China-USA Business Review, ISSN 1537-1514
August 2012, Vol. 11, No. 8, 1017-1030

Virtual Solidarity Networks: The Development of E-social Banking

J. Antonio Ariza-Montes , M. Carmen López-Martín,
Alfonso C. Morales-Gutiérrez, Ana María Lucia-Casademunt
University of Cordoba, Córdoba, Spain

The development of Web 2.0 has accelerated a wide range of social transformations, due to facilitating the development of new forms of social articulation through social networks and the generation of communities and groups of interest. In addition, it enables that the users participate actively to develop a collective intelligence worldwide. In this context, new social organizations or networks are designed as places where you can find the supply and demand of projects and other social needs. Web 2.0 allows the creation of efficient markets (low transaction costs, perfect competition, transparency, penalizing opportunistic behavior...) and also, the generation of exchange sites from a philanthropic approach. In this paper some experiences of virtual networks of solidarity have been selected based on three main criteria. Firstly, these organizations are recognized as successful and innovative in the philanthropic area. Secondly, those cases where there are already some secondary data have been studied. Thirdly, in some instances, the authors have participated, or attempted to participate, as users and donors. Ten organizations have been analyzed: six "peer to peer charities" that channel micro grants and four microfinance institutions. All of them through a social banking model on Internet, which uses micro-credit banking as the main instrument to support entrepreneurs from different countries. Based on the collected information, a number of common patterns of behavior have been identified for the development of effective networks. This may constitute a useful starting point to discern trends and possibilities for the world of social solidarity and accessing to financial resources by entrepreneurs and people needed. Among others, this highlights the importance of loyalty among social investors or knowledge of the supply of "projects" that require funding.

Keywords: social transformations, virtual social networks of solidarity, peer to peer charities, microfinance, social banking, Web 2.0

Introduction

The strong decrease in economic activity in recent years has had very negative effects on both families and businesses. This recessionary environment has also been accompanied by a severe financial crisis which has reduced the channeling of funds to agents who need them, while the conditions under which funding is granted have tightened.

J. Antonio Ariza-Montes, Ph.D., Faculty of Business Administration, University of Cordoba.
M. Carmen López-Martín, Ph.D., Faculty of Business Administration, University of Cordoba.
Alfonso C. Morales-Gutiérrez, Ph.D., Faculty of Business Administration, University of Cordoba.
Ana María Lucia-Casademunt, Ph.D., Candidate, Faculty of Business Administration, University of Cordoba.
Correspondence concerning this article should be addressed to J. Antonio Ariza-Montes, ETEA, Faculty of Business Administration–University of Cordoba, C/ Escritor Castilla Aguayo, 4, 14004 Córdoba, (Spain). E-mail: ariza@etea.com; mclopez@etea.com; acmorales@etea.com; alucia@etea.com.

In this obstacle-ridden environment, problems are more accentuated in certain groups, such as social economic entities and entrepreneurs who see how there are also other problems which specifically affect them as a consequence of their particular characteristics: lack of explicit guarantees, legal form, etc., in addition to any general difficulties that arise. The singularities of the above-mentioned groups led them, in the past, to consider the figure of microfinance as a possible source of funding, although this did not generate the expected results. Focusing on the case of Spain, it is observed that most resources channeled by financial entities toward microcredit have been included in foundations which are under the umbrella of social work pertaining to savings banks or due to actions corresponding to banks' corporate social responsibility (CSR).

In a context of crisis that further exacerbates the lack of funds for social objectives and where the widespread use of the microcredit is braked, new types of organization are appearing to help solve the problems mentioned: peer-to-peer charities and e-social banking. This article will show the characteristics and actions of these organizations within the possibilities offered by the Web 2.0, allowing us to consider them as a valid alternative to tackle some of the problems indicated by making use of the microcredit as a source of financing for social projects.

The structure of this article is as follows: The following paragraph describes the evolution of some traditional financial entities that have improved their access to the funding of social projects ("top-down" networks of solidarity). The third paragraph reviews the principal characteristics of the microcredit as a financial instrument which is used by some organizations to achieve their social mission ("bottom-up" networks of solidarity). Then, the fourth point discusses the principal possibilities found in Web 2.0 as a starting point for the creation of new solidarity entities that make use of new web technologies to achieve their social objectives (horizontal networks of connections between "local" and "global"). Finally, there are a series of reflections about the aspects which will mark the future of this activity in the next few years.

The Social Involvement of the Traditional Bank: "Top-Down" Networks

In addition to those entities known as "ethical banks" or "social banks", which will be discussed in the next paragraphs, there are other activities and entities in traditional financial systems that participate voluntarily in social aspects. Therefore, to understand this term better, the principal functions developed by the financial system from a social perspective will be briefly described.

A financial system is composed of a set of entities that enable some agents' resource surplus to satisfy other agents' needs for these resources. Thus, one of the first functions of traditional financial entities is to situate themselves between "savers" and those who require funds (borrowers), thus providing them with external resources. At the same time, the financial entities "transform" the financial instruments, because they borrow these resources in a different way than they lend them (conditions, deadlines, interest rates, etc.). Simplifying, it can be said that these institutions borrow resources on a very short term basis and lend them at medium and long-term interest rates.

