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Research Article

Sustainable Micro-Social Enterprises in India: A Quantitative Study of Crucial Factors Leading to Their Financial Sustainability

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ABSTRACT

Social enterprises strive to create social value by providing innovative solutions to various socio-economic and developmental problems. Given the harsh economic terrain, the key question is how these organizations traverse the path to financial sustainability to fulfil their social mission. Thus often challenged to either change scope or shut down. There is a dearth of research on micro-social enterprises and their strategies for financial sustainability. This study gathered data through an online survey platform from 121 social enterprises, which were more than 3 years of age based in the Indian state of Maharashtra. Further, crucial insights were obtained by analyzing this data using two statistical software: Jamovi and PROCESS Macro of SPSS for serial mediation. The findings demonstrate that growth orientation positively and significantly influences financial sustainability, both directly, and indirectly through; product & service innovation, social capital and external funding, which was observed individually and in serial mediation. Thus revealing that all these factors have partial mediation on financial sustainability. However, the influence of growth orientation with all these factors is way higher than it does individually. There are several crucial paths for financial sustainability, however, the most crucial one is when growth orientation is in tandem with product & service innovations. By harnessing the synergies between growth-oriented strategies and intermediary variables, social enterprises can navigate challenges, seize opportunities, and advance their dual mission of financial sustainability as well as their social mission.

Keywords: *External funding, Financial sustainability, Growth orientation, Innovation, Quantitative research, Social capital, Social enterprises*

Introduction

Social enterprise is a venture with the primary objective of providing innovative

solutions to the needs of society, especially where government and other existing structures are unable to reach out (Cardella et al.,

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2021) (Gupta et al., 2020). Social enterprises first identify different societal problems and then organize resources to find innovative solutions to society's most pressing social, cultural, and environmental challenges - thus creating social value (Thomas, 2021) (Agarwal et al., 2020). This concept of social enterprise is highly dynamic and, hence, still evolving (Teasdale et al., 2023). As a result, there is no fixed definition of social enterprise. However, we can find some common characteristics: commitment to a social mission, use of innovative solutions, entrepreneurial skills, etc. (Monroe-White & Zook, 2018) (Thomas, 2021) (Neessen et al., 2021).

In developing countries where poverty and other social problems are so rampant, social enterprises can contribute a great deal by addressing the various socioeconomic and developmental problems (Tanchangya et al., 2020) (The World Bank, 2020); since the divide between the rich and the poor is immense, social enterprises through their innovative products and services can bridge this divide (Joshi & Khare, 2021). However, to deliver social value, they must be financially sustainable (Jenner, 2016).

Review of Related Literature

Several studies point out that social enterprises contribute significantly to various societal issues in India and most developing countries (Sahraikorpi & Bandi, 2021) (Habaradas et al., 2019). Social enterprises are often noticed customizing products and services to fulfil the needs of their target groups. They also adopt innovative distribution channels (outreach) to deliver products and services cost-effectively (S. Singh, 2020).

A study conducted by the British Council confirms that there are more than two million social enterprises in India (The State of Social Enterprise in India, 2016). Interestingly, much before the term 'social entrepreneurship' was coined and popularized, India had a history of social entrepreneurial ventures (Joshi & Khare, 2021). These social enterprises in India constantly evolve based on the need, making them relevant, especially concerning poverty alleviation and other socio-economic problems (Lateh et al., 2018). India has a few examples where

social enterprises have contributed significantly to various societal problems (K. Singh & Sharma, 2019); Amul is one of the premium examples of this kind (Tanchangya et al., 2020) (K. Singh & Sharma, 2019).

Amul was started in 1946 and transformed by Dr Varghese Kurien so magnificently that the annual turnover recorded for the last financial year was USD 9 billion ("Sustainability Report of Amul," 2023). It has made a name for itself as a model especially suitable for rural development. Amul was the driving force behind India's milk revolution, making India one of the world's largest producers of milk and milk products. This has led to the creation of jobs, thus contributing significantly to poverty reduction; it has even helped rural women find work (K. Singh & Sharma, 2019). Amul uses the social environment to create jobs and support socio-economic development; today, it generates employment for more than 12 million people in India (Pant, 2022). As their sustainability report accurately points out, product innovation has been crucial to their success and financial sustainability over the years ("Sustainability Report of Amul," 2023).

The Evolving Financial Scenario of Social Enterprises in India: social enterprises in India are reaching their objectives by engaging in various income-generating activities such as providing business and entrepreneurial development support, service, sales and manufacturing. Most of them provide services as one of their principal income-generating activities. They operate mainly in skills development, education, financial services, and healthcare (The State of Social Enterprise in India, 2016).

Social enterprises in India adopt innovative business models (often from 'for-profit' models), which include collective ownership structures like cooperatives and producer companies. A waste venture is one example where the waste pickers own and operate this venture, focusing on solid waste management (Kumar & Gupta, 2013). Some adopt a 'not-for-profit' model, registering as a trust and sustaining themselves from trading activities like offering services or products. Aravind Eye Care Hospitals is an excellent example of this type of social enterprise in India (Kumar & Gupta, 2013).

