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Research Paper

Social enterprises resilience during a pandemic: Prioritizing social or financial factors?

Putri Mega Desiana[1], Ruslan Prijadi[1]*, Permata Wulandari[1], and Kanji Tanimoto[2]

[1]*Department of Management, Faculty of Economics and Business, Universitas Indonesia, Indonesia*
[2]*School of Commerce, Waseda University, Japan*

* Corresponding author: ruslan.prijadi@ui.ac.id

Abstract

Social enterprises are sustained by a combination of social and financial factors. This study offers a novel understanding of the key factors that enable social enterprise resilience under normal conditions, and how their roles shift during crises such as the COVID-19 pandemic. Grounded in Resource Dependence and Institutional Theories, it investigates how financial constraints and external pressures influence strategic responses. Given the scarcity of data on social entrepreneurship in Indonesia, we employed convenience and snowball sampling to collect primary data from 168 micro and small social enterprises nationwide. Using factor analysis and regression, the findings reveal that, in normal conditions, a strong social mission enhances resilience, aligning with Institutional Theory, while internal financing constraints reduce it, supporting Resource Dependence Theory. During COVID-19, the resilience benefits of a social mission diminished, and reliance on external funding increased, reinforcing Crisis Management Theory. These results highlight the need for social enterprises to optimize their social mission in stable economic conditions while ensuring financial sustainability. To prepare for future crises, they should adopt robust financial strategies, particularly by strengthening external funding networks and maintaining adaptability in the face of resource constraints.

Keywords: Social enterprises, Pandemic, Resilience, Social factor, Financial constraints.

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Introduction

The COVID-19 pandemic severely impacted the global economy. Governments imposed quarantines, lockdowns, and the closure of "non-essential" businesses for extended periods, leading to widespread economic and business stagnation (Nicola et al., 2020). According to the UNCTAD Trade and Development Report (2021), the 2020 downturn surpassed that of the 1930s. Economic growth contracted by -5.2% in developed economies and -2.1% in emerging ones. SMEs were disproportionately affected by revenue losses, supply chain disruptions, and liquidity constraints. A World Bank survey of 35,490 firms in 40 countries revealed that 60% of SMEs (compared to 42% of large firms) experienced a drop in demand; 50% (vs. 36%) faced supply chain disruptions; and 60% (vs. 46%) encountered liquidity challenges.

Social entrepreneurship aligns with Indonesia's persistent social challenges (Rostiani et al., 2015). The national economy depends heavily on SMEs (Hendratmi et al., 2022). Many Indonesian entrepreneurs also identify as sustainability-oriented, aiming to balance profit, people, and the planet. In practice, however, financial returns often outweigh environmental and social concerns. Compared to neighboring countries, Indonesia exhibits lower competitiveness. Research on social entrepreneurship remains limited, especially regarding entrepreneurial competencies. This gap may stem from the early research focus on business models, operations, and performance (Guritno et al., 2019).

Limited resources heighten SMEs' vulnerability to external shocks (Vossen, 1998; Branicki et al., 2017). Weak human capital is often a critical factor in crisis-related failures, as people are strategic assets essential for long-term survival (Naznin and Hussain, 2016; Pfeffer, 1995). Financial and technological constraints further weaken SMEs' resilience (Vossen, 1998). According to Herbane (2010), the lack of political connections, funding, and skilled personnel makes SMEs especially exposed during crises.

The model of this study draws on Branicki et al. (2017), who identify firm resources as key antecedents of resilience, and Pal et al. (2014), who emphasize the importance of internal financial and human resource quality in fostering SME resilience. To explain how firms adapt their financial strategies under external constraints, the study incorporates Resource Dependence Theory (Pfeffer and Salancik, 2003). Pal et al. (2014) further note that SMEs are particularly vulnerable during crises, especially in relation to human and financial resources. They suggest that external financial networks can enhance resilience—a capability referred to as "resourcefulness".

For social enterprises, a defining social mission also contributes to resilience (Demmer et al., 2011; Weaver, 2023) and is therefore included in the model. However, Institutional Theory (DiMaggio and Powell, 1983) posits that during crises, external pressure from investors and financial institutions may lead enterprises to prioritize financial stability over social goals. This analysis extends to the COVID-19 context, which is expected to erode social enterprise resilience. While several key factors supported resilience prior to the pandemic, their influence likely changed as the crisis unfolded. Hence, COVID-19 is modeled not only as a direct shock but also as a moderator of resilience enablers (Neise et al., 2021).

Although social enterprises may adapt in distinct ways, research on their pandemic responses remains limited (Weaver, 2023). This study aims to identify resilience enablers under normal conditions and examine how COVID-19 reshaped these dynamics. Grounded in Crisis Management Theory (Drammeh, 2024), it analyzes both the factors strengthening and weakening SME resilience in the face of the pandemic.

This study supports Tykkyläinen's (2019) qualitative finding that social enterprises tend to prioritize growth and financial performance over their social mission during crises. It also empirically tests Weaver's (2023) conceptual claim that, despite the pandemic highlighting their unique characteristics, few studies have examined social enterprises' responses to COVID-19. Weaver identifies three core elements: financial capability, a social mission that generates economic value, and critical crisis partnerships. By integrating Crisis Management and Resource Dependence theories, this study explains why, in times of economic uncertainty, social enterprises often prioritize financial strategies over social goals.

From a theoretical standpoint, several frameworks explain why social enterprises prioritize financial needs during crises. Resource Dependence Theory (Pfeffer and Salancik, 2003) holds that organizations depend on external resources and adapt to key providers' expectations. When funding from foundations, governments, or impact investors declines, enterprises shift to revenue generation to survive, as financial viability is critical (Doherty et al., 2014). Limited resources thus drive strategic changes, often favoring financial survival over social goals. In Indonesia, such adaptations have led to business model changes and stronger financial strategies during the pandemic (Prijadi et al., 2022).

Institutional Theory likewise explains this shift. DiMaggio and Powell (1983) note that enterprises are shaped by institutional environments, including regulations and stakeholder expectations. In economic distress, financial actors demand proof of sustainability, pushing business logic above social imperatives. Ebrahim et al. (2014) find that this pressure can lead to profit-oriented models or cuts to non-revenue programs. These insights show how crises heighten external financial pressures, reducing the primacy of the social mission.

Literature Review

Resilience refers to a firm's ability to withstand and recover from various disruptions (Sheffi and Rice, 2005). Starr et al. (2003) define organizational resilience as the capacity to adapt to shifting risk environments and endure systemic discontinuities. Bhamra et al. (2011) provide a comprehensive review of organizational resilience literature, identifying key challenges and gaps in SME-focused research.

