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AQIDAH AKHLAQ ADAB AMANAH AMALAN

Advising Editors

EDITORIAL

Welcome to Volume 6, Issue 1 (2026) of the Albukhary Social Business Journal (ASBJ). This issue advances the scholar-practitioner dialogue on ethical enterprise, poverty alleviation, and human development by offering context-sensitive solutions tailored to the Global South and emerging economies.

Addressing foundational societal challenges, Wahidul Haque et al. explore how embedding social business into Bangladesh's mainstream education can transition students from passive job seekers into socially responsible job creators. Complementing this educational focus, Imane Charhaddine examines mission-driven organizations in Morocco, demonstrating that symbolic inclusion and intercultural negotiation are structural conditions essential to organizational social performance.

Innovative frameworks also extend into finance and strategy. Ismail Bin Ahmad and Izzeideen A. Alomari present the IPSEFM model, reframing Ar-Rahnu (Islamic pawn financing) from a short-term liquidity tool to an integrated ecosystem that supports sustainable social enterprise development. To assist these ventures in communicating their impact, Mujtaba Amin et al. outline a strategic social media marketing framework that builds stakeholder trust while ensuring financial viability.

Broadening the scope to regional macro-dynamics, Ismail Ahmad et al. analyse ASEAN economies and find that digital financial inclusion enhances human development most effectively when mediated by strong performance in institutional and environmental sustainability.

Together, these contributions demonstrate that social business is a dynamic ecosystem requiring integration across education, culture, financial architecture, and digital strategy.

Professor Dr. Sofri Bin Yahya

Editor-in-Chief

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Emerging Need of Social Business in Mainstream Education to Combat Unemployment and Foster Entrepreneurship Development in Countries like Bangladesh

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Abstract

This study explores the emerging need to integrate social business into mainstream education in Bangladesh to address youth unemployment and foster entrepreneurship development. The research aims to examine how education systems can be reoriented to bridge the gap between academic learning and labour market demands while promoting socially responsible enterprise. A qualitative comparative methodology was employed, drawing on literature review, policy analysis, and evaluation of global and national initiatives related to social business and entrepreneurship education. The findings reveal a significant mismatch between education and employability graduates lack practical and entrepreneurial skills, and industries face shortages of competent human resources. Although Bangladesh has pioneered social business models, their integration into formal education remains limited due to challenges such as rigid curricula, insufficient teacher capacity, lack of institutional support, and absence of a clear legal framework. However, successful examples from both Bangladesh and other countries demonstrate that curriculum innovation, university-based incubators, and supportive ecosystems can enhance youth engagement in social entrepreneurship. The study concludes that embedding social business into education can transform students from job seekers into job creators, contributing to inclusive development, reducing unemployment, and achieving sustainable development goals, thereby requiring coordinated policy and institutional reforms.

Keywords: education, entrepreneurship development, youth unemployment, social business

Abstrak

Kajian ini meneroka keperluan baharu untuk mengintegrasikan perniagaan sosial ke dalam pendidikan arus perdana di Bangladesh bagi menangani pengangguran belia dan memupuk pembangunan keusahawanan. Penyelidikan ini bertujuan untuk meneliti bagaimana sistem pendidikan dapat diorientasikan semula bagi merapatkan jurang antara pembelajaran akademik dan keperluan pasaran tenaga kerja, di samping mempromosikan perusahaan yang bertanggungjawab secara sosial. Metodologi kualitatif pembandingan telah digunakan, dengan berpandukan sorotan literatur, analisis dasar, serta penilaian terhadap inisiatif global dan nasional yang berkaitan dengan perniagaan sosial dan pendidikan keusahawanan. Dapatan kajian menunjukkan jurang ketidakpadanan yang ketara antara pendidikan dan kebolehpasaran kerja, dengan graduan yang kekurangan kemahiran praktikal dan keusahawanan, manakala industri menghadapi kekurangan sumber manusia yang berkebolehan. Walaupun Bangladesh telah *memelopori model perniagaan sosial, pengintegrasiannya ke dalam pendidikan formal masih terhad disebabkan oleh cabaran seperti kurikulum yang tegar, kapasiti guru yang tidak mencukupi, kekurangan sokongan institusi, dan ketiadaan kerangka undang-undang yang jelas. Walau bagaimanapun, contoh-contoh kejayaan dari Bangladesh dan negara-negara lain menunjukkan bahawa inovasi kurikulum, inkubator berasaskan universiti, dan ekosistem yang menyokong dapat meningkatkan penglibatan belia dalam keusahawanan sosial. Kajian ini menyimpulkan bahawa penerapan perniagaan sosial ke dalam pendidikan dapat mengubah pelajar daripada pencari kerja kepada pencipta kerja, menyumbang kepada pembangunan inklusif, mengurangkan pengangguran, dan mencapai matlamat pembangunan mampan, yang sekali gus memerlukan reformasi dasar dan institusi yang terkoordinasi.*

1. INTRODUCTION

Bangladesh, with its large youth population, holds the potential for a demographic window, high unemployment rates among graduates pose a major challenge. Despite progress in expanding access to education, the system remains exam-oriented and fails to equip students with practical or entrepreneurial skills. This mismatch between education and labour market needs has created a pressing need for reform. Social business, pioneered by Dr. Muhammad Yunus, offers a unique model that blends entrepreneurship with social impact, providing opportunities for youth to become job creators rather than job seekers. Integrating social business into mainstream education can bridge the gap by fostering innovation, ethical responsibility, and community engagement. This research is motivated by the urgency of reducing unemployment and exploring how social business education can transform youth into drivers of inclusive and sustainable development in Bangladesh.

2. LITERATURE REVIEW

Youth unemployment among educated populations in Bangladesh stems from a persistent mismatch between theoretical academic training and labour-market demands, as traditional systems emphasise theory over practical, entrepreneurial, and problem-solving skills (ILO, 2023). Human Capital Theory links employability to skill acquisition, while Experiential Learning Theory supports hands-on learning to foster entrepreneurial readiness. Carpenter and Wilson (2022) found value in experiential and extracurricular entrepreneurship programs, though they note methodological weaknesses in the evidence base; Chen et al. (2021) emphasise technology-enabled, blended approaches; and Shahid and Alarifi (2021) frame social entrepreneurship education as a progression from learner inputs and pedagogy to entrepreneurial knowledge and competencies.

Recent scholarship reinforces the need to embed entrepreneurship education within institutional ecosystems rather than treat it as a stand-alone course. Systematic reviews identify entrepreneurial intention, mindset, learning, self-efficacy, and ecosystems as recurring themes (Anubhav et al., 2024; Azqueta et al., 2023), while reviews of social business education highlight curriculum design, teaching methods, collaboration, ethics, and assessment (Al Issa et al., 2024; Wang & Horta, 2024) with learning-by-doing proving especially salient (Motta & Galina, 2023), Collectively, this literature strengthens the rationale for embedding social business in mainstream education, while cautioning against claiming causal effects that the underlying studies do not establish

3. METHODOLOGY

3.1 Research Objective

This study aims to examine how integrating social business into mainstream education can reduce youth unemployment and foster entrepreneurship in Bangladesh by identifying practical and scalable educational strategies.

