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# TABLE OF CONTENTS

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## ARTICLES

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<b>Radosław Mędrzycki, Sebastian Sikorski</b> , NEET Youth as an Actor in the Social Economy: A Legal Perspective .....	5
<b>Mariola Szewczyk-Jarocka, Beata Sadowska, Jan-Urban Sandal</b> , Causes and Effects of Social Exclusion in Light of Opinions of Cooperative Bank Customers: The Case of the Mazowieckie Province .....	17
<b>Iuliia Gernego</b> , Investment Attractiveness of Impact-Focused Startups .....	31
<b>Anas Mellouki, Yassine Belyagou, Houssine Soussi</b> , Sustainable Entrepreneurship in Morocco: Driving Competitiveness Through CSR and Circular Economy .....	46
<b>Mazanai Musara, Lebohang Neo, Ferdinand Niyimbanira, Andrew Maredza, Wisemen Chingombe, Thanyani Madzivhandila</b> , Empowering Change: Unleashing the Potential of Social Enterprises through Contextually Relevant Support Mechanisms in Mpumalanga Province, South Africa .....	60
<b>Youssef Rehali, Fatima Touhami, Mohamed Elmoukhtar, Salma Bakkali</b> , Promoting Gender Equality Through Leveraging the Women, Business, and the Law Index: A Comparative Analysis of High- and Low-Income Countries .....	75
<b>Fatima Ezzahra Zaid, Noufel Ghiffi</b> , Entrepreneurial Learning Process After a Business Failure .....	93
<b>Gift Dafuleya</b> , Social Entrepreneurship Development in Collective-Based Initiatives: A Qualitative Study of African Burial Societies .....	106
<b>Oualid Benalla, Marwane El Halaissi</b> , Exploring Social Entrepreneurship Dynamics in Sustainable Tourism: A Case Study of Morocco's Al Haouz Province .....	129

# NEET Youth as an Actor in the Social Economy: A Legal Perspective

Radosław Mędrzycki, Sebastian Sikorski

**Abstract:** **Background:** The legal framework does not extensively discuss the topic of NEET young people, and works dedicated to this issue in the context of the social economy remain rare. This may come as a surprise, given the assumption that the social economy specifically tackles exclusion in the labor market. **Research objectives:** Therefore, the text primarily aimed to establish whether the legal regulations on the social economy currently in force in Poland address this heterogeneous NEET phenomenon and, if so, to what extent. **Research design and methods:** The research primarily encompassed statutory material specific to the social economy in Poland. The authors used the dogmatic method. **Results:** The research determined that the law provides a basis for social economy entities to impact NEET youth, albeit to varying degrees, due to their diverse nature. **Conclusions:** The NEET group itself is also diverse, and the volitional sphere influences how one understands the law's impact on NEETs. Although the research question received a clear answer, the analysis of regulations revealed a critical issue in legal studies: the absence of a legal definition of NEET youth.

**Keywords:** NEET, social economy, unemployment, administration law

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The issue of NEET youth (not in education, employment, or vocational training) carries significance for several reasons. Young people constitute “an essential resource for all economies and societies” (Kurzawa, 2018, p. 151). NEET joblessness generates direct economic costs, such as unemployment benefits, and indirect ones, such as lost opportunities in the form of unpaid taxes (Kurzawa, 2018, p. 159). One must also consider the difficult-to-measure but important potential for entrepreneurship and innovation. Work matters for another reason: Poland’s aging society requires labor force participation, including that of young people. From the viewpoint of the individual – not only the young, incidentally – lack of work generally deprives people of various needs, often accompanying or causing other personal problems. Unemployment ranks among the reasons for social exclusion (Małecka-Łyszczek & Mędrzycki, 2021, p. 25).

Recognizing the postulate of axiological-normative unity, one should regard work (employment) as a value, since the legislator introduces legal instruments to counteract the phenomenon of unemployment. A key regulation in this context, the Act of April 20, 2004, on Promotion of Employment and Labor Market Institutions (Journal of Laws of 2024, item 475, as amended), governs instruments of employment support and vocational activation. In anticipation of fur-

ther discussion, this legal act has already gained significant attention in Polish legal literature. However, the issue of NEET youth has not yet attracted wider interest from the perspective of social economics within legal sciences (cf. Małecka-Lyszczek, 2017; Lipowicz et al., 2024). Therefore, deepening the analysis of this relationship appears justified and constitutes the primary goal of the study. The European Union institutions have recognized the relationship between NEET youth and the social economy in non-normative (political) acts (European Economic and Social Committee, 2021).

## Literature Review

It seems particularly noteworthy that legal academics, including those in administrative law, have so far shown little interest in the legal situation of NEET youth. A review of Polish literature reveals only a limited number of legal references to the topic. Although scarce, these references support the following thesis: scholars predominantly examine the NEET youth category through the prism of labor market institutions and, more broadly, labor law. Research on social economics – whose provisions mostly have an administrative-legal character, at least in Polish literature – rarely appears in discussions of the NEET phenomenon. This evident tilt toward labor market law, combined with the overall paucity of legal studies dedicated to the subject, makes it both necessary and feasible to draw on the existing body of labor law scholarship at this juncture.

Counteracting the NEET phenomenon is one of the major challenges for the education system and the labor market. ... In the case of young people (aged 16–24) who remain in education and/or employment, competencies increase with age while for NEETs – there is a regression. The most frequently cited reason for youth unemployment is a lack of practical skills and professional experience. Despite the low percentage of young people who do not continue their education, some of the young people included in the NEET group do not register with labor offices and remain excluded from the labor market primarily because they have not completed their formal education and thus lack professional qualifications. These individuals often show no interest in seeking employment because they do not see the need, or they are unwilling to engage in training or further education. They can be particularly difficult to activate. Hence, there is an initiative to reach out to them by using specific methods and incorporating them into labor market policy measures. (Męcina, 2018, pp. 508–509)

The NEET youth situation has attracted attention from both the International Labour Organization and European Union institutions (Surdykowska, 2014).

Additional references to the labor market in the literature allow for several significant conclusions. Youth unemployment remains persistently high relative to total unemployment, posing a major challenge for employment policy – “people are not equal when facing the threat of unemployment.” This reality partly justifies the need to recognize a “right to first employment” for young people entering the labor market (Staszewska, 2020, p. 11; see also Góral, 2002, p. 193; Góral, 2006, p. 103). In line with European Union guidelines (Council Recommendation of 30 October 2020 on a Bridge to Jobs – Reinforcing the Youth Guarantee and replacing the Council Recommendation of 22 April 2013 on establishing a Youth Guarantee 2020/C 372/01), the age range of individuals requiring increased support in finding their first job should expand, reflecting a prolonged transition period from education to employment (Staszewska, 2020, p. 12). Furthermore, the literature notes that “difficulties for young people entering the labor market – namely inadequate education, lack of skills, and insufficient professional experience – must be taken into account in designing labor market instruments aimed at

promoting youth employment.” These difficulties also correlate with risks borne by employers, who may hesitate to accept them, thus prompting the idea of subsidized employment through “wage subsidies, bonuses associated with hiring, reductions in social security contributions, or tax relief” (Staszewska, 2020, p. 12).

Given the nature of research objectives in legal scholarship, the analysis of the essence of this phenomenon and the NEET group’s characteristics requires drawing on insights from other fields, such as the social sciences and economics. Difficulties in explicating the problem seem to stem not only from the NEET group’s heterogeneity, which lawyers also recognize (Surdykowska, 2014, p. 235), but also from the significant lability of the labor market, driven increasingly by technological variables and destabilizing factors such as war, economic crises, and biological threats (Kurzawa, 2018, p. 160; Giemza, 2024).

Defining NEET youth may appear straightforward at first glance. According to the acronym’s expansion, it refers to young people or individuals who are not in education, employment, or vocational training, where all three conditions occur simultaneously. However, the term NEET does not constitute the only description of this sociological phenomenon. Other expressions remain in use, such as *generación ni-ni* (“neither-nor generation”) or the Italian *bamboccioni* (“big babies”) (Kurzawa, 2018, p. 151), as well as Polish equivalents like “passive generation” (Giemza, 2024, p. 26). From the outset, the concept of NEET has applied specifically to young individuals; hence, the literature frequently employs designations such as “young person belonging to the NEET category” or “NEET youth” (Social Exclusion Unit, 1999). As noted in the literature (Susz, 2022, p. 121), the NEET category appears not only in policy and strategic-planning documents but has also evolved into a formal legal category, owing to its inclusion in a derivative act of European Union law. The EU legislature retains the original meaning of this category as individuals not studying, not working, and not in vocational training (Regulation (EU) No 1304/2013, Article 2(ii)). Polish policy documents also recognize the NEET category, sometimes linking it to social exclusion (Resolution No. 165) or, explicitly, to the social economy (Resolution No. 164).

As we will discuss further, the so-called volitional sphere plays a crucial role.

The NEET group includes not only young individuals who meet the criteria for being unemployed but also those who leave education prematurely, do not seek work, remain—sometimes by choice, sometimes by necessity—financially dependent on their parents, or engage in socially disapproved activities. ... Among NEETs, there are both relatively well-educated young people who are unable to find jobs commensurate with their qualifications and those with lower levels of qualification because they left school too early. ... Some NEETs resort to socially unacceptable, alternative income-generating activities, which bring them into conflict with the law. ... Thus, the NEET group comprises both individuals who do not work of their own volition and those who are unable to find employment despite their efforts. (Serafin-Juszczak, 2014, pp. 46–48)

This category includes both healthy individuals and persons with disabilities (Serafin-Juszczak, 2014, p. 48). Scholars often stress that – in spite of the group’s heterogeneity – its members ultimately “live at someone else’s expense” (Suszka, 2022, p. 122). However, such terminology may evoke the dark era of criminalizing non-engagement in work, referred to as “social parasitism” (Dukiet-Nagórska, 1979). Such an approach contradicts the modern concept of a democratic state of law, which does not mean that the state of not working despite available employment opportunities is socially and legally irrelevant.

Notably, unambiguous delimitation of the NEET phenomenon proves complicated by ambiguous criteria for group inclusion, in spite of their apparent clarity. However, a fundamen-

tal feature in describing NEET appears to be the lack of employment. The latter may result from continuous education or vocational training: individual pursuing educational or training opportunities do not classify as NEET.

The multiplicity of variables, combined with the absence of normative criteria, produces a heterogeneous sociological profile of the group. Consequently, research aimed at deconstructing the NEET group and identifying determinants of membership, or investigating possible reasons for belonging to this group, holds particular value (Giemza, 2024; Suszka, 2022, p. 123). As indicated in the abovementioned British report, “the NEET situation does not arise out of nowhere”; it stems from numerous factors observable at earlier development, such as school-related difficulties, family environment, and lack of support (Bridging the Gap: New Opportunities for 16–18 Year Olds Not in Education, Employment or Training, 1999, pp. 6ff.). Nevertheless, research on the NEET youth profile should also consider geographical factors (Simões et al., 2022; Jongbloed & Giret, 2021).

Given the qualitatively diverse image of NEET youth, one may ask whether the legal regulations on the social economy currently in force in Poland address this heterogeneous NEET phenomenon, and if so, to what extent. Importantly, the objective here does not lie in reiterating or conducting new studies on labor market instruments but rather in focusing on the social economy. Our article posits that the legislator has not formulated a legal definition of NEET youth, which complicates interpretation and may hinder efforts to counter this phenomenon.

## Research Method and Material

Considering the research question posed, the article adopts the dogmatic research method. This method serves as a fundamental tool in the science of law, enabling analysis of both the content of a legal norm and the relationship between various components of a legal text and their systematics. In the case of the social economy, applying this method proves important not only due to the legal regulation of the matter but also because of the legal material's far-reaching fragmentation. As indicated in the literature (Lipowicz et al., 2024, pp. 58, 172), the Act of August 5, 2022, on the Social Economy (Journal of Laws, 2022, item 1812) has not fulfilled the hopes regarding the consolidation of normative material on the social economy in Poland. Thus, in addition to the abovementioned law, the research material includes the following acts: the Act of April 24, 2023, on Public Benefit Activity and Volunteerism (Journal of Laws of 2024, item 1491, as amended); the Act of April 27, 2006, on Social Cooperatives (Journal of Laws of 2023, item 802, as amended); the Act of June 13, 2003, on Social Employment (Journal of Laws of 2022, item 2241, as amended); and the Act of August 27, 1997, on Vocational and Social Rehabilitation and the Employment of Persons with Disabilities (Journal of Laws of 2024, item 44, as amended). Although these are not the only legal sources cited herein, they represent the core regulations relevant for this study.

The social economy comprises a diverse category of entities, which in Poland generally include: a) social cooperatives; b) occupational therapy workshops and vocational activity establishments; c) social integration centers and social integration clubs; d) worker cooperatives, including cooperatives for persons with disabilities, cooperatives for the visually impaired, and agricultural production cooperatives; e) non-governmental organizations, as defined in Article 3(2) of the Act of April 24, 2003, on Public Benefit Activity and Volunteerism (Journal of Laws of 2023, item 571), with the exception of political parties, European political parties, trade unions and employer organizations, professional self-governments, foundations



established by political parties, and European political foundations; and f) entities referred to in Article 3(3)(1), (2), or (4) of the Act of April 24, 2003, on Public Benefit Activity and Volunteerism.

Given the qualitative profile of the NEET (Not in Education, Employment, or Training) phenomenon, one should consider whether the social economy entities listed above help prevent or eliminate a) lack of work; b) lack of education; and c) lack of vocational training. The discussion begins with education and vocational training.

In principle, a broad understanding of “learning” – acquiring knowledge, skills, and competencies – covers many social economy forms. The statutory concept of vocational and social reintegration assumes the acquisition of skills, new qualifications, and competencies (Article 2(7) and (8) of the Act on the Social Economy). However, if one treats “learning” strictly as a natural consequence of remaining within the formal education or higher education systems, this conclusion changes. Social economy entities do not form part of the education system under Article 2 of the Act of December 14, 2016, the Education Law (Journal of Laws of 2024, item 737, as amended) or the system of higher education and science under Article 7(1) of the Act of July 20, 2018, the Law on Higher Education and Science (Journal of Laws of 2024, item 1571, as amended). Consequently, these entities do not perform the educational or instructional functions attributed to those systems.

Determining the meaning of “vocational training” presents a somewhat more complex task. One may interpret it very broadly to encompass any practice – such as training programs or internships – that develops professional skills, or more narrowly, in the context of lifelong learning as described in Article 117 of the Education Law. Lifelong learning may involve: 1) a qualifying vocational course; 2) a vocational skills course; 3) a general competency course; 4) a theoretical retraining course for young workers; 5) an industry vocational training course; or 6) another course that enables individuals to obtain, expand, or change their knowledge, skills, or professional qualifications. Vocational training offered in the lifelong learning framework leads to the acquisition of professional qualifications. Generally, conducting such activities does not fall within the primary scope of social economy entities, with an exception under Article 170(2) of the Education Law, which concerns the concept of vocational training as an activity carried out by a non-governmental organization. Both legislation and legal doctrine unanimously recognize non-governmental organizations as social economy entities (Małecka-Łyszczek & Mędrzycki, 2021, pp. 242–254). Still, the Education Law does not govern this type of training (Article 117(4) of the Education Law).

Vocational activity establishments and occupational therapy workshops may play a supportive role in developing employment-relevant skills, especially for individuals with disabilities. According to Article 10a of the Act on Vocational and Social Rehabilitation and the Employment of Persons with Disabilities, an occupational therapy workshop constitutes an organizationally and financially separate facility that allows people with disabilities – who are unable to take up employment – to undergo social and vocational rehabilitation aimed at acquiring or restoring the skills necessary to enter the labor market.

Therefore, these workshops address persons with disabilities who currently lack the competencies required for employment. Notably, this group includes persons “incapable of taking up employment,” for whom participation in the workshops offers social and vocational rehabilitation to obtain or regain professional skills. Pursuant to paragraph 2 of this provision, an occupational therapy workshop achieves its primary objective by “using occupational therapy techniques.” While the legislator does not specify these techniques, it clarifies that among other things, they should support developing vocational skills that enable participation in vocational

training or taking up employment, which, incidentally, constitutes the main purpose of the interventions described in the provision (Wrocławska, 2023, Article 10(a)).

Paragraph 3a of the abovementioned Act stipulates that, based on an individual rehabilitation program, a participant in an occupational therapy workshop may take part in unpaid work placements with an employer – including a social cooperative or a social enterprise referred to in the Social Economy Act – for up to 15 hours per week over a period of up to three months, with the possibility of extension to six months.

In the context of vocational training, it is important to consider vocational reintegration, understood as activities aimed at rebuilding and maintaining the ability to perform work on the labor market among individuals participating in the programs of a social integration center or social integration club. A social integration center provides services for acquiring professional skills and apprenticeship, retraining, or improving professional qualifications, which directly relate to the broad meaning of professional training (training) (Article 2(5) and Article 3(1)(2) of the Social Employment Act). A social integration club may offer activities that aim to organize employment or traineeships, as referred to in the provisions on employment promotion and labor market institutions (Article 18 of the Social Employment Act). The Act on Promotion of Employment and Labor Market Institutions defines a traineeship as the acquisition of practical skills by an unemployed person for work through performing tasks in a workplace, without establishing an employment relationship with the employer (Article 2(1)(34)).

According to Iwona Sierpowska, it is the responsibility of the state to prevent processes of social alienation. In addition to combating material poverty, the state should – through social work – stimulate the activity of people at risk of social exclusion and support their integration – or more precisely, reintegration – into the professional and local environment (Sierpowska, 2004, p. 298). The objectives of these efforts vary. In the case of professional reintegration, activities aimed at restoring or maintaining the ability to work independently are of key importance. Conversely, social reintegration involves actions intended to preserve the individual's ability to participate in local community life and fulfill social roles in their place of residence, stay, or work (Maciejko & Zaborniak, 2008, pp. 58–69).

As previously noted, any analysis of the social economy in the context of education and vocational training must also consider the category of work. It is well established that the social economy serves to maintain employment opportunities and relates to work. Of course, certain entities, such as social cooperatives, seem particularly predisposed to this role. According to the referenced definition of the social economy, it targets people at risk of social exclusion. However, not every social economy entity provides employment for this group. For example, a social integration club does not fulfill this function.

Nevertheless, the following discussion highlights issues that give rise to interpretative problems when linking the social economy to NEET youth.

In Article 2(6) of the Social Economy Act, the legislator identifies twelve groups recognized as persons at risk of social exclusion. These include: a) the unemployed, as referred to in Article 2(1)(2) of the Act of 20 April 20, 2004, on Promotion of Employment and Labor Market Institutions (Journal of Laws of 2023, items 735, 1429, 1723, and 1737); b) the long-term unemployed, pursuant to Article 2(1)(5) of the Act of April 20, 2004, on Promotion of Employment and Labor Market Institutions; c) jobseekers, as referred to in Article 2(1)(22) of the Act of April 20, 2004, on Promotion of Employment and Labor Market Institutions, without employment – aged up to 30 and over 50 – or not performing other gainful employment, as defined in Article 2(1)(11) of the Act of April 20, 2004, on Promotion of Employment and Labor Market Institutions; d) per-

sons with disabilities within the meaning of Article 1 of the Act of August 27, 1997, on Vocational and Social Rehabilitation and the Employment of Persons with Disabilities; e) graduates of social integration centers and clubs, as referred to in Article 2(1a) and (1b) of the Act of June 13, 2003, on Social Employment; f) persons who fulfil the criteria outlined in Article 8(1)(1) and (2) of the Act of March 12, 2004, on Social Assistance (Journal of Laws of 2023, items 901, 1693, 1938, and 2760); g) persons entitled to a special care allowance, according to Article 16a(1) of the Act of November 28, 2003, on Family Benefits (Journal of Laws of 2023, items 390, 658, and 1429); h) independent persons, as outlined in Article 140(1) and (2) of the Act of June 9, 2011, on Support for the Family and the System of Foster Care (Journal of Laws of 2023, items 1426 and 1429) and Article 88(1) of the Act of March 12, 2004, on Social Assistance; i) persons with mental disorders, as referred to in Article 3 (1) of the Act of August 19, 1994, on Mental Health Protection (Journal of Laws of 2022, item 2123, and of 2023, item 1972); j) persons deprived of liberty, person leaving a penal institution and adult persons leaving a correctional institution; k) older persons, as defined in Article 4(1) of the Act of September 11, 2015, on Older Persons (Journal of Laws item 1705); and l) persons granted refugee status or subsidiary protection in the Republic of Poland.

By its very nature, a comprehensive discussion of the scope of Article 2(6) of the Social Economy Act is not possible here; for detailed interpretation, one should consult the available commentaries (Stachowicz et al., 2023; Małecka-Lyszczek & Mędrzycki, 2023). The statutory catalogue of persons at risk of social exclusion does not explicitly include NEET youth. However, the literature recognizes NEET youth as persons vulnerable to social exclusion (Serafin-Juszczak, 2014). The subordination of the statutory classification of persons at risk of social exclusion to the regulation of social enterprises partly justifies the absence of this group. Therefore, one should not consider this catalogue a holistic classification corresponding to the differentiation of social exclusion (Stachowicz et al., 2023, p. 14). However, during the development of the draft law on the social economy, stakeholders emphasized the need for a broad coverage of social exclusion factors (Explanatory Memorandum, 2022). Currently, the scope of the statutory concept of persons at risk of social exclusion coincides with the scope of persons who can establish a social cooperative (Article 4(1) of the Act on Social Cooperatives), except for the requirement for cooperative founders' legal capacity as the mandatory element (with variations in Article 4(2) of the Act on Social Cooperatives).

The subject analysis of Article 2(6) of the Social Economy Act supports the conclusion that potentially many of the categories of persons indicated therein can be implicitly classified as NEETs. However, an extremely important factor involves, on the one hand, the age of the person in question, and on the other hand, their volitional sphere. For example, the legal understanding of an unemployed person as a person over the age of 18 excludes the possibility of recognizing that the statutory category of an unemployed person proves adequate for NEET youth under the age of 18. Conversely, jobseekers over 50 or older people do not fall into this category either. In other words, the social economy does not exclusively aim to help NEET young people.

According to the Social Economy Act, a person at risk of social exclusion means an unemployed person as defined in Article 2(1)(2) of the Act of April 20, 2004, on Promotion of Employment and Labor Market Institutions (Journal of Laws of 2023, items 735, 1429, 1723, and 1737). The normative picture of this legal reference remains extremely broad. Apart from the great subjective diversity of this group, the factor that unites it – and which also proves relevant to

the considerations made here – is the “ability and willingness” of the unemployed to take up employment.

As Zbigniew Góral (2016) states, the concept of ability can refer to both legal capture – for example, age – and a person’s psychophysical abilities.

The ability to take up employment (or other gainful work) must be accompanied by a readiness to change one’s status. This should be understood as a genuine willingness to work and being in a situation that enables the commencement of work within the framework of an employment relationship, service relationship, commissioned work agreement, or other civil law contract. This is confirmed by the case law of administrative courts .... Thus, unemployed persons can only be those who have the will to take up work. The verifier of such readiness is primarily remaining available to the employment office, which means reporting to the office without undue delay and utilizing the services provided by that office. (Góral, 2016, Article 2(2.3))

One should also remember that another qualifying condition for the status of being unemployed involves the search for employment or other gainful work. Here as well,

although the legislator does not explicitly indicate this, it also involves taking one’s own actions that increase the chances of obtaining employment (or other gainful work). Therefore, an unemployed person must demonstrate personal activity aimed at losing their current status. (Góral, 2016, Article 2(2.4))

Similar considerations apply to a long-term unemployed person – also classified as a person at risk of social exclusion – namely, an individual who remains registered with a district labor office for a total period of more than 12 months within the last two years, excluding periods of internship and vocational training for adults.

In the current geopolitical situation, one should not underestimate the fact that the legislator, in the cited Article 2(1)(2) of the Act on Promotion of Employment and Labor Market Institutions, defines the concept of the unemployed by limiting its subjective scope only to the persons explicitly indicated, to whom the provisions of this Act apply. This means that the status of an unemployed person may be granted to Polish citizens and foreigners. At the same time, however, foreigners whose employment in Poland requires a work permit cannot obtain this status (Staszewska, 2012).

The category of jobseekers provided for in the Social Economy Act proves even more problematic in relation to NEET young people. Initially, this category can include those who currently have a job, those who are in education, and those who are neither in education nor in employment (Góral, 2016, Article 2(2.4-2.6)). However, the Social Economy Act specifies that it concerns people who remain “unemployed” and do not perform other gainful employment. Notably, we focus on the category of people under 30. However, the category certainly does not include people who passively seek to change their occupational situation. As already noted, such a volitional premise characterizes some NEET young people. Recognizing that the NEET phenomenon involves a person’s unwillingness to study, work, and train allows a different view of the outcome of the legal analysis. The next section of the article will present these results.

## Results and Discussion

The literature on NEET youth and social economics has not overlapped extensively to date, resulting in a lack of representative research results linking these issues – a situation that is not unique to Polish literature. In Poland, representatives of various research disciplines successfully explore these two areas, but the topics of social economics and NEET youth essen-

tially function separately, including in scientific legal discourse. The article does not investigate the reasons for this state of affairs. It only signals possible explanations (hypotheses) without resolving their veracity.

As a rule, scientific legal discourse draws mainly on substantive normative material, divided by branch. The social economy, although it obviously includes employment issues, belongs to public law with strong connections to administrative law and public economic law. However, NEET youth topics closely relate to unemployment and fall within labor law. Thus, one can suspect that the lack of research branch integration leads those working in the social economy to underestimate the research potential of NEET topics. Another possible reason is that scholars consider NEET youth issues characteristic of economic and sociological sciences, and less so of legal science. The lack of a broader distinction of the NEET category in legal acts certainly fosters looking at this category as a “foreign body” in legal science. Dependence on normative sources remains self-evident in legal research. Finally, public law scholars’ low interest in the NEET phenomenon may stem from the relatively limited attention devoted to the social economy itself compared to other topics.

The findings show that Polish social economy legislation does address the NEET phenomenon. Nevertheless, due to the chosen research method, this article does not examine the actual manifestations or effectiveness of this legal response. The social economy entities discussed here can carry out activities related to employment, education, and vocational training to varying degrees, though their modes of intervention differ across the sector. However, legal analysis of potential interventions supports the conclusion that the legal framework for social economy entities in Poland responds to the qualitative “picture” of the NEET phenomenon.

A different set of results emerges when examining the entities eligible to benefit from social economy initiatives, usually described as individuals “at risk of social exclusion.” The situation becomes different when a person is economically inactive and shows no interest in changing this status – then, from the perspective of labor law, classifying this person as unemployed may prove problematic due to lack of readiness to work. This situation also differs when a person seeks to change their status in the labor market. In addition, one should remember that no legal obligation exists to use the services of social economy entities.

## Conclusions

The factors that determine belonging to the analyzed group constitute a very important element influencing the results of legal research in the context of NEET youth. In legal considerations, the so-called volitional aspect may play a particularly important role. The will remains the decisive factor here. Notably, legal research, determined by the dogmatic method, relies on normative material as it exists. This does not preclude the possibility of making *de lege ferenda* references; however, one of the foundations for such references must be the legal text itself. The inadequate legal coverage of a diverse social phenomenon seems equally important. Although the law influences this sphere, it does not regulate the expansion of the NEET category to include the precariat, “an increasingly distinct group of people who fall into poverty despite continuous work, albeit in different forms” (Lipowicz, 2017, pp. 121–122). The problem of low-paid junk contracts serves as an example. Even though such individuals do not comprise the NEET group by definition, prolonged insecurity can deprive them of the sense of belonging to a group of professionally successful people. This deprivation may result in apathy, characteristic of some NEETs. Conversely, an objective approach must also take into account

cases in which young people consciously choose not to engage in employment. This choice is illustrated by a growing trend in Sweden referred to as the “soft girl” (*hemmaflickvän*) (Syuleymanova, 2024), where a person remains dependent on a partner.

Undoubtedly, the absence of a legal definition of this social group influences the scope of legal research on the NEET youth phenomenon in the context of the social economy. This becomes especially visible when considering both those who are unemployed in spite of their efforts and those who do not want to work. The question of what causes individuals to enter the NEET group – and whether the social economy can help address those causes – remains an open topic for further exploration. This research confirms the thesis of the article.

Despite achieving the research objectives set forth in this text, we aim to initiate a discussion within the legal sphere on the NEET phenomenon from the perspective of the social economy. We also see a need for more integrated research that involves labor law experts and scholars from non-legal disciplines.

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All authors have read and agreed to the published version of the manuscript.

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# Causes and Effects of Social Exclusion in Light of Opinions of Cooperative Bank Customers: The Case of the Mazowieckie Province

Mariola Szewczyk-Jarocka, Beata Sadowska, Jan-Urban Sandal

**Abstract:** **Background:** A novelty of the research lies in the research sample of Cooperative Bank customers on which we conducted the study.

**Research objectives:** The article primarily aims to analyze the causes and effects of social exclusion opinions of cooperative bank customers from the highly diverse Mazowieckie province. A specific goal involves indicating the relationship between selected causes and effects of social exclusion and a chosen socio-demographic characteristic, namely, the municipality.

**Research design and methods:** Using an interview questionnaire, we conducted the survey in September 2023 on a population of N = 185 cooperative bank customers, with gender and age of the Mazowiecki province inhabitants as criteria for selection. We employed the quantitative survey according to a mixed-mode design procedure. The study followed ethical guidelines, and all participants gave informed consent.

**Results:** Findings show that poverty, unemployment, and disability contribute to social exclusion. In turn, according to respondents, social exclusion results in pathological social phenomena that limit development and opportunities to function in society.

**Conclusions:** The study presented the relationship between two causes of social exclusion – income level and place of residence – and the socio-demographic characteristic (municipality). Moreover, it analyzed the relationship between the limitation of development and the ability to function in society as a consequence of social exclusion and the socio-demographic characteristic (municipality). The analysis revealed statistically significant relationships between variables. We discussed the causes and effects of social exclusion indicated by respondents. We also applied descriptive statistics.

**Keywords:** social exclusion, cooperative bank customers, causes and effects of exclusion in the Mazowieckie province

**JEL Codes:** I30, Y80

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Social exclusion occurs where not everyone has equal access to services and opportunities. The following key motivations drive research on this topic:

- Social exclusion affects different social groups and cannot be eliminated.
- Social exclusion varies in intensity in different types of municipalities (*gmina* – lower-level administrative division in Poland).

Considering these premises, this article primarily aims to analyze the causes and effects of social exclusion based on opinions of cooperative bank customers from the highly diverse Mazowiecki province.

We collected information on social exclusion, in the broadest sense, mainly through an empirical study designed and conducted in the Mazowieckie province (*województwo* – higher-level administrative division in Poland). Next, we indicated a specific goal, focusing on the relationship between selected causes and effects of social exclusion and a chosen socio-demographic characteristic, namely, the municipality.

The conclusions of the empirical study, supported by the information from secondary sources employed in the article, enabled the verification of the following hypotheses:

H1: A correlation exists between the type of municipality and the amount of income as a reason for social exclusion.

H2: A correlation exists between the type of municipality and the respondents' place of residence as a reason for social exclusion.

H3: A correlation exists between the type of municipality and the limitation of development and opportunities to function in society as a consequence of social exclusion.

## Literature Review

### *Introduction to Social Exclusion*

According to Frieske (2004), exclusion involves a lack of access to key social institutions, implying non-participation in important dimensions of collective life (pp. 14–17).

The phenomenon of social exclusion dates back to ancient times – for example, ostracism in Athens (Rodgers, 1995, pp. 43–56; Broda-Wysocki, 2021, pp. 11–19; Szarfenberg, 2019; Szewczyk-Jarocka, 2025, pp. 1–18). However, the term “social exclusion” itself emerged in the 1970s in France and referred to limitations of the French social security system (Klimczak et al., 2017, p. 8). Estivill (2003), Barry (1998), Nasse (1992), and Silver (1994, pp. 531–578) social exclusion as a process that prevents certain people are prevented from fully participating in society due to poverty, lack of basic qualifications, or discrimination (Kawiorska & Witoń, 2016, p. 145). Moisio (2002), Atkinson (1998), and Copeland & Daly (2012, pp. 273–287) emphasize that social exclusion – closely linked with unemployment and poverty – represents one of the most widespread social problems in today's world, primarily because of the consequences it generates.

Gore and Figueiredo (1997) combine these two approaches, defining social exclusion as a state of deprivation and non-participation. They treat it as a negative process that extends beyond the mechanism of resource allocation and concerns power relations, subjectivity, culture, and social identity. They identify social exclusion as a subjective or objective aspect of people's lives, expressed, for example, in feelings of inferiority or material deprivation. It also reflects individual disadvantage, revealed by low levels of well-being (economic disadvantage – poverty) and an inability to participate in social life through work, access to entitlements, or legal instruments for securing claims (socio-political disadvantage). Furthermore, the authors consider social exclusion an attribute of societies, analyzing it from the perspective of existing social relations that deny individuals and groups access to goods, services, activities, and resources essential for civic participation.

Orłowska (2011) highlights particularly relevant definitions that focus on three aspects (p. 2): the excluding situation – a combination of different exclusionary factors or conditions

the excluded individual – an individual or group in an exclusionary situation; and lawful social functioning – using public resources and securing one's dignified existence.

Exclusion describes a condition that prevents or significantly hinders an individual or group from lawfully performing social roles, using public goods and social infrastructure, accumulating resources, or earning income in a dignified way (Golinowska & Broda-Wysocki, 2005, p. 46). Among other things, social exclusion stems from inequalities, not only in income but also in access to quality education, adequately paid work, and social security. All these elements determine a person's life chances and influence overall quality of life. Inadequate access to education stands out as a key factor among the many facets of social exclusion (Kawa & Kuźniar, 2017, p. 329).

Therefore, diagnosing the problems of people and communities affected by poverty and social exclusion, along with analyzing their impact on different aspects of social life, plays a critical role. The Mazowieckie Province's Provincial Program Against Poverty and Social Exclusion for 2023–2026 establishes a strategic framework for both regional and local actions. It enables the planning and implementation of projects that combat poverty and social exclusion in the area, supported by national, regional, and EU funds from the 2021–2027 financial perspective (Instytut Rozwoju Wsi i Rolnictwa Polskiej Akademii Nauk, 2022).

