Chapter 6
Crowdfunding: A New Way of Financing for Non-Profit Entities

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ABSTRACT
This chapter provides a brief review of the main ways of obtaining resources from the non-profit entities in order to appreciate the new tools for doing so, as well as the possibilities of new technologies in this field. More specifically, this text analyzes how the social networks and the development of Web 2.0 affect the possibilities of obtaining resources for these organizations through crowdfunding, which represents an additional source of income to help fund projects with very specific characteristics, but is not the only way to enable these organizations to sustain their cost structures.

INTRODUCTION
In the last years, nonprofit entities (NPO) have been with increasing difficulties to obtain resources to carry out their activities, mainly due to the economic crisis in which we are immersed. They have different alternatives but nowadays they are insufficient or create difficult, so they must look for new resources or new forms to improve the existing ones.

The development of web 2.0 have accelerated a wide range of social transformations, due to facilitates 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 user 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.

The structure of this chapter is as follows: firstly, this paper provides a brief review of the main ways of obtaining resources from the non-profit entities; in the following paragraph we turn to discuss some of the ways in which these pathways have been undergoing some major changes, though we don’t enter yet in the experiences that are based on the use of the possibilities offered by new technologies. The third paragraph reviews new tools of fundraising, other strategies geared towards the whole of society, through which the nonprofit organizations get the funds that needs. Then, the fourth point studies crowdfunding, that constitutes an additional step in the use of the new technologies and web 2.0 for the obtaining of resources. Finally, there are a series of reflections about the aspects which will mark this activity in the next few years.

THE FINANCING OF THE NONPROFIT ENTITIES: GENERAL ASPECTS

The main existing alternatives for obtaining resources by the non-profit entities are as follows:

Individuals Proceeding Funds

This is usually the most widespread form of financing, especially if we consider that most of these entities have their origins in a group of people standing together with a common motivation. This fact makes this group originate most of the resources initially received, as well as most of the hours of work necessary for the institution to achieve its goals.

Fundraising from individuals can be done by any of the following ways:

1. Partners’ fees

   We can distinguish between two types of fees, depending on the compensations that individuals who pay them obtain from the organization:

   a. Fees as compensation of some services: Are fees paid by users who benefit from the services offered by the organization.

   b. Fees as donations for NGO activity. Fees are intended to assist in the work done by the organization. The donor gets no direct compensations, since it is not the direct beneficiary of the activity of the entity.

2. Occasional donations

   The main difference between these occasional donations and membership fees is the degree of commitment between the organization and the donor. While the member who pays a periodic fee is committed to the company and its objectives, the occasional donor is rather a supporter willing to collaborate on special occasions.

   Generally, non-profit organizations are concerned about increasing both membership fees and these occasional donations. Since the commitment degree is less in the latter case, to promote them, occasions where supporters increase their relationship with the organization and, consequently, their commitment to it can be found or created. To achieve it, there are often used, for example, collections, parties, sponsorship of specific projects, inheritances and bequests, etc.

3. Merchandise Sales

   In this case we have the sale of products in which there appears the logo of the institution or its image. Although it is a form of relatively recent fundraising, it’s widespread in certain cases, but it isn’t the essential source of these entities, rather it is a secondary element in this field and its use is necessary clearly differentiated from