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The Challenges and Opportunities Faced by Social Entrepreneur

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ABSTRACT: Social entrepreneurship merges innovation with business strategies to tackle pressing societal issues while ensuring financial sustainability. Unlike conventional businesses, social enterprises prioritize social impact alongside profitability. Despite their potential to drive meaningful change, they face significant hurdles such as inadequate funding, regulatory barriers, and scalability challenges. However, the increasing consumer demand for ethical businesses, government incentives, and digital advancements provide new opportunities. This study explores the key challenges and opportunities within social entrepreneurship, supported by literature, case studies, and empirical data. The goal is to offer practical recommendations to strengthen the ecosystem and drive sustainable social change. This study delves into the key challenges and emerging opportunities within social entrepreneurship by drawing insights from academic literature, real-world case studies, and empirical data. Through a comprehensive analysis, it aims to identify strategic solutions that can help strengthen the social entrepreneurship ecosystem, enhance financial sustainability, and foster long-term societal change. The findings will contribute to a deeper understanding of how social enterprises can navigate complexities while maximizing their social and economic potential.

KEYWORDS: Social entrepreneurship, Innovation, Business strategies, Social impact, Profitability

I. INTRODUCTION

Social entrepreneurship has emerged as a transformative force, bridging the gap between business profitability and social good. Unlike traditional businesses that prioritize financial returns, social enterprises focus on creating sustainable solutions to pressing social, environmental, and economic challenges. These ventures operate across diverse sectors, including education, healthcare, environmental conservation, and poverty alleviation, using innovative business models to generate measurable impact.

One of the defining characteristics of social entrepreneurship is its commitment to long-term change rather than short-term profits. Social entrepreneurs identify systemic issues and develop scalable solutions that not only provide immediate relief but also contribute to long-term societal transformation. They challenge conventional business norms by emphasizing ethical sourcing, fair labour practices, and responsible consumer engagement.

Despite its potential for significant impact, social entrepreneurship is not without challenges. Many social enterprises struggle to secure funding, as traditional investors often hesitate to back businesses that prioritize social impact over high financial returns. However, the rise of digital marketing, crowdfunding platforms, and impact investing has opened new doors for social entrepreneurs. Governments and NGOs are increasingly recognizing the role of social enterprises in sustainable development, leading to new policies and financial incentives aimed at fostering their growth. Moreover, as consumers become more conscious of their purchasing choices, businesses that align with ethical and sustainable practices are gaining traction.

This study aims to explore the various challenges faced by social entrepreneurs while also highlighting emerging opportunities that can support their success. By analysing real-world case studies and existing literature, this research provides actionable insights into how social enterprises can scale their operations, secure funding, and maximize their social impact.

Objectives -

1. To identify key challenges faced by social entrepreneurs
2. To analyse emerging opportunities that facilitate social entrepreneurship
3. To review existing literature to understand key trends in social entrepreneurship
4. To evaluate real-world case studies of successful social enterprises
5. To provide strategic recommendations for fostering the growth of social enterprises

II. REVIEW OF LITERATURE

Oxford University Press, in its publication by Dees (1998), defines social entrepreneurship as the convergence of business strategies and social missions aimed at solving societal issues while ensuring financial sustainability. Researchers emphasize its role in bridging the gap between profit-driven enterprises and charitable organizations. Similarly, Bornstein and Davis (2010), in their book *Social Entrepreneurship: What Everyone Needs to Know*, highlight how social entrepreneurs leverage market-driven solutions to address critical global challenges. Research by Mair and Martí (2006) explores the evolution of social entrepreneurship, tracing its development from early non-profit initiatives to modern hybrid business models. They note that early studies focused predominantly on non-governmental organizations (NGOs) and their role in fostering social impact. More recent scholarship, such as that by Santos (2012), published in *The Academy of Management Review*, examines scalable social ventures that integrate commercial success with social missions, enabling long-term sustainability.