3.2 Conceptual Framework

Conceptual framework: education gaps-- ___intervention capability ____ outcomes

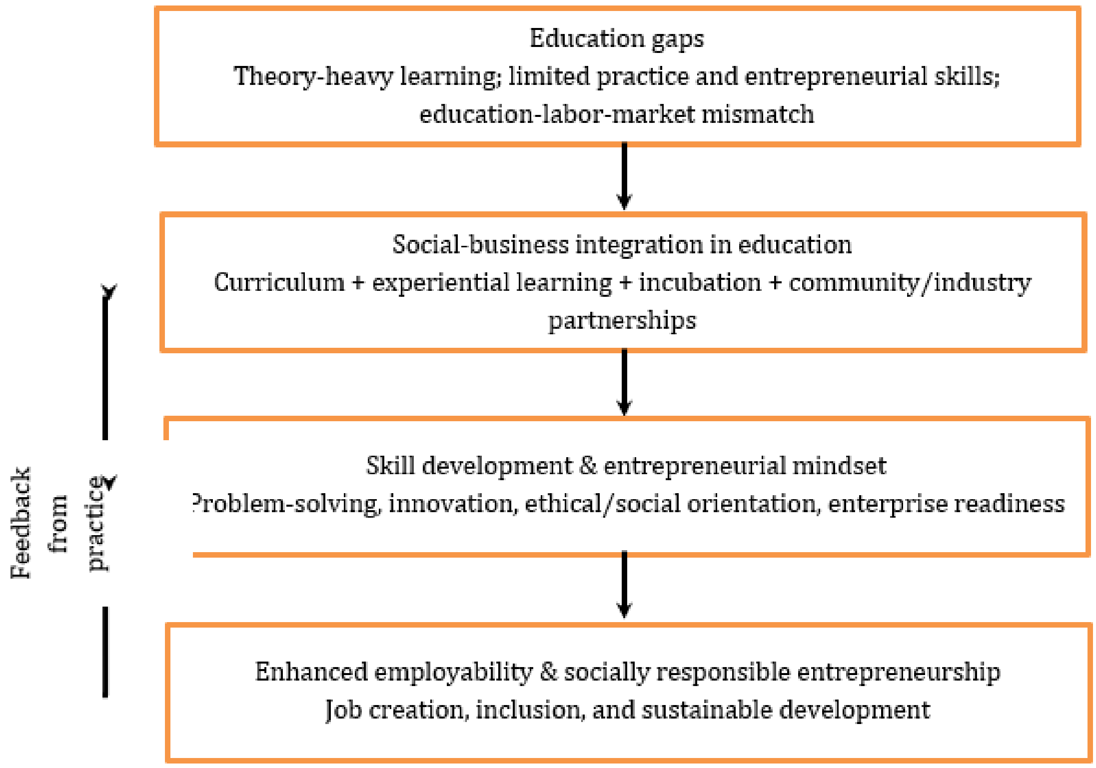

Figure 1: Conceptual framework linking education gaps, social-business interventions, skills, and outcomes. The feedback loop indicates that implementation evidence can inform subsequent curriculum and institutional reform

3.3 Methods

This study adopts a qualitative, comparative, multi-case design (Yin, 2014) to examine the integration of social business into mainstream education as a response to unemployment in Bangladesh, grounded in interpretive social science (Schultz, 1967; Burrell & Morgan, 1979), comparing Bangladesh with Germany, Italy, Malaysia, Tunisia, and the United States. The countries were purposively selected for documented variation in education policy, entrepreneurship-support ecosystems, and institutional context relevant to Bangladesh, not to form a statistically representative sample. Secondary evidence comprised peer-reviewed literature, national and institutional policy documents, and reports from credible international organisations, identified through searches combining terms such as "entrepreneurship education," "social business," "entrepreneurial intention," "incubator," "policy," "funding," and "employability," with each country name. Priority was given to sources published from 2020 onward, seminal theoretical works were retained where necessary. Documents were included if they addressed entrepreneurship/social business education, relevant policy or institutional support, or education-to-employment pathway in one of the six cases, and excluded if a more authoritative source covered the same ground.

Evidence was analysed through thematic content analysis (Braun & Clarke, 2006), first coded under education gaps, social-business interventions, skill development, employability outcomes, and enabling ecosystem conditions, and then compared across cases on policy alignment, funding support, and institutional integration. Given the qualitative, secondary-source design, these dimensions are reported as qualitative evidence ratings: findings were judged stronger where multiple independent sources converged, while contradictory or weak evidence was retained as a limitation. Triangulation across academic, policy, and institutional sources strengthened interpretive credibility.

4. RESULTS AND DISCUSSION

The findings indicate a strong global consensus that integrating social business into education enhances entrepreneurial intent, experiential learning, entrepreneurial competencies, and socially oriented enterprise development (Table-1). Countries such as Germany, Malaysia, and the United States demonstrate that policy-supported, practice-based education significantly improves startup creation and employability (Kolb, 1984; Yin, 2014).

Table-1: Thematic evidence from recent literature on social business and entrepreneurship education

Entrepreneurship Education	Curriculum integration of entrepreneurship and social business concepts in universities and formal education.
Experiential Learning	Learning by doing real-world projects, and applied activities are emphasised in entrepreneurial and social business education.
Entrepreneurial Competencies	Development of self-efficacy, opportunity recognition, creativity, and problem-solving among students.
Social Orientation	Focus on social impact, ethics, sustainability, and community problem-solving through entrepreneurial initiatives.
Institutional Ecosystem	Role of incubators, supportive policies, curricula, partnerships, funding, and monitoring in strengthening entrepreneurial education.

Note: Themes synthesised from recent empirical studies and reviews (2020-2024) on social business and entrepreneurship education.

In Bangladesh, secondary evidence indicates promising but fragmented initiatives, including activities associated with the Yunus Centre and BRAC University, in which students engage in social ventures addressing healthcare, sustainability, and inclusion (Table-2). The evidence also points to constraints associated with policy coordination, institutional capacity, and sustainable financing.

Table-2: Qualitative comparison of entrepreneurial-intent evidence in traditional and social-business-oriented education

Education Approach	**Key Characteristics**	**Evidence on Entrepreneurial Intent**
Traditional Education	• Theory-heavy instruction • Limited practical exposure • Exam-oriented learning • Less integration of real-world projects	Evidence consistently indicates lower levels of entrepreneurial intent due to limited practice, minimal experiential learning, and less direct support for entrepreneurial aspirations.
Social-Business Oriented Education	• Experiential and project-based learning • Integration of social impact and ethics • Mentoring, incubation and peer learning • Stronger real-world engagement	Evidence from multiple studies shows that entrepreneurial intent is higher when driven by experiential learning, social impact orientation, mentorship, and supportive ecosystems.
Bangladesh Context	• Emerging initiatives in universities, NGOs and social enterprises • Fragmented programs and uneven reach • Limited policy and ecosystem integration	Evidence suggests growing entrepreneurial intent where programs exist, but overall impact remains limited due to fragmented implementation and the absence of systemic national integration.

Note: This table synthesises qualitative evidence from recent secondary literature (2020-2024) and documentary sources.

Table-3: Illustration of the gap between structured global models and Bangladesh's emerging but fragmented approach

Country	Policy Alignment	Funding Support	Institutional Integration	Documentary Evidence Pattern
Germany	Strong	Strong	Strong	Extensive evidence of policy-supported entrepreneurship education and institutional mechanisms
Italy	Moderate-strong	Moderate	Moderate-strong	Documented policy and university initiatives, with variation across institutions
USA	Strong	Strong	Strong	Extensive university entrepreneurship ecosystems, incubators, and diversified support
Malaysia	Strong	Moderate-Strong	Strong	Established policy and institutional initiatives supporting entrepreneurship and social innovation
Tunisia	Moderate	Moderate	Moderate	Growing policy and institutional support, with comparatively less extensive documented integration
Bangladesh	Emerging	Limited	Emerging	Grassroots and university initiatives are evident, but national coordination and sustainable financing remain fragmented

Note: Qualitative comparison of the enabling environment for social-business and entrepreneurship education. Ratings are qualitative evidence assessments based on convergence and strength of documentary evidence across predefined domains.

