



# Comparative Analysis of Social Enterprise Development: A Case Study of Cambodia and Indonesia



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## សង្ខេប

សហគ្រាសសង្គមបានក្លាយជាជំនឿស្រាយបន្ទាន់ ដែលអាចសម្រេចបានសម្រាប់ការដោះស្រាយបញ្ហាសង្គម និងបរិស្ថានក្នុងប្រទេសកំពុងអភិវឌ្ឍ។ សហគ្រាសទាំងនេះដាក់បញ្ចូលគ្នានូវ យុទ្ធសាស្ត្រអាជីវកម្មជាមួយនឹងបេសកកម្មដើម្បីបង្កើតផលជះសង្គមជាវិជ្ជមាន ជាពិសេសនៅក្នុងផ្នែក ដែលជារឿយៗ ត្រូវបានមើលរំលងដោយគំនិតផ្តួចផ្តើមខាងរដ្ឋាភិបាលដែលស្វែងរកផលចំណេញ តាមបែបបុរាណ។ ភាពជាសហគ្រាសសង្គមនៅតំបន់អាស៊ីអាគ្នេយ៍ (អាស៊ាន) កំពុងត្រូវបានគេទទួលស្គាល់ថាជាមធ្យោបាយក្នុងការ ដោះស្រាយបញ្ហាវិសមភាពប្រាក់ចំណូលដែលកំពុងតែកើនឡើង ភាពអន់ថយផ្នែកបរិស្ថាន និងការផ្តល់សិទ្ធិអំណាចដល់ស្ត្រីនិងកុមារ។ ការសិក្សានេះមានគោលបំណងស៊ើបអង្កេតលើគោលគំនិតសហគ្រាសសង្គមនៅក្នុងប្រទេសឥណ្ឌូនេស៊ី និងកម្ពុជា ដោយផ្តោតជាក់លាក់លើច្បាប់ គំរូប្រតិបត្តិការ និងផលជះសង្គមនៃសហគ្រាសទាំងនេះ។ ការសិក្សានេះបានធ្វើការវិភាគទិន្នន័យបន្ទាប់បន្សំបែបគុណវិស័យតាមរយៈការស្វែងរកទ្រឹស្តីដែលមានស្រាប់ទាក់ទងនឹងសហគ្រាសសង្គមនៅក្នុងប្រទេសទាំងពីរ។ ការពិនិត្យប្រៀបធៀបនៃអាជីវកម្មសង្គមនានានៅក្នុងប្រទេសកម្ពុជា និងឥណ្ឌូនេស៊ីបង្ហាញពីផលជះរួមគ្នា និងលក្ខណៈចម្រុះដែលបង្ហាញដោយបរិបទសេដ្ឋកិច្ចសង្គមនិងស្ថាប័នរបស់ពួកគេ។ ប្រទេសទាំងពីរមានអាជីវកម្មសង្គមដែលដោះស្រាយបញ្ហាសង្គមនិងបរិស្ថាន ជំរុញការបង្កើតការងារពង្រឹងសហគមន៍ លើកកម្ពស់ឋានៈស្ត្រី និងការពារបេតិកភណ្ឌវប្បធម៌។ ភាពចាំបាច់ក្នុងការសម្របគំរូសហគ្រាសសង្គមទៅនឹងស្ថានភាពប្រទេសនីមួយៗត្រូវបានគូសបញ្ជាក់ដោយភាពមិនស្មើគ្នានៅក្នុងវិស័យអាទិភាពប្រព័ន្ធគាំទ្រ និងការរួមចំណែកផ្នែកសេដ្ឋកិច្ច។ ការសិក្សានេះបញ្ជាក់ពីកត្តាសំខាន់ៗដូចជាការពង្រឹងក្របខណ្ឌច្បាប់ និងប្រព័ន្ធគាំទ្រមានសក្តានុពលពង្រីកផលជះជាប្រយោជន៍នៃអាជីវកម្មសង្គម ដែលបណ្តាលឱ្យមានការអភិវឌ្ឍប្រកបដោយចីរភាព និងបង្កើនសុខុមាលភាពសង្គម។

## Abstract

Social enterprises have become a viable solution for tackling urgent social and environmental issues in