Harvard Business Review, through work by Austin, Stevenson, and Wei-Skillern (2006), identifies access to funding as one of the primary challenges for social enterprises. They argue that traditional investors often prioritize high financial returns over social impact, making it difficult for social entrepreneurs to secure investments. However, Bugg-Levine and Emerson (2011), in their study published by Wiley, highlight the growing relevance of alternative funding mechanisms, including crowdfunding, impact investing, and social bonds, which are gaining momentum as viable financial models for social enterprises.

Cambridge University Press, in research by Nicholls (2010), explores the rise of impact investing as a transformative financial strategy. He discusses how investors increasingly consider social and environmental returns alongside financial gains, thereby fostering the growth of responsible investing markets. This aligns with findings by Zahra et al. (2009), published in *The Academy of Management Perspectives*, which emphasize the importance of integrating business sustainability with social responsibility to attract impact-driven investors.

Edward Elgar Publishing, through Kerlin (2010), highlights regulatory and policy barriers that impede the growth of social enterprises. Unclear legal definitions, complex tax structures, and lack of government support create significant obstacles. Some countries have attempted to mitigate these issues by introducing specialized legal frameworks such as Benefit Corporations (B Corps) and Low-Profit Limited Liability Companies (L3Cs), as discussed by Haugh (2007) in *The International Journal of Entrepreneurship and Innovation*. However, regulatory inconsistencies across different jurisdictions continue to limit the scalability of social businesses.

Routledge, in work by Kotler and Lee (2005), explores consumer awareness and ethical buying trends. Their research indicates that consumers are increasingly inclined to support businesses that align with ethical, environmental, and social values. However, despite this trend, many social enterprises struggle with brand visibility and consumer education, (2015) in *The Journal of Business Ethics*. Without effective marketing and public engagement strategies, even socially impactful businesses may find it challenging to reach a wider audience.

MIT Press, through research by Nambisan (2017), emphasizes the role of digital tools such as social media, e-commerce, and artificial intelligence in expanding the reach of social enterprises. These technological advancements have enabled businesses to optimize operations, enhance impact measurement, and engage with stakeholders more effectively. However, Zahra, Neubaum, and Shulman (2009) caution that while technology facilitates outreach, it must be strategically integrated into business models to drive long-term sustainability.

Stanford University Press, in research by Bloom and Chatterji (2009), identifies scalability as a persistent challenge for social enterprises. Financial constraints, operational inefficiencies, and difficulties in replicating impact-driven models



hinder expansion. Studies by Yunus, and Lehmann-Ortega (2010), published in *Long Range Planning*, propose that partnerships, franchising, and collaborations with established businesses can serve as viable solutions for scaling social impact without compromising mission integrity.

Palgrave Macmillan, in research by Epstein and (2014), highlights the importance of impact measurement in social entrepreneurship. Unlike conventional businesses that rely on financial metrics, social enterprises require robust tools such as the Social Return on Investment (SROI) model to evaluate and communicate their impact. However, Rawhouser, Cummings, and Newbert (2019), in *Business & Society*, argue that the lack of standardized assessment criteria remains a major challenge, making cross-sector comparisons difficult.

Edward Elgar Publishing, in work by Teasdale (2010), explores the significance of collaborations between social enterprises, governments, and NGOs. He asserts that public-private partnerships play a crucial role in facilitating financial support, policy backing, and operational efficiency. Nyssens (2010), in *The Journal of Social Entrepreneurship*, reinforce this perspective by emphasizing how such collaborations create a conducive ecosystem for scaling social innovation.

SAGE Publications, through research by Brush, De Bruin, and Welter (2009), examines the role of women in social entrepreneurship. Their study reveals that women-led social enterprises are expanding globally, particularly in sectors such as education, healthcare, and community development. However, gender biases in investment and leadership opportunities persist, as highlighted by Terjesen, Bosma, and Stam (2016) in *Small Business Economics*. Women entrepreneurs often face restricted access to capital and networks, limiting their ability to scale ventures despite their strong social missions.