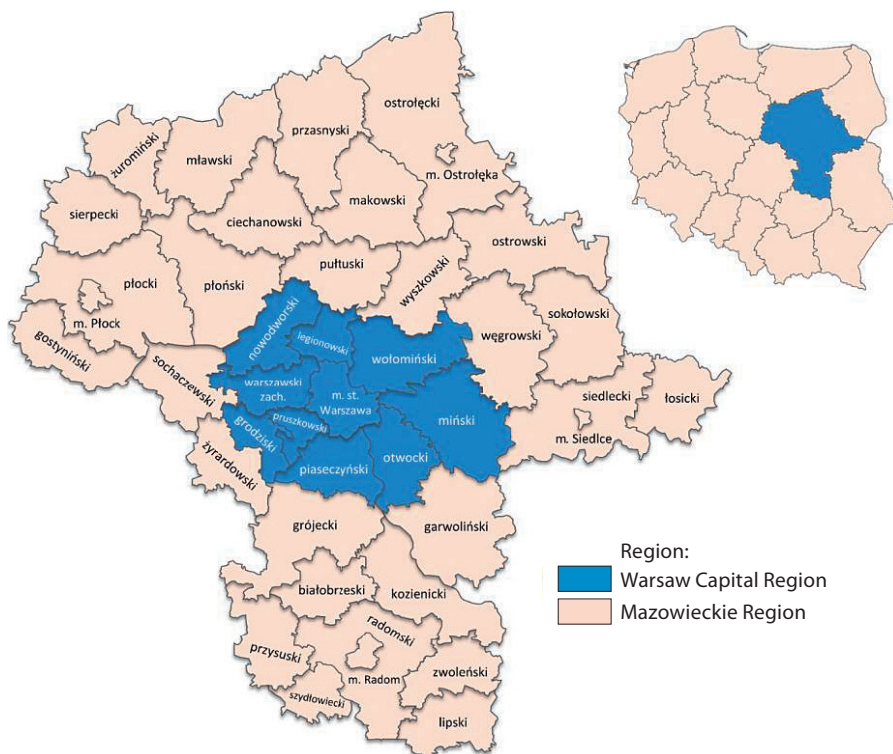
### ***General Characteristics of the Mazowieckie Province***

The Mazowieckie province is the largest higher-level administrative region in Poland in both area and population, covering 35,559 km<sup>2</sup> and representing 11.4% of the country's territory. At the end of 2021, 5,419,000 people lived in the Mazowieckie province, accounting for 14.2% of the national total. The average population density reached 152 people/km<sup>2</sup>, ranking third among all provinces, after Małopolskie and Śląskie. In 2021, 35.6% of the province's residents lived in rural areas. The entire voivodship consists of 37 districts (powiat) and five cities with district rights – Warsaw, Ostrołęka, Płock, Radom, and Siedlce – which include 314 municipalities (gmina): 35 urban, 57 urban-rural, and 222 rural. Since January 1, 2018, the Mazowieckie district has been divided into two statistical regions: the Warsaw Capital Region and the Mazowieckie Region (Kalinowski et al., 2022, p. 7).

### ***Conclusions Concerning Social Exclusion in the Mazowsze Region Considering the MCPS Research***

The most important conclusions from the diagnosis of poverty and social exclusion (Peace, 2001, pp. 17–36) highlight both phenomena as outcomes of the accumulation of several problems: low income, disability, lack of work, low educational level, and illness. Beneficiaries adopt dual roles: one shaped by a sense of injustice, and the other marked by displacement from reality (Kalinowski et al., p. 7).

The diagnosis draws on surveys conducted between June and July 2022 among individuals receiving social assistance due to poverty, as well as employees of social assistance organizational units. In beneficiary surveys, research techniques included paper and pencil interviewing (PAPI), computer-assisted telephone interviewing (CATI), and individual in-depth interviews (IDI). For employees of social assistance organizational units, the survey applied the computer-assisted web interviewing (CAWI) technique. Although 1,142 beneficiaries of social welfare centers participated in the survey, the final analysis included only 1,057 correctly completed questionnaires, along with those from 458 employees of social welfare units (Kalinowski et al., 2022, p. 27).



**Figure 1. Statistical Division of the Mazowieckie Voivodeship at the NUTS2 Level**

Source: *Diagnoza do opracowania programu przeciwdziałania ubóstwu i wykluczeniu województwa mazowieckiego na lata 2023–2026* (Diagnosis for the Development of the Poverty and Social Exclusion Prevention Program for the Mazowieckie Voivodeship for the Years 2023–2026). Research Group: Dr hab. Sławomir Kalinowski, Professor at the Institute of Rural and Agricultural Development of the Polish Academy of Sciences (IRWiR PAN) – Project Leader; Dr hab. Aleksandra Łuczak, Professor at Poznań University of Life Sciences (UPP), Oskar Szczygieł, M.A., Adrianna Wojciechowska, M.A., Stanisław Klimkowski, M.A., and Łukasz Komorowski, M.A. – Members of the Research Group in collaboration with the Social Research Department, Mazovian Center for Social Policy, p. 7.

**Table 1. At-Risk-of-Poverty or Social Exclusion Rate and At-Risk-of-Poverty Rate in Mazowieckie Province and Its Sub-Regions in 2020 (in %)**

Specification	At-risk-of-poverty or social exclusion rate (AROPE)	At-risk-of-poverty rate (AROP)
Mazowieckie province	17.9	15.5
Warsaw capital	12.8	10.4
Mazowsze region	24.0	21.6

Source: *Diagnoza do opracowania programu przeciwdziałania ubóstwu i wykluczeniu województwa mazowieckiego na lata 2023–2026*. Research Group: Dr hab. Sławomir Kalinowski, Professor at IRWiR PAN – Project Leader; Dr hab. Aleksandra Łuczak, Professor at UPP, Oskar Szczygieł, M.A., Adrianna Wojciechowska, M.A., Stanisław Klimkowski, M.A., and Łukasz Komorowski, M.A. – Members of the Research Group in collaboration with the Social Research Department, Mazovian Center for Social Policy, p. 27.

Since 2015, the Mazovian Poverty and Social Exclusion Barometer has monitored the level of poverty in the Mazowieckie province. This barometer relies on three indicators: poverty risk, material deprivation, and labor market situation. The European Union uses the at-risk-

of-poverty and/or social exclusion rate (AROE) as its main measure, which consists of these three indicators. Notably, the at-risk-of-poverty rate (AROP) measures the proportion of people whose income falls below 60 % of the national median equivalized disposable income after social transfers. The severe material and social deprivation rate (SMSD) means the proportion of the population experiencing an enforced lack of at least seven out of 13 deprivation items. The very low work intensity rate (VLWI) refers to the number of persons living in a household where working-age members worked for no more than 20% of their total work-time potential in the previous year.

## Research Method and Material

### *Material and Methods*

As part of the research project titled "Innovations in the Sector of Cooperative Banks and Reduction of Social Exclusion," No. NdS/550697/2022/2022, carried out under the Minister of Science and Higher Education's program Science for Society, we analyzed social exclusion in the Mazowieckie province and posed the following research questions:

- What are the causes of social exclusion in the Mazowieckie province?
- What are the effects of social exclusion in the Mazowieckie province?
- Is there a relationship between income and place of residence as reasons for social exclusion and the municipality?
- Is there a relationship between the limitation of development and the ability to function in society as results of social exclusion and the municipality?

The National Association of Cooperative Banks and the Mazovian Center for Social Policy in Warsaw served as substantive partners in the project. For the research task, we used the subject literature and our empirical research. We also applied descriptive methods and statistical tests. We present the results in descriptive, tabular, and graphical formats.

### *Organization of the Research*

**Data Analysis, Sampling, and Questionnaire.** In September 2023, we conducted a survey using an interview questionnaire with 185 respondents who are customers of cooperative banks and reside in the Mazowieckie province. The quantitative survey followed a Mixed Mode Design procedure, applying different research techniques – CAWI, CATI, and computer-assisted personal interviews (CAPI) – to gather responses to the research questions.

We based sample selection on gender and age among Mazowieckie province inhabitants. For this purpose, we used current statistical data from Statistics Poland (GUS), which presents the population structure of the Mazowieckie province, considering by age and gender, with an adjustment to reduce the share of people over 65, who are statistically less likely to be bank customers.

The study questionnaire consisted of closed-ended questions, multiple-choice questions with a Likert scale, and open-ended questions that allowed respondents to speak freely. The data obtained during the research underwent multi-level analysis, combining both quantitative and qualitative approaches.

## Results and Discussion

### *Social Exclusion Considering Our Research*

Social exclusion (Szukielojć-Bieńkuńska, 2006) constitutes a complex, multifaceted issue that requires an integrated approach and a broad range of interventions. However, with a better understanding of root causes and vulnerable groups, resources can be targeted where they are needed most. According to the respondents, disability, with a score of 38.9%, ranks as one of the main sources of social exclusion. This may stem from limited access to appropriate services for people with disabilities, discrimination, and a lack of public education about disability. Income, also reported by 38.9%, stands as another important factor. People with low incomes may face restricted access to essential services, such as education and health care, and often experience social stigma. Socio-occupational status, mentioned by 31.4% of respondents, suggests that one's occupational position can influence how society perceives and treats them. As an indicator, age (30.8%) means that both young and old people may feel excluded for various reasons, such as age-based discrimination or lack of access to new technologies. Nationality (30.3%) can lead to exclusion through prejudice and stereotypes. Family status and education, each scoring 20.0%, show that family structure and educational attainment can contribute to exclusion. Place of residence, at 17.3%, implies that people living in certain regions or settlement types may find it more difficult to access services. Gender, cited by 14.1%, and type of employment, with 13.5%, also play a role in social exclusion, albeit to a lesser extent. The form of ownership of one's home (6.5%) and the length of residence at the same address (3.2%) have smaller, yet still noteworthy, impacts on social exclusion.

**Table 2. Reasons for Social Exclusion (N = 185, in %)**

	%
Amount of income	38.9
Disability	38.9
Socio-professional status	31.4
Age	30.8
Nationality	30.3
Education	20.0
Family status	20.0
Place of residence	17.3
Gender	14.1
Type of employment	13.5
Form of ownership of the occupied apartment/house	6.5
Length of residence at the same address	3.2

Source: Own elaboration based on survey results.

Respondents next identified the most important causes of social exclusion. The data analysis reveals several key causes. Poverty, indicated by 67.0% of respondents, represents the main one. Financial difficulties significantly hinder full participation in society and access to essential services. This underscores the importance of financial stability for social inclusion

and highlights the need for cooperative banks to focus on supporting low-income customers. Disability, mentioned by 53.5% of respondents, is another key factor. People with disabilities may encounter many physical and social barriers that affect their daily lives and social interactions. The high proportion of respondents pointing to disability stresses the significance of adapting services and infrastructure to better meet their needs. Addictions, cited by 41.1% of respondents, constitute a serious exclusion factor and call for working toward education and support in this area. Stigma surrounding people with addictions makes it difficult for them to fully participate in society. Unemployment, with a score of 34.6%, emphasizes the importance of occupational stability in social inclusion, as the unemployed often experience isolation and financial problems. Serving a prison sentence, reported by 31.4% of respondents, showcases the challenge of reintegrating prisoners into society. Low education, noted by 30.3% of respondents, demonstrates the role of education in shaping an individual's opportunities and perspectives. Digital exclusion, identified by 26.5%, highlights the importance of access to and skills in using modern technology in today's world. Health problems, mentioned by 25.4%, can become a barrier to full participation in social life. 24.9% of respondents selected belonging to a minority group – whether sexual, national, ethnic, migrant, or refugee – as an exclusion factor, indicating the difficulties of societal acceptance and integration. Other causes included inequality in access to education (11.9%), place of residence (9.7%), inadequate living space (9.2%), and religion (4.9%). Although these factors were mentioned less frequently, they still contribute to social exclusion among cooperative bank customers.

**Table 3. Reasons for Social Exclusion (N = 185, in %)**

	%
Poverty	67.0
Disability	53.5
Addiction	41.1
Unemployment	34.6
Serving a prison sentence	31.4
Low education	30.3
Digital exclusion	26.5
Health problems	25.4
Belonging to a minority group, whether sexual, national, ethnic, migrant, or refugee	24.9
Inequality in access to education	11.9
Place of residence	9.7
Inadequate living space	9.2
Religion	4.9

Source: Own elaboration based on survey results.

### ***Effects of Social Exclusion in Light of Our Research***

Social exclusion causes many negative consequences that affect both individuals and society. People who experience exclusion often feel less valued, which can lead to lower self-esteem and even depression. Moreover, excluded people's isolation and loneliness can trigger serious



mental and physical health problems. Unequal access to services such as education, health care, and housing constitutes another important consequence of social exclusion, potentially resulting in financial difficulties, debt, and, in extreme cases, homelessness. Excluded people also face a higher risk of addiction. Furthermore, social exclusion can limit individuals' vocational opportunities due to limited access to education and training, which frequently leads to lower incomes and job instability. Cultural marginalization represents another dimension, as excluded people may lack access to cultural heritage and life-enriching experiences. Violations of fundamental human rights, including dignity or participation in society, often underpin social exclusion. This exacerbates divisions and inequalities in society, contributing to social tension and conflict. Consequently, society's capital becomes reduced, which affects social cohesion and ability to cope with challenges. Therefore, promoting inclusion and integration plays a vital role in building healthier, more cohesive, and more inclusive communities. Survey respondents – cooperative bank – shared opinions on the multidimensional, complex effects of social exclusion, as confirmed by the distribution of answers to the question about its impact. Respondents listed 20 different consequences of social exclusion, with 17 responses receiving at least 10.0% of the total indications. Such data imply the problem's complexity and the influence of many factors. A total of 40.5% of respondents identified the rise of pathological social phenomena, such as crime or addiction, as one of the main effects of social exclusion. Nearly 38.4% believed that social exclusion leads to a reduction in the development of individuals and their ability to function in society. Another serious consequence, indicated by 29.7%, comprised problems with the law, directly linked to difficulties in finding a job or losing employment, as cited by the same number of respondents. A significant proportion of respondents (26.5%) felt that excluded people have fewer opportunities to improve their economic situation. Restrictions in access to goods and the use of various capital resources – economic, political, or cultural – stood out for 23.8% of respondents. This relates closely to limited access to the labor market, as highlighted by 23.2%. Poor societal attitudes toward people with criminal records concerned 22.2% of respondents. In contrast, 17.3% of respondents thought that exclusion led to consumption limited to only the basic goods needed for survival. Deprivation in the areas of career aspirations, education, or health care affected 16.8% of respondents. Restricted upskilling and fewer career opportunities, especially in the context of obtaining education, appeared as a problem for 15.7% and 15.1%, respectively. Several responses drew attention to difficulties in accessing public services and reduced educational opportunities, indicating deep-seated barriers for the excluded. Diminished decision-making power in society, neglected social and educational infrastructure, and low guarantees for the protection of personal assets proved significant, as indicated by 10.8%, 10.8%, and 10.3% of respondents, respectively. The need to leave education early (9.7%) and the loss of competencies to re-enter the labor market (7%) also emerged as important aspects. Finally, 4.3% of respondents pointed to limited access to textbooks and additional educational activities. In summary, the results show that social exclusion has a multidimensional and profound impact on individuals and society. Many of these issues are interconnected, reflecting the complex nature of social exclusion.



**Table 4. Effects of Social Exclusion (N = 185, in %)**

	N	%
Rise of pathological social phenomena (crime, addictions, etc.)	75	40.5%
Reduction in the development and ability to function in society	71	38.4%
Problems with the law	55	29.7%
Problems finding a job or loss of employment	55	29.7%
Fewer opportunities and worse economic situation	49	26.5%
Restriction of access to goods and the use of various capital resources (economic, political social, and cultural)	44	23.8%
Limited access to the labor market	43	23.2%
Poor societal attitude toward people with criminal records	41	22.2%
Consumption limited to goods needed for existence	32	17.3%
Deprivation of individuals and their families in terms of career aspirations, education, health care, and others	31	16.8%
Restricted upskilling	29	15.7%
Fewer vocational opportunities, including education and skill upgrading	28	15.1%
Problems with accessing public services	25	13.5%
Limitation of educational opportunities	24	13.0%
Diminished decision-making power in society	20	10.8%
Neglected social and educational infrastructure	20	10.8%
Low guarantee for the protection of personal assets and secure residence	19	10.3%
The need to leave education early	18	9.7%
Loss of competencies to re-enter the labor market	13	7.0%
Limited access to textbooks or extra classes	8	4.3%

Source: Own elaboration based on survey results.

### ***Verification of Hypotheses Using Statistical Methods***

We examined the relationships indicated in the adopted hypotheses using statistical methods.

We present findings below.

H1: There is a correlation between the type of municipality and the amount of income as a reason for social exclusion.

**Table 5. Correlation Between Income Level and Type of Municipality**

		Type of municipality of residence						Total	
		Rural		Urban		Urban-rural			
		N	%	N	%	N	%	N	%
Amount of income (reason for social exclusion)	No	34	75.6%	58	52.7%	21	70.0%	113	61.1%
	Yes	11	24.4%	52	47.3%	9	30.0%	72	38.9%
Total		45	100.0%	110	100.0%	30	100.0%	185	100.0%

Source: Own elaboration.

**Table 6. Symmetric Measures**

		Value	Proximate relevance
Nominal by nominal	Phi	0.211	0.017
	Cramér's V	0.211	0.017
N valid observations		185	

Source: Own elaboration.

A correlation exists between the type of municipality where cooperative bank customers live and their income levels. The effect size, measured by Cramér's V coefficient, equals  $V = 0.211$  and shows statistical significance ( $p = 0.017$ ). The type of municipality correlates strongly with the amount of income. Among customers living in rural municipalities, 76.5% answered "no" and 24.4% answered "yes." In contrast, 52.7% of cooperative bank customers residing in urban municipalities responded "no" and 47.3% of them said "yes." Meanwhile, 70% of those living in urban-rural municipalities answered "no," while 30% responded "yes."

H2: There is a correlation between the type of municipality and the respondents' place of residence as a reason for social exclusion.

**Table 7. Correlation Between Place of Residence and Type of Municipality**

		Type of municipality of residence						Total	
		Rural		Urban		Urban-rural			
		N	%	N	%	N	%	N	%
Place of residence (reason for social exclusion)	No	31	68.9%	94	85.5%	28	93.3%	153	82.7%
	Yes	14	31.1%	16	14.5%	2	6.7%	32	17.3%
Total		45	100.0%	110	100.0%	30	100.0%	185	100.0%

Source: Own elaboration.

**Table 8. Symmetric Measures**

		Value	Proximate relevance
Nominal by nominal	Phi	0.220	0.011
	Cramér's V	0.220	0.011
N valid observations		185	

Source: Own elaboration.

There exists a correlation between the type of municipality where cooperative bank customers live and their place of residence. The effect size, measured by Cramér's V coefficient, equals  $V = 0.220$ , and shows statistical significance ( $p = 0.011$ ). The type of municipality correlates moderately with the place of residence. Among customers living in rural municipalities, 68.9% answered "no" and 31.1% answered "yes." Conversely, in urban municipalities, 85.5% responded "no" and 14.5% responded "yes." In urban-rural municipalities, 93.3% of clients said "no" and 6.7% said "yes."

H3: There is a correlation between the type of municipality and the limitation of development and opportunities to function in society as a consequence of social exclusion.

**Table 9. Correlation Between Limitation of Development and Ability to Function in Society and Type of Municipality**

		Type of municipality of residence						Total	
		Rural		Urban		Urban-rural			
		N	%	N	%	N	%	N	%
Limitation of development and ability to function in society (effect of social exclusion)	No	32	71.1%	69	62.7%	13	43.3%	114	61.6%
	Yes	13	28.9%	41	37.3%	17	56.7%	71	38.4%
Total		45	100.0%	110	100.0%	30	100.0%	185	100.0%

Source: Own elaboration.

**Table 10. Symmetric Measures**

		Value	Proximate relevance
Nominal by nominal	Phi	0.180	0.049
	Cramér's V	0.180	0.049
N valid observations		185	

Source: Own elaboration.

There exists a correlation between the type of municipality where cooperative bank customers live and the limitation of development and opportunities to function in society. The effect size, measured by Cramér's V coefficient, equals  $V = 0.180$  and shows statistical significance ( $p = 0.049$ ). The type of municipality strongly correlates with the limitation of development and opportunities to function in society because of social exclusion. Customers living in rural municipalities answered "no" in 71.1% and "yes" in 28.9% of cases. In contrast, 62.7% of cooperative bank customers residing in urban municipalities responded "no," while 37.3% – "yes." The percentage of clients living in urban-rural municipalities who said "no" amounted to 43.3%; 56.7% of them said "yes."

## Discussion and Conclusions

Based on the results presented, we can draw several conclusions about social exclusion. Many factors influence social exclusion, pointing to the need for policies and strategies that promote equal access to services and opportunities for all members of society. People with disabilities and those with low incomes prove the most vulnerable to social exclusion and should be prioritized in efforts to combat it. Social exclusion can result from various causes – ranging from disability and income level to nationality and place of residence – confirming that it is a complex problem requiring a multifaceted approach. Increasing education and public awareness about the different forms of exclusion becomes essential to reduce stigma and discrimination against vulnerable people. Authorities should integrate social policies, addressing

multiple aspects of exclusion and focusing on the most vulnerable groups. The place of residence affects exclusion, which underscores the need to consider local strategies and solutions tailored to specific communities and regions.

The findings show that poverty (67%), unemployment (34.6%), and disability (55.3%) contribute to social exclusion. In turn, according to respondents, the effects of social exclusion include the rise of pathological social phenomena (40.5%) and limited development and opportunities to function in society (38.4%). The research also identified a significant relationship between the type of municipality and the limitation of development and opportunities to function in society because of social exclusion, as well as between income level and place of residence.

In conclusion, the study highlights the complex nature of social exclusion and its various contributing factors. Addressing social exclusion effectively requires an integrated, comprehensive approach and multipronged actions on many fronts.

A novelty of the research lies in the fact that it involved clients of cooperative banks.

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All authors have read and agreed to the published version of the manuscript.

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# Investment Attractiveness of Impact-Focused Startups

Iuliia Gernego

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**Abstract:** **Background:** Impact-focused businesses can offer unique competitive advantages. They increase operational efficiency and attract more investors.  
**Research objectives:** This study aims to estimate investment attractiveness of startups, using the SWOT methodology.  
**Research design and methods:** The study draws on case studies and SWOT analysis. The qualitative approach relies on WIPO reports and impact-focused startup databases. Fifteen case studies cover different industries and a wide range of economies.  
**Results:** The findings revealed that the framework of strengths, weaknesses, opportunities, and threats for impact-focused startups depends on their operational pathways.  
**Conclusions:** The customer pathway's strengths include the ability to address market needs directly and generate significant social impact. The employee pathway is strong thanks to improved workforce quality, diversity, and inclusion. The product/service pathway represents eco-friendly and socially responsible products with measurable impacts. The ecosystem pathway tackles global issues.

**Keywords:** investment attractiveness, social and environmental impact, venture capital, startup ecosystem.

**JEL Codes:** G24, M13, O31, Q01, Q56

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Impact-focused startups represent a rapidly growing segment of the entrepreneurial landscape, tackling some of the most significant global challenges, including climate change, social inequality, and resource scarcity. The main peculiarity of such startups lies in their focus on social or environmental impact while achieving financial goals. Their activity aligns with ethical business practices and sustainability principles that provide long-term value for both the environment and society.

The concept of impact-focused startups connects closely with the principles of the Sustainable Development Goals (SDGs) and the Environmental, Social, and Governance (ESG) criteria. SDGs help shape business strategies and create possibilities to capitalize on numerous benefits by pursuing social impact and environmental engagement. In light of the increasing importance of transparency and accountability standards globally, impact-focused businesses can offer unique competitive advantages for consumers, employees, and investors. In particular, they can expand financial capacity, driven by both social impact and SDG alignment, as part of their core business. This includes generating revenue through market opportunities and the development of new promising markets driven by social and environmental impacts. Act-

ing according to the ESG criteria attracts a highly qualified labor force and strengthens supply chain resilience by enhancing sustainability. Impact-focused startups also gain a unique opportunity to protect their IP rights and present this as an additional competitive advantage and risk management instrument (UNDP, n.d.). This increases operational efficiency and attracts a broader range of investors. However, in spite of their promising advantages and potential, impact-focused startups still face many challenges due to a lack of standardized impact measurement frameworks across jurisdictions, the risk of “impact washing,” and various regulatory barriers. These obstacles create uncertainty among investors and limit the scalability and sustainability of such entities.

Despite a growing body of literature examining impact-focused startups from different perspectives – including environmental, social, and financial ones – a research gap exists in understanding the strengths and weaknesses that depend on the chosen strategy of an impact-focused startup’s activity. Recent research also provides limited insights linking investors’ decision-making criteria with impact-focused startups’ internal strategies and capacities. In particular cases, the most influential factors for investors’ decision-making remain unclear. Therefore, combining existing general theoretical and empirical streams with practical approaches, which represent organizational pathways to build strategy through the specific examples of impact-focused startups, holds great importance.

This study addresses the existing research gap by adapting the WIPO pathway framework. It seeks to measure the impact of startups based on the chosen priorities in their impact-focused strategy. The choice of a customer pathway (focused on market potential), employee pathway (focused on social impact), product/service pathway (focused on financial indicators), and ecosystem pathway (focused on environmental impact) follows the World Intellectual Property Organization (WIPO) approach. This framework reflects various ways in which impact-focused startups create value across different stakeholder interfaces. This article aims to evaluate investment attractiveness for each group of these startups by examining their main strengths, weaknesses, opportunities, and threats through SWOT analysis. The article contributes to understanding how impact-focused startups use strategy optimization to secure and increase funding by scaling their impact. It offers practical guidance for investors, policymakers, and startup founders.

## Literature Review

Different research approaches that examine investment attractiveness of impact-focused startups reflect the growing interest in this segment. However, the theoretical framework remains insufficient despite links between entrepreneurship and societal challenges, explored through several research streams (Hossain et al., 2017). The first stream focuses on environmental entrepreneurship, addressing actions that reduce environmental degradation (Schaper, 2002; Dean & McMullen, 2007). Social entrepreneurship tackles social problems through innovative business models (Austin et al., 2006; Dacin et al., 2011). The sustainable entrepreneurship approach combines environmental and social aims with economic capacity (Shepherd & Patzelt, 2011). Impact entrepreneurship delivers innovative solutions to social challenges while maximizing profit (Markman et al., 2019). Thus, foundational entrepreneurship theories provide a valuable framework for defining the factors that influence impact-focused startups’ investment attractiveness. They enable consideration of environmental, social, sustainable, and responsible business approaches.



Recent studies also show how such startups create and deliver value in line with societal and environmental needs. The first group of research on impact-focused startups reviews studies of impact-focused businesses' market potential, considering scalability and the possible disruption of particular industries – consistent with sustainable entrepreneurship theories. The second group overviews environmental impact issues, including opportunities to boost the production of eco-friendly solutions and strengthen sustainability practices – aligned with environmental theories. The third group highlights the social impact of responsible business activity, paying attention to how social innovation and community engagement increase investment attractiveness – rooted in social theories. The fourth group explores financial indicators of impact-focused startups' activity, such as profitability and revenue growth. Simultaneously, foundational entrepreneurship theories grounded in responsible business approaches consider business principles to remedy environmental, social, and/or economic damage and apply science and technology to tackle Grand Challenges, rather than creating wealth (Markman et al., 2019).

The first group of approaches emphasizes opportunities to strengthen market potential by advancing business sustainability and enabling impact growth. Horne and Fichter (2022) provide a literature review on the role of impact startups as innovative ventures that allow for the diffusion of scalable solutions into the market and position sustainability as a net benefit. Filippelli et al. (2025) describe how ecosystems exert dual pressures for economic and sustainability objectives, demonstrating synergies between the abovementioned goals. Banka et al. (2024) address the challenges of rising financial risks and a lack of mutual understanding in sustainable business partnerships, proposing strategies for improved collaboration among impact-focused entities. Alvarez-Salazar and Bazán (2024) analyze resilience during extreme events, including the COVID-19 pandemic, and emphasize the importance of sustainable partnerships and technological adaptation within the market. Roshan et al. (2024) examine sustainable business model innovation, integrating environmental and social value with economic value. Eckerle, Finner, and Terzidis (2024) assess startups' activity from the viewpoint of impact investors.

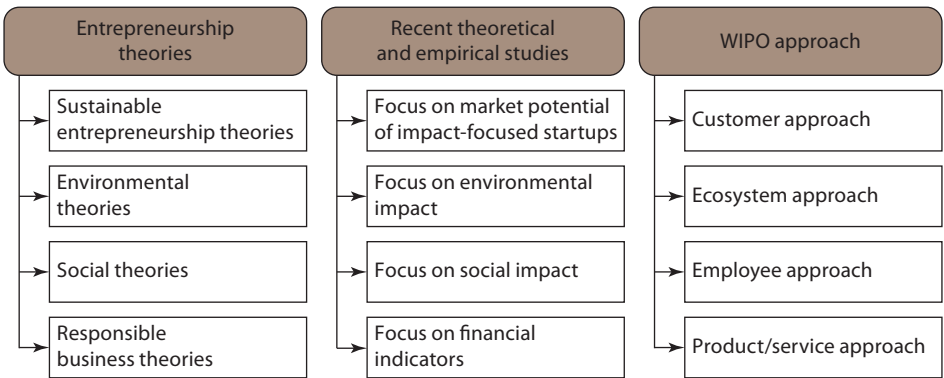
The second group of approaches centers on the environmental impact, particularly, the attractiveness of investment in green innovation. Researchers highlight these issues from a wide range of perspectives. Al Halbusi et al. (2025) analyze the role of AI in driving green innovation and sustainable performance within industries, emphasizing the integration of big data and knowledge management systems. Sahili et al. (2024) explore eco-innovation implementation and its relationship with operational outcomes. Shuwaikh et al. (2025) investigate the comparative impact of different venture capital models – independent and corporate – on ESG performance and sustainability.

Social factors and the abovementioned environmental component continue to grow in practical importance. As a result, various researchers now focus on how increasing social impact raises investment attractiveness. Eckerle et al. (2024) study startup assessment by impact investors, investigating and validating different social criteria to highlight investor preferences. Lo Mele et al. (2024) demonstrate that both social and environmental orientations improve a startup's chances of securing funding from impact venture funds. Block et al. (2021) argue that impact investors seek to generate societal impact alongside financial returns and define the societal problem's importance. Lago et al. (2024) quantify the impact of engagement in inbound open innovation on startups.

Socially responsible businesses often face the challenge of balancing financial performance with social and environmental impacts. This creates the need to consider the financial

performance of impact-focused startups, including profitability and revenue growth. Martielli et al. (2025) emphasize the influence of intercultural characteristics, founder experiences, and social impact on early-stage fundraising outcomes. Stefia et al. (2024) highlight how marketing capabilities and strategic information management can affect the success of startups in global markets, enabling their competitive advantages. Razaghzadeh Bidgoli et al. (2024) uses machine learning methods to predict startup success, offering insights into key factors such as investor behavior and impact influence. Okker et al. (2022) explore public-private partnerships and their role in the impact investing ecosystem, aiming to enhance the attractiveness of startups through additional support and resources. Bek-Gaik and Surowiec (2023) observe business practices in sustainable business model disclosures in non-financial reporting. Bek-Gaik and Surowiec (2024) analyze business models and integrated reporting, examining disclosures by fuel and energy companies in Poland presented in integrated reports.

The practical approach appears in the “Special Theme 2024: Unlocking the Promise of Social Entrepreneurship” in the context of the GII 2024 index by WIPO. WIPO experts define the innovative capability of impact-focused startups through “one or more aspects of the business – namely, the customers they serve, the people they employ, the products or services they produce, or the broader ecosystems in which they operate” (WIPO, 2024). The theoretical background connects with the practical WIPO approach (Figure 1).



**Figure 1. Theoretical and Empirical Background of the Research**

Source: Compared by the author based on literature review.

The abovementioned groups of approaches make it possible to analyze different innovative business models with measurable social and/or environmental outcomes separately. Addressing these issues plays a crucial role in unlocking the potential of impact-focused startups to drive sustainable development. Combining these approaches provides a valuable scientific background for further defining the factors that influence impact-focused startups’ investment attractiveness.

**Research Method and Material**

This research examines the main characteristics of four impact-focused startups that attract investor interest. The WIPO pathway approach forms the primary methodological framework

for the study. This approach reflects an empirical structure for assessing impact and investment attractiveness. An inductive approach enables the generation of the following hypotheses:

H 1: The strengths and weaknesses of impact-focused startups depend on the specific pathway through which they deliver social and environmental impact.

H 2: Startups that follow different pathways (customer, employee, product/service, or ecosystem) adopt different impact strategies. Each of these strategies influences investor decisions in its own way.

The research draws on scientific articles, monographs, and manuals regarding the dual nature of impact-focused startups, along with WIPO and Skoll Centre reports and press releases on impact-measurement pathways, missions, and visions of impact-focused startups.

The case study method helps define the aspects that strengthen selected impact-focused startups' investment attractiveness. This includes in-depth examination of startups from different industries, such as clean energy, healthcare, and education. The selection criteria were as follows: (1) a clearly defined social or environmental mission; (2) availability of publicly accessible data on the business model and performance; (3) scalability and financial potential, for example, revenue growth or market traction; and (4) potential to scale and address global challenges. This allowed us to identify several causes and consequences of impact-focused startups' management decisions and the current business situation.

The analysis used company reports and information on 15 impact-focused startups from the Skoll Centre databases. We extracted the data based on standard variables such as impact area, growth trajectory, and stakeholder engagement strategy. These steps provided the foundation for defining impact-focused startups' challenges and opportunities through SWOT analysis. The SWOT analysis methodology identifies and evaluates impact-focused startups' strengths, weaknesses, opportunities, and threats. Strengths include alignment with social and environmental priorities, customer loyalty, a growing pool of impact investors, and public funding sources. Weaknesses consist of difficulties in scaling and the complexity of long-term funding. Opportunities concern a growing global emphasis on sustainability, the development of new markets, and technological advancements. Threats mean risks of "impact washing," regulatory barriers, and the lack of standardized impact measurement frameworks across jurisdictions. The case analysis involved an in-depth review of selected impact-focused startups from diverse industries, such as clean energy, healthcare, and education. We analyzed each case individually through the SWOT lens and then generalized the findings to identify common patterns within each pathway. This cross-case synthesis aggregates key factors influencing investor decisions.

## Results and Discussion

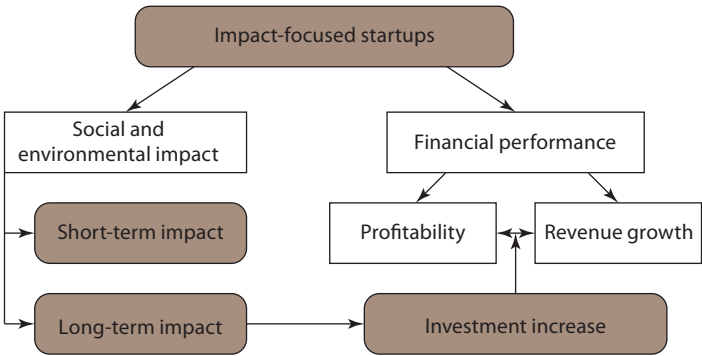
### *"Dual Nature" of Impact-Focused Startups: Financial Returns and Measurable Social or Environmental Impact*

The concept of impact investing has gained increasing importance in recent years. Much of the focus often centers on the "dual objectives" of impact investments – namely, their ability to generate positive social and/or environmental impact while also achieving financial returns. Defining and measuring this impact has practical significance and can be approached in the following ways: 1) measurement of social and/or environmental impact in terms of its benefits for underserved or excluded segments of the population; 2) the ability of impact investments to track further progress in the post-investment period; 3) a long-term perspective that

describes impact investment as “patient capital”; 4) a structural approach that positions impact investment in the broader category of “innovative finance” (Idrissi, 2015). Grabenwarter (2016) proposes to estimate investment attractiveness of impact-focused businesses using the social return on investment methodology, which monetizes various impact components and sets a financial value of such monetization. Bek-Gaik and Surowiec (2024) analyze the combination of financial and non-financial performance. These authors support the views of Parmenter (2015) and Niemiec (2017):

- KPIs that measure an organization’s functioning in the most important areas (Niemiec, 2017);
- Performance indicators that may not be “key to the business,” but help team members achieve specific strategic goals (Parmenter, 2015);
- Key result indicators that represent both general financial indicators and specific ones, including the level of stakeholder satisfaction (Niemiec, 2017);
- Result indicators that summarize the main types of activity and all financial indicators, strengthening cooperation between team members (Bek-Gaik & Surowiec, 2024).