Resilience is the capacity to recover from trauma or disaster and restore functionality, enabling SMEs to manage disruptions effectively (Melnikova, 2021; Nurunnabi, 2020). Limited resources make them highly vulnerable to volatility, requiring proactive strategies and asset security (Aleksić et al., 2013; Nicola et al., 2020). SMEs often lack innovation, autonomy, and adequate financial, technical, and human resources (Branicki et al., 2017; Vossen, 1998), with resource constraints as the main barrier (Herbane, 2010). Medium-sized firms are further disadvantaged, lacking the capital of

large corporations and the agility of small firms, increasing their exposure to shocks.

Berno (2017) studied social entrepreneurs after the Christchurch earthquakes, where the collapse of food supply networks created severe insecurity. This spurred efforts to ensure food security and build resilient local food systems—addressing immediate needs and long-term community resilience. Morrison et al. (2017) note that social learning among entrepreneurs can strengthen such resilience. Nakpodia et al. (2024) show that digital technologies enhance dynamic resilience by improving security, knowledge sharing, and cost efficiency during COVID-19. Resilience and adaptability remain essential for social entrepreneurs facing uncertainty (Scaffidi et al., 2025).

SMEs often respond to constraints through resource recombination and business model innovation (Purnomo et al., 2021). Extreme events such as pandemics present both challenges and opportunities, prompting resilience as an adaptive response. Remote work during the pandemic, for instance, posed operational constraints for SMEs (Khalil et al., 2022), while limited financial and human resources hindered their ability to respond effectively to evolving government policies (Zutshi et al., 2021).

Nevertheless, several studies highlight how SME characteristics facilitate disruption management. Vossen (1998) and Schepers et al. (2021) suggest that SMEs benefit from strategic agility, while Branicki et al. (2017) emphasize adaptability, flexibility, and responsiveness as key resilience factors. Flat business structures also enable faster decision-making and crisis response. Hamel and Valikangas (2003) and Prijadi et al. (2022) argue that resilience is closely tied to SMEs' capacity for adaptation and disruption management. Strategic planning remains essential, especially during crises (Caballero-Morales, 2021; Henaulu et al., 2021), as it directly influences performance and competitive positioning.

While Branicki et al. (2017) acknowledge a disconnect between perceptions and SMEs' actual ability to withstand uncommon disruptions, emerging evidence shows their adaptive potential. Behavioral research tends to portray SMEs as resilient, whereas resource-based perspectives often highlight their limitations. In comparison, studies on large enterprises describe organizational resilience as the capacity to respond to and recover from acute shocks. Although SMEs may differ in the formalization of strategic and crisis management planning, larger firms tend to exhibit more developed approaches (Herbane, 2018).

The reviewed literature frames resilience as a continuous process, wherein SMEs and social entrepreneurs adapt, plan, and innovate to navigate disruptions. Key strategies include resource recombination and business model innovation (Purnomo et al., 2021), strategic planning (Caballero-Morales, 2021), and digital adaptation (Nakpodia et al., 2024). The consistent emphasis on adaptability, flexibility, and responsiveness (Branicki et al., 2017), along with social learning (Morrison et al., 2017), underscores that resilience is dynamic and actively developed—not a fixed state.

Social Mission and Resilience

A social mission can significantly enhance business success (Bart, 1996). According to Demmer et al. (2011), mission-driven resilience is reinforced by strategic planning, top management that champions innovation, flexible organizational structures, and an

entrepreneurial orientation. Integrating firms into customer value streams and investing in innovation-oriented human capital further supports resilience. Weaver (2023) also finds that a strong social mission helps social enterprises better endure crises such as the COVID-19 pandemic.

However, implementing a social mission became more difficult during the pandemic. Organizations had to rapidly adjust their human resources, and effective remote communication depended on suitable technological tools (Meira et al., 2022). Social support played a key role in encouraging positive work behavior and organizational resilience (Heredia et al., 2022). At the same time, the pandemic disrupted social missions by accelerating strategic shifts, diversifying funding sources, reallocating resources, transitioning to digital platforms, increasing communication demands, and adopting new technologies.

Social entrepreneurs encounter various challenges in pursuing their missions (Battilana, 2018), yet resilience enables them to persist and generate positive social impact (Indarti et al., 2024). Entrepreneurial resilience is particularly vital for small business owners, who often lack the financial, social, or personal capital needed to recover from adverse decisions (Smith et al., 2022).

Resilience Theory emphasizes personal attitudes as key enablers of resilience, which can be strengthened through access to internal and external resources (Greene et al., 2004). Individual resilience comprises diverse adaptive behaviors, particularly evident among older adults managing daily life independently (Stafford and Gulwadi, 2020). Social enterprises, like individuals, possess unique resilience capabilities that must be activated during crises—such as the COVID-19 pandemic. These crises underscore the need for theoretical frameworks to guide research and inform effective crisis response (Drammeh, 2024).

Beyond Resilience Theory, Crisis Management Theory is also relevant to the COVID-19 context. It offers a structured approach to anticipating and mitigating risk, as well as implementing corrective measures following disruptions—in this case, the global pandemic (Drammeh, 2024).

We propose the following hypothesis:

H1 A stronger social mission can enhance a social enterprise's resilience.

Human Resources and Resilience

Human resources play a vital role in fostering resilience, particularly through organizational participation (Brodsky et al., 2022). The COVID-19 pandemic underscored both the fragility of life and the critical importance of human capital for business continuity. Dubihlela and Sandada (2014) found that employee involvement enhances strategic planning and improves SME performance. Similarly, Pendall et al. (2010) emphasize that a skilled, mobile workforce, along with formal and informal business networks, strengthens economic resilience.

Yu et al. (2022) argue that collaboration and trust in human capital are essential for organizational resilience. Menéndez Blanco and Montes-Botella (2017) further confirm

that human capital contributes significantly to enterprise resilience. Beyond technological responses, Nurunnabi (2020) highlights the need for greater investment in training, awareness, and HR development to help SMEs better navigate crises.

Based on this, we propose the following hypothesis:

H2 Human resource quality positively impacts social enterprises' resilience.

Financial Constraint and Resilience

The COVID-19 pandemic disrupted global financial systems (Stevenson et al., 2022). Financial resilience reflects an individual's or firm's ability to overcome challenges and secure alternative funding sources (Stevenson et al., 2022). Some firms have recognized cost savings through remote work arrangements (Meira et al., 2022). However, access to external finance has historically been limited for SMEs (Veiga and McCahery, 2019), which often suffer from chronic shortages of funding and other key resources (Storey, 1994).