Around 20% can be categorized as a hybrid, which starts as a non-profit or for-profit and then launches an exact opposite twin. These two or more entities may not be legally bound but work in close synergy. Usually, the same set of individuals starts and manages these ventures. Head Held High Services Pvt. Ltd is an excellent example of a hybrid social enterprise in India (Satar, 2016).

Social enterprises in India typically receive external funding from sources like CSR funding, contracts and subsidies from the government, grants from foundations, donations in cash and in-kind, volunteer time, etc. (Thomas, 2021). Another type of financial source is equity or equity-like investments (Das, 2015). However, younger social enterprises prefer repayable finance to grow their business (The State of Social Enterprise in India, 2016). Social enterprises registered as not-for-profit entities receive around 60% of their funds through these types of grants and in-kind aid and donations (Thomas, 2021). In recent years, some of India's social enterprises have shifted from not-for-profit models into for-profit models. They believe that by doing this, they will be in a better position to secure funding and scale up over some time. Several leading microfinance institutions registered as non-profits have transformed into for-profit companies. e.g., SKS and Spandana (British Council, 2016).

One realizes that social enterprises in India are not just resource-strapped but struggle to sustain themselves financially and eventually shut down over time (The State of Social Enterprise in India, 2016). Therefore, like any other organization, social enterprises must generate enough revenue to survive (Paliwal & Niyogi, 2019). Profitability may not be the primary goal but it is necessary to sustain themselves financially to fulfil their social mission and create social impact (Jenner, 2016).

Legal Registration and Financial Consequences: social enterprises in India are mostly registered as a trust, society, or section-8 company. Either of these registrations makes them eligible for tax exemption from paying the income tax (Asian Development Bank, 2012).

a) Trust: Trusts are formed to help and support the deprived sections of society. Any

group of individuals can register a trust in India and are registered under the Indian Trust Act, 1992 (Sengupta & Sahay, 2018).

b) Society: A society is an entity that individuals can create and unite in their cause for social good. The Societies Registration Act of 1860 governs societies. They must be registered with the respective state Registrar of Societies to be eligible for tax exemption (Sengupta & Sahay, 2018).

c) Section-8 Companies: A section-8 company is similar to trust and society. The objective of this type of company is to promote social good and is registered under the Companies Act 2013 for charitable purposes. (Sengupta & Sahay, 2018).

Most social enterprises in India are registered under one of these and thus enjoy the seamless benefit of total tax exemption under Section 12A and 80G from the income tax department (Satar, 2016).

The Companies Act 2013 replaced the Companies Act of 1956, in which corporate social responsibility (CSR) became mandatory for companies in India, thus forcing them to look beyond their financial gains to social concerns (Sengupta & Sahay, 2018). With this law, the companies had to integrate social and environmental concerns into their business operations, thus going beyond the mere aim of earning profits (Chandra, 2019). Having an 80G certification for the social enterprise (*through which they can possess CSR-1 registration*) offers them a higher chance of attracting more donors for donating CSR funds to these organizations since the company donating the funds can claim tax exemption on the donated amount (Shikha, 2021).

This has become a big blessing for social enterprises in India since large portions of these funds are donated to social enterprises involved in various services and product delivery to bring about sustainable solutions and create social impact (Chandra, 2019).

These factors, by default, contribute towards the financial sustainability of the social enterprises in India. However, with all these means, finance is still one of the significant constraints for most social enterprises in India (Hota et al, 2018). Additionally, the present

scenario with the “micro” category of social enterprises is obscure due to the lack of literature about this category of social enterprises.

Factors contributing to financial sustainability: several factors can contribute to achieving financial sustainability in social enterprises. However, based on the literature mentioned above, this research considers the following factors for study: growth orientation, social capital, product and service innovation, and external funding (government and CSR).

- a) **Growth orientation** includes several facets like; expansion into new geographical areas, developing and launching new services and products, attracting new customers and thus increasing sales, and attracting new investments to expand (Jenner, 2016). It is interesting to note that those social enterprises that are financially stable identify ‘expanding into new geographical areas’ as the top growth plan (The State of Social Enterprise in India, 2016). Thus, growth orientation can be a decisive factor in the financial sustainability of social enterprises.
- b) **Social capital** is the networked model of all the stakeholders involved, especially donors and beneficiaries, which is capable of enhancing the performance efficiencies of social enterprises (Mehrotra & Verma, 2015). Owing to generally the small nature of the social enterprises in India, they lack strategic vision and organizational efficiency and thus cannot hold the trust of donors long enough with their processes and business models. However, if managed well this can lead to better financial performance that will emerge from the transparency and trust of the donors and beneficiaries as well (Mehrotra & Verma, 2015).

