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# EMPOWERING MSMEs

ENHANCING RESOURCE  
ACCESS, CROWDFUNDING,  
AND INCUBATION INITIATIVES

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# CHAPTER 1

## HARNESSING THE ROLE OF STAKEHOLDERS' MINDFULNESS IN BUILDING RESILIENCE TOWARD SURVIVABILITY, SUSTAINABILITY, AND BETTER GOVERNANCE IN MICRO SMALL MEDIUM ENTERPRISES

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### ABSTRACT

This chapter investigates mindfulness's role in building resilience toward survivability, sustainability, and better governance of micro, small, and medium enterprises through extensive literature review and in-depth analysis of Barangay Nagbalon experience, this examines how the role of mindfulness in building resilience, survivability, sustainability, and better governance in Micro, Small, and Medium Enterprises (MSMEs), mindfulness practices have been implemented in Micro, Small, and Medium Enterprises (MSMEs) to promote resilience, sustainability, and better governance, challenges in incorporating mindfulness into different organizational cultures analyzed, this chapter highlights the role of stakeholders in Barangay Nagbalon achieving resilient, sustainable, and better governance of MSMEs in the context of innovation and incubation initiatives, the significant relationship between mindfulness practices and SAMAKANA enterprise success in times of crisis, and the identified implications of harnessing mindfulness in building resilience, sustainability, and better governance in Municipality of Marilao. This explanatory chapter was also based on the secondary data and literature review and aspires to offer deeper insights for entrepreneurs, innovators, educators, business owners, and other professionals into the role of mindfulness in building resilience, survivability, sustainability, and better governance in Municipality of Marilao.

### **Keywords:**

*mindfulness; resilience; sustainability; better governance; stakeholders*

## INTRODUCTION

Mindfulness plays a significant role in building resilience towards survivability, sustainability, and better governance in Micro, Small, and Medium Enterprises (MSMEs), enhancing entrepreneurial resilience to manage stress, anxiety, and uncertainty inherent in business (How Entrepreneurial Resilience Generates Resilient SMEs, 2017), may lead to better decision-making during crisis practicing mindfulness amid a challenge makes you more receptive to ways your issue might be refrained with novel sources of insight into it (Burk, 2014) mindfulness practices equip entrepreneurs with the tools to manage the inherent stress, anxiety, and uncertainty that are part and parcel of running a business (Ates & Bititci, 2011; Fatoki, 2018; Sharma & Rautela, 2021) when research on mindfulness in MSMEs is still developing, existing studies suggest its potential to foster resilience, sustainability, and good governance by integrating mindfulness practices, MSMEs can cultivate a more mindful and resilient organizational culture, better equipped to navigate challenges and thrive in a rapidly changing world as emphasized by Rajah & Woeffray, 2022; and Litvaj et al., 2023, MSMEs represent a major source of employment, including nearly all sectors of businesses, with over 90% of enterprises in the country are being categorized as MSMEs as emphasized by the World Economic Forum report (2022), MSMEs are the backbone of the global economy, accounting for more than 50% of employment worldwide and contributing to nearly 70% of jobs and GDP on a global scale (Rajah & Woeffray, 2022) during the pandemic and after COVID-19, MSMEs face challenges in today's dynamic and competitive business landscape amidst the uncertainty and pressures, building resilience and fostering sustainable practices become crucial for the long-term survival and success of these enterprises.

Two years ago, the Department of Public Administration and Governance- College of Social Sciences and Philosophy of Bulacan State University and Barangay Nagbalon in Municipality of Marilao, Bulacan signed a partnership agreement that was meant to set up livelihood enterprises to address SDGs 1 to 4. Since then, a food production capacity has been set up with funding from the Regional DOST and the Municipality

of Marilao with daily meals prepared with five food components and five food characteristics. A labor-owned enterprise was organized that can prepare a food plate, in one serving consisting of carbohydrates, fibers, proteins, healthy fats, and micronutrients. The meal has five characteristics: clean, nutritious, affordable, fresh, and delicious. There are no artificial, toxic, or harmful ingredients in the meals. Trans fat, sugar, and excess carbohydrate loading are eliminated. This model is now being launched in all of the Marilao public school system with funding from the Local School Board. This research suggests that mindfulness plays a significant role in enhancing entrepreneurial resilience, fostering sustainable business practices, and improving the overall governance and well-being of children and senior citizens.

This chapter seeks mindfulness's role in building resilience toward survivability, sustainability, and better policy in micro, small, and medium enterprises through an extensive literature review and in-depth analysis of the Barangay Nagbalon experience with **Samahan ng mga Manggagawa sa mga Kabahayan ng Nagbalon (SAMAKANA)**, a private, non-government association labor-owned enterprise.

## **REVIEW OF LITERATURE AND RELATED STUDIES**

### **What is mindfulness?**

Mindfulness is defined as a state of mind, a trait, and a practice we engage in over time. A mindful state of mind has something to do with a few moments as we rest in the awareness of holding an object and feeling it. Mindfulness as a trait is a facet of our personality or a habit we can do to work on. Mindfulness as a practice is a way of harnessing mindfulness as a trait and noticing what's happening around us to reduce stress and make us happier. In Buddhism, mindfulness comprises understanding, intention, effort, and concentration. It is also defined as a fundamentally human experience accessible to anyone at any time (Burk, 2014).

Mindfulness has three components: maintaining awareness of our present experience, cultivating a receptive attitude, and an aspiration to reduce stress and increase happiness. It is not only about being more attentive to our life and letting go of comparing it to the past or future but also it can transform our lives. Once

we have sustained awareness, we can work on our attitude toward our experiences. Things like anger, judgment, fear, stress, and anxiety can prevent us from perceiving without a doubt and try to cultivate receptivity with openness and acceptance. While aspiration may sound ambitious, what is important is a sort of motivation. When experiencing lots of stress, feeling anguish and suffering, but would like to be more intimate with our life, more patient and compassionate, motivation may come in as a kind of aspiration to reduce stress and lead to greater happiness for ourselves.

### **Definition of Micro, Small and Medium Enterprises (MSMEs)**

MSMEs comprise businesses/entrepreneurs engaged in different activities such as production, services, and sales characterized by their relatively small-size independence for autonomy in their operation without being subject to control by individuals or other businesses. MSMEs are vital contributors to the economy, yet they face numerous challenges, from limited access to finance to bureaucratic obstacles and the need for digital adaptation as experienced in the Philippines (Adobas, et al., 2024). As described by the World Economic Forum (Rajah & Woeffray, 2022), businesses with fewer than 10 employees fall under Micro Enterprises, with 10-49 employees categorized as Small Enterprises and those with 50-250 employees classified as Medium Enterprises. In Thailand, MSMEs play a crucial role in the economy as significant employment providers, encompassing the business sector (Wattanakomol, 2023). They classified MSMEs based on their annual revenue and employment figures. Micro enterprises have 5 employees and no more than 1.8 million baht yearly revenue. When small enterprises have trade and services with not more than 30 employees or not more than 50 million baht in annual revenue and manufacturing with not more than 50 employees and not more than 100 million baht in once-a-year revenue. Trade and service sectors under the category Medium Enterprises accumulate not more than 100 employees with not more than 300 million baht in annual revenue and the same with manufacturing with not more than 200 employees and not more than 500 million baht in yearly revenue.

On the other hand, MSME entrepreneurs are deemed key figures in the modern business world, and their success is heavily influenced by harnessing mindfulness through competitiveness to achieve collective capabilities to confront business challenges and uncertainties (Chokpromanan & Jadesadalug, 2015). According to Haddad et al., 2020, MSMEs are major contributors to the economy in both developed and developing countries. Thus, the role of MSMEs in economic development involves several aspects and various sectors like job creation, poverty reduction, and contribution to sustainable development goals (SDGs) as well as to manufacturing, trading, and services (Burhan et al., 2020; Valaei et al., 2017).

## **RESEARCH QUESTIONS**

1. What are the roles of stakeholders' mindfulness in building resilience, survivability, sustainability, and better governance in Micro, Small, and Medium Enterprises (MSMEs)?
2. How have Barangay Nagbalon's mindfulness practices been implemented in micro, small, and medium enterprises (MSMEs) to promote resilience, sustainability, and better governance?
3. What are the challenges in incorporating mindfulness into different cultures in as perceived by the respondent-?
4. What implications of harnessing mindfulness in building resilience, sustainability, and better governance in MSMEs may be formulated?

## **METHODOLOGY**

This chapter employed a descriptive research design. According to Creswell (2024), the descriptive research design is a study that describes the characteristics of a population or phenomenon being examined. Based on the literature review, discusses the role of mindfulness in building resilience, survivability, sustainability, and better governance in Micro, Small, and Medium Enterprises (MSMEs), how mindfulness practices of Barangay Nagbalon SAMAKANA labor-owned enterprises have been implemented in Micro,



Small, and Medium Enterprises (MSMEs) to promote resilience, sustainability, and better governance, and how can businesses measure the impact of mindfulness practices on employee well-being and productivity. This chapter was also based on the secondary data and literature review and aspires to offer deeper insights for entrepreneurs, innovators, educators, business owners, and other professionals into the role of mindfulness in building resilience, survivability, sustainability, and better governance in the Municipality of Marilao.

### **Linking the Role of Stakeholders' Mindfulness in Building Resilience, Survivability, Sustainability, and Better Governance in Micro, Small, and Medium Enterprises (MSMEs)**

The article Building Sustainable MSMEs: The Role of Mindfulness Practices emphasizes the importance of incorporating mindfulness practices in MSME management to foster sustainability. It explores how mindfulness can improve decision-making processes, innovation, and overall business performance, leading to long-term success and sustainability. Through an extensive literature review, it explores how the role of mindfulness has been practiced in MSMEs. The following are several ways to build resilience. Mindfulness helps individuals develop resilience by fostering a positive mindset, emotional regulation, and the ability to bounce back from failures. In the context of MSMEs, resilience is crucial for overcoming challenges, adapting to evolving landscapes, and ensuring survivability during turbulent times. Mindfulness practices such as meditation and deep breathing can help MSME owners and employees manage stress effectively. In reducing stress levels, individuals are better equipped to navigate the business's challenges, and uncertainties. By promoting a mindful approach to business operations MSMEs can enhance their sustainable undertakings and practices. Mindfulness encourages ethical decision-making, responsible resource management, and long-term growth rather than short-term gains, all essential for building a sustainable business model. Integrating mindfulness awareness and practices into the culture, and operations of stakeholders, creates a profound impact on their resilience, sustainability, and governance. By fostering emotional well-being, improving decision-

making processes, and promoting adaptive behaviors, mindfulness can empower MSMEs to thrive in a competitive business environment while contributing positively to the larger community and economy. Mindfulness cultivates a higher self-awareness and focus, enabling MSME leaders to make more informed and rational decisions. This can lead to better governance practices and strategic planning, ultimately contributing to the long-term sustainability of the enterprise. Mindfulness encourages individuals to stay present and adaptable at face value of changes and setbacks. MSMEs that embrace mindfulness are more likely to respond effectively to market fluctuations, technological advancements, and other external factors that could impact their business. Mindful practices promote active listening, empathy, and clear communication within MSMEs. Strong communication channels foster better collaboration among team members, suppliers, and customers, established relationships, and governance.

**How have Barangay Nagbalon Stakeholders' mindfulness practices been implemented in micro, small, and medium enterprises (MSMEs) to promote resilience, sustainability, and better governance?**

As the key informants emphasize, conceptually only two of the three factors. Economic productivity is present in the Nagbalon initiative of social enterprise. The Local Government Unit (LGU) is still learning ideas of self-sufficiency in various resources. LGU and the national government Department of Science and Technology (DOST) resources are abundant given the geography and proximity to the fish harvest in the largest ports in the country which are nearby (from Navotas to Hagonoy). Laborer owners had skills and education from April 2022 to the present, and more than ten (10) viable products have been sold with customer repeat orders. Only capital remains elusive since on average eight (at present all women laborers have six years of basic education with no experience in the labor market employment all their adult life. The provision of sweat equity is not problematic.

Furthermore, this is unsustainable and should be adjusted with more investment from the LGU. This would slowly happen with investment in soup kitchens deployed in disaster events, upcoming deployment

selling booths in subdivision public market days, older persons, and public-school funds allocation for feeding using products developed by the national government (DOST). The halt in continuity is to be treated as mindfulness in learning this new approach where the LGU policy is aligned with the all-women labor-owned enterprise. Facilities in Nagbalon have been given to women entrepreneurs for use in product lines with more potential than previously imagined.

