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## **MANAGING SOCIAL INNOVATION IN CROWDFUNDING DIGITAL PLATFORM**

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### **ABSTRACT**

Intractable social and economic problems are increasingly complex in developing countries caused by a discrepancy between economic growth and equitable welfare. The government policy on one hand and market solution, on the other hand, have proved inadequate since lacks of incentives, appropriate model and support from the market to tackle its externalities while the civil society lacks resources, ideas and skills to scale. Therefore, the collaboration concept to solve this problem arisen by crowdsourcing, especially crowd funding business model. This study aims to identify and analyze how crowdfunding digital platform managing their social innovation and how social innovation networks support them to achieve their goals. This research is descriptive qualitative research with the study of literature, participatory observation and interviews on crowdsourcing platforms as the data collection method to Indonesian crowdfunding platforms: *Kitabisa.com* and *Gandeng Tangan*. As a social innovation, the two companies have different social innovation networks but apply similar stages of social innovation, from the stage of *idea formulation* to *scaling* and *diffusion of innovation*, but both are still in the development stage to create a *systemic impact* on social innovation as a whole. This research is expected to have practical implications for social innovation empowerment that initiated by the government or private sector and theoretical implication about the development of collaboration-based innovation management to solve social and economic problems. The novelty of research of this research lies in the focus of research that discusses the role of crowdfunding platforms in creating social innovation that has not been much studied in Indonesia.

**Keywords:** *social innovation, Indonesia, socio and economic problems, crowdfunding, digital platform.*

### **ABSTRAK**

Masalah-masalah sosial dan ekonomi yang tak terelakkan semakin kompleks di negara-negara berkembang yang disebabkan oleh perbedaan antara pertumbuhan ekonomi dan kesejahteraan yang adil. Kebijakan pemerintah tidak mungkin menyelesaikan beberapa masalah yang paling mendesak — seperti kemiskinan, perubahan iklim, pengangguran, penyakit pandemi, dan meluasnya kesenjangan kesejahteraan. Kebijakan pemerintah di satu sisi dan solusi pasar, di sisi lain, terbukti tidak memadai karena kurangnya insentif, model yang tepat dan dukungan dari pasar untuk mengatasi eksternalitasnya sementara masyarakat sipil kekurangan sumber daya, ide, dan keterampilan untuk berkembang. Oleh karena itu, konsep kolaborasi untuk menyelesaikan masalah ini muncul dengan *crowdsourcing*, khususnya model bisnis *crowdfunding*. Penelitian ini bertujuan untuk mengidentifikasi dan menganalisis bagaimana platform digital crowdfunding mengelola inovasi sosial mereka dan bagaimana jaringan inovasi sosial mendukung mereka untuk mencapai tujuan mereka. Penelitian ini adalah penelitian kualitatif deskriptif dengan studi literatur, observasi partisipatif dan wawancara pada platform

*crowdfunding* sebagai metode pengumpulan data ke dua platform crowdfunding terbesar Indonesia: Kitabisa.com dan Gandeng Tangan. Sebagai inovasi sosial, kedua perusahaan memiliki jaringan inovasi sosial yang berbeda tetapi menerapkan tahap-tahap inovasi sosial yang serupa, dari tahap perumusan ide hingga penskalaan dan difusi inovasi, tetapi keduanya masih dalam tahap pengembangan untuk menciptakan dampak sistemik pada inovasi sosial secara keseluruhan. Penelitian ini diharapkan memiliki implikasi praktis untuk pemberdayaan inovasi sosial yang diprakarsai oleh pemerintah atau sektor swasta dan implikasi teoretis tentang pengembangan manajemen inovasi berbasis kolaborasi untuk menyelesaikan masalah sosial dan ekonomi. Kebaruan penelitian penelitian ini terletak pada fokus penelitian yang membahas peran platform crowdfunding dalam menciptakan inovasi sosial yang belum banyak diteliti di Indonesia.

**Kata kunci:** *inovasi sosial, Indonesia, masalah sosial dan ekonomi, crowdfunding, platform digital.*

## INTRODUCTION

25.1 million Indonesians live below the poverty line, and around 20.6% of the population is still vulnerable to falling into poverty (their incomes are slightly above the poverty line). For example, 1 in 3 children under the age of 5 suffers from stunting, which interferes their brain development and affects their future opportunities (World Bank, 2020). Countermeasures are being made to improve the quality of basic public services, the quality of health clinics and schools. However, this availability is uneven according to middle-income standards while there is also low quality in health improvement. These problems become intractable social and economic problems that cannot depend on the classical roles of government which are constrained by limited financial resources, especially in Indonesia which is pursuing various disadvantages in the infrastructure development sector and low quality of human (World Bank, 2020). This is what drives the need for collaborative models between various sectors to solve shared problems in the form of social innovation (Caroli et al. 2016). Social innovation aims to solve the problems faced by the community. Social innovation must be understood more because of its ability to create social impacts, rather than the inherent novelty of its innovative idea proposals (Martin and Upham 2016; Martinez et al. 2017) and have the potential to improve the quality of life of particular communities (Pol and Ville 2009; Devadula et al. 2017).