Social capital also refers to the relational networks of social bonds with other organizations and governments. This can be leveraged to reduce costs, mitigate risks, explore new markets and solve legal or technical issues (Son et al., 2018). These collaborative networks are proven to be significantly beneficial for resource acquisition and competitive advantage (Jenner, 2016). Hence, social capital can positively contribute towards financial success and

the social mission because social enterprises mobilize resources through relational assets with external organizations. These relational assets provide social value that exceeds transaction costs (Son et al., 2018) thus making them financially sustainable.

- c) **Product and service innovation** contributes significantly to financial performance and the mission of the social enterprise (Son et al., 2018). It refers to the launch of new products or services; it can also mean remarkably enhancing the features of already-existing goods or services, such as through the incorporation of software, user-friendliness, technical specifications, components and materials, or other functional aspects (Monroe-White & Zook, 2018). In the case of India, a large majority of the social enterprises are involved in service delivery (The State of Social Enterprise in India, 2016) (Ganesh et al., 2018); hence, looking at innovations from the perspective not just of product but also service is highly essential.

It is also important to note that product innovation works exceedingly well in the low-end markets that social enterprises are catering to – it fulfils the unique needs of this category of population (Son et al., 2018). Given the scope of this research, which focuses on micro-social enterprises, this is a crucial point to consider.

- d) **External funding** is crucial for these enterprises’ overall sustainability; the primary is government funding (Bacq et al., 2013). Additionally, for the social enterprise in India, the CSR funds have proved to be a game changer. In the financial year 2020-21, according to the Ministry of Corporate Affairs, an enormous sum of 262.10 billion Indian rupees (roughly USD 3.15 billion) was poured in by the various companies for social causes and as per the prediction of the central government bureau, this amount is only expected to increase over the years (Ministry of Corporate Affairs, 2021). Most of these funds go to social causes via various social enterprises (Yogesh Hole et al., 2019), thus making them financially strong.

The social enterprises based in the Indian state of Maharashtra receive the highest share of CSR funds from the various corporations compared to all the other states in India (Ministry of Corporate Affairs 2021). CSR funds and government funding play a crucial role in the financial sustainability of social enterprises in India; this study considers both these funds as one category named 'external funding'.

- e) **Financial sustainability** is more than mere financial performance. Bowman (2011) defines it as the ability of an organization to maintain financial capacity over a period of time, meaning that it is the capacity to acquire, manage and optimize economic resources so that the organization can (a) cover its costs of operations – general and recurring, (b) it can grab new opportunities, and (c) be prepared to handle unexpected events like a pandemic or economic crises, etc. (Bowman, 2011).

This research aligns with this understanding as it explores different horizons to identify crucial factors that eventually build up the model for financial sustainability.

Models for Financial Sustainability: a few models for financial sustainability in the social enterprise arena are available in the literature.

As proposed by Shin & Park (2019), it emphasizes blended value orientation, in which the social enterprise creates social value based on financial sustainability. The findings show that social entrepreneurs' blended value orientation

impacts their performance and social entrepreneurship; social entrepreneurship fully mediates blended value orientation and performance (Shin & Park, 2019). While this model has some brilliant insights for this research, it misses out on other crucial elements; and thus cannot be replicated within the Indian subcontinent.

One of the successful models for financial sustainability among social enterprises is from South Korea, proposed by Son et al. (2017), which emphasizes social value creation and financial performance for those social enterprises in the manufacturing industry. Even though social value creation is not directly the focus of this research paper, it brings to light some decisive factors like product innovation and social capital (Son et al., 2018). However; it is essential to note that this model misses out on some crucial factors like growth orientation and external funding that were discovered in the available literature. Additionally, this model was designed specifically for social enterprises in the manufacturing sector (Son et al., 2018). In contrast, most social enterprises in India offer services, and very few are in the manufacturing sector (The State of Social Enterprise in India, 2016). Nonetheless, this model has critical insights that were integrated into this research.

Thus, considering the above-presented literature and models, we can safely conclude that there is a need to create a fresh model for the financial sustainability of micro-social enterprises in the Indian state of Maharashtra.

Framework

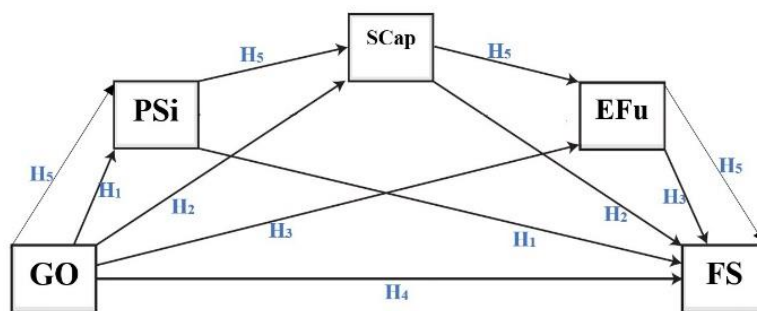


Figure 1. Operational Framework

- *GO = Growth Orientation
- *PSi = Product and Service Innovation
- *SCap = Social Capital
- *EFu = External Funding
- *FS = Financial Sustainability