Unlike large firms, SMEs face significant barriers to resilience due to resource scarcity—whether financial assets, inventory, or raw materials—which undermines their capacity to absorb shocks (Sheffi, 2007; Weaver, 2023). Financial constraints remain a primary cause of business failure. Pal et al. (2014) suggest that access to sufficient financial assets helps firms buffer crises and enhance resilience.

Based on this, the following hypothesis is proposed:

H3 Internal financial constraints negatively impact social enterprises' resilience.

Access to External Financial Sources and Resilience

Limited access to financial resources remains a key constraint for SMEs, especially when bank credit is scarce. Adequate banking support can improve liquidity and leverage, enhancing survival prospects in crises (Pal et al., 2011). Young firms are particularly vulnerable as crises further limit financing. For social enterprises, resilience often relies on non-bank funding (OECD European Commission, 2022). National factors such as lending costs and capital availability similarly affect SME resilience. During COVID-19, support from NGOs, government agencies, and financial institutions was vital for sustaining operations (Adam and Alarifi, 2021). External networks are crucial for social enterprises in crises (Weaver, 2023). In many emerging economies, SMEs' dependence on remittances and family support—due to absent formal recovery mechanisms like insurance and banking—reflects persistent vulnerability to market shocks (Ballesteros and Domingo, 2015).

Given this context, the following hypothesis is proposed:

H4 Access to an external financial source boosts a social enterprise's resilience.

COVID-19 Pandemic and Resilience

The COVID-19 pandemic limited direct interaction and disrupted economic activities. In Germany, for instance, the restaurant and bar industry was already facing structural challenges before the pandemic. Neise et al. (2021) found that firms with low pre-pandemic financial performance were less resilient, with resilience closely tied to asset ownership and financial stability.

Pandemics are inherently unpredictable, with delayed and prolonged effects. Golan et al. (2020) highlight how COVID-19 exposed weaknesses in global supply chains, where the failure of individual nodes led to widespread disruptions. Although the global structure helped buffer the pandemic's geographic origins, it also amplified systemic risks through ripple effects (Ivanov, 2022). Without a robust supply chain resilience framework, such global threats are likely to be addressed reactively (Golan et al., 2020).

Crises like COVID-19 often force social enterprises to prioritize financial survival over social mission. As hybrid organizations, they must balance social impact and economic viability—a tension that intensifies under financial pressure. Doherty et al. (2014) argue that in times of distress, revenue generation becomes essential, especially when grants or impact investments are uncertain. This shift increases the risk of mission drift, as resources are redirected toward market-driven strategies that may not align with core social goals. During downturns, reduced investor confidence and charitable giving further constrain their capacity to uphold social commitments.

COVID-19 has disrupted market demand, business operations, and resource allocation (Purnomo et al., 2021). In such conditions, creativity and resilience are essential for business survival (Zutshi et al., 2021). However, the pandemic has also weakened organizational resilience. SME leaders are advised to actively engage employees to sustain optimism and foster collaboration in problem-solving (Melnikova, 2021).

Social enterprises operate within institutional frameworks that require alignment with the expectations of multiple stakeholders, including funders, customers, and beneficiaries. During crises, investors may impose stricter financial performance requirements, pressuring social enterprises to prioritize commercial outcomes. Ebrahim et al. (2014) note that such demands may drive social enterprises toward market-oriented models, potentially at the expense of their social missions.

Based on the above discussion, we propose the following four hypotheses related to the COVID-19 context:

H5 COVID-19 negatively impacts social enterprises' resilience.

H6a COVID-19 has an influence on the effect of human resources on resilience.

H6b COVID-19 has an influence on the effect of financial constraints on resilience.

H6c COVID-19 has an influence on the effect of external financial resources on resilience.

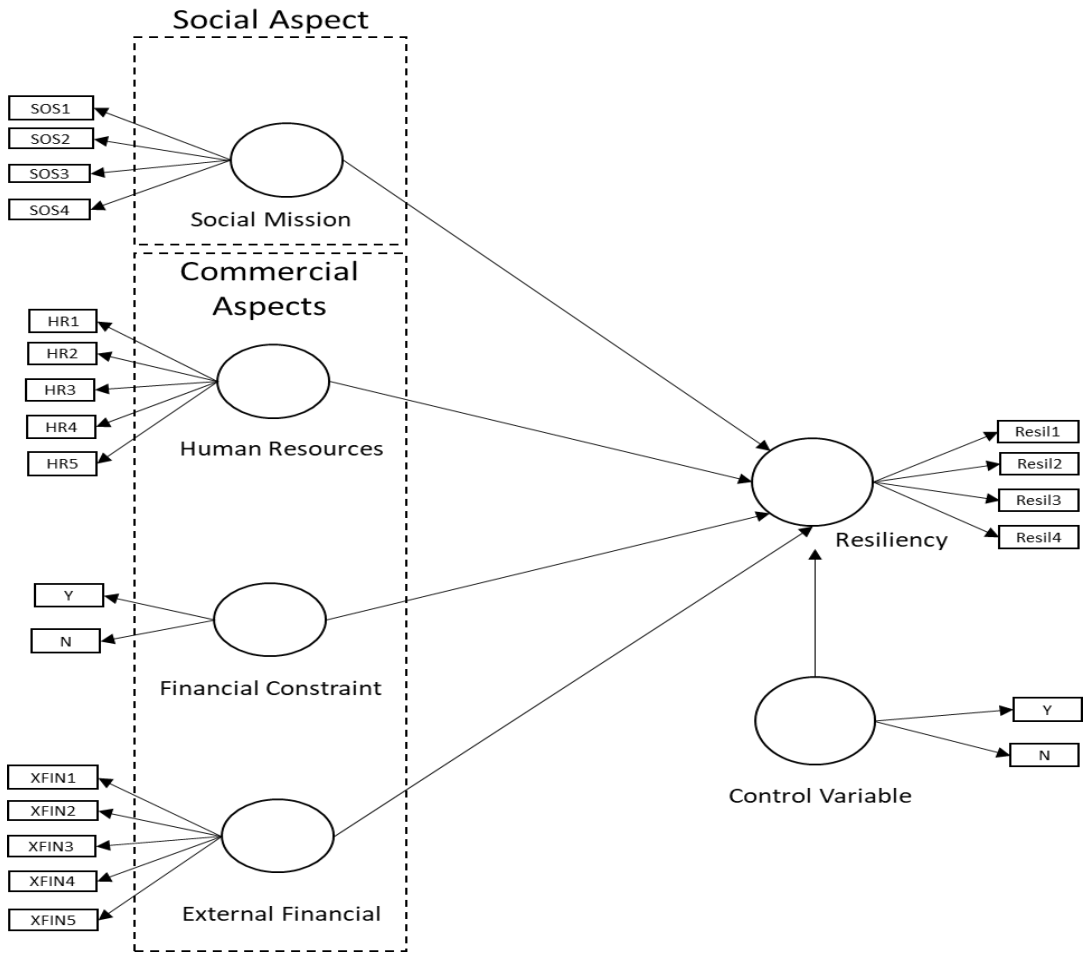
Methodology

Research Model

Figure 1 illustrates the research model, derived from the relationships among variables discussed earlier. While the model provides a structural representation of factors influencing resilience, we emphasize that resilience is a dynamic and evolving process. It develops as firms respond to disruptions, make adaptive decisions, and learn from past crises—an understanding consistent with the view that resilience is not a static end state but an ongoing process of adjustment (Starr et al., 2003).