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developing economies. These organizations combine business strategies with a mission to generate positive social impact, particularly in areas that are often overlooked by traditional for-profit and government initiatives. Social entrepreneurship in the Southeast Asian Nations (ASEAN) region is gaining recognition as a means to address the growing income inequality and environmental degradation and empower women and girls. This study aims to investigate the social enterprise concept in Indonesia and Cambodia, with a specific emphasis on the legislation, operational model, and societal impact of these enterprises. The study employed a qualitative secondary data analysis through the search of existing literature related to social enterprise in both countries. The comparative examination of social businesses in Cambodia and Indonesia reveals shared impacts and diverse characteristics shaped by their socioeconomic and institutional contexts. Both nations possess social businesses that tackle social and environmental issues, foster job creation, strengthen communities, enhance the status of women, and safeguard cultural heritage. Disparities in priority areas, support systems, and economic contributions underscore the necessity to adapt social enterprise models to individual country situations. The study implies that key factors such as enhancing the legal frameworks and support systems have the potential to amplify the beneficial impacts of social businesses, resulting in sustainable development and increased social welfare.

## 1. Introduction

Social enterprises have emerged as a promising approach to address pressing social and environmental challenges in developing economies (Katsushi, 2020). These organizations blend business strategies with a mission to create positive social impact, often in areas neglected by traditional for-profit and government initiatives (Crech et al., 2014). Recently, a study by Fauzi, Tamyez, & Kumar (2022) analyzed the publication performance of the social enterprises in ASEAN countries, which showed a significant increase of topics related to social mission in implementing the program. Excluding Singapore, social enterprise in ASEAN countries explicitly brings the social mission to overcome the poverty problem. Although social enterprise existence is promising for tackling social problems, the formal acknowledgment and implementation standards are still debating. These innovative organizations leverage business models to create positive social impact, often targeting underserved populations and addressing issues such as poverty, unemployment, and social exclusion (Saebi et al., 2018).

In Indonesia, social entrepreneurship has significantly increased since the last decade after political regime reforms in 1999 as a mechanism to create a larger opportunity for young people and empower rural communities (Maksum et al., 2020). Although there is no single legal status available to regulate and shape the social enterprise model in Indonesia, social entrepreneurs should declare their purposes (social or commercial in nature) when applying for their legal entities. Then, it brings the consequences of using profit or non-profit structures, including tax mechanisms (Crech et al., 2014). Meanwhile, social enterprise in Cambodia is generally developed by NGO and non-profit organizations' initiatives by using international donors in order to fill the gap in government services and explore innovations in addressing social challenges. Social enterprises in

Cambodia and Indonesia have taken diverse forms, ranging from microfinance institutions to fair trade producers to renewable energy providers (Tien et al., 2020) (Withisuphakorn, 2017). These enterprises have the potential to drive sustainable development by generating income, creating jobs, and delivering essential services to underserved populations (García-Pérez et al., 2020).

Gaining a comprehensive understanding of the social business model in Indonesia and Cambodia is essential for obtaining useful insights into how social enterprises may efficiently tackle urgent societal and environmental issues in emerging countries. Despite the growing recognition of social enterprises' potential, the academic research on this topic in the Southeast Asian context remains limited (Priatna et al., 2021) (Ndemo, 2006) (Saebi et al., 2018). Hence, this paper aims to examine the regulation of social enterprises, the model of practice, and the social impact in Indonesia and Cambodia. The paper intends to provide valuable insights to policymakers, practitioners, and the broader development community in the design of more effective policies and support mechanisms to foster the growth and sustainability of social enterprises, ultimately contributing to the broader social and economic development.

### 1.1. Conceptualising Social Enterprise Models

Emerging as a promising approach, social enterprises have garnered attention for their potential to tackle pressing social and economic challenges in developing countries such as Indonesia and Cambodia (Maksum et al., 2020). These innovative social businesses utilize business models to generate beneficial social outcomes, frequently focusing on marginalized populations and tackling challenges such as poverty, unemployment, and social exclusion (Saebi et al., 2018). Despite the growing recognition of social enterprises' potential, academic research on this topic in the Southeast Asian context remains limited (Priatna et al., 2021; Ndemo, 2006; Saebi et al., 2018).