Comparative analysis (Table-3) highlights that structured global models benefit from strong policy alignment, funding support, and institutional integration, whereas Bangladesh lags in coordination and scalability. Despite this gap, growing youth engagement through competitions and Technical and Vocational Education and Training pilots signals significant potential.

Overall, the study reflects an emerging but uneven landscape: global systems are structured and effective, while Bangladesh shows innovation without systemic support. Strengthening policy frameworks, institutional capacity, and sustainable financing is essential to transform these initiatives into a cohesive and impactful education model.

5. LIMITATION

Reliance on secondary data, limited rural insights in Bangladesh, and contextual gaps in international comparisons constrain findings, despite robust analysis.

6. CONCLUSION

The study concludes that integrating social business into mainstream education is a viable strategy to address youth unemployment in Bangladesh. Key findings indicate that globally, structured and policy-supported models enhance entrepreneurial intent, experiential learning, and socially impactful ventures, while Bangladesh demonstrates strong grassroots innovation but lacks systemic coordination. Practically, embedding social business in curricula, strengthening incubation systems, and fostering partnerships with academia, NGOs, and industry can enhance employability and innovation. Despite limitations, including reliance on secondary data and limited representation of rural areas, the approach offers significant potential for inclusive development. Future research should prioritise longitudinal impact assessment, rural inclusion, faculty capacity building, and scalable digital incubation, while also exploring sustainable financing models and regional comparative frameworks to ensure effective, context-sensitive implementation.

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Making Meaning Across Cultures: Inclusion as a Structural Condition for the Social Performance of Mission-Driven Organizations in Morocco

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Abstract

This article examines how culturally situated inclusion operates as a structural condition for the social performance of mission-driven organizations in intercultural contexts. Drawing on twenty-eight semi-structured interviews conducted with professionals from four organizational sectors in Morocco, non-governmental organizations, educational institutions, startups, and family businesses, the study mobilizes a critical and interpretive epistemology articulated with an ethnographic sensitivity attentive to the cultural production of meaning. The analysis brings out three interrelated dynamics that together constitute a cultural grammar of social performance: intercultural negotiation as a process of meaning production, symbolic inclusion as a relational lever of engagement, and recognition as a foundational act that inscribes agents within the symbolic economies of allegiance. By bridging critical inclusion studies and social business research, two literatures that have so far evolved largely in parallel, the article argues that inclusion, when conceived in its relational, epistemic, and affective dimensions, is not a managerial supplement but a structural infrastructure of mission integrity. The Moroccan setting offers a generative case for rethinking social performance in Global South contexts, inviting a move beyond procedural approaches to inclusion toward culturally situated analytics of the internal conditions of mission.

Keywords: inclusion, intercultural management, Moroccan organizations, recognition, social business

Abstrak

Artikel ini meneliti bagaimana inklusi bersituasi budaya berfungsi sebagai keadaan struktural bagi prestasi sosial organisasi berteraskan misi dalam konteks silang budaya. Berdasarkan dua puluh lapan temu bual separa berstruktur yang dijalankan bersama-sama profesional daripada empat sektor organisasi di Maghribi; organisasi bukan kerajaan, institusi pendidikan, syarikat permulaan, dan perniagaan keluarga; kajian ini menggembleng epistemologi kritikal dan interpretif yang diartikulasikan dengan kepekaan etnografi yang prihatin terhadap penghasilan makna secara budaya. Analisis ini mengetengahkan tiga dinamik saling berkait yang bersama-sama membentuk tatabahasa budaya bagi prestasi sosial: perundingan silang budaya sebagai proses penghasilan makna, inklusi simbolik sebagai tuas hubungan bagi penglibatan, dan pengiktirafan sebagai *tindakan asas yang menempatkan ejen dalam ekonomi simbolik kesetiaan. Dengan merapatkan kajian inklusi kritikal dan penyelidikan perniagaan sosial, iaitu dua bidang literatur yang selama ini sebahagian besarnya berkembang secara selari, artikel ini berhujah bahawa inklusi, apabila ditanggapi dalam dimensi hubungan, epistemik, dan afektifnya, bukanlah sekadar pelengkap pengurusan tetapi merupakan infrastruktur struktural bagi integriti misi. Latar Maghribi menawarkan kes generatif untuk memikirkan semula prestasi sosial dalam konteks Selatan Global, yang mengajak kepada peralihan melangkaui pendekatan prosedural terhadap inklusi ke arah analitik bersituasi budaya mengenai keadaan dalaman misi.*

1. INTRODUCTION

In an era marked by intensifying globalization, organizations are increasingly traversed by cultural, linguistic, and identity flows that destabilize the assumptions underpinning their own managerial models (Hofstede, 1980). Within this turbulence, the question of meaning at work has emerged as a central concern; not as an individual quest for fulfilment as it is often depicted in managerial discourse, but as a socially and symbolically situated process that unfolds within relational organizational settings traversed by power relations (Berger & Luckman, 1966; Burr, 2015).

Inclusion has come to occupy a paradoxical position within this landscape. Mobilized as a performance indicator, a compliance requirement, or an ethical signal, it has become increasingly detached from the relational and political conditions that give it substance (Adamson et al., 2021; Ortlieb et al., 2021). Critical scholarship has long warned that organizations are not neutral containers: they are sites of normative production, in which managerial practices crystallize ideologies and reproduce hierarchies (Ahmed, 2012; Nkomo, 1992). When inclusion is reduced to a procedural indicator, it loses its capacity to interrogate the very dynamics it claims to address.

This tension takes on a particular acuity for mission-driven organizations; non-governmental organizations, social enterprises, educational institutions, and value-driven ventures, whose legitimacy rests precisely on their claim to operate beyond profit-maximization logics (Yunus, 2010; Defourny & Nyssens, 2017). For these organizations, social performance is not an externality but a constitutive purpose; and yet, the social business literature has only marginally engaged with the question of how inclusion, as a culturally situated process, conditions the very production of social value (Mair & Martí, 2006; Battilana & Lee, 2014). If meaning at work is co-constructed in interaction, and if inclusion constitutes the relational ground upon which recognition becomes possible, then inclusion can no longer be treated as a managerial add-on: it becomes a structural condition of the social performance of mission-driven organizations.

The Moroccan organizational landscape offers a particularly fertile terrain for exploring this hypothesis. Marked by linguistic plurality (Arabic, Amazigh, French, and increasingly English), religious and regional diversity, and hybrid managerial influences originating from Europe, the Gulf, and North America, Morocco constitutes an intercultural setting in which universalizing managerial models inevitably encounter the friction of situated subjectivities (Allali, 2008; Carradine, 2018). Family businesses, NGOs, startups, and educational institutions in this context illustrate how communal logics and individualizing pressures coexist, often in unresolved tension, within everyday organizational life (Miminoshvili & Černě, 2022).

Drawing on more than a decade of fieldwork and consulting experience within Moroccan organizations, the present study seeks to contextualize culturally situated inclusion as a structural factor in the social performance of mission-driven organizations operating in intercultural contexts. Although the empirical inquiry was conducted in Morocco, several participants were non-Moroccans, whose involvement allowed the study to bring into view various social dynamics: intercultural negotiation, illustrated by cultural misunderstandings, linguistic tensions, and situations in which the duty to reinterpret managerial directives becomes a condition for their effectiveness;, symbolic inclusion, experienced either through valorization or through complete disregard;, and recognition.

Despite the richness of this setting, the intersection of three bodies of literature, critical inclusion studies, social business research, and intercultural management, has remained underexplored, particularly from the standpoint of Global South organizations. Most empirical work on inclusion stems from Anglo-Saxon or Western European contexts (Holvino, 2010; Thomas & Ely, 1996), while social business scholarship has been dominated by Bangladeshi, Indian, and Latin American case studies that rarely foreground the cultural construction of inclusion as a structuring variable. This article addresses that gap by posing the following research question:

"To what extent does culturally situated inclusion act as a structural condition for the social performance of mission-driven organizations in intercultural contexts?"