- a) Independent Variable (X): Growth Orientation refers to the strategic focus and inclination of an organization towards expanding its operations in terms of new geographical locations, market share, and overall business scope.
- b) Dependent Variable (Y): Financial Sustainability represents the long-term ability of an organization to manage its financial resources effectively, ensuring stability and viability.
- c) Mediator (M₁): Product and Service Innovation represents the organization's capacity to develop and introduce new and improved products or services to the market, fostering competitiveness and adaptability.
- d) Mediator (M₂): Social capital represents the relational networks of the organization with other organizations as well as the relations with its donors and beneficiaries which can be further leveraged to better financial performance.
- e) Mediator (M₃): External Funding refers to financial resources obtained from sources outside the organization, such as government schemes or subsidies and CSR funds.

Statement of the Research Problem

Social enterprises must strike a balance between acquiring assets to build and maintain competitive advantages for enhancing financial performance and using these resources to address their social mission based on their priorities (Hota et al., 2018) (Jenner, 2016). They need to aim at financial performance because only if they are financially stable can they fulfil their social mission (Lian, 2020) (Jenner, 2016).

To be successful, they will have to overcome particular difficulties brought about by their given dual purpose i.e., economic and social (Bhattarai et al., 2018). Some give in to social and political demands to compromise financial performance, while some give to market forces to compromise social value (Ávila et al., 2021). Life remains challenging for them since they want to make a difference in the world and also make money simultaneously (Habaradas et al., 2019). Given this situation, the present study uses statistical and quantitative analysis to explore and determine the

crucial factors that contribute to the financial sustainability of the micro category of social enterprises.

Significance of Study

Sustainability is understood as an organization's ability to maintain financial capacity over time (Bowman, 2011); given the specific context of the Indian subcontinent, some case studies are available on the bigger-size social enterprises and the strategies they apply to reach overall sustainability. However, there is very little or no literature on micro-social enterprises. Additionally, there is no available framework for the sustainability of micro-social enterprises operating in the Indian subcontinent. Based on the available literature, this study first gathered data on these crucial factors and then attempted to create a proposed model based on these factors.

This study may benefit micro-social enterprises in understanding the building blocks or the crucial factors that make their enterprises sustainable, not only the existing ones but also those planning to venture into this arena as start-ups. As a result, this could facilitate the creation, sustaining, and development of social enterprises in Maharashtra and Pan-India, eventually attracting more people to become social entrepreneurs and start their social enterprises as change-makers in society.

Additionally, this study can be helpful for policymakers to frame policies that enhance the growth and sustainability of social enterprises since they co-assist the government in this vital job of poverty alleviation and ensuring quality human life for its citizens.

Scope and Limitation

The desired state for social enterprises should be one in which the organization reinvests all surpluses in the process of their mission realization, i.e., the profit (surplus) is not divided among the shareholders or trustees of the social enterprises or the board members (Szymanska & Jegers, 2016). This research strictly checked this criterion before selecting the respondents for this study.

The absence of a formal legal structure for social enterprises in India makes it a complex reality, especially distinguishing it from other

non-profit organizations like NGOs, Societies, Trusts and Section-8 companies; all these entities in India have a similar legal registration/identity (Sengupta & Sahay, 2018). Hence, they could also be counted in the study as a social enterprise depending on the activities/work they are involved in.

Given the time and resource constraints, this research examines financial sustainability only from the perspective of some crucial factors; future research could include more factors to analyze the proposed model further. Finally, this study is limited to the Indian federal state of Maharashtra; future studies could gather data and compare the findings from other geographical locations.

Methodology

Research Questions

- a) How do micro-social enterprises in the Indian state of Maharashtra strategically manage and enhance their financial sustainability, and how do growth orientation, social capital, product and service innovation, and external funding sources collectively shape their financial sustainability strategies and decision-making processes?
- b) How do micro-social enterprises perceive and leverage the abovementioned proposed crucial factors to build a model for financial sustainability? Among the factors which one stands out to be the most significant ones?

Research Locale

As already mentioned in the literature above, the federal state of Maharashtra has excellent examples of social enterprises and also the highest number of them; 16% of the total social enterprises in the country are operating in this state with intervention in every field, *viz.* healthcare, education, financial inclusion, water and sanitation, clean energy, etc. (The State of Social Enterprise in India, 2016). Most nationwide social enterprises are headquartered in Maharashtra (Ganesh et al., 2018) (British Council, 2016). Additionally, this is the most economically prosperous state with the highest share in the GDP of the country, i.e. 13.88%, which is approximately US\$ 486 billion

(Ministry of Statistics and Programme Implementation, 2022).

Research Design

This research is an explanatory-causal study which revolves around various crucial factors which ultimately lead to the financial sustainability of micro-social enterprises. Primary data was collected with the help of an online survey generated by Google Forms for a cohort of social enterprises in the Indian state of Maharashtra. The research approach is quantitative, which systematically investigates the variables mentioned above by conducting statistical tests.