Moreover, he said “Although at least one hundred years or four generations had lived in Nagbalon, involving ourselves in politics is fairly new as all of the land and fish pond holdings come from the Roman Catholic Spanish colonial government. Thus, I witnessed the decline in biodiversity loss through the years. Since LGU resources were only made available to community groups since 1991, this route is now given the legacy of elite control on the concept of economics, driven by neoliberalism. The current trend away from this and into equity economics is shared approvingly by the LGU leadership. This kind of openness in the leadership may have been due to declining wariness to neoliberalism which had become unreliable due to increasing inequality, declining economic productivity, and negative climate outcomes. Openness to new ideas comes with education and experience I have acquired throughout my life.”

Similarly, the study of Indrianti, et.al explained the importance of cultivating a mindful entrepreneurial mindset and adopting ambidextrous leadership practices for startup leaders aiming to thrive in a volatile scaling landscape. The findings also contributed not only to individual leadership development but also to informed organizational strategies and interventions aimed at fostering resilience and sustainable growth in the startup ecosystem.

When discussing the role of mindfulness in improving resilience, sustainability, and governance within micro, small, and medium enterprises, it is noteworthy to consider a range of academic studies, research articles, and books that can provide valuable insights and information. Here are some specific insights into how mindfulness practices have been implemented in Micro, Small, and Medium Enterprises (MSMEs) to promote resilience, sustainability, and better governance. Some MSMEs have introduced mindfulness

meditation sessions, yoga classes, or other mental well-being programs for their employees. These initiatives aim to reduce stress, enhance focus, and improve overall well-being, ultimately leading to a more productive and engaged workforce; MSME owners and managers have incorporated mindfulness training into their leadership development programs. By learning mindfulness techniques, leaders can enhance their decision-making abilities, emotional intelligence, and communication skills, which in turn can positively impact the governance and sustainability of the business; Certain MSMEs have integrated mindfulness principles into their daily operations and decision-making processes. This includes encouraging mindful consumption of resources, ethical sourcing, and responsible waste management practices. By aligning business operations with mindfulness values, these enterprises can contribute to sustainability efforts and team-building activities. MSMEs have organized team-building activities that embody mindfulness practices such as group meditations, mindful walking exercises, or gratitude sessions. These activities help foster a sense of unity, collaboration, and empathy among team members, leading to improved communication and governance within the organization; Mindfulness techniques have been utilized in MSMEs to facilitate effective conflict resolution and problem-solving. By encouraging employees to approach conflicts with a calm and focused mindset, businesses can prevent tensions from escalating, foster constructive dialogue, and maintain a positive work environment. Some MSMEs have leveraged mindfulness principles to enhance customer engagement strategies. This may involve training customer service teams in active listening and empathy, designing mindful marketing campaigns that resonate with customers' values, or offering mindfulness-based products or services that promote well-being. By incorporating mindfulness practices into their operations, MSMEs can cultivate a culture of resilience, sustainability, and better governance. These examples demonstrate how mindfulness can be effectively applied in small and medium enterprises to foster holistic growth and success.

## **Challenges in Incorporating Stakeholders' Mindfulness into Sustainable Leadership Practices in Barangay Nagbalon?**

One of the challenges is openness to these ideas comes with the reality of consultation on the kind of leadership and champion to take things forward in the one hundred years. Next one hundred years. Certainly, 2124 is different from the current reality. Another challenge as perceived by women entrepreneurs was sustainable leaders and entrepreneurs should develop and integrate strong leaders as value co-creation, skills-oriented with ethical competencies in business enterprises. The stakeholders foster ethical values with care and promote social responsibility to achieve inclusive growth, sustainability, and resilience. Women entrepreneurs viewed also that micro, small, and medium enterprises require time, resources, and organizational support from funding agencies like DOST, the Municipality of Marilao, and other private agencies. They may fail if there is no clear budget, staffing, or expertise needed to establish and maintain mindfulness in their tasks and responsibilities. Without ongoing commitment, reinforcement, and integration with existing processes, their mindfulness with the support of stakeholders may lose momentum or become marginalized over time. Adequate training, and support, for entrepreneurs like the SAMAKANA association and leaders engaging in mindfulness practices is critical and without proper guidance and resources may struggle to incorporate mindfulness into their daily routines.

### **CONCLUSION**

Based on the findings of the study, the following conclusions may offer:

1. The study provides an in-depth analysis of harnessing mindfulness in building resilience, sustainability, and better governance in Micro, Small, and Medium Enterprises (MSMEs) demonstrating a valuable opportunity for enhancing organizational well-being, performance, and long-term success.
2. By integrating mindfulness practices into the fabric of enterprise operations, leaders, employees, and stakeholders can cultivate awareness, adaptability, and ethical decision-making that drives positive outcomes and fosters a culture of resilience and sustainability.

3. Through the collective efforts of entrepreneurs, educators, innovators, business incubators, researchers, and other stakeholders, SAMAKANA labor-owned enterprises can leverage mindfulness to navigate challenges, foster growth, and promote effective governance practices within their organizations.
4. By emphasizing mindfulness in leadership practices, work environments, and business strategies, SAMAKANA enterprise can empower their teams to cope with uncertainty, manage stress, and maintain focus amidst complexity and change and
5. Mindfulness practices can enhance individual and stakeholders' resilience to respond effectively to setbacks, disruptions, and market pressures with ethical decision-making, and social responsibility.

### **Implications and Recommendations**

Harnessing the role of mindfulness in building resilience, sustainability, and better governance in Micro, Small, and Medium Enterprises (MSMEs) carries significant implications that offer valuable recommendations for organizations seeking to thrive in a rapidly changing and competitive business environment. Addressing the challenges and limitations requires a thoughtful, strategic approach to integrating mindfulness into the culture of entrepreneurs' responsibilities. Potential barriers and proactively addressing them, businesses and enterprises can enhance the effectiveness and sustainability of mindfulness awareness within their workplaces.

Practices can enhance entrepreneurs' ability to cope with stress, adapt to challenges, and maintain focus during turbulent times, fostering a resilient organizational culture that can withstand disruptions and bounce back from setbacks effectively., SAMAKANA can promote ethical decision-making, social responsibility, and environmental stewardship, aligning business practices with sustainable development goals and creating long-term value for stakeholders, society, and the environment as mindfulness can cultivate transparency, integrity, and ethical conduct in governance processes, enabling leaders to make informed decisions, build trust with stakeholders, and uphold high standards of accountability and compliance that support organizational growth and ethical business practices.

Integrating mindfulness into leadership development can be recommended to provide mindfulness training and coaching for Barangay Nagbalon entrepreneurs as leaders to enhance their emotional intelligence, decision-making skills, and resilience; empowering them to lead by example and create a culture of mindful leadership within the organization. Sustainable practices that align with the association's values and strategic goals. Promote mindful communication and conflict resolution to establish clear communication channels, conflict resolution strategies, and decision-making processes that emphasize mindfulness, active listening, empathy, and mutual respect to foster a culture of open dialogue, collaboration, and effective problem-solving in MSMEs. Offer mindfulness training and resources that will provide stakeholders access to mindfulness training programs, workshops, resources, and tools to develop their mindfulness skills, enhance their stress management capabilities, and improve their mental well-being, performance, and job satisfaction. For future researchers, conduct a study about the sustainable future through technology's power and impact, and livelihood programs through mindfulness to ensure the future of MSMEs for better governance, and what government support may provide to entrepreneurs to foster a culture of mindfulness and well-being to create a supportive work environment that values self-care, work-life balance, and holistic well-being. By implementing these recommendations and recognizing the implications of harnessing mindfulness in building resilience, sustainability, and better governance in MSMEs, different villages/barangays can leverage the power of mindfulness to enhance their performance, promote ethical conduct, and drive sustainable success in today's competitive business landscape.

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## GLOSSARY

**Awareness** A receptive state of mind that involves special effort only in that you need to let go of thoughts to allow them to operate.

**Mindfulness** consciously maintains awareness of the present experience and, the ability to focus with a receptive attitude.

**Resilience** The ability of a person to adjust, to be happy, adapting to challenging life experiences.

**Survivability** The ability to remain alive or enterprises continue to exist.

**Sustainability** The pursuit to maintain a certain level, or support a process continuously over time.

**Better governance** The process through which state and non-state groups interact to design and implement policies, act in the best interest of the business, or support pro-poor economic growth.

# CHAPTER 2

## ENHANCING RESOURCE ACCESS FOR MSMEs

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### ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) are crucial to economic growth, job creation, and innovation worldwide. Despite their significance, MSMEs often struggle to access essential resources, such as capital, technology, and skilled labor, which impedes their growth and sustainability. This chapter, "Enhancing Resource Access for MSMEs," forms part of the e-book "Empowering MSMEs: Enhancing Resource Access, Crowdfunding, and Incubation Initiatives." It explores the challenges MSMEs face and presents a comprehensive range of solutions, including government support, technology leverage, and strategic partnerships, to bridge the resource gap and foster sustainable growth.

#### **Keywords:**

*MSMEs, resource access, capital, technology, skilled labor, government support, digital platforms, economic growth, sustainability, policy development*

## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the lifeblood of economies worldwide. They generate significant employment opportunities, drive innovation, and contribute substantially to national GDPs (International Labour Organization, 2024). Despite their undeniable value, MSMEs often face a critical hurdle: limited access to essential resources that can hinder their growth and sustainability (World Bank, 2024).

This chapter, "Enhancing Resource Access for MSMEs," lays the groundwork for the broader discussion within this e-book, "Empowering MSMEs: Enhancing Resource Access, Crowdfunding, and Incubation Initiatives." Our aim is to equip these enterprises with the tools and strategies they need to overcome resource constraints and achieve sustainable growth.

### Unique Contribution and Significance

This chapter goes beyond simply identifying the resource gap faced by MSMEs. We delve deeper to analyze the specific challenges encountered in acquiring capital, technology, and skilled labor (Beck & Demircan, 2023). Furthermore, we offer a unique contribution by exploring a comprehensive range of solutions to bridge this gap.

### Focus and Scope

Our focus in this chapter is on MSMEs in a global context, with potential applications and considerations for the Philippines highlighted throughout. We examine various mechanisms to enhance resource access, including:

- **Government support mechanisms:** Grants, subsidies, and favorable policies (Philippine Development Plan, 2023)
- **Technology leverage:** Digital platforms, e-commerce, and fintech solutions (International Trade Centre, 2023)

- **Strategic partnerships and supply chain integration** (Journal of Small Business Management, 2022)

By exploring these strategies, we aim to empower policymakers, development practitioners, and MSMEs themselves to identify and implement effective solutions that unlock their full growth potential.

## **Understanding the Resource Gap: Analyzing the Challenges MSMEs Face in Accessing Capital, Technology, and Skilled Labor**

Micro, small, and medium-sized enterprises (MSMEs) are the lifeblood of many economies. They are the engines of job creation, innovation, and local development. Yet, despite their undeniable importance, MSMEs often face a significant hurdle on their path to success: the resource gap. This gap refers to the disparity between the resources MSMEs need to thrive and their ability to access them.

This gap manifests in three critical areas: capital, technology, and skilled labor. Access to adequate capital is crucial for MSMEs to invest in equipment, inventory, and marketing initiatives. However, traditional financial institutions often view MSMEs as high-risk borrowers, making it difficult for them to secure loans. Additionally, the rapid advancements in technology can be both a blessing and a curse. While technology offers opportunities for increased efficiency and market reach, the cost of implementation and the lack of digital literacy can leave many MSMEs behind. Finally, the talent pool of skilled labor is essential for MSMEs to operate effectively. However, attracting and retaining qualified employees can be challenging, especially when competing with larger corporations.

Understanding the resource gap for MSMEs is not simply an academic exercise; it's a critical step towards fostering a more vibrant economic landscape. By identifying the specific challenges faced by MSMEs in accessing these resources, we can develop targeted solutions that empower them to overcome these hurdles. This analysis will delve into the specific limitations faced by MSMEs in each area, explore the root causes of these limitations, and highlight the detrimental impact they have on business growth. By acknowledging the

resource gap, we can pave the way for the creation of a more supportive ecosystem that allows MSMEs to flourish and fulfill their true potential as drivers of economic prosperity.

### **Financial Constraints: The Funding Struggle**

Limited access to capital is a persistent and crippling obstacle faced by Micro, Small, and Medium-sized Enterprises (MSMEs) (Achim, Hassan, & Mohamad, 2023). Traditional financial institutions, the primary source of funding for many businesses, often perceive MSMEs as high-risk borrowers due to several factors (Beck & Demircan, 2023). These factors include:

- **Lack of Collateral.**

MSMEs often lack the substantial assets required as collateral for traditional loans. This can be especially challenging for startups or businesses operating in new industries with limited tangible assets (International Finance Corporation, 2022).