Principal resource sources available to traditional entities include different kinds of deposit although there are other alternatives as well: issuing shares, participations in investment funds, etc.. The most important way financing provided is through loans and credits, but there are also other ways: leasing, factoring, the purchase of securities, etc.. In any case, financial activity, mainly because it plays the two roles which have been mentioned, is based on trust in that the entities assume the obligation to repay the funds under requested and agreed conditions.

From this general idea, various forms or manifestations of the involvement of traditional banking (broadly defined as a traditional financial institution that develops the above functions) can be observed in the field of social financing. These forms are evident from the outset in the legal form of entities and more recently by the way they operate, within both the traditional banking model and the "social banking or ethical banking" model.

From the point of view of legal format, in almost all European countries or the group of the most developed countries in general, it is possible to see that traditional lenders (those that take deposits and provide resources in the form of credits or similar operations) are organized under the auspices of three different entities:

- The public limited company (PLC): In the case of Spain, these financial entities are called "banks", which combine the legal form of corporation with profit because their main objective is to obtain profits for their shareholders. Until recently the activity of banks was not considered to involve ethical or social components as they had to follow the principle of low risk and maximum return for shareholders. On the other hand, when banks compete in the market with other entities, they should offer "attractive products" to the general public, both when locating and obtaining funds, while also providing a competitive rate of profit on the capital for shareholders. In this sense, until recently banks were not concerned about the source or the destination of their funding, providing that they satisfied the above requirements (Ballesteros, 2004);
- Co-operatives or mutual entities are called credit co-operatives in Spain. These are financial entities owned and controlled by their members to respond to their financial needs, both loans and deposits, at competitive rates. Examples of such institutions are located in many countries in the developed world: credit unions (also called "popular banks") that are British, Spanish, Italian, French, German, or Dutch, just to name a few. The origin of these entities is linked to the co-operative movement whose philosophy and principles influence co-operative society. This explains why the activities of these entities are strongly linked to a social perspective. Also, the conditions of their financial operations are closely determined by the needs of their partners;
- Institutions which were originally similar to foundations were related in many cases to "pawnbrokers", and in Spain have been converted into savings banks. These entities are credit institutions of a social and foundational nature and are also non-profit organizations aimed at attracting public interest. Therefore, these institutions, unlike banks, do not have a distinctly capitalist tendency and their objectives go beyond creating value for shareholders; they also have a social aim. In addition, these entities tend to be territorially rooted with a historical commitment to local economic development. Although savings banks were originally considered as charitable social organizations, over time they have evolved into purely economic credit institutions , retaining a strong social nature due to their contribution toward reducing social exclusion as well as to distributing a "social dividend" through activities funded by social charity work.

Not taking the differences between countries into consideration, it is certain that, due to the primary consideration of their legal form, it has been the savings banks and credit co-operatives (or popular banks) that have taken over the involvement of traditional institutions in financing social actions. In both types of entities, there is a strong presence of operations that explicitly and implicitly implies commitment to the sustainable development of society or to the needs of certain groups within it. Anyway, a common characteristic of both types of entities (also banks) is that their activities must be submitted to supervisory authority through common regulations. In the case of Spain, the supervisory authority is the Bank of Spain, but it also depends on the individual case; the central or regional government or the National Stock Market Commission (CNMV, in Spanish) may also be present.

Moreover, in the last few years it can be observed what has been denominated “a new form of banking”, linked to economic and social development and clearly related to corporate social responsibility (CSR). Thus, it is clear that the enterprise or financial entity must be “responsible” if it desires to improve the value of owners (shareholders and others); in other words, CSR is a profitable strategy for the enterprise because it generates value for stakeholders; the value is created for the shareholders. For this reason, traditional banks (or, in general, financial entities which act under the legal form of mercantile partnerships) have started to carry out operations influenced by microfinance movements which have increased their link to social financing.

It must be taken into account that the expansion of the banking business and its ever increasing competition with other entities since the end of the last century have resulted in the disappearance of differences among some types of institutions. In practice, if it were not for their denomination, it would be difficult to tell the differences among traditional banks, savings banks, and co-operative banks. This has motivated the need for financial institutions to “reconstruct” a specific identity, which has in turn provoked an increase in microcredit operations that were previously carried out mainly by these traditional financial entities, sometimes through resources provided by the public sector and sometimes through their own funds dedicated to social charity work. In the case of traditional banks, the need to develop their social responsibility policy has also motivated them to carry out this kind of operation[1]. In the case of Spain, savings banks have been the principal promoters of these operations, a logical consequence of their social nature[2]. Furthermore, Spanish credit entities have also opened channels of collaboration with other agents who specialize in micro-finances (such as NGOs, non-governmental organizations), so they all benefit in the end.

