

## INDONESIA'S SOCIAL ENTERPRISE: POLICY CHALLENGES AND SUPPORT NEEDS

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### Abstract

*This research investigates the policy landscape surrounding social entrepreneurship in Indonesia, encompassing legal and regulatory frameworks, government initiatives, and institutional support for social enterprises. The study is crucial as it addresses an understudied area, aiming to inform policymakers, foster collaboration, stimulate economic development, and promote sustainable growth. The methodology involved qualitative interviews with eight social entrepreneurs across Indonesia. Collected data was analyzed using content analysis techniques, facilitated by the MAXQDA platform. Findings indicate that despite social entrepreneurship being an emerging field in Indonesia, there is a notable lack of effective policies and regulations. Six of eight respondents perceived inadequate current regulatory support, and half cited financial challenges as a significant issue. Conversely, seven respondents acknowledged existing government assistance, suggesting a willingness to support the sector. Based on these results, key recommendations for the government to foster a supportive ecosystem include developing non-overlapping policies, implementing substantive policy changes, promoting useful policies, simplifying bureaucracy, and engaging in direct dialogue with social entrepreneurs. The research concludes that addressing these areas can empower social entrepreneurs to create lasting social impact. This study uniquely fills a gap by directly engaging social entrepreneurs, though future research should include government representatives for broader perspectives.*

**Keywords:** *Ecosystem Development, Policy Framework, Social Enterprise, Strategic Challenges*

### 1. INTRODUCTION

Social entrepreneurship has increasingly emerged as a strategic approach to addressing complex social, economic, and environmental issues that are not adequately resolved by government agencies, private enterprises, or nonprofit organizations alone (Chan et al., 2019; Keech, Munger, & Simon, 2012). Unlike conventional enterprises that prioritize

profit, social enterprises aim to generate sustainable solutions that create social value and promote community well-being. These efforts align with broader development priorities, including poverty alleviation, education access, environmental protection, and social inclusion (Hemingway, 2005; Defourny & Kim, 2011).

Globally, social entrepreneurship has been supported through robust social policy frameworks in several countries. The United Kingdom, for instance, has introduced challenge-based grants and procurement schemes to support innovation within communities. Similarly, Bulgaria has developed financial support mechanisms and tax incentives to enable the growth of social enterprises (Terziev & Georgiev, 2019; Tjornbo & Westley, 2012). In East and Southeast Asia, policy integration has allowed social entrepreneurs to become key contributors to national development by addressing grassroots needs with localized solutions (Jamil, Aminuzzaman, & Haque, 2013).

In Indonesia, social entrepreneurship has gained traction in recent years as a response to persistent development challenges such as poverty, inequality, and limited access to essential services. Although government initiatives like the Social Enterprise Development Program and the Social Enterprise Innovation Fund exist, policy implementation remains fragmented. Legal recognition of social enterprises is still underdeveloped, and regulatory overlap between ministries has contributed to inefficiencies (OECD, 2019). As a result, many social entrepreneurs operate in isolation, often relying on private networks and donor support rather than institutional assistance.

This condition highlights the need to understand the relationship between social entrepreneurship and public policy in Indonesia. While social enterprises hold the potential to support national goals, including those outlined in the Sustainable Development Goals (SDGs), the absence of a cohesive policy framework limits their impact and sustainability. Previous studies have explored the societal benefits of social entrepreneurship, yet few have investigated the extent to which existing policies support or hinder their development (Idris & Hati, 2013)

To address this gap, the present work explores the policy landscape surrounding social entrepreneurship in Indonesia. The inquiry aims to assess whether relevant policies exist, how they are perceived by practitioners, and what improvements can be made to foster a more enabling environment. Through interviews with social entrepreneurs across various sectors, the findings offer evidence-based insights that can inform future policy formulation and support the advancement of inclusive development in Indonesia.

## **2. RESEARCH METHOD**

This study adopted a qualitative research design to explore the policy environment surrounding social entrepreneurship in Indonesia. The approach focused on gathering detailed narratives from practitioners to assess the extent to which current social policies support or hinder their work. The qualitative method was chosen to gain deep contextual

understanding and to uncover policy-related challenges directly from social entrepreneur's lived experiences (Creswell & Poth, 2018). This design was appropriate given the exploratory nature of the topic, the limited availability of secondary data, and the need to interpret subjective perceptions regarding regulatory frameworks and institutional support mechanisms.

The target participants for this study were selected using purposive sampling. This non-probability sampling technique allowed the researcher to intentionally select individuals who were knowledgeable and experienced in social entrepreneurship. Eight social entrepreneurs were recruited as key informants. Each participant represented diverse organizational backgrounds, including startups, civil society organizations, and networks affiliated with international bodies such as Ashoka. Selection criteria included active engagement in managing or founding a social enterprise in Indonesia, familiarity with institutional support structures, and willingness to participate in an in-depth interview. This diversity of perspectives was essential to obtain a well-rounded understanding of how policies are perceived and implemented in practice.

