically vulnerable populations [28].
CAF Development Bank of Latin America	General Investments	Promotes financing for sustainable development and strengthens the entrepreneurial ecosystem so that social gaps and financing problems in social and environmental issues are reduced [29].

Source: Author's elaboration.

Thus, impact investment is increasingly present in Latin America, with cases implemented as mentioned above; therefore, it is important to analyze the role that this type of financing has in social enterprises.

#### *The Role of Impact Investing in Social Enterprises*

The emergence of impact investing in several countries has been slow. According to Maestre [30], most Latin American countries have implemented impact investing in social ventures but, despite this, the role that this type of financing has played is almost zero. According to Podcamisky [31], this situation could be mainly due to a lack of specific knowledge about impact investment, leading to a refusal to seek investors of this type.

In addition, Gölz [32] claimed that a country's industry must develop in such a way that impact investments achieve and have the possibility to generate significant benefits for its economy and can be used by entrepreneurs as an accepted instrument and, therefore, play a significant role in development.

For I-Ping, Ormiston and Findlay [33], impact investing fulfills different roles in social ventures because there is more and more information on the topic and, therefore, the search for and use of these healthy investments is greater.

Below, Table 2 presents the main roles that impact investing has in social ventures, according to several studies.

**Table 2.** Role of impact investing in social enterprises.

<b>Role of Impact Investing</b>	<b>Description by Authors</b>
Source of financing	Impact investing plays the role of a source of financing from all points of view as it provides funds for social entrepreneurship to get started; in other words, it finances social development and provides monetary tools for solving social and/or environmental problems [32].
Impact meter and generator	Impact investments play the role of an impact meter within social enterprises, seeking to constantly promote that the objectives of the entrepreneur and the SE are based on generating a positive impact and that this impact is substantiated and measurable [34].
Expansion of social entrepreneurship	Impact investment, from its inception, fulfills the main function of helping social enterprises to expand their business idea and diversify, expand and grow in infrastructure and products by providing sound investment alternatives and mutual agreement to achieve mutually beneficial returns for both parties [35].
Financial health meter	For an impact investor to support a social enterprise, they first develop the role of a financial health meter, seeking to analyze the financial situation of the business, thus developing an idea of the assets and equity that the ES may have or has, since this is its main guarantee of return on investment [36].
Sustainable development driver	It acts as a driver of sustainable development as it seeks to implement strategies for ES to meet the needs of the present without compromising the ability to meet the needs of future generations. It also continuously seeks positive financial results that do not affect society or the environment [37].
Promoting social entrepreneurship: source of support and opportunity	One of the main roles of impact investment in social entrepreneurship is to promote this type of business as it creates more than just funding opportunities, training, advice, courses and support in the management and administration of an SE but also seeks to develop and promote innovative ideas that have SE potential [38].

**Table 2.** *Cont.*

Role of Impact Investing	Description by Authors
Null	Impact investment in Latin American and underdeveloped countries has little presence; therefore, this type of investment does not play a fundamental role in social entrepreneurship since it has not come to improve or develop in any aspect of the ES. In addition, several countries do not have developed policies or regulations that clarify this issue; thus, there is a rejection of seeking investors of this type [30].
Limiting	Gordon [39] claimed that impact investment plays a limiting role for SEs since those who would try to seek this type of financing and attempt to use it do not do so because they have a number of requirements to meet; thus, they turn to easier and more accessible types of financing since they see it as not very accessible and, therefore, limiting.
Shared value creator	It fulfills the role of creator of shared value by promoting the creation of an inclusive, egalitarian and, above all, fair working environment for SEs, encouraging it to go hand in hand with a commitment to the environment and reducing the damage or negative impact that can be caused. It supports companies that have turned social or environmental problems into great collaborative business opportunities [40].

Source: Author's elaboration [33].

Despite the multiple roles of this type of investment, in several countries, the situation of social entrepreneurs is difficult because they are aware of impact investment but are reluctant to use this type of financing [41]. The factors for social entrepreneurs not to use impact investment may be due to the situations presented in Table 3.