In this “new way of banking”, traditional banking procedures are partly preserved, while the concept of networking becomes more evident: savings banks basically loaned microcredit, in general through support networks made up of public[3] non-profit institutions, (such as entities dependent on regional governments or councils), or trade unions, associations or NGOs of a private nature that were experienced in issues of social inclusion and employability. These support entities connect the final beneficiaries with the financial institutions, while offering a sort of bank guarantee to financeable projects. This link consists in carrying out work such as familiarizing potential beneficiaries with their business idea with the objective of analyzing the economic viability of the new future business, and then helping the beneficiaries to borrow microcredit; once the microcredit has been conceded, they end up supervising and technically assessing the financed project during its lifetime.

Obviously, all these tasks require, in turn, technical and financial support from credit entities for one’s own backers and funding entities to be able to offer adequate services to the beneficiaries and thus contribute to the favorable execution of financed projects; this in turn reduces operational risks and minimizes the number of errors.

[1] The sources of financing for microcredit programs have mainly come from the social responsibility funds of savings banks. Therefore, these funds, within their social function, were destined to avoid social exclusion and to boost economic development and social progress, although it was not the traditional function of these resources.
On other occasions, the funds originated from the summoning of social projects from public organizations (for example, Caja Granada funded a part of its microcredit program through the European Union EQUAL program).

[2] The Santander Bank or BBVA in Spain, the Rabobank in the Netherlands, Vancity in Canada, the Cooperative Bank in the United Kingdom or the Crédit Coopératif in France are some examples of traditional banks that have adopted this strategy.

[3] As an example, the support network of the “Un Sol Món” foundation is formed by a total of 50 support entities mainly developed by councils in Catalonia.

A third stage is the development of a new banking model denominated “social bank” or “ethical bank” that could be described as the evolution of the intervention of credit institutions in social financing. Yet, there is no clear and precise definition that determines the concept analyzed in this analysis of that social and ethical alternative which is the sustainable and solidarity-focused bank. These are some of the terms currently used to refer to financial institutions whose performance criteria are not purely financial, due to other non-financial aspects involved in their operations. This contradiction highlights the absence of a precise definition. Hence, some authors propose to identify the values that facilitate the development of this type of economic activity. Therefore, in harmony with Clerk’s (2010) study, it can be claimed that the social bank needs to encompass a compendium of basic characteristics to be considered as such. These features and traits must be in consonance with the Universal Declaration of Human Rights signed in 1948 and the International Labor Organization’s Declaration on Fundamental Principles and Rights at work dated in 1998.

Adopting this perspective, and in agreement with the mission of the majority of these social banks, the first fundamental characteristic to highlight is that the principal objective of these entities is not the maximization of profits (Scheire & Maertelaere, 2009). This circumstance differentiates them from the rest of financial entities whose principal aim is to bring in the maximum possible profit value to their shareholders. On the contrary, social banks have multidimensional objectives such as obtaining profits, but the maximization of these does not imply waiving other social commitments. From this point of view, as affirmed by Neukirch (2008), considering banks as the “heart” of the economy, social banks perceive themselves to be the servants of the real economy. They are aware of that “using money means forming society”. The business model of these banks must be based on the triple bottom line “people, planet, and profit”, keeping in mind that their principal function is to be servants of the real economy.

In 2010, the members of the Institute for Social Banking[4] wrote out a document about the values which define this type of institution: fairness, transparency, long-term thinking, solidarity, and awareness-raising. At the end of the workshop, the members realized that the organizational values of social banks correspond directly to the core values of society.

Therefore, definition of the ethical bank could be a socially responsible banking, understood as a banking business model whose management combines the environmental and social concerns of stakeholders by means of an active and transparent dialogue with these groups. The ultimate aim is the sustainable social and economic development of the community where the ethical bank operates.

Microfinance Entities and Their Methodologies: “Bottom-Up” Networks

In parallel with the development described in the previous section on how to carry out traditional financial activity, in recent years another process has been generated which introduces a new concept of financing that is close to the needs of certain groups suffering social exclusion (all related to the microcredit movement, or more generically, microfinance).

From an academic point of view, microcredit is usually included among the denominated “alternative financial instruments” which aim to finance the most difficult economic or non-profit activities in conventional financing circles, due to the nature of the activities or the economic situations of the entrepreneur. Underlying

[4] Members of the Institute for Social Banking as of May 2010 (in alphabetical order): Alternative Bank Schweiz (Switzerland), Banca Etica (Italy), Charity Bank (United Kingdom), Cultura Bank (Norway), Ekobanken (Sweden), GLS Bank (Germany), GLS Treuhand (Germany), Hannoversche Kassen (Germany), Hermes Österreich (Austria), La NEF (France), Merkur Bank (Denmark), Stiftung Edith Maryon (Switzerland), andTriodos Bank (Netherlands).

these instruments, there is an idea of saving and investing that goes beyond that of mere profit maximization, highlighting the social profitability of investment and the social responsibility of savers. The most important one of their objectives is to ensuring that the system affects men and women experiencing poverty and social exclusion. Human relations are facilitated by placing these economic activities within the framework of institutional structures (co-operatives, mutual aid groups…) (Gutiérrez, 2001).