The model posits that social enterprise resilience is shaped by two primary pillars: the social pillar, represented by the firm's social mission, and the commercial pillar, encompassing human resource quality, internal financial capacity, and access to external financial support.

Figure 1: Research model



Variables

Dependent Variable

The dependent variable, firm resilience, is measured using the following items: "Resil1: It is easy to find suppliers to support our business," "Resil2: It is easy to change distribution channels for marketing our products," "Resil3: We have connections to obtain funding in difficult times," and "Resil4: If business has declined significantly, we have cash reserves for three months or more." While resilience is modeled as a dependent variable for analytical purposes, we adopt the view that it represents a dynamic process rather than a static outcome (Bhamra et al., 2011; Linnenluecke, 2017). It reflects an enterprise's ongoing ability to adapt, absorb shocks, and reconfigure resources in response to uncertainty and disruption. This process-oriented perspective informs our interpretation of the indicators used to assess resilience.

The measures are adapted from prior studies, including Pal et al. (2014) and Branicki et al. (2017). Consistent with Sheffi and Rice (2005), resilience also entails building inventory buffers by acquiring essential low-cost components during periods of supply constraint. Higher scores indicate a greater resilience capacity in social enterprises.

Independent Variables

The independent variables include the enterprise's social mission, human resource quality, and financial factors. The financial factors comprise the availability of external financial support and internal financial constraints. These variables are regarded as potential enablers of social enterprise resilience under normal conditions (Pal, 2014; Weaver, 2023). All variables, except internal financial constraints, are measured using a six-point Likert scale.

Because most SMEs lack accurate financial reporting, FCon is hard to determine. Thus, like Ferrando and Mulier (2015), this variable is generated from yes-no questions:

- Has your firm met its working capital and investment needs within the past year through profits, cash, or own capital?
- In the past year, did you use bank funds for working capital or investments?
- Have you applied for a bank loan in the past year? If so, what happened?
- Does your firm meet all bank requirements if you want to borrow (but may not borrow)?

Moderating Variables

This study also examines whether the COVID-19 pandemic moderates the relationship between key determinants and social enterprise resilience. The capacity to build resilience may differ between firms affected by the pandemic and those that were not. To capture this potential moderating effect, interaction terms were created between the COVID-19 variable and the indicators of human resources, external financial networks, and internal financial constraints.

Control Variable

SME size is estimated based on average monthly sales, converted to annual figures. Following the legal definition of SMEs in Indonesia, this variable is recoded into a binary indicator: "1" for micro-enterprises and "0" for larger firms. Micro-enterprises are assumed to be less resilient, or more vulnerable, than their larger counterparts
Sample and Sources of Data

The COVID-19 pandemic severely impacted Indonesia, with 2,115,304 confirmed cases and 57,138 deaths reported between March 2, 2020, and June 21, 2021. To curb the spread, the government enforced large-scale social restrictions (PSBB) and local activity limitations (PPKM) (Kompas, 2021), contributing to a drop in SMEs' GDP share from 60.34 percent in 2010 to 37.3 percent in 2020 (Lokadata.id, 2021). Over 30 million Indonesian MSMEs were projected to collapse during 2020 (Hendartyo, 2021).

Data on Indonesian social enterprises remains fragmented due to the absence of a centralized database. To ensure respondent diversity, this study used information from the Ashoka Foundation, DBS Foundation, PLUS, ISEN, and CSR divisions of several firms. The sample was limited to established social enterprises with a clear social mission, not solely dependent on grants, not distributing profits exclusively to shareholders, and operating for at least two years. From about 300 identified records, 168 valid responses were obtained.

Using convenience and snowball sampling may limit representativeness, as not all firms in the population have an equal chance of being selected. Snowball sampling can lead to overrepresentation of certain networks, while convenience sampling may introduce selection bias (Suen et al., 2014). Therefore, the study's findings should be interpreted with caution. Nevertheless, these methods are appropriate given the difficulty in accessing a comprehensive database of social entrepreneurs in Indonesia (Parker et al., 2019). Despite the relatively modest sample size, the study yields a meaningful dataset for statistical analysis, enabling valid insights within the selected population.

These techniques are also effective in reaching niche populations and contribute meaningfully to the understanding of social enterprise resilience during the pandemic. Previous research supports the use of non-probability sampling in studies of entrepreneurship, informal businesses, and social enterprises, where fully random sampling is often impractical or unfeasible (Rahman, 2023).

Although participants were drawn from across Indonesia, 88.7% resided on the island of Java. Java's provinces accounted for 58.8% of all social enterprises in 2020, reflecting the broader structure of the Indonesian economy (Badan Pusat Statistik, 2021). The majority of respondents lived in West Java (45.2%), followed by East Java (18.5%), Central Java and Yogyakarta (15.5%), and Jakarta (9%) (Table 1).

Table 1: Respondent profile by survey area

Province	Frequency	Percent	Valid Percent	Cumulative Percent
West Java	76	45.2	45.2	45.2
East Java	31	18.5	18.5	63.7

Province	Frequency	Percent	Valid Percent	Cumulative Percent
Central Java & Yogyakarta	26	15.5	15.5	79.2
Greater Jakarta	16	9.5	9.5	88.7
Other	19	11.3	11.3	100.0
Total	168	100.0	100.0	

Source: Authors' survey

The selection of Java as the primary research area is strategic rather than restrictive. As the most densely populated and economically significant island in Indonesia, Java hosts a high concentration of businesses, social entrepreneurs, and economic activities (Badan Pusat Statistik, 2021). It also serves as the nation's center of policymaking and economic development, making it likely that trends observed among its social enterprises reflect broader patterns in other regions with similar economic structures. While each Indonesian island has unique characteristics, Java's policies and practices often serve as models for the rest of the country. Studying Java-based social entrepreneurs therefore provides valuable insights into the sector's response to the pandemic within Indonesia's most influential business environment.