**Table 3.** Factors why social entrepreneurs do not use impact investing.

Factors	Description
Requirements	Impact investors are looking for an entrepreneur who carefully distinguishes the concept of social and/or environmental ventures or businesses from those that only seek to avoid negative environmental and social impacts or that only seek to generate corporate social responsibility and, therefore, impose a series of requirements on entrepreneurs, which is tedious for them [42].
Retribution	Impact investors seek to invest in funds with shorter maturities, but it is normal that the demand for this investment has a long-term maturity; thus, the investor is looking for a better return or, depending on the sector, must be patient and seek a close relationship with the entrepreneurs, which they are reluctant to do [32].
Orientation	The SEs that seek or are inclined to have an impact are usually those that, in their first stage of development, need more flexible financing to allow them to develop, test and expose their business idea; thus, the instruments necessarily require a lower return with a higher risk tolerance, which is why social entrepreneurs are inclined to go for financing with their own capital [42].
Industry	In the Ecuadorian case, the industry is very young and the lack of preparation of social entrepreneurs limits their relationship with impact investors.
Government	The lack of public policy does not allow for direct interaction between social entrepreneurs and impact investors; thus, there is a somewhat negative government intervention when an SE is seeking or bidding for an impact investment [43].

Source: Author's elaboration [42].

Based on the findings, the following research questions were posed: Is impact investment known by the Ecuadorian social enterprises studied? What role does impact investment play in the social enterprises studied? These questions were addressed to analyze the presence of impact investment and whether knowledge of this topic is a determining factor for its development.

### 3. Materials and Methods

The research is developed through an interpretative, qualitative research methodology since it seeks to study observations with a specific quality, identifying the reality of their nature, behavior and characteristics [44], which will allow for the study of their natural environment, seeking to understand and interpret phenomena based on the information that the subjects of study provide to the researcher [45], thus helping to identify the role of impact investment in the Ecuadorian social enterprises under study.

The process carried out in the research is inductive since, as Abreu [46] mentioned, this process involves non-linear stages of observation and the study and knowledge of characteristics that contain the realities under study to later conclude in a logical result, taking into account that this methodology helps to gain a deep, wide exploration and, therefore, an interpretative richness [47]. It involves for its development a few subjects of study since it does not seek to generalize the results obtained [48] (pp. 34–47).

From this point of view, three actions are conducted for the implementation of the qualitative methodology: observe, ask and process [49] (p. 302); therefore, the study concludes with an interpretation of certain facts, applying in-depth interviews to the object of analysis so that as Murillo [47] stated, it is possible to analyze and draw conclusions from the deepening of different realities of some social enterprises related to the sources of financing.

Within the observation, social entrepreneurs around Ecuador were identified; however, being a specific study, to build the information, a total of 15 social entrepreneurs were taken from a non-probabilistic sampling by convenience since, being a new topic under study, there is no established database (Table 4).

**Table 4.** Object of analysis.

Code	Social Entrepreneurship	Type of Social Entrepreneurship	Year of Incorporation	Review
ES1	Noos Papel Semilla	Triple Bottom Line and Inclusive Social Entrepreneurship	2019	Producing recycled paper with living seeds, buying organic seeds from Ecuadorian growers and farmers, paying a fair price for them, closing the loop, and making a positive impact on the environment.
ES2	Sumak Kawsay Association	Social Entrepreneurship for People in Vulnerable Conditions	2015	The main purpose is to provide work and training to young people, single mothers or senior citizens who do not have access to a source of work and to provide cleaning services through the association in order to provide opportunities to society.
ES3	BioSeb Organics	Triple Bottom Line Social Entrepreneurship	2012	Development of bio-products based on micro-organisms for agriculture to help those who work with the soil (farmers) due to the inadequate handling of pesticides, contributing to healthier food and environments through raw materials.
ES4	Plastic Wood Barahona	Triple Bottom Line Social Entrepreneurship	2006	Production and marketing of plastic wood in the form of corner posts and pallets based on recycled material that contributes to the environment by avoiding the felling of trees, as well as being more profitable because it requires minimal maintenance.



Table 4. Cont.