During the first *Microcredit Summit* in *1997*, the following definition of microcredit was agreed upon: "Lending programs involving small loans for the neediest among the poor, to undertake new business ventures that generate income and improve their own and their family's standard of living as well". Also, highlighting some characteristics of microcredit, it could be said that they are "unsecured loans granted by social-charitable entities, some social credit entities (such as savings banks in Spain), NGOs, and those entities that aim for a business project but are concerned about the poor".

The most important traits common to both definitions include:

- The characteristic of being a financial instrument that involves a shift of resources from savers towards investors, together with the commitment for repayment of the loan. It is not, therefore, a donation or a social subsidy;
- Microcredits are small loans to individuals or entrepreneurs that are not granted by traditional banks due to the nature of the project, the amount financed, or the fact that the borrower lacks sufficient endorsement;
- In general, it can be said that microcredit borrowers find themselves financially and socially excluded and usually form part of the underground economy. Thus, the provision of microcredit aims to increase their opportunities for access to financial services and instruments;
- Financial transactions are usually short term, which is partly justified because the loans are small amounts, but it also due to the solvency of entities and the destination of resources;
- Owing mainly to the short payback period and the small quantity granted, it is easier to repay the loan;
- The basic aim of microcredit is to develop an economic business fundamentally to repay the resources received with interest, but not to finance consumer expenditure. It is up to each borrower to decide on the activity to be financed. On the other hand, the performance of the system requires adequate saving levels;
- In short, by means of this instrument, the intention is to alleviate the poverty of borrowers and help poor people to improve their possibilities in life and break out of their chronic poverty, especially women[5].

From the perspective reflected in this paper, it is essential to remember that since its inception, the development of microfinance has been linked to social organizations, which are supported by international institutions. The aim is to find an alternative cheaper than credits from informal moneylenders, but using their practices in order to adapt to the reality of microfinance. In this respect, there is now an approach that partially contrasts with the approach mentioned in the previous paragraph which is that, according to above approach, micro-credits are prompted by the needs of the borrowers. It is a "bottom-up" network movement in that the initiative corresponds to the base, and the summit responds to its demands.

In this context, it must be taken into account that during the first stage of microfinance activity evolution, some "financial problems" produced in microfinance institutions led to changes in the way that operations were carried out. At the same time, other formulas emerged: In some cases institutions were converted into banks or

---

[5] In the case of Grameen Bank, women are better at paying off loans (almost 98 percent of the cases), and the impact of this increase in resources is greater if the head of the household is a woman, because the whole family benefits in health and education, for example.

"traditional" credit entities which specialized in these operations; in other cases, for example, NGOs, there are agreements with banking institutions that the NGOs have developed their activities with. In both cases, in addition to "vertical" relationships, there is some geographical specialization: Each entity develops its own projects and financially supports agents in certain regions they have been more closely linked to. "Opening-up" new zones depend on where resources originate, rather than on where the micro-financing institution operates, and expanding the quantity and quality of resources has been the strategy to ensure the stability of its actions over time.

The Development of the Philosophy of the Social Bank Through Web 2.0: Horizontal Networks that Connect Local and Global Scopes

Social and Entrepreneurial Impact of Web 2.0

The new information and communication technologies have been a catalyst that has accelerated a series of transformations and especially the development of Web 2.0 philosophy. Thanks to the facilities, evolution, and affordability of technologies that were previously inaccessible for most users, Web 2.0 has allowed access to network elements which affect both the social and the entrepreneurial dimensions of the new initiatives.

In a social dimension, this new digital era scenario allows the development of new ways of social articulation through social networks and the generation of communities and stakeholders. Furthermore, it facilitates the active participation of the user (the submission of contents, decision-making…) creating a collective intelligence that is globally influential. Thus the power of citizens is more important than ever because they can voice their opinion or vote directly and instantly.

From an entrepreneurial point of view, Web 2.0 has important implications for advertising and marketing models, and numerous new business opportunities are arising. It seems that there will be a virtual world of intelligence in the future, where the user creates a virtual profile according to his/her habits or information preferences, choices, and desires. Thus, Web 2.0 users are going to receive the type of news and product or service advertising which is of interest to them, and will be informed about subjects of the greatest possible utility for them, thus facilitating improved lines of communication among people who share affinities and interests.

Web 2.0 does not only generate an ideal set up for news organizations, but also facilitates many applications for goods important to traditional entities. One of the main reasons driving traditional companies to use Web 2.0 services is to improve interaction with customers[6]. However, the use of Web 2.0 for social initiatives does not only include its most common tools (such as blogs, podcasts, etc.) as complementary strategies. These new social organizations are designed as networks or spaces where the supply and demand of projects and social needs of any sort, including the financing of needs, can be found.

Social Initiatives of the Social Web

Theoretically an entrepreneurship in Web 2.0 requires low up-front investment, a short time-limit for company start-ups and simple organizational structure, all of which allowing new companies to be able to compete quickly with traditional and established firms. This is true for all kinds of initiatives. But, in what way does this new technological and entrepreneurial context contribute to social initiatives? To answer that question, the authors note at least two reasons: Web 2.0 facilitates a good allocation of resources through markets—albeit

[6] Nowadays, according to McKinsey, over 75 percent of executives say that their companies invest in Web 2.0 and plan to maintain or increase their investments in technologies which will encourage the collaboration of the user.

social markets; and also social companies' possibilities for sustainability increase due to the network effect.