To address this question, the article draws on a qualitative inquiry conducted in Morocco, based on twenty-eight semi-structured interviews across four organizational sectors: NGOs, startups, educational institutions, and family businesses. The analysis is grounded in a constructivist and critical epistemology, mobilizing intersectionality (Crenshaw, 1989; Collins, 2000) and an ethnographic sensitivity to the cultural production of meaning (d'Iribarne, 1989; Bardon et al., 2015).

The article makes three contributions. First, it reframes inclusion not as a managerial indicator but as a relational and symbolic process through which meaning is co-constructed. Second, it positions this renewed conception of inclusion as a structural condition of the social performance of mission-driven organisations, thereby connecting critical inclusion studies and social business research; two literatures that have so far evolved largely in parallel. Third, it offers a situated reading from a Global South context, contributing to the diversification of organisational theory beyond its dominant Western reference points.

The remainder of the article is structured as follows. Section 2 reviews the relevant literature on inclusion, social business, and the Moroccan organisational context. Section 3 details the methodology. Section 4 presents and discusses the empirical findings, organized around three structuring dynamics; the intercultural negotiation of meaning, symbolic inclusion as a relational lever, and recognition as a precondition. Section 5 acknowledges the study's limitations, and Section 6 concludes by drawing theoretical and practical implications for mission-driven organisations operating in culturally plural settings.

2.0 LITERATURE REVIEW

2.1 Inclusion in a critical and intercultural perspective

The concept of inclusion has undergone a significant evolution in organisational scholarship over the past three decades. Initially formulated as the corollary of diversity management, a question of who is in the room (Pless & Maak, 2004; Thomas & Ely, 1996);, it has progressively been reconceptualised as a relational and symbolic process concerning the conditions under which differences are recognised, valued, and translated into substantive participation (Holvino, 2010; Nkomo, 1992).

Critical scholarship has played a decisive role in this reconceptualisation. Ahmed (2012), in her foundational work on institutional diversity, has shown how discourses of inclusion can themselves become mechanisms of neutralisation: when articulated through procedural commitments and compliance indicators, diversity statements produce what she terms non-performative speech acts; utterances that promise change while perpetuating the status quo. Adamson et al. (2021) extend this critique by demonstrating that inclusion and exclusion are mutually constitutive within organisations, with formal inclusion practices often coexisting with

; and at times intensifying, informal dynamics of exclusion. This line of analysis invites us to read inclusion not as a state to be reached but as a contested, ongoing process traversed by relations of power.

Intersectionality theory has further deepened this analysis. Building on the foundational works of Crenshaw (1989) and Collins (2000), organisational scholars have shown that inclusion cannot be apprehended through isolated identity categories, but only through the ways in which gender, social class, language, ethnicity, and other markers interweave to shape lived experience (Holvino, 2010; Nkomo, 1992). This perspective unsettles universalising accounts of the inclusive organisation and highlights the situated, asymmetrical, and often invisible dynamics through which some subjectivities are recognised while others remain at the margins (Dobusch, 2021).

A growing strand of the literature has accordingly reconfigured inclusion as a symbolic and affective practice, irreducible to procedural mechanisms. Several recent works underline the role of recognition; epistemic, cultural, emotional; in producing the conditions under which Individuals can experience a sense of belonging without being asked to relinquish their singularities. This perspective resonates with broader theorisations of recognition as a fundamental human need (Deci & Ryan, 2000) and as a relational dynamic that mediates organisational legitimacy. In this reading, inclusion is not only about access; it concerns the conditions under which presence becomes voice, and voice becomes consequential.

In intercultural settings, these dynamics are becoming even more complex. Hofstede's (1980) classical framework, although criticised for its essentializing tendencies, signalled very early that managerial practices encode cultural presuppositions; subsequent work has shown that the transposition of Anglo-Saxon inclusion models to non-Western contexts often produces tensions, misunderstandings, or strategic compliance without substantive change (Miminoshvili & Černě, 2022). What is required, then, is analytics capable of holding together both the universal aspiration of inclusion and the cultural specificity of its enactment; a tension that animates the present inquiry.

2.2 Social business, social performance, and the human dimension

Alongside these debates, the field of social business has emerged as a distinct domain of inquiry. Drawing on Yunus's foundational vision (2007, 2010), social business designates a category of organisations whose primary purpose is to address social problems through economically sustainable means, with profits reinvested in the mission rather than distributed to shareholders. Defourny and Nyssens (2017) have proposed a broader typology that situates social business within a wider ecology of social enterprise models, ranging from cooperative traditions to entrepreneurial nonprofits and hybrid ventures, thereby accounting for the heterogeneity of mission-driven organising across geographies.

At the heart of social business research lies the question of social performance: how mission-driven organisations produce, measure, and sustain social value beyond financial results (Mair & Martí, 2006; Yunus, Moingeon, & Lehmann-Ortega, 2010). Battilana and Lee (2014) have shown that hybrid organisations face distinctive tensions between commercial and social logics, requiring specific forms of organisational design, identity work, and human resource practices in order to preserve the integrity of the mission over time. Yet the human and relational dimensions of social performance remain comparatively underexplored: most existing frameworks measure outputs; beneficiaries reached, jobs created, environmental impact, without interrogating the internal cultural conditions under which the mission is actually carried out.

It is precisely here that the dialogue with critical inclusion studies becomes productive. If mission-driven organisations rely on the alignment, engagement, and meaning-making capacities of their members, and if inclusion shapes the relational ground upon which such alignment becomes possible, then inclusion is not a peripheral HR concern but a structural condition of social performance itself. Roberson (2019) has documented how diversity climate, closely tied to substantive inclusion, influences engagement, innovation, and organisational outcomes; however, this finding has rarely been explicitly extended to the social business context, where its implications are arguably most consequential.

This articulation is reinforced when the analysis is situated within Global South contexts, where mission-driven organisations operate within plural cultural systems that cannot be reduced to Western managerial models. Pless and Maak (2004) insisted very early on that building an inclusive culture requires more than principles: it requires processes attuned to specific cultural and historical configurations. Recent work has extended this perspective to explicitly post-colonial and intersectional readings of organisational life (Nkomo, 1992; Dobusch, 2021). The Moroccan setting, examined in the following section, offers a particularly rich illustration of these dynamics and a strategic site to test the proposition that culturally situated inclusion conditions the social performance of mission-driven organisations.

2.3 The Moroccan organisational context: Between communal logics and managerial hybridity

Linguistic plurality and composite cultural heritage

The Moroccan organisational landscape is shaped by a depth of intercultural complexity that few national contexts concentrate to a comparable degree. A historical crossroads between Africa, Europe, and the Arab-Muslim world, Morocco has been built as a society of multiple strata: to the indigenous Amazigh peoples were successively grafted Phoenicians, Romans, Arabs, Andalusians (Sephardim and Moriscos), sub-Saharan Africans, and Europeans (Allali, 2008;

Charhaddine, 2018). This ethnic and historical stratification is reflected today in a structural linguistic plurality: *darija* (Moroccan Arabic) as the dominant vehicular language, Modern Standard Arabic as the official language, Amazigh in its three regional variants (*tarifit* in the Rif, *tamazight* in the Middle Atlas, *tachelhit* in the Souss and Anti-Atlas) recognized as an official language since 2011, French as the language of scientific higher education and administration, and English advancing rapidly in technological and entrepreneurial sectors. Sunni Islam of the Maliki school, present since the eighth century, is not only a confessional anchor: it operates as a cultural infrastructure that permeates everyday norms, interaction rituals, and conceptions of dignity, duty, and allegiance (Bourqia, 2010; Charhaddine, 2018). Within this context, even the most ordinary organisational situation is traversed by multiple implicit codes that render any practice of inclusion necessarily situated; observable, for instance, in the permanent code-switching among languages that operates within Moroccan NGO teams both as a marker of social distinction and as a tacit device of inclusion or exclusion.

