



DBS Social Financing Innovation Research

RECENT DEVELOPMENTS

There is substantial growth of capital inflow to the social financing sector both regionally and globally. According to the Calvert Foundation, JP Morgan, and Monitor Institute, the estimated global market potential of impact investing exceeds USD 500 billion. In Asia, we see growing participation in the sector with new accelerators and incubators, foreign foundations with interest in Asian markets, regional impact and angel investors with an ASEAN focus, as well as local and regional banks lending support to social enterprises (“SEs”). However, this growth in capital providers has not led to a proportional increase in access of capital for SEs.

Foundations, governments, and competitions in Asia commonly offer grants and seed funding of up to USD 50,000. Impact investors commonly offer financing starting from USD 200,000. We have however identified a gap in social financing capital quantum of between USD 50,000 - 200,000. Investments between USD 50,000 and 200,000 are difficult for investors to justify due to the costs incurred in due diligence and transactions, long investment horizons, as well as an inability to accurately assess risk and scale growth.

There are discrepancies between how capital providers and social entrepreneurs perceive the risk-return trade-offs of social enterprises. This is due to the mismatch in time horizons and a lack of track record of financial performance of SEs to make a fully-informed judgment of social impact and financial returns.

The use of existing funding structures is limited in the social enterprise sector because: Capital providers are increasingly finding that the grant mechanism does not truly sustain social enterprises and makes them dependent;

Without ready collaterals, many social enterprises cannot afford the high interest rates of unsecured debt, and cannot make regular loan repayments due to unpredictable cash flows;

Equity investors find social enterprise deal sizes to be too small to warrant due diligence, and many lack expertise to quantify the value of social impact created.

There is perceived tension between the creation of social and impact returns in existing financing mechanisms. Existing funding structures do not consider SEs’ impact creation structures and models in relation to the financing’s liquidity, payment intervals, milestones and indicators, quantum, and time horizon.

APPROACH

The study proposes novel approaches to reduce this funding gap; addresses the limitations of existing instruments to add mutual value to both social enterprises and capital providers; and offers practical frameworks that bridge how capital providers and social enterprises assess risk, return, and impact.

INNOVATING WITH HYBRID SOCIAL FINANCING MODELS

Four capital structures blending elements of grant, debt, and equity, have been designed to demonstrate how Hybrid Social Financing delivers equitable outcomes for social enterprises and capital providers of different risk and return appetites. Through these products, SEs will be able to avail of financing products, and utilise financing to achieve better business and social outcomes. Philanthropic capital providers may play a broader set of roles apart from grant making to catalyse social financing, these include: Guarantor; Equity investor; Impact Monitor; and Advisor. The four products are briefly summarised below.

Guarantee Grant aims to provide credit to social enterprises who are unable to provide personal guarantees. This helps SEs who successfully repay their loans and create the intended social impact, achieve grant funding to further their objectives.

Convertible Guarantee aims to provide cash flow financing for high-growth SEs in need of heavy capital investments. The SE will take a loan from the capital provider backed by a guarantee.

Impact-tied Soft Loan aims to support the growth of an SE's impact creation activities with specific pre-defined metrics and milestones. The impact monitor will assess capital type relevant for the SE, quantum, as well as impact milestones.

Sponsored Revenue Share aims to serve stable SEs who have clear expansion plans. An entity will act as a sponsor and connects social enterprises to capital providers who will issue debt. Returns are shared between parties to correspond with risk burden.

IMPLICATIONS

Hybrid Social Financing Models increase the visibility of investment outcomes, manage collaterals, reduce the risk of investments, build credit history for future financing, offer assurance of regular fixed payments, offer same or higher returns than pure financing, and ensure measurability and tangibility of social impact for each dollar of financial impact created. Financial institutions, impact investors, venture capitalists, foundations, policymakers, and social enterprises in Asia have an opportunity to evaluate how Hybrid Financing Models, can help them innovate their approaches to social financing.