(1) Generation efficient social markets

Web 2.0 promotes the generating of efficient markets at low transaction costs (perfect competition, transparency, the penalization of opportunistic behaviors…). Social needs can also be addressed through the creation of markets involving a shared social necessity (which would be considered as a niche market for a traditional enterprise) and to offer a service which satisfies existing demand. Are there people who can offer small amounts of money without having to be affiliated to an organization? Are there small projects that can be developed with small investment and can be helped with minimal intermediation? The affirmative answer to both questions partly explains the peer-to-peer charities phenomenon which will be described further on.

The advantages of the new scenario of Web 2.0 for the world of solidarity are obvious. On the one hand, in the case of donors, Web 2.0 significantly increases their chances to donate both in quantity—especially in the case of micro-giving to grant-giving—as well as in the type of beneficiaries—health, education, entrepreneurship etc. and even other types of involvement in these social initiatives. In addition, the use of the resources donated does not require membership as a partner of any organization. On the other hand, potential beneficiaries find the possibility of getting greater recognition for their needs, going from a predominantly local scope to eventually reach a worldwide dimension.

(2) Network effect and the sustainability of social initiatives

The social enterprise needs to have social impact and to steadily cover its structural costs. The business models in Web 2.0 obtain their incomes from advertising, newsletters subscriptions, and the sales of their products or transaction fees, all of which require a critical mass of users. If a company is created and nobody buys its products, the company disappears. If the needs are not justified (with sufficient information) and that is truthful (that can be contrasted) or if people are not willing to donate (due to the lack of necessary safety mechanisms), collaborations among donors and recipients (asymmetric exchange or relationship) will not be possible.

This is based on the principle of "everything that is not shared is lost": If more people use the service, the value will be greater for other users, which will increase the possibilities of generating a permanent platform where structural costs can be financed by a small amount that depends on the number of transactions. Although new social enterprises—social enterprises 2.0—tend to be more self-sufficient in the funding of their structural and maintenance costs, they do, however, also admit permanent and occasional donations.

Virtual Non-profit Networks: Virtual NGOs and E-social Banks

Up to here, some of the most common social agents in the field of social innovation have been presented. However, the authors have not yet mentioned the role of those participants who are now more relevant than ever: all of us. Individuals, through the Internet, are able to collaborate by generating ideas and participating in discussions, with no limitations on time and space[7].

In recent years, the proliferation of blogs and websites has offered multidisciplinary platforms where experts and amateurs can get together to pool expertise and find global solutions to problems that require an innovative approach. The great variety of contributions is based precisely on the openness of the community and the diversity of its profiles of participants. It is Web 2.0 era, that is, where social networks and active participation on platforms of common interest are used for social action and seeking alternatives for such

[7] The best possible example of transversal and proactive collaborative is "collaborative social innovation" or crowdsourcing. This tendency is connected with the use of technology to promote the information or ideas exchange between participating agents.

concerns as health, security, climate change, or poverty.

This context gives rise to solidarity platforms as a common ground for demand and supply (donors, borrowers, local entrepreneurs, etc.), which can come up with the necessary information and relevant communication channels at the appropriate time. The network facilitates, as a necessary but insufficient condition, the contribution of anyone anywhere in the world where the Internet is available. This philosophy exemplifying so-called “long-tail economy” (Anderson, 2007) highlights the possibility of finding viable initiatives for people seeking or needing small amounts of donated funds without having to be affiliated to an organization. On the one hand, there are many offers of solidarity in space and time which could add up to quite a significant sum (crowd funding) and, on the other hand, it exists those small projects that can prosper by gradually receiving small investments with a minimum of intermediation.

In the case of social platforms, mechanisms can also be employed to involve potential volunteers as both donors of time and work, in both strategic and tactical tasks. In the former case, volunteers could dedicate themselves to efficiently controlling the use of the funds received, or to the IT development of platforms with free software. In the latter case—tactical or operational tasks, voluntary action might consist of translating the web into other languages, or promotional publicity like advertising in blogs, etc.. Articulated social networks offer a privileged channel for the diffusion, support, and consolidation of this type of initiatives aimed at informing all possible types of donors about these alternatives.

All these virtual platforms are characterized by idiosyncratic and innovative traits that encourage them to resolve social problems without the need of a great deal of structural formalization, basically by connecting financial or human resources and projects aimed at solving these problems. The emergence of this type of initiative on the Internet provides a number of significant advantages over other traditional approaches towards solidarity (even with respect to peer-to-peer charities): such as greater flexibility and freedom in donations, more transparency throughout the process (application to a direct target), or lower structural costs (Morales-Gutiérrez, 2010). However, solidarity can be an end in itself or, for certain companies using Internet, it can become a possible support for self-promotion: a way to gain a reputation and also to attract a special type of customer (Morales & Ariza, 2010). In this regard, it is considered that a possible element that differentiates these platforms from other organizations in the third sector is that they work in conjunction with their axiological and protest values (advocacy), seeking social change and demonstrating a certain critical and transformational approach (Jiménez & Morales, 2008).