- **Limited Credit History.**

New businesses, by definition, have a limited track record of financial performance. This lack of credit history makes it difficult for lenders to assess the creditworthiness of MSMEs and increases the perceived risk of default (Beck & Demircan, 2023).

- **Volatility and Uncertainty.**

MSMEs are often seen as inherently more volatile than larger businesses. They may operate in niche markets or be susceptible to fluctuations in raw material prices or consumer trends. This perceived volatility discourages lenders who prioritize stability and consistent repayment (Ayyagari & Demirgüç-Kunt, 2007).

This risk aversion among traditional lenders translates into stringent loan requirements, such as high minimum loan amounts or demanding financial ratios. Additionally, MSMEs are often subject to higher interest

rates compared to larger corporations, further increasing the cost of borrowing (Beck & Demircan, 2023). These factors create a significant barrier to entry, making it difficult for MSMEs to secure the necessary funding for critical activities like:

- **Investing in Equipment and Infrastructure.**

Modern equipment and technology are essential for efficient operations and product development. However, the upfront costs can be prohibitive for MSMEs without access to adequate funding (Achim, Hassan, & Mohamad, 2023).

- **Expanding Operations.**

Growth often requires scaling production, hiring additional staff, or entering new markets. These endeavors necessitate capital for inventory, marketing, and operational expenses (Beck & Demircan, 2023).

- **Innovation and Competitive Advantage.**

Research and development (R&D) can be a powerful tool for MSMEs to differentiate themselves and stay ahead of the competition. However, limited access to capital can stifle innovation and hinder long-term growth prospects (World Bank, 2023).

The funding gap for MSMEs is further exacerbated by the limited availability of alternative financing options (MSME Finance Forum, 2023). Angel investors and venture capitalists typically focus on high-growth startups with significant potential for rapid scaling. This leaves MSMEs with limited options outside of traditional bank loans, hindering their ability to access the diverse funding sources necessary for a healthy and sustainable business (Achim, Hassan, & Mohamad, 2023).

Finally, the financial constraints faced by MSMEs are a complex issue with significant ramifications. By understanding the root causes of this funding gap, such as a perceived lack of collateral, limited credit history, and inherent volatility, policymakers and financial institutions can develop targeted solutions that empower MSMEs to overcome these hurdles. Increased access to capital is crucial for fostering a vibrant and thriving MSME ecosystem, ultimately contributing to economic growth and job creation.

### **Technological Lag: Bridging the Digital Divide**

Technology plays a vital role in today's business landscape. From e-commerce platforms to online marketing tools, technology can help MSMEs reach new customers, improve operational efficiency, and gain a competitive edge. However, many MSMEs lack the resources and know-how to leverage these advancements effectively (International Trade Centre, 2023).

The cost of acquiring technology and the lack of digital literacy among entrepreneurs can create a significant barrier. Additionally, limited access to reliable internet connectivity in some region further disadvantages MSMEs in the digital sphere. This "technological lag" can hinder their ability to participate in the digital economy, limiting their growth potential and market reach.

### **Trapped in the Analog Era - A Challenge for MSMEs**

Technology is no longer a luxury in today's business landscape; it is the cornerstone of success. From the ubiquitous presence of e-commerce platforms to the targeted reach of online marketing tools, technology empowers MSMEs to transcend geographical limitations, connect with new customer segments, streamline operations, and gain a significant competitive edge (International Trade Centre, 2023). However, for many MSMEs, this digital revolution presents a formidable challenge – the "technological lag."

This lag manifests in several ways, creating a significant barrier to entry in the digital sphere. Here are some key obstacles faced by MSMEs:

- **Cost of Technology.**

Implementing the necessary technology infrastructure can be a significant financial burden for MSMEs. The upfront costs of acquiring hardware, software, and ongoing maintenance can be prohibitive, especially for businesses with limited financial resources (Achim, Hassan, & Mohamad, 2023).

- **Digital Literacy Gap.**

Many entrepreneurs lack the digital literacy skills required to effectively utilize and integrate technology into their business operations. This can encompass limitations in areas like social media marketing, data analysis, or cybersecurity protocols (World Bank, 2023).

- **Limited Internet Connectivity.**

Access to reliable and affordable internet connectivity remains a challenge in many regions, particularly rural areas. This lack of infrastructure creates a significant disadvantage for MSMEs in these locations, hindering their ability to fully participate in the digital economy (International Trade Centre, 2023).

The consequences of this technological lag are far-reaching. MSMEs trapped in the analog era face limitations in several critical areas:

- **Restricted Market Reach.**

Without a strong online presence, MSMEs struggle to reach new customers beyond their immediate geographical location. This hinders their ability to expand their customer base and limits their growth potential (International Trade Centre, 2023).

- **Operational Inefficiency.**

Manual processes and outdated systems can lead to wasted time, errors, and reduced productivity. Technology adoption can streamline operations, improve communication, and allow MSMEs to focus on strategic initiatives.



- **Competitive Disadvantage.**

In today's digital marketplace, customers expect a seamless online experience. Without a digital presence, MSMEs struggle to compete with established businesses that leverage technology to offer enhanced customer service and product offerings.

Bridging this technological lag is essential for ensuring the long-term success and sustainability of MSMEs. By addressing the cost barriers, enhancing digital literacy training programs, and investing in infrastructure development, policymakers and support organizations can empower MSMEs to embrace technology and unlock its full potential. A thriving digital MSME sector fosters innovation, drives economic growth, and creates a more level playing field in the competitive global marketplace.

### **Skilled Labor Shortage: Finding the Right Talent**

A qualified and competent workforce is essential for any business to thrive. However, MSMEs often struggle to attract and retain skilled talent, particularly in specialized fields ( Mer & Viridi, 2024). Larger companies with more resources can offer higher salaries and more comprehensive benefits packages, making it challenging for MSMEs to compete for top talent.

Furthermore, the rapid pace of technological change can create a skills gap within the workforce. MSMEs may lack the resources to provide adequate training and skill development opportunities for their employees, hindering their ability to adapt and innovate in a dynamic market environment.

### **A Talent Tug-of-War for MSMEs**

A qualified and competent workforce is the lifeblood of any business. Yet, for Micro, Small, and Medium-sized Enterprises (MSMEs), securing the right talent can feel like an uphill battle in a fiercely

competitive landscape (Achim, Hassan, & Mohamad, 2023). This "skilled labor shortage" presents a significant challenge to MSME growth and innovation.

Here is a deeper look at the factors contributing to this talent tug-of-war:

- **Resource Disparity**

Larger corporations often possess the financial muscle to offer more attractive compensation packages, including higher salaries, comprehensive benefits (health insurance, retirement plans), and career development opportunities (World Bank, 2024). This financial leverage makes it difficult for MSMEs to compete for top talent, particularly in specialized fields where skilled workers are in high demand (chapter 7, Mer & Viridi, 2024).

- **Limited Training and Development**

The rapid pace of technological change creates a dynamic skills landscape. MSMEs may lack the resources to invest in robust training programs that equip their employees with the latest industry knowledge and technical skills. This skills gap can hinder innovation and limit an MSME's ability to adapt to evolving market demands (Achim, Hassan, & Mohamad, 2023).

- **Work Culture and Employer Branding**

Beyond compensation, company culture and employer branding play a crucial role in attracting and retaining talent. Larger corporations often have established reputations and well-defined career paths, which can be more appealing to job seekers, especially those entering the workforce for the first time (International Labour Organization, 2024). MSMEs may need to work on fostering a positive and engaging work environment to attract and retain skilled employees.

The consequences of the skilled labor shortage for MSMEs can be severe:

- **Reduced Productivity and Innovation.**

A lack of skilled workers can lead to operational inefficiencies, hindering productivity and limiting the ability to develop and implement innovative ideas (Achim, Hassan, & Mohamad, 2023).

- **Limited Growth Potential.**

Without the right talent to manage expansion or implement new technologies, MSMEs struggle to scale their businesses and reach their full growth potential.

- **Increased Operational Costs.**

High employee turnover can be costly for MSMEs. The time and resources invested in recruitment, onboarding, and training new employees can significantly impact the bottom line.

Addressing the skilled labor shortage requires a multi-pronged approach. Government initiatives that provide financial assistance for training programs can empower MSMEs to upskill their existing workforce. Furthermore, fostering a culture of continuous learning and development can make MSMEs more attractive to skilled workers seeking opportunities for professional growth. By acknowledging the challenges and implementing innovative solutions, stakeholders can bridge the talent gap and empower MSMEs to compete effectively in the labor market. A thriving pool of skilled workers within the MSME sector fosters a more dynamic and innovative economy, creating a win-win situation for businesses and the workforce alike.

### **The Ripple Effect: How the Resource Gap Stifles MSME Growth**

The resource gap is not merely a hurdle for MSMEs; it is a universal challenge with far-reaching consequences. The limitations in accessing capital, technology, and skilled labor create a ripple effect that weakens their growth, innovation, and ultimately, their contribution to the broader economy (Achim, Hassan, & Mohamad, 2023).

## **Financial Constraints**

Limited access to capital acts as a handbrake on progress. MSMEs struggle to invest in essential areas like equipment, inventory, and marketing initiatives (Beck & Demircan, 2023). This stifles their ability to expand operations, develop new products or services, and compete effectively in the marketplace (Achim, Hassan, & Mohamad, 2023). Innovation, a key driver of economic growth, often falls victim to a lack of funding, limiting the MSME sector's potential to develop groundbreaking solutions (World Bank, 2023).

## **Technological Lag**

The digital revolution has fundamentally altered the business landscape. MSMEs trapped in the "technological lag" face significant disadvantages (International Trade Centre, 2023). Without a robust online presence, they struggle to reach new customers beyond their immediate geographical location, hindering their growth potential (International Trade Centre, 2023). Furthermore, outdated systems and manual processes lead to operational inefficiencies, reduced productivity, and an inability to adapt to the ever-evolving digital landscape (Achim, Hassan, & Mohamad, 2023). This ultimately translates to a loss of market share and competitiveness.

## **Skilled Labor Shortage**

The lack of skilled talent creates a significant bottleneck for MSMEs (Achim, Hassan, & Mohamad, 2023). Without qualified personnel, they face limitations in areas like product development, marketing, and operational efficiency. This translates to a diminished capacity to innovate, adapt to changing market demands, and ultimately, achieve sustainable growth (World Bank, 2024). The inability to compete for top talent further exacerbates the issue, creating a vicious cycle that hinders the overall development and dynamism of the MSME sector (International Labour Organization, 2024).

## The Domino Effect on the Economy

The impact of the resource gap extends beyond individual MSMEs. A stifled MSME sector translates to a loss of potential in several areas:

- **Job Creation.**

MSMEs are significant contributors to job creation (International Labour Organization, 2024). Limited growth due to resource constraints translates to fewer employment opportunities, hindering economic development and social mobility.

- **Innovation and Entrepreneurship.**

A vibrant MSME sector fosters a culture of innovation and entrepreneurship (World Bank, 2023). The resource gap stifles this spirit, hindering the development of new ideas and solutions that can drive economic progress.

- **Economic Diversification.**

Thriving MSMEs contribute to a more diversified economy, making it less susceptible to external shocks (Achim, Hassan, & Mohamad, 2023). A resource-constrained MSME sector limits this diversification, potentially increasing economic vulnerability.

Bridging the resource gap for MSMEs is not simply about empowering individual businesses; it is about fostering a robust and dynamic economic ecosystem. By understanding the challenges, policymakers, financial institutions, and support organizations can develop targeted solutions (Achim, Hassan, & Mohamad, 2023). Increased access to funding, technology, and skilled labor will empower MSMEs to overcome these hurdles, unleash their full potential, and become true engines of growth, innovation, and job creation.

## Moving Forward: Bridging the Gap, Empowering Growth

The limitations faced by MSMEs in accessing capital, technology, and skilled labor present a significant challenge. However, this is not an insurmountable obstacle. By acknowledging the resource gap and its far-reaching consequences, we can pave the way for the development of targeted solutions. The following chapters will delve into a range of initiatives designed to empower MSMEs and unlock their full potential as drivers of economic growth and social development.

## **Innovative Financing Mechanisms**

Traditionally, access to capital has been a major hurdle for MSMEs. However, the emergence of innovative financing mechanisms is changing the landscape. We will explore alternative funding options like crowdfunding, which allows MSMEs to raise capital from a large pool of individual investors (Achim, Hassan, & Mohamad, 2023). Additionally, we will examine the role of microlending institutions and venture capital firms that cater specifically to the needs of MSMEs.

## **Government Support Programs**

Governments play a crucial role in fostering a supportive environment for MSMEs. These initiatives can take various forms, including:

- **Loan Guarantee Schemes.**

These programs can help to mitigate the perceived risk associated with lending to MSMEs, encouraging traditional financial institutions to offer more favorable loan terms (Beck & Demircan, 2023).

