# Social Entrepreneurship in Pakistan: Challenges and Prospects

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## Abstract

*Social Entrepreneurship (SE) benefits the society by helping to achieve social and economic goals. SE is receiving scholarly attention around the globe but its development is still moderate in Pakistan. Despite the growing trend, the dominant focus of scholars remains the ideological debate about the meaning and definition of SE. Such an approach inhibits the exploration of its other facets. Casting the gap in literature, this paper aims to find out the challenges and prospects that social entrepreneurs face in their journey, specifically in Pakistan. Keeping in view the emerging importance of this sector, this study discusses the findings of 14 in-depth semi-structured interviews conducted with leading social entrepreneurs, practitioners and academicians related to the field to understand the phenomenon at hand. Drawing upon the findings of the study, useful insights have been put forth as its theoretical contribution. Moreover, local and national government can benefit from the findings to enhance consciousness regarding the fourth sector of the economy, eventually augmenting the available social capital.*

***Keywords:*** challenges, fourth sector, Pakistan, prospects, social entrepreneurship

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## 1. Introduction

There has been a steady rise of scholarly interest in social enterprises and social entrepreneurship (SE) (Saebi, Foss, & Linder, 2019). Individuals and organizations are equally interested in improving the conditions of the sufferers, the excluded and the marginalized segments of the society (Dacin, Dacin, & Tracey, 2011). Profit oriented nature of entrepreneurship breeds various issues in the social context, especially when its aim is to cater the marginalized groups. A solution to these problems is SE which satisfies both social and economic goals. The concept of SE has been around since 1950s but during the past decade, it has reemerged as a research stream (Saebi et al., 2019). The importance of SE is crucial in alleviating poverty (Rammal, Rose, Ghauri, Tasavori, & Zaefarian, 2014), women empowerment (Datta & Gailey, 2012), and in bringing institutional change (Nicholls, 2008). The concept of SE is challenging to grasp in its definitional, theoretical, and methodological concerns (Saebi et al., 2019).

This research strives to strengthen the say of social entrepreneurs by exploring their stepping stones in their journey of SE. After reviewing the extant literature, it seems challenging to elucidate SE as Nicholls (2010, p. 611) alleged that "there is no definitive consensus about what the term actually means." Since the concept of SE is captured differently in different fields, empirical literature is needed to capture one agreed upon definition about (Saebi et al., 2019) concepts such as the nature of SE, while its social value remains unclear which hinders its unique conception. However, the duality of SE (social and economic value) keeps the said phenomenon delineated from other related fields.

A prominent reason behind the association of multiple meanings with SE and its ambiguity is the initial isolation between different fields which use SE in their own divergent contexts. Moreover, highly defined pre-exiting suffix entrepreneurship provides a shared label among divergent views (Chliova, Mair, & Vernis, 2020).

The earliest first definition of a social entrepreneur defined it in the following words: "social entrepreneurs play the role of change

agents in the social sector by adopting a mission to create and sustain social value (not just private value), recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation, and learning, acting boldly without being limited by resources currently in hand, and exhibiting heightened accountability to the constituencies served and for the outcomes created" (Dees, 1998, p. 4). Broadly, an entrepreneurial activity is defined as an initiative with an embedded social purpose and this activity is performed by a social actor known as social entrepreneur. As described by Austin, Stevenson, and Wei (2012), SE is an important entrepreneurial activity with an embedded social purpose. Weerawardena and Mort (2006) pointed out its non-profit facet, whereas Yunus and Weber (2009) emphasized profit-making and self-sustainability as important features of SE. Others said that it is a business delivery platform and a delivery model that applies innovation to create value for the society (Dacin et al., 2011).

It has been mentioned already that much effort was put into defining, operationalizing, characteristics or coming up with various social entrepreneurship projects (Nicholls, 2008; Saebi et al., 2019). Still, there is a dearth of studies aimed at exploring the challenges and prospects of SE, especially in developing countries. There is a need to conduct a study on coming up with the best exploration of both sides of coins i.e. challenges and prospects of SE which social entrepreneurs and policy makers can officiously act on for thriving successfully.

As the inception of SE is quite a long time ago, its prominence has increased in Pakistani recently. Its importance is worthwhile to increase social and economic well-being in a developing country like Pakistan. These contributions are necessary for involving concept, however, the succeeding stage should focus on the limitation, hurdles faced by social entrepreneurs in terms of challenges and the prospects as well in Pakistan perspective.

The notion of challenges faced by social entrepreneurs is prevalent around the globe which halts the successful path of SE (Peredo & McLean, 2006). The key impetus behind this study is to find out the overall ecosystem supporting and halting SE from the account of its own journey.

This paper focuses on the concept of SE which combines concepts of social cause but with business acumen to self-sustainably run the cause with profits generated for future operations (Nyssens, 2009). Until recently, research and development in SE was undertaken by scholars who did not belong to this field (Steyaert & Hjorth, 2006). Based on the dearth of knowledge about SE, which is not only local but international in itself, the field of SE needs the special attention of academicians, practitioners, researchers and scholars for the increased understanding and improvement of SE practices aimed at societal well-being. This study discusses the theoretical base as well as the challenges and prospects of SE which can help entrepreneurs, incubators, universities, professionals, business chambers, government agencies etc. The whole effort, in turn, will help in enhancing the understanding of the concept and the related issues and possibilities aimed at meeting the aspirations of serving the society.

The current paper in its quest towards better understanding of the subject addresses the following two questions in this regard:

1. What are the prospects of social entrepreneurship in the specific context of Pakistan?
2. What are challenges faced by social entrepreneurship in the specific context of Pakistan?