The democratization of the internet and the digitalization of financial activities have opened up opportunities for community-based collaborative efforts and allow mutual assistance through individual assistance or gathering ideas to promote social innovation through crowdfunding. Crowdfunding brings together a different but interdependent markets to jointly create value in new ways (Muzellec et al. 2015), especially when state support is shrinking. Crowdfunding has attracted considerable recent research (Agrawal et al., 2010; Belleflamme & Lambert, 2014; Davidson & Poor, 2016; Davies, 2014; Gerber & Hui, 2013 and Hui et al. 2014) along with designs for the masses (Crowds) Reeves et al., 2010). Crowdfunding acts as a service design to mobilize social innovation, generating value through 'community or quasi-public assets' (Davies et al. 2014: 342; Stiver et al., 2015). Agrawal et al. (2010) describe the funders' motivation as being quite binary: giving for the common good or a good return. However, others (Stiver et al. 2015) detail a more symbiotic relationship, with self-interest seen among those who contribute to local social projects. Investing money as crowdfunding can strengthen the commitment to an activity, qualitatively different from choosing to give the go-ahead (Muller et al. 2014) and more like participatory budgeting (Novy & Leubolt, 2005). Crowdfunding and social innovation depends on the potential of digital platforms. Gawer (2009) defines a digital platform as a foundation when other companies want to develop complementary products, technologies or services. Moreover, success with platforms attracts repeat borrowers away from banks and towards P2P loans that are offered to crowdfund (Pierrakis & Collins, 2013).

Therefore, this study aims to identify and analyze how crowdfunding digital platform managing their social innovation and how social innovation networks support them to achieve their goals. This research is expected to have practical implications for social innovation empowerment that initiated by the government or private sector and theoretical implication about the development of collaboration-based innovation management to solve social and economic problems. The novelty of research of this research lies in the focus of research that discusses the role of crowdfunding platforms in creating social innovation that has not been much studied in Indonesia.

## LITERATURE REVIEW

### Crowdsourcing and Crowdfunding

Crowdsourcing is a source model in which individuals or organizations obtain goods and services, including ideas, elections, micro and financial tasks, from large groups, are relatively open, and often develop quickly. Nowadays, crowdsourcing usually involves the use of the internet to attract and share work among participants to achieve cumulative results. The word crowdsourcing itself is *portmanteau* of “crowd” and “outsourcing”, and was created in 2006 (Agrawal et al., 2014; Barnett, 2014; Prive, 2015; Choy & Schlagwein, 2016). One type of crowdsourcing is crowdfunding, which is a project funding process by many people in the form of financial contributions to achieve specific funding targets, usually via the internet (Light & Brights, 2017). The United Kingdom is a centre of activity and crowdfunding experts because it is supported by government regulation and investment in this digital platform. One example of government investment in crowdfunding is social innovation in the field of providing jobs and business opportunities such as Kickstarter (Light & Brights, 2017). In Indonesia, crowdfunding has long been pioneered by *amil zakat* institutions such as Lazismu and Dompot Dhuafa. However, crowdfunding is more focused on receiving philanthropic funds in the social, education, woman empowerment, and health sectors, especially from Muslims (Kholid, 2018 ). The results of this donation are tremendous and have helped alleviate poverty and poor education infrastructure especially Lazismu (Baidhaw, 2015; Setiyowati, 2019). However, in 2008, social innovation began to emerge in Indonesia and one of them was a digital crowdfunding platform to support the innovation of ideas, business and new products in the form of peer-to-peer lending (P2P) or fintech management (Nugroho & Rachmaniyah, 2019).

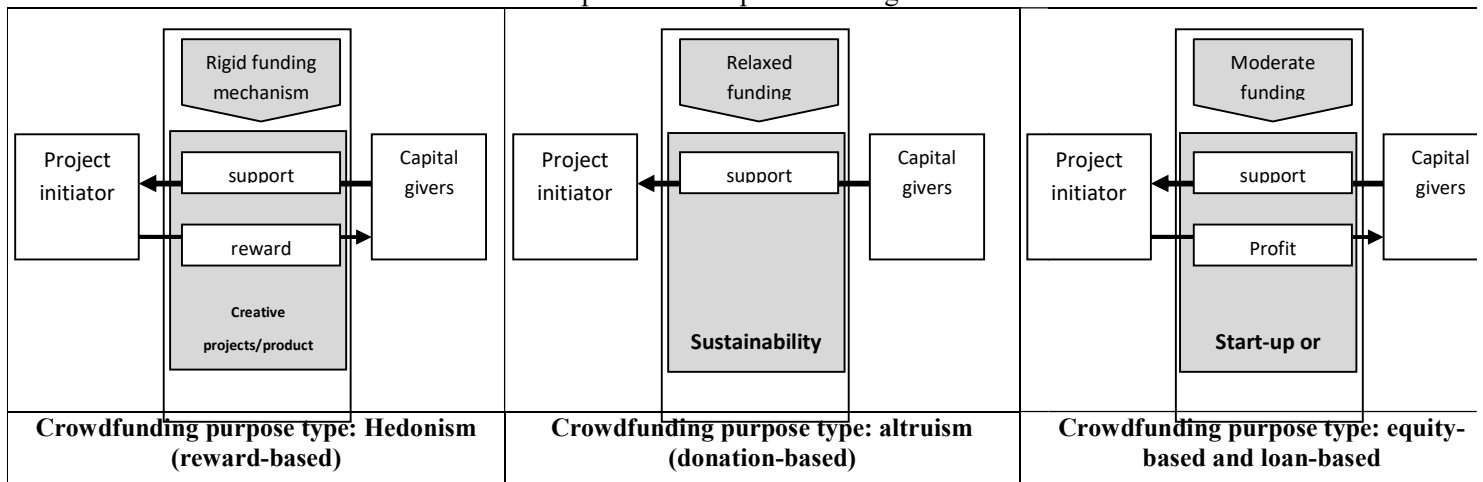
Crowdfunding is commonly used for commercial or charity purposes. In business, one type of crowdfunding that is often used is reward-based crowdfunding (Choy et al. 2016). With this model, people can pre-purchase a product, get (buy) experience, or just donate. When becoming funders, funders are not permitted to invest or become shareholders in a business or project (Barnett, 2014). Psychologically, this platform will be able to attract philanthropists as well as people who have to give up the price margin of a product that they want, for social purposes (Barnett, 2014). Agrawal et al. (2014) state that funders make monetary contributions for several reasons, namely: (1) funders want to connect with the big goals of a campaign that contributes to positive social and economic impact, for example, being part of an entrepreneurial community or supporting the realization of an innovative idea or product ; (2) funders are connected with the physical aspects of the campaign, for example, the desire to get rewards and profits from investments with a certain nominal value; (3) funders are connected to the creative display of project/business campaign presentations on the platform and (4) funders want to see or feel the experience of using a new product before the public. In creating a crowdfunding platform, individuals, businesses and entrepreneurs, must display the business or project that he wants to make to the world, by creating a profile, in the form of videos, reward lists per donation and photographs or illustrations that support to deliver compelling messages for the readers (Barnett, 2014).