Code	Social Entrepreneurship	Type of Social Entrepreneurship	Year of Incorporation	Review
ES5	Cons	Personal Social Entrepreneurship from a Social Initiative and Triple Bottom Line	2020	The vegan-focused brand is committed to creating conscious cosmetics using plant-based, renewable and sustainable ingredients and promoting fair trade, social responsibility and fairness in the recruitment process.
ES6	ASOPEPA	Inclusive Social Entrepreneurship	2013	Fair cocoa marketing with partners by integrating their value chain to control production and marketing, offering fair trade to farmers.
ES7	Mushuk Pakarina Association	Inclusive Social Entrepreneurship of Social Action and Triple Bottom Line	2005	Agro-ecological company dedicated to growing vegetables without using chemicals in the process to help obtain healthier food for society and have a positive impact on the environment, creating a fair trade environment with farmers by offering them a space to sell their food.
ES8	Ecologicasec	Personal Social Entrepreneurship from a Social Initiative and Triple Bottom Line	2020	Ecuadorian brand that aims to facilitate access to menstrual hygiene products by promoting menstrual education in society. The company is committed to helping the environment as its products are made with eco-friendly materials and at prices that society can afford.
ES9	Tejemujeres	Inclusive Social Entrepreneurship for People in Vulnerable Conditions	1992	Dedicated to hand knitting with natural materials for which the weavers of Gualaceo are paid a fair price to market the products directly to other parts of the world, thus improving the quality of life of the weavers, environmental justice and the nutrition of the beneficiary families.
ES10	Paluso	Triple Bottom Line Social Entrepreneurship	2012	Selling used clothing has a positive impact on the environment by reducing the environmental footprint of large textile industries.
ES11	Pacashop	Triple Bottom Line Social Entrepreneurship	2019	Marketing used clothing that adapts to each customer's style, reduces environmental impacts and provides fair payment for clothing collected for the store.
ES12	Orígenes Emprendedores Ecuatorianos	Social Entrepreneurship for People in Vulnerable Conditions and Social Action	2021	Artisan and organic shop that seeks to support small entrepreneurs located at the level of some regions, promoting what they produce and seeking to raise awareness about the fair and healthy consumption of products.
ES13	Atelier Avanzar	Inclusive Social Entrepreneurship for People in Vulnerable Conditions	2009	Commercializing handmade (woven) handbags, providing work for women who need a source of employment, paying a fair price for their labor and supporting their businesses through the Foundation's savings fund.
ES14	Cabalgatas EL BOQUERÓN	Social Entrepreneurship of Products or Services	2022	Offers riding services and courses to learn to ride horses. The company was proposed as a necessity for the families of the sector, for which they contributed with their horses and money to carry out the idea in order to help the society of the sector by providing a source of income for their work.
ES15	Kashil Organic	Inclusive Social Entrepreneurship for People in Vulnerable Conditions	2020	Produces and sells organic products, especially vegetables and coffee, that contribute to the care of the environment and a healthy diet for society in general. In addition, provides sources of employment for the farmers who provide these products.

Source: Author's elaboration.

In addition, we will begin with a summary of the overall results for the 15 ventures and later, as mentioned, the analysis will be carried out specifically for each social venture to identify the role of impact investment on each of these SEs. All this will be done through interviews with social entrepreneurs to process and achieve synthesis in the results summary tables, and descriptive and graphic taxonomy will be used.

It is important to mention that no methodology has been previously proposed for the topic under study; thus, the development of the questions used in the interview was done according to the factors to be considered in the research (Table 5).

**Table 5.** Research instrument: interview questions.

Factors	Questions	Observations
Type of financing	What type of financing did you use to set up your venture?	The question refers only to the funding used to establish the ES.
Impact investment knowledge	Have you heard about impact investment topics such as green credits, environmental microcredits, biocredits, credits for women, etc., in Ecuador? Which ones?	
Utility of impact investment	In some of the stages of the life cycle of your venture, did you use, know or seek impact investment alternatives or something similar? If so, what were they and how did they help you?	The question refers only to the usefulness of impact investment over the life cycle of the ES.

Source: Author's elaboration.

In addition, in the context of the research, impact investors are to be considered those people, institutions or organizations that have the following characteristics or variables proposed by the Global Impact Investing Network in its 2019 report (Table 6).

**Table 6.** Key characteristics for considering funding as an impact investment.

Features	Description
Intentionality	Intentionally contributes to positive social and environmental impacts [50].
Impact measurement	Measures the progress and social and/or environmental performance of the investment [50]. Uses evidence and impact data.
Financial performance	Manages the financial return on capital that can accept a below-market rate up to a risk-adjusted one [50].
Range of asset classes	The investment can be made in all asset classes [50].

Source: Author's elaboration [50].

Finally, a flow chart illustrates each of the stages of research that must be followed in order to properly gather information and then present the results (Figure 1).