Enterprise classification in Indonesia is determined by annual sales, as defined in Law Number 20 of 2008 concerning micro, small, and medium enterprises (MSMEs). Micro-enterprises are those with annual sales up to Rp 300 million; small enterprises range from Rp 300 million to Rp 2.5 billion; and medium enterprises range from Rp 2.5 billion to Rp 50 billion. Based on this definition, most respondents in this study (69%) are classified as micro-enterprises, while the rest are small enterprises (Table 2).

Table 2: Respondent profile by size

Size	Frequency	Percent	Valid Percent	Cumulative Percent
Micro	116	69.0	69.0	69.0
Small	52	31.0	31.0	100.0
Total	168	100.0	100.0	

Source: Classification based on Indonesia Law No 20/2008

In Indonesia, the majority of social enterprises are sole proprietorships (42%), followed by foundations (25%), and private or limited liability companies (12.5%). Some firms (11.9%) have obtained formal legal status (Table 3). This form of business is similar to that in countries such as Japan (Tanimoto, 2015) and the Philippines (al and Domingo, 2015).

Table 3: Respondent profile by legal status

Legal Status	Frequency	Percent	Valid Percent	Cumulative Percent
Sole Proprietorship	71	42.3	42.3	42.3
Foundation/NGO	42	25	25	67.3
Limited	21	12.5	12.5	79.8
CV	12	7.1	7.1	86.9
Coop/partnership	2	1.2	1.2	88.1
None	20	11.9	11.9	100.0

Legal Status	Frequency	Percent	Valid Percent	Cumulative Percent
Total	168	100.0	100.0	

Source: Authors' survey

Results

The models, which include latent variables, were estimated using factor analysis and multiple regression. Using this combination, rather than a full SEM framework, is a valid approach—particularly for examining moderating effects—because it remains relatively easy to interpret. Although SEM is powerful, it can become overly complex when modeling multiple latent constructs and their interrelations, making parameter estimation challenging, especially with smaller sample sizes. Separating factor analysis from regression helps simplify the model while still capturing the key relationships between latent and observed variables. This approach is supported by Ye et al. (2023) and adopted by Seyoum et al. (2021), who also employed factor analysis followed by regression to assess latent variable effects.

This method is also effective in reducing multicollinearity issues that arise when including several correlated indicators in a regression model. Using factor scores as variables consolidates information from multiple observed items into a single, more reliable construct, enhancing both interpretability and statistical validity. Seyoum et al. (2021) further demonstrate the suitability of this method for analyzing complex moderation relationships.

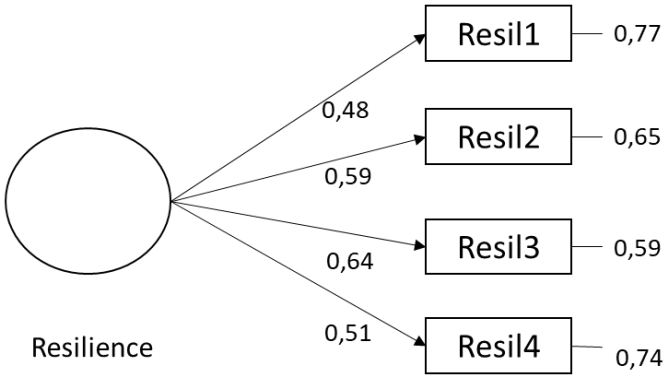
The next section presents the results of the factor analysis (measurement model), followed by the regression outcomes (structural model).

Measurement Model

The Standard Loading Factors (SLF) for resilience, social mission, human resources, external financial, and COVID-19 variables range from 0.64 to 0.94, indicating validity. Reliability, assessed through Construct Reliability (CR), shows values between 0.63 and 0.88 for all variables, confirming reliability (Hair et al., 2013).

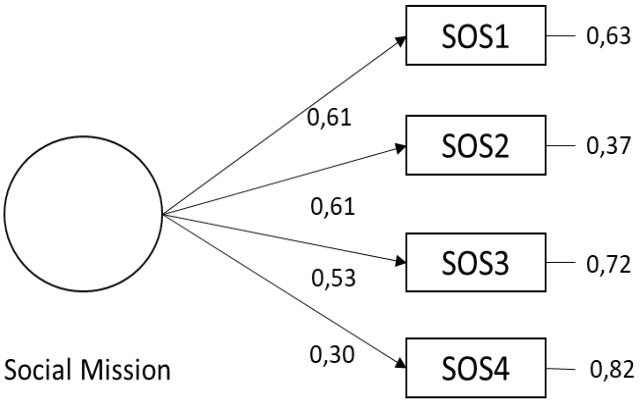
The dependent variable, social entrepreneurs' resilience, is measured using a six-point Likert scale (1 = very strongly disagree, 2 = strongly disagree, 3 = disagree, 4 = agree, 5 = strongly agree, 6 = very strongly agree). The SLF and standard errors for resilience are presented in Figure 2.

Figure 2: SLF and standard errors of resilience



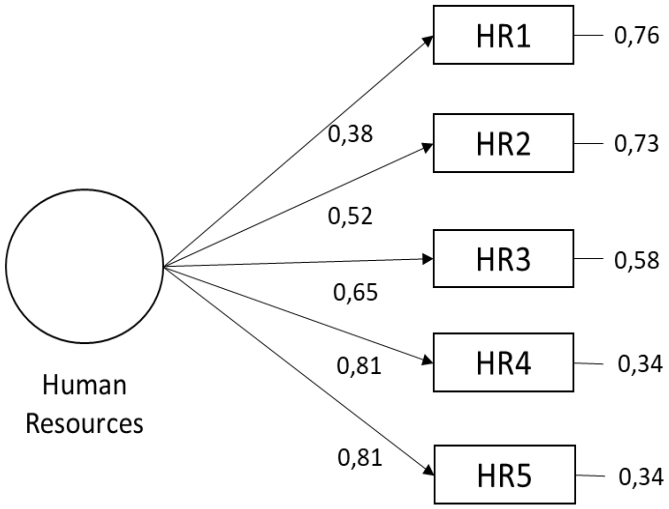
The social mission is measured using the following items: (i) our firm was established to assist the community, (ii) we engage in activities that address social issues, and (iii) we prioritize programs that provide societal value (Stevens et al., 2015). All items are rated on a six-point Likert scale, where higher scores indicate a stronger perceived social mission. A stronger mission reflects a greater commitment to improving society, prioritizing social over financial goals, and actively addressing social problems. Figure 3 presents the SLF and standard errors for the social mission construct.