## 2. Literature Review

Social entrepreneurship combines the traditional entrepreneurship perspective which unites the resources of traditional entrepreneurship with a slogan to foster encouraging adjustment in system. There are various social entrepreneurial ventures in the world such as Ibrahim Abouleish came up with *Sekem*, an initiative to cater to some pressing issues in Egypt (Seelos & Mair, 2005). He got the "Alternative Nobel Prize" for it. Similarly, Jeff Skoll the co-founder of E-Bay donated 4.4 million pounds to establish the center for social entrepreneurship research (Javed, Yasir, & Majid, 2019).

Many authors have researched SE as an impact investment and/or philanthropic venture (Letts, Ryan, & Grossman, 1997). Others have described it as good value for social services (Teasdale, 2012). During the course of the development of SE,

many debates have been conducted to define its meaning; however, researchers agree on using this term while leaving room for ambiguity (Chliova et al., 2020). Researchers form different areas such as law (Reiser, 2012), sociology (Vasi, 2009), economics (Besley & Ghatak, 2017), and hisotry (Hall, 2013) have showed interest in SE.

The SE has tapped the areas where the government and commercial businesses have proved as failure to cater the social problems (Mair, Powell, & Bromley, 2020). On the other side, social enterprises have proved to be a threat to the jursidcition of governmetal and democratic principles as well (Ganz, Kay, & Spicer, 2018). However, the social enterprises do not work in islotaion rather external forces including social, political and economical impact at the same time (Mair et al., 2020).

These debates mainly focused on the process of conceptulizaing SE (Chliova et al., 2020; Zahra, Gedajlovic, Neubaum, & Shulman, 2009) and on finding one single theory that can depict conecpt of SE (Dacin et al., 2011). However, researchers can improve the conception of SE not only by develping a grand theory but by coming up with a mid-level theory that is capable of refining and adapting the exisiting theories (Mair et al., 2020). Many authors worked on a systematic approach where social entreprenuers change the institutional arragements in which they work (Lawrence & Dover, 2015; Mair, Wolf, & Seelos, 2016). However, limited attantion was given to the institutional arrangments and problems they encounter (Mair et al., 2020).

Many theories such as the institutional theory and systems theory have been modeled to encompass the theoretical underpinnings of SE (Arend, 2020). Baumol states that context plays an important role in in deciding where an entrepreneurial activity is made. Entrepreneurs then put their efforts accordingly (Welter, 2011). Every social entrepreneur performs as per the context (Arend, 2020). However, institutional theory, whether it be formal (laws) or informal (culture), establishes the rules of game for entrepreneurs (Boudreaux, Nikolaev, & Klein, 2019). Context shapes the activities of entrepreneurs (Stephan, Uhlaner & Stride, 2015) and it also paves or hinders the pathway for any social-eco venture (Gordon, Kayseas, & Moroz, 2017). In summary, the

theoretical underpinnings of SE define that context gives legitimacy and identity to social entrepreneurs (Arend, 2020).

Pakistan is a developing country that is facing the great challenge of the proper utilization of human resource. As a result, Pakistan is lagging behind in the race of achieving prosperity as compared to other nations. The ultimate solution is to strengthen the economy which is possible by either increasing the employment rate or through the development of new enterprises by youth (Khalid & Asad, 2019). Slow economic growth is related with poor health conditions, unemployment, illiteracy, and environmental degradation. Economic growth is possible by strengthening the social and economic indicators of the economy. The Challenge arises when there is a lack of guidelines, opportunities and awareness regarding development. In order to bring social change along with economic prosperity, social enterprises should be given opportunities. For this reason, SE is given a marked importance around the globe (Acs, Boardman, & McNeely, 2013). Though SE receives substatntial attention, however, resaerchers have lost its focus and the need of the hour is to explore the issues, problems and prospects scocial entrepreneurs can have on ther ways/may face (Mair et al., 2020).

SE has been used by policy makers as a powerful tool to alleviate poverty and bring social change. So far, there is little understanding of the concept of SE in Pakistan. It is mixed with the concept of entrepreneurship and a clear demarcation between them does not exist. Pakistan has been a victim of terrorism and has had a struggling economy throughout the past two decades. These hurdles have proved/provide opportunities for entrepreneurs to come at the forefront as peace makers and economic partners (Irfan, 2019).

This paper focuses on finding in-depth answers to the questions pertaining the meaning of the concept of SE as well as its related challenges and prospects from the standpoint of social entrepreneurs. The aim is to develop in-depth insight into the concept and related aspects of SE, that is, business plans, incubation and launch of ideas towards persuasion of drive to service to the society. To reach the said objectives, the study included practitioners who have been in this field for some time. It also included academicians teaching in this area as well as its

beneficiaries. Special effort was made to define the specific challenges and prospects of SE in view of the culture specific context of Pakistan, since its aspects may vary across countries and cultures.

## 3.  Philosophical Assumptions and Research Methodology

Interpretivist research paradigm was used in this study within the framework of social constructionism. Constructionism refers to the subjective meaning which individuals develop based on their mutual interaction in a specific social context (Denzin & Lincoln, 2011; Neuman & Robson, 2014). While defining ontological belief, social constructionism attaches multiple meanings and realities to experience (Creswell & Poth, 2016). Thus, epistemological belief is subjective as each individual attaches different meanings to different experiences (Scotland, 2012). As researchers, it is explored that what are the hindrances and the prospects social entrepreneurs are facing in their journey of cultivating social capital eventually. Basic Qualitative Research (BQR) was adopted with constructionism as its core feature for this study.

Data was collected via semi-structured interviews from practicing social entrepreneurs, nascent social entrepreneurs, academicians, and beneficiaries. Interview guide was developed by identifying major themes from the literature. Afterwards, transcriptions were made of the interviews and data analysis was conducted using Gioia methodology. While doing data analysis, first order, second order and aggregate codes and categories were extracted based on the similarities and differences among the answers received during the interviews (Gioia, Corley, & Hamilton, 2013).