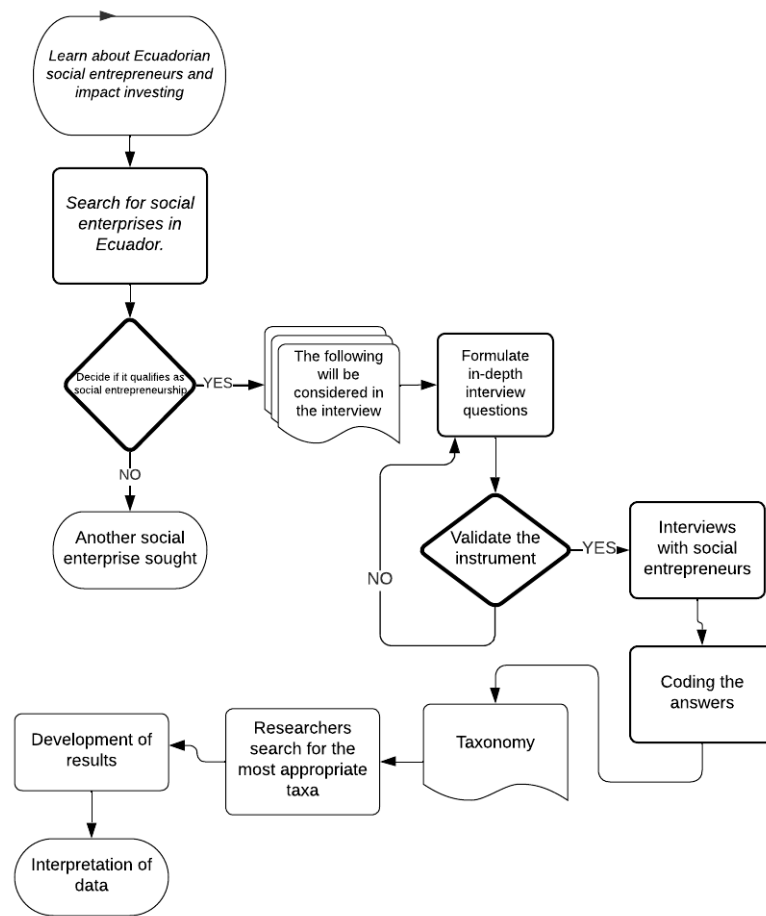


Figure 1. Methodological process. Source: Author’s elaboration.

4. Results

In order to provide a more in-depth analysis of the results, the following is a summary of the key findings from the research, broken down and grouped by question and response category.

Table 7 shows that all of the social enterprises in the study were financed through other types of financing than impact investment, meaning that 100% of the SEs in the study did not use impact investment as a source of financing to start their business but rather opted for more common types of financing such as loans or self-financing.

Table 7. Type of financing of social entrepreneurs.

Code	Impact Investment	Other Type of Financing	Type of Financing Used
ES1		X	Own
ES2		X	Shareholders
ES3		X	Own and loans
ES4		X	Own
ES5		X	Own and loans
ES6		X	Shareholders
ES7		X	Own and donations
ES8		X	Own
ES9		X	Contribution
ES10		X	Own
ES11		X	Own
ES12		X	Own
ES13		X	International donation
ES14		X	Own and shareholders
ES15		X	Own
Total	0	15	

Source: Author’s elaboration.

Regarding the knowledge of the social entrepreneurs studied about impact investments, Table 8 shows that 80% of them had heard of impact investments such as green credits, environmental microcredits, biocredits, credits for women, etc., in Ecuador, and only 20%, corresponding to three of the social entrepreneurs studied, did not know about impact investments.

**Table 8.** Impact investing knowledge.

Code	Knowledge of Impact Investment	No Knowledge of Impact Investment
ES1	X	
ES2	X	
ES3	X	
ES4	X	
ES5		X
ES6	X	
ES7		X
ES8		X
ES9	X	
ES10	X	
ES11	X	
ES12	X	
ES13	X	
ES14	X	
ES15	X	
Total	12	3

Source: Author's elaboration.

Table 9 below shows all the information obtained from the study instrument, classified according to the answers of the social entrepreneurs and grouped according to the research intentions. The table is divided into three main taxa: type of financing, knowledge of impact investment and usefulness of impact investment.

**Table 9.** Taxonomy in the analysis instrument (interview).

Taxon	Type of Financing		Knowledge of Impact Investment		Impact Investment Utility in the Life Cycle of the ES	
Code	Phrase	Grouping	Phrase	Grouping	Phrase	Grouping
ES1	Personal financing	Own financing	Yes, we have heard	Yes	We tried to use, but it did not help.	Not helpful
ES2	Contribution of the entrepreneurial partners	Contribution	Sure	Yes	We have not looked for this type of linkage.	Not seeking
ES3	Personal and business loans	Loans or credits	Maybe yes	Yes	Helps only at a certain point in time.	Not helpful
ES4	Internal savings financing	Own financing	Yes, yes we have heard	Yes	Not all was internal financing.	Does not use
ES5	Savings	Own financing	I have not heard	No	I have not been involved.	Does not use
ES6	Member contributions	Contribution	Yes, yes we have	Yes	Fundación Maquita helped us.	Uses satisfactorily
ES7	Support from a foundation and the municipality	Donations	No, I haven't heard anything about it	No	These institutions have not helped us.	Not helpful

Table 9. Cont.