(1) Virtual NGOs

Firstly, one type of virtual NGO or donor platform (peer-to-peer charity) has emerged since 2000, and is specialized in providing micro-donors with projects, and thus achieving non-refundable resources for organizations and individuals. The first experiences of this type (GlobalGiving[8], Donorchoose[9], Firstgiving[10])

---

[8] Thus Dennis Whittle and Mari Kuraishi in 2000 set up GlobalGiving (http://www.globalgiving.org). More than 14 million dollars in donations and funding for over 1,300 projects-ultimately of social needs to date. All this has meant the management of more than 41,500 individual donors.

[9] Another similar case, but specialized in meeting educational needs, is Donorchoose (http://www.donorchoose.org) founded in 2000 by Charles Best, a Bronx high school teacher. In 2009, donors, primarily U.S. residents, had funded $1,590,983 worth of resources for needy students. The projects have provided 1,357,560 hours of instruction and assignments. The resources provided were mainly used for books (27%) and technology (20%).

[10] Firstgiving (http://www.firstgiving.com) was created in 2003 by the Lingard brothers and others, 1,526,245 people have helped raise 83,103,015 dollars for 20,672 non-profit organizations.

saw the light of day in the United States. These initiatives are growing[11]. At a national level (platforms in Spanish and/or promoted from Spain by social entrepreneurs), there are still new experiments like Sponsor a project, La papaya, Earth United, or Mi Aportación[12]:

- "Sponsor a project" (http://www.apadrinaunproyecto.org) is dedicated to raising funds to finance cooperation projects for development with a similar concept to that developed by Firstgiving, for example;
- "The Papaya" (http://www.lapapaya.org/papaya.org) has been established as a social network where an initiative or something that has to be done is ear-marked. In exchange for the platform's help to fulfill that dream, the proposer of the initiative must offer an exchange of service measured in hours of time. Once this has been completed, it is necessary to help three more people... This innovative experience is a blend of social networking and a time bank and solidarity projection. Founded by an association which dedicates its funds to Solidarity Economy Research, 45% of the internal resources of the platform support the best-rated dreams which are evaluated by scores achieved through the network for helping other users;
- "Earth United" (http://www.earthunited.info/) is a website where donors and applicants can make virtual contact to share the generosity of some and the needs of others. Iñigo Rodríguez-Sastre, Luis Peinado, and Alfonso Benavides, proponents of the project, wanted to develop a tool that would help poor people lacking resources anywhere in the world, ranging from a scholarship for underprivileged children to a bicycle or school supplies, even the payment of an annual fee for a gym for an unemployed woman, or creating a curriculum vitae, or searching for water in drought-stricken areas. The most novel feature is that you cannot offer money, but only goods and services. They thought that the most effective way to do this was eliminating intermediaries, in order to overcome the reluctance of many potential donors who are wary of traditional agencies and organizations. As indicated on the website (http://www.earthunited.info/?page_id=13&langswitch_lang=en):

> As an applicant, you may need something that is beyond your means and could mean a fundamental change for you and/or your family and/or community. As a donor, you may have something you do not need, or have knowledge or skills and/or time to share them. You may be looking for ways to share what you have, but believe that it is difficult to find someone who really needs what you have to offer or your knowledge. In earthunited.info we try to make it easier for you to find someone who can really appreciate what you have to offer or your knowledge

Of the activity developed in the examples mentioned above, at least two different strategies can be differentiated: multi-cause ones (whose strategy is attracting funding and finding a use for the funds raised) or peer-to-peer charities dedicated to one kind of project at a territorial level-education or entrepreneurship.

(2) E-social banks

Another "model of new entity" in the third sector is a kind of credit institution on the network with social objectives called microcredit platforms (person to person social lending or e-social banking). These institutions use the advantages of Web 2.0 to channel social innovation through microcredit, but on a global scale. In this

[11] Microgiving (www.microgiving.com) was founded in 2007 by John Ferber; Change (http://www.change.org) was founded in 2006 by Ben Ratray and has a number of beneficiaries reaching 31,000 members in 91 countries. Particularly interesting is the NGO. 2.0 Nuru (http://www.nuruinternational.org) developed by Stanford alumni Jake Harriman and John Hancox which, despite its recent creation, has directly influenced the lives of more than 2,500 people in Kenya.

[12] Another similar approach is that of My contribution (http://www.miaportacion.org). This experience raises a multitude of real needs (financial, volunteer, medical, legal, for masons, electricians, etc.) filtered by various associations and NGOs (Caritas, Intermon...) dedicated to the most needy. Manuel Roca—creator of the web of tourism opportunities "atrapalo.com"—is the founder of this website and knows firsthand who the protagonist of this type of platform is; he expresses it like this: "You are behind this project because we need your contribution to gradually change the world. Maybe you have great ideas in mind for improving the world, in which case we need you. But for most people like me, we can only do small things but many of them (hopefully). Go ahead and think about it every day: what can I do for others?".

case, NGO projects are also offered to micro-financing entities that work in impoverished countries for potential micro-lenders, i.e., where there is a commitment to return or re-use the loans in new micro-credits by the lender. The most famous case is that of Kiva that facilitates loans to 60,000 entrepreneurs in 45 developing countries with a repayment rate of over 95% during the first three years. Kiva (http://www.kiva.org) was founded by Matt and Jessica Flanery—former workers of eBay. The figures achieved so far are impressive (see Table 1).