### Types of Crowdfunding

Based on Light & Brights (2017), there are four types of crowdfunding in the world, namely:

1. Donation-based crowdfunding that is motivated by socio-political or philanthropic interests, and there are no rewards in the form of goods to funders.
2. Reward-based crowdfunding where fundraisers spend money within a specified period to get rewards in the form of products or other tangible rewards. In this scheme, there are two types of fundraisers namely “all or nothing” (where fundraisers must reach pre-agreed funding goals to claim pledged funds) or “keep it all” (where fundraisers take all fund that raised).
3. Equity-based crowdfunding where funders make formal agreements with new businesses (starts up) to get rewards in the form of shares with the view of this agreement will generate profits within the agreed period.
4. Loan-based crowdfunding or peer-to-peer lending where this platform facilitates funders to channel funds through fundraisers to users who need them for investment or new business funding purposes within a specific time period and interest rate.

The stakeholder relational model of this platform is explained in Figure 1 below:



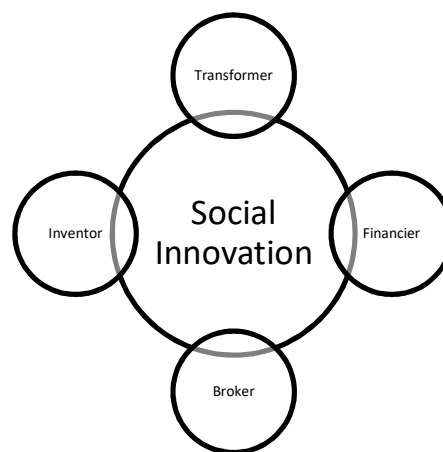
Source: Haas et al. (2014)

### The Social Innovation Network

A platform is an infrastructure, something must be built, and its design will influence, but not determine, what can be built on it (Bowker & Star, 2000). Working side by side with platform design features is the social, economic and legal aspects of the financial system that develops over time and also limits what platforms can be activated. Communities have long had mechanisms to redistribute wealth and payments for services and other social goods. This varies from very local, lending environment and subscription activities for clubs) to global, (banking system), including the formation of local authorities to manage the distribution of resources so that each culture has been shaped by how transactions are managed (Bourdieu, 2005; Massey, 1995). Crowdfunding is one of the great tools for managing movements and exchanges of values and has now become part of this "collaborative economy" (Belotti et al., 2014), sharing services (Light & Miskelly, 2015), where this network changes potentially especially

when we see crowdfunding for social innovation, we see a new socio-economic mechanism with a long history of collective funding activities behind it.

Crowdfunding can be categorized as social innovation because it is placed somewhere between a profit-maximizing purpose and a non-profit one but differs from the profit-maximizing company in its goals (Yunus and Weber 2007; Yunus et al. 2010). Unlike profit organizations, crowdfunding platforms are committed to combining profitability and social-environmental goals (Doherty et al., 2014). This principle is in accordance with the focus of social innovation on the innovation process, how innovation and change are formed (which is slightly contradictory to the more traditional definitions of innovation and prioritizing the company's internal organization and productivity) (Murray, 2009). Furthermore, in carrying out its function as social innovation, crowdfunding depends on their social innovation network illustrated by Figure 2 below:



**Figure 2 Social Innovation Network**  
**Source: Trompenaars (2007)**

In social innovation networks, inventors have a role in producing ideas about how to develop products/services using social communities. Transformers have a role in collaborating through multifunctional teams to develop innovative ideas to become commercially viable. Furthermore, financier or funder has a role in getting funds in order to realize the ideas of inventors and brokers whose role is to connect different innovation initiatives, suppliers that support innovation and consumers (Trompenaars, 2007). In the context of crowdfunding, the role of this financier is known as a capital giver, which is usually also a campaigner (who campaigns for ideas/projects because they also invest in them). However, crowdfunding platforms are not brokers because they usually function as mediators for the flow of funds with a specific target number and period. The success or failure of the project does not guarantee the platform because it is not a social enterprise/business entity itself while the role of transformers and inventors is carried out by the project initiator (Caroli et al. 2018).