Hybridity of managerial models

Added to this cultural stratification is a hybridity of managerial models that constitutes one of the most structuring specificities of the Moroccan context. Three major influences are superimposed in contemporary organisations. The first, inherited from the French protectorate (1912-1956), has bequeathed a rational-bureaucratic model grounded in vertical hierarchy, procedural formalisation, and the centrality of administrative writing (Chaouki & Charhaddine, 2016). The second, more recent, stems from the penetration of capital and managerial models from the Gulf Cooperation Council, which reintroduces an assumed paternalistic logic into Moroccan practices, articulated around personal loyalty to the leader and a patrimonial management of human resources. The third emanates from Anglo-Saxon influence, carried by the Moroccan diaspora trained in North America, by startup and EdTech ecosystems, and by the standards of international donors within NGOs: it injects references to *lean management*, agility, and Anglo-Saxon inclusive practices. These three influences do not succeed one another in a historical linearity; they coexist and intersect, sometimes within a single organisation. The logic of honour, theorized by d'Iribarne (1989) and reinvested in the Moroccan context by Frimousse and Peretti (2006) as well as Charhaddine (2018), remains within this entanglement the deeper grammar through which actors interpret authority, recognition, and sanction; where imported managerial models struggle to account for the moral weight of *hchouma* (shame or impropriety) or for the sacredness of personal dignity. Practices of inclusion, when imported as such, encounter this grammar and find themselves reconfigured, circumvented, or reinterpreted by the actors themselves.

Communal logics and pressures toward individualisation

A third characteristic of the Moroccan context lies in the unresolved coexistence between inherited communal logics and pressures toward individualisation carried by economic modernisation. Allali (2008) and Bourqia (2010) have each shown that the Hofstedian categories of individualism and collectivism apply imperfectly to the Moroccan case: society is structured rather around what Allali terms *familisme* (familism), an intermediate position in which the individual remains deeply anchored in extended family solidarities without dissolving into an abstract collective. This familial matrix functions as a social safety net in the absence of generalised unemployment coverage, yet it also weighs upon organisational practices: network-based recruitment (the *tawsiya*, a recommendation by a relative), promotion that blends competence and interpersonal loyalty, and conflict management through informal channels that bypass written procedures. The structuring values identified in the Moroccan literature, solidarity, sense of duty, respect for hierarchy, logic of allegiance, and sacredness of dignity (Benabdeljlil, 2007; Allali, 2008; Bourqia, 2010; Charhaddine, 2018); frequently come into tension with the requirements of objectification of HR practices carried by international standards. This tension manifests itself with particular acuity in the generational confrontation: a generation formed within the familist matrix encounters a younger biculturally exposed generation, drawing on Anglo-Saxon references of individual autonomy and self-expression, who negotiates its relationship to authority and recognition in profoundly different terms. It is precisely within this zone of friction that the question of inclusion becomes analytically productive: not as the application of a model, but as a situated negotiation of the conditions under which singularities may become legitimate.

The fabric of mission-driven organisations in Morocco

A fourth element to illuminate is the singularity of the Moroccan fabric of mission-driven organisations, whose institutional consistency has considerably strengthened over the past two decades. The Moroccan associative heritage takes root in a long tradition of communal solidarity articulated around religious institutions (*waqf, zaouïas, jma'a*) and became institutionalised from the 1990s onwards with the liberalisation of civil society and the emergence of NGOs of development, advocacy, and social services across all regions of the Kingdom. This dynamic took a major turn in 2005 with the launch of the National Initiative for Human Development (INDH), a royal programme that structured the ecosystem of mission-driven organisations by articulating public, associative, and private actors around the fight against poverty, the economic inclusion of youth and women, and local development. More recently, the Moroccan social and solidarity economy (ESS) has undergone an accelerated institutionalisation through Law 112-12 on cooperatives, the creation of dedicated umbrella structures, and the emergence of structuring actors such as INJAZ Al-Maghrib and Enactus Morocco, which each year train thousands of young people in impact entrepreneurship. Alongside these explicitly mission-driven actors, Moroccan family businesses carry an implicit social dimension through their territorial anchoring, their patrimonial logic of transmission, and the practice of philanthropy in the lineage of a modernised *waqf* (Allali, 2008). This heterogeneous fabric shares one common feature: it operates within an economy in which formal and informal modes intertwine, in which social mission must contend with strong viability constraints, and in which social performance cannot be detached from the internal cultural conditions that make durable collaborator engagement possible. It is precisely this articulation that the present study sets out to interrogate.

Synthesis: Toward the object of the article

Within this complex landscape, inclusion takes on contours that neither the procedural models of Western HRM nor the universalising models of social entrepreneurship adequately capture. It cannot be conceived as the application of a standardised device: it is constructed at the intersection of linguistic pluralities, logics of allegiance and familism, the grammar of honour, and the trajectories of mission-driven organisations that must hold together a social purpose and strong economic constraints. If social performance depends, as we have argued above, on the capacity of organisations to enrol their members durably around a shared mission, then the cultural conditions of such enrolment become a question of the first order. Reformulated in light of the Moroccan context, the research question may be stated as follows: to what extent does inclusion, understood as a culturally situated relational and symbolic process, condition the capacity of mission-driven organisations to produce and sustain their social value within an intercultural context marked by managerial hybridity and the centrality of communal logics? The following section details the methodology that has been deployed to address this question.

3.0 METHODS

3.1 Research Design: A critical interpretive inquiry with ethnographic sensitivity

This study adopts a qualitative and interpretive research design grounded in a constructivist and critical epistemology (Berger & Luckmann, 1966; Burr, 2015; Bardon et al., 2015). The choice of a qualitative approach is motivated by the very nature of the research object: meaning, inclusion, and recognition are not variables that can be meaningfully captured through standardised measurement, but processes that unfold within situated interactions and require interpretive engagement to be understood (d'Iribarne, 1989). A critical orientation is equally necessary because the dynamics of inclusion within organisations are inseparable from relations of power and from the asymmetrical distribution of legitimacy across cultural, linguistic, and gendered subjectivities (Ahmed, 2012; Crenshaw, 1989; Nkomo, 1992).

Rather than claiming a full ethnographic immersion, the study adopts what we describe as an ethnographic sensitivity; an analytical posture attentive to cultural codes, symbolic practices, and the stratified meanings that participants attribute to organisational life (d'Iribarne, 1989; Bardon et al., 2015). This posture has guided the design of the interview protocol, the analytical attention paid to narrative and contextual detail, and the reflexive engagement with the researcher's own situatedness within the field. The study does not aim to produce generalizable causal claims, but rather to bring to light the patterns through which inclusion is experienced, contested, and recognised within Moroccan organisations operating at the intersection of communal and global logics.