One of the key reasons why social enterprise research is crucial in Indonesia and Cambodia is the prevalence of micro, small, and medium enterprises (MSMEs) in these countries. In Indonesia, micro-enterprises account for over 95% of all enterprises and supply 99.8% of the country's employment (Maksum et al., 2020). However, these firms often face significant challenges, such as a lack of capital, skills, and technology, which hamper their competitiveness and growth. Social enterprises can play a vital role in empowering these micro-enterprises by providing access to financing, training, and technological solutions tailored to their needs. By targeting marginalized communities and addressing their social and economic needs, these enterprises can contribute to reducing poverty, empowering women, and catalyzing social transformation (Saebi et al., 2018).

Despite these promising prospects, academic research on social enterprises in Southeast Asia remains limited. Scholars have emphasized the need for more in-depth, contextual studies to understand the unique challenges and opportunities facing social enterprises in these countries (Ndemo, 2006). Such research can inform policymakers, practitioners, and investors, enabling them to develop more effective strategies and support mechanisms to nurture the growth of social enterprises in the region.

Social enterprises have been prominent as creative ways to address social and environmental concerns by combining entrepreneurial techniques with social agendas. This literature study examines several forms of social business growth, analyzing the theoretical foundations, operational tactics, and influence on communities. Social enterprises are often classified as hybrid firms, blending characteristics of both for-profit and non-profit models. According to Billis (2010), hybrids function at the point where market, state, and civil society converge, with the goal of attaining financial sustainability while also fulfilling social objectives. This dual emphasis gives rise to distinct organizational dynamics, necessitating meticulous management of both purpose and profit. According to Phills, Deiglmeier, and Miller (2008), social innovation is the main factor that propels the growth of social enterprises. Social innovation entails the development of innovative solutions to social issues that surpass conventional methods in terms of effectiveness, efficiency, and sustainability. Social businesses use innovation to amplify their influence, often by means of disruptive technology or novel economic models.

Operational strategy refers to the plan and approach used by an organization to achieve its A commonly used approach is the earned income plan, in which social entrepreneurs make cash by selling products and services. This strategy decreases dependence on charitable contributions and subsidies, establishing a

consistent and self-sustaining revenue source to uphold social objectives. Alter's (2007) research emphasizes the efficacy of this paradigm in attaining financial autonomy and expandability. The cross-subsidization concept utilizes money generated from commercial activity to finance social projects. This concept is prevalent in social companies that operate in areas such as healthcare, education, and housing. Kerlin (2013) observes that this strategy enables firms to achieve a harmonious combination of financial feasibility and social influence, guaranteeing the fulfillment of social goals without jeopardizing the long-term profitability of the company. Another model used is the fee-for-service method, in which recipients are responsible for paying the social enterprise for the services provided. This paradigm is often used in industries that provide services that directly benefit people or communities, such as vocational training and healthcare. The fee-for-service approach ensures that the company and its beneficiaries have aligned interests, which promotes accountability and enhances the quality of service (Dees, 1998). The cooperative model emphasizes the concepts of shared ownership and democratic decision-making. Members, who often get benefits, have the ability to participate in decision-making processes and also receive a portion of the earnings. This strategy promotes community engagement and guarantees that the social business is intimately attuned to the demands of its stakeholders. Birchall (2004) emphasizes the significance of cooperatives in advancing economic inclusivity and fostering social unity.

Social businesses promote economic empowerment via job creation and skills training. They often work with underprivileged areas, providing chances for economic involvement to people who may otherwise be excluded. Spear's (2006) research suggests that social companies have the potential to significantly contribute to local economic development by decreasing poverty and improving livelihoods. Furthermore, social businesses promote social inclusion by tackling concerns such as healthcare, education, and housing. They provide vital services to marginalized communities, enhancing their capacity to get and afford them. According to research conducted by Teasdale (2010), social businesses have the potential to decrease social disparities and improve the well-being of marginalized populations. Furthermore, several social businesses prioritize environmental sustainability by applying eco-friendly processes and manufacturing goods that are environmentally beneficial. These businesses actively promote environmental preservation and educate people about sustainable lifestyles. The study by Boyd, Henning, and Reyna (2009) emphasizes the ability of social businesses to catalyze environmental transformation through creative strategies and active community involvement.