The main instrument for data collection was a semi-structured interview guide consisting of nine open-ended questions. The questions were designed to cover key thematic areas such as motivation to become a social entrepreneur, organizational goals, regulatory awareness, perceived government support, financial challenges, and suggestions for future policy improvements. Semi-structured interviews were chosen to allow flexibility in probing deeper into participant responses, while still maintaining a consistent structure across interviews. The full list of interview questions is provided in the appendix section of the original study.

Interviews were conducted through digital communication platforms including Zoom, Google Meet, and WhatsApp. The use of virtual tools enabled efficient data collection across different geographical locations and provided logistical advantages in terms of cost, time, and accessibility. Each interview lasted between 30 and 40 minutes. All interviews were audio-recorded (with participant consent), transcribed verbatim, and translated where necessary to ensure accurate interpretation of responses.

To support data processing, the transcribed interview texts were uploaded into MAXQDA 2022, a computer-assisted qualitative data analysis software (CAQDAS). This platform allowed for systematic coding and categorization of textual data. The analytical process involved coding the transcripts according to themes such as financial barriers, regulatory perceptions, government assistance, and policy suggestions. These themes were not predetermined but emerged inductively during the coding process, following the principles of qualitative content analysis. MAXQDA facilitated the organization of codes, generated word clouds for thematic visualization, and enabled frequency mapping of coded responses across all interviewees.

The design and performance of the interview tool were evaluated through its effectiveness in generating rich, relevant data. All participants answered the core questions, and the data yielded consistent insights across multiple themes. For example, six respondents indicated that current regulations did not adequately support social entrepreneurship, while four acknowledged partial support. Similarly, seven participants reported receiving some form of government assistance, such as permits, training programs, or logistical support, though not necessarily in the form of financial capital.

The coding outcomes are summarized in Table 1, which shows the distribution of responses across major thematic categories. This categorization helped quantify qualitative findings while preserving the narrative depth and complexity of each participant's experience.

**Table 1** Thematic Coding Summary from Interview Content

Code Description	Number of Respondents
Current regulations do not support SE	6
Current regulations support SE	4
Government provides moral/technical support	7
Financial challenge as a barrier	4
Need for simple bureaucracy	6
Desire for non-overlapping government policies	3
Suggestion for substantive policy improvement	6

*Source: Processed data, 2025*

Additionally, a word cloud was generated using MAXQDA to visualize the most frequently mentioned terms across all interviews. Words such as social, entrepreneur, support, regulation, and assistance appeared most prominently, reflecting the dominant themes and concerns expressed by the participants.

Data analysis continued by interpreting each theme in relation to the broader research objective: identifying gaps and opportunities in Indonesia's social policy system with respect to supporting social entrepreneurship. This was done by comparing coded themes across participants, identifying common patterns, and linking them to existing literature and policy frameworks.

### 3. RESULTS AND DISCUSSION

This study aimed to investigate the current state of social entrepreneurship in Indonesia within the context of public policy, focusing on the effectiveness of regulations, types of government support, operational challenges, and future expectations of practitioners. Through content analysis of interviews with eight social entrepreneurs, four major themes emerged: motivation and goals, regulatory experience, institutional support, and future policy recommendations.

Most respondents entered social entrepreneurship from two different paths: five stated that their involvement was unintentional and driven by the desire to solve social problems in their communities, while three pursued it deliberately with long-term visions. Despite the variation in entry points, all respondents shared similar values related to social innovation and impact. These motivations translated into clear organizational goals aligned with several Sustainable Development Goals (SDGs), including Goal 1 (No Poverty), Goal 4 (Quality Education), Goal 9 (Industry, Innovation, and Infrastructure), Goal 10 (Reduced Inequalities), and Goal 13 (Climate Action). Respondents reported initiatives focusing on poverty alleviation, fostering innovation, education access, environmental sustainability, and food security, reinforcing the potential role of social entrepreneurs as contributors to national development strategies (Ahmad & Bajwa, 2021; Idris & Hati, 2013).

Previous research confirms that social entrepreneurs often enter the field through two distinct pathways: some discover their role unintentionally, prompted by a strong desire to address pressing social problems in their communities, while others pursue it deliberately with a clear long-term vision (Ratten, 2020; Diaz-Sarachaga & Ariza-Montes, 2022). This duality of entry points is echoed in qualitative accounts where respondents describe “realizing” their entrepreneurial role only after engaging with a community need. Despite these differences in origin, social entrepreneurs commonly share core values of social innovation, inclusivity, and sustainability, which translate into mission statements closely aligned with the Sustainable Development Goals (SDGs). Empirical studies show that social enterprises contribute directly to SDG 1 (No Poverty) through poverty alleviation initiatives, SDG 4 (Quality Education) by improving access to learning resources, SDG 9 (Industry, Innovation, and Infrastructure) via the commercialization of innovative solutions, SDG 10 (Reduced Inequalities) by empowering marginalized groups, and SDG 13 (Climate Action) through environmental sustainability programs (Sengupta & Sahay, 2017; Blanco-Ariza et al., 2019).