There is no set formula for determining sample size in qualitative research as it depends on many factors such as the availability of informants resources, theoretical saturation, overall constraints etc. (Smith, 2003). Different experts have suggested varying sample sizes. These include a size of 3 to 15 (Creswell & Poth, 2016) and at least six (Morse, 2000), whereas Boddy (2016) suggested that a minimum sample size of 12 is sufficient. According to the availability of informants who are known to run social enterprises in Pakistan, the current researchers conducted 14

semi-structured interviews (Boddy, 2016; Creswell & Poth, 2016; Morse, 2000). The data was recorded in the language used by the informants and later on verbatim transcription was done. The sampling technique used was purposive sampling by identifying the inclusion and exclusion criteria. Personal details of the respondents were kept confidential considering the ethical concerns of research.

## 4. Data Analysis and Findings

After coding, data was analyzed and interpreted with the help of identified categories. Coding was done in NVivo 12 Plus. The excerpts of interviews supporting the categories or themes are also quoted while analyzing the data. Appendix 1 summarizes the major themes and open codes in tabular form. Keeping in view the collected data, the following themes were identified and explored.

### 4.1. Challenges of Social Entrepreneurship

Social entrepreneurs, nascent entrepreneurs and people from the academia were interviewed. They highlighted the following challenges in the field of SE in Pakistan.

### 4.1.1. Gap Identification and Lack of Understanding about the Concept

At times, social entrepreneurs do not have any idea about the impact they are supposed to make and about the nature of business they are operating. They don't have any clue about the nature of the sector their business entity falls in. They just go with the flow and generate revenues while remain unsure about the impact they are creating. A respondent mentioned,

> *"What is the mission statement of your entity and you must know what issue or gap you want to fill."*

Upon asking about the challenges faced, another interviewee said,

> *"The thing is that social entrepreneurs face all the challenges a normal business faces and they face more because people don't fully understand the concept."*

Social entrepreneurs face almost all those challenges which any other businessman faces in terms of marketing, human capital, financial challenges, sustainability of products and services, profitability, revenue generation etc. However, social

entrepreneurs face more in terms of ambiguity about the concept. Many social entrepreneurs have no idea whether their organization falls under the third sector or the fourth sector of the economy and what conditions be them legal, social, administrative, and financial they are supposed to fulfill. If one doesn't understand the nature of one's organization and the sector it operates in, one really can't create a sustainable impact.

### 4.1.2. Sustaining the Organization

It is very difficult to retain a team initially when an organization can't pay them remunerations due to the lack of funds and donations as well as the lack of resources and still expect them to work for it.

As said by a respondent,

> *"My team members are undergrads and BA passed, yet they are enthusiastically working for this organization freelance. Their morale gets highly demotivated. How can I stick them to an organization who doesn't even pay them and expect them to produce good outputs without sustaining my organization?"*

So, the team gets demotivated which results in turn-over. Hiring people to work with you is not a challenge but retaining them is for any new startup and organization.

Donors and funders require the team to be stable and sustainable enough. It is very difficult for startups, especially those in the early developmental phase, to grab opportunities and grants, initially. Without the support of the government and mentors' guidance, it is very difficult for any early developmental idea to get themselves self-sustained.

As said by a social entrepreneur from one of the early developmental startups that,

> *"While applying for grants and funding, they require experience and team sustainability. How can we self-sustain ourselves initially when we do not get any support, government facilitation and guideline and when we do it all single handedly."*

### 4.1.3. Team Building

In order to build a team and later to retain it, one must be vigilant enough to understand the purpose and intent of people included in the team. A social entrepreneur came up with a solution and said,

> *"You have to gather a team who are financially stable and who can do this without a salary (if needed be)?"*

Entrepreneurs need people who can see beyond the immediate material gains to pursue any project and they don't see money as its sole purpose and outcome.

### 4.1.4. Financial Constraints

Getting funds or money from friends and family is also a major challenge a company faces. It faces the challenge of financial constraints in its initial phases more than in its developed stage.

As said by a respondent,

> *"The number one obstacle that any social entrepreneur faces is money. You need a good investment or platform to start up with. When your profile and portfolio is built, it becomes easier to get the money and funding and the organization flourishes more easily."*

When any organization is new and is in its nascent or early developmental stage, people don't trust it easily because of the newness of the organization and in terms of portfolio building. So, people are not willing to fund it.

### 4.1.5. Market Distinctiveness

A prior portfolio is necessary to enter into the market. One's presence and ideas should be distinctive enough to be recognized and valued in the market. This is the challenge many newbies face. One respondent put it in the following words,

> *"You must identify yourself as somebody who is different in the market and that can only be done if you have something tangible to show to somebody (your previous 2-3 projects even). Once that is done and you have it in your profile, it will be much easier for you."*

So, one faces many difficulties in terms of financial constraints, market and team building if one's organization is supposed to make social impact in its early stage of development. The product or service an organization offers must be unique and distinctive enough to allow it to maintain a competitive edge in the market so that it can create a sustainable impact.

### 4.1.6. Crowdfunding

Crowdfunding is always a major challenge for any social entrepreneur. Sometimes people don't trust new ideas, don't show interest in them and remain unwilling to support them through funding. A respondent said,

> *"Trust factor is a big initial challenge you face while starting your work. Your family doesn't trust your idea. So, investment scene gets off from here. People don't trust and invest in a youngster's idea. So, donations at the very first step seem impossible at times."*

People don't easily trust one's novel idea. Investment at the initial phase is a major challenge any social entrepreneur faces because friends and family are not easily willing to crowdfund the idea due to which donations and funding seem impossible at first. Nascent entrepreneurs or those who are totally new entrants into the market face this issue more as compared to those organizations who are already well-established. This is because nascent entrepreneurs don't have enough money to invest it all into their social idea.