Sampling Design

The probabilistic sampling method was used in this study with the help of a sample size calculator. Due to the lack of information about the exact number of the population of social enterprises within the specified geographical area of the research; the researcher then used the various networks available and generated an exhaustive list of 156 organizations. Using a margin of error of 5% and a CF of 95%, the minimum sample size of 112 respondents was calculated using an online sample size calculator (Raosoft, 2011).

The survey targeted the entire available population of 156 social enterprises, out of which 126 responded. However, one response was majorly incomplete, one organization was not based in the state of Maharashtra and three organizations were less than 3 years of age – thus five responses were eliminated. Finally, the research took into consideration the data from 121 organizations that answered the survey completely.

Research Instrument

The research instrument was adapted from several research articles expounding similar variables; with a few adaptations that were vital for the current study. The data was gathered by administering a seven-sectioned questionnaire. The online survey was made available through e-mail and personal messaging, which the target population could access – thanks to a web page link. The questionnaire is specific to

the area of Maharashtra as there is a required question of the locale in the survey.

The instrument begins with a welcome note to the respondents and also provides them with information about this survey in a transparent manner. It then proceeds to four defining questions and section two gathers the respondent's profile, followed by five sub-sections for the five crucial variables. A seven-point Likert scale ranging from 1 (strongly agree) to 7 (strongly disagree) was provided to capture the data in this section. The final section thanked the respondents and provided the contact details of the researcher—the instrument aimed at maximization of data collection through one single attempt.

Statistical Treatment of Data

The data obtained from the survey was analyzed with the statistical software SPSS (IBM, 2023) and Jamovi (Jamovi, 2022). To obtain the basic features of the data; descriptive statistics was done and later with the help of inferential

statistics the hypotheses were tested. The following were the systematic steps for the statistical treatment of data:

- a) Processing of raw data: sorting of data was done according to the different variables in Excel. The various variable questions were converted to average using the average function; these were further used for linear regression and mediated mediation with the help of SPSS.
- b) Descriptive analysis: was performed for the datasets, including the measures of central tendencies, measures of normality skewness and kurtosis, range, variance, shapiro-wilk p, and standard deviation using the exploration feature of Jamovi.
- c) Linear Regression: after the individual regression, the assumptions of linear regression were checked using Jamovi.
- d) Mediated Mediation: for testing the hypothesized model, the Process Macro of SPSS (Model-6) was used (Hayes, 2022) – which contains three mediators in serial.

Statistical Relationships

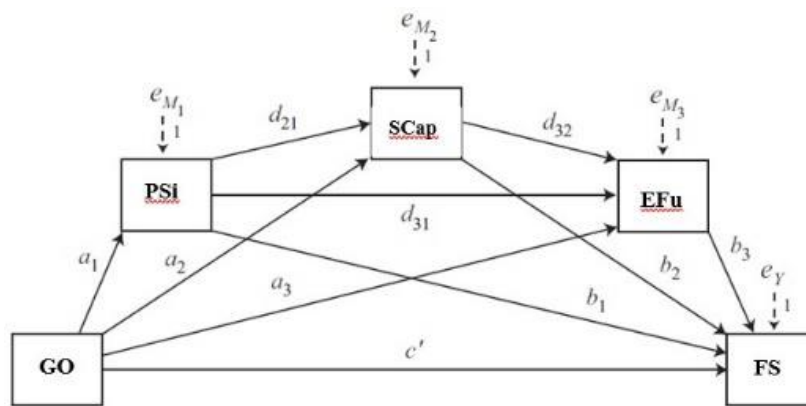


Figure 2: Statistical Diagram

SPSS – model 6, page 11 (Hayes, 2016)

- Indirect effect of GO on FS through PSi only = a_1b_1
- Indirect effect of GO on FS through SCap only = a_2b_2
- Indirect effect of GO on FS through EFu only = a_3b_3
- Indirect effect of GO on FS through PSi and SCap in serial = $a_1d_{21}b_2$
- Indirect effect of GO on FS through PSi and EFu in serial = $a_1d_{31}b_3$
- Indirect effect of GO on FS through SCap and EFu in serial = $a_2d_{32}b_3$
- Indirect effect of GO on FS through PSi, SCap, and EFu in serial = $a_1d_{21}d_{32}b_3$
- Direct effect of GO on FS = c'

Hypothesis

H₁: The indirect effect of Growth Orientation (X) on Financial Sustainability (Y) through Product and Service Innovation (M₁) is significant.

H₂: The indirect effect of Growth Orientation (X) on Financial Sustainability (Y) through Social Capital (M₂) is significant.

H₃: The indirect effect of Growth Orientation (X) on Financial Sustainability (Y) through External Funding (M₃) is significant.

H₄: The direct effect of Growth Orientation (X) on Financial Sustainability (Y) is significant.

H₅: The indirect effect of Growth Orientation (X) on Financial Sustainability (Y) through Product and Service Innovation (M₁), Social

Capital (M₂), and External Funding (M₃) in serial is significant.