3.2 Sample and data collection

The empirical material is based on 28 semi-structured interviews conducted in Morocco between June 2024 and December 2024. Participants were selected through purposive sampling to capture diversity along three axes: organisational sector, participant identity (gender, linguistic repertoire, and regional origin), and managerial position. Four organisational sectors were retained, each illustrating a distinct configuration of mission-orientation and intercultural complexity within the Moroccan landscape: non-governmental organisations,

educational institutions, startups, and family businesses (Allali, 2008). Table 1 presents the distribution of participants by sector

Table 1. Profile of interview participants by sector, gender, and linguistic repertoire

Sector	Participants	Gender (F/M)	Working languages	Cities
Non-governmental organizations	8	5F / 3M	Arabic, French, English	Rabat, Casablanca, Tangier
Educational institutions	7	4F / 3M	Arabic, French, English	Marrakech, Casablanca
Startups	7	3F / 4M	French, English	Marrakech, Casablanca

Family businesses	6	2F / 4M	Arabic, Amazigh	Marrakech, Casablanca
Total	**28**	**14F / 14M**		

Interviews were conducted in person and in the language chosen by each participant (Darija, Modern Standard Arabic, French, or English), for a duration ranging from sixty to one hundred and fifty minutes (average duration: approximately ninety minutes). The interview guide was structured around four thematic axes: perceptions of organisational meaning, lived experiences of inclusion and exclusion, dynamics of recognition, and tensions between local and imported managerial practices, while leaving substantial space for participants to introduce categories of experience that the researcher had not anticipated, in keeping with the interpretive orientation of the design.

Informed verbal consent was obtained from all participants prior to the interview, in accordance with the ethical standards prevailing in qualitative organisational research in Morocco. Anonymity was guaranteed: throughout the analysis and the present article, participants are referenced by pseudonymized codes capturing only sector, gender, and a sequential number (for example, NGO_F2), with all identifying organisational details systematically removed or aggregated.

3.0 Analytical procedure and reflexivity

Interviews were transcribed in their original language and subjected to a thematic analysis informed by an iterative, partially grounded coding strategy (Bardon et al., 2015). A first cycle of open coding generated descriptive categories from the data; a second cycle organised these categories into broader analytical themes structured around the three guiding concepts of the article: meaning, inclusion, recognition, while remaining attentive to emergent patterns that exceeded the initial conceptual frame. Coding was conducted manually within a structured matrix, enabling inter-sectoral comparison and the identification of recurrences and divergences across the four organisational settings. Translations of the verbatim excerpts presented in the article were performed by the author with a concern for preserving the cultural and emotional texture of the original utterances, and key terms in Arabic, Amazigh, and French are preserved in italics where their connotations resist direct translation.

Reflexivity was treated as a constitutive component of the analytical process rather than as a methodological appendix (Bourdieu, 1986). The researcher's own position, as a Moroccan female academic moving between French-speaking and English-speaking scholarly communities, trained in intercultural management, and engaged with the field through both teaching and consultancy, has shaped both access to participants and the interpretive horizons brought to the data. This position is as much a resource as a constraint: it allowed for a degree of cultural fluency and trust that opened space for sensitive narratives, while requiring sustained attention to the risks of over-identification with the field. The triangulation of perspectives across sectors, regions, and languages has contributed to mitigating these risks, without claiming to neutralise them entirely.

2.4 RESULTS AND DISCUSSION

4.0 Meaning as intercultural negotiation

The empirical material gathered through the twenty-eight interviews shows with particular clarity that participants do not construct the meaning of their work from imported abstract categories, but through situated acts of negotiation between local cultural codes and the organisational frames they mobilise or undergo. Four mechanisms recurrently structure this negotiation: cultural misunderstanding as a revealer of implicit presuppositions, linguistic friction as a marker of legitimate authority, the incapacity of imported managerial frames to produce durable engagement, and productive reinterpretation as a strategy of meaning-making.

Cultural misunderstanding as a revealer

The narratives bring to the surface the tacit conditions of trust that structure organisational interactions; conditions that no managerial manual explicitly formulates. A coordinator at a rural development NGO recounts an episode in which the procedural rationality of a foreign donor was abruptly revealed as culturally strange. To the question: "Can you recall a situation where formal managerial requirements conflicted directly with local hospitality or social rituals?", that was the coordinator:

> *"The foreign donor got annoyed because our meeting with the women's cooperative began 45 minutes late. What he failed to grasp was that refusing the tea and homemade bread they had prepared for us, in order to 'stick to the agenda,' was to insult them. Tea here is the sine qua non for establishing trust; it is not a coffee break." (NGO_F1)*

The verbatim does not describe a communicative failure but a collision between two normative orders: that of instrumental rationality, which places the agenda above the ritual, and that of communal sociability, in which the sharing of tea and bread constitutes precisely the ritual threshold to be crossed for speech to become binding. The meaning of work, for the coordinator, is not elaborated through compliance with the agenda but in the capacity to render visible, to the donor, the cultural grammar that makes cooperation itself possible.

Linguistic friction as a marker of authority

Moroccan linguistic plurality, far from being a mere contextual parameter, operates as an active device for structuring organisational legitimacy. A senior manager in an industrial family business answered to the question: "How is the use of technical or foreign jargon perceived by traditional leadership, and how does it affect the legitimacy of the message?" by evoking the symbolic rupture introduced by the return of a new generation trained abroad:

> *"The boss's daughter comes back from Paris and talks to her*

father about 'cash-flow' and 'supply chain.' He stops her immediately: 'Speak to me in dirhams and just tell me whether the trucks of goods have left.'" (FAM_F1)

What is at stake here is not a pedagogical conflict but a claim of legitimate authority carried by a language: the patriarch refuses to allow Anglo-Saxon managerial vocabulary to disqualify his own operational language, anchored in the materiality of the trade. By demanding translation into his own register, he recalls that the legitimacy of the decision rests on its capacity to inscribe itself within a shared grammar, and not on the technical sophistication of its enunciation. The meaning of work, for the daughter as for the father, is negotiated in the very choice of language.

The incapacity of the imported frame

The deployment of Anglo-Saxon managerial models within organisations whose actors have been socialised into other relationships to authority frequently produces paradoxical effects, where formal procedure inscribes itself in discourse without transforming practices. The founder of a tech startup answered to the question "Have you ever tried implementing an imported management practice (e.g., horizontal hierarchy) that clashed with cultural norms regarding authority?" by formulating this with a particular lucidity:

"As a founder, I wanted to put in place a horizontal hierarchy: everyone has the right to contradict me. But my young developers, freshly graduated, were educated in absolute respect for the teacher and the superior. Even when I propose a completely absurd technical strategy, they nod and say 'Yes Madam,' instead of challenging me as a team would do in Silicon Valley." (START_F1)

The founder's inclusive intention encounters a grammar of authority inherited from the educational system and from family structures, in which publicly contradicting the superior constitutes a form of *Hchouma;* that is, an act of impropriety that simultaneously wounds the authority and the one who contests it. Importing the ritual of horizontal critique without re-rooting it in a cultural grammar that renders such critique possible amounts to producing a managerial fiction: the procedure exists, but the meaning it purported to produce, intellectual engagement, and the circulation of ideas, remains suspended.

Productive reinterpretation

The actors most effective in the Moroccan field are not those who apply imported frames, nor those who reject them: they are those who reinterpret them, by retranslating them into the local cultural grammar so that they may there take on meaning. A field coordinator of an international NGO describes this operation of cultural translation:

"The headquarters in Geneva asked me to have rural artisans sign three-page GDPR consent forms in order to use their photos. If I hand them an official document

> *with legal terms to sign, they will be frightened and will believe it is for taxes or for the courts. So I reformulated it orally, with the village chief as guarantor, simply telling them: 'We are going to show your beautiful work to our friends over there so that they support you, do you agree, with God's blessing?' and we made a video of their agreement." (NGO_F2)*

The operation is remarkable: the procedural directive is neither rejected nor applied to the letter but retranslated into a local grammar that preserves its ethical intent while allowing it to function on the ground. The coordinator produces meaning neither by complying with headquarters nor by opposing it, but by reinventing the conditions of its reception. It is within this retranslation operation that, for the majority of participants, the most intense experience of their work is lodged.