### 4.1.7. Acceptance by Funders, Donors and Networking Groups

While applying for grants and funding, some prior experience and portfolio is required from the organizations. Nascent organizations or those organizations who are in their early developmental stage suffer more in this scenario due to their newness, as they don't have a proper team and portfolio. An interviewee said,

> *"While applying for grants and funding, they require experience and team sustainability. How can we self-retain ourselves when we don't have any financial investments initially?"*

It becomes a challenge to attain grants and funding to operate. Due to all these issues, their acceptance from funders, donors and networking groups become so difficult.

### 4.1.8. Affiliation and Networking with High-ups

People don't easily trust newbies or organizations which are new entrants into the market. They don't support them and donate money to them. So, a nascent entrepreneur can't rely fully on donations only.

As said by a social entrepreneur,

> *"I have no affiliation and friendship with some elite member who would support me. Also, I can't rely fully on donations as people don't trust a youngster's ideas."*

It is difficult for a nascent entrepreneur to take his / her organization from the bottom to the top level as compared to an organization run by some elite bureaucrats, due to their affiliations with the elite class. They are facilitated in other processes as well as in acquiring donations and access to funding. They don't face any financial constraints.

### 4.1.9. Accountability and Legal Enforcements

This is not a challenge, rather a major cause of challenges that social enterprises face. The law enforcement agencies don't monitor how much employees are being paid, where the company owners utilize their funding and how much funding is being utilized to cover company's expenses, operations and administrative matters. Nobody is there to question the utilization of funding.

As said by an interviewee,

> *"Why legal agencies don't go to organizations to confirm how much people are being paid and what the owners or companies are doing."*

Following this point of view another respondent said,

> *"When you talk about social entrepreneurship and social change, why don't you first treat your employees fairly, respectfully and give them at least the minimum wage as per the law of the country. This is very simple and it will bring a very big change. That's a key issue."*

Many social entrepreneurs who claims that they are creating a social and sustainable impact in the society, don't bother about if their own employees are given minimum wage as per law, which gives a notion of social entrepreneur's credibility and his own organization's transparency and accountability due to which people don't trust such organizations. Because of all such organizations, the image of social enterprises and NGOs gets ill-reputed.

### 4.1.10. Lack of Expertise and Necessary Human Resource

Human resource is a major challenge a company faces. Finding the right people for the right job is not an easy task for any organization. The right intent and skills should be necessarily considered while hiring employees and building the team for an organization.

As said by a social entrepreneur,

> *"Whatever you want to do, first you must be equipped in it. You need some resources. Firstly, you need human resource who has expertise in finance, marketing, HR etc."*

Even if the organization finds its human resource team, it has to make sure that this team is well-equipped and has all the required skills and expertise to function as a team. It also inculcates how it views the organization, the impact it is creating and if it is capable enough to take interest in it beyond monetary terms.

### 4.1.11. Legislation and the Legal Status of the Organization

The majority of the organizations in Pakistan, be them for-profit or not-for-profit, have no legal status. They are not registered under any legislation. Hence, the organizations have no legal identities.

A social entrepreneur who owns a social enterprise of his own said,

> *"I have been operating a social enterprise which has been working since 2002. It has no legal status. When legislation is not there then I have no identity and if I have no identity then I have no rights. Although I'm doing good social work but I'm also paying taxes."*

So, the organizations keep on operating without any proper legal status due to which they are bound to pay taxes as well. Due to the absence of a legal status, there are no tax exemptions for such organizations.

### 4.1.12. Lack of Policy and Entrepreneur Advocacy

Organizations which provide support, encourage and engage entrepreneurs by making their voices heard on state level are the need of the hour. This thing lacks in our system. We need to understand the importance it. We need to give opportunities to young entrepreneurs and trust their ideas by engaging them at policy level and state level.

This fact was also highlighted by a respondent. He said,

*"We have unemployment but talent and opportunities are there as well. There are so many businesses that can be initiated through which youngsters can get employment or they can become a part of the business. In this way, the issue of unemployment and social challenges can also be overcome. There is a need to make our decision-makers and policymakers understand this narrative. So, we need very strong advocacy".*

A strong advocacy can really help to open doors for entrepreneurs by removing the barriers to new business creation. Impact or change can only be created when the ideas of entrepreneurs are heard and given support at public policy forums.

### 4.1.13. Social Enterprise Ecosystem and Resource Labs

There is a need of an enabling environment for social entrepreneurship to flourish in Pakistan. No social enterprise can operate alone. There has always been the need of a number of social actors, institutions, governments, legal frameworks, regulations and enabling organizations to exist interdependently in order to make social enterprises flourish and create a sustainable impact by supporting them.

As said by a social entrepreneur,

*"There is a lack of programs and incubation centers needed to turn ideas into reality."*

Following this viewpoint, another interviewee said,

> *"Whenever there is an ecosystem, there is a need of resource labs like these incubation centers. Through these centers or labs, we can have awareness, showcasing, joint sharing and right now we have nothing."*

Unfortunately, we have very few resource labs and social incubation centers where social entrepreneurs can showcase their sustainable social ideas. There are many business incubation centers but few social incubation labs.

### 4.1.14. Registration Procedures and Legal Processes

The process of getting the organization registered is chaotic. Despite having all the documentation and complete filing, it takes months to get any organization registered and mostly, people have to pay bribes to fasten the process of registration.

Agreeing with this, a practitioner who had been up to this challenge said,

> *"Registration procedure is too tight. It's all the game of "bribe" I would say. The more bribe you can pay, the easier your work gets. In fact, not easier. Even if your documents are all clear and complete, still it takes 4-6 months to get yourself registered."*

Perhaps this is the reason that most organizations and social entrepreneurs do not register themselves to avoid all these chaotic and delaying processes.

### 4.1.15. Red-Tapism

There is no evolution in laws for the sake of betterment. 'Red-tapism' is deeply rooted in our system. People are unaware of the by-laws.