Results

This section analyses the highlights for each of these factors in light of the existing scholarly and popular literature; it also proceeds further to explore the authenticity and reliability of the data.

Reliability Analysis: The pretesting was done using Cronbach's α and the value was found to be 0.948 which is an excellent value for internal consistency - thus we can safely conclude that the scale is reliable.

Table 1, 2. Scale Reliability Statistics, Item Reliability Statistics

Scale Reliability Statistics			
	Mean	SD	Cronbach's α
scale	4.33	1.23	0.948
Item Reliability Statistics			
Variable	Mean	SD	If item dropped Cronbach's α
GO	4.46	1.26	0.948
PSi	4.26	1.39	0.946
SCap	4.19	1.43	0.927
EFu	4.32	1.24	0.935
FS	4.43	1.43	0.921

Descriptive Statistics: The measures of central tendency are provided in the above table as well as that of variability. The data is found to be within the range of skewness, as well as kurtosis scores (-3 to +3, and -2 to +2 respectively). Also, the normality test was conducted and the results reveal all 5 variables in

normal distribution as the Shapiro-Wilk p-value is more than 0.05. Additionally, the histograms, Q-Q plots and adjusted R²=0.880 with p value<0.001 (supplementary data, pages 1&2) reveal the normal distribution of all the variables and the high significance of the model for linear relationships i.e. 88%.

Table 3. Descriptives

	GO	PSi	SCap	EFu	FS
N	121	121	121	121	121
Missing	0	0	0	0	0
Mean	4.46	4.26	4.19	4.32	4.43
Median	4.4	4.33	4.33	4.5	4.6
Standard deviation	1.26	1.39	1.43	1.24	1.43
Variance	1.6	1.94	2.03	1.55	2.03
Range	5.6	6	6	5.75	6
Minimum	1.4	1	1	1.25	1

	GO	PSi	SCap	EFu	FS
Maximum	7	7	7	7	7
Skewness	-0.0668	-0.0673	-0.0550	-0.0538	-0.180
Std. error skewness	0.22	0.22	0.22	0.22	0.22
Kurtosis	-0.0046	-0.594	-0.524	0.0576	-0.485
Std. error kurtosis	0.437	0.437	0.437	0.437	0.437
Shapiro-Wilk W	0.979	0.981	0.984	0.979	0.981
Shapiro-Wilk p	0.053	0.084	0.181	0.052	0.091

Linear Regression

Assumption Checks: GO and PSi show no significant collinearity issues, and SCap and EFu demonstrate moderate collinearity, especially with SCap having slightly high VIF and just marginally accepted tolerance, within the permissive limit of VIF < 10 and tolerance >

0.100 respectively. Durbin-Watson Test: the DW statistic value is 1.92, which is close to 2, thus suggesting no significant autocorrelation. All the assumptions of linear regression were met; thus the research proceeds with mediated mediation.

Table 4. Collinearity Statistics

	VIF	Tolerance
GO	2.45	0.409
PSi	2.57	0.389
SCap	5.82	0.172
EFu	4.63	0.216

Table 5. Durbin-Watson Test for Autocorrelation

Autocorrelation	DW Statistic	p
0.0327	1.92	0.682

Mediated Mediation: was performed and the results for the same show the R-sq value of 0.884 at a p-value of 0.00; suggesting that the proposed model is significantly strong. It was discovered that all the variables influence financial sustainability significantly (with p-value <0.05).

the direct of GO on FS, the indirect effect with three mediators in serial, and the total effect of GO on FS. The results reveal the total effect of GO on FS is $\beta = 0.923$ at p-value <0.001 which suggests a much greater total effect as compared to the direct effect of GO on FS at $\beta = 0.317$ at p-value <0.001.

The mediated mediation studied seven interactions (table 11); these took into account

Table 6, 7. Model Summary and Model

Model Summary						
R	R-sq	MSE	F	df1	df2	p
0.94	0.884	0.244	221.012	4	116	0
Model						
	coeff	se	t	p	LLCI	ULCI
constant	-0.349	0.186	-1.882	0.062	-0.717	0.018
GO	0.317	0.056	5.676	0	0.206	0.427
PSi	0.275	0.052	5.294	0	0.172	0.378
EFu	0.184	0.078	2.354	0.02	0.029	0.338
SCap	0.334	0.076	4.381	0	0.183	0.485

Table 8,9: Total and Direct Effect of GO on FS

Total effect of GO on FS							
Effect	se	t	p	LLCI	ULCI	c_cs	
0.923	0.06	15.511	0	0.805	1.041	0.818	

Direct effect of GO on FS							
Effect	se	t	p	LLCI	ULCI	c'_cs	
0.317	0.056	5.676	0	0.206	0.427	0.281	

The indirect effect has only one interaction (no. 5) which is insignificant i.e. GO---PSi---SCap---FS; however, it is essential to note that it is only marginally insignificant with just a lower limit of -0.001 and an upper limit of 0.086. The highest β for interactions was

observed for PSi in interaction-1, with a value of 0.194; followed by interaction-3 for SCap with a value of 0.098. The total indirect effect was found to be 0.606 which is higher than the direct effect of GO. All the analyses were performed for 5000 bootstrap samples.