Eckerle, Finner, and Terzidis (2024) propose their own methodology to define criteria used in investor assessment of impact-focused startups. The variety of approaches results from different stakeholders and variations across startup ecosystems. The “dual nature” of impact-focused startup activity provides a significant background to unlock social and environmental benefits, attracting additional capital (Figure 2).



**Figure 2. Dual Nature of Impact-Focused Startups as an Advantage for Impact Investors**

Source: Compared by the author.

Figure 1 illustrates this dual nature, highlighting the connection between its two aspects: social and environmental impact and financial performance. The environmental and social impact addresses both current challenges and pursues sustainable future outcomes (short-term and long-term impact). This creates the opportunity to measure social and environmental impact through investment growth driven by increased investment attractiveness.

**WIPO Approach to Impact and Its Measurement Pathways**

WIPO developed its pathway approach for measuring social and environmental impact. The authors identify the challenge in impact measurement and propose evaluating impact

within specific organizational models by analyzing social and environmental impacts in one or more aspects of business activity (Table 1).

**Table 1. Organizational Pathways to Social and Environmental Impact Measurement To Attract Impact Investors (WIPO, 2024; Besharov et al., 2019)**

Pathway	Main type of innovation activity	Impact measurement
1	2	3
Customer	Process innovation	<ul style="list-style-type: none"> <li>– share of customers reached in underserved or low-resource areas;</li> <li>– increase of customer satisfaction and Net Promoter Score (NPS);</li> </ul>
	Consumer education	<ul style="list-style-type: none"> <li>– reduction in costs compared to alternative goods;</li> <li>– share of customer-saved income;</li> </ul>
	Marketing and branding	<ul style="list-style-type: none"> <li>– number of consultations in underserved communities;</li> <li>– rate of product adoption in underserved markets;</li> </ul>
Employee	Process innovation	<ul style="list-style-type: none"> <li>– share of workforce hired from underemployed and marginalized populations;</li> <li>– unemployment decrease rate;</li> </ul>
	Employee education and training	<ul style="list-style-type: none"> <li>– duration of training programs;</li> <li>– certification and career advancement rate;</li> </ul>
		<ul style="list-style-type: none"> <li>– employee satisfaction and well-being surveys;</li> <li>– productivity and income increase;</li> </ul>
		<ul style="list-style-type: none"> <li>– job placement rates after training programs;</li> <li>– salary growth;</li> </ul>
Product/service	Product or service innovation	<ul style="list-style-type: none"> <li>– reduction in carbon emissions, resource usage, and others;</li> <li>– customers' reports on positive environmental or social outcomes;</li> </ul>
	Intellectual property	<ul style="list-style-type: none"> <li>– share of green trademarks and environmental patents;</li> <li>– adoption and sales rates in targeted segments;</li> </ul>
	Open sourcing	<ul style="list-style-type: none"> <li>– share of supply chain meeting sustainability standards (for example, ISO 14001);</li> </ul>
Ecosystem	Systems innovation	<ul style="list-style-type: none"> <li>– tangible improvements in regulatory frameworks;</li> </ul>
		<ul style="list-style-type: none"> <li>– number of published studies on the topic;</li> <li>– citation rate;</li> </ul>
		<ul style="list-style-type: none"> <li>– collaboration outcomes, including joint projects;</li> </ul>
		<ul style="list-style-type: none"> <li>– topic awareness;</li> <li>– effectiveness of educational programs.</li> </ul>

Impact within the customer pathway refers to the ability to meet demand in specific market segments. Such market segments previously had limited access to certain products and services. The focus lies mainly on marginalized characteristics such as income, race, gender, and others (WIPO, 2024). For example, this may involve an impact investment program for specific stakeholders – such as women facing financial difficulties but having viable, socially responsible business ideas. In this case, the primary indicator of impact would be the number of women who founded successful startups. The additional indicators would include revenue levels (financial) and customer satisfaction with these startups.

The employee pathway generates impact by hiring underemployed or marginalized populations. This means the provision of impact investment in enhancing employees' previously limited skills and supporting the opening of more attractive opportunities for them (Smith & Besharov, 2019; WIPO, 2024). For example, some cafes hire individuals with intellectual and developmental disabilities. Primary indicators of impact include the number of training hours provided, employee progress, and the number of marginalized individuals employed. The long-term effect may be estimated through the employer's revenue increase and the effect of social scalability, namely, the number of similar initiatives adopted by other employers inspired by this example.

The product/service pathway creates impact by developing and selling socially and environmentally friendly products or services. This may involve an innovative version of an already existing product that proves more socially or/and environmentally responsible. This may also mean social innovation that addresses social or environmental challenges directly at the national or global level. Product/service innovations often require significant "action research" to better understand community members' needs. Moreover, organizations may pursue IP protection by patenting environmental innovations using green trademarks (WIPO, 2024). For instance, a producer of affordable solar lighting and power solutions for communities without reliable electricity helps combat energy poverty. Social impact can be measured by the number of individuals with access to electricity and the share of customers with improved quality of life thanks to the initiative.

The ecosystem pathway generates impact by mobilizing diverse groups of social actors to drive transformation within local, regional, or even global ecosystems (WIPO, 2024). The network of social entrepreneurs (nonprofit organizations) may represent this type of pathway. Key activities focus on strengthening connections between social entrepreneurs, policymakers, businesses, and other stakeholders to advance social and/or environmental goals.

Thus, these pathways express the social or environmental mission of a business or startup within a specific part of activity, including customers, employees, products or services, and the broader ecosystem. This provides a framework for impact definition and its measurement to meet the needs of impact investors in particular cases.

### ***Case Studies on Mission-Driven Approach in Business***

The first case study illustrates the "customer" type of organizational pathway in action, using the example of Sustainable Organic Integrated Livelihoods (SOIL), an active Haitian nonprofit organization founded in 2006. SOIL aims "to provide a full-cycle sanitation service that treats human waste to limit the spread of disease." (Skoll Centre, 2024n).

Haiti has the lowest level of access to improved sanitation facilities in the Americas. The SOIL business model centers on producing container-based toilets for individual households and processing collected waste into organic compost (WIPO, 2024). For SOIL, "customers" represent the primary area of impact-focused startup development. The main impact measurements (annually) include the number of served households (3,074), the number of served individuals (18,000), and the volume of compost produced (225+ tons). The annual revenue of EUR 2–3 million serves as the financial indicator (Skoll Centre, 2024n). The main sources of SOIL's financing are government and multilateral agencies (71%), donations (25%), and earned income (4%) (WIPO, 2024). This financing structure shows that social well-being remains one of the key factors that strengthen SOIL's investment attractiveness.

Community Design Agency (CDA) constitutes another example of the “customer” type of organizational pathway. It provides design and architecture services, engaging low-income communities in creating regenerative neighborhoods. Notably, the target audience comprises more than 27,000 citizens across four cities. The main financing comes from philanthropic grants for nonprofit work and service contracts for business activities (Skoll Centre, 2024m). In this case, investment attractiveness largely depends on the number of interested and satisfied customers.

Thaki (Stichting Thaki Nederland) collects second-hand devices – mostly laptops – refurbishes them, loads them with offline learning content, and distributes them to education partners. The organization generates impact by providing training and digital tools to educators, as well as facilitating the laptop use. Currently, Thaki has distributed over 5,800 laptops to 157 education partners, enabling services for more than 33,000 students (Skoll Centre, 2024l). This social impact makes the startup attractive for grants, government support, and donations, which account for 75–90% of financial sources.

iKure, an Indian for-profit company, provides an example of the “employee” pathway in action. iKure builds and manages healthcare hubs and peripheral clinics serving rural patients. The main “employee” innovation lies in training health workers from rural communities. Thus, “workforce”/“employee” represents the central area of iKure’s impact-focused development. In this case, primary indicators include the annual number of trained and employed community health workers (60) and managerial staff (75). The workforce supports the operations of 10 healthcare hubs and 160 peripheral clinics. This created the opportunity to treat 3M+ individuals in 6,400+ villages across India, generating revenue of EUR 2 million. The primary financial sources are earned income (95%), grants, and other sources (5%) (Skoll Centre, 2024h). The earned income results from practical cooperation between managerial staff and health workers, which makes the startup successful and attractive for grants.

SmartStart Early Learning focuses on providing training and licensing services to nonprofit operators who support early childhood development (ECD) centers, delivering high-quality and low-cost early childhood education to local families. The core team consists of 119 people who collaborate with 13 franchisors, supporting more than 10,000 ECD practitioners who serve over 80,000 children nationwide weekly (Skoll Centre, 2024d).

Tebita Ambulance Pre-Hospital Emergency Medical Service PLC (Tebita Ambulance) employs 103 full-time and 27 temporary employees. The company founded a paramedical college to train paramedics and advance the profession. To date, it has trained more than 300,000 professionals and facilitated approximately 5,000 international evacuations (Skoll Centre, 2024k).

Peek Vision, an impact-focused health startup, exemplifies the “product/service” pathway. About 2 billion people globally live with vision impairment, and over 50% of these cases remain undiagnosed or untreated. Peek Vision created and brought to market a mobile eye-health screening and referral application that non-specialists can deliver in low-resource settings. The “product/service” pathway forms the core of Peek Vision’s impact-focused development. The primary impact metric is the number of vision screenings with this clinically validated smartphone app. So far, Peak Vision has screened more than eight million individuals, identifying nearly 1.6 million with eye health needs and connecting 840,000 people with care. Currently, over 100,000 people undergo screening each week. The annual revenue amounts to about EUR 4–5 million (Skoll Centre, 2024i). The business model envisions financing from both



sales revenue and grants. The startup's investment attractiveness mainly depends on the product's technical characteristics and its social impact.

Another example of the "product/ service" pathway is the Indian startup Bandhu, which offers AI-powered chat tools and algorithms to match migrant workers with housing opportunities. The key impact indicators include the annual number of people accessing the Bandhu platform (about 130,000) and the number of workers who have secured housing (around 60,000). According to Bandhu's business model, only 30% of financing comes from product and service revenue, while 70% comes from investors, grants, and startup prize winnings (Skoll Centre, 2024e). Bandhu's investment attractiveness depends on the advanced combination of technological aspects and social effects.

Eco Femme works across education, children and youth, energy/climate change/environment, and health sectors. Its primary impact indicators include the number of organic reusable cloth pads produced (about 1.4 million pads), the number of common pads diverted from waste (104 million pads), and the number of girls and women impacted (around 90,000 individuals) (Skoll Centre, 2024b). Combining sales income with grants ensures financial support. During the COVID-19 pandemic, the share of fundraising increased. The startup's attractiveness lies mainly in the ecological influence of its products and social impact.

Eminlaga SRL "Mamut" manufactures 14 products using recycled tire rubber and delivers services that contribute to sustainable urban infrastructure. The company reinvests 90% of profits back into operations. It creates impact by launching more than 10,000 projects to increase the quality of life for over 2.1 million users (Skoll Centre, 2024f).

The "ecosystem" organizational pathway focuses on impacts that address global challenges. For example, global food issues remain among the most widespread worldwide. Fairtrasa International AG, a nonprofit organization, works in agriculture, food security, and rural development. Its operations span Latin America, Africa, India, and Asia. Fairtrasa's main activity involves direct collaboration with organic smallholder farmer cooperatives, helping them export and distribute fresh products to retailers and wholesalers. The "ecosystem" pathway reflects the core of Fairtrasa's business. The impact measures include improvements in quality of life, increased income in rural communities, and gender equality support. Notably, the organization has positively affected about 60,000 people in marginalized rural areas. The annual revenue of approximately EUR 40–50 million represents the most significant portion of investment (Skoll Centre, 2024j).

Green Bio Energy constitutes another example of a startup following the "ecosystem" pathway. The startup produces eco-friendly, carbonized briquettes from recycled materials, which helps minimize air pollution. Additionally, the company offers consulting services to support micro-entrepreneurs. Active across East Africa, Green Bio Energy currently generates around 90% of its financing from sales income. Impact strengthening enables stronger donations and cooperation with carbon credit providers. CO<sub>2</sub> emissions have decreased by 8,760 tons, saving 15,000 tons of trees thanks to annual sales of 600 tons of briquettes (Skoll Centre, 2024g).

Greenhope (PT Harapan Interaksi Swadaya) produces biodegradable resins from bio-based, renewable raw materials. Its environmental effect results from replacing 150,000 tons of conventional plastic – the equivalent of 12.7 billion plastic bags – with biodegradable alternatives. Most of the startup's financial resources come from sales. Collaboration between brands, farmer cooperatives, waste management companies, NGOs, national and local governments, and consumers can support the sales increase to strengthen an ecosystem for sustainability



(Skoll Centre, 2024c). WeRobotics, in turn, developed a platform for local drone, data, and AI experts to enhance cooperation with global organizations and industries (Skoll Centre, 2024a).

Thus, each type of impact pathway features a wide range of impact measurements concerning specific challenges and opportunities.

### ***Challenges and Opportunities of Impact-Focused Startups Through SWOT Analysis***

When choosing the customer pathway, strengths include the ability to directly address market needs and create significant social impact, the enhancement of customers' satisfaction and loyalty through impact, and strong alignment with SDGs that increases impact startups' investment attractiveness. However, startups following the customer pathway may have difficulties in scaling their products to new markets due to unique challenges and possible resource limitations in the short term, given the limited profitability of chosen markets. Opportunities involve a high potential for partnerships with governments and NGOs and rising product demand within marginalized communities. This can lead to funding increases by strengthening inclusivity and access to essential services. Possible threats concern competition from larger organizations, entering the market, and increased vulnerability to economic downturns.

The employee pathway is strong thanks to workforce quality, diversity, and inclusion improvements that boost the startup's reputation and build a loyal, motivated team through skill development. Nevertheless, it proves important to attract investment for training and strengthen infrastructure. Success also depends on local community engagement and support. Opportunities relate to growing attention to corporate social responsibility issues and the potential to develop public-private partnerships to fund training programs. Threats include cultural, regulatory, and structural barriers.

The product/service pathway creates eco-friendly and socially responsible products with measurable environmental and social impacts, enhancing product attractiveness to investors. Weaknesses of this type of pathway involve its dependence on market acceptance and potential competitors with similar products/services. Opportunities are associated with increasing consumer awareness and preference for social impact and green solutions. However, regulatory changes may affect these products' development or certification.

The ecosystem pathway focuses on global issues. This helps foster long-term sustainability through strengthening partnerships between various actors. Nonetheless, coordinating the priorities of numerous stakeholders is complex, and short-term impact can prove difficult to measure. Opportunities include a broad range of funding for such initiatives and the potential to form global partnerships. Regulatory and cultural barriers in different countries constitute threats to these pathways.

In summary, impact-focused startups' ability to balance their financial performance with measurable social or environmental returns constitutes a unique and valuable asset for impact investors. These startups demonstrate different strategies to drive long-term change and maintain their investment attractiveness. Applying SWOT analysis across the four organizational pathways deepens the understanding of each group's strategic positioning and investment potential. This approach offers a structured framework that links impact theory with practical investment decision-making.

## Conclusions

The ability of impact-focused startups to attract investors depends on their “dual” nature, namely, balancing profitability and sustainability. It is essential to demonstrate their potential to achieve long-term effects despite the lack of short-term results. It seems reasonable to define challenges and opportunities of various impact-focused startups through the customer, employee, product/service, and ecosystem pathways:

- Impact-focused startups following the customer pathway primarily address their customers’ challenges and needs. Enhanced customer satisfaction and loyalty increase investment attractiveness. Potential risks include the barriers to scaling products in new markets and sustaining profitability.
- Impact-focused startups following the employee pathway mainly aim to foster inclusion and diversity and build loyalty in their teams, motivating employees to enhance operational capacity. Strengthened human capital and an increasingly qualified workforce boost investment attractiveness.
- In the product/service pathway, investment attractiveness improves through advanced coordination between the technical aspect of innovation and its ability to generate eco-friendly and/or socially responsible impact. This helps satisfy sustainability-driven consumer demand and attract investors.
- The ecosystem pathway empowers startups to engage in systematic activity, addressing global challenges through collaboration with diverse stakeholders. This fosters creating long-term impact and solving significant problems worldwide.

This research contributes to integrating WIPO organizational pathway typologies into impact analysis tools. It helps connect the ideas of social entrepreneurship with practical business management strategies. However, the study has several limitations: the qualitative and conceptual nature of the analysis, insufficient empirical data across comparative contexts, and limited geographical scope and case examples. Still, it offers a foundation for future research in various directions, including further empirical validation of the SWOT findings, along with comparative analysis of impact metrics across different startup groups and industry branches. Moreover, there is a need to continue research on the topic to understand the strengths and weaknesses of hybrid startup models that combine multiple pathways. This will provide deeper insights into the resilience and investment attractiveness of impact-focused startups.

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# Sustainable Entrepreneurship in Morocco: Driving Competitiveness Through CSR and Circular Economy

Anas Mellouki, Yassine Belyagou, Houssine Soussi, Sami El Abdioui

**Abstract:** **Background:** The circular economy and corporate social responsibility (CSR) have increasingly gained importance as strategic approaches for fostering sustainable entrepreneurship and enhancing corporate competitiveness.

**Research objectives:** This study aims to assess the impact of circular economy principles and CSR practices on the competitiveness of certified companies in Morocco. It explores how businesses integrate sustainability-driven strategies to improve performance.

**Research design and methods:** The research followed a quantitative approach, using a structured questionnaire distributed among 77 managers from certified companies in Morocco. Data analysis involved SPSS and structural equation modelling (SmartPLS) to examine relationships between circular economy strategies, CSR practices, and corporate competitiveness.

**Results:** The findings show a positive correlation between circular economy strategies, CSR implementation, and corporate competitiveness. Key factors influencing this relationship include waste reduction, resource optimization, eco-friendly production, and stakeholder engagement.

**Conclusions:** The research underscores the necessity of fostering an enabling environment for sustainable entrepreneurship through regulatory frameworks and financial incentives.

**Keywords:** corporate social responsibility, CSR, sustainable entrepreneurship, linear economy, circular economy, sustainable development, green economy

**JEL Codes:** L31, M14, Q1, Q56

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In the face of ongoing financial, economic, energy, and climate crises, Morocco has acknowledged the need for a new development model that prioritizes environmental protection and sustainable resource management. Leveraging its ecosystems to address pressing developmental challenges has become a national priority. Since 1999, the country has undertaken significant initiatives, including the adoption of the National Charter for the Environment and Sustainable Development under Framework Law No. 99-12, which marked a pivotal step in its 2011 constitutional reforms. These efforts aim to preserve the environment, improve waste management, and create sustainable employment – key objectives that Morocco aspires to achieve by 2030.

In waste management, promoting recycling policies that allow organizations to reuse waste and treat it as a raw material proves practical and effective. This commitment to the

environment enables stakeholders to adopt a circular approach and introduce new processes, especially in the corporate value chain. Indeed, Morocco is implementing an energy transition policy to employ new renewable energy production methods, representing 42% of total capacity in 2020 and 52% by 2030 (ESEC, 2020, p. 13). This article focuses on the crucial roles of the circular economy and corporate social responsibility (CSR) in driving business competitiveness in Morocco, particularly for label-certified companies. It seeks to address the research question: To what extent can the circular economy and CSR enhance the competitiveness of companies? A thorough literature review precedes the development of a conceptual model. The article then details the methodology, results, and their implications.

## Literature Review

To answer our question, we first examine Morocco's main socio-economic challenges. We also present the transition from a linear to a circular economy. Then, we discuss the roles of the circular economy and corporate social responsibility in Morocco. Based on this analysis, we study how these two paradigms influence the competitiveness of labeled companies in Morocco.

### *Morocco's Main Socio-Economic Challenges*

Morocco is experiencing significant socio-cultural and economic transformations that continue to reshape its social dynamics. However, these changes have also amplified socio-economic imbalances at the territorial level, driven by geographical, ecological, and climatic factors. In response, Morocco has adopted bold policies to tackle these challenges through institutional reforms and strategic initiatives. The excessive consumption of resources, exacerbated by rapid industrialization, remains a critical issue. Organizations must innovate to create social and environmental value, adapting management practices to rectify past inefficiencies and meet present demands.

This period of uncertainty has demonstrated that the active involvement of all stakeholders constitutes a mechanism for organizational change that must serve as a permanent solution. Indeed, the current crisis has prompted organizations to consider far-reaching adjustments to help protect ecosystems. Like other countries, Morocco has felt the impact of the COVID-19 pandemic. National authorities have been vigilant, immediately taking preventive measures to prepare for any unforeseen situation while putting in place policies to protect the environment and reduce nature's harmful effects.

### *From Linear to Circular Economy*

The traditional linear economic model – centered on extraction, production, consumption, and waste disposal – has come under increasing scrutiny due to its unsustainable environmental impact. In contrast, the circular economy offers an alternative paradigm that emphasizes resource optimization and waste reduction through practices such as recycling, eco-design, and sustainable procurement. This shift encourages businesses, governments, and citizens to adopt innovative strategies that minimize environmental footprints while creating economic value. The circular economy operates across three primary domains: sustainable production, responsible consumption, and efficient waste management. These domains rest on seven key pillars:



1. Supply from economic players: This pillar includes four critical components: sustainable procurement, eco-design, industrial and territorial ecology, and the economy of functionality. Together, these components drive resource efficiency and innovation within production systems.
2. Sustainable sourcing: Sustainable sourcing promotes resource utilization models that balance environmental impact with fair and equitable resource management.
3. Eco-design: As a foundational element of competitiveness, eco-design reduces environmental impacts throughout a product's lifecycle, particularly during the design phase, by limiting waste generation (Adoue et al., 2014).
4. Industrial ecology: Industrial ecology addresses the ecological transition by optimizing resource management through innovative organizational practices. It constitutes a cornerstone of industrial economics, focusing on pollution reduction and sustainable decision-making (Diemer & Morales, 2016).
5. The economy of functionality: This pillar shifts focus from selling products to delivering solutions, strengthening links between supply and demand while adapting to evolving consumer needs (Bourg & Buclet, 2005).
6. Consumer demand and behavior: Understanding consumer behavior proves critical for aligning offerings with expectations. This includes encouraging sustainable consumption patterns by extending product lifecycles through:
  - reconditioning: restoring used products for resale or reuse;
  - reuse: incorporating waste materials or products into new use cycles to address ecological challenges;
  - repair: extending the lifespan of damaged products by restoring functionality, emphasizing durability and waste reduction.
7. Waste management: Recycling forms a central pillar of the circular economy by transforming waste into raw materials for new production processes (Aurez & Georgeault, 2019; Berlingen, 2020). However, the ultimate goal extends beyond recycling to regeneration – creating systems that conserve raw materials and energy while driving production innovation. Companies must meet strict quality, control, and traceability standards to ensure competitiveness in circular processes (Adoue et al., 2014).

Moreover, the circular economy enables companies to innovate, improve their competitiveness, and develop new forms of competitive advantage (De Temmerman & Bréchet, 2014). This dynamic creates specific models of sustainable development, becoming a source of coherence and economic, social, and environmental value. Therefore, we can formulate the first research hypothesis as follows:

Hypothesis 1: The circular economy positively influences corporate competitiveness by fostering innovative practices such as waste reduction, resource optimization, and eco-friendly production methods.

### ***Circular Economy and CSR in Morocco***

The international context – marked by major challenges such as climate change and poverty eradication – has forced Morocco to modernize, restructure, and redefine its national strategy. To this end, the country has drawn up a new development model. Now more than ever, the Kingdom of Morocco must better exploit the full potential of its green economy. In fact, Morocco possesses several important advantages that can stimulate its growth, including geographic proximity and international influence. The abundance of intangible and tangible capi-



tal constitutes a considerable asset as well. Moreover, Moroccan youth represents a precious resource – often referred to as a demographic dividend – and seizing this opportunity means creating conditions necessary for active participation in territorial development.

Building on these strengths, the Kingdom of Morocco has made significant progress in various fields, notably in the green economy and sustainable development. In recent years, Morocco has repeatedly faced ecological crises and expressed its willingness to build on the National Charter for the Environment and Sustainable Development. This charter provides a foundation for institutionalizing voluntary commitments between all stakeholders. Implementing national programs will help maintain social cohesion, consolidate environmental protection mechanisms, and boost the green economy. The new Constitution of 2011 highlights reforms for environmental protection and sustainable development, strengthening the legal framework, introducing tools for monitoring, evaluation, and prevention, consolidating responsible governance, and proposing practical measures for a prosperous and inclusive society.

This situation should lead Morocco to redouble its efforts to achieve sustainable development goals, with the adoption of Framework Law No. 99-12 of the National Charter for the Environment and Sustainable Development (ESEC, 2019, p. 35). Morocco's future lies in stepping up institutional reforms and making a firm commitment to offering real funds in key sectors such as renewable energy, energy efficiency, sustainable waste management, and climate resilience. In fact, Morocco has drawn up the National Climate Plan 2020–2030, which aims to reconcile every sector's adaptation imperatives, accelerate the transition to a low-emissions economy, implement a national climate policy at the territorial level, and contribute to the development of a competitive economic landscape.

### ***The Impact of the Circular Economy and CSR on the Competitiveness of Certified Companies in Morocco***

The current situation is one of transition, with the impact of globalization and the new citizen demands on the one hand, and the unprecedented COVID-19 health crisis on the other. Moroccan companies have been severely affected by these destructive effects. In response, the new development dynamic must systematize dialogue with stakeholders to remove some of the obstacles that handicap business competitiveness. Reforms have taken the form of government action plans, each within a predetermined interim framework and with clearly defined objectives.

Over time, a number of theorists have attempted to define the contours of corporate social responsibility (Bowen, 1953; Carroll, 1979, 1999; Clarkson, 1995, 1995; Friedman, 1962; Gond & Igalens, 2008; Jones, 1980; McGuire, 1963; Wartick & Cochran, 1985). Indeed, CSR constitutes a multidimensional and protean concept. The CSR behavior of organizations, regardless of their dimension, differs in the degree to which environmental and social concerns are effectively incorporated into business activities (Asselineau & Cromarias, 2011). CSR's potential must not remain limited to the economic dimension; companies must rethink their concerns and take account of social and ecological issues. In this spirit, a responsible approach encourages organizations to adopt strategies that respect both environmental and social issues (Saulquin & Schier, 2007).

CSR has become a real strategic lever for small and medium-sized enterprises (SMEs), based on the idea that it represents a win-win approach that serves company competitiveness (Brodhag et al., 2012; Capron & Quairel-Lanoizelée, 2004). The implementation of CSR strategies in

SMEs can also generate profits and improve working conditions (Raufflet et al., 2014), according to the principles of sustainability that link economic players and require a convergence of objectives among stakeholders (Capron & Quairel, 2016). Asselineau and Cromarias (2011) suggest viewing CSR as a new source of sustainable competitive advantage, beyond commercial advantage (Porter & Kramer, 2002), rather than as a set of additional cost-related constraints (Lefebvre & Lefebvre, 2012).

SMEs' behavior toward CSR differs significantly from that of large companies (Frimousse, 2013). SMEs' competitiveness in adopting socially responsible practices depends more on the personal involvement of the manager (Courrent & Capron, 2012). This essential element includes strong aptitudes and an awareness of societal responsibility's impact on company management (Santos, 2011). Certainly, SMEs are structures of proximity, both internal and external (Torres et al., 2012).

The nature of interactions with geographic proximity strongly influences the discourses of economic actors (Berger-Douce & Courrent, 2009). SMEs demonstrate strong local inclusion and align CSR with the subjective vision of their managers (Bonneveux & Saulquin, 2009; Frimousse, 2013). Some theorists identify competitiveness as a major driver for CSR integration (Bansal & Roth, 2000), while Vilanova, Lozano, and Arenas (2009) claim that corporate social responsibility and corporate competitiveness essentially draw on the implementation of strategic processes. Indeed, practical research often confirms the significant impact of CSR on corporate competitiveness (Battaglia & Frey, 2014). Thus, we can formulate the second research hypothesis as follows:

Hypothesis 2: Corporate social responsibility enhances corporate competitiveness by improving stakeholder relationships, promoting sustainable practices, and aligning business objectives with societal and environmental expectations.

The CSR label allows beneficiary companies to systematize their commitments and measure their progress. It also enables them to increase their competitiveness and market access, restructure teams, and consolidate cohesion and efficiency, taking into account the expectations of all parties involved. The Moroccan experience shows that the Kingdom has made commendable efforts to successfully transition toward a circular economy. However, adopting this sustainable development mechanism presents various challenges that require innovative solutions, particularly regarding the effective management of plastic waste. Furthermore, since the General Confederation of Moroccan Companies (CGEM) adopted its Corporate Social Responsibility Charter in 2006, 108 companies have earned the CSR label, a third of which constitute small and medium-sized enterprises, and 30% of which are listed on the stock exchange (CGEM, 2020). By making a firm commitment and taking consistent, responsible actions, Moroccan companies can expand their opportunities and boost their competitiveness.

## Methodology

This research employs a quantitative methodology to provide a descriptive, comparative, and explanatory analysis of the relationship between the circular economy, corporate social responsibility, and corporate competitiveness. In a post-positivist epistemological framework, we seek to contextualize latent variables, considering managers' perspectives. Following an in-depth reading of the circular economy and CSR, the article aims to answer our research question and examine potential relationships between the mobilized variables. These relationships rely on cause and effect between the two independent variables (circular economy), the inde-

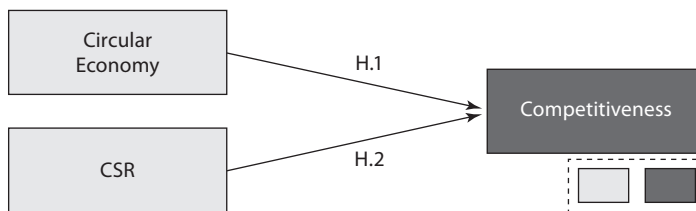
pendent variable (corporate social responsibility), and the dependent variable (competitiveness). First, we will conduct an exploratory factor analysis to test the reliability and internal consistency of the measurement scales using the SPSS software. We will then move on to a second confirmatory analysis to confirm or refute hypotheses drawn from the literature (Brown, 2015). This logic follows a hypothetico-deductive reasoning process and will be structured around a quantitative methodology (Martini, 2017).

### ***Independent Variables***

The operationalization of variables plays a key role in making them readable in our study. Moreover, this phase will facilitate a better understanding of the multiple concepts involved, drawing on previous work to provide needed clarification. For the two independent variables, we opted for the work of Aurez and Georgeault (2019), Berlingen (2020), as well as Carroll (1999), Igalens (2009), and Wood (1991).

### ***Dependent Variables***

For the dependent variable, we referred to the studies by Courrent and Capron (2012) and Adoue et al. (2014). Competitiveness relies on a strategic mechanism grounded in competitive advantage. It represents a company's performance and growth, based on quality, price, and cost, as economic and financial performance often serves as both a substitute for competitiveness and an indicator for measuring it (Porter, 1990). Building on the literature related to the circular economy, corporate social responsibility, and competitiveness, we present our conceptual model and key assumptions:



**Figure 1. Conceptual Model for Our Research**

Source: Own elaboration.

**Hypothesis 1.** The circular economy positively influences corporate competitiveness by fostering innovative practices such as waste reduction, resource optimization, and eco-friendly production methods.

**Hypothesis 2.** CSR enhances corporate competitiveness by improving stakeholder relationships, promoting sustainable practices, and aligning business objectives with societal and environmental expectations.

To test this model, we conducted a practical study using an adjusted questionnaire administered to a sample of managers from label-certified companies in Morocco. The following sections analyze and discuss the results in detail.

## Result Analysis

Before evaluating the measurement scales and testing the hypotheses, we will begin with a descriptive analysis of the sample. Our study draws on data collected through a questionnaire for managers from certified companies in Morocco. We distributed a total of 89 questionnaires, and participants returned 77 completed questionnaires, yielding a response rate of 87%. We used closed-ended, multiple-choice questions, offering respondents a set of predetermined choices.

### Exploratory Factor Analysis

Our analysis reveals that the Kaiser–Meyer–Olkin (KMO) index of the exogenous variable includes three latent constructs: production, consumption, and waste management. The values meet the chosen threshold, with respective scores of 0.562, 0.669, and 0.638 (Kaiser, 1974; 1976). As for the quality of representation of the measurement scales, they show commonalities above the retained threshold, indicating good extraction, especially since all factorial contributions are significant. The reliability of the scales for the constructs of the independent variable has very satisfactory Cronbach's alpha values of 0.607, 0.767, and 0.632.

**Table 1. Validity and Reliability of Independent Variable Measurement Scales**

Circular Economy		
Built	KMO	Cronbach's Alpha
Production	0.562	0.607
Consumption	0.669	0.767
Waste Management	0.638	0.632

Source: Own elaboration. Results provided by SPSS.

**Table 2. Representation Quality of the “Consumption” Circular Economy Independent Variable Construct**

Measurement Scales	Community (First Extraction)	Community (Second Extraction)
Cons_1	0.175	–
Cons_2	0.872	0.881
Cons_3	0.859	0.878
Cons_4	0.549	0.605
Cons_5	0.808	0.802
Cons_6	0.742	0.741
Cons_7	0.717	0.726

Source: Results provided by SPSS.

For the second independent variable, “corporate social responsibility,” which consists of two latent constructs – social and environmental – the KMO index reaches 0.629 and 0.601. The reliability of the scales for the constructs of this second variable has very satisfactory Cronbach's alpha values of 0.643 and 0.620. We note that the KMO index of the endogenous

variable includes two constructs: economic performance and social performance, with values meeting the threshold. The measurement scales show higher commonalities, which attests to a good quality of representation, particularly since all factorial contributions prove significant. Regarding the reliability test for the endogenous variable, and after performing Cronbach's alpha test, we find that these values are reliable and valid.

**Table 3. Validity and Reliability of Independent Variable Measurement Scales**

Corporate Social Responsibility		
Built	KMO	Cronbach's Alpha
Social	0.629	0.643
Environment	0.601	0.620

Source: Results provided by SPSS.