As said by an interviewee,

> *"The registrar had no idea about the nature of business and under which Act we must register. They asked us to pay Rs.25,000 if we want our process to be accelerated. We somehow bargained and agreed upon a sum of Rs.20,000 to get our work done."*

Most registrars are unaware of the legal acts of the constitution intended for registering organizations and social businesses.

Nascent entrepreneurs especially face a lot of obstacles while registering their organizations because of the newness of their social idea and also because of not having an elite background reference. Social entrepreneurs who are in the early developmental stage of their startup face these issues more as compared to those from a bureaucratic background and/or having some strong reference.

### 4.1.16. Lack of Direction and Mentorship

The newbies or aspiring entrepreneurs who want to initiate a social idea to create a sustainable impact lack direction. They don't know how to initiate their idea and how to take the first plunge. They lack direction and have no one to guide them properly. Even if they have entered into the market, they still do lack direction regarding how to move forward in order to be sustainable and for creating an impact.

Agreeing with the above notion a respondent said,
"*At times, organizations or young entrepreneurs don't know from where to start and how to start.*"

Another respondent mentioned the same issue in the following words,

> *"People have great ideas but they don't know the right path to traverse which can turn their ideas into reality. Accurate and very good mentorship is missing in Pakistan which is the reason why great ideas are not coming up."*

So, they find it difficult to appoint the board of directors and trustees who have links and wide networks. Good mentorship is missing in Pakistan. There are platforms out there to guide them but not everyone has access to these platforms because social entrepreneurs either have to pay to get registered or have to win competitions. Not everyone can win and be mentored under them. So, there should be some other avenues as well for mentorship other than startup competitions and paid incubations and they should be accessible to all.

### 4.1.17. Absence of Spirit, Ethics and Morality

People either simply don't bother about ethical and moral concerns or they don't want to bother. They have this perception that if things are going well and their business is generating profit,

then there is no need to be concerned about ethical concerns and morals.

A person from the academia mentioned,

> *"The problem with Pakistan over the last 30 years has been conclusive moral decay. There are very few people who do bother about ethics and morals. People in Pakistan don't care."*

Following this viewpoint another practitioner said,

> *"Most businessmen in Pakistan pay their staff only the minimum wage. If you are not even paying your full-time staff the minimum wage, would you really be concerned about social entrepreneurship while business is going well?"*

Whereas, another practitioner said the following about the dynamics of all this,

> *"It's very tempting to get sidetracked. There are so many chances of mission drift. The more appealing situations you see in the market, the more chances would be there to get distracted from your mission. You justify that there's only a difference of 1-2 degrees in the malpractices."*

So, when you get attracted to competition and/or the appealing situations in the market, it gets easy to be drifted away from your core values and mission. A small degree of unethical concern sounds normal to the entrepreneur. Organizations become more prone to follow what majority in the market follows, else the organization would lag behind the market competition.

### 4.1.18. Transparency and Intent

Transparency is very important. Whatever decisions board of directors make in terms of budget allocation, they should be fairly known to everyone and even to donors.

As said by a respondent,

> *"The best practices in business can only be accomplished if the intent is good and ethical standards are upheld and that can only be done if there's transparency."*

Following this viewpoint, another social entrepreneur from a known social enterprise shared how organizations exploit morals

and ethical values just to gain some benefits in the following words,

> *"I know some for-profit organizations who have registered their buildings in the name of foundation. So that they can be tax exempted."*

So, things don't change only by formulating and implementing policies and processes, the spirit behind them should also be implemented.

### 4.1.19. Lack of Government Support and Responsiveness

As previously discussed that impact or change can only be created when the ideas of entrepreneurs are heard and given support at public policy forums. Social entrepreneurs and social think tanks act as advisors to the Government of Punjab. When their ideas are presented at forums or in front of government officials, they don't get any response. There is no evolution in laws for the sake of betterment.

Speaking about the lack of governmental facilitation and support a respondent said,

> *"Although social enterprises are self-sustainable and are not dependent on government for their resources, still we cannot deny the importance of government support."*

Indeed, other than red-tapism the execution of things and processes is so slow that it takes months and years to get any policy implemented or for an issue to get resolved. Policy advocacy needs to be strong. There is a need for the voices of entrepreneurs to be heard at public forums and policy advocates can guide, mentor and facilitate social entrepreneurs, so that social impact can be created about the prevailing social issues in a real sense.

### 4.2. Prospects of Social Entrepreneurship

Following are a number of prospects of SE explained by the respondents. Our interviewees highlighted different areas in which SE is currently serving and the ways it can proved to be beneficial for Pakistan in near future are given below.

### 4.2.1. Social Entrepreneurship as a Means of Job Creation or Employment Opportunities

The slow growth and fluctuating economy of Pakistan and the security situation due to which very few foreign investors are willing to invest in the country together result in the worrying condition of the economy and limited availability of jobs in the market. If there is no investment, there will be no jobs in the market.

As said by an academic,

> *"The statistics we hear is that the number of graduates versus the number of jobs created and vacated is in millions. So, there are at least a few million graduates every year who would not find jobs because jobs don't exist. Keeping that in mind, they need to turn somewhere. We are trying to turn these people towards different forms of entrepreneurship."*

This means that SE creates opportunities and employment for youngsters and graduates. Meanwhile, it also facilitates social entrepreneurs and practitioners in their innovative and creative ideas for making social impact on the society, rather than relying on donations and funding only.

### 4.2.2. Shift from the Humanitarian and Charitable Approach towards Social Entrepreneurship

Rather than relying on governmental and charitable models, practitioners are now moving towards sustainable development solutions and models. There is a change in trends and societies are now moving from the humanitarian and charitable dimensions towards SE.