## 2. Methodology

This paper focuses on literature reviews of research articles related to social enterprise development in Cambodia and Indonesia. This approach emphasizes deepening knowledge through the contributions of various papers that have previously conducted research (Neuman, 2014). The authors examined multiple data sources, including prior studies, government documents, books, journals, laws, websites, and other relevant materials. The investigated topics related to policy and model of social enterprise in Cambodia and Indonesia. The keywords used for the literature search included social enterprise development, social enterprise model, and social enterprise impact related to both countries. To obtain information related to previous research, the authors identified journal sources and previous research through the Publish or Perish 8 application, Google Scholar, and analysis via Vos Viewer.

## 3. Result and Findings

### 3.1. The regulation of social enterprise in Cambodia and Indonesia

According to Amin's (2009) 'situated practice model,' Cambodia is classified as having weak market mechanisms and weak welfare states, which leads to a heavy reliance on NGOs to address gaps in social welfare provision and poverty alleviation (Lyne, Ngin, Santoyo-rio, 2013). Social businesses in Cambodia emerged as revenue-generating initiatives by local and foreign non-profit organizations (NPOs), particularly as international assistance increasingly prioritized government funding over support for civil society. Cambodia lacks a distinct legislative framework for social companies, as stated by USAID in 2018. These firms function as tactics to broaden the range of economic sources and decrease dependence on foreign subsidies and contributions. They provide job, income, and training prospects for marginalized demographics, including children, teens, women, handicapped persons, and low-income families. Social businesses contribute to the improvement of non-profit organization (NPO) operations by enhancing transparency and accountability and promoting a feeling of ownership over initiatives (Khieng, 2014).

Cambodia recognizes several legal entities: sole proprietorships, partnerships, limited companies, representative offices, branch offices of foreign companies, associations and NGOs (British Council et al., 2018). Sole proprietorships are simple businesses owned by individuals with minimal formalities and direct tax responsibilities. Partnerships, formed by two or more people, share management, profits, and liabilities and are also subject to tax registration. Limited companies are separate legal entities with distinct rights and

responsibilities, subject to various taxes and requiring a minimum capital. Representative offices of foreign companies can engage in market exploration but not revenue-generating activities, whereas branch offices can conduct business and are taxed accordingly. Associations and NGOs are governed by the Law on Associations and Non-governmental Organizations (LANGO), categorized into domestic and foreign associations and NGOs, with specific registration and tax exemption processes.

Social enterprises can be developed under any of these legal entities, except for representative offices, which are restricted from commercial activities. However, only associations and NGOs are eligible for government tax incentives and exemptions, making them a preferred structure for social enterprises in Cambodia (Khieng, 2014).

Indonesia still does not have well-defined legislation that establishes and oversees social enterprises. Such organizations are often classified in a manner comparable to other kinds of businesses, resulting in ambiguous boundaries in their functioning. Essential classifications of enterprise comprise of four types such as: (1) Micro, Small, and Medium Businesses (MSMEs) are subject to regulation under the Omnibus Law Job Creation Bill and Small Medium Enterprise Bill, which establish certain revenue thresholds. (2) civil society organizations (CSOs) are often foundations, known as Yayasan, that have the ability to collect income from founders, contributions, or finances from non-governmental organizations (NGOs) or government organizations (GOs). These organizations generally focus on providing social services. (3) Corporate Social Responsibility (CSR) refers to the practice of businesses taking on social and environmental initiatives. Early social enterprises emerged from CSR programs, which are not subject to a certain proportion of budget but are assessed on a regional basis (Rostiani et al., 2014; Pratono, Pramudija, and Sutanti, 2016). (4) Cooperatives have long been recognized as having a crucial role in rural development and agriculture in Indonesia, as stated in the Indonesian Constitution. They have a large membership and make important contributions to the country's GDP.