Elsevier, in research by Battilana and Lee (2014), discusses sustainability in social business models. They argue that balancing financial sustainability with social impact is one of the most significant challenges social enterprises face. Some businesses adopt hybrid revenue models that combine grants, donations, and commercial activities to sustain operations. However, mission drift remains a concern, as noted in studies by Alter (2007), published by Virtue Ventures LLC. Successful enterprises must carefully align their financial strategies with their core social objectives to maintain long-term sustainability.

In conclusion, the literature on social entrepreneurship presents a comprehensive view of the sector's challenges and opportunities. While financial, regulatory, and scalability constraints persist, emerging trends such as impact investing, digital transformation, and consumer demand for ethical businesses offer new avenues for growth. Future research should focus on refining policy frameworks, developing standardized impact measurement tools, and exploring innovative funding mechanisms to further strengthen the social entrepreneurship ecosystem.

III. RESEARCH METHODOLOGY

Primary data:

A standardised Google Forms survey was created and sent to a large audience in order to learn how consumers view sustainability in brand marketing. The main instrument for collecting data was this survey, which made it possible to compile a variety of consumer insights from various industries.

Secondary data:

This study uses secondary research through Research papers and academic publications, Market studies and industry reports from companies in addition to primary data collecting to give a more comprehensive picture of how consumers view sustainability in brand marketing.

Sample-

The sample size is determined as 50 respondents' opinions on sustainability in brand marketing.

Instrument-

To analyse the data percentage analysis method was applied.

Research GAP -

While there is substantial research on social entrepreneurship, certain gaps persist. Most studies focus on challenges or opportunities in isolation, rather than providing a comprehensive analysis. There is also limited research on the regional variations in social entrepreneurship, particularly in developing economies. Furthermore, while digital transformation has revolutionized various industries, its impact on social enterprises remains underexplored. This study aims to address these gaps by presenting a holistic perspective on the obstacles and growth avenues available to social entrepreneurs.



Although social entrepreneurship has been widely studied, several gaps remain. One major issue is the **lack of region-specific research**, especially in developing economies where social enterprises face unique challenges due to cultural, economic, and regulatory differences. Most existing studies focus on developed nations, leaving a need for localized insights.

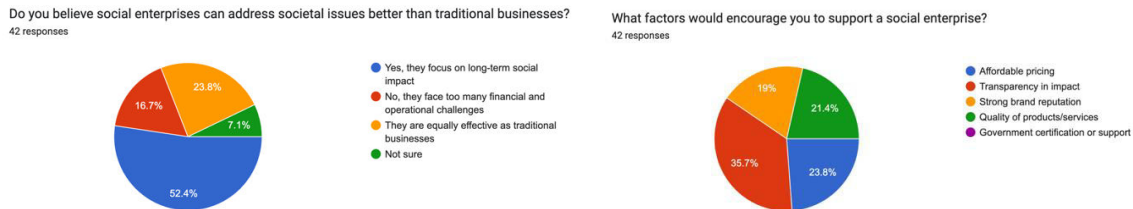
Another gap is the **limited research on digital transformation** in social enterprises. While technology has helped businesses grow, studies rarely explore how tools like AI, blockchain, and automation can enhance funding, operations, and impact measurement. Similarly, **funding barriers** remain a challenge, but little research explains **why** investors hesitate to fund social enterprises and what strategies could make these ventures more attractive.

IV. DATA COLLECTION, ANALYSIS, INTERPRETATION AND FINDINGS



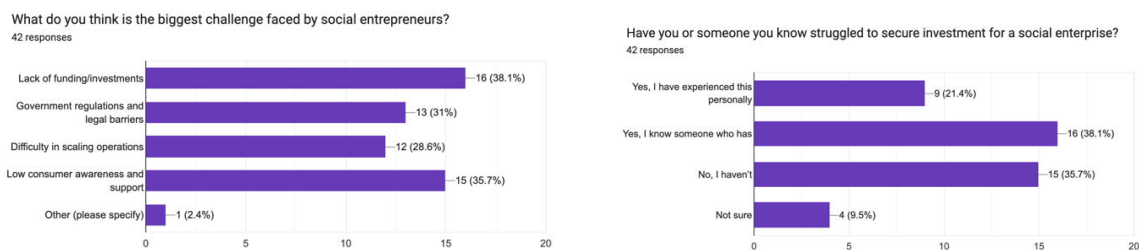
Interpretation- Fig 1: All respondents belong to the **18-25 age group**, indicating that young adults are interested in or aware of social entrepreneurship. This suggests that awareness about socially responsible businesses is growing among the younger generation, potentially shaping future consumer and business trends.