Taxon	Type of Financing		Knowledge of Impact Investment		Impact Investment Utility in the Life Cycle of the ES	
Code	Phrase	Grouping	Phrase	Grouping	Phrase	Grouping
ES8	Savings equity	Own financing	No, I have never heard of it	No	We have not seen support from these institutions.	Not helpful
ES9	Capital contributed by members	Contribution	Yes, yes I have	Yes	We have not found access to this.	Not helpful
ES10	Previously worked settlement	Own financing	Yes, yes I have listened to several of these	Yes	I've never gone in for a thorough search.	Not seeking
ES11	Equity capital	Self-financing	Yes, yes I have	Yes	If we are going to seek this type of financing.	Searching
ES12	Personal private investment	Own financing	Yes	Yes	No, I have not agreed to this type of investment.	Does not use
ES13	Donations from Switzerland	Donations	Yes	Yes	If through international organizations.	Uses satisfactorily
ES14	Directly own	Own financing	Yes, I have listened to some of them	Yes	We have not approached.	Does not use
ES15	Equity capital	Own financing	Yes, I have listened but very little	Yes	We have not used more than our investment.	Does not use

Source: Author's elaboration. Note: Donations, depending on their origin, are not considered impact investments because they do not have the characteristics of impact investments (they do not seek retribution).

As presented in Table 10 and later graphically in Figure 2, the results obtained for the first taxon show that most SE use their own financing, which includes responses such as the liquidation of previous jobs, savings and family support, and the lowest proportion of responses correspond to loans or credits (without a purpose related to impact investing). Regarding the taxon called knowledge of impact investment, 11 out of 15 respondents knew about impact investment. Finally, regarding the last taxon (utility of impact investments in the life cycle of the SE), regardless of their knowledge or ignorance of impact investments, five of the respondents indicated that they did not use this type of investment in their social enterprises, while another five indicated that this type of investment had not been helpful.

Table 10. Summary of taxonomy results.

Type of Financing		Knowledge of Impact Investment		Support of Impact Investment in the Life Cycle of the ES	
Grouping	Total Related Responses	Grouping	Total Related Responses	Grouping	Total Related Responses
Own financing	9	Yes	12	It hasn't helped	5
Contribution	3	No	3	Do not search	2
Donations	2			Not used	5
Loans or credits	1			Use successfully	2
				Search	1
Total	15		15		15

Source: Author's elaboration.