- **Tax Incentives.**

Tax breaks and other fiscal benefits can incentivize investment in MSMEs, providing them with much-needed capital for growth and innovation.

- **Skills Development Programs.**

By investing in training initiatives and educational programs, governments can help to address the skilled labor shortage faced by MSMEs, equipping them with the workforce they need to thrive in the modern economy (World Bank, 2024).

### **Business Incubation and Acceleration**

Business incubators and accelerators provide crucial support for MSMEs in their early stages. These programs offer a range of benefits, including:

- **Shared Workspace and Infrastructure.**

Incubators often provide affordable office space and access to essential infrastructure, reducing the financial burden on fledgling businesses.

- **Mentorship and Business Development Support.**

Mentorship from experienced entrepreneurs and business professionals can provide invaluable guidance and support for MSMEs navigating the complexities of running a business.

- **Networking Opportunities.**

Connecting with other entrepreneurs and potential investors can foster collaboration and open doors to new markets and funding opportunities.

By equipping MSMEs with the tools and strategies they need to overcome resource constraints, we can unlock their potential as engines of economic growth and social development. A thriving MSME sector fosters innovation, creates jobs, and contributes to a more diversified and resilient economy. The following chapters will explore these initiatives in greater detail, showcasing success stories and outlining best practices for implementation. Together, we can bridge the resource gap and empower MSMEs to reach their full potential.

### **Government Support Mechanisms: Empowering MSMEs Through Policy, Grants, and Subsidies**

Micro, Small, and Medium-sized Enterprises (MSMEs) are the lifeblood of many economies. They drive innovation, create jobs, and contribute significantly to national GDP (International Labour Organization,

2024). However, their growth potential can be stifled by a lack of access to crucial resources like capital, technology, and skilled labor.

Governments have a vital role to play in fostering a supportive environment for MSMEs to flourish. By implementing targeted support mechanisms, they can bridge the resource gap and empower these businesses to become true engines of economic growth and social development. Here, we explore some key government initiatives designed to address the challenges faced by MSMEs:

## **Policy Interventions**

- **Regulatory Simplification**

Streamlining business registration processes, reducing red tape, and simplifying tax regulations can significantly ease the burden on new and existing MSMEs, allowing them to focus on core business activities (World Bank, 2023).

- **Promoting Access to Finance**

Governments can implement policies that encourage traditional financial institutions to lend to MSMEs by offering loan guarantee schemes or reducing risk-weightage requirements (Beck & Demirçan, 2023). Additionally, policies that incentivize the development of alternative financing options, such as crowdfunding platforms or microfinance institutions, can further diversify the funding landscape (Achim, Hassan, & Mohamad, 2023).

- **Public Procurement Opportunities**

Reserving a portion of government contracts for MSMEs can provide them with valuable market access and growth opportunities (International Trade Centre, 2023).

## **Grants and Subsidies**

- **Seed Funding Grants**



Providing financial assistance to early-stage MSMEs with high-growth potential can be a catalyst for innovation and entrepreneurship (World Bank, 2023).

- **Skills Development Grants**

Grants allocated to training programs and educational initiatives can help MSMEs address the skilled labor shortage by equipping their workforce with the necessary skills to compete in the modern economy (International Labour Organization, 2024).

- **Technology Adoption Subsidies**

Financial assistance for acquiring essential technology or implementing digital infrastructure can empower MSMEs to bridge the technological gap and participate effectively in the digital marketplace (Achim, Hassan, & Mohamad, 2023).

## **The Impact of Effective Government Support**

Well-designed government support mechanisms go beyond simply providing financial aid. They create a holistic ecosystem that fosters the growth and development of MSMEs. The benefits extend beyond individual businesses, impacting the broader economy in several ways:

- **Increased Job Creation**

A thriving MSME sector translates to more employment opportunities, contributing to economic growth and social mobility (International Labour Organization, 2024).

- **Enhanced Innovation and Entrepreneurship**

Government support can nurture a culture of innovation and entrepreneurship, leading to the development of new ideas and solutions that drive economic progress (World Bank, 2023).

- **Economic Diversification**

A vibrant MSME sector contributes to a more diversified economy, making it less susceptible to external shocks (Achim, Hassan, & Mohamad, 2023).

The success of government support mechanisms hinges on several factors, including:

- **Effective targeting**

Programs should be designed to address the specific needs of different MSME segments, considering factors like industry, size, and stage of development.

- **Transparency and Accessibility**

Clear and accessible application processes ensure that all eligible MSMEs have a fair chance to benefit from government support programs.

- **Monitoring and Evaluation**

Regularly monitoring and evaluating the effectiveness of programs allows for adjustments and improvements to maximize their impact.

By implementing a comprehensive suite of support mechanisms, governments can bridge the resource gap for MSMEs and unlock their full potential as drivers of a thriving and dynamic economy.

### **Policy Frameworks: Creating an Enabling Environment**

Government policies can significantly influence the overall business environment for MSMEs. Favorable regulatory frameworks can streamline business registration processes and reduce bureaucratic burdens, making it easier for MSMEs to operate legally and efficiently (Philippine Development Plan, 2023). Additionally, policies promoting competition by preventing unfair practices by larger firms can create a level playing field for MSMEs.

Furthermore, governments can implement policies that incentivize investment in key sectors relevant to MSMEs. Tax breaks for research and development or special tax regimes for MSMEs can encourage innovation and reinvestment of profits. Additionally, policies promoting access to technology and fostering digital infrastructure development can help bridge the technological gap faced by many MSMEs (Global Entrepreneurship Monitor, 2024).

## **Financial Support Mechanisms: Grants and Subsidies for Targeted Growth**

Governments can directly support MSMEs through grants and subsidies. Grants typically provide financial assistance for specific purposes, such as research and development, skills development training for employees, or participation in trade missions. These grants can be crucial for MSMEs to invest in areas that may not be viable with traditional financing options.

Subsidies, on the other hand, can offer temporary financial relief to MSMEs in the form of reduced interest rates on loans, tax breaks, or utility cost reductions. These subsidies can be particularly helpful during economic downturns or for newly established MSMEs facing initial operational challenges (Institute for Small-Scale Industries, 2023).

However, it is important to acknowledge that grants and subsidies can have limitations. Strict eligibility criteria may exclude some deserving MSMEs, and bureaucratic processes can be time-consuming and complex. Additionally, overreliance on subsidies can create dependency and stifle innovation in the long run.

### **Balancing Support with Sustainability**

The effectiveness of government support mechanisms relies on a well-designed and balanced approach. Policies should be crafted to create a conducive business environment without stifling competition or creating an overdependence on government intervention. Grants and subsidies should be targeted to address specific needs and encourage self-sufficiency over time.

### **Measuring Impact and Fostering Collaboration**

Regular evaluation of the effectiveness of government support programs is crucial. Tracking data on program participation, job creation, and MSME growth can help identify areas for improvement and ensure that resources are being utilized effectively. Additionally, collaboration with business associations, chambers of commerce, and financial institutions can help ensure that support mechanisms are well-coordinated and reach the intended beneficiaries (Achim, Hassan, & Mohamad, 2023).

## **Concluding Thoughts**

Government support mechanisms can play a vital role in empowering MSMEs by facilitating access to resources and fostering an enabling business environment. Through well-designed policies, targeted grants, and effective collaboration with other stakeholders, governments can unlock the full potential of MSMEs as drivers of economic growth and social development.

## **Leveraging Technology: Empowering MSMEs Through Digital Platforms, E-commerce, and Fintech Solutions**

In today's digital age, technology plays a transformative role for Micro, Small, and Medium Enterprises (MSMEs). By leveraging digital platforms, e-commerce solutions, and innovative financial technology (fintech) tools, MSMEs can overcome traditional resource constraints and unlock new avenues for growth.

### **Digital Platforms: Connecting with Customers and Building Networks**

Digital platforms provide MSMEs with a cost-effective way to reach a wider customer base and build brand awareness. Social media platforms like Facebook and Instagram offer free marketing tools to showcase products and services, engage with potential customers, and build online communities (International Trade Centre, 2023). Online marketplaces like Etsy and Amazon connect MSMEs directly with consumers, eliminating the need for physical storefronts and expanding their geographic reach.

Furthermore, online business directories and industry-specific platforms can help MSMEs connect with other businesses, potential partners, and suppliers. This digital networking can create valuable opportunities for collaboration and resource sharing within the business ecosystem.

## **E-commerce: Expanding Reach and Streamlining Sales**

E-commerce platforms allow MSMEs to establish an online presence and sell their products or services directly to customers. This eliminates geographical limitations and opens doors to global markets. E-commerce solutions also offer a range of features that can streamline the sales process, such as online payment gateways, inventory management tools, and customer relationship management (CRM) software.

By integrating e-commerce functionalities into their operations, MSMEs can improve customer service, provide a seamless shopping experience, and gain valuable data insights into customer behavior. Additionally, e-commerce platforms often offer lower advertising costs compared to traditional media, making them a budget-friendly marketing tool for MSMEs (World Bank, 2023).

## **Fintech Solutions: Unlocking Financial Opportunities**

Fintech solutions are revolutionizing the financial landscape for MSMEs. Online lending platforms provide alternative financing options, such as peer-to-peer lending and invoice financing, which can be more accessible than traditional bank loans. These platforms often utilize data analytics to evaluate creditworthiness, making them more likely to provide financing to MSMEs with limited credit history (Faster Capital, 2023).

Additionally, mobile wallets and digital payment solutions can streamline transactions and improve cash flow management for MSMEs. They can also facilitate online payments and offer customers a convenient payment option, potentially leading to increased sales. Furthermore, cloud-based accounting software can automate bookkeeping tasks, free up valuable time, and provide real-time financial insights to support better decision-making.

## **Challenges and Considerations**

While technology offers significant opportunities for MSMEs, certain challenges need to be addressed. Limited access to reliable internet connectivity, particularly in remote areas, can hinder the adoption of digital

tools (International Trade Centre, 2023). Additionally, navigating the complex digital landscape and ensuring cybersecurity can be overwhelming for some MSMEs.

Therefore, capacity-building programs and digital literacy training are crucial to equip entrepreneurs with the skills needed to leverage technology effectively. Furthermore, government and private sector initiatives can help bridge the digital divide by investing in infrastructure development and providing affordable internet access to underserved communities.

### **Empowering MSMEs Through Technology**

By embracing digital platforms, e-commerce solutions, and fintech tools, MSMEs can overcome resource constraints, connect with a wider customer base, and streamline operations. However, maximizing the benefits of technology requires addressing digital literacy gaps and ensuring equitable access to the digital infrastructure. Ultimately, leveraging technology empowers MSMEs to compete effectively, unlock new growth opportunities, and thrive in the digital age.

### **Building Strategic Partnerships: Collaboration and Integration for MSME Growth**

Micro, Small, and Medium Enterprises (MSMEs) often face limitations in terms of resources, expertise, and reach. However, by building strategic partnerships with other businesses, organizations, and institutions, MSMEs can overcome these limitations and unlock new avenues for growth. This chapter explores the importance of collaborations, alliances, and supply chain integration in enhancing resource access for MSMEs.

### **Collaboration: Sharing Resources and Expertise**

Collaboration involves working together with other businesses on a specific project or initiative. For MSMEs, collaboration can be a powerful tool for pooling resources, expertise, and market access. Partnering

with complementary businesses allows them to share risks and benefits, expand their service offerings, and tap into new customer segments (Journal of Small Business Management, 2022).

For example, an MSME specializing in web design could collaborate with a marketing agency to offer clients a comprehensive online presence solution. Similarly, a local food manufacturer could partner with a restaurant chain to distribute their products to a wider customer base. These collaborations allow MSMEs to leverage the strengths of their partners and enhance their competitive advantage.

### **Strategic Alliances: Building Long-Term Partnerships**

Strategic alliances represent a more formalized long-term partnership between businesses. These alliances typically involve joint investments, technology sharing, or co-branding initiatives (Kenton, 2023). Strategic alliances allow MSMEs to access specialized resources, technology, and knowledge that may be beyond their reach individually.

For instance, an MSME apparel company could form a strategic alliance with a larger international clothing brand to gain access to their global supply chain network and distribution channels. This would allow the MSME to expand its reach without investing in building its own international infrastructure. Strategic alliances can be a powerful tool for MSMEs seeking to accelerate growth and achieve long-term success.

Some key points about strategic alliances for MSMEs:

- **Resource Sharing**

MSMEs often have limited resources. Strategic alliances allow them to pool resources, such as technology, expertise, and capital, to achieve objectives that might be unattainable individually (Kustiningsih, N. et al., 2022).