Figure 3: SLF and standard error of social mission



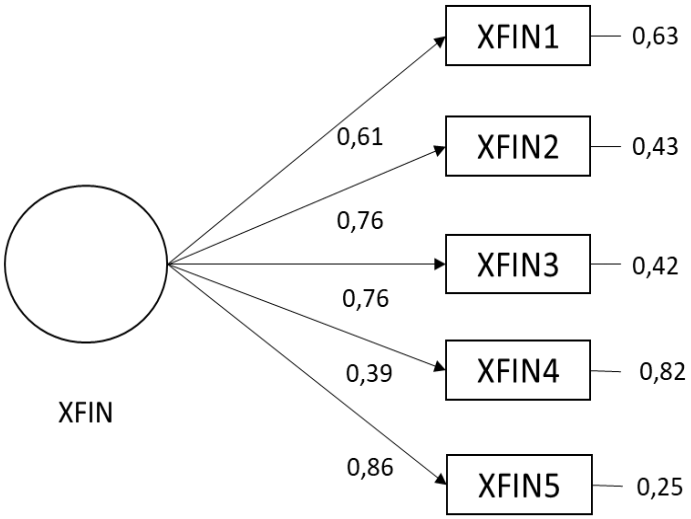
Human resource quality (HR) is measured using the following items: (i) employees possess the necessary skills, (ii) employees maintain harmonious working relationships, and (iii) we encourage independent work (Campbell et al., 1986). All items are rated on a six-point Likert scale. Higher scores indicate stronger HR quality, characterized by collaboration, knowledge sharing, minimal conflict, and adequate staffing relative to workload. Figure 4 presents the HR indicators, standardized loadings (SLF), and standard errors.

Figure 4: SLF and standard error of human resources



Access to external financial sources is a critical component of social enterprise resilience. It is measured using the following items: (i) banks are accessible, (ii) microfinance institutions are easy to use, (iii) affordable loan services are available, (iv) contests offering sponsored financial prizes are common, and (v) multiple funding sources are available. Figure 5 presents the indicators, standardized loadings (SLF), and standard errors.

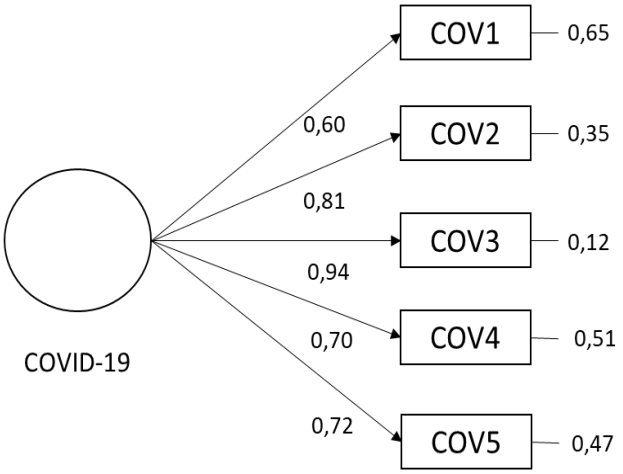
Figure 5: SLF and standard error of external financial



Lastly, a distinct but important independent variable (COV) captures pandemic-related constraints on business activities (Alves et al., 2020; Zutshi et al., 2021). These include: (i) disruptions to raw material or fuel supply, (ii) reduced sales, (iii) declining operating cash flow, (iv) difficulties in loan repayment, and (v) challenges in covering overhead or rent. Measured on a six-point Likert scale, these indicators reflect the extent to which social enterprises were affected by the pandemic. Figure 6 presents the indicators,

standardized loadings (SLF), and standard errors.

Figure 6: SLF and standard error of COVID-19



Structural Models

This study investigates the enabling factors that foster social enterprise resilience under normal conditions (pre-COVID-19) and examines whether these factors remain effective during the COVID-19 pandemic. Accordingly, three models are tested.

Model 1

$$Resil = \beta_0 + \beta_1 SOS + \beta_2 HR + \beta_3 FCon + \beta_4 XFin + \delta_1 Micro + \varepsilon_1 \qquad (1)$$

where Resil – resilience;
SOS – social mission;
HR – human resource quality;
FCon – dummy variable, equals "1" if the firm has financing constraint, and "0" otherwise;
XFin - availability of external financial resources;
Micro – dummy variable, equals "1" if the scale is micro, and "0" otherwise.

Model 1 is the basic model, based on Pal et al.'s (2014) conceptual framework, and adopts only the first of the three elements they propose, namely 'resourcefulness.' In this model, βs denote the parameters of interest corresponding to the enabling factors of social enterprise resilience, and parameter δ represents the role of the control variable, namely 'firm size'.

Model 2

$$Resil = \alpha_0 + \alpha_1 SOS + \alpha_2 HR + \alpha_3 FCon + \alpha_4 XFin + \delta_2 Micro + \lambda COV + \varepsilon_2 \qquad (2)$$

Model 2 reflects conditions during the COVID-19 pandemic, which is expected to have a direct negative effect on social enterprise resilience. Along with the conventional

resilience support parameters, or βs, the parameter λ is of greater interest in Model 2, as it determines COVID-19's effect on social enterprise resilience.

Model 3

$$Resil = \rho_0 + \rho_1 SOS + \rho_2 HR + \rho_3 FCon + \rho_4 XFin + \delta_3 Micro + \lambda_1 COV + \lambda_2 COV_{HR} + \lambda_3 COV\_FCon + \lambda_4 COV\_XFin + \varepsilon_3 \quad (3)$$

Model 3 represents all of the issues examined in this study. Along with the βs, Model 3 emphasizes the λs, which reflects the COVID-19 pandemic's direct and indirect (moderating) effects on social enterprise resilience.

Table 4 presents the estimation results for Models 1–3: the basic model (Model 1), the basic model incorporating the COVID-19 outbreak (Model 2), and the model with COVID-19 as a moderating variable (Model 3).

Table 4: The Estimation results – facing the pandemic

	Model 1		**Model 2 (w. COVID-19)**		**Model 3 (w. Interact.)**	
	Coeff.	t-stat	Coeff.	t-stat	Coeff.	t-stat
(Constant)	.219*	1.846	.180	1.533	.175	1.499
SOS (social mission)	.145**	2.006	.088	1.192	.109	1.452
HR (human resource quality)	.132*	1.815	.143**	2.004	.120*	1.689
FCON (dummy for financial constraints)	-.635***	-3.207	-.612***	-3.143	-.468**	-2.175
XFin (availability of ext. financial sources)	.339***	4.752	.287***	3.942	.352***	4.762
Micro (dummy for size)	-.276*	-1.903	-.201	-1.388	-.198	-1.392
COV			-.200***	-2.631	-.169**	-2.089
C_HR					-.223***	-3.194
C_FCON					-.231	-.754
C_XFin					.099	1.391
N	168		168		168	
F-stat	14.331		13.533		11.706	
Prob. > F	0.000		0.000		0.000	
R-sq.	.307		.335		.379	
Adj. R-sq.	.285		.310		.343	
DW	1.995		1.995		1.995	

Note: *Statistically significant at 10%; **Statistically significant at 5%; ***Statistically significant at 1%

The estimation results can be summarized as follows: Under normal conditions (pre-COVID-19), social enterprise resilience was positively influenced by the presence of a social mission (SOS), with a t-statistic of 2.006; however, this influence became

insignificant during the COVID-19 pandemic. Human resource quality (HR) positively affected resilience, particularly during the pandemic (t-statistic of 2.004 in Model 2). Financial factors—both internal (FCon) and external (XFin)—consistently had significant effects on resilience under both normal and pandemic conditions. These findings are discussed further in the following section.