Talking about the reason of this changing paradigm or shift from NGOs towards social enterprises and the reason of this shift a respondent said,

> *"If you want to help individuals to stand up on their own feet and do something worthwhile for themselves and their families to improve the quality of their life, what will you teach them? To go and raise funds and become dependent on them or to generate revenue through value*

> *adding services and products? So, that's the reason the shift is happening from the NGO side towards social entrepreneurship."*

The majority of the Non-Governmental Organizations (NGOs) and Civil Society Organizations (CSOs), because of the lack of funding and donations as well as the lack of ability to sustain themselves, are now moving towards hybrid structures and social businesses to make themselves self-sustainable and to generate their own revenues, rather than depending on the government for their survival.

Upon asking about this hybrid approach adopted by most organizations and the ethical concern of maintaining their identity, two practitioners shared their practice in the following words,

> *"We have registered ourselves as two separate entities in SECP. We are working as a foundation as well as a social enterprise. The need of foundation or a not-for-profit organization is the need of the hour."*

Following his viewpoint, another respondent said the same about how they maintain their hybrid identity and what benefits it brings them. He said,

> *"One company with two divisions, that's very common everywhere. For example, even for-profit companies have CSR fund ...".*

It shows that an organization can maintain and operate as two different entities at the same time but it doesn't translate into exploiting ethical conditions and people through their identity. They have to register themselves properly.

### 4.2.3. Donors' Funding Preference and Investment in Social Enterprises

Many donors or funding organizations prefer social enterprises who are sustainable enough or alternatively, sustainable ideas of social entrepreneurs to invest in. They do not intend to give donations but aim to invest in them for long-term prospects. UN's sustainable development goals provide an opportunity for such social enterprises and social entrepreneurs to work on them by applying for donations and grants, which itself is a proof that SE is happening and has its prospects.

As mentioned by an interviewee,

> *"It is emerging day by day. A lot of donor funding is looking for enterprise development. They prefer that there should be a sustainability element in the project. They say, we are not giving you a grant, we are investing in you. So, it's happening."*

This shows the interest and preference of foreign and donor organizations in SE in Pakistan and people are coming forward with social ideas to make a social impact. This will help SE to flourish and prosper in Pakistan.

### 4.2.4. Social Entrepreneurship - as a Part of Research and Curriculum

In order to create more awareness and research opportunities about SE, it should be taught as a part of the curriculum. Not only business entrepreneurship should be taught but other types of entrepreneurship should be made more common. In some institutions, it has been introduced already but still it has not become very common unlike many other courses being introduced and taught.

A person from the academia shared his view about the importance of introducing SE as a part of coursework and as a subject in the following words,

> *"SE should be taught as a course as well which has not yet happened so commonly. If different languages, like Punjabi, Urdu, Chinese etc. are being taught and even when they started teaching CSR then CSR started happening and now, we have many people who are specialized in CSR. Same should be the thing with SE."*

So, when the teaching of various courses begins, more people do research about them, do specializations in them and practice them.

### 4.2.5. Social Enterprise Ecosystem Development

SE ecosystem can help social enterprises to flourish and make a sustainable impact if support is given in this regard. For this purpose, resource labs are there to assist social startups and entrepreneurs by connecting them with donors and funders and

assisting them in marketing, financial and legal aspects so that they can become sustainable and viable enough.

Talking about the importance of the social enterprise ecosystem a respondent said,

> *"Entrepreneurship ecosystem should be established. An IT park like 'Arfa Kareem Software Technology Park' in Lahore, Pakistan is an example of such an ecosystem. We need to have more parks (social ecosystems) like this in Pakistan where youngsters can practice their social ideas to create social impact in the society."*

The social enterprise ecosystem will create more opportunities if it is planned properly. There are a number of social actors, institutions, government regulations, donors, customers and enabling organizations which exist interdependently to create a conducive environment for social enterprises to make an impact. At the moment, our ecosystem is not that conducive but the existence of incubation centers and technology parks as well as the upgradation of governmental and SECP's processes are giving us the hint that with the passage of time, social enterprise ecosystem is improving and will help in creating the enabling environment for social entrepreneurs needed to make them flourish in this field.

### 4.2.6. Established Social Incubation Labs and Centers

With the passage of time and keeping in view changing business trends and needs, the scope for social entrepreneurship is emerging. Incubation labs have been established by many of the private sector organizations and institutes which are currently helping small-scale businesses and startups to nurture and flourish by making them sustainable enough to make an impact. The only need is that the Higher Education Commission (HEC) and public sectors should regulate these institutions as well. They should also come up front to establish more social incubation labs and centers even in the universities so that students and social entrepreneurs can be linked to these incubators.

As mentioned by a respondent,

> *"Social entrepreneurship is already happening...but under HEC's regulation all*

> *these social enterprises should be linked with these incubators."*

Talking about the existence of the already established incubation centers and social labs a respondents said that,

> *"There is also a growing emergence of incubation centers and innovation labs to facilitate young social entrepreneurs. Social Innovation Lab –LUMS, PlanX, SMEDA and many more are to name in this regard. Although many of the incubation centers are not so much focused on "social" ideas which itself is a challenge for SE, still we hope for the best that there would be even more incubation centers in Pakistan to facilitate social ideas solely."*

Social incubation centers are creating a sustainable impact and contributing to ecosystem development in Pakistan by providing social entrepreneurs and individuals the much needed enabling and fostering environment. Although there are fewer social incubation centers and labs as compared to business incubation labs, yet dynamics are changing with the passage of time and social entrepreneurship is emerging.

## 4.2.7. Entrepreneurial Activity and Advocacy

To make social entrepreneurship spur more in the future, entrepreneurial activity and advocacy is needed. They do exist but there is a need of more entrepreneurial activity in terms of the establishment of more social incubation labs, social startup competitions and facilitations so that more people can come up to it.