ABOUT EDEN STRATEGY INSTITUTE

Eden Strategy Institute is Asia's Leader in Social Innovation. Our distinctive approach to sustainable advantage helps global corporations, governments, and social sector organizations achieve social impact by designing new growth platforms, operations, products, and services, and aligning them with market forces and developmental opportunities. Eden also runs Eden Ventures, a business incubator for Social Enterprises, as well as Eden Academy, our non-profit think tank that researches how industries create enduring profits by addressing pressing global issues. Learn more about our work at www.edenstrategyinstitute.com

星展银行基金会社会融资创新研究

近期发展

社会资本领域的资本流入都在持续的大幅度增长。据卡尔弗特基金会、摩根大通和摩立特研究院的研究显示，全球影响力投资的市场潜力预计将超过五千亿美元。在亚洲，我们看到更多利益相关者正逐渐参与进来：新的社会企业加速器及孵化器不断涌现，外国基金会对亚洲社企市场也开始产生兴趣，地区天使投资人则更多的关注到东南亚国家联盟，以及本土及地区性银行持续带动对社会企业的支持等，无不让我们对亚洲社会企业的资本供应市场充满信心。然而对于社会企业来说，资本方数量和规模的增长，暂时未能对它们实际的资本获取产生积极影响。

基金会、政府和各类社会企业比赛往往给社企低于五万美元的种子资本支持。影响力投资者则会从二十万美元开始投资。我们的研究发现，社会资本在五万到二十万美元之间存在一个投资缺口。五万到二十万美元之间的社会项目，尽职调查成本和投资交易成本较高，项目亦需要相对更长期的投资规划，以及缺乏对被投资者的风险管理和运营能力的有效评估。此因素往往导致投资方对于五万到二十万美元之间的项目望而却步。

由于资金提供方和社会企业未能在风险、社会影响及商业回报在评估时间上达成一致，以及社会企业经营经常缺乏过往财务运营数据，使资本提供者未能对社企的风险，盈利，与社会影响做出准确的判断。

社企行业运用现有的资金结构有以下的局限性：

资本提供方越来越多的发现，捐赠性资金无法帮助社会企业实现真正独立的运营和发展；

由于未能提供抵押品，社会企业不能承担无担保债务的高利率，加上它们不定的现金流，也不具备定期偿还贷款的能力；

由于社企交易规模过小，并且难以准确评估社企对社会的影响，让股权投资者难以投资社企。拥有使命感的社会企业家亦不常愿意放弃股权与所有权。

研究方向

我们的研究提出创新融资方法以降低以上提及的资本缺口，以及剖析现有方法为社会企业和资本提供方带来共同的价值中的不足，消除资本提供方和社会企业之间对于风险，回报和社会影响力评估的代沟。

我们设计了四个资本结构模型，融合了捐赠，债务，股权融资这些素，以展示新的混合型资本结构如何能让拥有不同风险与盈利目标的社企与资本提供者同时共享利益。社会企业透过这些产品能够考虑之前未能得取的资本来源，并且透过这些资金结构增强企业的商业模式与社会影响发展潜能。慈善性质的资金提供方，得以在社会融资扮演不同角色，包括：担保人，股权投资者，社会影响监督，以及顾问。四种模型结构该要描述如下：

担保补助旨在为能提供个人抵押品借贷的社企提供贷款。社企以成功偿还贷款的赠款式鼓励，获得未来进一步融资的资质。担保人亦冀望社企会获得长足的能力进步。

可转换担保旨在为高速增长需要大量资本和设备的社企提供现金流融资。社企将能享用受担保的债务。

社会影响贷款旨在透过资金支持社企发展有特定里程碑时间表的社会影响活动。社会影响监督会调查社企适用的资金类型、价值以及社会影响的里程碑。

赞助收入份额，此结构旨在为正在稳定成长并计划扩张的社企提供资金。赞助者连接社企与资本提供者。资本提供者借贷予社企。回报将对应各方风险负担而共享。

影响与推荐

混合式社会融资结构能增强投资成效的能见度，管理抵押，降低投资风险，为社企建立信用历史，建立未来融资的基础，亦能提供定期还款的保障，提供比一般金融产品相同和更高的回报，确保每一元的投入，均可创造可衡量的社会影响力回报。在亚洲的金融机构，风险投资家，社会投资者，基金会，立法团体，社会企业可以使用本文提出的回合性融资结构，有的放矢的对社会投资创新策略的价值进行进一步评估。

关于 Eden Strategy Institute

Eden Strategy Institute 是亚洲的社会创新的先锋。我们以独特的方式帮助全球企业、政府和社会机构设计新的增长平台，业务，产品和服务，并以社会影响为拓展市场力量和发展机会的推动力，从而为机构获取可持续优势。Eden 也提供风险投资服务，并且运营社会企业孵化器。我们亦致力研究不同行业如何透过积极解决全球性问题同时持久性的赚取利润，此研究活动归属 Eden 智库。想了解更多关于我们的工作，请浏览 www.edenstrategyinstitute.com。