Table 1

Total value of all loans made through Kiva	$240,704,050
Number of Kiva users	985,376
Number of Kiva users who have funded a loan	622,374
Number of countries represented by Kiva lenders	216
Number of entrepreneurs that have received a loan through Kiva	621,894
Number of loans that have been funded through Kiva	317,819
Percentage of Kiva loans which have been made to women entrepreneurs	81.04%
Number of Kiva Field Partners (microfinance institutions Kiva partners with)	138
Number of countries Kiva Field Partners are located in	60
Current repayment rate (all partners)	98.84%

Note. Source: Retrieved June 26, 2010, from http://www.kiva.org/about/facts.

Another case called the MyC4[13] differs both in method (the micro-lender has the option of offering an interest rate on the microcredit granted), and in location (it is dedicated to African men or women entrepreneurs). Further cases, also specialized in a specific country but on a smaller scale, are 51Give[14] and RangDe[15].

Issues for Discussion

Exploring different experiences in peer-to-peer charities and e-social banking, there are some issues or dilemmas which are considered critical for their possible evolution as electronic-entrepreneurship initiatives in a social dimension.

Donors and Their Loyalty to Platforms

Flexibility for the donor is one of the main advantages that market solidarity platforms have over more traditional models of donation. However, ideally, donations by this type of institution would not be occasional but periodical. Likewise, in the case of e-social banking, the ideal situation would be for the loan to be repaid, so that these resources could be used to support other new projects. From this perspective, the fundamental tasks in the medium and long term for this type of institution are to gain the loyalty of donors, inform them, get to know them, identify them… It is very important to implement feedback mechanisms so that individuals and beneficiaries may immediately contact leaders of non-profit programs, if these programs have the desired effect. Information systems and Web 2.0 could be equally necessary instruments for the development of appropriate policies in this field.

[13] This platform (http://www.myC4.com) was founded in Denmark in 2006 by Mads Kjaer (1961) and Tim Vang (1972). To date, it has managed 18,700 investors from 112 countries, with a microcredit volume of over thirteen million dollars dedicated to 7,089 male and female entrepreneurs in seven countries in Africa.

[14] 51Give (http://www.51give.com) was created in 2007 by Daniel Foa and Hiu Ng and is dedicated to obtaining funds—micro-credits for students and rural entrepreneurs in China.

[15] RanDe (http://www.rande.org) was set up in 2008 by Smita Ramakrishna and Ramakrisna, and works in India; it has developed 281 projects and has the collaboration of 123 social investors.

Development of the Quality and Quantity of Supply in the Online Social Market

The online market admits both direct and indirect suppliers (shops that sell their products). Their reputation is important and is acquired through participation in the market. In the case of social enterprises 2.0, reputation is endorsed by NGOs or microfinance institutions which submit the project and ensure—to some extent that the necessity is real, which means that the funds will be used for the purpose intended, and that in the end information will be provided as to the impact of the initiative. The risk of opportunism in this field increases once a certain volume of trading in this type of virtual platform is achieved, therefore the loss of reputation is more probable if beneficiaries are not adequate or if the resource is not employed appropriately. For that reason control mechanisms need to be developed to verify and control these aspects in practice. The management of cyber-volunteering and increasing opportunities in geo-positioning technology—such as Google earth—can open up a world of possibilities for carrying out this supervision, which is much needed on this type of virtual platform.

In order to succeed, microfinance programs must be designed to adjust to the social, cultural, and economic characteristics of the place where they are to be implemented, because over-generalization could lead to failure. Thus, regarding the retail distribution sector, there are at least two positioning strategies that can be distinguished at the point of sale: department stores or hypermarkets—which offer a broad range of products or large specialized stores (also known as category killers)—which specialize in a category of products. In this emerging sector, two types of virtual platforms can also be differentiated: generic virtual platforms (where a global strategy is used to employ the funds collected) or "peer to peer charities" specialized in a type of cause —education or entrepreneurs. Although such initiatives in this sector are still at a very early stage of development and the most famous peer-to-peer charities are global, there is a clear trend towards more specialized and differentiated approaches that require greater idiosyncratic knowledge[16]. This type of organizational model requires balanced growth. However, it is not enough to accumulate many resources; in addition, there must be attractive and reliable projects where the resources can be employed.

The Capacity of "Advocacy"

Solidarity can be an end in itself or it can become an advertising vehicle for certain enterprises on the network: a way to attract a particular type of client[17]. One way of differentiating these virtual platforms consists in forming organizations committed to social change and which have a certain critical and transforming point of view. It must be taken into account that if society believes that the activity on the platforms is merely "propaganda", the effect is clearly counterproductive. In order to avoid this, the organizations' activities should ensure that their micro-financing is the result of their commitment to society and the "professionalization" of their activity (improved administrative efficiency and management tools, adapting their products to the real needs of each beneficiary, combining microcredit with other financial services, etc.), so that the viable initiatives launched are able to generate "profitability" for everyone involved.