**Table 4. Validity and Reliability of Dependent Variable Measurement Scales**

Competitiveness		
Built	KMO	Cronbach's Alpha
Economic Performance	0.707	0.782
Social Performance	0.544	0.682

Source: Results provided by SPSS.

Compared with the extraction of measurement scales for the latent construct "consumption" of the independent variable "circular economy," the seven selected items show a community greater than 0.4, demonstrating a good quality of representation, except for item 1 (Cons\_1 = 0.175). In the first extraction, we removed item 1 falling below 0.4.

### **Confirmatory Factor Analysis**

The first confirmatory analysis of the two independent variables, "circular economy" and "corporate social responsibility," reveals unsatisfactory results for some selected criteria, with average variance extracted (AVE) and composite reliability (CR) falling below threshold (Hair Jr et al., 2014; Hair et al., 2017; Hair et al., 2019). To address this, we decided to reject certain measurement scales and conduct a second confirmatory factor analysis using the remaining items (Levine, 2015). The second analysis produced highly satisfactory results for all criteria, with the two independent variables meeting all required conditions. The composite reliability index for these two variables reached 0.892 and 0.869. Based on the work of Wilson et al. (2010), the mean variance extracted is above the selected threshold ( $AVE > 0.5$ ), which confirms convergent validity. For the endogenous variable, both the first and second analysis yielded very satisfactory results for all retained criteria, with a composite reliability of 0.785 and a mean variance extracted of 0.646, thereby confirming convergent validity.

**Table 5. Convergent Validity of Variables**

	Composite Reliability	Average Variance Extracted	Rho_A
Independent Variables			
Circular Economy	0.892	0.541	0.895
CSR	0.869	0.770	0.960
Dependent Variable			
Competitiveness	0.785	0.646	0.455

Source: Structural equation modeling results.

As for the discriminant validity of the variables used, Table 6 shows that the conditions are met. We assessed discriminant validity using the Fornell-Larcker criterion, which requires that a construct shares more variance with its own indicators than with any other construct. This is confirmed when the square root of the Average Variance Extracted (AVE) for each construct, shown in bold on the diagonal of the matrix, is greater than its correlation with all other constructs.

**Table 6. Discriminant Validity of Variables (Fornell-Larcker Criterion)**

	Competitiveness	Circular Economy	CSR
Competitiveness	<b>0.804</b>		
Circular Economy	0.649	<b>0.736</b>	
CSR	0.460	0.160	<b>0.877</b>

Note: Diagonal elements (in bold) are the square root of the Average Variance Extracted (AVE).

Source: Results provided by structural equation modeling.

The results in Table 6 confirm that the diagonal value for each construct is higher than the off-diagonal correlations in its respective row and column. Therefore, discriminant validity for all constructs is established.

### Research Hypothesis Testing

In this study, we chose to test two hypotheses that form the basis of our research model, allowing us to establish a causal relationship between the two independent variables and the dependent variable. This analysis shows that the hypothesis can be confirmed or rejected depending on the degree of the variables' significance. We use two main indicators for this purpose: the regression coefficient (path coefficient) and the probability of error (*P*-value) (Pearson, 1900).

**Table 7. Testing the Two Hypotheses**

	Initial Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t-value ( O/STDEV )	p-values	Decision
Circular Economy and Competitiveness	0.591	0.606	0.067	8.873	0.000	Approved
CSR and Competitiveness	0.365	0.359	0.063	5.792	0.000	Approved

Source: Results provided by structural equation modeling.

## Discussion of Results

Discussion of the results represents a crucial stage in any research and marks the culmination of practical investigation. After collecting and analyzing the data, we now focus on this phase because it allows us to discuss the proposed hypotheses and compare them with other research work.

### *The Circular Economy Has a Positive Impact on Competitiveness*

The analysis results reveal a positive link between the circular economy and competitiveness. The circular economy clearly constitutes a new discipline that combines a set of practices aimed at optimizing material use. It also emphasizes the rational use of resources, focusing on new production and consumption processes, as well as strategies for reusing and recycling waste. Indeed, it relies on innovative approaches such as eco-design, sustainable sourcing, and extending product lifespan. These approaches play a key role in implementing systemic alternatives and require inclusive stakeholder engagement.

The implementation of circular practices assumes various innovations in processes, products, and services. Moreover, this approach calls for situating the circular economy within the framework of sustainable development and considering it at territorial and local levels, as economic players' awareness of this alternative model encourages prioritizing waste management. The results suggest that the circular model offers a fresh perspective on the development of new processes and, more importantly, acts as an element of creativity and innovation, motivating employees and strengthening their commitment to the company. Therefore, we note that the production, consumption, and waste management significantly impact company competitiveness. The findings show an important relationship between the circular economy and competitiveness, indicating that this alternative model entails systematic changes within companies. We agree with the reflections of Auez and Georgeault (2019), Berlingen (2020), and Diemer and Morales (2016). Hence, we retain hypothesis H.1.

### *Corporate Social Responsibility Has a Positive Impact on Competitiveness*

The analysis confirms CSR's positive effect on competitiveness. The results show a significant correlation between these two paradigms. Companies that commit to such strategies often gain advantages, including lower costs, improved employee retention, and better reputation. Any change in management systems offers label-certified companies an asset for promoting innovative approaches, as CSR affects the entire process and represents an opportunity to create value and strengthen competitiveness.

The findings underline the influence of responsible practices on corporate competitiveness, in line with Carroll (1979) and Gond and Igalens (2008), who argue that, in the context of CSR, economic players must consciously account for changes in their practices. The results indicate that CSR can play a part in improving well-being and job satisfaction. For some managers, this represents a decisive element of their role, including their managerial function. Furthermore, companies awarded the label in Morocco should focus more on customer satisfaction and service quality, as both are integral to business competitiveness. That said, CSR remains a social construct that depends on context, and to operationalize it, Morocco needs an institutional framework that corresponds to the values of this concept. Our results align with the work of Brodhag et al. (2012), Frimousse (2013), and Porter and Kramer (2002). We therefore retain hypothesis H.2.

## Conclusion

Despite the initiatives undertaken by label-certified companies in Morocco, the situation remains worrying. A circular economy is now becoming a necessity to cope with the large quantities of waste generated by over-consumption. This includes developing standards that protect the environment and promoting environmental labels that add value to resources. Labels provide information about the ecological benefits of a product or service, and this can influence consumer behavior and benefit all stakeholders. Moroccan companies must work together to make progress on this front. Public-private partnerships (PPPs) can prove highly effective in the transition to a circular economy, which requires dedicated green business approaches, with appropriate incentives to favor research and development by academic, industrial, and financial players.

This study pursued two primary objectives. First, it explored the adoption of circular strategies and their potential positive impact on corporate competitiveness. Second, it examined how corporate social responsibility influences the ongoing improvement of management practices in certified companies in Morocco. The findings may lay the groundwork for future research involving larger samples and additional variables, contributing to a deeper understanding of these emerging phenomena.

Although the study has certain limitations, the results effectively address the research question and provide valuable insights into the interplay between the circular economy and CSR. These insights can serve as a stepping stone to further exploration in this dynamic field.

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# Empowering Change: Unleashing the Potential of Social Enterprises through Contextually Relevant Support Mechanisms in Mpumalanga Province, South Africa

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**Abstract:** **Background:** Innovative solutions are imperative in the face of escalating socio-economic and environmental challenges worldwide. Social entrepreneurship has served as a widely recognized, viable approach to these challenges. However, such initiatives often struggle due to insufficient support. **Research objectives:** This study investigates contextually relevant support mechanisms that could optimize the impact of social enterprises in addressing socio-economic and environmental issues within Mpumalanga Province, South Africa. **Research design and methods:** Through focus group discussions with both practicing and aspiring social entrepreneurs, the study identifies 13 interconnected mechanisms that could bolster the growth and sustainability of social enterprises in the region. **Results:** The findings suggest that policy interventions should center on strengthening these support mechanisms, which may include financial incentives, capacity-building programs, regulatory reforms, and fostering collaborative networks among stakeholders. **Conclusions:** This study adds to the existing body of knowledge on social entrepreneurship by providing empirical evidence on the role of support mechanisms in enhancing the effectiveness of social enterprises. The results presented in the article draw from the lived experiences of social entrepreneurs within a resource-constrained and developmentally significant setting of the province. Thus, this article offers practical insights for policymakers and practitioners in the field, bridging the gap between theory and practice in social entrepreneurship.

**Keywords:** social enterprises, innovative support mechanisms, South Africa

**JEL Codes:** L26, L31

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Amidst global socio-economic and environmental challenges, social entrepreneurship has emerged as a beacon of hope, harnessing the power of business to drive positive change in communities (Moon, 2018; Ly & Cope, 2023). Social entrepreneurship plays a vital role in developing countries such as South Africa, where poverty, unemployment, income inequality, climate-

related environmental degradation, and lack of access to basic services remain rife (Stats SA, 2022). Existing literature shows that social entrepreneurship can address socio-economic and environmental challenges by delivering innovative solutions (Ahmad & Bajwa, 2023), empowering communities, promoting social inclusion (Akinboade et al., 2023; Staiculescu, 2023), and creating employment that stimulates local economies (van der Westhuizen & Adelakun, 2023). Thus, this article examines the potential of social entrepreneurship to act as a catalyst for addressing socio-economic and environmental challenges in South Africa's Mpumalanga Province and argues that innovative support mechanisms remain crucial to unlocking this potential.

Using focus group data, the study identified support mechanisms that could foster the emergence and growth of social entrepreneurship in the region. Framing the study within Mpumalanga offers an underexplored yet highly empirical setting to advance social entrepreneurship theory and practice. Rich in natural resources and human capital, Mpumalanga Province faces unique developmental challenges that call for innovative solutions (Mpumalanga Economic Development Agency, 2020). The province records one of the highest unemployment levels in South Africa (Stats SA, 2024) and very limited access to basic services such as health and education due to its predominantly rural character (HSRC, 2019). In the first quarter of 2025, the official unemployment rate reached 32.9%, while the expanded unemployment rate stood at 49.3% (Stats SA, 2025). Despite its significant economic potential, the region shows low levels of entrepreneurship and innovation (Mpumalanga Economic Development Agency, 2020). Thus, initiatives to boost the emergence and growth of social entrepreneurship in the province remain paramount.

The following section includes a critical discussion of existing literature on the topic, followed by the research methodology adopted in this study, presentation and interpretation of the research findings, and finally, a discussion of the results and concluding remarks that summarize the article.

## Literature Review

The world continues to face escalating socio-economic and environmental challenges (Moon, 2018; Ly & Cope, 2023). In spite of concerted efforts to curb these issues, they persist (Hariram et al., 2023; Ly & Cope, 2023) and require lasting solutions. Among the various measures to address environmental and socio-economic problems, social entrepreneurship has emerged as a promising tool (Moon, 2018). Social entrepreneurship applies social mission-driven business principles to tackle pressing socio-economic challenges in communities (Blanda, & Urbančíková, (2020). The pursuit of a social mission – rather than profit maximization – makes social entrepreneurship an attractive solution, especially since some global challenges stem from greedy, profit-driven practices that ignore the long-term sustainability of the environment. In this regard, Blanda and Urbančíková (2020) affirm that social entrepreneurship solves a vast majority of the world's social, economic, and environmental problems. For example, the European Union reports that social entrepreneurship provides employment for over 11 million people (European Commission, 2020). The contribution to employment creation highlights social entrepreneurship as a critical tool for addressing socio-economic challenges posed by a lack of livelihood opportunities. Simultaneously, the specific focus of social enterprises on issues such as food security, poverty alleviation, education, skills development, inequality, and job creation directly impacts these challenges (Moon, 2018; Talmage, 2021). Talmage (2021) reveals that social entrepreneurial innovation serves as a key contemporary

tool for advancing community development education, contributing to both skills development and community upliftment. Other social enterprises are tailored to tackle environmental challenges, such as those caused by climate change (Moon, 2018). A study of 100 social enterprises worldwide by Moon (2018) found that social enterprises effectively engage in initiatives aligned with all 17 Sustainable Development Goals outlined in the UN Vision 2020 charter. Notably, more than 25 initiatives deal with ecological and social problems. This underscores the critical importance of social entrepreneurship in addressing socio-economic and environmental issues.

Although literature widely acknowledges the significance of social entrepreneurship in tackling socio-economic challenges, the emergence and growth of social enterprises – especially in developing countries – remains very limited (Kasych et al., 2019; Anh et al., 2022; Roslan et al., 2022). Scholars attribute this limited growth to a lack of support for these enterprises (Kasych et al., 2022; Anh et al., 2022). The slow development of social enterprises due to insufficient support raises concerns, especially given their enormous contributions toward solving global socio-economic and environmental problems. Therefore, the fundamental research question guided this study:

- What support mechanisms can help foster the emergence and growth of social entrepreneurship activity in Mpumalanga?

Against this backdrop, this article reports the findings of a study that sought to identify contextually relevant support mechanisms that could improve the emergence and growth of social enterprises. The study focused on Mpumalanga Province in South Africa. The next section presents the materials and methods employed in this study.

## Materials and Methods

This article aims to identify innovative support mechanisms that can help foster the emergence and growth of social enterprises in Mpumalanga Province, South Africa. While Mpumalanga shares socio-economic features with other South African regions, it offers a unique empirical context due to its spatial inequalities, youth unemployment rates, and the predominance of rural social enterprise initiatives that national policy frequently overlooks (Stats SA, 2025; Mpumalanga Economic Development Agency, 2020). Therefore, this study contributes to the field of social entrepreneurship by foregrounding the lived realities of rural and peri-urban entrepreneurs whose voices often remain excluded from broader theoretical frameworks. The study's methodological contribution lies not only in identifying support mechanisms but also in grounding them in a context-specific ecosystem, characterized by fragmented public-private support systems and under-documented community innovations.

To meet the study's aim, we conducted focus group discussions with a sample of social enterprises from various areas across Mpumalanga Province. The exploratory nature of the topic necessitated the use of focus groups to collect data, primarily because focus groups allow for in-depth exploration of social entrepreneurs' lived experiences in an interactive and dynamic setting that encourages the exchange of ideas and perspectives (Liamputtong, 2019; Marshall & Rossman, 2016). Furthermore, the diversity of participants in the focus group enabled gathering different perspectives while empowering participants to share their voices in a relatively open platform, which proves crucial for individuals from marginalized groups (Cornwall & Jewkes, 2015; Fern, 2019). Thus, the use of focus groups in this study seems justified due to their exploratory nature, ability to provide rich qualitative data, interactive and dynamic

approach, inclusion of diverse perspectives, empowerment of marginalized communities, and contribution to contextual understanding. Through these focus groups, we gained a deeper understanding of social entrepreneurs' experiences, challenges, and needs, ultimately informing the development of effective support mechanisms.

After receiving ethical clearance, we pilot tested the focus group data collection protocol and recruited participants. The pilot test involved a trial run at the focus group venues to check equipment setup, seating arrangements, and the validity of guiding questions, following Breen's (2006) guidelines. To recruit participants, we shared a call for expressions of interest on social media platforms such as Facebook, LinkedIn, and Instagram, inviting both practicing and aspiring social entrepreneurs and asking them to confirm availability for focus group discussions. The call remained open on social media for three months, from April to June 2023. Twenty-eight individuals expressed their interest, indicating willingness and availability to participate. All of them met the inclusion criteria, which required participants to be practicing or aspiring social entrepreneurs from Mpumalanga Province.

Following an invitation to attend the focus group discussions, only 13 participants showed up. Despite the low turnout, the participants represented each of the three district municipalities within Mpumalanga Province: Ehlanzeni, Nkangala, and Gert Sibande. We divided participants into two focus groups: Focus Group 1 with six participants and Focus Group 2 with seven participants, while ensuring representation from all three district municipalities in each group. The group sizes aligned with Krueger and Casey's (2014) recommendation that a focus group of 6–8 participants prove appropriate for effective interaction and qualitative data collection. Focus Group 1 lasted 63 minutes, while Focus Group 2 lasted 68 minutes. The focus group discussions took place in July 2023. The main facilitator, a timekeeper, and a note-taker also participated in the sessions. In addition, we audio-recorded all discussions and later transcribed the recordings into text data.

We employed a grounded theory qualitative data analysis technique (Strauss, 1987) to analyze the data with the assistance of the Atlas.ti software. Atlas.ti has become an essential qualitative analysis tool, widely adopted by many researchers in the fourth industrial revolution. The software streamlines identification, coding, and categorization of themes from data. The 2023 version of Atlas.ti integrates GPT-4 through a partnership with OpenAI, enabling automatic coding and categorization via artificial intelligence (AI). Researchers have praised these functionalities for efficiency, as they offer more time for data interpretation (Carius & Teixeira, 2024). Taking advantage of this benefit, we used Atlas.ti's intentional AI coding tool for the initial coding. In several studies, like the one by Carius and Teixeira (2024), intentional AI coding and human coding proved consistent from a lexical perspective but inconsistent from a semantic viewpoint. Nevertheless, intentional AI coding effectively identified specificities that human coding might otherwise miss or consider irrelevant. Thus, aware of the strengths and weaknesses of intentional AI coding, we used it to complement human coding.

Blending AI-driven coding (Bryda & Sadowski, 2024) with the traditional grounded theory represents a methodological innovation in analyzing social entrepreneurship in localized contexts. While previous studies utilized thematic or manual coding techniques, few integrated intentional AI coding within developing-country settings, especially in community-based social entrepreneurship. This triangulation of human insight and AI-generated codes enabled a more granular understanding of both overt and latent themes, adding rigor and novelty to the qualitative process (Bryda & Sadowski, 2024; Krueger & Casey, 2014).

Table 1 shows the instructions entered into the intentional AI coding tool.



**Table 1. Intentional AI Coding Instruction**

Attribute	Instruction
Context	This research relies on focus group discussions with social entrepreneurs and aspiring social entrepreneurs.
Research Question	What support mechanisms can help foster the emergence and growth of social entrepreneurship activity in Mpumalanga?
Data	Focus group data from practicing and aspiring social entrepreneurs across Mpumalanga Province
Type of Coding	Coding by themes, extracting the main themes from the data
Research Objective	To investigate support mechanisms that can help foster the emergence and growth of social entrepreneurship activity in Mpumalanga

The intentional AI coding tool generated 72 codes. Some codes lacked meaning, while others proved repetitive despite using different terminology, revealing the semantic inconsistencies noted by Carius and Teixeira (2024). This prompted manual review and recoding to address these inconsistencies. Our coding involved an inductive analysis method to openly search for and identify codes and emerging patterns in the data. After thematically sorting the data, we deep-read and coded them manually according to the preliminary AI intentional coding list. Employing open coding techniques (Blair, 2015; Strauss, 1987), we also openly and flexibly generated new codes as needed, provided they aligned with the research themes. For non-existing and emerging themes that did not match, we deconstructed, categorized, and named new categories to accommodate variations using a selective coding approach (Blair, 2015). We repeated this process until no further meaningful refinement was possible, achieving theoretical saturation.

In doing so, we removed some codes and merged others to form meaningful categories and themes. Manual coding reduced the initial list to 13 themes covering support mechanisms that could help foster the emergence and growth of social enterprises in Mpumalanga Province. This grounded, iterative process ensured that the final themes reflect not only policy-relevant mechanisms but also context-specific, locally validated strategies that social entrepreneurs view as viable, scalable, and transformative. The following section describes study findings.

## Findings

We present the findings in two sections. The first section covers participant background information, while the second outlines the themes related to support mechanisms for social entrepreneurs.

### *Participant Background Information*

The findings in this article draw from focus group discussions with 13 participants from all three district municipalities of Mpumalanga Province. Table 2 shows the participants' background information.

We divided the participants into two focus groups: Focus Group 1 and Focus Group 2. Participants 1 to 6 formed Focus Group 1, while participants 7 to 13 comprised Focus Group 2. Among the 13 participants, seven identified as aspiring social entrepreneurs and six as practicing social entrepreneurs. Seven participants were female and six were male. Most participants were young adults aged 18–25. The majority of participants practiced and/or aspired to engage in social entrepreneurial activities aimed at addressing socio-economic problems.



**Table 2. Participants' Background Information**

Participant	Participant Type	Gender	Age Group	Social Entrepreneurship Interests
Participant 1	Practicing	Female	60+	Environmental, socio-economic
Participant 2	Practicing	Male	18–25	Socio-economic
Participant 3	Aspiring	Female	18–25	Socio-economic
Participant 4	Aspiring	Female	18–25	Socio-economic
Participant 5	Aspiring	Male	18–25	Socio-economic
Participant 6	Practicing	Male	18–25	Socio-economic
Participant 7	Practicing	Male	18–25	Environmental
Participant 8	Practicing	Female	18–25	Environmental
Participant 9	Aspiring	Male	18–25	Socio-economic
Participant 10	Aspiring	Male	18–25	Socio-economic
Participant 11	Practicing	Female	26–35	Socio-economic
Participant 12	Aspiring	Female	18–25	Socio-economic
Participant 13	Aspiring	Female	18–25	Socio-economic

Three participants focused on environmental issues, and all three of them were practicing social entrepreneurs.

### ***Support Mechanisms for Social Entrepreneurs***

An analysis of the data produced 13 themes related to support mechanisms for social entrepreneurs, as depicted in Figure 1. The following subsections discuss and interpret these themes.

**Access to Funding.** Providing access to funding emerged as one of the most critical support mechanisms that could help foster the emergence and growth of social enterprises in Mpumalanga Province. Both practicing and aspiring entrepreneurs identified limited access to funding as a major obstacle in this respect. The theme of access to funding appeared 20 times in the coded data. One participant mentioned, "I struggled for a good three years, going to a financial institution like the NYDA to look for funding until I had to start my business with no funding" (Participant 4, Focus Group 1). Participants in Focus Group 2 echoed similar sentiments: "It is extremely difficult to find a funder who is willing to invest in our social mission-driven ventures, especially considering the low levels of profits that we achieve" (Participant 7, Focus Group 2). Other participants expressed the need for grants and/or low interest loans for social entrepreneurs. As one participant explained, "We need access to government grants and low-interest loans to grow our businesses" (Participant 4, Focus Group 1).

These perspectives underscore the necessity to establish funding platforms aligned with the goals of social entrepreneurs and the social mission-driven nature of their business.

**Mentorship.** Participants emphasized the significance of mentorship in their social entrepreneurship endeavors. They observed that it is crucial not only to have a mentor but also to ensure that the mentor understands the concept and operations of social entrepreneurship. Participants argued that "having a mentor that understands the operations and dynamics of social entrepreneurship is very important" (Participant 1, Focus Group 1).

The role of mentorship in the emergence and growth of social entrepreneurship appeared in 15 parts of the coded data, showing how participants value it as a catalyst for development.



**Figure 1. Support Mechanisms for Social Entrepreneurs**

While most participants stressed the importance of mentorship, a few stated that “getting a suitable mentor for a social enterprise is very difficult, as there are quite a few experienced individuals involved in this space” (Participant 8, Focus Group 2).

As a solution to the mentorship challenges, participants proposed the creation of information-sharing events and mentorship programs that would pair emerging social entrepreneurs with experienced ones.

**Alignment of Support Structures.** Participants in both focus groups expressed significant concerns over the misalignment of various social entrepreneurship support structures. One participant described it as follows:

So, one of the things I just picked up in this discussion is the misalignment of structures and priorities. It seems to me that there is a misalignment of priorities. I think Siphe also mentioned it. I think we need to share goals to achieve what entrepreneurs need. We need to really align our varieties as a government. Not just government, but civil society and higher institutions, all of those. (Participant 6, Focus Group 2).

Participants highlighted the need for alignment and coordination among existing structures – such as government agencies, NGOs, and private sector organizations – to support social entrepreneurship in Mpumalanga. Participants' quotes in this regard include: "We need a one-stop shop for social entrepreneurs, where we can access all the resources and support we need" (Participant 5, Focus Group 1), "There's a lot of duplication of efforts among organizations; we need to work together more effectively" (Participant 6, Focus Group 1), and "Government agencies, NGOs, and private sector organizations need to be on the same page to provide comprehensive support to social entrepreneurs" (Participant 11, Focus Group 2).

Participants' insights demonstrate the need to establish a social entrepreneurship hub that would serve as a one-stop resource center for funding and services. Furthermore, participants suggested considering a collaborative framework that brings together government agencies, NGOs, and private sector organizations to support social entrepreneurship. Another recommendation concerned creating communication channels to facilitate information sharing and coordination among stakeholders.

**Community Support.** Participants reported that support from the communities they serve can make a significant difference in their businesses. They argued that community support could aid in fostering a conducive environment for social entrepreneurship to thrive. One participant pointed out that "the community needs to understand and support our social enterprises" (Participant 10, Focus Group 2). Similarly, another participant emphasized that "the support that we get from communities that we serve helps us to stay motivated." (Participant 13, Focus Group 2).

In this regard, participants suggested engaging with the community through events, workshops, and meetings to raise awareness and build support for social entrepreneurship. In addition, participants highlighted the need for mentorship and role models from within the community to inspire and guide social entrepreneurs. Participants also proposed establishing community-based incubation programs to provide resources and support to social entrepreneurs.

**Collaboration.** Collaboration with fellow social entrepreneurs, other private businesses, and various community stakeholders emerged as a tool to foster social entrepreneurship growth in Mpumalanga Province. As participants said, "we need to collaborate amongst ourselves as social entrepreneurs as well as work with various stakeholders to capitalize on our combined strengths" (Participant 2, Focus Group 1). In this respect, participants stressed the value of collaboration among social entrepreneurs, stakeholders, and organizations to leverage resources, expertise, and networks in supporting social entrepreneurship in Mpumalanga. The following quotes extracted from the focus group data illustrate this point: "We need to work together to achieve greater impact" (Participant 4, Focus Group 1), "Collaboration is key to accessing resources and expertise" (Participant 9, Focus Group 2), and "We can learn from each other's strengths and weaknesses" (Participant 12, Focus Group 2).

These expressions underline the importance of engaging diverse stakeholders to benefit from resources and support while facilitating the co-creation of social innovations. Therefore, establishing collaborative platforms for social entrepreneurs, community stakeholders, government agencies, and private sector organizations to share knowledge and expertise remains essential to this process.

**Private Sector Support.** Participants also identified private sector support as a key mechanism for the emergence and growth of social entrepreneurship in Mpumalanga Province. They noted that this type of support opens access to the market, resources, expertise, and networks that drive success for social enterprises in the region. Several participants shared the following: “Partnerships with the private sector help reach new customers and new markets” (Participant 2, Focus Group 1), “Private sector organizations provide mentorship and expertise that is critical for business survival” (Participant 6, Focus Group 1), and “We need access to funding and resources from the private sector to grow our business” (Participant 9, Focus Group 2).

These statements showcase the importance of the private sector in supporting the growth of social entrepreneurship in the province.

**Regulatory and Policy Support.** Participants expressed frustration with policies that do not support social entrepreneurs and called for regulations aligned with the intentions and goals of social entrepreneurship. As one participant explained, “It is difficult to navigate the regulatory requirements for social entrepreneurs” (Participant 3, Focus Group 1). Another said that “we need guidance on how to comply with government policies to gain access to government grants” (Participant 4, Focus Group 1). In this regard, participants emphasized the need to create a dedicated office to assist social entrepreneurs in navigating regulatory and policy hurdles.

**Government Support.** Participants unanimously agreed that the government, through its various departments and agencies, could play a central role in driving the emergence and growth of social entrepreneurship in the province. They believed that government support creates an enabling environment for social entrepreneurship to thrive in Mpumalanga. Some quotes from the focus groups include: “Government policies and programs can help us access funding and resources” (Participant 4, Focus Group 1), “We need government support to navigate regulatory requirements” (Participant 7, Focus Group 2), and “Government can provide infrastructure and facilities to support our work” (Participant 8, Focus Group 2).

Participants suggested that the government can provide policies and regulations that support social entrepreneurship. Furthermore, they proposed tailored funding and resources for various government agencies and social entrepreneurs. In addition, participants recommended that the government ensure infrastructure and facilities to support social entrepreneurship in the region.

**Networking.** Participants identified networking as a mechanism to foster collaboration and the sharing of ideas. They pointed to networking’s role in connecting social entrepreneurs with resources, expertise, and opportunities in Mpumalanga. One participant expressed that “Networking events helped us connect with potential partners and investors” (Participant 1, Focus Group 1). Another mentioned that “We need a platform to connect with other social entrepreneurs and share experiences. In addition, having networks can help us access new markets and customers” (Participant 9, Focus Group 2).

These perspectives highlight the need to establish a networking platform for social entrepreneurs to connect with resources, expertise, and opportunities. Both online and in-person

platforms can facilitate networking and connection, advancing the emergence and growth of social entrepreneurship in the province.

**Research and Innovation.** Participants believed that platforms supporting research and innovation, particularly social innovation, function as another mechanism to foster the emergence and growth of social entrepreneurship in Mpumalanga. They indicated that research and innovation play a critical role in developing new solutions and improving existing ones to address social problems in the region. As one participant said, “we need research to identify and understand the social problems we are trying to solve so that we come up with sustainable solutions” (Participant 6, Focus Group 1). Another stressed the importance of research and innovation: “We need to stay up to date with the latest trends and technologies to remain relevant” (Participant 10, Focus Group 2).

These sentiments demonstrate the need to open research and innovation centers and provide support for social entrepreneurs to develop innovative solutions to community problems.

**Capacity Building.** Education and training emerged as important tools for raising awareness and building capacity among both practicing and aspiring social entrepreneurs. One participant explained:

So, it becomes challenging to decentralize this intended knowledge or training, but there is a need to mobilize young people and use resources such as the University of Mpumalanga to provide training and knowledge access, create awareness, and inspire young people to engage in social entrepreneurship. (Participant 5, Focus Group 1).

Participants pointed out that the province already holds capacity-building resources that can effectively strengthen social entrepreneurship among the youth. Therefore, it remains important to create opportunities for individuals to learn about social entrepreneurship, especially by using the province’s existing resources.

**Civil Society Support.** Participants noted that civil society organizations such as churches and NGOs can support the emergence and growth of social entrepreneurship in the region. They recognized that civil society organizations play a crucial role in offering support, resources, and advocacy for social entrepreneurs in Mpumalanga. One participant highlighted this by saying, “my church has been very instrumental in providing us with resources and support. We need more partnerships with civil society organizations to expose our social enterprises” (Participant 1, Focus Group 1). Another participant added, “civil society organizations can help us advocate for policies that support social entrepreneurship.” (Participant 3, Focus Group 1).

Thus, it remains crucial to create platforms and opportunities for social entrepreneurs to connect and interact with civil society organizations.

**Access to Resources.** Overall, participants emphasized that a lack of access to resources, such as land, presents a significant obstacle to the growth of their social enterprises. In this respect, they suggested creating a centralized platform to offer easier access to resources, funding, and other services for social entrepreneurs in the province. One participant expressed these challenges clearly:

South Africa was dual, so some developed in more affluent areas as opposed to others, and because of that, access to resources remains a big problem for marginalized communities ... generally, the social context of those people is not the same. So, I believe that the people who need social intervention are those who are perhaps on the periphery of the margin when it comes to resource access. (Participant 3, Focus Group 1).

Therefore, it remains important to create platforms that improve access to resources.

## Discussions and Managerial Implications

The article presents a qualitative study that explored the innovative mechanisms to support the development of social entrepreneurship in Mpumalanga. The study used focus group discussions to gather data from social entrepreneurs, stakeholders, and experts in the field. As a result, it identified 13 mechanisms that could help foster the emergence and growth of this entrepreneurship within Mpumalanga Province. The themes that emerged from the data include access to funding, mentorship, alignment of structures, community support, collaboration, private sector support, policy support, government support, networking, research and innovation, capacity building, civil society support, and resource access.

The findings suggest that access to funding constitutes a critical factor in supporting social entrepreneurship. This aligns with studies such as Khan et al. (2020). In general, literature stresses the importance of access to finance for entrepreneurial ventures (for example, see Odeyemi et al., 2024). This study contributes to the existing body of knowledge by providing empirical data that underlines the crucial role of financial access for social enterprises. In fact, evidence presented in this article confirms the statement that “Social enterprises’ survival, economic success, and the scale of their potential social impact depend on their access to (financial) resources” (Schätzlein et al., 2023, p. 176). Given the socially driven mission of social entrepreneurs, it becomes important to consider mechanisms such as grants or low-interest loans, as recommended by study participants.

The study goes beyond these well-known insights by introducing a nuanced, contextualized view of resource productivity. Rather than assuming that resource access alone guarantees innovation, as donor-driven models often problematically suggest (Morrar & Sultan, 2020), the findings show that innovation most likely emerges when such resources remain embedded in local knowledge systems, governed by community-driven accountability, and aligned with clearly defined social impact goals. This represents a shift from top-down support models to ecosystem-based thinking, in line with Drucker’s notion of productivity as output innovation, not input maximization (Nordling, 2024).

Mentorship also served as a key theme, highlighting the importance of guidance and support for social entrepreneurs. The study findings emphasize the value of tailored mentorship from fellow social entrepreneurs who understand the field. What stands out in this study is the call for “reciprocal mentorship,” where social entrepreneurs mentor each other through peer-led learning circles and informal, trust-based support systems. This approach challenges traditional hierarchical mentorship structures and instead promotes horizontal learning as a vehicle for innovation and shared leadership. This underscores the significance of mentorship found in previous studies, such as Drencheva and Yew (2023) and Wettermark and Berglund (2022).

Moreover, private sector support, policy support, civil society support, and government support proved crucial for creating an enabling environment for social entrepreneurship (OECD, 2019). This study goes further by highlighting the need to align these support structures. Therefore, for Mpumalanga and Africa to achieve the much-needed improvement in the emergence and growth of social enterprises, participants’ observation that existing support structures for entrepreneurship do not match social entrepreneurs’ goals and priorities deserves more attention. Rather than treating these forms of support as separate silos, the study proposes the co-design of multi-stakeholder impact compacts – locally negotiated frameworks that embed shared goals and allow adaptive governance models that evolve with

changing community needs (Ambani et al., 2021). This offers a more dynamic and responsive public governance model, moving beyond static policy instruments.

Furthermore, community support and collaboration emerged as essential for social entrepreneurship growth. These themes also appear in a study by Certo et al. (2018). The insights from the focus group discussions emphasize that community support is crucial for the co-creation of social innovation. This matters because co-created social innovation has proven effective in delivering practical solutions to community problems while contributing to positive reception and collaboration with the community (Meister Broekema et al., 2023). Notably, participants proposed using digital storytelling and community mapping as bottom-up tools to reveal latent community assets and underutilized knowledge systems – tools not yet widely adopted in current policy frameworks but offering promising routes for participatory innovation.

The emphasis on networking, research and innovation, capacity building, and other key themes also surfaced (European Commission, n.d.). While existing literature highlights the importance of these mechanisms, the empirical insights offered in this article further confirm that networking serves as a critical tool for building the much-needed social capital essential to the success of social entrepreneurs. At the same time, the significance of research, innovation, and capacity building remains clear. In line with the recommendations of Radosevic et al. (2023), this study also argues for the institutionalization of social innovation labs within universities to facilitate real-time prototyping and adaptive experimentation, moving beyond conventional training workshops toward dynamic spaces for iterative learning.