- **Market Access**

By forming alliances, MSMEs can enter new markets more easily. For example, distribution partnerships can help product-focused MSMEs expand their reach quickly cdf (n.d.).

- **Risk Mitigation**

Sharing risks is particularly beneficial for MSMEs. Joint ventures and licensing agreements can help spread the financial and operational risks associated with entering new markets or launching new products (Kustiningsih, N. et al., 2022)..

- **Innovation and Performance**

Strategic alliances can enhance innovation and performance. For instance, technology-based MSMEs in Indonesia have shown that strategic alliances, combined with absorptive capacity (the ability to assimilate and apply new knowledge), significantly improve organizational performance (cdf, n.d.).

- **Overcoming Uncertainties**

Collaborating with other businesses helps MSMEs navigate uncertainties in the market by leveraging each other's strengths and compensating for weaknesses (Kustiningsih, N. et al., 2022).

## **Supply Chain Integration: Optimizing Resource Utilization**

Integration within the supply chain can provide significant benefits for MSMEs. By collaborating with suppliers and distributors, MSMEs can optimize resource utilization, improve operational efficiency, and gain greater control over their supply chain (U.S. Small Business Administration, 2024).

For example, an MSME furniture manufacturer could integrate with its lumber supplier by sharing production forecasts and inventory data. This collaboration could lead to better production planning, reduced lead times, and potentially, lower material costs for the MSME. Additionally, integrating with reliable distributors can ensure timely delivery of products to customers, enhancing customer satisfaction.

## **The Benefits of Collaboration and Integration**

Building strategic partnerships and integrating within the supply chain offer several benefits for MSMEs:



- **Enhanced Resource Access.** Collaboration allows MSMEs to access resources, expertise, and market reach that may be limited individually.
- **Improved Innovation.** Partnerships can foster knowledge sharing and joint research and development, leading to increased innovation and product development capabilities.
- **Reduced Costs.** Collaboration and supply chain integration can lead to cost savings through economies of scale, optimized resource utilization, and reduced duplication of efforts.
- **Increased Market Reach.** Partnerships can help MSMEs enter new markets by leveraging their partner's established networks and distribution channels.

### **Challenges and Considerations: Navigating the Partnership Landscape for MSMEs**

While strategic partnerships offer a wealth of benefits for MSMEs, navigating the partnership landscape requires careful planning, consideration, and a nuanced understanding of the potential challenges involved. Here, we delve deeper into some key considerations for MSMEs seeking to forge successful collaborations:

#### **Identifying the Right Partner**

The foundation of a successful partnership lies in identifying potential collaborators with complementary skills and objectives (Dutta & Jain, 2017). This requires a thorough evaluation process that goes beyond simply finding another business in the same industry. Here are some key aspects to consider:

- **Complementary Skills and Resources**

An ideal partner should possess skills or resources that fill gaps within your MSME. This could involve expertise in specific technologies, access to new markets, or a strong distribution network (Strategic Management Society, 2020).

- **Shared Values and Vision**

Aligning on core values and a shared vision for the future is crucial for long-term success. Partners with fundamentally different values or goals are more likely to experience friction and conflict down the line (Dutta & Jain, 2017).

- **Cultural Compatibility**

Company culture plays a significant role in partnership dynamics. Assessing the cultural compatibility between your MSME and potential partners can help predict potential communication challenges or clashes in working styles (Hitt, Ireland, & Witt, 2016).

## **Building a Collaborative Foundation**

Once the right partner has been identified, establishing a strong collaborative foundation is essential.

Here are some key elements to ensure a smooth and productive partnership:

- **Clear Communication Channels**

Open and transparent communication is vital for keeping partners informed, managing expectations, and fostering trust (Dutta & Jain, 2017). Establishing clear communication protocols and regularly scheduled meetings helps maintain a healthy dialogue.

- **Well-defined Roles and Responsibilities**

A clearly defined Memorandum of Understanding (MOU) outlining roles, responsibilities, and ownership of intellectual property (IP) helps to prevent confusion and potential conflict (Hitt, Ireland, & Witt, 2016).

- **Building Trust and Collaboration**

Trust is the cornerstone of any successful partnership. Investing time and effort in building trust through open communication, collaborative problem-solving, and a commitment to mutual success fosters a stronger and more resilient partnership (Strategic Management Society, 2020).

## Mitigating Potential Risks

While partnerships offer significant benefits, they also come with inherent risks that MSMEs must carefully consider:

- **Dependence on a Single Partner**

Overdependence on a single partner can leave your MSME vulnerable if the partnership dissolves. It is advisable to diversify your network and avoid relying solely on one collaborator (Dutta & Jain, 2017).

- **Loss of Control or IP Issues**

Carefully defining ownership and rights related to intellectual property (IP) developed during the partnership is crucial. Clear agreements help to avoid potential disputes and ensure both partners benefit from collaborative innovation (Hitt, Ireland, & Witt, 2016).

- **Misaligned Goals or Priorities**

Even with the best intentions, goals or priorities can shift over time. Regularly reviewing partnership objectives and ensuring alignment can help to mitigate potential conflict (Strategic Management Society, 2020).

By carefully navigating these considerations and challenges, MSMEs can leverage the power of strategic partnerships to overcome resource constraints, access new markets, and accelerate their growth trajectory. A well-chosen and well-managed partnership can be a powerful tool for MSMEs, fostering innovation, enhancing competitiveness, and propelling them towards long-term success.

## CONCLUSION

In an increasingly competitive and globalized marketplace, building strategic partnerships and fostering supply chain integration are not merely beneficial for MSMEs, but essential for their long-term survival and success. These strategies transcend resource acquisition; they represent a paradigm shift towards a collaborative ecosystem that empowers MSMEs to punch above their weight.

By forging strategic alliances, MSMEs gain access to a wider talent pool, specialized knowledge, and economies of scale that would be difficult, if not impossible, to achieve independently. This collaborative approach fosters innovation, allowing MSMEs to adapt to evolving market trends and develop unique value propositions. Moreover, integration within a robust supply chain strengthens operational efficiency, reduces costs, and ensures access to critical resources.

The impact extends beyond individual MSMEs. By actively participating in collaborative networks, these businesses contribute to the creation of a more resilient and dynamic local economy. Knowledge sharing, joint ventures, and streamlined supply chains all contribute to a multiplier effect, fostering job creation, regional development, and ultimately, a more robust national economic fabric.

Finally, fostering strategic partnerships and supply chain integration is not just a recipe for MSME success; it is a blueprint for building a more collaborative, innovative, and sustainable future for the entire economy.

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## GLOSSARY OF TERMS

**Micro, Small, and Medium-Sized Enterprises (MSMEs).** Businesses that are smaller than a certain threshold in terms of employees or revenue. The exact definition varies by country, but generally, microbusinesses are the smallest, followed by small businesses, and then medium-sized businesses. MSMEs play a vital role in driving economic growth and creating jobs, especially in developing countries.

**E-commerce.** The buying and selling of goods and services over the internet. E-commerce allows businesses to reach a wider audience and sell products around the clock. It has become increasingly important for MSMEs to participate in e-commerce to stay competitive.

**Financial Gap.** The difference between the financial resources a business needs to operate and grow and the funds it can access through traditional means like loans or savings. This gap can be a major challenge for MSMEs, particularly in the early stages of development.

**Strategic Alliance.** An agreement between two or more businesses to collaborate on a specific project or venture. Strategic alliances can help MSMEs access new markets, share resources, and develop new technologies.

**Digital Transformation.** The process of integrating digital technologies into all aspects of a business operation. For MSMEs, digital transformation can involve using technology to automate tasks, improve customer service, and gain insights into their operations. By embracing digital transformation, MSMEs can become more efficient, competitive, and adaptable.

# CHAPTER 3

## UNDERSTANDING HOW STAKEHOLDER RISKS, INCENTIVES, AND BEHAVIOR INFLUENCE OUTCOMES IN PHILIPPINE REWARDS-BASED CROWDFUNDING: A NARRATIVE LITERATURE REVIEW PHILIPPINE REWARDS-BASED CROWDFUNDING

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### ABSTRACT

Crowdfunding provides an alternative funding source for financially marginalized, particularly small firms in the Philippines. Social capital is at the core of crowdfunding, enabling entrepreneurs to tap into resources of the crowd. However, market failure and asymmetric information can undermine crowdfunding benefits and negatively impact crowdfunding outcomes. Market design, through stakeholder behavior, may counter the negative impact of market failure.

The key to understanding ideal crowdfunding outcomes is to understand the risks and incentives that each stakeholder face and how these impact their behavior and interactions with each other. This chapter discusses what literature knows about (1) how stakeholder risks, incentives, and decision-making behavior of crowdfunding stakeholders impact outcomes, and (2) how the dynamics of stakeholder risks, incentives and decision-making behavior influence practice in Philippine rewards-based crowdfunding.

**Keywords:**

*Crowdfunding, Social capital, Market failure, Asymmetric information, Small firms, Philippines, Stakeholder behavior, Risks and incentives, Decision-making behavior, Market design, Rewards-based crowdfunding, Entrepreneurial finance, Financial marginalization, Crowdfunding outcomes, Stakeholder dynamics*



## **INTRODUCTION**

Crowdfunding is an open call to the public, typically through online channels, to seek funds for a project. There are three stakeholders in this dynamic: fund seeker, funder, and crowdfunding platform. The fund seeker is a project owner or entrepreneur who initiates a campaign on a crowdfunding platform to tap into the resources of the crowd or funders, also known as campaign backers. There are five different models of crowdfunding, categorized according to the nature of what is exchanged: rewards-based, donation-based, lending-based, equity-based, and royalty-based crowdfunding. This study focuses on rewards-based crowdfunding.

### **Crowdfunding benefits**

Crowdfunding provides an alternative funding source for financially marginalized organizations, typically small firms and social enterprises. Financial capacity and financial sustainability are central to any organizational function and success, but most especially for small firms. Without enough funding, organizations will be hard-pressed to maintain and expand services within the organization while developing resilience to periodic economic shocks in the short term (Sontag-Padilla, Staplefoote & Gonzalez-Morganti, 2012). Unfortunately, small firms find financial sustainability a challenge given limited access to funding (Cosh et al, 2009; Lehner, 2013; Sontag-Padilla et al 2012). Philippine MSMEs (micro-, small-, and medium-sized enterprises) face funding constraints because traditional investors are apprehensive about their viability (Palabrica, 2011), despite their contribution to the growth and development of the Philippine economy (Habito, 2010; Pamaos, 2012). Without funding, MSMEs will be hard-pressed to acquire new technology (Habito 2010), which improves productivity (Pamaos, 2012), and which, ultimately, determines future viability. Through crowdfunding, MSMEs can raise seed money for a new product, or expand the distribution of a new one.

Literature posits that crowdfunding benefits extend beyond access to funding, which further contribute to the commercial success and growth of small firms. Crowdfunding is an information aggregation mechanism (Jimenez-Jimenez et al, 2021), which provides relevant consumer insight and market demand (Agrawal et al, 2014; Belleflame et al, 2010 & 2014; Ellman & Hurkens, 2019). It is also an advertising tool (Jimenez-Jimenez et al, 2021), which helps promote products and services to create market awareness (Belleflame et al, 2010 & 2014). As the practice of crowdfunding involves communication between entrepreneurs and campaign backers, it creates a feedback system (Agrawal et al, 2014) that allows entrepreneurs to adapt production to demand (Ellman & Hurkens, 2019) and thereby providing a product development mechanism (Belleflame et al, 2010 & 2014), allowing entrepreneurs produce products that the market wants. Nascent literature suggest other benefits: community development mechanism (Gooch et al, 2020; Vergara, 2017b; Vergara & Vergara, 2023), entrepreneurial empowerment (Chan et al, 2020; Mahdiraji et al, 2023), and the exploitation of social capital (Troise et al, 2023) to gain outside funding (Alegre & Molekis, 2021; Roma et al, 2017; Vergara, 2017b; Vergara & Vergara, 2023) and to access knowledge systems (Troise et al, 2023). When these advantages compound with successful campaign outcomes, crowdfunding participation contributes to the growth and development of small firms and social enterprises (Eldridge et al, 2019), the development of their competitive advantages (Mahdiraji et al, 2023), and the legitimization of their operations (Maier et al, 2021; Vergara & Vergara, 2023).

## **Social capital**

Social capital is at the core of crowdfunding, enabling entrepreneurs to tap into resources of the crowd. This resource refers to the networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit. Social capital helps people work together and communicate better; it builds and maintain trust, can be turned into financial resources, and increases the benefits of investing in physical and human resources (Putnam, 1993). There are assets that can be obtained in these social networks (Nahapiet & Goshal, 1998).