Studies show that micro, small, and medium companies (MSMEs), non-governmental organizations (NGOs), and cooperatives are often involved in the establishment of social enterprises, with NGOs being especially prominent. Nevertheless, there is little data available about social businesses that are established by corporate social responsibility (CSR) efforts. Since 2015, the government has been developing a Social Entrepreneurship Draft Bill to establish precise restrictions. This bill defines social businesses as initiatives that focus on addressing societal and environmental problems. These firms are required to reinvest the amount of their revenues to support their mission (British Council and UNESCAP, 2018).



Support Mechanisms include access to funding opportunities, mentorship programs, and networking events to help social entrepreneurs grow their businesses and make a positive impact on society. These mechanisms are essential for providing the necessary resources and guidance for social enterprises to sustainable operation (Pratono, Pramudija, and Sutanti, 2016). There are seven types of support mechanisms for social enterprises in Indonesia. Government organizations, including various ministries, provide funding, training, supervision, and program establishment support, targeting youth and rural communities (Meisari, Hati, Wirastuti, Susanto, 2015). State-owned companies run the Program Kemitraan dan Bina Lingkungan, focusing on funding and business assistance for SMEs and community development services like disaster management and environmental preservation. Private companies, through CSR initiatives, support novice social entrepreneurs with funding and business assistance, often partnering with social enterprises sharing similar social visions. NGOs offer funding and start-up business assistance, especially during crisis situations, sustaining their social missions. Impact investing, a newer model in Indonesia, involves socially responsible investments from companies or individuals to support social enterprise programs. Business incubator institutes, such as Unltd Indonesia and higher education institutions, like Universitas Indonesia and Universitas Gadjah Mada, provide training, mentoring, and financial support, encouraging student and community involvement. Lastly, established social enterprises assist new ones through partnerships or mentoring, with crowdfunding platforms like Kitabisa.com supporting various social projects, including initiatives by novice social entrepreneurs.

### 3.2. Social Enterprise Practice Models in Cambodia and Indonesia

According to Khieng and Lyne (2019), social enterprises in Cambodia are categorized using Defourny and Kim's East Asian typology of social enterprise models. Among the five models, most of the social enterprises in Cambodia were established under the trading NPO and followed by the Work Integration Social Enterprise (WISE).

Trading NPOs are established by non-profit organizations seeking alternative sources of income or aiming to attain financial sustainability by providing social services, excluding work integration. Organizations such as Cambodia Children's Trust, Fine Art Association, and Cambodia Health Education, among others, are notable examples. The effects of this model typically encompass the creation of employment opportunities, support for the community, and the promotion of cultural activities.

The WISE model primarily focuses on providing job opportunities along with training and/or employment services. Some examples include Mith Samlanh, Yodiffee,

and Buddhism for Social Development Action. The enterprise's impact encompasses vocational training, cultural promotion, and community contribution.

The Non-Profit Cooperative model represents a collective form of self-employment that offers innovative solutions to address unmet needs, drawing upon the rich tradition of cooperatives. Example: CEDAC Sahakreas and its affiliated self-help groups; Artisan D'Angkor; Rattan Association of Cambodia and related handicraft/artisanal organizations. The impact of companies encompasses various aspects such as job creation, vocational training, education, preservation and promotion of Cambodian tradition and culture, community empowerment, and poverty reduction.

The NPO/FPO partnership model is a specific type wherein private companies or company foundations provide support to NPOs or engage in joint initiatives with a social mission. The objective is to enhance the capabilities of local farmers and producers within the community by implementing cutting-edge technology and adopting best practices. They enhance the farmer's capabilities through education and the establishment of cooperatives. They introduce modernized technology to elevate the quality of the products and procure them directly from the producers, ensuring fair pricing during distribution. Some examples of organizations in the field include Khmer Arts, Kram Ngoy Centre, Phare Ponleu Selpak, Hagar Social Enterprise Group, and others. The company's impact encompasses various aspects, such as job creation, enhancing product quality and increasing output, distributing and promoting organic products, as well as empowering the community and alleviating poverty.

The Community Development Enterprise is a collaborative initiative involving various stakeholders, including non-profit organizations, for-profit organizations, and public entities. Its primary objective is to facilitate participatory local development. Example: Teuk Saart 1001; Lors Thmey, Family Agricultural Development Community. The company's impact encompasses improvements in the quality and quantity of agricultural output, the creation of jobs, the strengthening and development of communities, and the alleviation of poverty.