Overall, the study findings align with existing literature that stresses the need for a supportive ecosystem in which social entrepreneurship can thrive (Mair et al., 2016). The study contributes to this body of knowledge by underscoring the specific themes drawn from the lived experiences of social entrepreneurs within Mpumalanga Province, South Africa. Crucially, it proposes contextually responsive mechanisms such as peer-to-peer mentorship, adaptive support ecosystems, and participatory innovation platforms as alternatives to donor-centric, linear support models that have often fallen short in developing countries. This reimagined approach to supporting social entrepreneurship carries significant implications for how public policy can become more participatory, innovative, and grounded in local realities.

## Conclusions and Recommendations

The promising potential of social entrepreneurship as a tool for addressing socio-economic and environmental problems functions as an impetus for concerted efforts to identify and implement support mechanisms that can foster its emergence and growth. This remains critical, especially in light of the escalating challenges facing the world today. The findings suggest that policy interventions should prioritize strengthening these support mechanisms, including financial incentives, capacity-building programs, regulatory reforms, and the development of collaborative networks among stakeholders. While this study offers valuable insights, it focuses on qualitative data from focus groups with social entrepreneurs in Mpumalanga Province only. Further research could incorporate quantitative methods and expand the scope to other regions.



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# Promoting Gender Equality Through Leveraging the Women, Business, and the Law Index: A Comparative Analysis of High- and Low-Income Countries

Youssef Rehali, Fatima Touhami, Mohamed Elmoukhtar, Salma Bakkali

**Abstract:** **Background:** Gender equality and the empowerment of women are imperative for inclusive and sustainable development. Despite the fact that the Women, Business, and the Law (WBL) Index provides a comprehensive framework for evaluating legal progress towards gender equality, there is a paucity of research on how key influencing factors vary across economic contexts.

**Research objectives:** The present study aims to examine the influence of asset accessibility, workplace conditions, mobility rights, pay equality, entrepreneurial opportunities, and safety on WBL index scores in high- and low-income countries. The present analysis aims to address the research gap concerning the differential impact of these variables in diverse economic environments.

**Research design and methods:** Multiple linear regression analysis was employed using data from countries classified by income level. The WBL index functioned as the dependent variable, with the influence of six predictor variables on gender equality outcomes being assessed.

**Results:** The findings suggest that pay equality and mobility rights have a greater impact in low-income countries, while safety, workplace conditions, and entrepreneurial opportunities play a more significant role in high-income countries. These results emphasize the necessity of adapting gender equality policies to particular economic contexts.

**Conclusions:** The study emphasizes the importance of context-specific approaches to the promotion of gender equality. In low-income countries, efforts should be concentrated on the improvement of legal rights related to remuneration and mobility. In high-income countries, efforts should be concentrated on enhancing workplace conditions, improving safety, and fostering women's entrepreneurship. The study also identifies common areas for improvement across both contexts to support global gender equality initiatives.

**Keywords:** gender equality, Women, Business and the Law index, comparative analysis, economic participation

**JEL Codes:** P50, P52, P48

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Gender equality and women's empowerment are essential for social progress and sustainable development. Although recent decades have witnessed considerable progress in this area, gender disparities continue to exist, affecting social inclusion, legal rights, and economic engagement. Such disparities not only prevent the full achievement of women's rights but also

present significant obstacles to attaining wider social objectives, including poverty reduction and economic advancement.

In recent years, both national and international efforts have increasingly focused on advancing gender equality and women's empowerment. Governments, international organizations, civil society bodies, and other stakeholders have intensified their efforts to implement legislation and initiatives that strive for equal opportunities for women and men.

The Women, Business, and the Law (WBL) index serves as a widely recognized indicator of gender equality and women's empowerment. The World Bank created the WBL index to evaluate legislative obstacles to women's economic participation in 190 different economies across the globe (World Bank, 2024). The WBL index offers important insights into the legal and economic environments for women in different countries by looking at laws and regulations pertaining to women's access to financial services, the ownership of property, and the ability to work.

Nevertheless, elements that influence the determinants of gender equality and women's empowerment are numerous and include institutional structures, legal frameworks, cultural norms, and socioeconomic conditions. Given the complexity and multifaceted nature of these factors, policymakers must first gain a thorough understanding of the matter to design effective strategies and interventions that address the root causes of gender inequality.

This study utilizes the WBL index as a key metric to advance our knowledge of the variables that influence women's empowerment and gender equality across a variety of economic levels. Within this context, this research looks into the factors that influence women's empowerment and gender equality at various income levels. Through an analysis of numerous socioeconomic elements, including pay equality, access to assets, mobility rights, safety, and working conditions, the study seeks to provide insight into the difficulties and opportunities that women encounter in diverse economic environments.

The study's central research question is: *What are the key factors influencing gender equality and women's empowerment in high- and low-income countries, and how do these factors vary across different socioeconomic contexts?*

This study seeks to provide insight into the intricate interactions between socioeconomic conditions and gender equality outcomes through a comparative analysis of these components. The article intends to provide guidance for policy decisions and advocacy initiatives that aim to advance gender equality and women's empowerment worldwide by identifying areas that have made progress and those that need more attention.

## Literature Review

Gender equality refers to the equal rights, responsibilities, and opportunities of individuals regardless of their gender. The principle aims to eliminate discrimination and ensure that both men and women can participate fully in all aspects of life, including the workforce (Sever, 2022). Furthermore, gender equality is essential for unlocking a nation's full economic potential and upholding human rights. When women have equal opportunities, societies gain from greater innovation, productivity, and growth. Achieving equality requires dismantling systemic barriers, challenging stereotypes, and ensuring supportive legal frameworks. Denying women equal rights harms both the well-being of individuals and the national progress. As such, gender equality is a cornerstone of inclusive societies and their sustainable development (Sepashvili, 2019).

Women experience gender discrimination in the workplace in a variety of ways. The gender gap reflects larger biases and social norms that might hinder women's possibilities for leadership in the workplace and their progress. Establishing inclusive and equitable work environments requires addressing gender prejudices and advancing gender equality. Developing procedures and policies that encourage equitable opportunity for all employees, regardless of gender, is a key component of promoting gender equality in business. Such initiatives aim to reduce the pay gap, give women the opportunity to advance as leaders, and establish a welcoming workplace free from bias and discrimination. By actively encouraging gender equality, businesses can improve their employee engagement and satisfaction, attract and retain top talent, and become more resilient and prosperous (Brophy, McAdam, & Clinton, 2023).

The requirements of job flexibility, childcare responsibilities, and work-life balance present major obstacles for women in the business world. Kanji and Vershinina (2024) indicate that women-owned businesses contribute to job creation, wealth generation, and innovation, highlighting the importance of supporting and empowering women in entrepreneurship. Initiatives that promote gender equality, provide mentorship and networking opportunities, and tackle obstacles to women's entrepreneurship are essential for creating a more inclusive and diverse business ecosystem. The authors add that by recognizing the unique strengths and perspectives that women bring to the table, businesses and society as a whole can benefit from increased diversity, creativity, and resilience in the entrepreneurial landscape. Empowering women in business not only fosters individual success but also contributes to overall economic development and societal advancement.

Women entrepreneurs face challenges such as gender inequality, limited access to finance, unequal working conditions, and cultural paradigms and stereotypes that restrict their opportunities for business ownership and leadership roles. These challenges can hinder women's access to resources, funding, and opportunities, perpetuating gender disparities in the entrepreneurial ecosystem. Addressing these barriers through supportive policies, financial inclusion initiatives, and empowerment programs is essential to promoting gender equality and empowering women in entrepreneurship (Sanchez-Riofrio et al., 2023).

According to Kosumi (2017), women encounter discrimination in various spheres of life, including social, economic, and political. Despite some improvements in women's participation in different sectors, gender discrimination remains a significant issue globally, impacting women's advancement and equality while hindering their career development and economic opportunities.

By providing men with preferential treatment, the labor market discriminates against women and boosts the female unemployment rate. The fact that gender pay disparities do not always signify wage discrimination underscores the difficulty of resolving discrimination against women in the workplace (Vravec & Bačik, 2012).

Women's economic participation closely aligns with their autonomy, as access to economic rights enables them to make independent choices about their lives and livelihoods. However, securing satisfactory employment remains a major challenge due to persistent gender pay gaps, workplace discrimination, and limited opportunities for advancement. Additionally, achieving a balance between work and personal life is often difficult for women, particularly those with caregiving responsibilities, as societal expectations and rigid workplace policies create significant obstacles. Access to essential resources such as healthcare, food, and water also plays a crucial role; when these are lacking, women's productivity and economic engagement suffer. Furthermore, human rights concerns, such as workplace violence and discrimina-

tion, not only threaten women's safety but also prevent their full participation in the economy (IWRAW, 2004).

Women encounter pervasive challenges that limit their economic participation. One such challenge is the risk of violence threatening women entering the public sphere, particularly the economic domain, where they may face abuse and discrimination. Systemic discrimination based on gender, race, and social status further hinders women's advancement in the workplace. Women's disproportionate burden of unpaid care work, such as childcare and household duties, can hinder their full participation in the economy by limiting their time and energy available for paid employment or entrepreneurship. Moreover, women may face challenges in accessing financial resources, loans, and assets necessary for economic empowerment and entrepreneurship (Naililhaq & Udasmoro, 2021).

The underrepresentation of women in formal economic activities in developing countries compared to women in more developed countries is a significant issue. This disparity underscores the importance of addressing gender inequalities and promoting women's economic empowerment in developing nations (Osinubi & Asongu, 2021).

According to Aydin, Benghoul, and Balacescu (2019), women face several challenges in terms of pay and earnings compared to men. The gender pay gap remains a significant problem, with women often receiving lower pay for the same work or work of equal value. Occupational segregation also plays a role, as the concentration of women is higher in lower-paying sectors or roles. Additionally, factors such as part-time work, limited access to higher-paying positions, and the need to perform unpaid care work further contribute to disparities in earnings between genders.

Ani et al. (2018) demonstrate a positive relationship between women's employment and economic growth in various high-income countries. According to these scholars, women's participation in economic activities can enhance their socioeconomic status, especially in low-income countries.

To fully participate in the economy, women must overcome several challenges, including cultural norms, legislative restrictions, gender discrimination, limited access to education, the burden of providing unpaid care, the lack of financial resources, and the matter of underrepresentation in decision-making positions. These obstacles limit women's opportunities for leadership, entrepreneurship, and job growth as well as their ability to become economically empowered (Early Childhood Caries Advocacy Group et al., 2020).

Munin (2012) highlights the disparities in regulatory discriminatory obstacles that women experience in labor markets across low- and high-income economies. Developing economies tend to feature more barriers toward women in areas such as access to institutions, property rights, job opportunities, work incentives, credit availability, and legal recourse, compared to high-income economies. This disparity results in lower female formal labor force participation rates in economies and higher legal differentiation between men and women, regardless of the income level. Women in low-income economies encounter challenges in accessing financial resources and assets necessary for entrepreneurship, which limits their business development opportunities. In high-income economies, despite comparable or higher education levels among new female entrants to the labor market, women tend to work in lower-paid occupations and sectors, often based on temporary employment contracts. Moreover, cultural and social factors play a significant role in shaping women's integration into labor markets in both low- and high-income economies.

Women's participation in the labor market varies across low- and high-income economies, with evident challenges and opportunities in each context. In low-income economies, women often encounter barriers as well as cultural and social norms that restrict their economic engagement. These constraints can prevent women from fully participating in the labor market and realizing their economic potential. On the other hand, high-income economies have witnessed women's participation in the labor market increasing in recent years, which has led to positive changes such as economic growth, development, and reduced inequality. High-income economies regard female entrepreneurship as a key driver of their economic advancement. However, gender discrimination, limited access to resources, and cultural norms continue to challenge women's ability to participate in economic activities across both low- and high-income economies (Lechman, Okonowicz, & June, 2013).

## Conceptual Foundations and Hypotheses Development

**Conceptual Foundations.** The WBL index is a scale that runs from zero to 100, with 100 denoting equal legal rights for men and women. Assessing how laws and regulations affect women's economic opportunities, the index operates as the mean score across the following ten areas: assets, pension, entrepreneurship, mobility, workplace, pay, marriage, safety, childcare, and parenthood (World Bank, 2024).

$$WBLindex = \sum_{i=1}^8 \frac{Components}{10} \quad (1)$$

**Table 1. WBL Components and Their Significance**

Component	Description
Workplace	Examines laws affecting a woman's decision to enter the labor market, including her legal capacity and ability to work, as well as protections against discrimination and sexual harassment.
Pay	Analyzes whether laws ensure equal remuneration between men and women for work of equal value and whether women can work in night shifts, industrial jobs, and dangerous jobs like men.
Marriage	Assesses legal constraints related to marriage and divorce, impacting women's economic empowerment, agency, and decision-making powers within the household.
Parenthood	Examines laws affecting a woman's work during and after pregnancy, including paid leave, and laws prohibiting firms from dismissing women because they are pregnant.
Entrepreneurship	Evaluates barriers to a woman's ability to start and run a business, considering gender differences in access to finance and legal provisions that impact women entrepreneurs.
Assets	Assesses gender differences in property and inheritance law, focusing on women's ownership, use, and control over resources, which are crucial for their economic agency and empowerment.
Pension	Examines laws affecting women's economic security after retirement, including disparities in retirement ages, pension benefits, and the consideration of caregiving responsibilities in pension calculations.
Mobility	Assesses laws governing the rights of men and women to choose where to live, travel outside the home, obtain passports, and leave the marital home at will, impacting women's economic participation and empowerment.
Safety	Examines legal frameworks addressing violence against women, including domestic violence, sexual harassment, and related criminal and civil remedies.
Childcare	Assesses legal frameworks for childcare provision, including availability, affordability, quality, and impact on labor market outcomes for women and economic growth.

Source: World Bank, 2024.

The WBL index plays a crucial role in measuring and tracking the legal rights of women in business, providing a comprehensive framework for assessing gender equality in the business sector. By identifying gaps in legal frameworks that hinder women's economic participation, the index guides policymakers in addressing these deficiencies to create a more inclusive business environment.

The outputs from the WBL index inform policy decisions, offering valuable insights for developing targeted interventions to support women in business and promoting gender-responsive reforms. Furthermore, the index promotes accountability by holding governments accountable for their commitment to gender equality, encouraging transparency, and prioritization of gender-responsive policy reforms.

Enhancing the WBL index is essential for advancing gender equality and promoting women's empowerment in the business sector. By improving the index, countries can achieve a more accurate and comprehensive measure of women's legal rights and opportunities, enabling policymakers to identify specific areas for intervention and reform. A strengthened WBL index facilitates global comparisons, offering insights into best practices and areas needing improvement across countries and regions. Moreover, enhancements to the index can have a significant impact on policy decisions, advocacy efforts, and the development of gender-responsive initiatives that support women in business. A robust WBL index ensures that efforts to enhance women's rights in business are effective and aligned with gender equality goals. Ultimately, enhancing the WBL index is crucial for creating a more inclusive, equitable, and supportive business environment that empowers women to thrive and contribute to economic growth and development.

In the context of the WBL index, the classification of economies into high- and low-income is important for understanding how legal frameworks impact women's rights and opportunities in different economic contexts. Analyzing data from both high- and low-income economies will help policymakers and stakeholders to tailor interventions to address the specific challenges that women experience in the business sector across a diverse range of economic settings.

To promote gender equality through the WBL index, this article focuses on developing regression models adapted for high- and low-income economies using predictive analytics. These models are essential for evaluating policy impacts, directing resource allocation decisions, monitoring progress, and providing guidance for strategic planning endeavors in low-income environments, which have limited resources and more pronounced disparities. In the same way, the models are helpful in high-income economies for tracking progress, optimizing resources, ensuring continued progress toward gender equality, and ensuring policy efficacy. By developing regression models within the unique economic environments, our study attempts to offer practical insights for decision-makers in business, government, non-governmental organizations, and other sectors dedicated to global gender equality advancement.

**Hypotheses Development.** These hypotheses emphasize low- and high-income nations and seek to understand how different predictor factors affect the WBL index. The alternative hypothesis (H1) states that each predictor variable strongly impacts the WBL index. These predictor variables include pay equality, entrepreneurship opportunities, mobility rights, safety, and access to assets. By employing these hypotheses, we aim to gain insight into how changes to these variables may change the legal and economic landscape for women at different levels of income.



**Table 2. Hypotheses**

Hypotheses	Predictor variable	Alternative hypothesis
H1	Safety	Safety significantly affects the WBL index.
H2	Workplace conditions	Workplace conditions significantly affect the WBL index.
H3	Mobility rights	Mobility rights significantly affect the WBL index.
H4	Entrepreneurship Opportunities	Entrepreneurship opportunities significantly affect the WBL index.
H5	Pay equality	Pay equality significantly affects the WBL index.
H6	Access to assets	Access to assets significantly affects the WBL index.

Source: Own elaboration.

## Research Method and Material

To perform our regression models, we used secondary data from the WBL index of 2024. The data included information from 164 nations, with all the data classified as either high-income (53 countries) or low-income (111 countries) according to the World Bank's 2024 classifications. We utilized multiple linear regression analysis to investigate the complex relationship that exists between several independent variables that are closely aligned with economic activities, namely: safety, mobility, workplace, pay, entrepreneurship, and assets. In our research, we used IBM SPSS Statistics version 27, a powerful program well-known for its expertise in statistical analysis.

## Results

The following paragraphs will outline in detail the findings of our examination of the predictors' effect on the WBL index. The article will discuss notable trends or patterns found in the data, along with the statistical significance and size of the coefficients for each predictor variable. With a thorough analysis of these findings, we plan to learn more about the factors impacting women's empowerment and gender equality at all economic levels.

**Table 3. Model Summary**

### High-income countries

Model Summary <sup>a, c</sup>					
Model	R	R square	Adjusted R square	Std. error of the estimate	Durbin-Watson
1	.932 <sup>b</sup>	.869	.852	3.918210	1.927

a. Income = High income

b. Predictors: (Constant), assets, safety, mobility, entrepreneurship, workplace, pay

c. Dependent variable: the WBL index

Source: Own elaboration.

The regression analysis highlights a significant positive relationship between several predictor variables (assets, safety, mobility, entrepreneurship, workplace, and pay) and the WBL

index in high-income nations. The high coefficient of determination ( $R^2 = 0.869$ ) indicates that these predictors can explain almost 87% of the variability in the WBL index. This finding suggests that high-income countries tend to have higher WBL scores.

The Durbin-Watson coefficient, which is close to two (1.927), suggests that there is no strong positive or negative autocorrelation of residuals in the regression model. This finding reinforces the validity of the regression results and indicates that prediction errors do not follow a systematic pattern over time, which strengthens the reliability of the conclusions drawn from the analysis. In sum, these results underline the crucial role of factors such as assets, safety, mobility, entrepreneurship, working conditions, and pay in fostering a favorable legal and economic environment for women in high-income nations, as reflected in the WBL.

**Table 4. The ANOVA Test**

ANOVA <sup>a, b</sup>						
	Model	Sum of squares	df	Mean Square	F	Sig.
1	Regression	4676.574	6	779.429	50.769	.000 <sup>c</sup>
	Residual	706.209	46	15.352		
	Total	5382.783	52			

a. Income = High income

b. Dependent variable: the WBL index

c. Predictors: (Constant), assets, safety, mobility, entrepreneurship, workplace, pay

Source: Own elaboration.

This analysis of variance (ANOVA) aimed to assess the overall significance of the regression model in predicting the dependent variable, the WBL index, based on specific predictors such as assets, safety, mobility, entrepreneurship, workplace, and pay in the context of high-income countries. The results revealed a significant  $F$  statistic ( $F(6,46) = 50.769, p < .001$ ), indicating that the regression model as a whole was statistically significant in predicting the WBL index. Indeed, the sum of squares of the regression was 4676.574, representing significant variation explained by the model, while the sum of squares of the residuals was 706.209, suggesting unexplained variation. These results suggest that the specified predictors have a significant effect on the WBL index in high-income countries, underscoring their importance in promoting gender equality in advanced economic contexts.

A closer look at regression coefficients reveals important nuances in the impact of each predictor on the WBL index in high-income countries. Based on the  $t$ -values, we can rank these factors in order of importance in predicting the WBL index. At the top of the list is the safety variable, which displays both a significant coefficient and a high  $t$ -value ( $t = 4.525, p < 0.001$ ). These results underline the variable's crucial role in promoting gender equality in the economic context. Next come workplace and mobility, both showing significant  $t$ -values ( $t = 4.189$  and  $t = 3.665$ , respectively,  $p < 0.001$ ), which highlights their importance in determining the WBL index. Next follows entrepreneurship with a moderate  $t$ -value ( $t = 3.016, p = 0.004$ ), which indicates its substantial impact on gender equality. In contrast, although the pay and assets variables have positive coefficients, their  $p$ -values are not significant ( $t = 1.585, p = 0.120$  and  $t = 1.811, p = 0.077$ , respectively), which suggests a potentially limited impact on the WBL index in this specific context. Therefore, this detailed analysis offers a better understanding of the

**Table 5. The Coefficients Table**

Coefficients <sup>a, b</sup>								
Model		Unstandardized coefficients		Standardized coefficients			Collinearity statistics	
		B	Std. error	Beta	t	Sig.	tolerance	VIF
1	(Constant)	-13.945	13.607		-1.025	.311		
	Safety	.146	.032	.302	4.525	.000	.639	1.564
	Mobility	.322	.088	.200	3.665	.001	.958	1.044
	Workplace	.227	.054	.378	4.189	.000	.350	2.857
	Pay	.076	.048	.145	1.585	.120	.340	2.938
	Entrepreneurship	.152	.051	.218	3.016	.004	.547	1.829
	Assets	.193	.107	.114	1.811	.077	.715	1.399

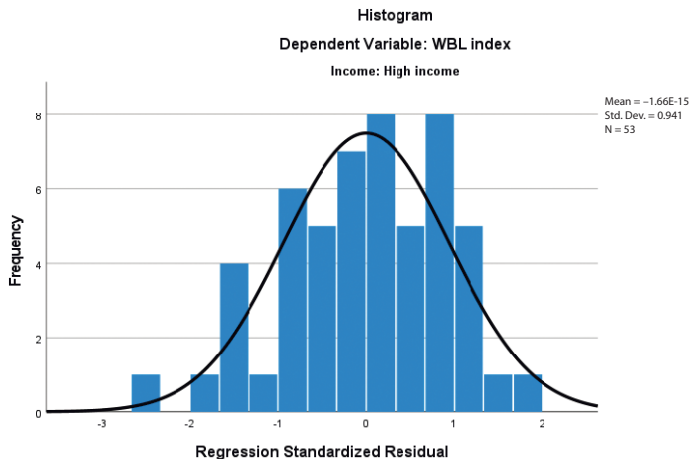
a. Income = High income

b. Dependent variable: the WBL index

Source: Own elaboration.

relative importance of each factor in promoting gender equality in high-income countries, providing valuable insights for the development of policies and strategies aimed at strengthening women's rights and opportunities in business and law. We can depict the regression equation as follows:

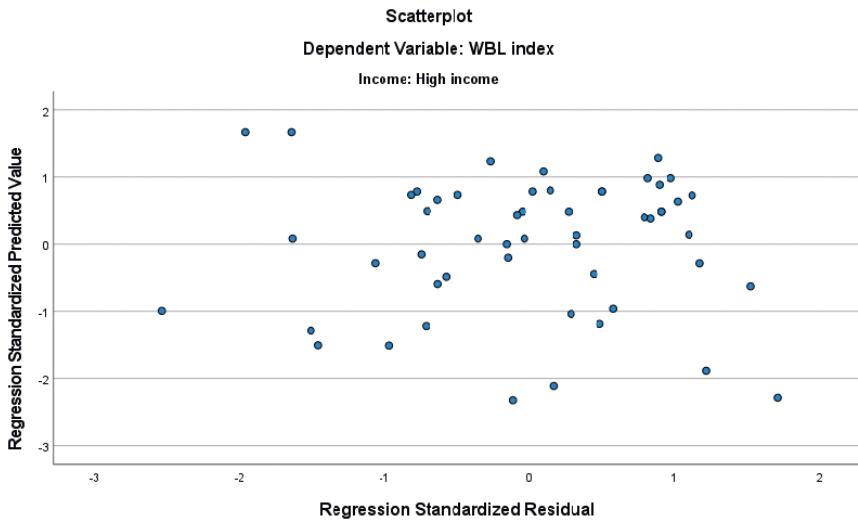
$$WBL = -13.945 + 0.146(SAFETY) + 0.322(MOBILITY) + 0.227(WORKPLACE) + 0.076(PAY) + 0.152(ENTREPRENEURSHIP) + 0.193(ASSETS) \quad (2)$$

**Figure 1. Normal Distribution of Residuals**

Residual Distribution

Source: Own elaboration.

Figure 1 shows that the regression residuals follow a normal distribution, providing crucial validation of the regression model's quality. The random distribution of errors around zero



**Figure 2. Homoscedasticity Visualization**  
Homoscedasticity Assessment

Source: Own elaboration.

confirms that the model accurately reflects the trends and relationships present in the data. Consequently, the regression results offer a reliable basis for informed decision-making and forecasting in comparable contexts. The normality of the residuals confirms the validity of the coefficient estimates and associated confidence intervals, reinforcing the credibility of the conclusions drawn from the model.

Figure 2 shows a plot of the standardized residuals against the predicted values in the regression model. The residuals show a random distribution around zero over the entire range of predicted values, without any discernible patterns, trends, or shapes. This visual pattern confirms that the regression model respects the assumption of homoscedasticity. This finding indicates that the variance of the residuals remains constant across different predicted values, implying that the model distributes errors evenly and maintains forecast accuracy regardless of the levels of the independent variables.

The fact that the residuals lie between  $-2$  and  $2$  and follow no trend visually confirms the homoscedasticity of the residuals in the regression model. This observation is positive, as it reinforces the validity of the model's estimates and the reliability of the conclusions drawn from the model. Moreover, this observation confirms that the residuals in the regression model are homoscedastic, which is a crucial aspect for the validity of the regression results.

The analysis of the regression model reveals a remarkable fit to the data. The results indicate a significant association between the predictor variables (assets, safety, workplace, mobility, pay, entrepreneurship) and the WBL index for low-income countries. The multiple correlation coefficient ( $R$ ) of  $0.962$  highlights a strong association between these variables, suggesting a robust ability of the model to explain the variance of the WBL index. Furthermore, the coefficient of determination ( $R$ -squared) of  $0.926$  indicates that the predictors included in the model can explain nearly  $92.6\%$  of the WBL index's variance. The adjusted  $R$ -squared of  $0.922$ , which considers the complexity of the model, supports this interpretation.

**Table 6. Model Summary**  
**Low-income countries**

Model summary <sup>a, c</sup>					
Model	R	R square	Adjusted R square	Std. error of the estimate	Durbin-Watson
1	.962 <sup>b</sup>	.926	.922	4.536953	1.957

a. Income = Low income

b. Predictors: (Constant), assets, safety, workplace, mobility, pay, entrepreneurship

c. Dependent variable: the WBL index

Source: Own elaboration.

The standard error of the estimate (4.536953) reveals the accuracy of the model's predictions for the WBL index in low-income countries. Finally, the Durbin-Watson statistic of 1.957 indicates little autocorrelation in the residuals, reinforcing the reliability of the regression results. In sum, this regression model demonstrates an excellent ability to predict the WBL index in low-income countries, in consideration of various predictive factors. This finding makes it a valuable tool for understanding and improving the economic and legal conditions of women in these countries.

**Table 7. The ANOVA Test**

ANOVA <sup>a, b</sup>						
	Model	Sum of squares	df	Mean square	F	Sig.
1	Regression	26937.352	6	4489.559	218.11	.000 <sup>c</sup>
	Residual	2140.730	104	20.584		
	Total	29078.083	110			

a. Income = Low income

b. Dependent variable: the WBL index

c. Predictors: (Constant), assets, safety, workplace, mobility, pay, entrepreneurship

Source: Own elaboration.

The analysis of variance (ANOVA) reveals significant variation, which we can explain by the predictors included in the regression model ( $F(6, 104) = 218.110, p < 0.001$ ). The predictor variables (assets, safety, workplace, mobility, pay, and entrepreneurship) demonstrate a statistically significant contribution to explaining the variance in the WBL index for low-income countries. The sum of squares of the regression is 26937.352 with six degrees of freedom, and the associated mean square is 4489.559. In contrast, the residual variation, representing the error of the model, is also significantly different from the model ( $F(104) = 20.584, p < 0.001$ ), indicating a relatively low residual variance compared to the variance that the predictors explain. In sum, these results confirm the validity and relevance of the regression model to explain variation in the WBL index in low-income countries.

The analysis of coefficients in the regression model reveals several significant predictors for the WBL index in low-income countries. Mobility tops the list with a standardized coefficient of 0.241 and a  $t$ -value of 5.942 ( $p < 0.001$ ), with assets following closely with a coefficient of 0.248

**Table 8. The Coefficients Table**

Coefficients <sup>a,b</sup>								
Model		Unstandardized coefficients		Standardized coefficients			Collinearity statistics	
		B	Std. error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	8.961	1.549		5.783	.000		
	Safety	.141	.026	.186	5.428	.000	.602	1.662
	Mobility	.152	.026	.241	5.942	.000	.431	2.318
	Workplace	.103	.033	.141	3.133	.002	.348	2.876
	Pay	.156	.031	.212	5.018	.000	.398	2.511
	Entrepreneurship	.155	.028	.243	5.598	.000	.376	2.657
	Assets	.145	.022	.248	6.712	.000	.518	1.929

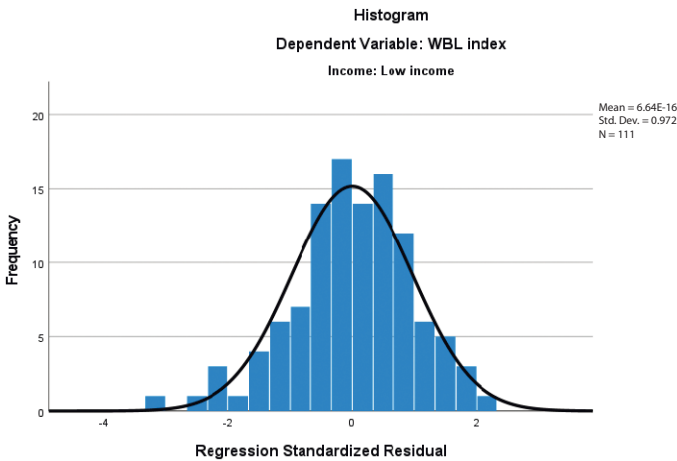
a. Income = Low income

b. Dependent variable: the WBL index

Source: Own elaboration.

and a  $t$ -value of 6.712 ( $p < 0.001$ ). These two predictors play a crucial role in explaining the variance of the WBL index, and their contribution is statistically significant. Entrepreneurship, safety, and pay also present significant and positive coefficients, with  $t$ -values of 5.598, 5.428, and 5.018, respectively ( $p < 0.001$ ). Finally, although significant, workplace displays a slightly lower  $t$ -value of 3.133 ( $p = 0.002$ ), indicating a smaller but nonetheless significant contribution to the WBL index. We can present the regression equation as follows:

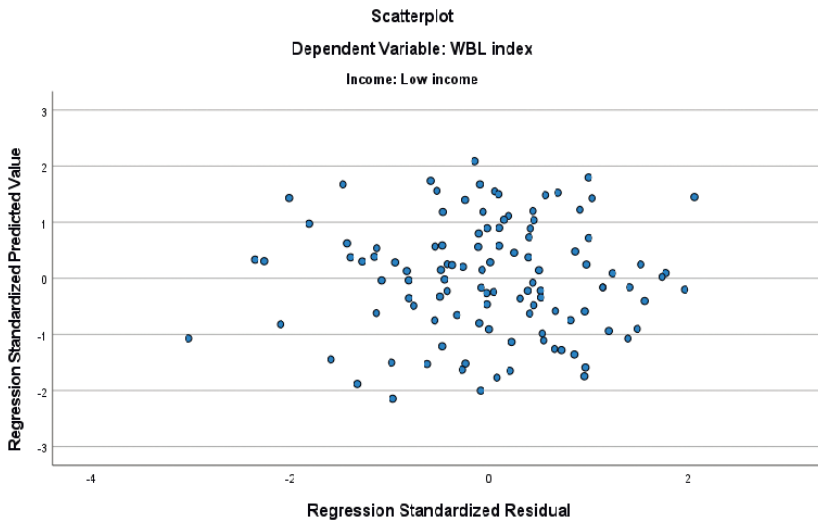
$$WBLindex = 8,961 + (0,141 \times SAFETY) + (0,152 \times MOBILITY) + (0,103 \times WORKPLACE) + (0,156 \times PAY) + (0,155 \times ENTREPRENEURSHIP) + (0,145 \times ASSETS) \quad (3)$$



**Figure 3. Normal Distribution of Residuals**  
Residual Distribution

Source: Own elaboration.

The normal distribution of residuals, which the histogram (Figure 3) illustrates, is a reassuring indicator of the regression model's validity. A Gaussian distribution of residuals suggests that model errors are random and unbiased, which is crucial for a reliable interpretation of regression results. The observation of a symmetrical bell shape centered around zero in the histogram confirms that the residuals display a good distribution around the mean, with no obvious tendency toward positive or negative extremes. This symmetry indicates that the model's errors display an even distribution around the mean, reinforcing confidence in the accuracy of the model's predictions over the whole range of predicted values.



**Figure 4. Homoscedasticity Visualization**  
Homoscedasticity Assessment

Source: Own elaboration.

The observation of scattered points in the scatterplot, with values between  $-2$  and  $2$  and following no particular trend, is a favorable indicator of residual homoscedasticity. The presence of a uniform dispersion of points around zero over the entire range of predicted values, with no apparent patterns or trends, suggests that the variance of the residuals is constant across the different predicted values. This finding is consistent with the assumption of homoscedasticity, indicating that the model's prediction errors display an even distribution across the levels of the independent variables. Thus, the random dispersion of the points in the scatterplot reinforces confidence in the validity of the homoscedasticity of the residuals, thereby supporting the reliability of the regression results.

Table 9 offers a thorough analysis of the two regression models, utilizing t-values to classify the predictors according to significance. In both high-income and low-income nations, the descending order of predictor importance allows us to understand how each predictor contributes to explaining the variance in the WBL index.

Regression models for high- and low-income nations can serve as subjects of comparison to provide important insights into the variables affecting the WBL index in various economies. The predictors in both models, with R-squared values of  $0.926$  for the low-income model and

0.869 for the high-income model, together account for a significant portion of the variance in the WBL index. The important predictors in the two models vary significantly from one another.