Discussion

This study is driven by the inherent tension between social mission and financial performance in small-scale social enterprises. Balancing these dual goals often poses challenges. According to Resource Dependence Theory, organizations must align with external resource providers' expectations, especially during crises. In times of financial distress, social enterprises may prioritize revenue generation over social objectives (Doherty et al., 2014). Based on the results presented in Table 4, the following section provides a detailed discussion Enablers of Resilience Under Normal Conditions (Model 1).

Before the pandemic, all variables significantly influenced social enterprise resilience (Table 4, Model 1). A well-defined social mission (SOS) enhances resilience, supporting Institutional Theory, which suggests that external pressures from investors and institutions shape enterprise strategies. Bart (1996) demonstrated that social missions improve business performance in Canada, while Weaver (2023) emphasized their importance for social enterprise success during the pandemic. Social support encourages positive work behavior, and to sustain their mission over time, Weaver advises that social enterprises must maintain financial operations during crises. These findings reinforce the view that resilience is a dynamic process shaped by strategic decisions and external conditions.

Both internal and external financial factors significantly affected resilience. As anticipated, financial constraints (FCon) weakened firms' ability to recover from crises, supporting Crisis Management Theory (Drammeh, 2024), which emphasizes the need for financial adaptability in uncertain environments. During the COVID-19 crisis, financially constrained firms (FCon=1) showed a 0.635-point reduction in resilience. In contrast, access to diverse external financial sources (XFin) enhanced resilience. These findings align with prior studies, including Adam and Alarifi (2021) on Saudi SMEs, and Dias et al. (2022) and Herbane (2018) in Portugal and the UK, respectively.

Financial factors strongly influence SME resilience in countries like the Philippines (Ballesteros and Domingo, 2015), Vietnam (Do et al., 2022), and advanced economies such as the United States (Weaver, 2023). Many firms struggled with debt and rent during the pandemic, though external financing improved stability. Funding sources vary: family and informal lenders in the Philippines (Ballesteros and Domingo, 2015), private equity and venture capital in Brazil (Veiga and McCahery, 2019), and non-bank financing in Germany and the Netherlands (OECD European Commission, 2022). Financial resources act as crisis buffers (Sheffi, 2007; Weaver, 2023), with resilience reflecting the capacity to mobilize and adapt assets over time. In this study, external access and internal constraints both shape resilience, but the positive effect of external financing (+0.339) does not offset the negative impact of constraints (–0.365).

At the 10% significance level, HR quality contributes modestly to resilience under normal conditions. In Serbia, Aleksic et al. (2013) found HR factors essential to crisis resilience. Strategic HR management enables adaptation, resource reallocation, innovation, and flexibility. It promotes autonomous actions that drive innovation (Menéndez Blanco and Montes-Botella, 2017).

Switching the Role of Enablers When a Pandemic Occurs

The pandemic altered the role of resilience enablers. Model 2 examines resilience amid COVID-19. Most variables from Model 1 remain significant, except the social mission (SOS), which becomes statistically insignificant. While initially strengthening resilience, the social mission had no measurable effect during the pandemic. In crises like COVID-19, economic pressures override social objectives. Social entrepreneurs may prioritize survival over social goals. Bart (1996) notes that the dual mission of social enterprises can deter investors, while Weaver (2023) advises enhancing commercial revenue and mission agility during crises.

However, portraying social entrepreneurs as merely prioritizing financial survival over social purpose oversimplifies the complexity of mission drift. Structural limitations and institutional pressures—especially during crises—often drive these shifts. According to Resource Dependence Theory, social enterprises depend on external funding sources such as grants, donations, and impact investors. When these sources become unstable, as during the COVID-19 pandemic, organizations are often forced to reallocate resources toward financial sustainability to prevent collapse. This reallocation is not always a matter of pragmatic choice, but rather a response to systemic financial constraints. As Ebrahim et al. (2014) contend, mission drift is frequently a structural necessity rather than a voluntary retreat from social objectives.

Evidence from Indonesia illustrates how social enterprises adapted to financial pressures during the pandemic. Pelangi Nusantara (Pelanusa), previously dependent on crafts and souvenirs, experienced revenue losses due to declining tourism and events. It responded by diversifying into health-related products (e.g., masks and PPE), launching DIY kits, and expanding digital marketing via Tokopedia and Instagram (LPEM and UNDP, 2020). Similarly, Islamic boarding school enterprises—such as Darul Amal and Miftah Nurul Huda—adapted by distributing basic food packages, boosting agricultural output, and promoting products like bean sprouts via WhatsApp (Faisal et al., 2023). These cases reflect strategic reconfiguration rather than the abandonment of social missions, supporting the view that resilience stems from adaptive, context-specific responses rather than a simplistic shift in priorities.

Similarly in Thailand, social enterprises adopted digital platforms, transitioned to remote education, and partnered with public agencies to support community welfare (British Council, 2020; Chumpanya and Panpakdee, 2025). In the Philippines, enterprises introduced new food and digital content lines, strengthened donor ties, and leveraged online marketing (Romo et al., 2024). Nigerian enterprises used social media and e-commerce to remain viable and joined collective initiatives like CACOVID to support public health (Nakpodia et al., 2024).

In developed economies, digital adaptation was equally central. South Korean enterprises created multi-platform service models through cross-sector collaboration

(Park et al., 2021), while Greek and Swedish enterprises expanded into mental health and online education, combining digital tools with internal restructuring (Loukopoulos and Papadimitriou, 2021; Eslahchi, 2023). These global cases underscore the view of resilience as a dynamic, context-driven process shaped by shocks, institutional pressures, and technological readiness.

Institutional Theory explains why crises push social entrepreneurs toward commercial logic. During the pandemic, government policies, financial markets, and investors prioritized economic resilience, often compelling social enterprises to adopt more business-oriented practices (Doherty et al., 2014). Coercive institutional pressures, combined with mimetic isomorphism—where firms emulate the survival strategies of purely commercial businesses—create an environment where financial stability becomes not only pragmatic but institutionally mandated.