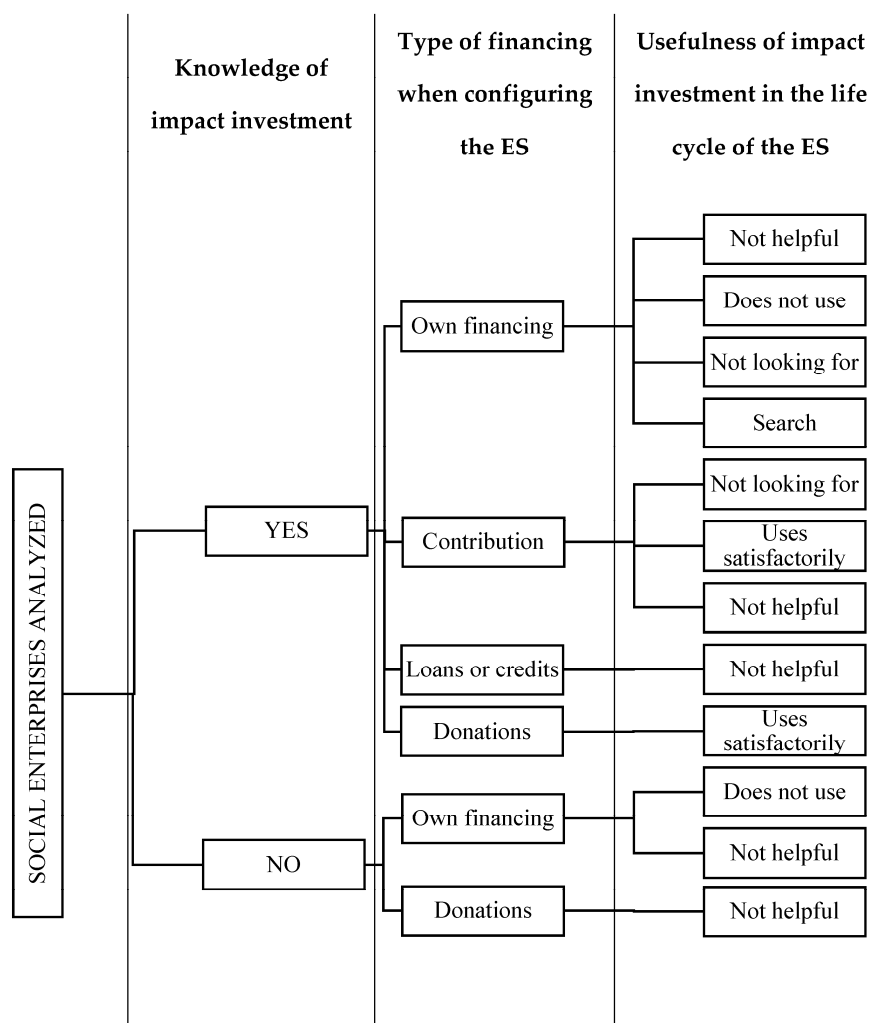


Figure 2. Graphical taxonomy. Source: Author’s elaboration.

Next, Table 11 provides a brief corroboration of the responses of the social enterprises surveyed who were aware of impact investment in order to determine if there is a true recognition of what an impact investment is and, in particular, if there is any confusion about the term.

Table 11. Impact investor recognition.

Code	Impact Investors According to Social Entrepreneurs	They Are Recognized as Impact Investors	Remarks
ES1	AEI	Yes	Financing, consulting and training for companies that contribute to global challenges (social and environmental).
	ConQuito	Yes	CONQUITO investment fund for ventures aimed at productive, sustainable (environmental-3r) and innovative areas.
ES2	BanEcuador	Yes	
	Pacific Bank	No	It does not have a financing area aimed at social or environmental impact.
	CONAFIPS		Green Credit

Table 11. Cont.

Code	Impact Investors According to Social Entrepreneurs	They Are Recognized as Impact Investors	Remarks
ES3	Financing for women entrepreneurs	Yes	Entrepreneurs and businessmen who have an Environmental and Social Management System.
	CFN	Yes	
ES4	Produbanco	Yes	
	Pichincha Bank	Yes	
	Bolivarian Bank	Yes	
ES6	Jardín Azuayo Savings and Credit Cooperative	No	Credits to marginalized rural and urban sectors. Social impact.
	BanEcuador	Yes	
	Maquita Cushunchic Credit Union	Yes	
ES9	Public and private bank not specified	N/A	
ES10	Not specified	N/A	
ES11	Green credits	Yes	Environmental end, environmental impact.
	Credits for women	Yes	Social purpose, social impact.
E12	NGO credits	Yes	Financing for social–environmental ventures.
	Credits for rural women	Yes	
ES13	Avanza Foundation	Yes	Credits for women entrepreneurs, social impact.
ES14	BanEcuador	Yes	
ES15	Loans to microentrepreneurs and producers	No	

Source: Author's elaboration.

Regarding the recognition that these social entrepreneurs have of impact investment, it should be noted that in the responses provided, the SEs studied gave examples of impact investors they knew, which helped to categorize the responses, and it was found that three of the social enterprises confused the term with banks and cooperatives that only provide loans to small and medium enterprises or producers; on the contrary, 80% of them knew institutions or investors that were dedicated to impact investment or had lines of credit related to it. Thus, they identified the term well. This shows that most of the SEs studied knew the term and correctly distinguished it from other types of financing.

Table 12 below shows the role played by impact investment in each of the social enterprises studied, for which purpose a classification was made of the answers given.

According to what is presented in Table 13, impact investment played different roles in the Ecuadorian social enterprises studied. In Ecuador, a Latin American and under-developed country, it would be expected, according to the literature review, that the role of this type of financing is null, which is corroborated by the results of this study since most of the interviewees gave answers that suggested that impact investment played a null role within their social enterprises due to situations that will be detailed later. However, within the answers, another role that impact investments had was as a promoter of social entrepreneurship since it enabled a satisfactory use of impact investments in the development of SEs. In some Ecuadorian social enterprises under study, these investments worked as an expander of their SE.