### **The Stage of Social Innovation Management**

There are six stages of social innovation that carry ideas from the beginning to the impact. These stages are not always sequential because some types of innovation jump directly to 'practice' or even 'scaling' even though there is a feedback loop between them. This stage of innovation is called a social innovation management framework that is useful for thinking of the different types of support needed by innovators



and innovations to grow (Murray, 2009): 1) Prompts, inspiration, and diagnosis. At this stage, stressing the need to record the reasons for the need for innovation - such as the economic, social, health crisis, from creative imagination to new evidence; 2) Proposals and ideas. This is the stage of making ideas; 3) Prototyping and pilots. This is where ideas are tested in practice. This can be done only by trying things, or through more formal pilots, prototypes, and randomized controlled trials; 4) Maintain. It is time for ideas to become daily practices; 5) Scaling and diffusion. At this stage, there are various strategies for growing and spreading innovation - from organizational growth, for example, through licensing and franchising, licensing to federations and more diffusion; 6) Systemic changes. This is the ultimate goal of social innovation. Systemic change usually involves the interaction of many elements: social movements, business models, laws and regulations, data and infrastructure, and completely new ways of thinking and doing.

## **METHOD**

This type of research is a qualitative descriptive that aims to identify and analyze how digital crowdfunding platforms manage social innovation as a core business base. The type of data is qualitative data obtained through interviews, observations and literature studies from scientific journals, academic textbooks, industry reports and company websites. The data was taken from two digital crowdfunding platforms, namely Kitabisa.com and Gandeng Tangan, which already have more than 15,000 members. This type of sample is purposive sampling because samples were selected based on the following criteria:

1. Has been established and operating for more than 5 years in Indonesia and has more than one million participants or members.
2. Has successfully distributed public funds above 1 billion rupiahs to several social projects or philanthropic actions.
3. Having good corporate governance, as evidenced by published audit report.
4. Has purpose as a donation-based or profit-based crowdfunding platform.

To find out how digital crowdfunding platforms manage their social innovation, this study interviewed by e-mail to CEOs of Kitabisa.com and Gandeng Tangan by open-ended question to learn their motivations, their design choices and how they manage their social innovations. By learning about their intentions and seeing how this is realized in the platform, this research can begin to discuss the relationship between design and configuring socio-economic activities. Besides that, the researchers learn the platform design by being a participant/user on both platforms. In interviews, the researchers pay close attention to the claims of interviewees for their platforms and design choices; how they talk about the goals and what support is given from the social innovation network to enforce these goals when they relate to social organizations.

## **RESULT AND DISCUSSION**

### **Social and Economic Impact of Kitabisa.com (Altruism-based Purpose)**

Kitabisa.com is a provider of crowdfunding donations, which can be accessed via the web or application. Kitabisa.com is a company engaged in social enterprise that utilizes the latest technology as a digital financial fundraiser. Nevertheless, people often assume that Kitabisa.com is a social institution that conducts fund-raising, when, in fact, Kitabisa.com is just a platform that becomes a forum for fund-raising activities and also donations that are done online. So indirectly, Kitabisa.com becomes the party that brings together fundraisers (inventors) and people who will donate (capital giver).



**Figure 3 Kitabisa.com Donation Program Platform**  
Source: Kitabisa.com

The history of the establishment of this platform began in 2013 by Alfatih Timur who was originally under the guidance of Rhenald Kasali's "Rumah Perubahan". Then at the beginning of 2014, Kitabisa began to shift focus to become a forum to donate online and became the first crowdfunding in Indonesia to promote the concept of social collaboration. The existence of this platform is slowly becoming known by the public until finally in 2017 the launch of the Kitabisa application, which makes all parties both fundraisers and those who will donate have easier access to this platform. In 2019, Kitabisa has also renewed its application so that it can be accessed through the IOS system (Kitabisa.com, 2020). At the moment, Kitabisa.com has become one of the big platforms, as evidenced by the data as of March 2019, which said there were 22,401 funded campaigns, there were around Rp.637,424,986,959 donations and zakat distributed. Kitabisa.com has also collaborated with many parties to channel more social assistance, starting with large companies that collaborate on CSR, government institutions that work together to encourage public participation in overcoming social problems such as raising funds for handling COVID19, then there are also social organizations (NGO) engaged in the field of health, environment and humanity who participated in establishing cooperation with Kitabisa.com. Besides that, Kitabisa.com also collaborates with mass media in the dissemination of information related to ongoing fund-raising on the Kitabisa.com platform. It aims to make more people know about the information so that more people can donate. Kitabisa.com upholds the element of security in channelling goodness, therefore to maintain the trust given by the community Kitabisa.com has registered a PUB (Raising Money and Goods) permit from the Ministry of Social Affairs in the category of natural disasters, and

Kitabisa.com is also routinely renewing permits as a form of transparency. Kitabisa.com is also routinely audited by public accounting firms with fair results without exceptions (*Wajar Tanpa Pengecualian*).