Table 10. Indirect Effect of GO on FS

Indirect effect(s) of GO on FS:				
	Effect	BootSE	BootLLCI	BootULCI
TOTAL	0.606	0.071	0.462	0.741
Ind1	0.194	0.074	0.085	0.376
Ind2	0.065	0.033	0.011	0.136
Ind3	0.098	0.046	0.015	0.192
Ind4	0.059	0.031	0.008	0.129
Ind5	0.04	0.022	-0.001	0.086
Ind6	0.078	0.033	0.015	0.144
Ind7	0.071	0.023	0.022	0.112

Completely standardized indirect effect(s) of X on Y:				
	Effect	BootSE	BootLLCI	BootULCI
TOTAL	0.537	0.051	0.43	0.631
Ind1	0.172	0.063	0.078	0.325
Ind2	0.058	0.029	0.009	0.122
Ind3	0.087	0.041	0.013	0.168
Ind4	0.053	0.027	0.008	0.113
Ind5	0.035	0.019	-0.001	0.074
Ind6	0.069	0.029	0.014	0.125
Ind7	0.063	0.019	0.02	0.097

Table 11: Indirect Effect Key

Indirect effect interactions:				
Ind1	GO	→	PSi	→ FS
Ind2	GO	→	EFu	→ FS
Ind3	GO	→	SCap	→ FS
Ind4	GO	→	PSi	→ EFu → FS
Ind5	GO	→	PSi	→ SCap → FS
Ind6	GO	→	EFu	→ SCap → FS
Ind7	GO	→	PSi	→ EFu → SCap → FS

Hypotheses Testing

H₁: The indirect effect of Growth Orientation (X) on Financial Sustainability (Y) through Product and Service Innovation (M₁) is significant.

To test this hypothesis, if PSi mediates the impact of GO on FS; table 10 reveals that PSi has an indirect effect on FS with Go – thus supporting hypothesis 1 ($\beta = 0.194$ at 95% confidence level, CI (confidence interval) = [0.085, 0.376])

H₂: The indirect effect of Growth Orientation (X) on Financial Sustainability (Y) through Social Capital (M₂) is significant.

To test this hypothesis, if SCap mediates the impact of GO on FS; table 10 reveals that SCap has an indirect effect on FS with Go – thus supporting hypothesis 2 ($\beta = 0.098$ at 95% confidence level, CI = [0.015, 0.192])

H₃: The indirect effect of Growth Orientation (X) on Financial Sustainability (Y) through External Funding (M₃) is significant.

To test this hypothesis, if EFu mediates the impact of GO on FS; table 10 reveals that EFu has an indirect effect on FS with Go – thus supporting hypothesis 3 ($\beta = 0.065$ at 95% confidence level, CI = [0.011, 0.136])

H₄: The direct effect of Growth Orientation (X) on Financial Sustainability (Y) is significant.

To test this hypothesis, if GO has a direct effect on FS; table 9 reveals that GO does have a positive association with FS – thus supporting hypothesis 4 ($\beta = 0.317$ and p-value <0.001)

H₅: The indirect effect of Growth Orientation (X) on Financial Sustainability (Y) through Product and Service Innovation (M₁), Social Capital (M₂), and External Funding (M₃) in serial is significant.

To test this hypothesis, if GO has an indirect effect on FS through PSi, SCap and EFu; table 10 reveals that GO does have a positive association with FS with the mediators being PSi, SCap and EFu – thus supporting hypothesis 5 ($\beta = 0.071$ at 95% confidence level, CI = [0.022, 0.112])

Discussion

The results highlight a significant serial mediation effect, where the relationship between growth orientation and financial sustainability is contingent on the level of product and service innovation, social capital and external funding. The serial mediation through the above-

mentioned three mediators is demonstrated by the indirect effects, providing insights for strategic decision-making in organizations. The results further reveal that among the various mediators, the highest β for interactions was observed for PSi in interaction-1, with a value of 0.194 (table 10); thus making it the most significant one among the other mediators.

Additionally, if external funding is taken as a dependent variable for growth orientation and product and service innovation as covariates the highest effect is observed by product and service innovation and not growth orientation (supplementary data, page-3: GO=0.356 with p-value <0.001 and PSi = 0.459 with p-value <0.001). In other words, those social enterprises that prioritize innovation in their offerings could see a greater influence on their capacity to obtain external funding, thanks to the higher effect of product and service innovation.

Further, if social capital is taken as a dependent variable for growth orientation, product and service innovation and external funding as covariates the highest effect is observed by external funding, followed by growth orientation and the least by product and service innovation (supplementary data, page-4: EFu=0.658 with p-value <0.001, GO=0.295 with p-value <0.001, and PSi = 0.169 with p-value <0.001).