These four mechanisms converge toward a single observation: in the Moroccan context, the meaning of work is not deduced from the managerial frames mobilised; it is produced within the incessant negotiation between these frames and the local cultural grammars. The intercultural is not, here, an obstacle to be overcome, but the very terrain on which meaning comes about

4.1 Symbolic inclusion as a relational lever

The analysis reveals that, within the Moroccan context, inclusion operates far less through formal HR devices than through a symbolic economy made of gestures, spatial positionings, verbal addresses, and designations that validate or invalidate a person's place within the work community. This symbolic inclusion manifests itself in two opposing forms: as a relational lever that multiplies engagement, and as a marker of exclusion that erodes legitimacy even when formal indicators remain satisfied.

Symbolic inclusion as a lever

When it occurs, symbolic inclusion has disproportionate effects relative to the apparent modesty of the gesture that embodies it. We asked a project officer in a development NGO if she can describe an informal gesture or welcoming sign in the field that made you feel deeply accepted and committed to the mission. She recounts an episode that illustrates the intensity of the shift:

> *"During a visit to a douar, the women of the cooperative did not seat me with the officials but pulled me by the arm to sit on the ground with them, near the fire, calling me Benti (my daughter). Without any diploma or HR bonus, I felt validated. I was so happy that I threw away my PowerPoint, ate with them, and rewrote the entire project that very evening so that it would truly fit their needs, with crazy energy." (NGO_F3)*

The gesture, being pulled by the arm, seated on the ground, addressed as *Benti,* performs three simultaneous symbolic operations: it displaces the project officer from the position of detached expertise to that of fictive kinship; it abolishes the protocolar hierarchy that separated her from the beneficiaries; and it inscribes her within a genealogy of care. The operational effects are immediate and disproportionate:

abandonment of the standardised device, complete redrafting of the project, and energetic over-investment. The participant herself designates the nature of this validation: "Without any diploma or HR bonus",; that is, outside the formal devices of organisational recognition. A secondary-school teacher articulates an analogous mechanism in a different register:

> *"A very difficult student, one who never speaks, waited for me at the end of class just to say to me, very timidly: 'Madam, with you, I do not feel stupid.'" (EDU_F1)*

The verbatim, short, condenses the entire dynamic: it is not the student who feels included, but the teacher who finds herself validated by the recognition that her inclusion of the other produces. Symbolic inclusion appears here as a relational loop in which validation circulates between the included and the includer, within an economy that defies the unidirectional metric of HR devices.

Symbolic inclusion as a marker of exclusion

The reverse of this economy is that it can be denied even where formal inclusion devices are in place; indeed, precisely through devices that purport to include. An experienced coordinator of an international NGO describes this dynamic with bitterness:

> *"The headquarters team systematically introduces me to institutional partners as 'our local fixer/translator,' reducing my ten years of crisis management experience to the simple role of a voice GPS." (NGO_M1)*

The symbolic designation, "local fixer/translator",; produces an exclusion far more effective than a formal exclusion would: it includes the coordinator within the organisation while assigning him to a position that dispossesses him of his expertise. The metaphor of the "voice GPS" captures with cruel precision what this designation operates: the reduction of professional agency to an instrumental function. A senior manager in a family business describes a parallel dynamic in the register of gender:

> *"I noticed that the uncles and the sons always validate recruitments or equipment purchases on Fridays, on their way out of the mosque, within exclusively male circles to which I have no access. My reaction? Strategic frustration. I built my own parallel influence network with the women in the administration, in order to block or slow down their decisions whenever they do not suit me." (FAM_F2)*

The symbolic exclusion from the male decision-making circle, articulated with a religious and social ritual presented as "natural," does not formally attack the hierarchical status of the manager; she remains, legally, a member of the executive committee. But it displaces the effective exercise of power into a space from which she is structurally excluded. The response, the creation of a female counter-network, illustrates how symbolic exclusion generates, by feedback effect, circumvention strategies that fragment organisational cohesion rather than reinforcing it.

These four narratives converge on a strong analytical observation: symbolic inclusion functions as a structuring variable for engagement and cohesion, independent of formal HR devices and often inversely correlated with their apparent sophistication. Where it operates, it multiplies the capacity for subjective investment in the mission; where it is denied, it erodes cooperation even where the formal indicators of inclusion are met.

4.2 Recognition as a precondition for meaning

If symbolic inclusion constitutes the relational ground of engagement, recognition represents its founding act; the act by which an individual is constituted as a legitimate interlocutor, capable of carrying a mission beyond his or her formal attributes. Three narratives, gathered across very different sectors and configurations, converge toward the same structure: recognition does not follow engagement; it precedes it and renders it possible.

A programme officer in a literacy NGO recounts, when asked, “Could you describe a moment when a community or partner entrusted you with a symbolic responsibility that signaled absolute trust?”, an episode that condenses, in a single gesture, the entirety of this dynamic:

> *“Last year, we closed a literacy project in a very conservative village in the Middle Atlas. At the closing ceremony, the president of the local association; an elderly man who looked at me with great mistrust at the beginning of the project; asked me to follow him aside. Without a word, he pulled from his djellaba the key to the room where they keep the tribe's land archives and said to me: 'Benti, if one day we have a dispute with the authorities, you are the one who will come and speak for us. You hold our Amana (the sacred deposit of trust).' It was an unimaginable validation, from a man of his generation, toward a young woman from the city.” (NGO_F4)*

The *Amana*, within Islamic moral grammar, designates the sacred deposit whose holder becomes guarantor: the gesture far exceeds professional recognition. The president of the association inscribes the programme officer within an economy of trust whose coordinates exceed the organisation: he recognises her not as the executor of a project but as a legitimate representative of the tribe before the authorities. Recognition here does not reward work accomplished; it constitutes, retrospectively, the legitimacy of the agent, and prospectively, the condition of a durable engagement beyond the end of the project.

A parallel dynamic appears within the register of the family business, where recognition functions as a rite of admission into the circle of allegiance:

> *“In my uncle's company, power is very masculine. During the major Covid crisis, the cash was dry. My uncle called me into his office one evening, locked the door, and pulled from his safe his famous 'black notebook': the informal book in which he records debts of*

> *honour, suppliers he has helped out ten years ago, money lent without contract. He handed it to me and said: 'The boys are too hot-blooded, they will fight with everyone. You have the intelligence of the heart. Call them one by one, remind them of our relationship, and bring back our money.' For me it was the Holy Grail of family integration. I used all my tact, I spent hours on the phone asking after families before mentioning money. I recovered 80 % of the receivables." (FAM_F3)*

That was the answer when the interviewee was asked: "What key act of trust from leadership granted you access to the strategic or moral core of the organisation?"

The transmission of the "black notebook", an informal register of honour debts, constitutes an act of recognition that exceeds the attribution of a mission: it inscribes the manager within the patrimonial memory of the company, of which she becomes the keeper. This recognition, designated by the participant herself as "the Holy Grail of family integration",; precedes and renders possible the operational performance. Without this prior inscription within the economy of family allegiance, the mission could not have been carried out with the same intensity.

The third narrative, gathered from a secondary-school teacher, reveals the long temporality of recognition and its radiation beyond the immediate organisational frame:

> *"One morning, as I was arriving on foot, a large black sedan stopped beside me. It was a former student, expelled five years earlier for violence, who had ended up starting a transportation business. He stepped out, refused to shake my hand, and instead kissed me directly on the forehead. He said: 'Master (Oustad), the day you put me in detention, you told me my head was too hard for the street but solid enough to build walls. You were the only one who did not treat me as a thug.'" (EDU_M1)*

Recognition here is deferred; it intervenes five years after the gesture it validates, and it takes the form of a specifically Moroccan ritual: the kiss on the forehead, which marks absolute respect toward elders and teachers. What the former student recognises is not transmitted knowledge but a non-reduction: "You were the only one who did not treat me as a thug." Recognition, within this narrative, operates retroactively on the meaning of teaching: it reveals that the teacher's engagement, even when unrewarded at the moment, was already producing meaning.