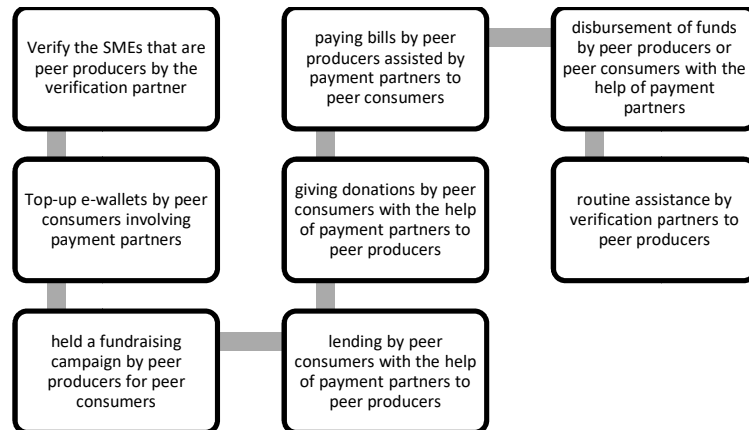
To become a member or part of this platform, both to become a fundraiser and to donate, the initial step that needs to be taken is to have an account. Account registration is also straightforward, and it can be started by entering the web page or the Kitabisa.com application. If someone wants to raise funds through the website of Kitabisa.com, the fundraiser needs to provide background information, goals, time, and place of implementation. It also needs to enter information related to how much funds are needed. When the information is complete, Kitabisa will release the information on the webpage and also in the Kitabisa application. This is consistent with the practice of donation-based crowdfunding, where the number of donations is not the main thing but the number of people participating in participation (Hutami & Irwansyah, 2019).

In exercising its role as an online donation service provider, Kitabisa does not provide any compensation to those who are fundraisers or those who contribute funds. Based on the commercial background and objectives of this platform that refers to social interests, it can be seen that Kitabisa is categorized as non-profit crowdfunding. However, if examined more in-depth, it turns out that this Kitabisa platform facilitates two types of funders, namely independent and single (fund-raising is designed individually) and embedded (certain groups/communities/institutions initiate fund-raising). So it can be seen that Kitabisa is an open platform which means that all parties can be a part of Kitabisa both personally and organizationally safely to meet the terms and regulations. Although Kitabisa is a non-profit crowdfunding, we can still take part of 5% of the disbursed funds as operational costs from Kitabisa.com itself and 0% for fund raising in the event of disasters and zakat, and it is following the provisions of the law applicable.

### **Gandeng Tangan (Profit-based Purpose)**

Jezzie Setiawan founded Gandeng Tangan as the Founder and CEO, Darul Syahdanul as the Co-Founder and COO; and Dwi D. Wyadi as the Head of IT Development in 2015. Gandeng Tangan is owned and operated under PT Kreasi Anak Indonesia. Now, Gandeng Tangan is crowdfunding in the form of fintech which has been registered and supervised by the Financial Services Authority (*Otoritas Jasa Keuangan*) starting from February 1, 2019, with the number of registered proof letter S-63 / NB.213 / 2019. The accumulated loan since its inception amounted to Rp. 14 billion, the accumulation of loans throughout the current year is Rp. 9 billion, outstanding loans amounting to Rp. 5 billion, and there are around 3500 prospective loan recipients, then the number of funders is 17,800 (Gandeng Tangan.co.id, 2020). This shows that Gandeng Tangan is an official site, and has credibility that is recognized by the public. Based on the results of the interview, GandengTangan was not involved in providing advice on the benefits of funding that would be obtained by the micro-entrepreneurs, but would only provide administrative assistance in bringing in lenders and recipients of financing and providing the necessary documentation as proof of the transaction. The content and material available on the Gandeng Tangan website are not intended to offer, solicitations, advice and recommendations for investing in securities, capital market products, and other financial services. (Gandeng Tangan.co.id, 2020).





**Figure 4 Flow of Transaction Scheme in Crowdlending Gandeng Tangan**  
 Source: Processed by author

Gandeng Tangan is a platform where collaboration between business owners who need capital and lenders who want to have a safe and transparent social impact. Through short-term funding, GandengTangan is here to connect the two so that they can join hands to create good impacts for micro-businesses in Indonesia. As loan-based crowdfunding, this platform focuses on funding SMEs in Indonesia. GT-Trust will accompany SMEs that obtain loans through this site as partners who will help advance micro-businesses from loan recipients (UKM Indonesia, 2020). Gandeng Tangan has a platform as crowdlending, which is the initiator of the project through borrowing money from the crowd, then after the project is successful and can be run as well as the benefits that have been obtained, the recipient of the funds must repay the funds obtained from the crowd process (San-Jose & Retolaza, 2016). Technically, Gandeng Tangan facilitates mutual loans. Loans provided by lenders will have a more significant social impact many times if the loans can be appropriately managed. In the business process, GandengTangan gives 0% interest, but each time the funds are disbursed an administration fee of 5% will be withdrawn. The maximum time for collecting funds is 120 days. The loan will give a maximum instalment limit of 24 months with a term of 6 months.

To involve as a lender or as a recipient of financing, people only need to register and create an account on the GandengTanganpage or application. The process is quite easy; prospective loan recipients or lenders can visit the official website of Gandengtangan, then follow the registration steps that are listed on the page. But not all prospective loan recipients will get the loan they want. Because the determination of which loans can be funded by GandengTangan is based on credit scoring obtained by the borrower or prospective loan recipient. The credit scoring will be carried out by the GandengTangan partner, GT-Trust, to assess MSMEs based on personal, business, financial, and social capital aspects. The assessment will be conducted through interviews and direct surveys to the place of business implementation.