**Table 9. Models Assessments**

Model	R-squared	Important predictors	Durbin-Watson	Residuals (Normality)	Homoscedasticity	ANOVA (F-statistic, p-value)	VIF (Variance Inflation Factor)
High-income	0.869	✓ Safety ( $t = 4.525$ ), ✓ Workplace ( $t = 4.189$ ), ✓ Entrepreneurship ( $t = 3.016$ ) ✓ Mobility ( $t = 3.665$ )	1.927	Verified	Homoscedastic	$F(6, 46) = 50.769$ , $p < 0.001$	$< 3$
Low-income	0.926	✓ Assets ( $t = 6.712$ ), ✓ Mobility ( $t = 5.942$ ), ✓ Entrepreneurship ( $t = 5.598$ ) ✓ Safety ( $t = 5.428$ ), ✓ Pay ( $t = 5.018$ ), ✓ Workplace ( $t = 3.133$ )	1.957	Verified	Homoscedastic	$F(6, 104) = 218.110$ , $p < 0.001$	$< 3$

Source: Own elaboration.

With a  $t$ -value of 4.525, safety tops the list of significant predictors in the high-income model. Workplace ( $t = 4.189$ ), entrepreneurship ( $t = 3.016$ ), and mobility ( $t = 3.665$ ) follow. With a  $t$ -value of 6.712, assets lead the low-income model as the most significant predictor. Mobility ( $t = 5.942$ ), entrepreneurship ( $t = 5.598$ ), safety ( $t = 5.428$ ), and pay ( $t = 5.018$ ) follow. These differences highlight the distinct economic obstacles and concerns that countries with varying incomes display when trying to promote gender parity and women's empowerment.

Both models adhere to the assumptions of normality and homoscedasticity, show statistical significance in ANOVA tests, and have minimal autocorrelation in the residuals. Durbin-Watson statistics of 1.957 for the low-income model and 1.927 for the high-income model provide the necessary evidence. Furthermore, the low multicollinearity among the variables improves the reliability of the regression analysis. Variance Inflation Factor (VIF) values below three in both models confirm the above.

## Discussion

The findings of this study reveal the multifaceted and context-sensitive nature of gender equality and women's economic empowerment. Drawing on the WBL index, the analysis underscores the varying impact of several legal and socioeconomic dimensions at different income levels and across different countries. These dimensions include workplace safety, working conditions, mobility rights, entrepreneurship opportunities, and access to assets.

A key insight is that the relative importance of these factors differs between high- and low-income contexts, suggesting that no single factor universally dominates the empowerment landscape. This finding supports the growing academic consensus that gender-related reforms must match the specific realities of each country.

The study confirms that in high-income countries workplace safety and working conditions play a crucial role in women's empowerment. These countries often possess mature insti-



tutional frameworks and stricter labor laws that directly impact women's experiences in the workforce. According to Ani et al. (2018), ensuring workplace safety is fundamental for enhancing women's participation in formal employment sectors. These safeguarding efforts include addressing harassment, discrimination, and health-related risks, which are key to creating inclusive and productive work environments.

In contrast, low-income countries show a stronger dependence on mobility rights and entrepreneurship opportunities as levers of economic empowerment. These findings reflect the constraints that women face due to inadequate infrastructure, limited access to safe public transportation, and legal or cultural barriers to free movement. Enhancing mobility, therefore, becomes a precondition for economic inclusion. Simultaneously, entrepreneurship serves as a critical pathway for women in economies where formal employment opportunities are scarce or inaccessible. As Aydin, Benghoul, and Balacescu (2019) argue, promoting mentorship programs, financial inclusion, and business-friendly policies can significantly strengthen women's entrepreneurial potential in both developing and developed settings.

Access to assets, such as property and financial services, is another factor that cuts across both high- and low-income countries. However, the problem varies in nature and severity. In low-income countries, women often lack access to land ownership and face exclusion from formal financial systems, which creates significant structural obstacles to attaining independence and accumulating wealth. In high-income contexts, while legal barriers may be less visible, unequal access to investment resources or capital still exists and continues to limit economic opportunities for women.

The issue of wage disparities also varies across different contexts. In low-income countries, wage inequality is a direct and significant obstacle to women's economic empowerment. As Munin (2012) explains, wage gaps in these contexts are not only an issue of fairness but also a fundamental barrier to women's economic autonomy and overall development. Although wage gaps may be narrower in high-income countries, they persist due to structural issues such as occupational segregation, underrepresentation in leadership roles, and the "motherhood penalty."

The findings indicate that a universal approach to gender equality is insufficient. Policy-makers must develop effective strategies based on an in-depth understanding of local conditions. For example, low-income countries may need legal reforms to strengthen labor rights and promote wage equality, while high-income countries might prioritize removing glass ceilings, supporting entrepreneurship, and improving work-life balance for women.

Furthermore, these empowerment factors closely interconnect. Mobility enables access to safer work environments and entrepreneurial spaces, while asset ownership can facilitate financial inclusion, which in turn supports business creation or educational investments. This interconnectedness demands integrated policy approaches rather than isolated reforms.

Finally, the success of gender-related reforms depends not only on legal changes but also on effective implementation and cultural transformation. As Naililhaq and Udasmoro (2021) emphasize, without enforcement and social buy-in, even the most progressive laws may fail to translate into real improvements in women's lives. Therefore, complementary actions such as public awareness campaigns, community education, and institutional capacity building are essential to ensure sustainable and inclusive progress.

## Conclusion

This comparative analysis underscores the nuanced and context-dependent nature of women's empowerment and gender equality. The WBL index highlights that while key factors like workplace safety, working conditions, mobility rights, entrepreneurial opportunities, and access to assets are universally important, their relative influence varies considerably between low- and high-income countries.

In low-income settings, mobility rights and entrepreneurship emerge as critical levers of empowerment, with women often facing systemic gaps in infrastructure and institutional constraints. These factors are instrumental in overcoming barriers to economic participation and self-reliance. In contrast, high-income countries tend to place greater emphasis on safety standards and workplace conditions, reflecting more mature regulatory systems aimed at safeguarding women's roles in formal economies.

Although aspects such as wage disparities and access to assets cut across both income categories, they present diverse challenges. In low-income countries, wage inequality remains a substantial impediment to women's economic agency. In wealthier nations, the issue is often an inherent part of broader structural or cultural frameworks, requiring more sophisticated policy interventions.

Recognizing these contextual differences is vital for designing effective policy responses. In low-income economies, efforts should prioritize strengthening labor protections, enforcing equal pay, and expanding access to ownership and financial tools. High-income countries, on the other hand, should focus on enhancing support for women entrepreneurs, advancing legal mobility frameworks, and promoting equity through institutional reforms.

Developing context-specific reforms that are responsive to each country's unique challenges and opportunities will help create more inclusive and enabling environments for women. Such targeted approaches are essential to advancing gender equality and fostering sustainable development on a global scale.

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# Entrepreneurial Learning Process After a Business Failure

Fatima Ezzahra Zaid, Noufel Ghiffi

**Abstract:** **Background:** Entrepreneurial research often overlooks failure as a catalyst for learning. Understanding how entrepreneurs recover from failure and apply their experiences to new ventures proves crucial for developing resilience.

**Research objectives:** This study examines how micro-entrepreneurs who faced total business failure acquire new knowledge and adapt through entrepreneurial learning.

**Research design and methods:** We conducted a qualitative exploratory study with five entrepreneurs who restarted businesses after bankruptcy. We collected data via semi-structured interviews and analyzed them using narrative-based content analysis.

**Results:** Despite significant financial and emotional costs, entrepreneurs actively engaged in meaning-making and knowledge acquisition. Emotional processing and resilience-building enhanced their ability to adapt and overcome challenges.

**Conclusions:** Entrepreneurial learning plays a key role in business recovery. The findings emphasize the importance of meaning creation, knowledge development, and emotional adaptation in navigating failure and fostering long-term entrepreneurial success.

**Keywords:** learning dimension, entrepreneurial learning, entrepreneurial failure, emotions, micro-enterprise

**JEL Codes:** L26, L25, G33

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## Introduction

The field of entrepreneurship is vast and scholars have explored it in a variety of contexts relating to individuals, groups, and organizations. To be interested in failure means to be interested in the post-failure phase while seeking to understand more than what the failure revealed, clarified, or and made meaningful (Cope, 2011; Shepherd et al., 2011). It also involves analyzing the actions taken and how the entrepreneur dealt with the difficult consequences and predictions for the desired future. As a result, entrepreneurial failure has become an important area of research that has developed considerably over the last ten years (Jenkins, 2022). In a very broad sense, failure refers to any negative deviation between actual and expected results (Politis & Gabrielsson, 2009). Some researchers (McGrath, 1999; Shepherd, 2003; Zacharakis et al., 1999) interpret failure in the entrepreneurial context differently in their respective studies. Although failure has many realities, it most often connects to unforeseen events with potentially devastating consequences (Khelil et al., 2020), playing a central role in entrepreneurial learning. The

ability to acquire new knowledge represents an important source of competitive advantage that the entrepreneur must cultivate (Hisrich et al., 2014).

In the same vein, entrepreneurship researchers have considered failure as a key source for skill development and a driver of various forms of learning that proves fundamental for the entrepreneur and can support them in their next venture (Bruque Camara et al., 2021; Ucbasaran et al., 2013; Cope, 2011; Politis, 2008; Minniti & Bygrave, 2001; McGrath, 1999). Although society perceives failure negatively, it can fuel success and help develop skills and knowledge needed for future projects (Ucbasaran et al., 2013; Cope, 2011; Politis & Gabrielsson, 2009; Politis, 2008; Shepherd, 2003). However, few studies rethink entrepreneurial failure as a multifaceted phenomenon with multiple configurations (Khelil, 2016). Failure functions as a process that transforms the entrepreneur's personal experience into knowledge, which can in turn guide the choice of new opportunities (Politis, 2005). The experience of business failure offers a dynamic perspective on "what" and "how" entrepreneurs learn, both personally and organizationally (Cope, 2011).

Some factors that lead businesses to fail relate to both the entrepreneur's life project and their entrepreneurial behavior and process (Cope, 2011; Politis & Gabrielsson, 2009), where experimentation, trial, and error are common strategies for managing uncertainty and ambiguity (Sarasvathy, 2008). Sometimes learning as a process can become complex, affected by entrepreneurs' early experiences and cognitive attributes (Cope, 2011; Politis, 2008). A negative attitude toward failure can significantly interfere with an individual's capabilities and even trigger emotional and traumatic responses (Shepherd, 2003; McGrath, 1999).

And because the literature still underexplores this topic (Ucbasaran et al., 2013; Cope, 2011; Politis, 2008), studies emphasize that regarding entrepreneurs in the final phase of their businesses, especially small entities, the learning process constitutes an area that needs to be developed at different conceptual levels (Blackburn & Kovalainen, 2009; Shepherd, 2003).

Merriam and Caffarella (1999) link learning to meaning-making and how individuals make sense of their experiences. A meaning-making perspective argues that learning from failure requires the continuous development of plausible retrospective narratives that shape current behavior (Weick et al., 2005). Learning involves experience, action, and active participation of the learner (Ali & Negasi, 2021). For March and Olsen (1976), the experience that results from failure presents a holistic view of entrepreneurial learning (Cope, 2011). Their studies outline four phases that contribute to a dimension of entrepreneurial learning through failure. Consequently, this study aims to analyze the dimension of learning among micro-enterprise entrepreneurs who have experienced failure and set up new businesses. The lack of knowledge on this topic led us to pursue a broad research question: How do failed micro-enterprise entrepreneurs transform their experiences of failure into learning?

## **Literature Review and Theoretical Framework**

This section describes the conceptual aspects adopted in the research, which we will use as a basis for result analysis.

### ***Entrepreneurial Failure***

In the current global economic environment, many businesses fail frequently. Failure encompasses diverse manifestations, yet it is predominantly triggered by unexpected events with potentially substantial repercussions (Khelil et al., 2020). The chances of a company going

out of business depend on a range of factors that increase or reduce the risk of closure (Oliveira, 2006). Business failure constitutes an important aspect of the economy, but different definitions make it difficult to analyze (Robinson, 2007). Shepherd & Patzelt (2018) describe failure as organizational death. The literature uses various terms to refer to business failure: defeat, unsuccess, insolvency (Bacq et al., 2009), bankruptcy, organizational exit, decline, downsizing, and failure (Mellahi & Wilkinson, 2004). For this study, we will define entrepreneurial failure as the complete cessation of activity and closure of the business.

The consequences of entrepreneurial failure remain complex and paradoxical since the individual and their business are closely linked (Ucbasaran et al., 2013). Singh et al. (2007) identifies four types of effects caused by entrepreneurial failure: economic, social, psychological, and physiological ones. For Shepherd (2003, 2004), such an event frequently provokes strong individual emotions that can hinder learning. To cope with a new experience, the entrepreneur must apply the knowledge gained from previous events. Their learning process also depends on the network of relationships, as well as material and informational resources to which they have access on a daily basis (Dias & Martens, 2019).

### ***Entrepreneurial Learning Process***

Positive and negative experiences have consequences for the entrepreneurial learning process (Minniti & Bygrave, 2001). This study views the learning process as the construction of meaning through experience. To confront novel situations, entrepreneurs not only apply prior knowledge but also reinterpret past experiences to adapt effectively (Didier & Lucena, 2008).

As March and Olsen (1976) argue, the process of learning through failure draws on the principle of adaptive rationality. According to this principle, negative results trigger changes to previous actions in order to produce positive effects. The authors assume a fairly simple logic of experiential learning that begins with an action being undertaken, followed by the environment's response that individuals evaluate in a dichotomous way according to whether performance proves better or worse than initial aspirations; then, they seek to interpret this response and develop ideas about the causes of failure. This results in interpretation and the creation of meaning, which represent a crucial stage in the entrepreneurial learning process. Such a reflection builds an experience that can help modify future decisions (Cusin, 2009).

The work of March and Olsen (1976) is important because it highlights the difficulties of experiential learning. However, Wong et al. (2006) have addressed the "emotional" dimension, which March and Olsen overlook. In fact, entrepreneurs identify strongly with the strategies they create and are deeply committed to the businesses they manage (Shepherd, 2003). As a result, they may regard failure as a real psychological ordeal. Therefore, when studying experiential learning, this emotional dimension becomes crucial. Indeed, it can impact the way entrepreneurs react to failure and adjust their behavior in the future (Cusin, 2009).

## **Data Collection and Analysis**

### ***Design of the Empirical Study and Data Collection***

This study aims to explore and interpret a specific reality, which supports the use of an exploratory qualitative methodological approach. This methodology proves especially relevant when dealing with individual or social phenomena. The qualitative approach requires an understanding of the local meanings assigned by actors (Thiétart et al., 2014). According to Van Manen (1990), this approach encompasses various methods of interpretation intended

to describe or translate social issues. In turn, the exploratory approach seeks to capture participants' viewpoint (Lüdke & André, 1986). We adopted the interpretivist paradigm to better understand reality through the lens of the actors involved and their perception of social experience. Cases of entrepreneurial failure remain underexplored because investigating participants' accounts of stressful situations is a delicate matter (Minello et al., 2014; Ucbasaran et al., 2013; Singh et al., 2007), involving a significant emotional charge (Fleck, D. L., 2009).

We collected data using a semi-structured interview guide. Each interview, conducted with micro-enterprise entrepreneurs, lasted between 47 minutes and 1 hour 37 minutes.

## Results and Discussion

This section analyzes and discusses the data from interviews with the five entrepreneurs, comparing the field research findings with the explanatory models previously selected from the literature.

### *Characterization of the Five Cases Included in the Exploratory Study*

The table below provides a brief individual summary of the responses given by each entrepreneur-manager during the interviews. It outlines the entrepreneurs' profile, their previous experience and the characteristics of their new business. This facilitates understanding of the data analysis. The extracted information appears in Table 1.

**Table 1. Profile of Entrepreneurs and Their Businesses**

Entrepreneur	Entrepreneur profile	Former company	Reason for bankruptcy	Business	New company	Activity
A	Man, 45, married, 2 children	7 employees, Rabat	Too limited demand	Training and education	10 employees, Salé	Training and education
B	Man, 38, married, 3 children	7 employees, Chichaoua	Financial loss (accumulation of debts) and COVID-19 pandemic	Service (gas distribution)	9 employees, Marrakech	Catering
C	Woman, 26, single	6 employees, Safi	COVID-19 pandemic	Accommodation and real estate activities	9 employees, Tameslouht, Marrakech	Accommodation and real estate activities
D	Man, 44, married, 2 children	4 employees, Agadir	Lack of management, bad decisions, and problems with partner	Electronics	4 employees, Agadir	Electronics
E	Woman, 33, divorced, 1 child	5 employees, Marrakech	Severe psychological and emotional state	Service	2 employees, Marrakech	Business

Source: Own research.



### *The Learning Process*

**Reflection on the Costs of Failure.** We begin by highlighting the definitions of entrepreneurial failure as perceived by entrepreneurs.

The table above shows that most interviewees connected failure to the way they developed their business. For Entrepreneurs B and C, failure related to how they dealt with the health crisis, while for Entrepreneur E, personal factors played a role. The analysis of what entrepreneurial failure means for the participants reveals the need to present and explore their learning process in the cycle based on the experiential learning logic defined by March and Olsen (1976). The data collected during the interviews show that the entrepreneurs faced economic, social, psychological, and physiological costs, which impacted them both personally and professionally. To varying degrees, all the entrepreneurs suffered some level of loss. Some handled these costs more easily than others.

**Table 2. Entrepreneurs' Definitions of Failure**

Entrepreneur	Failure definition
A	"Launching into a field without prior study"
B	"For me, it's the accumulation of debts, it's also the inability to maintain the business in times of crisis"
C	"COVID-19 health crisis, confinement, curfew for me represent failure..."
D	"When you can't meet your expectations because of poor management, certain misunderstandings with your partner, and certain financial problems"
E	"It's when you reach a serious psychological and emotional state, when you experience psychological problems..."

Source: Own research.

Entrepreneur A identified a lack of customers and too limited demand as the main reason for his business failure. He decided to move to another town. For Entrepreneurs B and D, resources no longer sufficed to finance their business operations; in fact, the financial impact remains a real challenge. Entrepreneur D stated that he had already made a plan to repay his debts and returned to the same sector, while Entrepreneur B once again needed to generate income to survive and decided to change activities completely. He stated, along with Entrepreneur C, that the COVID-19 health crisis affected them. Entrepreneur C considered the pandemic the primary reason for her bankruptcy; despite this, she decided not to change business but to move to a different town. Besides financial issues, Entrepreneur D struggled to review internal processes and identify weaknesses to remedy the failure. For Entrepreneur E, the failure proved painful because it impacted her personal life; the main cause was relationship problems. She certainly suffered serious effects such as depression, despair, guilt, bereavement, and others, but with the help of family and friends, she managed to get through the situation and decided to change her business completely. For the five entrepreneurs studied, the context differed because the causes of failure varied.

For Singh et al. (2007), the financial, social, psychological, and physiological costs impact the business and the entrepreneur themselves. Regarding psychological costs, the statements made by the five entrepreneurs formalize a clear situation of stress caused by disagreements and disappointments with the environment, family, friends, and partners. As Entrepreneurs B and D noted, "... afterward, I experienced a worrying state of shock," "I had never been so stressed until I declared bankruptcy." According to Minello et al. (2014), entrepreneurial failure

entails not only economic loss for the entrepreneur but also psychological repercussions on their life and worldview. As Entrepreneur A explained, "Failure cannot be measured only by financial and economic aspects but also by painful effects such as grief, denial, panic attacks, insomnia... I used to communicate a lot with a few friends and family members, but I haven't phoned them for a very long time... I've become distant, I don't feel like talking to anyone." In their emotional aspect, psychological costs have taken their toll on all entrepreneurs, particularly because they have experienced bankruptcy. Entrepreneur E said, "So I was really down ... for a good while. I collapsed and ended up in hospital .... I was very bedridden while the business went bankrupt." Shepherd (2003, 2018) and Shepherd et al. (2009) emphasize that postponing the pain caused by failure plays an important role in emotional recovery. Nevertheless, despite the cessation of activities, the fact that the entrepreneurs were dynamic and proactive led them to make new investments (Dias & Martens, 2019) and start again.

**Finding Meaning in Failure.** During the interviews, the entrepreneurs tried to give meaning to their failure. This experience enabled them to return to their previous achievements and pursue other opportunities through learning. The entrepreneurs we interviewed stated that creating meaning through failure served as an essential element in the learning process (Minniti & Bygrave, 2001; Politis, 2005; Ucbasaran et al., 2013). Social interaction proved vital for the entrepreneurs to overcome barriers, providing crucial support both before and after the launch of a new business (Hisrich et al., 2014). In difficult and lonely times, the entrepreneurial process itself becomes essential (Dias & Martens, 2019). Table 3 synthesizes the five entrepreneurs' critical reflections on meaning-making.

**Table 3. Critical Reflections of the Participating Entrepreneurs**

Entrepreneur	Action and interpretation	Sensemaking
A	"I had a flop, at one point I decided to work for a firm."	"Despite all the costs I incurred, I tried to fight for a career that I love." "After an in-depth study of the project, I can now say that I have the necessary background to run my own business."
B	"No evaluation of my business, no increase in turnover."	"I solved the problems associated with it, the debts. I managed them wisely." "I've finally been able to understand that I need to invest in Marrakech for personal reasons."
C	"Facing the death of your business due to an external factor is a feeling only the entrepreneur can truly understand, finding a good location for my hostel proved a challenging mission."	"Despite the failure and its consequences ... I had already learned in the first business." "A colleague suggested that we both embark on a new adventure in the same business, with the only condition that we had to change the town ... For me, this is a unique opportunity."
D	"Thinking that the business would be self-managing was perhaps the main reason it went bankrupt."	"Now I know how to run my business properly. If I had started as I did today, I'd never have faced this whole situation, but that's OK because it was a beneficial experience for me."
E	"I created a company that I had no knowledge of in order to challenge myself ... I wasn't there all the time."	"I went through a mourning phase that was very critical, but afterward I was able to get through it with the feeling that I'd dealt with it." "My family helped me and gave me a lot of support. So I was able to understand the situation, especially thanks to my mother and my sister. They supported me, which allowed me to continue my entrepreneurial adventure."

Source: Own research.

**Entrepreneurial Learning Cycle.** According to Levitt and March (1988), the process of learning through failure follows the principle of adaptive rationality, where negative results lead to changes in previous actions until these negative results lead to positive effects. March and his co-authors highlight the challenges of experiential learning. However, Wong et al. (2006) address its emotional dimension. In fact, entrepreneurs often grow very attached to the strategies they create and develop, remaining deeply committed to the businesses they run (Shepherd, 2003). Therefore, failure becomes a real psychological test in the context of experiential learning. The aim is to highlight the entrepreneurial learning dimension.

**Action > Environmental Response.** In this study, total cessation of entrepreneurial activity constitutes the ultimate indicator of business failure. The latter directly affected all the entrepreneurs, both personally and professionally. The negative reaction from the environment acts as an incentive to learn from failure. The entrepreneurs were encouraged to draw lessons from their experience and to adapt their future behavior in order to improve and avoid repeating the same mistakes.

Thus, the entrepreneurs' statements demonstrate their need to navigate between two identities: that of an individual and that of an owner-manager. This seems justified, as Ucbasaran et al. (2013) note that the individual and their business remain very intertwined. It turns out that the entrepreneurs have enhanced their skills and capabilities while identifying the strengths and weaknesses of their business.

**Table 4. Failure as a Catalyst for Learning**

Entrepreneur	Illustration
A	"In the beginning, I had no complications." "I was already experienced because I was doing support courses, I already had an idea of the target population, the problem was that I didn't accumulate the necessary knowledge."
B	"The lack of preparation led to administrative and financial problems. I had to travel to relaunch the business, the problem was extremely fragile working capital."
C	"It took some planning to win the first wave of customers .... I've always been fairly organized .... Organization and planning are strong points in a good business."
D	"You don't set up a business if you can't look after it."
E	"Now I can only start a new venture when I can be there to manage it financially and operationally ... it was a great learning experience."

Source: Own research.

**Environmental Response > Emotion.** Depending on each participant's level of satisfaction with their company, the report of failure triggered emotions that varied greatly in nature and intensity: pain, stress, insomnia, anger, degree of dissatisfaction, frustration, disappointment, fear, bitterness, regret, and more. However, despite these effects, all participants chose to learn from their experience, improve their behavior, bounce back, and avoid encountering the same situations again.

**Table 5. Intensity of Emotions Among Entrepreneurs**

Entrepreneur	Statements
A	"I was so angry ... I was demotivated."
B	"I avoided facing reality at all costs." "I couldn't believe that all this adventure I'd invested in was over ... I reached a stage where all of a sudden I just wanted to isolate myself in a corner and shout very loudly." "I was discouraged."
C	"I was irritable, frustrated, and demotivated, I couldn't stand it."
D	"I suppose it was more weariness, I was very weary of myself, I couldn't push my business to the level I'd dreamed of." "Yes, I felt physically and mentally tired, I was exhausted."
E	"I try to keep my brain as numb as possible." "I collapsed and ended up in hospital ... I was getting very ill while the company was going bankrupt." "I went through a critical phase, but I got through it and I felt I coped."

Source: Own research.

**Emotion > Analysis and Interpretation.** Emotions influence the nature of the lessons individuals draw from such experiences, despite the costs. The entrepreneurs have taken time before re-entering the entrepreneurial world. Because of fear of punishment or anger toward certain people and situations, entrepreneurs may also tend to blame their peers, as Weiner (1985) argues. Consequently, some entrepreneurs may want to absolve themselves of any responsibility.

**Table 6. Emotions in Analyzing and Interpreting the Experience of Failure**

Entrepreneur	Statements
A	"I twiddled my thumbs for almost three months before starting up again, feeling like I couldn't do anything with ten fingers."
B	"If I hadn't experienced failure, I'd never have learned anything."
C	"I'll say it over and over again: the failure of my business was due to an external cause, it wasn't my fault at all, and I still suffered some bad effects."
D	"I've wiped the slate clean, I've rejected what came before ... I've been able to get over that atrocious fence after being disappointed."
E	"It took me several months to recover from this painful experience." "I'm surrounded by wonderful people who had a huge impact on my mental health, they tried to lend a hand, talk to me, listen to me ..."

Source: Own research.

**Emotion > Action.** In some cases, failure has made entrepreneurs more cautious, causing them to rely less naturally on lessons of the past. Therefore, it seems legitimate to emphasize the role of emotion in the learning cycle, especially since failure, sensemaking, learning, and the way entrepreneurs feel remain closely connected.

**Table 7. Emotions in the Learning Cycle**

Entrepreneur	Statements
A	"But now I have an advantage after being disappointed."
B	"To learn, I've found that you have to be forgiving and try to turn sadness, disappointment, and fear of loss into something positive."
C	"I learnt a lot through pain, too."
D	"I used to be a lazy person who liked to isolate himself ... but I learnt one very important thing: teamwork."
E	"At a certain moment, I asked myself, 'But when can I move on? How long am I going to stay frustrated like this?' You have to move on ..., so I gave up."

Source: Own research.

**Analysis and Interpretation > Action.** The unsuccessful project serves as a reference point for what not to do, and new procedures can be put in place to remedy the identified malfunctions. The entrepreneurs' statements testify to the creation and sharing of meaning through social and cultural participation. This form of learning can lead to conflict and disagreement over time. In this research, Entrepreneurs B and C reported varying degrees of agreement or disagreement with their partners during the entrepreneurial process.

Learning takes many forms, and the entrepreneurs used different strategies to cope with loss and failure, such as consulting an advisor. Moreover, the participating entrepreneurs interpreted and developed ideas about the causes of failure, tried to modify their future behaviors and reuse their acquired assets, and encouraged new actions to increase the chances of achieving the desired outcomes based on their experiences.

However, to capture the learning context acquired by the entrepreneurs, we present the lessons they learnt in the form of the following statements:

**Table 8. Entrepreneurs' Statements of Lessons Learned**

Entrepreneur	Statements
A	"I headed to a consultant." "What I learnt is that you need to have an idea about the market. I focused on the needs of the customers and I created WhatsApp chats with each of my groups so I could be up to date with them." "I've tried to put together a schedule that works for the majority." "I learnt to carry out studies and research as I go along so that I know more about the market."
B	"And then you learn from your mistakes. The big learning curve was a basic program and planning to get this new business off the ground." "I still have a bit of advertising left."
C	"Failure is a school for the entrepreneur ... you have to estimate risk and plan emergency measures." "I learned a lot about the art of doing business. I tried to decorate the space with trendy stuff with a purely Moroccan touch to attract customers." "My new partner and I decided to introduce the hostel to platforms so that they can book easily and from home."
D	"To minimize risks, I knew there had to be knowledge and presence in the business. I became punctual." "I started seeking knowledge in business management and adopting preventive policies."
E	"A social relations coach gave me a big boost ... I'll never deny her skills." "The key to survival is to keep going and maintaining social connections." "You have to learn to look after your mental health well before your financial health."

Source: Own research.

Based on this analysis, we provide the conclusion and final considerations of the study below.

## **Conclusion and Final Considerations**

The study aimed to explore the process of entrepreneurial learning. A great deal of learning occurs when the beliefs, views, and perspectives that shape the entrepreneur's perception of the world change. Such an exploration matters because failure can trigger strong emotions in entrepreneurs, which may interfere with learning from failure (Shepherd 2003, 2004). Understanding how to cope with and learn from entrepreneurial failure also proves significant (Singh et al., 2007), especially given the emerging view that trial and error, or a learning process, plays a key role in identifying and exploiting opportunities (Alvarez & Barney, 2005).

The results contribute to our understanding of the entrepreneurial process by confirming that entrepreneurs experience failure personally in four aspects: economic, social, psychological, and physiological. This is an important finding because it shows the considerable impact business failure has on the entrepreneurial leader's life and provides a fuller description of failure's non-economic aspects than the existing literature offered. Indeed, the results indicate that entrepreneurs experience psychological challenges such as depression, anger, guilt, and even phobias (Shepherd, 2003).

In this scenario, the article reports research focused on analyzing the learning cycle among micro-business entrepreneurs who went bankrupt and started new businesses. The study emphasizes that entrepreneurs acquire new knowledge as a result of the complex relationship between reflection, learning, and action, based on identifying the moment when the entrepreneurial activity discontinues for each entrepreneur, followed by individual analysis of their learning days. This learning requires attention to new skills that may emerge in the process, as entrepreneurs accumulate experience while learning and developing the management of their business.

We believe that the overall research aim has been met through these results. The study offers both academic and practical contributions. The results integrate with studies on learning after entrepreneurial failure – an area that still demands more investigation, in particular regarding the link between the two as evidence of learning that results from experiences of failure. We hope this study serves as a modest first step toward demonstrating how research into entrepreneurial learning through failure can broaden understanding of the entrepreneurial process. In terms of organizational practice, the findings help increase entrepreneurs' knowledge of learning via a reflective process and better leverage their experiences in the context of business failure. This, in turn, improves their ability to find and exploit opportunities.

In this interpretative research, the methodological focus develops through the individual, limiting results to the participating entrepreneurs' memories and our inference. New knowledge may emerge, as the impacts of these events may disappear over time. After all, learning is a dynamic and continuous process that changes with new experiences.

Finally, for future research, we suggest replicating this study with a larger number of entrepreneurs to verify the results' relevance, or with entrepreneurs within a specific industry sector.

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All authors have read and agreed to the published version of the manuscript.

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# Social Entrepreneurship Development in Collective-Based Initiatives: A Qualitative Study of African Burial Societies

Gift Dafuleya

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**Abstract:** **Background:** The Global North determines the agenda for most discussions between scholars and policymakers.

**Research objectives:** The article investigates how studies featuring the African context can enhance social entrepreneurship theories.

**Research design and methods:** Current theorization lacks clarity on initiatives that use for-profit ventures to create value only for their members and those that create value for the broader society. Although many scholars portray both of these initiatives as characteristic of social entrepreneurship, this article challenges that view through the venture matrix it develops. The study applies the matrix to a homogeneous case of 145 African burial societies.

**Results:** The results of the study support the matrix. Using extant literature on social capital in collective-based initiatives (CBIs) and findings from a qualitative study of 13 burial societies that operate for-profit ventures, the article presents a model of social entrepreneurship development in CBIs and discusses its practical implications.

**Conclusions:** Burial societies in Africa are changing, embracing social entrepreneurship and providing researchers with new lenses for their understanding.

**Keywords:** social entrepreneurship, collective-based initiatives, African burial societies, ventures

**JEL Codes:** D02, D14

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Historically, scholars and policymakers have predominantly focused academic and policy debates on social entrepreneurship in the United States and Europe, with more recent attention shifting toward Asia and Latin America (Defourny & Nyssens, 2010a; Terziev et al., 2020). Few researchers engage in these debates or, as this study finds, conduct empirical research that examines case examples of social entrepreneurship originating from Africa. Perhaps justifiably, many scholars overlook the region because most African countries exhibit an inherently unjust equilibrium that marginalizes and causes suffering to a significant portion of the population, which does not have the financial means to escape the traps of poverty (Martin & Osberg, 2007). Consequently, commentators often portray Africa as a passive recipient, awaiting interventions from heroic, often external, social entrepreneurs to address its social problems.

This article challenges such portrayals by presenting empirical evidence from Africa, seeking to explore how indigenous data and practices can contribute to the broader theoretical landscape of social entrepreneurship. The article presents a multi-homogeneous case of community-based initiatives (CBIs) present in most African countries that try to address financial exclusion and the cultural requirements of death, namely the burial societies. Burial societies are indigenous initiatives composed of friends, relatives, township residents, or workmates who form groups to finance, save, or insure themselves and their extended families against death-related expenses. The study deliberately restricts its focus to this type of CBIs because attempting to study all types of such initiatives present in Africa would be tantamount to exposing oneself to a task that may not be feasible given scarce research resources.

CBIs and their resultant organizations (hereafter referred to as community-based organizations (CBOs)) increasingly focus on issues related to income generation and environmental conservation among poor economies, a trend evident over the past two decades (Nelson, 2000; Lyons, 2002). This development casts doubt on some approaches that ignore the strengths of local organizations (Davis, 1993) and demonstrates that developmental activities that compromise CBOs have little chance of fighting poverty (Cornwall, 1998). Peredo and Chrisman (2006) observe this to be a common problem in developmental activities because development agencies conceive and manage most projects. While the importance of incorporating local structures into project design has long been recognized (World Bank, 1996), ambiguity remains over which traditional or indigenous institutions are appropriate for inclusion, particularly as some may offer harmful economic impacts (Devereux, 2001). Therefore, attempting to understand these initiatives on a case-by-case basis is essential.

This study is not the first to investigate burial societies as a form of CBIs. Since the 1980s, a growing body of literature has attempted to enhance knowledge in this area and examined their role in social protection and financial inclusion (notably, Dercon et al., 2006; Ramsay & Arcila, 2013; Dafuleya & Tregenna, 2021).