The serial mediation of product and service innovation and external funding (table 10) is found to be significant $\beta=0.059$ at a 95% confidence level, CI = [0.008, 0.129]. Additionally, if two serial mediators are product and service innovation and social capital then the interaction is found to be insignificant $\beta = 0.040$ at 95% confidence level, CI = [-0.001, 0.086]. If product and service innovation is replaced with external funding in this interaction the mediation is still significant $\beta=0.078$ at a 95% confidence level, CI = [0.015, 0.144]. Product and service innovation when channelized through social capital may introduce external constraints or influences that alter the dynamics of the relationship, leading to a less pronounced effect on financial sustainability; rather it is suggested that product and service innovation be channelized through external funding to obtain higher performance. This

implies that the impact of product and service innovation on social capital, and subsequently on financial sustainability, is somewhat mitigated when organizations rely on social capital to materialize their innovations.

The findings suggest a few crucial paths for financial sustainability; *viz.* strategic alignment of growth efforts with product and service innovation, fostering social capital for unlocking the full potential of growth-oriented strategies, growth orientation coupled with striving for external funding; however, the best path to be traversed is when a firm that has a high growth orientation in tandem with innovations and social capital along with striving for obtaining external funding is a confirmed path for financial sustainability.

Thus we can conclude that this model underscores the interplay between growth orientation, social capital, product and service innovation, and external funding in shaping financial sustainability. The insights gained from this analysis can inform strategic decisions aimed at fostering sustainable growth in social enterprises in India.

Conclusion

The results endorse the available literature that the following factors: growth orientation, social capital, product and service innovation and external funding; prove to be the crucial ones for developing a financial sustainability model for micro-social enterprises.

Theoretical Implications

The findings corroborate the tenets of growth theory within the context of social enterprises, demonstrating that growth orientation is the overarching determinant of financial sustainability. This aligns with existing theoretical frameworks emphasizing the importance of growth and expansion strategies in organizational development as discovered in the available literature (Jenner, 2016).

The identification of indirect pathways, including product and service innovation (Son et al., 2018) (Monroe-White & Zook, 2018), external funding (Yogesh Hole et al., 2019) (Chandra, 2019) (Berad, 2015), and social capital (Son et al., 2018) (Mehrotra & Verma, 2015), underscores the relevance of

understanding how internal resources and capabilities contribute to sustainable competitive advantage (Godfrey, 2021), thus highlighting the role of intangible assets in driving financial outcomes in the domain of social enterprises (Jenner, 2016). No other previous study has taken into consideration all these factors together in one framework for social enterprises; which has been tested and proved its ground.

Educational Implications

The findings provide valuable insights for curriculum development in educational programs focused on social enterprises and sustainable development. Incorporating lessons learnt on growth strategies, innovations, fundraising, and stakeholder engagement can equip aspiring entrepreneurs with the knowledge and skills needed to navigate the complexities of the social enterprise landscape (Satar & John, 2016).

The academia can leverage real-life case studies, such as the exemplary social enterprises mentioned in this study; such as Amul (Tanchangya et al., 2020) (K. Singh & Sharma, 2019) ("Sustainability Report of Amul," 2023) and Aravind Eye Care (Ravilla, 2015) (Kumar & Gupta, 2013), to facilitate experiential learning and critical thinking among students. Analyzing the success factors and challenges faced by these enterprises can offer practical lessons for aspiring social entrepreneurs.

Managerial Implications

Policymakers and funders can use the study findings to inform policy decisions and funding priorities aimed at fostering the growth and sustainability of social enterprises; given the key role they play in poverty alleviation and resolving other important societal issues (Satar & John, 2016) (Tanchangya et al., 2020) (Sahrakorpi & Bandi, 2021). By prioritizing initiatives that support growth orientation, innovation, and access to external funding, policymakers can create an enabling environment for social entrepreneurship to thrive. The detailed insights revealed from this study help shape the conversation in academia and industry as well; to provide a useful road map for making strategic decisions in the ever-changing field of

social entrepreneurship (Monroe-White & Zook, 2018).

The analysis highlights the statistical outcomes and also scrutinizes the nature of the organizations surveyed, ensuring the authenticity and reliability of the findings. Social enterprise support organizations and incubators can leverage the study findings to design capacity-building programs tailored to the needs of emerging and existing social enterprises (Satar & John, 2016). Training programs focused on strategic planning, market expansion, fundraising strategies, and stakeholder engagement can enhance the capabilities of social entrepreneurs (Ávila et al., 2021) and increase their likelihood of achieving financial sustainability (Cho et al., 2022).

Finally; the findings underscore the multi-dimensional nature of factors influencing financial sustainability in social enterprises, with growth orientation catalyzing innovation, external funding, and strategic partnerships. By harnessing the synergies between growth-oriented strategies and intermediary variables, social enterprises can navigate challenges, seize opportunities, and advance their dual mission of financial sustainability as well as their social mission.

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