Interpretation- Fig 2 : Most respondents are **somewhat familiar** or **very familiar** with social entrepreneurship, meaning they have at least a basic understanding of the concept. Some have only **heard of it but don't know much**, which implies that while awareness exists, there is room for deeper education and engagement in this area.



Interpretation- Fig 3: A majority of respondents believe that **social enterprises are more effective** than traditional businesses in addressing societal issues because they prioritize **long-term social impact** over short-term profits. However, a small portion feels that traditional businesses still hold an edge due to their financial strength and ability to scale more easily.

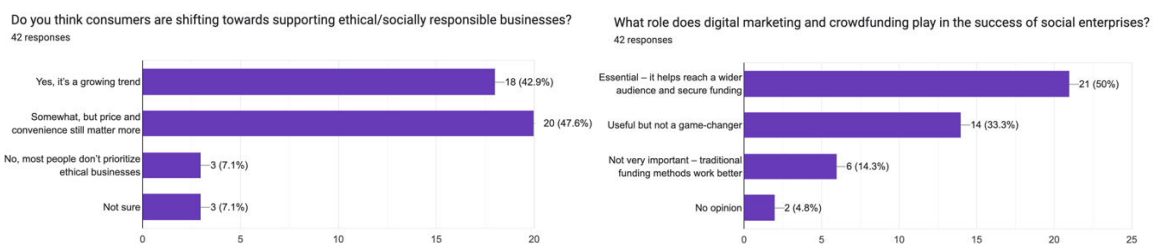
Interpretation- Fig 4: The most important factors influencing support for social enterprises include **affordable pricing, transparency in impact, and quality of products/services**. Some respondents also highlighted the importance of **ethical sourcing, sustainable production, and social mission alignment** in determining whether they would support a social enterprise.





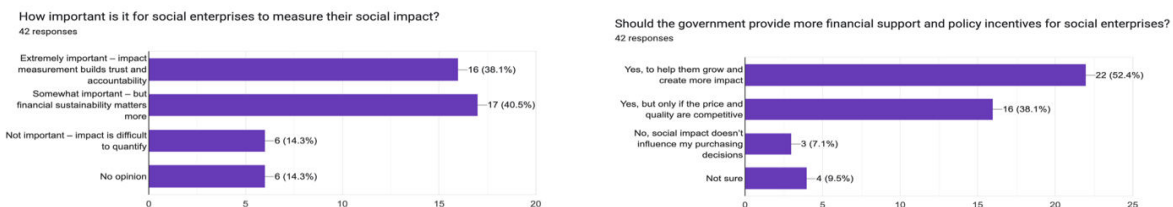
Interpretation-Fig 5: The most frequently mentioned challenges were **lack of funding, difficulty in scaling up, low consumer awareness, and government regulations**. Many respondents feel that financial constraints make it difficult for social enterprises to sustain operations, and without proper marketing and awareness, they struggle to attract a large consumer base.

Interpretation-Fig 6: Responses were mixed—some **have personally faced difficulties securing investment**, others **know someone who has**, while a few **haven't encountered such issues**. This indicates that while investment remains a significant challenge, there are still individuals and businesses managing to navigate it successfully.