Building on the existing scholarship on nonprofit and nongovernmental organizations, as well as on commercial and social entrepreneurship, this article proposes a venture matrix that categorizes four possible trajectories of community-based engagements. This venture matrix helps address a key gap in the extant literature, which often fails to distinguish between nonprofit organizations that pursue for-profit activities to benefit exclusively their own members and those that create value for the broader society (see Dees et al., 2001). Scholars classify both types of these nonprofit organizations as social entrepreneurship. For instance, an association that promotes the common interest of members and receives funding through internal subscriptions acquires the label of a social enterprise once it initiates an income-generating venture. Yet their impact remains confined to members rather than extending to the public. At the same time, observers also classify nonprofits that aim to serve society at large as social enterprises once they adopt for-profit approaches.

This article argues that such a broad and undifferentiated conceptualization is inadequate. The mere adoption of a business model by not-for-profit entities is a necessary but insufficient prerequisite for defining an initiative as social entrepreneurship. The article examines 13 burial societies (out of 145 identified) that engage in for-profit ventures to advance their mission. Among these, the study identifies four that align with the proposed criteria of social entrepreneurship as articulated through the venture matrix. The remaining nine societies still offer valuable insights, which the study uses to inductively build a theory of social entrepreneurship development within CBIs.

## Literature Review

### *CBLs and Forms of Engagement*

Creative communities develop different types of initiatives, which result in diverse forms of engagement in providing solutions to societal problems. Some initiatives pursue social, community, and charity goals on a voluntary basis (Ridly-Duff & Bull, 2011), which the public and private sectors do not pursue. In this philanthropic context, the activities resulting from CBLs seemingly give rise to non-governmental organizations (NGOs). Although definitions of NGOs vary, they are best known as service providers (Reinikka & Svensson, 2003), organizing policy advocacy and public campaigns, and lobbying governments (Scott & Hopkins, 1999; Cannon, 2000) in the public interest.

It is this interest of serving the public or community at large that becomes a differentiating element of CBLs that operate as NGOs from those that operate as nonprofit organizations. While both forms of engagement (NGOs and nonprofit organizations) display qualities such as voluntarism, self-governance, independence, and nondistribution of profits to members (Glaeser, 2003), nonprofit organizations do not have a charitable or philanthropic purpose (Barr et al., 2005). For example, a building society may operate as a nonprofit organization that seeks to address housing challenges of its members only (and not of the community at large).

In the past, researchers treated communities as exogenous to entrepreneurship (Bhave, 1994); however, there is also substantial literature that treats entrepreneurship as an embedded part of the local community and CBLs (Johannisson et al., 2002). A combination of CBLs (and their resulting organizations) and enterprising bodies (or entrepreneurs) that pursue the common good produces a community-based enterprise (Peredo & Chrisman, 2006). This assertion ties closely to the literature dealing with social enterprises (Mort et al., 2003; Haugh & Tracey, 2004), which the authors define as nonprofit organizations engaged in entrepreneurial activities or for-profit organizations observing a social purpose. As such, the study uses the terms “community-based enterprises” and “social enterprises” as institutional expressions of entrepreneurship embedded in a social goal (Mendell, 2010).

Historically, people have established cooperatives, mutual societies, associations, or other organizations that did not belong to shareholders. However, they did not refer to these entities as community-based enterprises or social enterprises. Instead, they typically grouped them under the umbrella of the “social economy,” which, in the European context, constitutes the third sector (Evers & Laville, 2004). Scholars and policymakers did not view these organizations as businesses or market-oriented organizations. In contrast, in countries such as the United Kingdom and Ireland, they define social enterprises as explicitly market-driven business ventures (Defourny & Nyssens, 2010b). This raises a critical question: What developments led to the emergence and popularization of the terms social enterprise and community-based enterprises in academic and policy discourse?

Kerlin (2006) traces some of these developments to community- and faith-based organizations in the United States, which began generating income through the sale of homemade goods and fundraising events, such as bazaars, to supplement voluntary donations. By providing a historical account of social enterprises, Alter (2007) identifies the entrepreneurial ability of nonprofit organizations in the creation of jobs for those excluded from the labor market. Vazquez-Maguirre (2020), in turn, demonstrates how in Latin America, indigenous organizations address social problems in rural communities through market activities. Ibáñez (2022) refers to these organizations as indigenous social enterprises. These examples illustrate that

CBLs can, and often do, engage in market activities to sustain their operations. Yet this leads to a deeper question: Does participation in market activities alone qualify an initiative as social entrepreneurship? Or, more precisely, under what conditions can we consider CBLs that generate revenue to be genuine social enterprises? The answer seemingly depends on whether the organizations pursue a social mission. As Martin and Osberg (2007, p. 35) indicate, three components need to be in place when defining and conceptualizing social entrepreneurship:

(1) identifying a stable but inherently unjust equilibrium that causes the exclusion, marginalization, or suffering of a segment of humanity that lacks the financial means or political clout to achieve any transformative benefit on its own; (2) identifying an opportunity in this unjust equilibrium, developing a social value proposition, and bringing to bear inspiration, creativity, direct action, courage, and fortitude, thereby challenging the stable state's hegemony; and (3) forging a new, stable equilibrium that releases trapped potential or alleviates the suffering of the targeted group, and through imitation and the creation of a stable ecosystem around the new equilibrium ensuring a better future for the targeted group and even society at large.

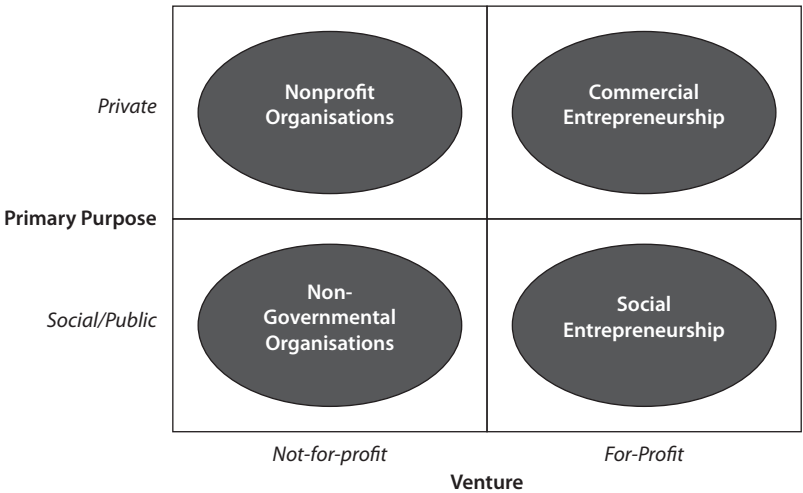
In light of this definition, CBLs must pursue a social or public purpose that specifically addresses gaps left by conventional interventions to qualify as social enterprises (Dees et al., 2004). This social orientation must also witness the development of for-profit ventures designed to generate income in support of their mission. Therefore, while CBOs must apply business practices or engage in entrepreneurial activities to qualify as social enterprises, those activities alone do not suffice.

On the other hand, not all CBLs that operate income-generating ventures do so with a public or social purpose. Some may pursue private benefits, restricting profits or services to members of the organization. The literature provides evidence of such models, particularly among societies or cooperatives that distribute profits exclusively among their members (Rothschild & Whitt, 1986; Whyte & Whyte, 1992; Turnbull, 1995). This is especially common in smaller CBLs, where participation and benefits adhere to membership criteria, such as the ability to pay monthly subscriptions.

The study conceptualizes the foregoing scenario using the framework of private enterprises or commercial entrepreneurship, referring to instances where CBLs engage in market-oriented activities to generate revenue for private benefit. In this context, commercial enterprises and entrepreneurs serve as intentional agents of change (Drucker, 1995), alert to emerging opportunities (Kirzner, 1973) and willing to bear the associated risks in pursuit of self-interest and profit (Martinn & Osberg, 2007). The emphasis here is on the rewards accrued by those who identify and exploit opportunities (Stevenson & Jarillo, 1991).

Figure 1 presents a typology of four possible forms of engagement that CBLs may pursue. There are two dimensions of this differentiation: the underlying purpose (private or public) and the venture type (not-for-profit or for-profit). While some initiatives may straddle the boundaries between these categories, maintaining a clear theoretical framework remains critical, particularly for establishing social entrepreneurship as a distinct academic field and informing the development of relevant policy or legislation. For instance, we would categorize a mutual association that undertakes for-profit ventures solely to benefit its members as engaging in commercial entrepreneurship. However, if the same organization pursues a broader social, public, or community-oriented goal, then it would fall under the category of social entrepreneurship. According to the United Kingdom Department of Industry and Trade (2002), a social enterprise should primarily pursue a social objective and reinvest any surpluses from entrepreneurial

activities into the enterprise or the wider community, rather than distribute them to private owners or members.



**Figure 1. Venture Matrix**

Source: Own elaboration.

***CBIs and Social Capital***

CBIs aimed at developing and pursuing common good in poor economies may comprise two basic forms; one, it could be initiatives that create pure cooperatives, associations, or mutual societies (Evers & Laville, 2004); or two, it could be initiatives that create a mixture of cooperatives, associations, or mutual societies and entrepreneurial activities (Gardin, 2006). In some instances, CBIs take root in cultural identities that may function either as a tool for entrepreneurial activities (Anderson, 2002) that enhance entrepreneurial networks (Johannisson, 1995) or act as a base for the gift economy (Klamer, 2003).

Networks of personal relationships within the community determine the concept of the gift economy (Granovetter, 1985). Bourdieu (1997) posits that these networks can facilitate coordinated actions within social organizations and refers to them as social capital. Over the past decades, scholars around the world have widely reviewed and debated the concept of social capital. This attention stems largely from the complexity of its conceptualization. For this reason, researchers have not reached a commonly agreed-upon definition of social capital. Instead, the definition each study adopts depends on its disciplinary perspective and level of analysis (Robison et al., 2002). Narayan and Woolcock (1999) identify a number of investigation levels in which social capital features prominently, including families and youth behavior problems, community life, as well as general cases of collective action problems, work and organizations, crime and violence, and economic development.

As community life and collective actions' level of investigation suit the purpose of this article, the guiding question is: What is the definition of social capital at a collective or community-based level? Studies that have used collective dynamics in their discourse apply the following catch-phrases in relation to social capital: mutual relationships (Malinowski, 1922), relation-

ships that carry their own value (Lévi-Strauss, 1949), relationships that express care, trust, and loyalty to the community to which one belongs (Simmel, 1950), social relationships or connections (Putnam, 1993), associational life (Narayan & Pritchett, 1999), group membership (Maluccio et al., 2000), and social resources embedded in relationships (Kim & Aldrich, 2005).

An individual's relationship with others in a group or community may take various forms. It may be a simple greeting, or a close friendship that involves regularly spending time together, for example, playing golf together on weekends. Putnam (2001) characterizes these extremes as very thin and very dense forms of social capital, respectively. Regardless of the form it takes, social capital reflects the networks individuals build within their group or community; these networks often serve as an informal safety net during times of crisis (Woolcock, 2001). In the African context, Dafuleya and Zibagwe (2012) quantify a person's stock of social capital by counting the number of meaningful relationships an individual maintains within a burial society, illustrating its critical role during bereavement. Similarly, Bates (1997) demonstrates the importance of networks in helping Chinese communities navigate adverse situations.

CBOs emerge in shared, well-defined needs of a group or community (Defourny, 2001). These organizations usually comprise individuals who come together around a common objective, with their relationships anchored in a mutual goal. When relationships or associational life serve as social capital, that social capital becomes the glue that sustains the collective nature of various community initiatives, organizations, or at least their multi-stakeholder ownership structures (Bacchiogga & Borzaga, 2003). The EMES European Research Network rates this collectivist framework very highly within the framework of social entrepreneurship. However, the social innovation school has challenged this outlook, placing greater emphasis on the role of individual social entrepreneurs (Dees & Anderson, 2006; Defourny & Nyssens, 2010a) – a concept that I will define in the next section of this article.

Hulgard (2010) posits that civil society, community, and social capital have entered high politics. Admittedly, living without social capital is not easy (Putman 2000), and this is more evident in groups, neighborhood connections, togetherness, and volunteerism that may function as essential components of collective dynamics in CBIs. As such, Taylor (2003) observes that policymakers and academics currently pay attention to investing in social capital. In contrast, DeFilippis (2001) argues that viewing social capital and civil society as inherently positive forces that always enable people to act collectively toward shared goals and interests is a highly selective and problematic assumption. The scholar's criticism is valid. Just like financial or physical capital, social capital in CBIs can produce negative outcomes. However, this article is less concerned with the outcomes of social capital embedded in CBIs. Rather, the focus is on the social relationships and connections that bring individuals together around a common goal, enabling the formation and functioning of these collective initiatives.

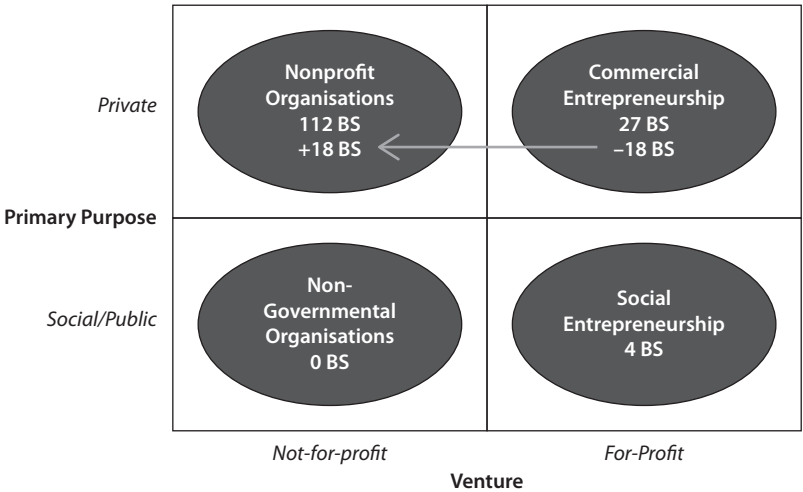
*Proposition 1: Social capital processes are essential components of social entrepreneurship development in CBIs.*

## Research Method and Material

### Data

The first case study analyzed burial societies in Zimbabwe in 2007 within the micro-insurance framework. The study used a standard questionnaire to gather data from 45 burial societies and also included key informant interviews. During the thematic analysis of interview data and post-research inquiry, the study identified a notable theme of entrepreneurship in 12 bur-

ial societies, prompting further interest. Building on these findings, a similar study took place in Ethiopia throughout 2009, with the questionnaire including an additional section on entrepreneurial activity. Of the 97 burial societies the study surveyed, 19 reported attempts to engage in entrepreneurial ventures. The study selected these 19 organizations for deeper investigation, focusing on their entrepreneurial character. As many as 10 of them failed within the first three years of incorporating the idea of commercial entrepreneurship. Reported reasons for failure included the lack of business-specific organizational skills, insufficient time, misfortune, internal tensions among members, and conflicts between profit-making ventures and the social aims of the burial societies. Due to the study's specific focus on sustainable enterprising non-profits, the study excluded these 10 burial societies from further analysis. Eight of the burial societies, which constituted the first qualitative data source, had clear business lines for their revenue generation. One burial society initially included in the sample did not allow interviews for the second time, and therefore, the study excluded this organization from the final dataset.



**Figure 2. Venture Matrix and Fitted Data**

Source: Own elaboration.

In the first two months of 2011, researchers conducted follow-up interviews and Focus Group Discussions (FGDs) with the 12 previously identified entrepreneurial burial societies in Zimbabwe. One of these burial societies had split into two by that time. The society members were not comfortable with pursuing entrepreneurial activities, and so they decided to operate a traditional burial society without business risks. The burial society that embraced entrepreneurial activities became part of our data source (BS number 13 in Table 1), together with four other organizations. Seven burial societies reverted to subscriptions only because they felt that entrepreneurial activities demanded time and patience they did not have. Again, the study excluded these organizations from other rounds of interviews and FGDs that sourced entrepreneurial information. Figure 2 summarizes the number of burial societies within the venture matrix.

A review of the literature that continued during the collection of data indicated that enterprising burial societies could possibly fit within the social entrepreneurship landscape



(although the study later established that some societies, despite being enterprising, might not fall within this category). As a result, the study did not use the grounded theory approach for the “discovery of theory from data that is systematically obtained from research” (Glaser & Strauss, 1967, p. 5), but “to gain a fresh perspective” (Stern, 1994, p. 117). The follow-up on enterprising burial societies in Ethiopia and Zimbabwe adhered to a theoretical sampling approach of Glaser and Strauss (1967), resulting in a total of 13 cases. Considering that the suggested range is four to 10 cases, the number was more than adequate (Eisenhardt, 1989).

The study included in-depth interviews and FGDs with executive members of burial societies. Members in positions of leadership in organizations usually serve as informant sources because they appear to possess the most comprehensive knowledge of the organization and its strategies (Miller & Toulouse, 1986). The questions were open-ended, and prompts elicited additional views from the participants (Creswell, 2003). The researchers did not tape the conversations because most respondents were not comfortable with the tape recorder. For this reason, study participants verified their responses in research diaries and as field notes at the end of each and every interview, meeting, and FGD. This measure aimed to ensure the soundness of the data gathered (Creswell, 2003). The researchers corrected any inaccurate written responses in the respondents’ presence. Although this process was time-consuming, it allowed the research team to identify rich, proof, and power quotes as research findings. Expert translators first gathered the data in local languages and then translated it into English. The team also reviewed burial societies’ statutes, meeting minutes, and available archival data to triangulate the diarized responses. We also had the privilege of attending one monthly meeting in Ethiopia and two monthly meetings and one mourning gathering in Zimbabwe (see Table 1).

### **Analytical Design**

The study adopted several techniques from Glaser and Strauss (1967), Yin (1994), Eisenhardt (1989), and Creswell (2003) to retain focus on the research question. The study examined research diaries, field notes from monthly meetings and mourning gatherings, and documentary evidence on a case-by-case basis to build detailed within-case descriptions and topic coding of each sampled burial society with no bias toward any particular country. Specifically, the within-case analysis focused on the entrepreneurial activities and operations of burial societies, their motivations for engaging in entrepreneurial activities, and the way the organizations sustained these activities. Next came the comparative examination of these cases using two different methods. The first comparison treated each country (Ethiopia and Zimbabwe) as a single case and used the data the study sourced from burial societies in that country as a base for cross-case analysis. This involved pattern matching focused on causes, business lines, and entrepreneurial activities in burial societies. This process did not yield any theoretically compelling reasons to identify each country as a distinct case because the functions, operations, and activities of burial societies appeared similar in both countries. The second comparison was based on the descriptive and topic coding of the within-cases, with the analysis employing matrices for effective categorization of data (Miles & Huberman, 1994). The latter cross-case analysis was theoretically compelling in that it provided constant comparison of emerging concepts and led to the selection of categorization with greater explanatory power.

The study identified four key categorizations: socioeconomic problems, collective-driven solutions, the emergence of for-profit ventures, and sustenance. These categories form the grounded themes of this article. Three subcategories emerged inductively to explain the nature of social problems of burial society members in Ethiopia and Zimbabwe. These are

costs associated with understanding death, ensuring a dignified burial, and covering transportation expenses. The collective-driven solution largely explains the reasons for forming burial societies. We can summarize these reasons under four subcategories, namely financial security, maintaining tribal lines, social activities, and group belonging. The emergence of the for-profit category seeks to capture the main reasons why non-profits turned to entrepreneurial activities. These reasons include political and socioeconomic influences, such as failure to subscribe and high rates of death. Together, they form the defining features of the “emergence of the for-profit” category. While these subcategories are both grounded, the socioeconomic category is not alien to the existing literature, as it is similar to the question that Dees poses (1998a, p. 55), namely “What do you do when traditional sources of funding fall short?” Three subcategories, namely tension, skills, and competition, emerged in the sustenance category. Dees also influences these subcategories, despite their grounding.

**Table 1. Burial Society Characteristics and Data Collection**

BS*	Country	Type**	Operations for revenue generation	Method	Identification
1	Ethiopia	C	Vegetable sales, cleaning services	Interview	Selam
2	Ethiopia	C	Overnight vehicle parking, car washing, and shared ownership	Interview/meeting	Getachew
3	Ethiopia	C	Renting out burial society assets	Interview	Solomon
4	Ethiopia	C	Renting out burial society assets	Interview	Menen
5	Ethiopia	R	Repairs (shoes, cycles, plumbing)	FDG	None
6	Ethiopia	G	Waste collection	Interview/documents	Meseret
7	Ethiopia	W	Loans	FGD/ documents	None
8	Ethiopia	F/T	Renting out burial society assets	Interview/documents	Getahun
9	Zimbabwe	C	Renting out burial society assets	Interview/meeting	Richard
10	Zimbabwe	R/G	Sowing, knitting	FDG/meeting/ documents	None
11	Zimbabwe	G	Catering, decorating, and wedding organization	Interview/documents	Sipho
12	Zimbabwe	W	Renting out burial society assets	Interview	Sambulo
13	Zimbabwe	T	Renting out burial society assets	FGD/meeting/ mourning gathering	None

Note. \*Burial Society; \*\*C = Community-based; R = Religious-based; G = Gender-based; W = Work-based; F = Friends-based; T = Tribal-based

Source: Own elaboration.

The foregoing categorization formed the coding frame, which the study used to develop the themes that this article reports and analyzes (see Table 2). These grounded themes generate propositions that the study ties together to conceptualize social entrepreneurship development in CBIs from a novel perspective. A relevant comparison enables an assessment of conflicting and similar frameworks of the new conceptualization with the extant literature to enhance validity (Eisenhardt, 1989).

**Table 2. Categorization and Patterns of Qualitative Data**

BS	Socio-economic challenges & related costs				Collective driven solution (reasons for forming BS)				Emergency of for-profit ventures			Sustenance		
	Under-standing death	Dignified burial	Transporta-tion	Financial security	Maintaining tribal lines	Social activities	Group belonging	Socio-economic factors	Failure to subscribe	High rates of death	Political factors	Tension	Skills	Competition
1	×	×	×	×		×	×			×			×	×
2	×	×	×	×		×	×		×	×	×		×	
3		×	×	×			×		×		×		×	×
4	×	×	×	×		×	×				×	×	×	
5		×		×		×	×		×				×	×
6		×		×		×	×				×		×	
7		×	×	×			×				×		×	
8			×	×	×	×	×						×	
9	×	×	×	×		×	×		×	×			×	×
10		×	×	×		×	×		×	×		×	×	×
11	×	×	×	×		×	×		×				×	×
12	×	×	×	×			×			×			×	×
13	×	×	×	×	×	×	×		×	×			×	×

x signifies the presence of the construct  
Source: Own elaboration.

## Results and Discussion

The study structured data and findings linked to the notion of social entrepreneurship development in CBIs into four emergent themes. The data relates to 13 burial societies that engaged in for-profit ventures, as the above venture matrix depicts.

### *The Socioeconomic Challenge*

Death seems to afflict most African households differently than in the West. First, regardless of whether the deceased had been ill before their death, Richard (no. 9) explains that “we visit traditional healers to understand issues surrounding death. You never know, the person could’ve been bewitched.” In most instances, this happens regardless of whether doctors diagnose a disease or not. Sambulo (no. 12) admits, “You see, there are a lot of instances where the whole family may die if it does not consult traditional healers. The person who passed away might have wronged some other people, who would then take revenge on us (the family members) by passing on his disease to our family. So, it is imperative to visit a traditional healer regardless of how a person might have died.” Second, Getachew (no. 2) describes a dignified burial as “a burial attended by a lot of people with food provided not only on the day of the burial but also throughout the mourning period.”

Two FGDs (no. 5 and no. 13) clarify that the period of mourning in both countries typically lasts three to five days. The relatives of the deceased come to comfort others and live together throughout the mourning period. In the evening, the whole community attends a church service and later a communal supper. People stay until nighttime, consuming soft drinks and beer. An average of 300 people attend the burial itself, all requiring transport to and from the cemetery. The attendees also expect some nourishment before departing for their homes. Third, burials usually take place in rural areas, away from the city. “Most of us have families and relatives in the countryside. So, in most instances, we have to hire transport that will ferry the deceased from a town to a rural location” (Getahun, no. 8). In Zimbabwe, an FGD (no. 10) revealed that there were occasions where burials involved transporting the deceased outside the country, either to Malawi or Mozambique.

The elaborate processes associated with death, from consultations with traditional healers to the actual burial, generate significant financial costs with serious implications for the welfare of poor households. “Usually, people visit loan sharks so that they can see an opulent burial through” (Sambulo, no. 12). “Loan sharks charge exorbitant interest rates that trap you in debt for up to five or so years. They once took my two-plate stove and a TV set when I failed to repay” (Richard, no. 9). “The problem with a burial, if you do not have a burial society, is that it can really bring you down to your knees. You eventually find yourself failing to pay your children’s school fees when the loan shark is on your case” (Sipho, no. 11). “Families please the public by providing them with high-quality meals during the funeral, forgetting that life continues for those who remain behind. You typically see them struggling to have two meals per day because they no longer have any money” (Selam no. 1).

The main reason certain households visit loan sharks in Ethiopia was that “people do not have bank accounts ... even those who work receive their salaries in cash and as such they cannot access loans from banks” (Getahun, no. 8). Also, microfinance services still fail to reach many poor households in both Ethiopia and Zimbabwe. For instance, the Association of Ethiopian Microfinance Institutions (2009) reports that 27 operating microfinance institutions (MFIs) in the country meet less than 20% of the demand of the economically active yet poor Ethio-

pians. In Zimbabwe, “microfinance institutions demand collateral, and most of us do not have that collateral; consequently, I only get loans from loan sharks that do not demand collateral” (Richard, no. 9). Therefore, in some ways, financial exclusion does not only happen to peasant farmers residing in distant rural areas – it is also present in urban locations. The lack of collateral and the need to meet the cultural and financial requirements of death seem to be the imminent cause of misery and suffering for a lot of households. The introduction of microfinance services, often hailed as a solution to the financial exclusion of poor households, appears not to have resolved this persistent and undesirable equilibrium.

*Proposition 2a: Socioeconomic problems are an antecedent to social entrepreneurship development.*

### **The Collective-Driven Solution**

Burial societies provide community members with opportunities to group and develop solutions to socioeconomic challenges they encounter. Almost all the burial societies under analysis had similar governance structures. Generally, an executive committee, composed of the chairperson and the deputy, treasurer, secretary, and two ex-officio members, becomes nominated into office to manage the activities of the burial societies on behalf of all members. Democracy is usually the governing style, with one vote per person. The average membership size of burial societies is 40 and 200 in Zimbabwe and Ethiopia, respectively. All members pay monthly subscriptions, which societies either deposit or save at home. Societies record serial numbers of the money kept at home to make sure that the treasurer does not use the money for other purposes, with the hope of replacing it at a later date. Societies make disbursements on the death of the beneficiary. Over time, most burial societies manage to acquire physical assets, such as large tents, benches, and cutlery.

A review of burial societies’ statutes and other documents revealed multiple reasons for their existence. Mostly, they serve to assist members in covering burial expenses and to support the deceased’s family in fulfilling all cultural obligations related to death. Therefore, a burial society is both a type of funeral insurance and a social institution. Sambulo (no. 12) strongly emphasizes the latter role: “Even though I have a funeral insurance policy with one of the funeral parlors, they will never be there for me in terms of running the prayer meetings during mourning days, and they will not cook for the large number of attendants. So, it makes a lot of sense for us to have a burial society not only for the required finances but also for that shoulder to lean on.” His words resemble those of another executive member of a community-based burial society in Ethiopia (Solomon, no. 3), who underlines that “our burial society offers benches and a tent, something which I doubt other insurance companies would offer. ... Insurance companies do not sympathize, they are in business, but a burial society will comfort and sympathize with the bereaved.”

Burial societies are also a means of accessing credit, especially for those who experience exclusion on behalf of conventional MFIs or banks. The African Weekly (1953) news article from the archives of the Bulawayo City Council reports that the primary objective of one of the burial societies operating in Bulawayo at the time, namely the United Central African Burial Society, was to establish a central fund which would issue loans on favorable terms to ensure repayment. Most statutes of burial societies in Ethiopia (for example, no. 6, no. 7, and no. 8) had a clause stipulating the conditions for accessing credit by members. The FGD (no. 7) actually proved that the revenue-generating business line of this work-based burial society was issuing loans. However, the situation of those outside of burial societies is unclear. In Zimbabwe,

most burial societies scrapped issuing loans because of the harsh economic environment. "The problem is that money is losing value day by day, hence members feel like those who borrow benefit at the expense of society, since there is no interest charged on the loan. So, we had no choice but to cancel it" (Sipho, no. 11). When asked about the repayments, Sambulo (no. 12) exclaims, "I always repay because the burial society is mine," while Sipho (no. 11) states that "if I do not repay, it's like I will be throwing away all the contributions I have made since I joined this burial society. I can't risk that." Probably it is this sense of ownership, combined with strong social capital, that is a crucial factor in guaranteeing high repayment rates.

In certain instances, interviews and FGDs show that some members consider burial societies as a way of saving. "I am making savings using my burial society" (FGD, no. 5). A burial society "is the only way we can manage our savings and disbursement in times of bereavement without someone (formal institutions) dictating it on our behalf" (Menen, no. 4). Therefore, burial societies offer collective opportunities for households, which might otherwise be unable to save, insure, or access credit.

Burial society no. 10 organizes functions where they invite the identified poor members of the community to come and dine with the group. "These occasions usually take place on Christmas days" (FGD, no. 10). The statute of this burial society outlines the idea of parties and functions, with members considering this aspect as crucial. Another member of burial society no. 10 explains that "if we could, we would make it every time we meet, but we can't. However, we make it a point that we are beneficial to our communities." Moreover, burial societies no. 1, no. 2, and no. 5 lent their assets, such as tents and cutlery, free of charge to community members who were identified as poor and unable to join any burial society. "At least it lessens their trauma caused by death" (Selam, no. 1). "At times, we help with our assets because even the burial of a poor person should be a dignified one" (FDG, no. 5). These burial societies are noticeably different from others. (see Figure 1). Their collectively driven solutions do not apply merely to members but also extend to segments of society that do not belong to burial societies and similarly experience an unjust equilibrium. In other words, some burial societies pursue broader social intervention, addressing socioeconomic challenges faced by nonmembers. These burial societies fit into the social entrepreneurship category in Figure 1. Table 3 below depicts their business models. Each identifiable business model serves as a proposition, or at least as an example, of diverse models that social entrepreneurs can adopt.

**Table 3. Social Entrepreneurship Business Models**

BS	Business model	Power &/or proof quote/s
1	<i>Beneficiaries as paying clients (P3a)</i>	"We sell our vegetables to the poor who are well known in the village."
	<i>Third-party paying clients with vested interest (P3b)</i>	"We also supply vegetables and provide cleaning services at the college campus, where we actually grow the vegetables."
2	<i>Beneficiaries as employees (P3c)</i>	"We employ young boys who come from families that are highly impoverished."

BS	Business model	Power &/or proof quote/s
3	<i>Non-beneficiaries as paying clients (P3d)</i>	<p>"We target anyone who comes. The poor can't pay. You can only provide them with tents for free." (FGD, no. 5)</p> <p>"People with money buy the type of clothing we make ... as such, we are a bit expensive. We help the poor by visiting them during the mourning period and providing necessary assets to see the burial through as part of our witnessing project." (FGD, no. 10)</p>

Note: P stands for Proposition.

Source: Own elaboration.

*Proposition 2b: The pursuit of broader societal interests in addressing socioeconomic problems is an antecedent to the development of social entrepreneurship.*

*Proposition 3a-d: As given in Table 3.*

*Proposition 4: The members (or stakeholders) play a significant role in shaping the social mission of the CBI.*

### **Emergence of For-Profit Ventures**

The environment in which burial societies operate is often challenging. As a result, the emergence of for-profit ventures as an innovative means of generating income to supplement subscriptions was inevitable. The study identified two key factors driving the rise of these ventures, categorizing them as socioeconomic and political. The socioeconomic factors primarily pertain to burial societies in Zimbabwe, while the political factors are more relevant to those in Ethiopia.

The economic crisis in Zimbabwe was almost at its peak in 2007. Unemployment rose, and inflation wiped out most of the burial societies' savings. "Two members of our burial society have just been informed that they need to report only twice a week to their workplace. Their weekly wage will decrease as a result. We already have a lot of members who are struggling to pay subscriptions because they are out of employment" (Richard, no. 9). Because of inflation, many burial societies asked members to subscribe in foreign currency, either using the South African Rand or the United States Dollar. "We were late to realize that we needed to convert our money into other currencies so that it would not lose its value. So, we now have problems in financing funerals. We have no choice; we not only need to subscribe in foreign currency but also to increase our subscriptions" (Sambulo, no. 12). High rates of death were also a factor, as FGDs demonstrate (no. 10 and no. 13): "HIV/AIDS has increased the average number of deaths that we have to finance. We find it very difficult to cope at the moment."

While Ethiopia also recorded stories of HIV/AIDS (BS, no. 1 and no. 2), the political economy seemed to be the determining factor in the emergence of for-profit ventures. This situation seems to relate to history (especially the years 1972 to 1990), when community burial societies became suspicious of the government, and a preference to stay invisible and informal emerged (Solomon, 1999). Consequently, many burial societies remain invisible to date. In 2011, the government announced plans to crack down on burial societies that hold idle funds, equating such practices to money laundering. Most burial societies had no option but to either invest their money or spend it on physical assets. However, the burial societies that remain unregistered and anonymous still keep their cash on hand: "This is unfair, in a way we are forced to be anonymous because now we have tied up all our cash reserves in physical assets, we are now struggling to meet all claims, and we can't issue loans anymore" (Solomon, no. 3).

The foregoing challenges seem to have contributed to the emergence of for-profit ventures within some burial societies that display varying levels of entrepreneurial activities and success. In both Ethiopia and Zimbabwe, certain burial societies rent out tents and cutlery or offer catering services for weddings and church functions. In some Ethiopian cases under analysis, burial societies provided land for car parking purposes, giving the unemployed an opportunity to get a job in car washing or guarding the car park overnight. In regard to another case in Zimbabwe, Richard (no. 9) explains: "We (the burial society) are on the verge of buying a house that we will rent out."

*Proposition 2c: The emergence of for-profit ventures (for whatever reason) is an antecedent to social entrepreneurship.*

### **Sustenance**

Regrettably, the overall picture is less optimistic. Two burial societies (no. 4 and no. 13) faced setbacks in their entrepreneurial efforts, similarly to other burial societies that eventually reverted to relying solely on member subscriptions. "Before the burial society ventures into a project or avails its assets for hire, it first debates and votes on the matter. Some debates spill over into several meetings because members fail to agree, and in the process, tempers rise. So, at times we lose entrepreneurial opportunities because of such delays" (Menen, no. 4). FDG no. 13 had members in a meeting I attended saying that "returns fall far short of our expectations" and that "I expected to see entrepreneurial returns replacing my subscriptions." Although entrepreneurial ventures generate profits, distributing them across a large membership base is often unfeasible, making it difficult to replace subscriptions or offer returns to members. Such distribution may only be possible if burial societies had small membership; however, this could weaken social capital and reduce the financial contributions that rely on a broader subscriber base.