Although the definition and formal regulation of social enterprise is not provided, the government of Indonesia also recognizes social enterprise through the national development plan. Several government programs also accommodated local communities to initiate social enterprise entities. For instance, a national program coordinated by the Ministry of Villages, Development of Disadvantaged Regions and Transmigration also successfully created more than 60.000 of village-owned enterprises (Kemendesa, 2022) that not only focused on rural economic development but also targeted to improve

the quality of life of the rural communities, especially marginalized group. Since Indonesia has predominantly Islamic faith, the practice model of social enterprise also develops under the religious spirit by using capital Islamic charitable contracts as a form of obedience to God's commands, such as zakkah to deliver the social contribution through more organized programs (Hati, 2023; Muhamed, Kamaruddin, & Nasrudin, 2018). In general, social enterprises can be categorized into five types: Social Cooperative or Hybrid Social Enterprise, Profit-for-Benefit Social Enterprise, Not-for-Profit Social Enterprise, Community-Based Social Enterprise, and Creative Social Enterprise (Pratono, Pramudija, and Sutanti, 2016).

The first model, Social Cooperative or Hybrid Social Enterprise, emerged from mutual interest organizations that evolve to focus on broader societal concerns. An example is the Pacur Kasih Cooperative in West Kalimantan, which operates as a credit union and partners with local communities to provide microfinance, community health, and farming assistance programs. Second model, Profit-for-Benefit Social Enterprise as for-profit organizations that also pursue social missions, gaining credibility through their business operations. YCAB (Yayasan Cinta Anak Bangsa) exemplifies this model, offering near-market returns to social investors while focusing on education and economic empowerment for underprivileged youth. The third model, Not-for-Profit Social Enterprise emerges from non-profit organizations for combining social missions with economic activities for sustainability. Institut Agri Indonesia (INAgri) processes organic waste and promotes organic farming, creating job opportunities and income for local communities through education and market programs. Fourth model, Creative Social Enterprise as centered on the creative economy, leveraging intellectual property and cultural heritage to generate economic value. Dagadu Jogja, a popular t-shirt and souvenir brand, promotes local culture and provides opportunities for unemployed and creative youth, fostering a vibrant local creative economy. The last common model, Community-Based Social Enterprise which focuses on solving local problems and improving resource allocation for community benefit. These enterprises are deeply rooted in local contexts. Brisma Community-Pesantren Al Muhtadin, initiated in 2010, empowers local communities through integrated farming and creative industries supported by CSR and zakat funds.

### 3.3. The Social Impacts of Social Enterprise

The social enterprises in Cambodia have tackled social issues related to vocational training, energy, environment and livelihoods, health issues, and rural development (Khieng & Dahles, 2014). Among the typology, the trading NPOs are the type that fits the Cambodian context due to the need to shift the paradigm that requires the NPO to be more responsible and accountable for their operation

and administration. However, it is also suggested that the ideal type of social enterprise in a country is dictated by the actual social needs, resource needs, and economic value (Lyne, Khieng, Ngin, 2015). International agencies and institutions have supported some trading NPOs. Moreover, international developing partners such as UNDP have supported incubation hubs like Impact Hub and Social Enterprise Cambodia for the new innovative social enterprise start-ups. Furthermore, WISE has addressed the need for a practicing platform for vocational training and primary education for disadvantaged groups. For instance, the government initiative's Technical and Vocational Education and Training Program aims to nurture the primary skills of disadvantaged youth with low education. However, there is a need from the private sector to provide a chance for the trainee for the on-hand practice. Therefore, WISE can fill in the gap by providing youths opportunities to apply their substantial knowledge into on-hand practice and integrate them into the labor market. Moreover, the non-profit cooperative models like the case of CEDAC that bring the sustainable agricultural technique to the rural communities help provide capacity building and alleviate the problem in agriculture. It contributes to the government's commitment to elevating the standard of agricultural products for exportation (Khieng & Lyne, 2019).