In the crowdfunding context, social capital helps entrepreneurs coordinate efforts within the social network to allow for clear and persuasive messaging to potential funders. When trusted members of the network endorse these projects, other members feel more confident about pledging. These pledges are realized as financial resources needed to sustain the campaign and the project. Furthermore, entrepreneurs tap into social networks to access non-financial resources such as knowledge, skills, and market exposure. Social capital plays a significant role in crowdfunding success through social interactions, which develops high levels of perceived project trustworthiness and determines shared values within the community (Madrazo-Lemarroy, 2019). The ability to access both financial and non-financial resources contribute to successful project outcomes.

### **Market failure, signaling, and due diligence**

Social capital can be exploited to help entrepreneurs access important resources from the crowd, in exchange for goods and services that the crowd desires. However, social capital does not eliminate market failure. In the crowdfunding context, market failure stems from asymmetric information that exists among entrepreneurs and campaign backers, which leads to moral hazard and adverse selection (Agrawal et al, 2014). Crowdfunding works through the development of trust among stakeholders. Undermining this trust impacts the sustainability of crowdfunding and the ability of entrepreneurs to grow ventures through crowdfunding.

It is essential for stakeholders to engage in behavior that counters market failure. Signaling and due diligence are crucial stakeholder behavior that parry moral hazard and adverse selection. Signaling counters information asymmetries by having the better-informed party provide information (or signals) to the less informed party (Spence, 1978). Entrepreneurs are the better-informed parties, and their signaling behavior determines crowdfunding outcomes (Courtney et al, 2017). When the crowd receives these signals, they, in turn, investigate the viability the project proposal, similar to how investors review entrepreneurial pitches.

## **Crowdfunding outcomes**

Many studies predict crowdfunding outcomes by understanding campaign strategies and tactics employed by entrepreneurs (Bi et al, 2017; Bürger & Kleinert, 2021; Buttice et al, 2017; Calic & Mosakowski, 2016; Chakraborty et al, 2021; Chan et al, 2020; Chen et al, 2016; Courtney et al, 2017; Davis et al, 2017; Defazio et al, 2021; Etter et al, 2013; Huang et al, 2022; Jimenez-Jimenez et al, 2021; Kuppuswamy & Bayus, 2018; Lehner, 2014; Madrazo-Lemarroy et al, 2018; Mollick, 2014; Nucciarelli et al, 2017; Parhankangas & Renko, 2017; Skirnevskiy et al, 2017; Ward & Rammachandra, 2010; Yao & Zhang, 2014). Furthermore, factors associated with success in one platform may differ in other platforms, suggesting the need for cross-platform studies (Dushnitsky & Fitza, 2018) and possibility that outcomes are influenced by other factors. Other studies attempted to unravel motivations of campaign backers and crowdfunding platforms to participate in crowdfunding (Ordanini et al, 2011). These studies focus mainly on single stakeholder motives and behavior and don't examine behavior in the context of stakeholder interactions within the crowdfunding ecosystem.

Risks and incentives faced by stakeholders impact their behavior and how they interact with other stakeholders. This means that crowdfunding outcomes are determined by stakeholder dynamics. The key to understanding the crowdfunding outcomes is to understand the risks and incentives that each stakeholder face and how these impact interactions. This chapter is focused on discussing stakeholder dynamics in rewards-based crowdfunding, specifically answering two questions:

1. How do risks, incentives, and decision-making behavior of crowdfunding stakeholders influence outcomes?
2. How do the dynamics that surround stakeholder risks, incentives and decision-making behavior influence practice in Philippine rewards-based crowdfunding?

The first question provides a baseline discussion on how stakeholder dynamics, as defined by risks, incentives, and decision-making behavior, impact crowdfunding outcomes. It also discusses market failure and how crowdfunding market design can mitigate the impact of market failure. It ends the discussion by providing the ideal rewards-based crowdfunding outcome that benefits all stakeholders.

The last question examines stakeholder dynamics observed in Philippine rewards-based crowdfunding. It discusses the history and challenges, and the dynamics surrounding its stakeholders.

## **METHODOLOGY**

This study is narrative review of theoretical and empirical studies that explored stakeholder risks, incentives, and behavior that influence campaign outcomes in rewards-based crowdfunding. Narrative reviews are particularly valuable when dealing with qualitative literature that doesn't lend itself to the systematic meta-analysis approach (Baumeister & Leary, 1997). Research specific to Philippine rewards-based crowdfunding are qualitative in nature. Furthermore, the narrative approach offers a compelling method for reviews, enabling a comprehensive overview of a research area, synthesizing knowledge on specific topics, and crafting insightful recommendations for future research (Snyder, 2019). It is also valuable in linking and integrating different studies, supports the development of theory, and enables the identification of problems or gaps (Baumeister & Leary, 1997).

## **DISCUSSION**

**What does the discipline know about the risks, incentives, and decision-making behavior of crowdfunding stakeholders?**

There are three stakeholders in a crowdfunding dynamic: the entrepreneur or fund seeker, the campaign backer or funder, and the crowdfunding platform. Early crowdfunding models described incentives and risks to explain the decisions and actions of each stakeholder and their interactions to understand their dynamics (Agrawal et al, 2014). Understanding stakeholder motivations lead to a better understanding of potential market failure that result from their choice and behavior. Understanding stakeholder motivations lead to understanding behavior aimed at preventing or correcting this market failure. The dynamics of stakeholder motivations, behavior, and interactions, in turn, influence crowdfunding outcomes.

**Entrepreneur incentives.** Entrepreneurs are motivated to crowdfund for financial and non-financial motives. Crowdfunding initially appeals to entrepreneurs motivated by access to funding (Giudici & Rossi-Lamastra, 2018; Gooch et al, 2020; Ordanini et al, 2011; Schwienbacher, 2018; Troise et al, 2022; Troise & Tani, 2020; Vergara, 2017b). Crowdfunding provides low cost of capital or funding (Agrawal et al, 2014; Belleflame et al, 2010 & 2014) because risks are shared among the project owners and the crowd.

However, while the inception of crowdfunding was brought by the need to access funding, succeeding crowdfunding projects have taken advantage of its non-financial benefits. Early crowdfunding models identified consumer insight, market exposure, and product development as key benefits of crowdfunding (Agrawal et al, 2014; Belleflame et al, 2010 & 2014). Crowdfunding is believed to provide relevant consumer information and feedback, so much so that it “can be used as a promotion device, as a means to support mass customization or user-based innovation, or as a way for the producer to gain a better knowledge of the preferences of its consumer” (Belleflame et al, 2010).

Many entrepreneurs turn to crowdfunding not because of funding, but primarily as a marketing strategy in launching new products. It is a market test; its outcome signals whether there is market potential

(Schwienbacher, 2018). It provides for a market research mechanism, which allows entrepreneurs to understand consumer preferences and to estimate market demand (Agrawal et al, 2014; Belleflame et al, 2010, 2014; Ellman & Hurkens, 2019; Gerber et al, 2012; Jimenez-Jimenez et al, 2021; Schwienbacher, 2018; Troise et al, 2022; Troise & Tani, 2020). Communication from campaign backers serve as product feedback, allowing entrepreneurs to co-create a product with consumers (Agrawal et al, 2014; Belleflame et al, 2010, 2014; Gerber et al, 2012; Troise et al, 2022; Troise & Tani, 2020). Furthermore, crowdfunding campaigns generate market exposure or buzz through conversations over digital media, serving as advertising promotion for the product and the venture (Agrawal et al, 2014; Belleflame et al, 2010, 2014; Gooch et al, 2020; Troise et al, 2022; Troise & Tani, 2020).

Nascent literature, however, identifies other non-financial benefits, including entrepreneurial empowerment. Funding allows entrepreneurs to execute plans that achieve objectives. However, the source of these funds determine how much control they have other these choices. Investors impact entrepreneurial choice. Crowdfunding, on the other hand, provides entrepreneurs with more control over these choices (Agrawal et al, 2014; Chan et al, 2020; Gooch et al, 2020; Greenberg & Mollick, 2015).

Entrepreneurs are also motivated to crowdfunding because it provides opportunities for community development (Gooch et al, 2020). Crowdfunding participation helps legitimize projects and ventures (Maier et al, 2021; Vergara & Vergara, 2023), which helps entrepreneurs secure additional funding (Roma et al, 2017; Vergara & Vergara, 2023) and gain access to knowledge ecosystems (Troise et al, 2022) and markets (Gamble et al, 2017; Stanko & Henard, 2017). Crowdfunding, through consumer feedback and access to knowledge systems, help drive innovation in crowdfunded ventures (Mahdiraji et al, 2022).

**Entrepreneur risks.** Nevertheless, crowdfunding also comes with risks. In efforts to signal project quality in a public platform, entrepreneurs face disclosure risks (O'Connor, 2014; Schwienbacher, 2018) or the risk of disclosing too much information to competitors, which may impact product's patentability or result in product replications, and to suppliers, which may impact bargaining ability (Agrawal et al, 2014). While the crowd may provide consumer and market insight, they do not bring in the same expertise, knowledge, and networks that professional investors possess. Entrepreneurs risk professional mentorship losses and having to sift through contradicting insight and advice from several campaign backers without the guidance and wisdom of experienced investors (Agrawal et al, 2014). This may lead to operating risks that may lead to project failure (Schwienbacher, 2018; Strausz, 2017).

**Campaign backer risks and incentives.** Campaign backers face two distinct types of motivation: extrinsic and intrinsic (Gerber et al, 2012). Campaign backers are extrinsically motivated by experiencing rewards or early access to products (Agrawal et al, 2014; Gerber & Hui, 2012; Gerber et al, 2012; Hui et al, 2012; Ordanini et al, 2011; Vergara & Vergara, 2023). Intrinsic motivations, on the other hand, refer to community participation and patronage (Agrawal et al, 2014; Gerber & Hui, 2012; Gerber et al, 2012; Hui et al, 2012; Ordanini et al, 2011; Vergara & Vergara, 2023). On the other hand, they face the following risks: the risk of projects failing to meet milestones due to incompetence, fraud, or the risk of the project failing altogether (Agrawal et al, 2014; Ordanini et al; Schwienbacher, 2018).

**Crowdfunding platform risks and incentives.** Platforms, like entrepreneurs have financial motives. In this case, crowdfunding platforms are motivated by profit (Agrawal et al, 2014; Ellman & Hurkens, 2019). Platforms earn a percentage from funding raised from crowdfunding campaigns, which means they have an incentive to maximize the number and size of successful projects to increase revenue. To achieve this, they must attract a large base of fund seekers and funders. This is why they also have community development



motivations (Vergara, 2017a), which allows them to nurture crowdfunding participation. On the other hand, they face reputational risks when crowdfunding projects they host continually fail to achieve funding targets (Ellman & Hurkens, 2019; Vergara, 2017a).

The risks and incentives platforms face motivate them to help minimize risks and maximize incentives other stakeholders face in crowdfunding. They are motivated to design the market to attract high quality projects, reduce fraud, and facilitate the efficient matching between ideas and capital. Additionally, platforms have an incentive to attract high profile projects to increase market exposure (Agrawal et al, 2014), which will in turn help attract a larger funder base.

**Market failure.** Crowdfunding stakeholder risks and incentives are grounded on information asymmetries inherent in crowdfunding transactions (Agrawal et al, 2014). Without receiving accurate information on the feasibility of projects, campaign backers may adversely select projects that were likely to fail. Entrepreneurs may resort to fraud and take the money and leave. This information asymmetry can lead to the failure to complete the project and leave campaign backers emptyhanded.

Furthermore, the crowd itself may suffer from market failure in the form of a collective action problem or bystander effects, which stems free-rider problems (Agrawal et al, 2014). Successful outcomes for all stakeholders assume collective action, that is, all members of the crowd perform due diligence. In so doing, they aggregate information that allows them to accurately choose and support viable projects. The free-rider problem undermines this by diluting the wisdom of the crowd, leading to poor outcomes.

**Market design and stakeholder behavior.** To prevent market failure, stakeholders can design the market to prevent it from failing, through reducing information asymmetry or enforcing rules to prevent other

stakeholders from adopting opportunistic behavior. There are generally four broad market design categories to counter information asymmetric and the collective action problem: (1) reputation signaling, (2) rules and regulation, (3) crowd due diligence, and (4) provision point mechanism. Entrepreneurs signal to the crowd, platforms and industry regulators formulate rules and regulation, while the crowd perform due diligence to mitigate information asymmetry. On the other hand, addressing the collective action problem rests on platforms through the provision point mechanism.

***Reputation signaling.*** Crowdfunding allows the exploitation of social capital through trust building. Reputation signaling is an important trust-building mechanism. Early literature identified three reputation signaling tools: (1) quality signals, (2) feedback mechanisms, and (3) third-party intermediaries (Agrawal et al, 2014).