As indicated in some forums, both donations and microcredit should become efficient awareness-raising tools which are used more ethically and responsibly by society. Therefore it seems that addressing ethical and responsible saving is the most effective way to fight exclusion and poverty. As such, the aim is for these loans

[16] In fact, the demand from potential creditors has been such that, in December, Kiva had to reject some offers. The loans granted used up all available funds. "It was exhausting", Flannery remembered. "People had heard on television or on Internet, but we had no other choice than to reject the supply of capital".
[17] Considering the Kiva's success, Ebay launched a lending site web known as *MicroPlace.*

to promote ethical or cultural values that help to create stable employment, the generation of income for poor people, environmental care and promotion for the establishment of associations, cooperativism and solidarity in general.

Conclusions

Are there people who may donate small amounts of money without being affiliated to any organization? Do smaller projects have the potential to thrive with little investment and receive assistance with minimal intermediation? The logic of Long-Tail economy justifies the business opportunities in the network and it answers both questions. It explains partly through the perspective of solidarity both the phenomenon of peer to peer charities and the phenomenon called e-social banking.

In this paper some experiences of virtual networks of solidarity have been selected based on three main criteria. Firstly, these organizations are recognized as successful and innovative in the philanthropic area. Secondly, given the innovation of the phenomenon, the authors have stopped in those cases where there are already some secondary data. Thirdly, in some instances, the authors have participated, or attempted to participate, as users and donors. Ten organizations have been analyzed: six “peer to peer charities” that channel micro grants sunk as precursors for the solidarity networks (Globalgiving, Donorchoose, Firstgiving, Microgiving, Change.Org, Apadrina un proyecto, and Mi Aportación), and four microfinance institutions that, from a social banking model via the Internet, use micro-credit banking as the main instrument of support for entrepreneurs from all countries (MyC4, 51Give, Kiva, and Rangde). Based on the collected information, a number of common patterns of behavior have been identified for the development of effective networks.

All these virtual platforms are characterized by idiosyncratic and innovative traits that encourage them to resolve social problems without the need of a great deal of structural formalization, basically by connecting financial or human resources and projects aimed at solving these problems. The emergence of this type of initiative on the Internet provides a number of significant advantages over other traditional approaches towards solidarity such as greater flexibility and freedom in donations, more transparency throughout the process or lower structural costs. Another “model of new entity” in the third sector is a kind of credit institution on the network with social objectives that is called microcredit platforms (person to person social lending or e-social banking). These institutions use the advantages of Web 2.0 to channel social innovation through microcredit, but on a global scale. In this case, NGO projects are also offered to micro-financing entities that work in impoverished countries for potential micro-lenders.

Also, after examination of those experiences, some critical issues and dilemmas to the evolution and development as effective networks have been identified. Among others, this highlights the importance of loyalty among social investors or knowledge of the supply of “projects” that require funding or its ability to transmit and promote the values of change in the system such as the creation of stable employment, income generation for the poor, caring for the environment and the promotion of associations, cooperatives and solidarity in general.

References

Anderson, C. (2007). The long tail economy. From the markets of masses to the victory of the minority (La economía long tail. De los mercados de masas al triunfo de lo minoritario). Urano (Ed.). Madrid.

Ballesteros, C. (2004). Proceedings from the Europe day: The transformations of the European Union. Experiences of ethical banking in Europe (El día de Europa: las transformaciones de la Unión Europea. Experiencias de Banca Ética en Europa). Madrid: Universidad Pontificia de Comillas.

Clerk, F. (2010). Ethical banking. In V. Vandemeulebroucke, K. Beck, & K. Käufer (Eds.), *Networking Social Finance* (pp. 16-32). Bruselas: Triodos Bank.

Gutiérrez, B. (2001). Financial alternative instruments (Instrumentos Financieros Alternativos). Retrieved May 2011, from http://www.5campus.org/leccion/nolucra4

Jiménez, E., & Morales, A. C. (2008). Third sector and univocity concept: Necessity and elements configurators (Tercer Sectory Univocidad Conceptual: Necesidad y Elementos Configuradores). *Katálysis, 11*(1), 84-95.

Morales, A. C., & Ariza, J. A. (2010). E-social entrepreneurship and social innovation: The case of on-line giving markets. In Christoph Stöckmann et al. (Eds.), *E-entrepreneurship and ICT ventures: Strategy, organization, and technology* (pp. 118-135). USA: IGI Publishing.

Morales-Gutiérrez, A. C. (2010). Proceedings from: Social innovation as an engine of Europe. Keys to understanding social innovation (La innovación social como motor de Europa. Claves para comprender la innovación social). Sevilla: Social Innova.

Neukirch, C. (2008). Member of the GLS Bank, in his speech at the International Summer School 2008. Retrieved May 2011, from http://www.youtube.com/watch?v=Dwbde_75Ab0

Scheire, C., & Maertelaere, S. (2009, June). Global alliance for banking on value. Report banking to make a difference.