Regarding regulatory experience, six out of eight respondents perceived that the current regulatory environment does not sufficiently support social enterprises. While some acknowledged existing policies related to general entrepreneurship, they noted that these frameworks do not differentiate or specifically recognize the unique nature of social enterprises. The absence of a legal identity or regulatory clarity limits their ability to access

funding and formalize operations. This confirms previous findings by Moskovskaya (2015), who identified fragmented and overlapping policies in Indonesia's entrepreneurship landscape. Respondents also highlighted overlaps between ministries, particularly the Ministry of Cooperatives and SMEs and the Ministry of Finance, leading to duplicated initiatives and policy inefficiencies.

Government support, while present, remains inconsistent and primarily non-financial. Seven respondents mentioned receiving assistance in the form of technical support, such as training, licensing facilitation, and promotional events. However, none reported access to sustained financial capital or grant mechanisms from the state. The lack of direct financial incentives hinders their scalability and sustainability, especially since four respondents cited access to finance as a critical and ongoing challenge. Many rely on private donations or self-funding, which is not sustainable in the long term. This aligns with the OECD (2019), which emphasized that without institutional mechanisms like funding instruments, tax incentives, and impact investment strategies, social entrepreneurship remains a peripheral initiative in emerging economies.

**Table 2.** Summary of Thematic Coding from Interview Responses

Theme Description	Frequency	Percentage (%)	No. of Documents
SE by Intent (Willingly)	3	5.17	3
SE by Accident	5	8.62	5
Relevant Regulations Do Not Support SE	6	10.34	6
Relevant Regulations Support SE	4	6.90	4
Suggestion: Avoid Overlapping Policy	3	5.17	3
Suggestion: Substantive Policy	6	10.34	6
Suggestion: Useful Policy	3	5.17	3
Suggestion: Simple Bureaucracy	6	10.34	6
No Government Assistance	1	1.72	1
Government Assistance Provided	7	12.07	7
SE Goal: Foster Innovation	2	3.45	2
SE Goal: Environmental Protection	1	1.72	1
SE Goal: Reduce Inequality	1	1.72	1
SE Goal: Zero Hunger	1	1.72	1
SE Goal: Poverty Reduction	3	5.17	3
SE Goal: Quality Education	2	3.45	2
Financial Challenges	4	6.90	4

Source: Processed data, 2025



To visualize key patterns in respondent answers, a word cloud was generated using MAXQDA 2022 software. This visualization illustrates the most frequently mentioned terms across all interviews, emphasizing the recurring concerns and themes.



**Figure 1.** Word Cloud of Frequently Mentioned Terms

In terms of future policy directions, respondents offered constructive suggestions. Six emphasized the need for clear and substantive policy frameworks that address the specific conditions of social enterprises. These frameworks should establish legal status, access to capital, and measurable performance indicators. Six participants also called for simplified bureaucratic processes to ease access to registration, funding, and institutional partnerships. Three highlighted the importance of resolving overlapping roles among ministries to improve coordination and efficiency. These findings are consistent with international best practices, such as the United Kingdom's Social Value Act and Bulgaria's centralized social enterprise support programs, where integrated policy ecosystems have significantly enhanced sector development (Tjornbo & Westley, 2012; Terziev & Georgiev, 2019).

Taken together, the results highlight the dual reality of social entrepreneurship in Indonesia. While the sector holds significant potential to address development goals, structural barriers related to policy ambiguity, limited financial access, and fragmented institutional support remain persistent challenges. Without specific government recognition and regulatory clarity, social entrepreneurs often operate in legal and financial uncertainty,

undermining their scalability and long-term sustainability. A clear and integrated approach that includes regulatory reform, financing schemes, and inter-ministerial coordination is crucial to building an inclusive and resilient social enterprise ecosystem.

#### **4. CONCLUSION**

This study affirms that social entrepreneurship in Indonesia holds significant potential to contribute to sustainable development goals, particularly in areas such as poverty alleviation, access to education, innovation, and environmental protection. However, this potential remains underutilized due to limited regulatory support, inadequate access to financing, and weak coordination among government institutions.

Findings from the interviews reveal that most social entrepreneurs do not feel formally recognized within existing public policy frameworks. While some forms of moral and technical support are available, such as training programs and access to facilities, there is a lack of substantive regulations and structured financial mechanisms tailored specifically to social enterprises. Complicated bureaucratic processes and overlapping responsibilities among ministries further hinder growth and long-term sustainability.

In line with the issues raised in the introduction, this study concludes that comprehensive policy reform is essential to create a supportive ecosystem for social entrepreneurship. Future development plans should include the legal recognition of social enterprises, the simplification of bureaucratic procedures, improved inter-agency coordination, and the introduction of financial support schemes. Institutionalizing these elements will enable Indonesia to empower social entrepreneurs as strategic partners in addressing complex societal challenges and accelerating inclusive development.

From a methodological perspective, the study is limited by its use of a cross-sectional qualitative design, which relies on data collected from a small purposive sample. Although the use of in-depth interviews allows for rich contextual understanding, the absence of triangulated data sources and a broader geographic distribution reduces the generalizability of the findings. Furthermore, the reliance on self-reported perspectives introduces potential bias, particularly in relation to subjective assessments of policy impact. Future research should consider mixed-method approaches, include longitudinal designs, and expand the sample size to capture variations across regions and institutional contexts.



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