Based on the explanation above, there are several comparisons between the two platforms with different purposes, which are described in Table 1 below:

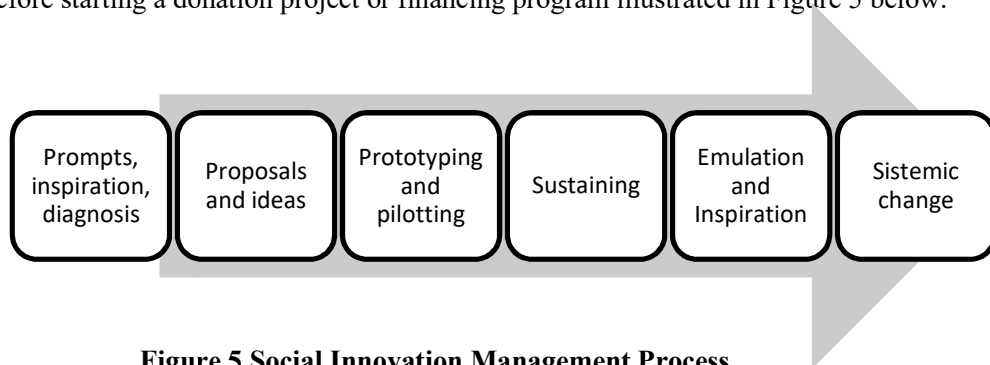
**Table 1 The Summary of Characteristics of Crowd Funding Platforms**

	<b>Kitabisa.com</b>	<b>Gandeng Tangan</b>
Vision	<i>Unstoppable Kindness Innovation</i>	<i>Poverty can be overcome by opening up access to funding with each individual who uses his opportunities to have a social impact through technology that connects lenders and micro entrepreneurs.</i>
Description	become a forum to donate and raise funds online, connect the spirit of kindness and mutual assistance and raise funds for various things they stand for and donate for things they want to help.	Becoming a collaborative platform for micro-entrepreneurs who need capital with lenders who want to have a safe and transparent social impact.
Motivation beyond profit	Support the sustainability of social collaboration for the welfare and health of the community by only charging 5% of the total donations for, except for donations in the category of natural disasters and zakat.	Poverty alleviation and initiating new employment by supporting the new business of groups, start-ups and SMEs. Free-interest for disbursing loans and only increasing administration costs by 5% of the funds collected for the company's operations.
Products	Customized donation-based and reward-based system for aggregating presents	P2P Lending

Source: Processed by author

**Social Innovation Management of Kitabisa.com dan Gandeng Tangan**

Based on interviews with the owners of the two platforms, both of them have similar social innovation management before starting a donation project or financing program illustrated in Figure 5 below:



**Figure 5 Social Innovation Management Process**

Source: Processed by authors

**1) Stage 1: Prompts, inspiration and diagnosis.**

Kitabisa goes through this stage when the owner is involved in Rheinald Kasali's "Rumah Perubahan". Rumah Perubahan turned into a mentor for the owner of this company to study critically and diagnose social problems in Indonesia, by framing the question to find the root causes of social problems, not just the symptoms. "At that time, we thought that solving social problems, such as poverty, diseases that

burden the poor, education lagging, natural disasters would not be solved if only relying on the role of the government. The burden on the government is heavy. And often problems arise when the distribution of aid is bureaucratic and then not on target" (CEO-1). This then led to distrust from some communities to participate in donating for humanitarian issues and wanted their assistance to be provided more effectively, quickly and transparently. Therefore, an online or digital-based mediator, channelling funds from the public to those in need (with a clear and traceable profile) equipped with data access and development of channelling community assistance to those in need, is the solution to this problem. "We use an online system that is all transparent; there is a name (donor), there is also the number of funds ..."(CEO-1).

Gandeng Tangan also through this stage, where the owner himself is a business student who is very concerned about developing entrepreneurship in Indonesia. "We realize that the constraints of SMEs-based entrepreneurs in Indonesia are the problem of financing, initial capital. In fact, they are determined people who often cannot meet the layered requirements of conventional banking. Because of that, then Gandeng Tangan was inspired by the concept of Grameen Bank and cooperatives, which had already applied the concept of peer to peer lending, to help start-up business or peer producer financing, from investors or peer consumers who wanted to invest by providing productive loans as solutions to problems" (CEO-2). With a 0% interest scheme and a partnership that has been hand-in-hand with business incubators to accompany peer producers, eventually the amount of funds absorbed is good and businesses that are supported become a going concern and even generate profits (with an average profit of 15% per year).

**2). Stage 2: Proposal and Ideas.** This stage involves a formatting method, such as design and creativity methods to expand the menu choices available. "Creativity in forming crowdfunding Kitabisa.com was initially formed by fellow members of the Rumah Perubahan and realized in the form of a simple non-web-based platform initiated by two people (with economic and marketing backgrounds) who did not have the basic IT to develop a digital platform, but working with IT experts to develop the design and digital platform devices. In carrying out its creative and operational business processes, Kitabisa is only managed by 13 people"(CEO-1). In contrast to Kitabisa.com, innovation in the form of platforms comes from Gandeng Tangan alone, with the Product and Operation division which is an expert in making digital-based start-ups. From this section design and creativity in the form of platforms was developed even though the idea of P2P for social entrepreneurs and start-ups is an effort to "understand new markets" that is more creative than conventional P2P which is very sensitive to the needs of the very rapid development of start-ups in Indonesia.