Social enterprise programs have significantly contributed to national development in Indonesia. According to Margiono (2021), these enterprises have played a crucial role in supporting national objectives, such as educating the nation and improving public welfare, aligning with the goals outlined in the Preamble to the 1945 Constitution. Social enterprises have consistently contributed to the nation, including an economic contribution of 2 percent to the GDP. They also fill gaps left by government programs, acting as development partners and allowing the government to focus on broader initiatives while social enterprises handle follow-up actions.

In terms of job creation, a [British Council and UNESCAP \(2018\)](#) report indicated a 42% increase in full-time employees and a 26% increase in part-time employees from 2016 to 2017. Women's leadership and participation have also been strengthened, with 40% of social enterprises led by women. Village-owned enterprises further enhance women's roles in social and economic activities, leading to increased family welfare through additional income (Kushandajani, 2019). Additionally, social enterprises contribute to local cultural preservation and community identity. Community-based social enterprises promote local culture and identity through their products and marketing strategies, boosting community pride (British Council, 2020).

This paper finally highlights the comparison of legislation, the practice models, and the impacts of social

**Table 1:** The comparison of social enterprise status in Cambodia and Indonesia

	<i>Cambodia</i>	<i>Indonesia</i>
Legislation	No specific legal framework for social enterprises  Recognizes several legal entities: (1) sole proprietorships, (2) partnerships, (3) limited companies, (4) representative offices, (5) branch offices of foreign companies, (6) associations, and (7) NGOs  Social Enterprise registered under specific condition in the association and NGOs may receive tax benefit.	No specific legal framework for social enterprises  Classifications of enterprise comprise of four types such as: (1) Micro, Small, and Medium Businesses (MSMEs), (2) civil society organizations (CSOs), (3) Corporate Social Responsibility (CSR), (4) Cooperatives  Support Mechanisms include access to funding opportunities, mentorship programs, and networking events
Practice Models	Five Models: (1) Trading NPO, (2) Work Integration Social Enterprise (WISE), (3) Non-Profit Cooperative, (4) NPO/FPO partnership, (5) Community Development Enterprise	Social Cooperative or Hybrid Social Enterprise, (2) Profit-for-Benefit Social Enterprise, (3) Not-for-Profit Social Enterprise, (4) Community-Based Social Enterprise, (5) Creative Social Enterprise
Social Impacts	Job Creation Vocational Training and Practice Cultural Promotion and Preservation Health and Livelihood Improvement Environmental Sustainability Community Support Community Empowerment Poverty Alleviation	Job Creation Youth Development Strengthening Women's Leadership and Participation Strengthening Religion Values Local Cultural Preservation and Community Identity National Development Support: Economic Contribution

Source: Adapted from British Council et al., (2018), British Council and UNESCAP (2018), Khieng and Lyne (2019), Pratono, Pramudija, and Sutanti, (2016), Rostiani, et al. (2014)

enterprise implemented in Cambodia and Indonesia as shown in [Table 1](#).

#### 4. Discussion

As a result of the absence of specialized legislative frameworks, Cambodia and Indonesia both have a large dependence on non-governmental organizations (NGOs) and other conventional institutions to support activities related to social business. However, Cambodia's social enterprises are generally the result of a desire to diversify the sources of revenue for non-governmental organizations (NGOs) and minimize their reliance on funding from other countries. This dependency underscores a broader challenge faced by Cambodian social enterprises: sustaining operations in a resource-constrained environment. The integration of social enterprises into NGOs' strategies enables them to seek financial stability while continuing to provide essential social services and vocational training (Phills, Deiglmeier, & Miller, 2008). On the other hand, Indonesia's social enterprises often develop from pre-existing micro, small, and medium-sized companies (MSMEs), civil society organizations (CSOs), and corporate social responsibility (CSR) efforts. Despite the fact that Indonesia seems to have a wider variety of mechanisms, such as impact investment and business incubators, the support systems in both nations entail a combination of engagement from the private sector and the government.