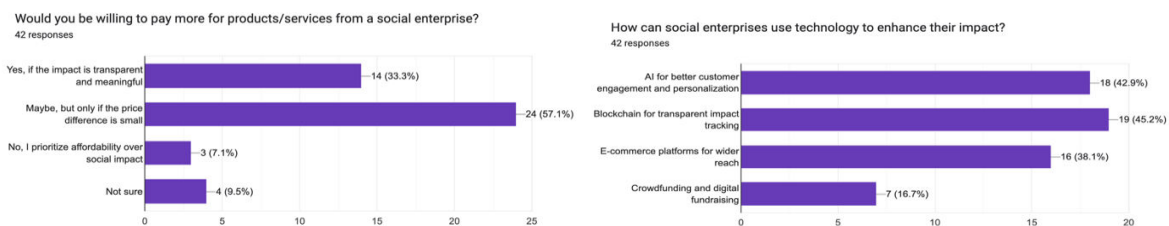
Interpretation-Fig 7 : Many respondents believe that **support for ethical and socially responsible businesses is growing**, with consumers increasingly considering social impact in their purchasing decisions. However, some pointed out that **price and convenience still play a major role**, and many people may opt for conventional brands if social enterprises are too expensive.

Interpretation-Fig 8 The consensus is that **digital marketing and crowdfunding are essential** for social enterprises to grow. They help **increase visibility, attract customers, and secure funding from a broader audience**. Social media, influencer marketing, and crowdfunding platforms were particularly highlighted as useful tools for spreading awareness and engaging supporters.



Interpretation- Fig 9 :Most respondents emphasized that **measuring social impact is crucial**, as it helps **build credibility, attract investors, and ensure accountability**. Without proper impact measurement, social enterprises may struggle to demonstrate their effectiveness, which could affect both funding opportunities and customer trust.

Interpretation-Fig 10: A strong majority agreed that **governments should provide financial aid and policy incentives** to help social enterprises thrive. Some believe that tax breaks, subsidies, or grants could encourage more entrepreneurs to enter this space, while others think support should be conditional on maintaining high-quality products and services.



Interpretation-Fig 11: Responses were divided—some are willing to pay more **if the impact is transparent and meaningful**, while others would only do so **if the price difference is small**. A few respondents stated that they **prioritize affordability over social impact**, suggesting that for widespread adoption, social enterprises must remain competitive in pricing.



Interpretation- Fig 12: AI and digital tools were seen as **key enablers** for enhancing social enterprises. Many respondents suggested that AI could be used for **customer engagement, data analysis, personalization, and operational efficiency**. Others mentioned that blockchain technology could help improve **transparency in impact measurement and supply chain verification**, making social enterprises more trustworthy.

Findings -

- └ Young adults show growing interest in social entrepreneurship, but challenges like funding, scalability, and regulatory barriers persist.
- └ Consumers support social enterprises based on affordability, transparency, and quality, though many still prioritize convenience over ethics.
- └ Measuring social impact is crucial for credibility, investor attraction, and accountability.
- └ Government policies, financial aid, and incentives can significantly boost social enterprise growth.
- └ AI, blockchain, and digital tools enhance transparency, customer engagement, and operational efficiency

Recommendations

- └ Establishing credibility is a major challenge, requiring transparency in finances, impact measurement, and operations.
- └ Balancing financial sustainability with social impact can lead to ethical dilemmas like mission drift and misleading impact reporting.
- └ Investor demands for higher returns may shift focus from social impact, making ethical funding models like crowdfunding essential.
- └ Price sensitivity affects consumer trust, requiring strong storytelling and impact-driven marketing to justify premium pricing.
- └ Technology aids transparency but raises concerns over data privacy, digital accessibility, and algorithmic bias.
- └ Government support is key but must be fair, inclusive, and free from bureaucratic inefficiencies.

V. CONCLUSION

Social entrepreneurship plays a vital role in addressing societal challenges while maintaining financial sustainability. However, **funding constraints, regulatory hurdles, and market awareness issues** continue to hinder growth. Many investors hesitate to fund social enterprises due to their focus on impact over profit, while unclear legal frameworks create operational difficulties.

At the same time, **technology, government support, and impact investing** offer new opportunities. Digital platforms have improved funding access, and growing consumer interest in ethical businesses is helping social enterprises expand. Moving forward, **policy reforms, better impact measurement, and stronger collaboration** between stakeholders will be crucial in fostering a thriving ecosystem for social entrepreneurship.

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