Paradox Theory (Smith and Lewis, 2011) further illuminates how social entrepreneurs continuously navigate tensions between social impact and financial viability. In times of crisis, this tension intensifies; without robust governance mechanisms to manage such contradictions, financial imperatives can override social goals (Cornforth, 2014). Social entrepreneurs thus operate within constrained and highly structured institutional environments, where mission drift often reflects systemic pressures rather than merely pragmatic choices.

Model 3 examines how COVID-19 interacts with key variables such as human resource quality (COV_HR), financial constraints (COV_FCon), and access to external funding. Results from Models 2 and 3 indicate that the pandemic negatively affects enterprise resilience. The COVID-19 coefficient is –0.200 (significant at 1%) in Model 2, decreasing to –0.169 (significant at 5%) in Model 3, suggesting a moderating effect. The role of human resources also shifts. Under normal conditions, HR has a limited impact on resilience. However, during the pandemic (Model 2), HR becomes more influential (coefficient 0.143, significant at 5%), supporting findings by Aleksic (2013) and Do et al. (2022) on the need for employee preparedness in crisis situations.

Nonetheless, COVID-19 weakens this contribution. The interaction term in Model 3 shows that the pandemic reduces the impact of HR on resilience (interaction coefficient –0.223, significant at 1%). This reflects the reality faced by many entrepreneurs who had to lay off employees or scale down operations due to restrictions such as PSBB and PPKM (Gostin et al., 2020). Similar constraints have affected businesses in Malaysia, Mexico, Portugal (Dias et al., 2022), as well as the UK and the US, where declining consumer mobility and purchasing power have further suppressed business activity.

Models 2 and 3 confirm that financial factors continue to shape resilience during the pandemic. External financing (XFin) exerts a positive and statistically significant influence at the 1% level, while financial constraints (FCon) have a significant negative effect. These findings are consistent with previous research linking financial constraints to diminished resilience and innovation capacity (Menéndez Blanco and Montes-Botella, 2017). Persistent challenges such as credit shortages and limited funding continue to affect SMEs, including social enterprises. Consequently, effective internal cash flow management remains essential for weathering crises (Ma et al., 2023).

The control variable (micro) indicates that micro-enterprises tend to be less resilient

than larger firms under normal conditions. However, its lack of statistical significance during the pandemic suggests that COVID-19 affected micro and small enterprises similarly.

Conclusion

Many studies show small enterprises have built-in crisis resilience. This study tests whether social enterprises share or differ from these patterns. A strong social mission anchors purpose and stakeholder engagement, while skilled, collaborative, and trusted human resources strengthen resilience under normal conditions (Resilience Theory). Findings confirm the mission's role in pre-crisis resilience (Institutional Theory), with human resource quality and external financial networks also contributing.

During the pandemic, these dynamics shift: human resources remain an enabler but with reduced impact, and external financial networks become more critical (Resource Dependence Theory). Globally, social enterprises in Thailand, the Philippines, Nigeria, and Sweden have used digital platforms and service diversification to sustain health, education, and livelihoods. While the mission stays central, financial sustainability is crucial in crises.

The study finds the pandemic weakens both human resources and external financial networks, reinforcing Crisis Management Theory's focus on proactive financial strategies and workforce adaptability. Micro social enterprises are consistently more vulnerable. Limitations include potential sample and survivorship bias from operational disruptions and non-random sampling, addressed by engaging diverse respondents via credible institutions and platforms.

Practical Implications for Asian Business

This Micro-scale social enterprises are particularly vulnerable to crises such as the COVID-19 pandemic due to their limited financial and operational capacity. Building resilience in such enterprises requires deliberate strategies involving financial preparedness, access to external support networks, and organizational flexibility. This study highlights the need for such integrated approaches.

First, while social enterprises are primarily driven by social missions, financial considerations must be embedded early in strategic planning. Integrating financial goals into social needs assessments and product development processes ensures both mission fulfillment and business continuity. For example, designing services or goods that are socially impactful but also financially viable can help safeguard operations during emergencies.

Overreliance on a single revenue stream heightens vulnerability. Micro-scale social enterprises should pursue income diversification through online sales, subscription services, targeted grants, and local partnerships. Enterprises traditionally dependent on in-person sales should adopt digital platforms as supplementary revenue channels. Diversification strengthens resilience and enables continued service to communities during disruptions.

Indonesia offers context-specific practices that can guide strategies across Asia. Pelangi Nusantara's shift to health products and e-commerce shows how rapid adaptation and digital outreach sustain revenue during crises. Flexible production templates and modest digital marketing provide practical buffers. Miftah Nurul Huda's WhatsApp marketing illustrates a low-cost digital solution for micro-enterprises. Islamic boarding schools like Darul Amal align activities with urgent local needs—such as food provision—to sustain operations and social impact. These cases show that resilience relies on adaptable models, accessible digital tools, and locally rooted diversification.

Income diversification in social enterprises can arise from monetizing skills gained through community training, boosting both financial resilience and community bonds. Broad stakeholder support—from donors, impact investors, and CSR initiatives—fosters an inclusive ecosystem that empowers individuals. However, during COVID-19, many faced funding challenges as social missions took precedence over economic goals.

Second, micro and small-scale social enterprises must proactively build sustained relationships with financial institutions, which become critical during economic downturns. Participation in industry events, conferences, and seminars on social entrepreneurship and impact investing can provide strategic networking opportunities. These platforms connect social enterprises with potential funders, including impact investors, venture capital firms, and philanthropic organizations, thereby improving access to financial resources during crises.

Social enterprises should collaborate with peer ventures, non-profits, and community groups to enhance legitimacy, extend reach, and attract impact-focused investors. Pursuing grants from foundations, government agencies, and international bodies diversifies funding, while competitions and awards boost visibility and credibility. These strategies build a resilient funding network, while strong community and stakeholder ties foster trust and provide dependable support during crises.

Third, micro-scale social enterprises must proactively address their crisis vulnerabilities by systematically monitoring both social impact and financial performance. Indicators such as the number of beneficiaries and revenue growth can illustrate how progress toward social goals supports business sustainability. Regularly publishing social and financial reports enhances credibility with stakeholders, customers, and investors by reinforcing the organization's dual commitment to purpose and profitability.

To manage disruptions like COVID-19, social enterprises should also adopt digital technologies. Investments in e-commerce platforms, social media marketing, and online communication tools are essential for maintaining operations when physical interactions are limited. Supporting remote work requires reliable communication infrastructure and staff training to ensure operational continuity. These technologies not only aid in crisis response but also expand the enterprise's long-term capacity to reach broader audiences.

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