The revenue-generating business lines that burial societies adopt do not vary from the business lines that established for-profit business agents offer. As such "...competition is there, and it is stiff especially when you target the customers of the established businesses, who are willing to pay big monies for products or services" (FGD, no. 10). This was true for nearly all enterprising burial societies, including those that reverted to subscription only. Yet, all of the burial societies' business lines either depended on the resources they had (for example, renting out assets) or on the skills of their members.

All burial societies in the sample had no problems with the skills needed to run their business. In fact, most of their business lines did not require sophisticated or specialized training. For those that required certain levels of skills like plumbing, knitting, and catering (for example, BS no. 5, no. 10, and no. 11), it emerged that the societies chose this line of business because their members already had such skills. When the researchers asked the societies how they compensated members who were employees in the burial society's business activities, Siphon (no. 11) provided the following answer: "It's commission-based. I won't tell you how it is calculated, but yeah, I can safely say it's based on commission." In addition, assets such as tents and benches that the burial societies possessed became the focal point in their business lines.

*Proposition 5a: The simultaneous pursuit of social and economic goals often gives rise to tensions following the establishment of social entrepreneurship.*

*Proposition 5b: The pursuit of for-profit ventures fosters competition and rivalry in social entrepreneurship.*



*Proposition 5c: Business-specific skills are necessary for social entrepreneurship to remain competitive in the face of rivalry.*

### ***A Model of Social Entrepreneurship Development in CBLs***

Figure 3 amalgamates the propositions the study derived from the literature on CBLs, social capital (P1), and qualitative data (P2–P5) to create a simple model of social entrepreneurship development in CBLs. Examples in italics represent elements of the model for which the data is either suggestive or intuitive.

The model opens with antecedent factors, which generally represent the socioeconomic problems that both the government and private sector fail to address. CBLs attempt to fill this gap by providing solutions that benefit the wider community. Morris et al. (2011) assert that such a drive to address unmet needs is a key motivator of entrepreneurial behavior within such organizations. The integration of societal purpose and for-profit ventures gives rise to social entrepreneurship – a concept that the extant literature often refers to as the “double bottom-line” (Dees, 1998b). Stakeholder participation plays a critical role in shaping the governance and business model of social enterprises, as well as pursuing the double bottom line. For instance, BS no. 1 in Ethiopia benefited from the alliance with a government-run technical college, supplying vegetables to the student cafeteria, and providing campus cleaning services for a fee. Di Domenico et al. (2010) emphasize the importance of stakeholder engagement by highlighting its impact on organizational development. Furthermore, active stakeholder participation enhances legitimacy through passive acceptance (Suchman, 1995) by enabling community buy-in and sustained support.

Posterior factors included in the model may exert a moderating, enhancing, or constraining effect on social entrepreneurship. When competition and internal tensions are minimal and when social enterprises possess the requisite business skills, the likelihood of success increases. However, reality often proves otherwise. Dees (1998a) asserts that establishing and sustaining a profitable business is inherently difficult, with studies showing that approximately 70% of new businesses fail within the first few years of operation. If seasoned commercial enterprises struggle in competitive markets, the challenge is even greater for social enterprises that lack prior experience in such environments. In response to these challenges, some social enterprises carve out a niche market by targeting beneficiaries who society has excluded from the mainstream commercial activity. While this strategy may reduce direct competition, it also significantly lowers the prospects of running a profitable business. Forster and Bradach (2005) cite this as one of the main reasons why nearly half of enterprising nonprofits fail within their first five years. Moreover, an excessive focus on choosing the “right” business model to effectively manage adverse posterior factors can lead to mission drift or dilute the social goals of the enterprise, often causing tensions amongst stakeholders – a risk that Dees (1998a) and Forster and Bradach (2005) also emphasize strongly. Findings from this study reveal that some business models involve employing targeted beneficiaries, typically requiring limited technical skills. However, other models demand specialized business expertise, prompting the need to hire skilled personnel whose entrepreneurial efforts generate income for social impact. In this context, social enterprises face the dual challenge of not only supporting new staff but also aligning their values with those of the organization. Dees (1998a) further highlights that such circumstances frequently give rise to tensions between existing and newly recruited staff, underscoring the complex dynamics of maintaining a coherent organizational culture while striving for financial sustainability.

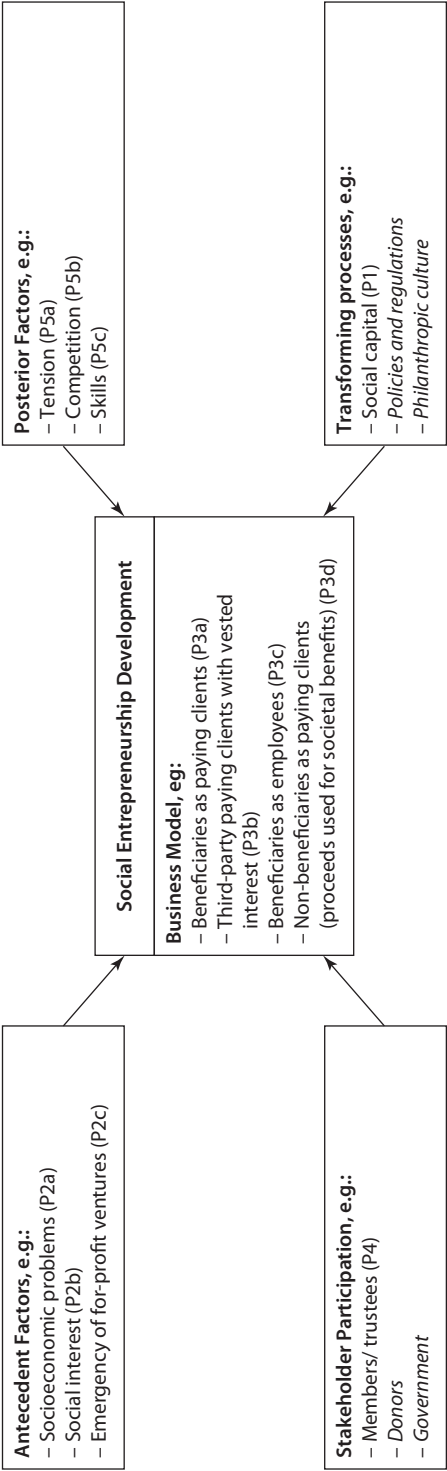


Figure 3. A Model of Social Entrepreneurship Development in CBIs

Source: Own elaboration.

As the article discusses above, social capital within CBIs plays a profound role in the development of social entrepreneurship. Its presence transforms social networks into channels of care and sympathy (Dafuleya & Zibagwe, 2012), which are necessary to foster societal interest and find solutions to societal problems. Therefore, the model incorporates social capital as a key transformative process that sustains social entrepreneurship. In addition, policy and regulation operate as enabling conditions, creating a supportive environment for social enterprises. For instance, certain countries legally exempt social enterprises from certain taxes. Most policies also prohibit the distribution of profits, thereby ensuring that societies reinvest financial gains for public benefit (Salamon et al., 2003). The philanthropic culture is also an intuitive component of the model. Alongside social capital, it contributes to the transformative processes that underpin social entrepreneurship development. In its absence, member-based nonprofit enterprises risk becoming commercial enterprises, as the venture matrix in Figure 1 illustrates.

## Conclusions and Implications for Practice

The analysis and interpretation of the study's data and findings led to three key conclusions presented separately below.

### *African Burial Societies: A New Nuance in Old Practice*

Burial societies have a long history not only in Africa but globally. Parrott (1985) notes that as early as 638 BC, Solon, the Athenian statesman, passed legislation to regulate burial societies' practices. In his discourse on the private lives of early Romans, Johnston (1903) presents evidence suggesting that the functions of contemporary African burial societies closely mirror those of their Roman predecessors. He observed that such societies aimed to cover funeral expenses and ensure that burial rites followed a respectable process – an objective still central to African burial societies today. In England, burial societies existed during the Industrial Revolution, although they operated mostly as friendly associations (Cordery, 2003). However, the growth of formal insurance systems and broader economic development gradually diminished the role of burial societies. These changes gave rise to alternative forms of collective organizations, such as cooperatives (under the ownership of employees or consumers) that bridge the gap between the private and voluntary sectors (Oakeshott, 1990).

In Africa, however, burial societies seem to persist despite the availability of conventional insurance. Their widespread presence in both households with conventional insurance, as well as among professionals who embrace modernity, suggests that they are unlikely to disappear anytime soon. Moreover, their ongoing structural transformation to incorporate for-profit ventures further widens their presence and strengthens their role within African communities. This evolution, representing a new dimension in how some burial societies operate, resembles the historic trajectory of community wealth-building organizations in the United States (Aspen Institute, 2005). These society-driven civil institutions began adopting entrepreneurial and innovative approaches to address social and economic problems. The key distinction lies in funding: while organizations from the United States received federal and state funding (Weerawardena & Mort, 2006), African burial societies have historically operated without any state funding.

Burial societies place special emphasis on social capital, evident in social relationships and collective approaches. Social capital is the basis of sustaining a large membership over time

and ensuring financial flows, especially in the absence of for-profit ventures. Generally, the larger the membership of a burial society, the greater its financial reserves, assuming disbursements remain constant. Mendell (2010) observes a similar dynamic in Canadian social enterprises, describing how these enterprises have a strong foundation in social relations and collective efforts toward socioeconomic innovation and poverty reduction. This contrasts with models based on individual initiative, such as that of Muhammad Yunus, founder of the Grameen Bank and pioneer of group lending.

### ***The Salient Difference in Social Entrepreneurship: Private or Social Mission?***

Some definitions of social entrepreneurship emphasize that the primary goal of social enterprises is the creation of social value, or that profits should serve the benefit of the broader community. The case of African burial societies presents a nuanced picture regarding the primary goals behind their engagement in for-profit ventures. Two distinct motives emerged from the study. First, certain burial societies intended the profits to replace members' subscriptions and, where possible, to provide members with a return. These motives suggest that the societies aimed to benefit members exclusively. In this context, a critical question arises: Can we still consider such an approach socially purposeful? Arguably, we may not. For certain, the return to members will resemble dividends that shareholders receive, suggesting a private rather than public orientation. When organizations confine benefits from a for-profit venture to the internal membership of the organization rather than extend them to the broader community, the outcome begins to resemble a private benefit model.

Second, a handful of burial societies extended their for-profit ventures beyond their membership. For example, highly disadvantaged members of the community benefited from the free provision of items such as tents and cutlery, which would otherwise generate rental fees. Some unemployed individuals found work within the for-profit ventures of these burial societies. While these benefits may not be transformative at the community-wide level, they at least reach segments of the population outside the burial societies' membership.

This distinction, whether profits accrue solely to members or also to a broader community, offers an important insight for conceptualizing social entrepreneurship in the context of member-based nonprofits developing for-profit ventures. The inherent hybrid nature that results from member-based nonprofit organizations embarking on for-profit ventures to earn income should not automatically qualify them as social enterprises. Rather, the key determinant lies in the use of entrepreneurial returns. If benefits remain internal, the initiative leans more toward a private enterprise; if they extend meaningfully to the wider community, the organization aligns more closely with the principles of social entrepreneurship.

Having addressed this critical distinction in social entrepreneurship development, a fundamental question emerges: What ensures that the pursuit of social goals remains central to these initiatives? The answer may lie in the commitment of members or stakeholders who champion the initiative, driven by a social motive. Nevertheless, mission drifts, where social goals may dilute over time, are a real risk, with a potential drive that exceeds the scope of this article. The following section concludes with two potential factors that may restrain such mission drift.

### ***The Trade-off Between Social Mission and Entrepreneurial Returns: Restraining Mission Drift?***

Many African countries do not have clear regulatory frameworks for burial societies. In Zimbabwe, these societies operate without formal registration. While Ethiopia places emphasis on

registration, some burial societies continue to operate informally. The Friendly Societies Act in South Africa regulates only burial societies that provide benefits of more than ZAR 5,000 (Bester et al., 2004), leaving many others unregulated. In contrast, most Western countries maintain comprehensive regulatory frameworks for mutual societies and nonprofit organizations. Robust regulations can play an important role in safeguarding the social mission of societies or nonprofit organizations that engage in for-profit activities, helping to prevent mission drift.

In the absence of such a regulatory framework in many African countries, what restrictions exist to address mission drift? Insights from the study of burial societies reveal an inherent structural trade-off between capitalization and the distribution of profits to members. That is, effective capitalization requires a large membership base; however, this dilutes per capita returns from entrepreneurial ventures. As a result, the financial benefit to each member may become negligible, limiting the incentive to shift focus away from the social mission. This insight is generalizable to other nonprofit organizations pursuing for-profit ventures to create social value. For instance, in organizations reliant on government or donor funding, any mission drift toward redistributing profits to members could lead to the withdrawal of such support. Thus, the threat of losing critical external funding can serve as an informal constraint against mission modification and help maintain the organizations' social focus.

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# Exploring Social Entrepreneurship Dynamics in Sustainable Tourism: A Case Study of Morocco's Al Haouz Province

Oualid Benalla, Marwane El Halaissi

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**Abstract:** **Background:** Many now recognize social entrepreneurship as an effective strategy to address social and environmental challenges while promoting economic development.

**Research objectives:** This study aims to examine the objectives, strategies, and outcomes of social entrepreneurs operating in the tourism sector in Al Haouz Province, Morocco.

**Research design and methods:** The research employed a qualitative approach to explore various social enterprises engaged in sustainable tourism, including community-based tourism initiatives, eco-lodges, and fair-trade handicraft cooperatives.

**Results:** Findings indicate that social entrepreneurs implement diverse strategies to enhance social inclusion and sustainability in tourism. Key approaches include community involvement, capacity building, cultural preservation, and ethical tourism practices. The study also identifies critical factors that influence the success of social entrepreneurship in sustainable tourism.

**Conclusions:** The research highlights the importance of fostering an enabling environment for social entrepreneurship in tourism. Policy recommendations focus on the development of financial mechanisms, capacity-building programs, and regulatory frameworks to support social enterprises in this sector.

**Keywords:** social entrepreneurship, sustainable tourism, community development

**JEL Codes:** L31, L83, Q56, O18

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Over the last two decades, research on social entrepreneurship (SE) has grown steadily. The concept has attracted the interest of academics and practitioners alike (Dacin et al., 2011; Dwivedi & Weerawardena, 2018; Rey-Martí et al., 2016; Zahra et al., 2009). It has emerged as a strategic response to the imperative for the development of community-centric tourism. This approach entails the application of innovative and socially responsible business practices, with the overarching goal of addressing the needs and challenges inherent in local communities (Halaissi & Benalla, 2024). It seeks to establish a symbiotic relationship between economic development through tourism and the cultivation of positive social and environmental impacts (Stasik & Dańkowska, 2024). In this context, the essence of social entrepreneurship lies in fostering sustainable and inclusive tourism practices that prioritize community empower-

ment, cultural preservation, and the promotion of responsible tourism behavior (Aquino et al., 2022). Usually driven by individuals known as social entrepreneurs (Dees, 1998), this approach has more recently gained momentum through the involvement of non-governmental organizations (Halaissi & Benalla, 2024). In the tourism sector, social entrepreneurship responds to the growing demand for community-centered development, blending innovative business practices with social responsibility (i.e. Bruque Camara et al., 2021; Dahles et al., 2020; Aquino et al., 2022). Social entrepreneurship embodies the innovative use of business strategies to address pressing societal and environmental challenges, creating positive social change (Stasik & Dańkowska, 2024). Some of these practices, which focus specifically on the problems of the world's poor and marginalized populations, have succeeded in transforming the lives of thousands worldwide (Alvord et al., 2004; Austin et al., 2006). Within the realm of sustainable tourism, social entrepreneurship plays a pivotal role in fostering inclusive growth, community empowerment, and environmental conservation. It integrates economic viability with social and environmental objectives, aiming to benefit local communities and ecosystems.

### ***Statement of Purpose***

This study comprehensively investigates the dynamics of social entrepreneurship within the sustainable tourism sector of Morocco's Al Haouz Province. It seeks to understand how social entrepreneurship contributes to sustainable tourism development in the region by analyzing the goals, tactics, and outcomes of social enterprises operating there. The research aims to shed light on the effectiveness and impact of social entrepreneurship in the context of sustainable tourism.

### ***Research Objectives***

To examine social entrepreneurship dynamics: To delve into the objectives, strategies, and operational dynamics of social enterprises engaged in sustainable tourism in Al Haouz Province.

To evaluate impact and outcomes: To assess the tangible outcomes and socio-environmental impacts of social entrepreneurship initiatives on local communities, ecosystems, and the sustainable tourism sector.

To identify key success factors: To analyze the critical elements that contribute to the success and sustainability of social entrepreneurship endeavors in the context of sustainable tourism in Al Haouz.

To recommend policy and practical interventions: To formulate evidence-based recommendations to create an enabling environment that fosters the growth and effectiveness of social entrepreneurship within sustainable tourism, including funding mechanisms, capacity-building programs, and regulatory frameworks.

To promote awareness and knowledge sharing: To disseminate findings and insights to stakeholders such as policymakers, practitioners, local communities, and academia, facilitating informed decision-making and knowledge exchange for further advancement in sustainable tourism through social entrepreneurship.

## Literature Review

### *Social Entrepreneurship: A Catalyst for Growth in Emerging Economies*

In the pursuit of equitable and sustainable development, social entrepreneurship functions as a catalyst for positive change (Sharma & Kumar, 2019). This fusion of commercial acumen with social consciousness offers a practical solution to address significant societal and environmental challenges, driving inclusive growth and economic development in emerging nations (Dees, 1998).

Social ventures actively create employment opportunities by responding to unmet needs and encouraging local innovation, particularly within marginalized communities (Ćwiek et al., 2021). Moreover, these endeavors promote inclusive development by targeting underserved populations, facilitating access to resources, and reducing poverty and income inequality (Kowalska & Szyja, 2023; Szczygieł & Śliwa, 2023). Additionally, the inherently collaborative nature of social entrepreneurship nurtures trust and community collaboration, fostering stable and productive economic environments (Putnam, 2000).

Framed within an ethical framework, many now recognize social entrepreneurship as a transformative mechanism for promoting equitable and sustainable growth in emerging economies (Wronka-Pośpiech, 2024). This review explores distinct mechanisms through three lenses – socio-economic, territorial, and sustainable justice – with compelling examples from diverse global contexts that illustrate the power of social ventures in driving positive change.

### *Socio-Economic Lens*

**Empowering Marginalized Communities.** The Grameen Bank's pioneering microfinance initiatives in Bangladesh serve as a seminal model, providing financial accessibility to women and marginalized populations, and contributing to poverty alleviation and economic stability (Szczygieł & Śliwa, 2023).

**Ethical Job Creation.** Café Femenino in Guatemala stands as a paragon, championing fair labor practices, safe working conditions, and organic farming, thereby empowering women involved in the coffee production sector. This initiative not only highlights the principles of ethical job creation but also underscores the transformative potential of social entrepreneurship to drive economic empowerment and gender equity (Schwab & Davis, 2017).

### *Territorial Lens*

**Revitalizing Disadvantaged Territories.** Selco India's solar energy solutions have revitalized rural areas, particularly by improving electricity access and stimulating sustainable development in remote regions (Pati & Garud, 2011). Research by Joshi and Yenneti (2020) and Minas et al. (2024) documents similar sustainable energy projects that have positively impacted marginalized regions across various countries.

**Responsible Resource Management.** The community forestry in Nepal advocates for community-based forest management, emphasizing biodiversity preservation and equitable resource allocation (Pandey and Paudyal, 2015). Studies by Ash-Shiddiqie, (2025), Ibbih and Nyako (2024) and Osazuwa et al. (2024) stress the significance of community engagement and sustainable resource management in environmental conservation efforts.

## ***Sustainable Justice Lens***

***Challenging Inequitable Power Structures.*** Deeply rooted in Africa and Latin America, Fair-trade International actively promotes ethical trade practices that support producers within global supply chains while challenging exploitative systems (Agyeman & Evans, 2004). Academic analyses by Barro-Chale et al. (2023) and Neilsno and Pritchard (2010) affirm the impact of fair-trade initiatives in fostering ethical business practices and social justice.

***Promoting Ecological Justice.*** The Green Belt Movement in Kenya, founded by Nobel laureate Wangari Maathai, combats deforestation while empowering women through community-driven tree planting initiatives (Gebeyehu et al., 2019). Research by Sele (2023) and highlights similar community-led environmental initiatives and their role in promoting sustainability and environmental justice.

In conclusion, social entrepreneurship, firmly rooted in ethical commitments to sustainability and social justice, emerges as a powerful catalyst for equitable and sustainable growth in emerging economies. Drawing on insights from Africa, Asia, and South America, social ventures have the potential to uplift communities, rejuvenate neglected territories, challenge unjust systems, and champion environmental conservation. This underscores the need for collaborative efforts among governments, investors, and support organizations to reinforce and sustain this ethical engine for comprehensive growth, promising a prosperous future for all stakeholders (Wronka-Pośpiech, 2024).

## ***Social Entrepreneurship and Sustainable Tourism***

Social entrepreneurship endeavors to develop income-generating activities adapted to the specificities of each territory. For instance, in Indonesia, SE promotes ecotourism through social enterprises, which not only raises travelers' awareness about the importance of environmental conservation but also supports the territory's economic development and improves the local population's well-being (Situmorang & Mirzanti, 2012). SE plays a pivotal role in sustaining tourist areas by mitigating the negative impacts of mass tourism. It strengthens the resilience of these regions by enhancing their appeal despite the strain of large-scale tourism and employing practices that optimize the utilization of limited resources. This creates enduring competitive advantage and social value for local communities (Halaissi & Benalla, 2024). Moreover, SE drives the emergence of innovative tourist niches such as "volunteer tourism," eco-tourism, and cultural tourism. These initiatives contribute to the development of local tourism projects by training agents and networks, minimizing risks, and sharing expertise while maximizing the well-being of the local population.

Furthermore, SE has demonstrated its positive impact on local communities through sustainable tourism activities. It fosters alternative local networks, reducing the involvement of intermediaries in the tourism industry, which increases income for local populations. By promoting sustainable tourism, SE stimulates the development of systems that curtail the adverse externalities associated with mass tourism. It skillfully integrates sustainable tourism practices and principles into the creation of economic value within the sector. In essence, SE serves as a tool that enhances sustainability in tourist regions by diminishing their reliance on major tourist groups. Through comprehensive processes revitalizing the tourist experience in these regions, SE designs innovative tourism products that enrich tourists' experiences and offer additional benefits to the local population. By tailoring products to a globally distressed mar-

ket, SE effectively showcases a region's unique attributes through innovative offerings that attract tourists (Bacq et al., 2015).

Moreover, SE significantly contributes to the economic development of rural territories by introducing novel information and communication technologies. These technologies aid rural communities in accessing information relevant to their economic activities (Gebeyehu et al., 2019). Additionally, by building rural women's capabilities, SE facilitates the creation of sustainable micro-enterprises, improving living standards and promoting better hygiene practices (Pati & Garud, 2011). Through social innovation, SE ensures the sustainability of its economic endeavors. In this context, sustainability refers to an organization's capacity to endure within the market while consistently generating social value (Halaissi & Benalla, 2024). By blending technical expertise with a social entrepreneurial spirit, SE secures the durability of economic activities, thereby contributing to the stability of the generated impact (Gebeyehu et al., 2019).

Furthermore, social entrepreneurship enables the decoupling of economic growth from environmental pressures, concurrently positively affecting the environment through cost reduction methods and innovative, adaptable strategies. Initiatives led by social enterprises not only transform the local landscape but also uplift local communities' living standards, offering employment opportunities and generating stable incomes (Azmat, 2013). On the environmental front, social enterprises have managed to mitigate greenhouse gas emissions, prevent the spread of diseases, and enhance soil quality and productivity (Azmat, 2013).

The integration of social entrepreneurship into local contexts significantly reduces poverty among local populations while bolstering environmental sustainability. A case study by Azmat (2013) illustrates how environmentally sensitive agricultural methods of a village-based social enterprise, coupled with the use of natural and ancestral techniques, improve soil productivity and sustainability, effectively addressing poverty and famine. SE also optimizes economic activities like ecotourism, which serve as vehicles for traveler enlightenment, disseminating practices that strengthen environmental resilience and community well-being (Situmorang & Mirzanti, 2012). By efficiently harnessing endogenous resources, SE generates sustainable added value, reinforcing its influence at the territorial level. As an alternative to traditional market mechanisms and state interventions, SE tailors goods and services to meet the needs of local populations (Situmorang & Mirzanti, 2012). Through collective action and market-oriented approaches, SE initiatives strategically target social and economic challenges (Seelos et al., 2011).

## Research Design and Methods

This research adopts a qualitative case study approach to explore the dynamics of social entrepreneurship in the context of sustainable tourism development in Morocco's Al Haouz Province (Yin, 2018). We chose a case study design due to its suitability for in-depth examination of specific phenomena within their natural settings, allowing for a comprehensive understanding of social entrepreneurial initiatives in the sustainable tourism sector (Creswell, 2013).

### *Case Selection and Presentation*

We selected Al Haouz Province as the primary case because of its prominence as a hub for tourism activities in Morocco and the presence of diverse social entrepreneurship initiatives aimed at sustainable tourism development. This choice enables a nuanced exploration of

various social entrepreneurial ventures and their impact on the sustainable tourism landscape within the region (Echtner & Jamal, 1997).

### **Data Collection**

#### **Primary data collection involved the following methods:**

**Interviews:** Following Bryman (2016) recommendations, we conducted semi-structured interviews with key stakeholders including social entrepreneurs, local community members, government representatives, and non-governmental organization (NGO) leaders involved in sustainable tourism initiatives in Al Haouz Province (Bryman, 2016). These interviews aimed to collect information about the motivations, challenges, strategies, and outcomes of social entrepreneurial endeavors in the sector (Creswell, 2013).

**Observations:** We carried out on-site observations to understand the operational dynamics of social enterprises, stakeholder interactions, and the integration of sustainable practices into tourism activities (Patton, 2015). This approach provided firsthand insights into the context in which social entrepreneurship operates within the tourism sector.

#### **We also used some sources as secondary data:**

**Document analysis:** We reviewed academic literature, government reports, organizational publications, and online resources to gather secondary data on the historical background, policies, and existing studies related to sustainable tourism and social entrepreneurship in Morocco, particularly in Al Haouz Province (Gerring, 2007).

### **Data Analysis**

**Thematic coding:** We thematically coded transcriptions from interviews, field notes, and document analysis (Braun & Clarke, 2006). We will identify and categorize common themes, patterns, and key concepts related to social entrepreneurship in sustainable tourism using the qualitative data analysis software (Charmaz, 2014).

**Cross-case analysis:** We employed comparative analysis to examine similarities and differences among various social entrepreneurial initiatives in Al Haouz Province (Yin, 2018). This comparative approach helped uncover overarching patterns and unique aspects of the ventures.

## **Results and Discussion**

Through our analysis, we found that social enterprises represent a diverse sector that balances social, environmental, and commercial objectives. Within sustainable tourism, various organizational forms, such as community-based tourism programs, eco-lodges, and fair-trade cooperatives for handicrafts, align social and environmental goals with financial sustainability. These different forms respond to specific challenges while promoting sustainable tourism. This research deepens understanding of the dynamics of social entrepreneurship in the context of sustainable tourism. Investigating goals, tactics, and outcomes unveils nuanced strategies that harmonize economic viability with broader social and environmental aims (Ochoa Jiménez et al., 2022). Employing qualitative methods ensures a comprehensive analysis grounded in the regional context of Al Haouz Province.

Al Haouz Province in Morocco presents a varied and burgeoning landscape of social entrepreneurship initiatives operating within the realm of sustainable tourism. In this setting, numerous ventures have emerged with a primary focus on blending profitability with social and envi-

ronmental impact. These projects often originate from local communities, non-governmental organizations, and entrepreneurial entities driven by the ethos of fostering positive change through tourism. The initiatives span a broad spectrum, encompassing community-based tourism enterprises, eco-lodges, cultural immersion programs, and responsible travel agencies. They typically emphasize the preservation of local heritage, promotion of environmental conservation, empowerment of marginalized groups, and equitable distribution of economic benefits within the community.

In Al Haouz Province, social entrepreneurship plays a pivotal role in addressing social, environmental, and economic challenges associated with sustainable tourism. Strategies centered on community empowerment, social inclusion, and sustainability prove critical. We describe the employed tactics below.

### ***Stakeholder Participation: Fostering Inclusivity and Collaboration***

Local community engagement: Involving communities directly in decision-making fosters empowerment.

Tourist involvement: Encouraging responsible behavior among tourists cultivates shared responsibility.

Holistic participation: Inclusive stakeholder engagement aligns social and environmental goals, ensuring shared benefits.

### ***Access to Funding: Empowering Sustainable Initiatives***

Diverse funding sources: Access to grants, private investments, and partnerships supports sustainable projects.

Community investments: Financial support bolsters eco-lodges, handicraft cooperatives, and educational programs, driving economic growth and cultural preservation.

### ***Supportive Institutional Frameworks: Legal and Regulatory Enablers***

Regulatory support: Policies combine tourism activities with sustainability goals, expediting responsible operations.

Government and NGO involvement: Collaborative actions ensure regulatory compliance, fostering holistic development.

Qualitative research conducted in Al Haouz Province revealed multifaceted findings regarding the goals, tactics, and outcomes of social entrepreneurship activities in sustainable tourism. The primary goals identified among social entrepreneurs revolve around:

- Community empowerment: Initiatives aimed to empower local communities by providing opportunities for skill development, job creation, and entrepreneurship among marginalized groups;
- Environmental conservation: Efforts dedicated to environmental sustainability through eco-friendly practices, conservation projects, and awareness campaigns on responsible tourism;
- Cultural preservation: Initiatives focused on preserving indigenous cultures, traditions, and heritage while promoting cultural exchange and understanding among tourists.

Social entrepreneurs' tactics encompass a range of strategies: community engagement programs, capacity-building workshops, partnerships with local stakeholders, sustainable resource management practices, and the creation of unique tourism experiences rooted in local culture and traditions. Regarding outcomes, these initiatives have demonstrated tangible

impacts, including more economic opportunities for local communities, preservation of natural and cultural heritage, increased environmental awareness, and strengthened social cohesion in communities involved in sustainable tourism activities.

Social entrepreneurs in Al Haouz Province apply several strategies to foster social inclusion, ensure sustainability, and engage the community effectively in the tourism sector. These strategies include:

- Collaborative partnerships: Forming alliances with local communities, government bodies, NGOs, and businesses to ensure a collaborative approach toward sustainable tourism development;
- Capacity building and education: Providing training, education, and skill development programs to help local communities participate in and benefit from tourism-related activities;
- Promotion of responsible practices: Advocating and adopting responsible tourism strategies among tourists and local stakeholders to minimize negative impacts on the environment and culture;
- Inclusive decision-making processes: Encouraging participatory decision-making that engages community members in planning, implementing, and managing tourism initiatives;
- Value chain integration: Creating inclusive value chains that prioritize the involvement of local artisans, producers, and service providers to secure equitable distribution of benefits from tourism.

These strategies collectively support the extensive objectives of social inclusion, sustainability, and community involvement, thereby fostering a more holistic and responsible approach to tourism development in Al Haouz Province.

## Discussion

The study in Al Haouz Province echoes recent literature that emphasizes the centrality of community engagement in successful social entrepreneurship initiatives within emerging tourism economies. Both the research and existing literature highlight the importance of empowering local communities through involvement in decision-making, capacity building, and equitable benefit-sharing mechanisms. However, nuances exist in how different contexts prioritize and implement community engagement strategies, influenced by cultural values, historical backgrounds, and socio-economic disparities.

Literature from across emerging economies and the findings from Al Haouz Province converge on the pivotal role of partnerships and collaborative networks in advancing social entrepreneurship in sustainable tourism (Hall & Williams, 2021). The study supports the growing consensus on the need to forge alliances with diverse stakeholders. Nevertheless, the nature and depth of these partnerships often vary, shaped by institutional structures, power dynamics, and the level of trust among stakeholders in each context.

Both the study and recent literature underscore innovation and adaptability as critical drivers of success in social entrepreneurship within the tourism sector (Novelli et al., 2018). The ability to innovate and respond to evolving market demands, technological advancements, and environmental challenges stands out as essential. Still, contextual factors that influence relevant strategies may differ, leading to different types and degrees of innovation across emerging economies.



The results from Al Haouz Province align with literature that highlights the role of supportive policy frameworks and advocacy efforts in nurturing social entrepreneurship in tourism (Aquino et al., 2018). Both point to the significance of government action, regulatory support, and advocacy programs in creating an enabling environment. However, variations exist in the extent and nature of government involvement, policy coherence, and advocacy strategies across different contexts, impacting the effectiveness of interventions.

By synthesizing insights from the Al Haouz Province case study and recent literature, several recommendations emerge:

- Funding mechanisms: Establish diverse funding channels to sustain social enterprises and community projects;
- Capacity-building programs: Offer skill enhancement programs to empower communities for active participation and cultural preservation;
- Regulatory frameworks: Implement sound regulations, backed by both governmental and non-governmental institutions, to enable responsible and sustainable tourism practices (Aquino et al., 2018);
- Contextualized approaches: Encourage social entrepreneurs in Al Haouz Province to leverage global best practices while adapting strategies to suit local socio-cultural and environmental contexts;
- Collaborative learning platforms: Create platforms for cross-contextual learning and knowledge exchange between entrepreneurs, policymakers, and researchers across emerging economies to foster mutual learning and innovative approaches;
- Policy dialogues and adaptations: Facilitate policy dialogue and the exchange of successful policy interventions among emerging economy governments to adapt them in different settings;
- Research and evaluation: Support ongoing research and evaluation to better understand the evolving dynamics of social entrepreneurship in sustainable tourism, advancing evidence-based policy-making and entrepreneurial practices.

## Conclusions

The landscape of social entrepreneurship in sustainable tourism within Al Haouz Province showcases a vibrant tapestry of initiatives that prioritize social impact alongside economic viability. Through qualitative research, the study clarifies the goals, tactics, and outcomes of these initiatives, highlighting the multifaceted strategies social entrepreneurs employ to achieve social inclusion, sustainability, and community engagement in the tourism sector. These efforts collectively demonstrate the transformative potential of social entrepreneurship in shaping a more equitable and sustainable tourism model for the region. Thus, social entrepreneurship emerges as a successful strategy capable of addressing complex social and environmental challenges while stimulating economic development. Its role in promoting inclusive growth, community empowerment, and environmental preservation stands out within the sustainable tourism domain. Hence, with its dynamic strategies and innovative approaches, social entrepreneurship serves as a powerful catalyst for positive change in this remarkable region. By integrating these strategies effectively, Al Haouz Province can transcend boundaries and set a paradigm for sustainable and socially responsible tourism on a global scale.

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O.B., M.E.H.: conceptualization; O.B., M.E.H.: writing, original draft preparation; O.B., M.E.H.: writing, review, and editing; O.B., M.E.H.: supervision.

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### Conflict of Interest

The authors declare that the research took place without any commercial or financial relationships that could be construed as a potential conflict of interest.

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