**Table 12.** Role of impact investing in social enterprises analyzed.

Code	Role of Impact Investing	Description in Social Entrepreneurship
ES1	Source of funding	Had sought this type of financing because of its low interest rate to buy paper and seeds to develop their product.
ES2	Null	Had not sought this kind of funding and had not needed its help.
ES3	Expander of social entrepreneurship	Was supported by the CFN, which provided an impact investment to expand the business and purchase machinery.
ES4	Null	Did not need that kind of funding.
ES5	Null	Had never had access to this type of financing nor did they need it.
ES6	Expander of social entrepreneurship Promoter of social entrepreneurship: source of support and opportunity	Had the support of an impact investor through the Maquita Foundation; accessed the benefits through a competition to promote ventures of this type. The investment helped them to expand because it provided financing to be involved in production marketing, thus generating a return of profits to partners who were agro-producers in rural areas.
ES7	Null	Participating with the help of an impact investor, but had not received any messages. Had not received any support yet.
ES8	Null	The municipality of Guayaquil accepted the project as they were interested. Received an email stating that the project did not comply with certain aspects; thus, it has not had any support from these institutions or impact investors.
ES9	Limiting shared value creator	Mentioned that they are difficult to access for organizations in rural areas and small organizations, but had tried to seek their help since they wanted support in improving the conditions of the weavers of Gualaceo.
ES10	Null	Had not sought this funding nor had the need to seek it.
ES11	Source of funding	Had sought this type of financing since it allows one to have capital but with low interest costs.
ES12	Null	Knew the advantages but had not accessed this type of financing because they did not need it.
ES13	Promoter of social entrepreneurship: source of support and opportunity	Investors of this type and international organizations had decided to invest in the ES and supported them to continue training more women.
ES14	Null	Had not needed it nor sought it.
ES15	Null	Hadn't needed it.

Source: Author's elaboration.

**Table 13.** Main roles of impact investing.

Role of Impact Investing in Ecuadorian Social Entrepreneurs under Study	Total
Source of funding	2
Expander of entrepreneurship	2
Promoter of social entrepreneurship: source of support and opportunity	2
Null	9
Limiting	1
Shared value creator	1

Source: Author's elaboration.

Despite what has been described above, impact investments also had a limiting role for one of the social enterprises studied since access to these investments is difficult, as mentioned by some interviewees. Likewise, according to the research carried out on the role of impact investments, the financial health meter, meter and generator of impact, and driver of sustainable development did not coincide with any response of the interviewees because impact investors in Ecuador did not fulfill this role for the social entrepreneurs studied.

The results obtained so far, compared to the previous taxonomy, show the following (Table 14).



**Table 14.** Contrast of results.

Code	Role of Impact Investment	Type of Financing Used when Setting Up the ES	Knowledge of Impact Investment	ES Lifecycle Impact Investment Support
ES2	Null	Contribution	Yes	Do not search
ES4	Null	Own financing	Yes	Not used
ES5	Null	Own financing	No	Not used
ES7	Null	Donation	No	It hasn't helped
ES8	Null	Own financing	No	It hasn't helped
ES10	Null	Own financing	Yes	Do not search
ES12	Null	Own financing	Yes	Not used
ES14	Null	Own financing	Something	Not used
ES15	Null	Own financing	Yes	Not used

The results of this study show that for most of the social enterprises studied, the role of impact investment was null; thus, some points can be taken into consideration. On the other hand, most of these enterprises were aware of impact investment; thus, this null role for nine of the social enterprises was not mainly due to a lack of knowledge of the subject but because most of them did not use it, did not seek it or had not been helped by it. Thus, this type of financing did not play a role in these social enterprises.

## 5. Discussion

According to a letter from the president of the Chilean Association of Investment Fund Administrators, Luis Alberto Letelier Herrera, in recent years, the world has gone through a series of changes in the financial sector as investors are now not only looking for financial returns but also for their funds to help and contribute to environmental and/or social practices that can have a measurable return in the long term.

From this point of view, there have been several studies carried out around the world on impact investment and the relevance of it when creating a social enterprise. In this study, it was proven that most ESs knew about impact investment but it was not present at the time of their creation since, in some cases, they did not seek it or had not received support. This is because all the social enterprises studied were built on the basis of own capital and family help; thus, they were born as an ES and also as a family business. All this led to a null role of impact investment in most of the social enterprises studied.

As argued by Gözl [32], in order for an impact investment to bring significant benefits to the economy of a country and be used by entrepreneurs, the industry must be developed in such a way that impact investments reach and have the opportunity to contribute as an accepted instrument to the support and development of social entrepreneurs and thus play a significant role within their businesses.

Likewise, Ormiston and Seymour [51] mentioned that the emergence of impact investment has been slow in several countries but, in the case of Australia, there is an attractive scenario to explore impact investment because the federal government of the country has promoted some reforms and strategies for impact investing to grow; therefore, social enterprises seek and use this type of financing. In the case of Ecuador, something similar has happened because there are institutions such as IMPAQTO and NEXUS that have established strategies for the development of impact investment; however, in the analysis, impact investment had not had a greater scope; thus, it is logical that there is the result of zero development.