As mentioned by a social entrepreneur,

> *"We need advocacy and activity. In activity, we need to have ecosystem development and in advocacy, legislation and identity development is needed."*

Advocacy plays a very important role and matters a lot. There should be more individuals and enabling organizations who can recognize, support and encourage social entrepreneurs. Laws are needed to be upgraded and evolved. The legislation processes should be more smoothen.

### 4.2.8. Social Entrepreneurship – Shattering the Dependency on Government and NGOs

The shift from humanitarian and charitable organizations, that is, NGOs and CSOs towards SE has already started happening. Keeping in view the state of the government and the prevailing economic scenario, SE has already started happening and is flourishing. People no longer depend on the government and NGOs. The government should recognize the importance of SE and the sustainable impact it can create.

As said by a respondent,

> *"There is a need for the government of Pakistan to recognize SE as a way of fulfilling its developmental responsibility by providing opportunities and a suitable environment to people where they can practice their social ideas and make a social impact while also sustaining themselves."*

Keeping in view the security issues and threats in a country like Pakistan, many donor organizations don't rely on Pakistani NGOs. Hence, we cannot always look forward to government facilitations and NGOs for support as they themselves are not sustainable enough to support us. So, individuals and practitioners are recognizing SE as a way to fulfill their developmental responsibilities.

## 5. Conclusion

Social entrepreneurship is a new and emerging field in Pakistan. Being the fourth sector of the economy (Rubio, García & Fuentes, 2019), it is very important to understand what challenges and prospects are faced by social entrepreneurs in the cultural context of Pakistan and this paper is aimed at increasing the understanding of this concept. It was manifested through thematic analysis that SE has a limited and varying conceptual understanding as this phenomenon is still in its infancy and does not have any strict parameters for its definition and implementation. Further, very limited effort is being made by universities, educational institutions, and organizations to create awareness about the subject and/or having it as a part of the curriculum. This study pointed out many challenges for social

entrepreneurs including the lack of awareness and mentoring, tough government regulations, barriers to entry in the field, issues in legislation, and cumbersome paper work for registration. There are also dire financial constraints for emerging entrepreneurs that has become difficult because of corruption and rent seeking. This is why most of the entrepreneurship happening in Pakistan is of an informal nature. Despite the various limitations SE has in the context of Pakistan, the findings of this study suggest its good prospects as it creates opportunities for job seekers to become job creators, not only for themselves but for others as well, alongside solving the problems of the society by developing a sustainable business model of SE which is applicable in the country specific context. The third sector / NGOs rely on funding and charities; however, with the advent of SE, this reliance on funding can be converted into a successful business model aimed at social welfare. Even donor agencies would be more interested to invest if successful business models in the domain of SE are developed. These prospects make the development of SE ecosystem more hopeful which would create the enabling environment for new problem-solver social entrepreneurs to enter into the field and take responsibility for the eradication of the social problems of Pakistan.

Qualitative research methodology with a limited sample size is a major limitation of this study. In the future, a bigger sample can be taken and findings can also be validated using a quantitative approach or a mixed methods approach. A case study of successful social enterprises can also be done while collecting data from multiple sources to understand the patterns that describe how SE can solve the country specific social issues, yet also earn a profit to sustain itself using business strategies. Nonetheless, there is a ray of hope in this field as people are acquiring awareness through various mediums and researches. This research is also a small contribution towards understanding this phenomenon in the context of Pakistan.

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# Appendix

**Table 1**

| Core Code/ Major Theme | Sub Themes / Open Codes | Description/Excerpts |
|---|---|---|
| 1. Challenges of Social Entrepreneurship | 1.1. Gap identification and Lack of understanding about the concept | "What is the mission statement of your entity and You must know what Issue or gap you want to fulfill". |
| | | "The thing is that social entrepreneurs face all the challenges a normal business faces and they face more because people don't fully understand the concept." |
| | 1.2. Sustaining the organization | "My team members are undergrads and BA passed, yet they are enthusiastically working for this organization freelance. Their morale gets highly demotivated. How can I stick them to an organization who doesn't even pay them and expect them to produce good outputs without sustaining my organization?" |
| | | "While applying for grants and funding, they require experience and team sustainability. How can we self-sustain our selves initially when we will not get any support, |

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| | govt facilitation and guideline. And when we do it all single handedly". |
| 1.2.1. Team Building | "You have to gather a team. who are financially stable and who can do this without a salary (if needed be)? |
| 1.3. Financial constraints | "The number one obstacle that any social entrepreneur faces is money. You need a good investment or platform to start up with. When your profile and portfolio is built, it becomes easier to get the money and funding and the organization flourishes more easily." |
| 1.3.1. Market Distinctiveness | "You must identify yourself as somebody who is different in market and that can only be done if you have something tangible to show to somebody. (your previous 2-3 projects even). Once that is done and you have in your profile, it will be much easier for you". |
| 1.3.2. Crowd Funding | "Trust factor is a big initial challenge you face while starting your work. Your family doesn't trust your idea. So, investment scene gets off from here. |

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| | People don't trust and invest in a youngster's idea. So, donations at the very first step seem impossible at times." |
| 1.3.3. Acceptance by Funders, Donors and Networking Groups | "While applying for grants and funding, they require experience and team sustainability. How can we self-retain ourselves when we don't have any financial investments initially?". |
| 1.3.4. Affiliation and networking with high-ups | "I have no affiliation and friendships with some elite member who would support me. Also, I can't rely fully upon donations as people don't trust youngster's idea". |
| 1.4. Accountability and legal enforcements | "Why legal agencies don't go to organizations to confirm how much people are being payed and what the owners or companies are doing". "When you talk about social entrepreneurship and social change, why don't you first treat your employees fairly, respectfully and give them at least the minimum wage of the country. This is very simple, and it would bring a very big change. That's a key issue". |
| 1.5. Lack of | "Whatever you want to |