***Quality signals.*** Crowdfunding campaign success depends on the entrepreneur's reputation signaling to convince the crowd to pledge (Mollick, 2014). Quality signals refer to two notions: (1) project quality or the feasibility of the project and (2) entrepreneurial credibility (Huang et al, 2022). Not only should entrepreneurs communicate information that demonstrates the project's value and soundness (Bi et al, 2017; Chan et al, 2020; Etter et al, 2013; Huang et al, 2022; Jimenez-Jimenez et al, 2021; Kuppuswamy & Bayus, 2018; Lui et al, 2022; Madrazo-Lemarroy et al, 2018; Mahdiraji et al, 2022; Mollick, 2014; Wang et al, 2016; Ward & Ramachandra, 2010; Yao & Zhang, 2014), it should also demonstrate entrepreneurial credibility and integrity (Buttice et al, 2017; Courtney et al, 2017; Etter et al, 2013; Huang et al, 2022; Kuppuswamy & Bayus, 2018; Mahdiraji et al, 2022; Mollick, 2014; Skirnevskiy et al, 2017; Ward & Ramachandra, 2010; Yao & Zhang, 2014).

*Feedback mechanisms.* Feedback systems are ratings systems or objective forms of information such as sales reports (Agrawal et al, 2013). They also refer to comments, suggestions and other forms of review that the public leave in social media and crowdfunding platforms (Mollick, 2014). They also serve as opportunities for entrepreneurs to provide updates. Campaign backers typically leave comments to ask about the project's progress or to make suggestions how to improve the project offering. In general, feedback systems provide a venue for project owners and campaign backers to communicate with each other. These comments provide consumer insight and product feedback. Crowdfunding campaigns that nurture communication between entrepreneurs and backers through these feedback systems have resulted in successful outcomes (Etter et al, 2013; Gorbatai & Nelson, 2015; Kuppuswamy & Bayus, 2018; Madrazo-Lemarroy et al, 2018; Manning & Bejarano, 2017; Mollick, 2014; Parhankangas & Renko, 2017; Ward & Ramachandra, 2010; Yao & Zhang, 2014).

*Third-party intermediaries.* Trustworthy intermediaries, pertain to third party agencies that certify information or provide verifiable details about the quality of the project or the reputation of the project owner (Agrawal et al, 2013). They may also pertain to entrepreneur's network, typically revealed through the size of their social media network. Social networks provide "endorsements of project quality" and demonstrate entrepreneurial credibility, which play an important role in determining the success of campaigns (Bi et al, 2017; Calic & Mosakowski, 2016; Colombo et al, 2015; Etter et al, 2013; Fan-Osuala et al, 2017; Kromidha & Robson, 2016; Lehner, 2014; Mollick, 2014; Saxton & Wang, 2014; Skirnevskiy et al, 2017; Yao & Zhang, 2014; Zheng et al, 2014).

Crowdfunding practice has since expanded the reputational signaling toolbox. Beyond quality signals, feedback systems, and social networks, campaign outcomes are also determined by the project's campaign

design and rewards structure (Bürger & Kleinert, 2021; Chakraborty et al, 2021; Chen et al, 2016; Ellman & Hurkens, 2019; Jimenez-Jimenez et al, 2021).

***Crowd due diligence.*** Crowd due diligence entails reviewing project feasibility, monitoring, and fraud detection (Agrawal et al, 2014). It complements reputation signaling to help minimize the risks of fraud and adverse selection.

***Rules and regulation.*** Rules and regulations pertain to platform rules and industry regulations that guide entrepreneur behavior and prevent opportunistic behavior (Agrawal et al, 2014). Industry regulation refers to regulatory frameworks aimed at policing all stakeholders to minimize or prevent market failure (Agrawal et al 2013). Platform rules may include project screening and monitoring mechanisms that help minimize project owner fraud or the risk of project failing to be completed (Agrawal et al, 2014; Vergara, 2017b). Examples include resource allocation, such as staff, to detect fraud and requirements such as indicating the project's estimated delivery date and a functional product prototype. Platforms may also broaden rules to include a support system for project owners to improve campaign outcomes (Agrawal et al, 2014; Gerber & Hui, 2013; Gerber et al, 2012; Hui et al, 2012; Vergara, 2017b). Entrepreneurs actively seek advice and guidance for their campaign and look for exemplary campaigns and projects to imitate (Hui et al, 2014). Platforms have the potential to become information repositories and resources for future project owners.

***Provision point mechanism.*** A provision point mechanism is a platform design mechanism that specifies a threshold funding level for each project to reach or exceed which signals whether the project owner receives the pledges from the project's backers (Agrawal et al, 2013). Crowdfunding campaigns hosted in platforms with an effective provision point mechanism are more likely to result in successful outcomes (Agrawal et al, 2014; Ellman & Hurkens, 2019; Gerber & Hui, 2013; Gerber et al, 2012; Hui et al, 2012; Strausz, 2017). In a

fixed or all-or-nothing platform model, such as Kickstarter, the threshold is simply the funding target that the project owners indicate in their campaign—this target must either be achieved or surpassed if the project is to be funded. It is for this reason that the ideal crowdfunding model is that of a fixed model (Ellman & Hurkens, 2019; Strausz, 2017).

**Ideal crowdfunding outcome.** Extant crowdfunding literature provides insight on how stakeholder dynamics, as determined by risks, incentives, and decision-making behavior, determines outcomes. Put simply, to minimize risks and maximize benefits, stakeholders can address market failure through market design or behavior that addresses asymmetric information that leads to fraud and adverse selection. More importantly, literature reveals the ideal crowdfunding outcome for all stakeholders. The ideal scenario is for a project to be launched in a fixed crowdfunding model. The entrepreneur signals credibility and project viability, while potential campaign backers perform crowd due diligence. As a result of these risk-minimizing and incentive-maximizing behavior by stakeholders, the project becomes fully funded by individual campaign backers who bring in sufficient knowledge about the market and by deep-pocket investors who may secure follow-up funding for the project (Schwienbacher, 2018). The campaign concludes with all backers receiving their promised rewards, while the entrepreneur progresses the venture further by exploiting social capital to access further funding, knowledge ecosystems, and bigger markets.

### **How do the dynamics that surround stakeholder risks, incentives and decision-making behavior influence practice in Philippine rewards-based crowdfunding?**

**History.** Crowdfunding in the Philippines has yet to gain traction the way it has with the rest of the world. There is only one Philippine-based crowdfunding platform: The Spark Project. It operates a flexible or a keep-what-you-raise, rewards-based funding model. However, while The Spark Project is the only crowdfunding

platform based in the Philippines, Filipinos may launch projects in international platforms, provided they fulfill platform requirements and criteria.

The Spark Project aims to “showcase Filipino talent and ingenuity” by focusing on local education and social entrepreneurship projects (The Spark Project website, About Us). It was founded in 2010 and officially launched in February 2013 (Edquilang, 2013). Each project must fall under at least one of following categories: (1) social enterprises, (2) small local businesses, (3) art, music, and video, (4) product design, (5) heritage and culture, (6) food and beverage, (7) publishing and (8) community projects. The platform provides tips on what project owners should consider when building a crowdfunding campaign, such as including a pitch video and telling a compelling story. The platform has hosted over 160 projects, which raised over PhP20 million in funding.

In 2023, The Spark Project introduced new solutions that extends from their crowdfunding roots. While they continue to be a crowdfunding platform, they also now offer learning and entrepreneurship support services. They launched the Spark Launchpad, a cohort-based crowdfunding accelerator program to provide fund seekers support in setting up, launching, and running their campaigns with the help of like-minded creators. For learning, they launched the Spark School, a learning hub that offers free online courses developed by resources from The Spark Project community and its network of social entrepreneurship experts. They also offer on-demand business consultancy services for creative and social entrepreneurs through Spark Consulting.

There have been other crowdfunding platforms in the Philippines but are now considered inactive. ArtisteConnect, established in 2011, it supported “artistic, cause-driven or entrepreneurial projects” during its operations. Many of Artiste Connect’s projects are artistic in nature, with a majority of which belong in the film and music categories. Artiste Connect considers itself as a "secure funding platform

for local artists to support them on their struggle to finance the production of their projects” (ArtisteConnect website, About Us). Typical projects hosted on the platform include producing record albums, books, concerts and film. Launching a crowdfunding project involves signing up and creating a project page on the site. Before it closed in 2019, more than 30 projects raised over PhP2 million in funding on the platform.

PhilAmTHrophy, for example, is a crowdfunding platform based out in the United States but focus on Filipino-oriented. Its last recorded project was completed in July 2014, before shutting down its website. There were other platforms, Social Project PH and IdeaCamp, but have also closed down.

Most crowdfunded projects in Philippine-based platforms fall under artistic consumer goods and services in the fashion, food, music, and art categories with pro-social and cause-based inclinations. They are rarely technology-oriented or digital-themed products, which is typical in international platforms such as Kickstarter. Most projects raise less than PhP200,000 in The Spark Project, with a few reaching PhP500,000. Only one campaign, launched by a well-known Filipino band to raise funding to help COVID-19 efforts, reached over PhP4 million.

**Challenges.** Crowdfunding’s most significant challenge in the Philippines is its low participation rate, which stems from low awareness (Vergara, 2015). This is evident in the challenges faced by project owners who engage in crowdfunding. Most entrepreneurs engaging in rewards-based crowdfunding face the following challenges: (1) failure to reach target, (2) project team abandonment, (3) project owner or team fraud, (4) beta product failure, and (5) failure to deliver the rewards in a timely manner (Mollick, 2015). In the Philippines, because of low participation, project owners are more likely to experience failing to reach campaign targets, which results in the failure to deliver rewards in a timely manner.

The low participation also explains why there is a dearth in research focused on Philippine-based campaigns. Extant literature on Philippine-based crowdfunding include understanding awareness for crowdfunding (Vergara, 2015), determinants for crowdfunding success (Vergara, 2016), crowdfunding platform contributions to outcomes (Vergara, 2017a), understanding crowdfunding success in the Philippine context (Vergara, 2017b), motivations of project owner and campaign backer participation (Vergara & Vergara, 2023), perceptions of entrepreneurs on crowdfunding (Doce & Ching, 2021), and its potential to contributing to venture creation (Vergara, 2019).

**Entrepreneur motivations, risks, and behavior.** Philippine-based entrepreneurs are motivated to crowdfund by both financial and non-financial benefits. A study by Vergara & Vergara (2023) showed that entrepreneurs and creative project owners recognize funding, market exposure, consumer insight, product feedback, access to networks, community building, and access to further funding as benefits to their participation in crowdfunding. The study also observed that the projects that raised the most funding are projects that leveraged crowdfunding's market benefits. Signaling behavior, particularly project quality signals, is a determinant of crowdfunding outcomes (Vergara, 2016). There is some hesitation for Filipino entrepreneurs to participate in crowdfunding. This hesitation stems from difficulty in ascertaining the credibility of platforms, the ability of government authorities to implement regulation, and the ability of crowdfunding to reach their target market (Doce & Ching, 2021).

Nevertheless, crowdfunding may be a conduit towards venture creation (Vergara, 2019). Gouache, a specialty bagmaker, successfully crowdfunded their first bag design through The Spark Project (Vergara, 2016). The project owners were able to access traditional funding to expand their operations after the campaign. This eventually led to the establishment of a business, which continues to exist as of this writing. This confirms that crowdfunding is a viable alternative funding and marketing solution for social enterprises and small firms.



**Campaign backer motivations, risks, and behavior.** Philippine-based campaign backers are motivated primarily by patronage or the desire to support the project or project owner, and secondly by early access to product (Vergara & Vergara, 2024). Campaign backers are the least studied stakeholders in the Philippine context because of their decentralized nature. There are different categories for backers, typically described by their degree of separation from the entrepreneur (Agrawal et al, 2015). Many backers belong to the project owner's first network circle or family and friends, which explains why patronage is a significant motivator. This also suggests that their behavior is influenced by perceived entrepreneurial credibility rather than by project quality.

While there is an inherent risk for campaign backers when pledging, this does not seem to be a significant factor in the Philippines. This may be attributed to the type of backers that pledge: family and friends who have close ties with the entrepreneur. To date, there have been no recorded instances of fraud. The Spark Project has experienced at least one instance when a project was forced to delay the distribution of rewards because of supplier issues. In this matter, the project team communicated closely with their campaign backers until the issue was resolved.

**Crowdfunding platform risks, motivations, and incentives.** Crowdfunding platforms in the Philippines recognize that campaign outcomes impact their reputation and market exposure (Vergara, 2017a). Campaign success positively impacts reputation and market exposure, while the opposite might lead to reputation losses. Community building is also perceived incentive, as they see a large and engaged community as key to campaign and project success for project owners, thereby confirming the role that social capital plays in crowdfunding.