Similarly, Maestre [30] suggested that most Latin American countries have implemented impact investment in social enterprises; despite this, the role that this type of financing has had has been almost null. According to the author, this could be mainly due to a lack of specific knowledge regarding impact investing, leading to a rejection of investors of this type. On the other hand, he mentioned that a null role could not be due to a lack of knowledge of the terminology because entrepreneurs already have access to suffi-

cient information on the subject [52]. In another sense, I-Ping, Ormiston and Findlay [33] argued that impact investment fulfills different roles in social enterprises as there is more and more information on the subject; they also mentioned that conventional investments are becoming less used over time, while impact investors are increasingly influencing the daily actions of entrepreneurs; therefore, it is important for the authors to defend the role it has played in SEs.

Furthermore, the results presented here are consistent with the research conducted by Glänzel and Scheuerle [53], who conducted in-depth interviews with social entrepreneurs as beneficiaries of investments in Germany and social impact investment funds and investment advisors, from which it can be concluded that impact investment certainly faces obstacles and challenges. Investors face a lack of information and transparency about impact investment opportunities, as well as difficulties in properly assessing these opportunities and their associated risks. The lack of clear metrics and indicators to measure and evaluate social impact is also an obstacle. In addition, the lack of adequate tax and public sector investment incentives reduces investor interest.

On the other hand, as mentioned before, one of the main characteristics of impact investment is its ability to be measurable; thus, in several investigations and after an exhaustive search was found one of the most used methodologies in social enterprises, the SROI (social re-turn on investment), which has been used to demonstrate the important role that impact investment has in ES and is already used in some research and analysis, especially in Australia, demonstrating benefits such as better communication between investor and stakeholders, efficient management of social entrepreneurship, and better strategies and resources [54]. On the other hand, Gordon [39] argued that impact investment fulfills the role of limitation for social entrepreneurs who are looking for other types of financing beyond the usual ones since impact investors expect quite low and somewhat risky returns; thus, when entrepreneurs look for this type of investment, they usually run into a series of requirements that they have to meet and, therefore, opt for easier alternatives such as financing or family loans.

However, this research is specific to each of the 15 social enterprises analyzed; thus, the results are not generalized for all of Ecuador. Therefore, the null role that impact investment has had in most of the social enterprises studied is due to different factors for each case, but many of them are due to some characteristic mentioned by authors previously, as in what was presented by Maestre [30] since, according to the results, the null role of impact investment for most of the ESs studied was not due to a lack of knowledge, which is quite similar to what the author mentioned.

## 6. Conclusions

This article sought to contribute to and expand the research on impact investment in Ecuador as there is little research on this topic in the country. Specifically, the issue of financing Ecuadorian social enterprises and the role of impact investment has been analyzed.

This study showed that impact investment plays a null role for most of the Ecuadorian social enterprises analyzed due to several factors. The first factor was the type of financing used by social entrepreneurs when starting their businesses since none of them mentioned impact investment; rather, they emphasized the use of funds from their family or own resources, which can be attributed to the fact that the 15 social enterprises analyzed were family businesses; thus, they opted for other types of financing mentioned above. The second factor was the usefulness of impact investments in the life cycle of an SE; it was concluded that most ESs do not use or seek this type of financing because many of the social enterprises mentioned that they had not seen the need to use this financing, but it is important to mention that most of the social entrepreneurs studied knew about impact investment, and most of them recognized the term and were able to give suitable examples regarding the characteristics analyzed for an impact investment according to the information of GIIN. Therefore, this did not influence the null role it fulfilled within SEs since it would be expected that this result is a consequence of the ignorance of the subject by social enterprises.

During the development of this study, some significant limitations were encountered. The first one is related to data collection. Although it was possible to identify some social enterprises in the country, access to a representative sample was limited, which affected the depth and breadth of the analysis. In addition, the lack of a consolidated database of Ecuadorian social enterprises made it necessary to collect information from scratch, which resulted in the limited availability of objects of analysis. As a result of these limitations, the results obtained cannot be generalized in a broad and representative manner.

With the research carried out, some future lines of research are established that can be addressed, such as determining the most appropriate type of financing for SEs, understanding the many requirements that must be met by social entrepreneurs, understanding the real benefits of using impact investments in a social enterprise as financing, analyzing the remuneration received by the investor for financing a social enterprise with impact investments, analyzing why social enterprises that know about impact investment in Ecuador do not use it, and determining the perception of impact investors of the role of their investment in social enterprises.

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