**3) Stage 3: Prototyping and Piloting.** This stage is the process of refining ideas and testing business ideas that have significant benefits to overcome socio-economic problems, through iteration, trial and error and coalitions that are built with professionals. Kitabisa.com first tested the platform by taking a project with the Indonesian Red Cross. Although it takes one year to complete the fund-raising on target, this trial is an essential portfolio in taking on subsequent projects. "Gandeng Tangan first tested the platform by funding five social entrepreneurship projects, namely HamuEco, KomodoWater, TinaGas, Agradaya, and the Prosperous Village Community with the support of Angel Investment Network Indonesia under Mariko Asmara Yoshihara and DBS Foundation, owned by DBS Group in Singapore. This trial was successful because, as can be predicted by Gandeng Tangan, the concept of revolving capital in the form of soft loans makes entrepreneurs work hard and repay loans, by managing finances more efficiently so that debt does not pile up and pay off according to the expected deadline"(CEO-2)

**4)Stage 4: Sustaining.** This stage is to sharpen ideas (and often streamlining ideas) and identify sources of income to ensure long-term financial sustainability of enterprise social or charity. Kitabisa.com determines administrative costs of 5% of total donations, 2.5% for medical emergency campaigns and 0% for zakat and natural disasters because these percentages are the minimum fee-based income

crowdfunding standard in the world; besides Kitabisa is a profit-oriented social enterprise. Gandeng Tangan determines an interest rate of 0%, but an administration fee of 5% of the total loan when it is disbursed because it follows the minimum global crowdfunding standard, but with guaranteed transparency and accountability reports on the receipt and distribution of funds. The determination of income stream needs to be done to develop innovation for the better. Besides the income stream, Kitabisa.com also prepares a team, budget and licensing to the Ministry of Social Affairs to establish a limited liability company. At this stage, Gandeng Tangan prepared a team, budget and licensing as fintech to the OJK and the Ministry of Law and Human Rights.

**5) Stage 5: Emulation and Inspiration.** This stage has a critical role in spreading the idea of innovation. As a social innovation, demand is as significant as supply. Therefore, a social enterprise must be able to identify market demand from both the community and policymakers (government), so that the company can disseminate its new model to fill the needs there. This process is also called "scaling" as the innovation is generalized within an organization or the organization itself expands. Although the concept of scaling is commonly used for mass production processes, social innovation through inspiration and emulation, or provision of support and know-how from one to another in a more organic and adaptive kind of growth. Kitabisa.com for example is doing scaling, with a two-way method. The first is based on reports from the poor in the Ministry of Social Affairs, and the second is from community reports. The validity of the data will be traced by the Kitabisa team by directly identifying potential recipients of donations. Kitabisa.com also always spreads the term #orangbaik spread through social media, even making #orangbaik merchandise to increase public interest in the idea of social innovation in addition to persistently building social innovation networks with humanitarian institutions such as the Indonesian Red Cross, UNICEF, Dompot Dhuafa, ACT already has a humanitarian or donation project.

Meanwhile, Gandeng Tangan scaling based on market validation they did in collaboration with DailySocial, surveying 150 respondents (48% private employees, 21% students and 9% entrepreneurs) about lending funds to social entrepreneurs gave very valid results. As many as 85% expressed interest and were very interested in providing loans, while 89% were willing to use the Gandeng Tangan platform as a medium. Furthermore, 40% of respondents want information on the continuation of their business and the impact provided, while 30% is sufficient to return the principal only. The reason for supporting this scheme is that 78% of respondents want to contribute to developing the local economy and social welfare.

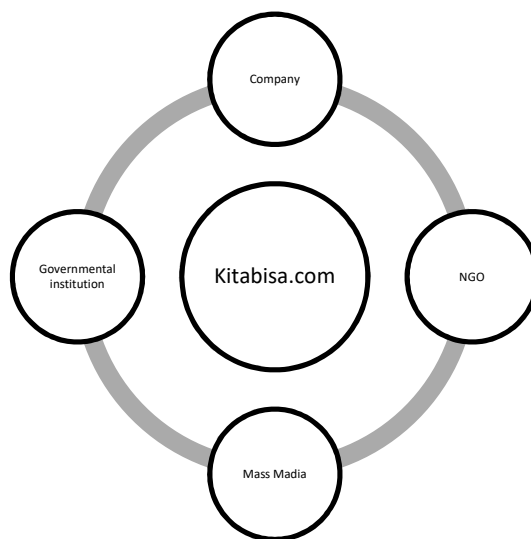
**6) Stage 6: Systemic Change.** This stage is a systemic change that involves a new framework or technology architecture within the company to create other innovations on a smaller scale. This is important because social innovation usually faces obstacles from other business models, especially Gandeng Tangan, as P2P lending based on social enterprise. Therefore, for the sidestep these barriers and keep extent to grow, it is vital to depend on the creation of new conditions to make more viable innovation by providing new supply chains, technology, institutional forms, skills and regulatory frameworks. This is called systemic innovation which will ultimately change the public sector, private and grant economy in the future. As a statement from the owner stating that "Kitabisa.com has also done enough to make a systemic change by changing the outlook on raising funds for charitable activities which are usually done manually, or can be called disruption of the good industry." Kitabisa.com also develops new innovations on a small scale, which is Kitabisa Plus, which will focus on becoming a forum for fellow donors to improve the quality of health.

This result supports the previous research that crowdfunding digital platforms are infrastructure, something must be built, and the design will influence, but not determine, what can be built on it (Bowker & Star, 2000). Crowdfunding has attracted considerable recent research before starting to innovate (Agrawal et al., 2010; Belleflamme & Lambert, 2014; Davidson & Poor, 2016; Davies, 2014; Gerber & Hui, 2013 and Hui et al. 2014) along with designs for the masses (Crowds) Reeves et al., 2010).