Confirming findings in literature, crowdfunding platform behavior is motivated by their perceived risks and incentives. They screen projects to mitigate fraud and to ensure that rewards are delivered. The Spark Project offers educational support to fundraisers and organize networking events to create awareness for crowdfunding and to build their community.

The Securities and Exchange Commission (SEC) of the Philippines recognizes four crowdfunding models: donations-based, rewards-based, lending-based, and equity-based crowdfunding. In 2019, the SEC has approved the Rules and Regulations Governing Crowdfunding in accordance with the Republic Act No. 88799 or the Securities Regulation Code. These rules govern only equity-based and lending-based crowdfunding, and not rewards-based crowdfunding.

### **What is missing in the stakeholder dynamics discourse in Philippine rewards-based crowdfunding?**

Despite rewards-based crowdfunding in the Philippines existing since 2013, literature on stakeholder perceived risks, motivations, and behavior suggest that it is still in its infancy stage, which impacts how stakeholders, particularly entrepreneurs, enjoy crowdfunding benefits. Campaign backers are more likely to be motivated by prosocial incentives or patronage, rather than by financial gain or early access to new products. They support crowdfunding entrepreneurs because of their personal connection, rather than their desire for the product or service reward. This also suggests that campaign backers respond to credibility signals of the entrepreneur, rather than perform due diligence on product or project signals. This impacts how entrepreneurs perceive successful results—do they genuinely represent consumer insight and market demand? In this sense, is crowdfunding an effective information aggregation mechanism for Philippine-based entrepreneurs? How much of the aggregated information useful and productive?

Entrepreneur adopters recognize the potential benefits of crowdfunding. However, crowdfunding adoption remains low because of two factors: (1) low awareness and (2) low trust for crowdfunding platforms. The most significant risk entrepreneurs face is the risk of not meeting campaign targets, leading to project failure or delayed milestones. This impacts the image of crowdfunding platforms negatively, which impacts their ability to attract both entrepreneurs and campaign backers. The low participation also impacts how much can be studied about rewards-based crowdfunding, such as understanding context-specific factors that influence success. This creates a vicious cycle that further reduces the ability of entrepreneurs to benefit from crowdfunding.

Theoretical models suggests that the ideal crowdfunding model is the fixed or all-or-nothing model. In the Philippines, however, platforms operate on a flexible or keep-what-you-raise model. This impacts the risk structure of crowdfunding and outcomes. As it stands, there is little known about stakeholder risks in Philippine crowdfunding, particularly how much of it is merely perceived and how much are actual risks.

Nevertheless, given the benefits of crowdfunding experienced by many entrepreneurs globally, this study holds that there is potential for Philippine small firms and social enterprises to leverage crowdfunding to grow and develop their ventures. To realize this potential, it is imperative for scholars to understand stakeholder dynamics and how they impact crowdfunding outcomes.

## **CONCLUSION**

The risks and incentives encountered by crowdfunding stakeholders determine their behavior and interactions with other stakeholders. Consequently, the dynamics among stakeholders shape crowdfunding outcomes. To understand crowdfunding outcomes, it is essential to understand the risks and incentives each stakeholder faces and how these factors influence their interactions.

Crowdfunding is an information aggregation mechanism, which provides relevant consumer insight and market demand. It is also an advertising tool, which helps promote products and services to create market awareness. As the practice of crowdfunding involves communication between entrepreneurs and campaign backers, it creates a feedback system that allows entrepreneurs to adapt production to demand, thereby providing a product development mechanism that helps entrepreneurs produce products that the market wants. Crowdfunding empowers entrepreneurs and helps develop a community nurtures. It also provides opportunities for entrepreneurs to exploit social capital to gain outside funding and to access knowledge systems. When these advantages compound with successful campaign outcomes, crowdfunding participation promotes the growth and development of small firms and social enterprises, contributes to the development of their competitive advantages, and helps legitimize their operations.

Entrepreneurs are motivated by crowdfunding's benefits. Campaign backers are motivated by early access to products (extrinsic motivation), patronage (intrinsic motivation), and community participation (intrinsic motivation). Crowdfunding platforms are motivated by profit, market exposure, and community.

All crowdfunding stakeholders face risks. Entrepreneurs face disclosure risks, professional mentorship losses, and project failure risks. Campaign backers face project incompetence risks, fraud, and project risks. Crowdfunding platforms face reputation risks. These risks stem from asymmetric information, which may lead to campaign backers making poor choices. However, stakeholder behavior that minimize risk and maximize incentives may counter the impact of market failure. Entrepreneurs may employ signaling, while campaign backers perform due diligence. Crowdfunding platforms may formulate rules to screen against fraud and support legitimate campaigns.

While rewards-based crowdfunding emerged in the Philippines in 2013, literature on stakeholder dynamics suggest that it remains in its early stages. This nascent stage influences how entrepreneurs benefit from crowdfunding. Campaign backers in the Philippines seem to be driven by prosocial motivations rather than opportunistic motivations and are likely to be influenced by existing relationships with the entrepreneur rather than product or project potential. This raises questions about whether crowdfunding accurately reflects consumer insight and market demand for entrepreneurs. Despite recognizing potential benefits, entrepreneur adoption of crowdfunding remains low due to limited awareness and trust in crowdfunding platforms. The primary risk for entrepreneurs is failing to meet campaign targets, leading to project delays or failures, which may tarnish the reputation of crowdfunding platforms and deters participation from both entrepreneurs and backers. This low engagement also hinders research on rewards-based crowdfunding, creating a cycle that limits its benefits for entrepreneurs.

However, there is some evidence that Philippine-based entrepreneurs can take advantage of crowdfunding benefits to not only fund small projects but also use it as conduit for venture creation. It is imperative to understand stakeholder dynamics and how they impact crowdfunding outcomes. It is expected that developing this discourse will facilitate crowdfunding practice in the Philippines. Future research may further explore campaign backer motivations and perceived risks as this would help understand low crowdfunding participation. What would make Filipinos participate in crowdfunding to help small firms launch projects? Furthermore, it's also important to understand how crowdfunding may contribute to venture creation. How can potential entrepreneurs leverage crowdfunding to jumpstart a venture?

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## APPENDIX. Stakeholder Risks, Incentives, and Behavior in Rewards-Based Crowdfunding

	Constructs	Literature
Project Owner		
Risks	Disclosure risks	Agrawal et al, 2014; O'Connor, 2014; Schwienbacher, 2018
	Professional mentorship losses	Agrawal et al, 2014
	Project failure risks	Schwienbacher, 2018; Strausz, 2017
Incentives	Funding	Agrawal et al, 2014; Belleflame et al, 2010, 2014; Giudici & Rossi-Lamastra, 2018; Gooch et al, 2020; Ordanini et al, 2011; Schwienbacher, 2018; Troise et al, 2022; Troise & Tani, 2020; Vergara, 2017b; Vergara & Vergara, 2023; Vergara & Vergara, 2024
	Consumer insight	Agrawal et al, 2014; Belleflame et al, 2010, 2014; Ellman & Hurkens, 2019; Gerber et al, 2012; Jimenez-Jimenez et al, 2021; Schwienbacher, 2018; Troise et al, 2022; Troise & Tani, 2020; Vergara, 2017b; Vergara & Vergara, 2023; Vergara & Vergara, 2024
	Market demand	Agrawal et al, 2014; Belleflame et al, 2010, 2014; Ellman & Hurkens, 2019; Gerber et al, 2012; Jimenez-Jimenez et al, 2021; Schwienbacher, 2018; Troise et al, 2022; Troise & Tani, 2020; Vergara, 2017b; Vergara & Vergara, 2023; Vergara & Vergara, 2024
	Product development mechanism (product feedback)	Agrawal et al, 2014; Belleflame et al, 2010, 2014; Gerber et al, 2012; Troise et al, 2022; Troise & Tani, 2020; Vergara, 2017b; Vergara & Vergara, 2023; Vergara & Vergara, 2024
	Market exposure	Agrawal et al, 2014; Belleflame et al, 2010, 2014; Gooch et al, 2020; Troise et al, 2022; Troise & Tani, 2020; Vergara, 2017b; Vergara & Vergara, 2023; Vergara & Vergara, 2024
	Entrepreneurial empowerment (agency)	Agrawal et al, 2014; Chan et al, 2020; Gooch et al, 2020; Greenberg & Mollick, 2015
	Community development	Gooch et al, 2020; Vergara, 2017b; Vergara & Vergara, 2023
	Exploitation of social networks (access to knowledge ecosystems and further funding)	Gerber et al, 2012; Roma et al, 2017; Troise et al, 2022; Vergara, 2017b; Vergara & Vergara, 2024
Behavior	Reputation signaling: project quality signals	Bi et al, 2017; Chan et al, 2020; Etter et al, 2013; Huang et al, 2022; Jimenez-Jimenez et al, 2021; Kuppuswamy & Bayus, 2018; Lui et al, 2022; Madrazo-Lemarroy et al, 2018; Mahdiraji et al, 2022; Mollick, 2014; Vergara, 2016; Wang et al,

		2016; Ward & Ramachandra, 2010; Yao & Zhang, 2014
	Reputation signaling: entrepreneurial credibility	Buttice et al, 2017; Courtney et al, 2017; Etter et al, 2013; Huang et al, 2022; Kuppuswamy & Bayus, 2018; Mahdiraji et al, 2022; Mollick, 2014; Skirnevskiy et al, 2017; Vergara, 2016; Ward & Ramachandra, 2010; Yao & Zhang, 2014
	Reputation signaling: social capital and social networks	Bi et al, 2017; Calic & Mosakowski, 2016; Colombo et al, 2015; Etter et al, 2013; Fan-Osuala et al, 2017; Kromidha & Robson, 2016; Lehner, 2014; Mollick, 2014; Saxton & Wang, 2014; Skirnevskiy et al, 2017; Vergara, 2016; Yao & Zhang, 2014; Zheng et al, 2014
	Signaling: communication and feedback systems	Etter et al, 2013; Gorbatai & Nelson, 2015; Kuppuswamy & Bayus, 2018; Madrazo-Lemarroy et al, 2018; Manning & Bejarano, 2017; Mollick, 2014; Parhankangas & Renko, 2017; Vergara, 2016; Ward & Ramachandra, 2010; Yao & Zhang, 2014
	Signaling: values and objectives	Bürger & Kleinert, 2021; Calic & Mosakowski, 2016; Chan et al, 2020; Davis et al, 2017; Defazio et al, 2021; Erasmus et al, 2023; Madrazo-Lemarroy et al, 2018; Nucciarelli et al, 2017
	Signaling: project design and rewards structure	Bürger & Kleinert, 2021; Chakraborty et al, 2021; Chen et al, 2016; Ellman & Hurkens, 2019; Jimenez-Jimenez et al, 2021
<b>Crowdfunding Platform</b>		
Risks	Reputational risks	Ellman & Hurkens, 2019; Vergara, 2017a
Incentives	Revenue (profit)	Agrawal et al, 2014; Ellman & Hurkens, 2019; Vergara, 2017a
	Market exposure	Agrawal et al, 2014; Vergara, 2017a
	Community Development	Vergara, 2017a
Behavior	Screening	Agrawal et al, 2014; Vergara, 2017b
	Support	Agrawal et al, 2014; Gerber & Hui, 2013; Gerber et al, 2012; Hui et al, 2012; Vergara, 2017b
	Provision point mechanism	Agrawal et al, 2014; Ellman & Hurkens, 2019; Gerber & Hui, 2013; Gerber et al, 2012; Hui et al, 2012; Strausz, 2017
<b>Campaign Backer</b>		
Risks	Project owner incompetence	Agrawal et al, 2014; Schwienbacher, 2018
	Fraud	Agrawal et al, 2014; Schwienbacher, 2018
	Project risks	Agrawal et al, 2014; Ordanini et al, 2012; Schwienbacher, 2018
Incentives	Extrinsic motivation: early access to products	Agrawal et al, 2014; Gerber & Hui, 2012; Gerber et al, 2012; Hui et al, 2012; Ordanini et al, 2011; Vergara & Vergara, 2024

	Intrinsic motivation: community participation	Agrawal et al, 2014; Gerber & Hui, 2012; Gerber et al, 2012; Hui et al, 2012; Ordanini et al, 2011
	Intrinsic motivation: patronage	Agrawal et al, 2014; Gerber & Hui, 2012; Gerber et al, 2012; Hui et al, 2012; Ordanini et al, 2011; Vergara & Vergara, 2024
Behavior	Crowd due diligence	Agrawal et al, 2014



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