Social enterprises, blending for-profit and non-profit characteristics, serve as innovative mechanisms to

address social and environmental challenges. As hybrid entities, they function at the intersection of market, state, and civil society, striving to achieve financial sustainability while fulfilling social objectives (Billis, 2010). Regarding the social enterprise model analysis, the main organizational types in Cambodia are Trading Non-Profit Organizations (NPOs) and Work Integration Social Enterprises (WISEs) using Defourny and Kim's (2011) East Asian typology of social enterprise models. These models align with the country's objective of achieving financial sustainability and generating employment opportunities via the provision of social services and vocational training. Cambodia's dependence on foreign assistance and community-based approaches to tackle social problems is underscored by the help received from international organizations and the emphasis on cooperative practices. The categorization models in Indonesia encompass a wide range of entities, including cooperatives, profit-oriented corporations, and creative industries. Indonesia's strategy exemplifies a wider incorporation of social business into its economic structure, with notable input from diverse sectors.

Both countries recognize the significant contributions of social enterprises in terms of employment creation, community support, and cultural advancement to support the national agenda in overcoming social problems. Social enterprises in both nations fill the voids created by government initiatives, serving as collaborators in national and local progress. The promotion of women's empowerment has had a considerable

influence in both nations since social businesses have played a crucial role in expanding job creation and women's participation in leadership positions and socioeconomic endeavors. Cambodian social enterprises primarily prioritize vocational training and sustainable agriculture, aligning with the country's distinct social and economic requirements. Indonesian social enterprises, on the other hand, provide a more extensive contribution to the overall development objectives of the country. This includes making large economic contributions to the Gross Domestic Product (GDP) and implementing wider measures to enhance social welfare. Cambodian social entrepreneurs greatly benefit from the support mechanisms offered by international organizations and incubation centers, which highlights their reliance on foreign aid. Indonesian social enterprises get several sorts of help, including government initiatives, corporate social responsibility (CSR) initiatives, and business incubators from universities. The distinct social, economic, and institutional conditions of each nation have influence the outcomes of social enterprises in Cambodia and Indonesia. By improving the legal frameworks and support mechanisms specifically designed for social entrepreneurs, both countries may increase their beneficial influence on sustainable development and social well-being. Both countries emphasize the hybrid nature of social enterprises, which integrate economic activities with social goals. Furthermore, they underscore the need to create job prospects, offer vocational training, and promote social progress. However, Cambodia's models are mostly influenced by foreign aid and collaborative customs, while Indonesia adopts a more unified approach in its economic policies and legal structure from several domestic legal entities, including government and NGO, private organizations, and universities. Indonesia's social enterprise firms demonstrate more types of variety, reflecting the country's larger and more different economy to support sustainability. This approach is aligned with Yun & Liu (2019), who suggest the Quadruple Helix model for creating innovation through collaboration between government, business, academics, and society.

## Conclusion

The study compares social businesses in Cambodia and Indonesia, highlighting their common effects and varied attributes influenced by their socioeconomic and institutional environments. Both countries have social enterprises that tackle social and environmental problems, promote employment, support communities, empower women, and preserve culture. In Cambodia, social businesses like Trading NPOs and Work Integration Social businesses (WISE) focus on vocational training, sustainable agriculture, and community development, with significant support from international agencies and

incubation centers. These enterprises create employment opportunities, support communities, promote cultural activities, and reduce poverty. Indonesian social enterprises play a significant role in the country's development, supporting national goals like education and public welfare. They serve as government partners, filling gaps in public programs and promoting women's leadership positions. Indonesia has various support mechanisms, including government initiatives, CSR programs, and business incubators, promoting a broad spectrum of social businesses, including cooperatives and creative industries.

This study finally presents theoretical and practical implications. The theoretical basis for defining the concept of social enterprise is principal. Thus, the conception of social enterprise needs to be strengthened. Despite the benefits of social enterprises in both countries, disparities in areas of emphasis, support systems, and economic contributions highlight the need for customizing social enterprise models to suit specific national circumstances. Secondly, for practical implication, this study reflects the promising contribution of social enterprise. Improving legal frameworks and support systems could enhance the beneficial effects of social businesses, leading to sustainable development and greater social welfare.

## Declaration of competing interest

The authors have no conflict of interest to declare.

## Credit authorship contribution statement

Somchan Socheata and Getar Hati: Conceptualization, Writing-original draft, Writing-review & editing. The authors have read and agreed to the published version of the manuscript

## Data a-vailability statement

The datasets generated during the current study are available in the Google Scholar repository, <https://scholar.google.com/>

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