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| expertise and necessary Human Resources | do, first you must be equipped in it. You need some resources. Firstly, you need human resource who have expertise of finance, marketing, HR. etc." |
| 1.6. Legislation and the Legal Status of the Organization | "I have been operating a social enterprise which has been working since 2002. It has no legal status. When legislation is not there then I have no identity and if I have no identity then I have no rights. Although I'm doing good social work but I'm also paying taxes." |
| 1.7. Lack of Policy and Entrepreneur Advocacy | "We have unemployment, but talent and opportunities are there as well. There are so many businesses that can be initiated in which the youngsters can get employments, or they can become the part of business. In this way the issue of unemployment and social challenges can also be overcome. There is a need to make our decision makers and policy makers understand this narrative. So, we need a very strong advocacy". |
| 1.8. Social | "There is a lack of |

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| Enterprise Ecosystem and resource labs | programs and incubation centers needed to turn ideas into reality." "Whenever there is an ecosystem, there is a need of resource labs like these incubation centers. Through these centers or labs, we can have awareness, showcasing, joint sharing and right now we have nothing." |
| 1.9. Registration procedures and legal processes | "Registration procedure is too tight. It's all the game of "bribe" I would say. The more bribe you can pay, the easier your work gets. In fact, not easier. Even if your documents are all clear and complete, still it takes 4-6 months to get yourself registered." |
| 1.9.1 Red-tapism | "The registrar had no idea about the nature of business, and under which Act we must register. They asked us to pay Rs.25,000 if we want our process to be accelerated. We somehow bargained and agreed upon Rs.20,000 to get our work done". |
| 1.10. Lack of direction and mentorship | "People have great ideas but they don't know the right path to traverse which can turn their ideas into reality. Accurate and |

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| | very good mentorship is missing in Pakistan which is the reason why great ideas are not coming up." |
| 1.11. Absence of Spirit, Ethics and Morality | "The problem with Pakistan over the last 30 years has been conclusive moral decay. There are very few people who do bother about ethics and morals. People in Pakistan don't care." |
| | "Most businessmen in Pakistan pay their staff only the minimum wage. If you are not even paying your full-time staff the minimum wage, would you really be concerned about social entrepreneurship while business is going well?" |
| | "It's very tempting to get sidetracked. There are so many chances of mission drift. The more appealing situations you see in the market, the more chances would be there to get distracted from your mission. You justify that there's only a difference of 1-2 degrees in the malpractices." |
| 1.11.1 Transparency and Intent | "The best practices in business can only be accomplished if the intent |

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| | | is good and ethical standards are upheld, and that can only be done if there's transparency". "I know some for-profit organizations who have registered their buildings in the name of foundation. So that they can be tax exempted." |
| | 1.12. Lack of Government Support and Responsiveness | "Although social enterprises are self-sustainable and are not dependent on government for their resources, but we cannot deny the importance of government support". |
| 2. Prospects of Social Entrepreneurship | 2.1. Social Entrepreneurship as a mean of Job Creation or Employment Opportunities: | "The statistics we hear is that the number of graduates versus the number of jobs created and vacated is in millions. So, there are at least a few million graduates every year who would not find jobs because the jobs don't exist. Keeping that in mind, they need to turn somewhere. We are trying to turn these people towards different forms of entrepreneurship". |
| | 2.2 Shift from the Humanitarian and Charitable Approach | "If you want to help individuals to stand up on their own feet and do something worthwhile for |

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| towards Social Entrepreneurship | themselves and their families to improve the quality of their life, what will you teach them? To go and raise funds and become dependent on them or to generate revenue through value adding services and products? So, that's the reason the shift is happening from the NGO side towards social entrepreneurship."<br><br>"We have registered ourselves as two separate entities in SECP. We are working as a foundation as well as a social enterprise. The need of foundation or a not-for-profit organization is the need of the hour."<br><br>"One company with two divisions, that's very common everywhere. For example, even for-profit companies have CSR fund …". |
| 2.3. Donors' Funding Preference and Investment in Social Enterprises | "It is emerging day by day. A lot of donor funding is looking for enterprise developments. They prefer that there should be sustainability element in project. They say, we are not giving you a grant, we are investing in you. So, it's |

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| | happening". |
| 2.4 Social Entrepreneurship- as a part of research and curriculum | "SE should be taught as a course as well which has not yet happened so commonly. If different languages, like Punjabi, Urdu, Chinese etc. are being taught and even when they started teaching CSR then CSR started happening and now, we have many people who are specialized in CSR. Same should be the thing with SE." |
| 2.5. Social Enterprise ecosystem development | "Entrepreneurship ecosystem should be established. An IT park like 'Arfa Kareem Software Technology Park' in Lahore, Pakistan is an example of such an ecosystem. We need to have more parks (social ecosystems) like this in Pakistan where youngsters can practice their social ideas to create social impact in the society." |
| 2.6. Established Social Incubation Labs and centers | "Social entrepreneurship is already happening...but under HEC's regulation all these social enterprises should be linked with these incubators." "There is also a growing |

emergence of incubation centers and innovation labs to facilitate young social entrepreneurs. Social Innovation Lab – LUMS, PlanX, SMEDA and many more are to name in this regard. Although many of the incubation centers are not so much focused on "social" ideas which itself is a challenge for SE, still we hope for the best that there would be even more incubation centers in Pakistan to facilitate social ideas solely."

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| 2.7. Entrepreneurial Activity and Advocacy | "We need advocacy and activity. In activity, we need to have ecosystem development and in advocacy, legislation and identity development is needed." |
| 2.8. Social Entrepreneurship – Shattering the dependency on Government and NGOs. | "There is a need for government of Pakistan to recognize Social entrepreneurship as a way of fulfilling its developmental responsibility by providing opportunities and suitable environment to people where they can practice their social ideas and make a social impact while also sustaining |

themselves".