Crowdfunding acts as a service design to mobilize social innovation, generating value through 'community or quasi-public assets' (Davies et al. 2014: 342; Stiver et al., 2015).

**The Role of Social Innovation Network to Support Innovation Management**

Based on an interview with the owner of Kitabisa.com, "a network is the main key to the success of our project, even though we are only mediators, but campaigning with the help of network is part of our responsibility"(CEO-1). Therefore, this company believes that working with other companies, government institutions, NGOs, and the media is a strategy to achieve organizational goals and fund-raising projects. An overview of the Social Innovation Network at Kitabisa.com is shown in Figure 6 below:

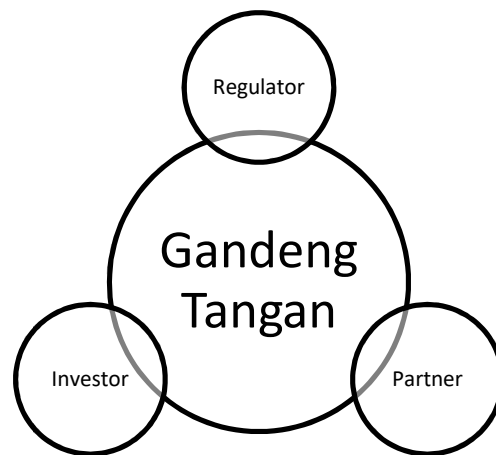


**Figure 6 Social Innovation Network Kitabisa.com**  
**Source: Processed by author**

Dozens of companies have collaborated with Kitabisa to conduct CSR programs and marketing activities. Go-Jek, as an online service platform, also collaborates with Kitabisa.com as a fundraiser as part of their CSR. RSCM as a business unit also collaborates with this platform to encourage more assistance to patients in need with the #BisaSembuh RSCM program, Free FoodBox, and Ambassador Orangbaik to educate and invite the community to share. Many elements of the government have collaborated with Kitabisa to encourage active public participation in dealing with social problems, for example, BAZNAS as an official amil zakat institution from the government. Hundreds of NGOs in the fields of health, education, environment, humanity, and various other fields have collaborated with Kitabisa to raise funds and conduct social activities. Kitabisa believes that mass media has a strategic role in spreading goodness. Dozens of media have collaborated with Kitabisa to raise funds and spread information about inspiring figures/stories. Some of the media that cooperate with Kitabisa.com are Kumparan, Detikcom, Kompas Humanitarian Fund and IDN Media. As an impact based on the Annual Report (2018), Kitabisa.com has distributed 237 billion donations and zakat from 531,353 people who participated in 11,650 fund-raising projects; more than 50 billion for disasters in Lombok, Palu, handling malnutrition in Asmat Papua, handling Surabaya bomb victims and so on; 34 billion for donations for babies with premature conditions and severe illness.



Meanwhile, the social innovation network from Gandeng Tangan is described in Figure 7 as follows:



**Figure 7 Social Innovation Network Gandeng Tangan**  
**Source: Processed by author**

Users of productive funds provided by Gandeng Tangan are Peer producers or business entities that provide value from the ecosystem/marketplace inventory of a platform, for example, borrowers in the form of SMEs. Furthermore, the peer consumers, which are entities that use and utilize the values obtained from the platform, for example, are private funders. As P2P lending, Gandeng Tangan must also follow the rules of the regulator namely the Financial Services Authority as a crowdfunding-based financial service policymaker in Indonesia and the Ministry of Law and Human Rights as a policymaker regarding the rules of establishing limited liability companies and foundations in Indonesia. The leading investors, namely Mariko Asmara Yoshihara, and GT Group Singapore are providers of investment funds used to build this platform. In carrying out hand-in-hand operations, the company cooperates with GT-Trust as a validator of SMEs business owners who apply for credit, then hosts the event as a social program partner that organizes events to raise loan funds. The next partners are The NextDev, UnLtd Indonesia, Medco Foundation, PBMT Ventura as incubators and accelerator partners who provide mentors in solving business process start-up problems. Meanwhile, Veritrans, Mandiri Clickpay, CIMB Click, Bank BRI and Bank BCA are payment partners that facilitate payments between borrowers and lenders.

**CONCLUSION**

Kitabisa and Gandeng Tangan are two digital crowdfunding platforms that have a tremendous socio-economic impact for the people of Indonesia. In running their business, Kitabisa and Gandeng Tangan are supported by social innovation networks or stakeholders who have the same vision in achieving social innovation goals, namely sustainable community welfare. As a social innovation, the two companies also apply similar stages of social innovation, from the stage of *idea formulation* to *scaling* and *diffusion* of innovation, but both are still in the *development stage* to create a systemic impact on social innovation as a whole. Nevertheless, to support their business and innovation process, these social enterprises have different social innovation networks. As a donation-based, Kitabisa.com partnered with government,

NGO, Media and individual and corporate while Gandeng Tangan P2P lending partnered with regulator, investor and corporate partner. This research is expected to contribute theoretically and practically to the development of social innovation by crowdfunding. The social innovation pattern in these companies are similar with mostly Western crowdfunding company, in terms of their *motivation beyond profit* that manifested in their income earning policy. The limitation of this research is the research perspective that limited to the crowd funders, not from the users of this platform. Therefore, the suggestion for further research is to focus more on the motivational aspects of a user to choose to entrust their funds in a digital crowdfunding platform, especially if it is related to data security aspects of privacy.

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