These three narratives converge toward a single analytical structure: recognition does not consecrate a pre-existing engagement; it constitutes it. Without it, the meaning of work remains suspended; available but without embodiment. With it, it becomes a force that exceeds the professional transaction and inscribes the agent within symbolic economies (the *Amana*, family allegiance, intergenerational respect) whose effects durably engage.

4.3 Discussion: Inclusion as a structural condition of social performance

The cross-examination of the three empirical dynamics brings to light a coherent analytical structure that invites a reconfiguration of the dominant conception of social performance within mission-driven organisations.

The cultural grammar of social performance

The three dynamics are not three parallel phenomena: they articulate a single cultural grammar in which each level conditions the next. Intercultural negotiation constitutes the terrain on which meaning becomes possible; symbolic inclusion provides the relational infrastructure within which this meaning can become embodied in engagement; recognition seals the inscription of the agent within the symbolic economies that render engagement durable. This grammar functions beneath the explicit managerial devices; evaluation protocols, performance indicators, diversity charters; which presuppose its existence without being able to produce it. When this grammar is faulty, the formal devices remain in place but lose their performative capacity: the PowerPoint is still drafted but engagement no longer occurs (NGO_F3); the founder establishes horizontal critique but receives the “Yes Madam” that drains it of meaning (START_F1); the coordinator retains his position but becomes a “voice GPS” (NGO_M1).

From measuring outputs to analysing internal conditions

This structure frontally calls into question the canon of social performance measurement, which privileges the objectification of outputs: beneficiaries reached, jobs created, environmental impact, and social return on investment (Battilana & Lee, 2014; Mair & Martí, 2006). The organisations studied show that the actual production of these outputs depends upstream on internal cultural conditions that do not appear in any existing measurement frameworks. A woman's cooperative in the Middle Atlas may figure in the indicators of a development project without the programme officer having been recognised by the community, in which case the project's effect will fade with her departure, as illustrated by contrast in the episode of the *Amana* (NGO_F4). A family business may display excellent financial results while silently eroding the engagement of its female managers excluded from the decision-making circle (FAM_F2). This discordance between formal indicators and the actual condition of effectiveness justifies conceiving of inclusion not as a complementary theme but as a structural condition of social performance itself.

Toward a situated theory of social performance

This proposition extends and displaces the existing literature. It extends Battilana and Lee's (2014) work on the tension between commercial and social logics within hybrid organisations by suggesting that this tension is not resolved solely through devices of organisational design but through the quality of the internal cultural grammar that renders them operative. It displaces the procedural approaches to inclusion (Pless & Maak, 2004; Roberson, 2019) by showing that, within culturally plural contexts, inclusion cannot be conceived as the application of a universal model: it is constructed in situated acts of recognition whose coordinates are culturally specific. Where the dominant literature measures "diversity climate" through standardised scales, the Moroccan analysis invites a reconstruction of inclusion as a process whose markers are local: *Benti, Amana, Hchouma*, the kiss on the forehead, the sharing of the black notebook.

Moroccan specificity and the global south reach

This grammar cannot be generalised mechanically to other contexts. It is Moroccan in that it articulates a Sunni Maliki Muslim heritage, a familist matrix inherited from tribal and patriarchal structures, a logic of honour in which personal dignity constitutes the cardinal value, and a linguistic plurality that renders every interaction stratified (d'Iribarne, 1989; Allali, 2008; Bourqia, 2010; Charhaddine, 2018). Yet the analytical movement it invites, decentring social performance from outputs toward the internal cultural conditions of their production, carries a broader scope for social business studies in the Global South. It invites a break with an epistemology of measurement inherited from Anglo-Saxon contexts and the development of analytical frameworks that restore to each context its own grammar of legitimacy, engagement, and mission.

2.5 LIMITATIONS

This study presents several limitations that should be acknowledged in order to situate the scope of the findings and chart future research directions.

A first limitation is **contextual**. The inquiry unfolds exclusively within the Moroccan organisational landscape, whose intercultural specificity we have underlined. While this specificity constitutes precisely the heuristic richness of the field, it limits the possibility of direct generalisation to other national or regional contexts. The dynamics of inclusion observed are inseparable from the linguistic, religious, and managerial configurations specific to Morocco, and any transfer to other Global South terrains would require a work of contextual retranslation rather than a simple importation of the results.

A second limitation is **methodology**. The study relies on a posture of ethnographic sensitivity rather than full ethnographic immersion; a choice justified by the research object, but one that limits the depth of analysis of everyday micro-practices. Moreover, the sample size, twenty-eight participants distributed across four sectors, enables thematic saturation but does not allow for robust statistical inter-sectoral comparison.

A third limitation is **epistemological**. The researcher's position, at once Moroccan, academic, and engaged in the milieus she studies, was treated as an analytical resource but also constitutes a risk of over-identification with the field. The triangulation of sectoral, regional, and linguistic perspectives has helped mitigate this risk without claiming to eliminate it, and readers are invited to interpret the results as a situated interpretation rather than a neutral description.

Finally, a fourth limitation is **conceptual**. Inclusion remains an ambivalent notion, susceptible to instrumentalisations that may dilute its critical potential (Adamson et al., 2021). By conceptualising inclusion as a structural condition of social performance, the article assumes this ambivalence without claiming to resolve it and invites future research to empirically examine the conditions under which inclusion actually produces the transformative effects attributed to it.

2.6 CONCLUSION

This article has examined the conditions under which culturally situated inclusion functions as a structural condition for the social performance of mission-driven organisations in intercultural contexts. On the basis of a qualitative inquiry conducted with twenty-eight professionals working across four organizational sectors in Morocco; non-governmental organizations, educational institutions, startups, and family businesses;, the analysis has brought to light three structuring dynamics: intercultural negotiation as a process of meaning production, symbolic inclusion as a relational lever of engagement, and recognition as a foundational act of inscription within the symbolic economies of allegiance. These dynamics, articulated with one another, compose a cultural grammar of social performance whose coordinates largely escape both formal HR devices and existing frameworks for measuring social impact.

The article makes three contributions to the literature. At the theoretical level, it proposes reconceptualising inclusion not as a procedural indicator of organisational diversity but as a culturally situated relational and symbolic process whose quality conditions the effectiveness of the mission. On the disciplinary level, it establishes a dialogue between critical inclusion studies and social business research; two literatures that have so far evolved largely in parallel, by showing that social performance cannot be conceived independently from the internal cultural conditions that render it possible. On the empirical level, it documents this articulation from a Global South context insufficiently represented in social business research, contributing to a broader effort to diversify the terrains and analytical frameworks of the discipline.

On the practical level, these findings invite mission-driven organisations operating in intercultural contexts to reconsider their inclusion devices not as protocols to be deployed but as terrains to be inhabited. The transposition of standardised models, whether diversity charters, participatory evaluation procedures, or social innovation methodologies, produces paradoxical effects when it ignores the local cultural grammar that makes certain gestures of inclusion possible or impossible. International donors, in particular, would gain from recognising that the performance indicators they mobilise rest on conditions of production that do not figure in their logical frameworks but nonetheless condition their actual effectiveness. For Moroccan actors of the social and solidarity economy, the stakes are symmetrical: it is a matter of making visible the specific cultural resources (the *Baraka*, the *Amana*, extended familism) that constitute a relational capital rarely recognised within imported managerial frameworks.

This article opens several avenues for future research. A first avenue would extend the analysis to other contexts in the Maghreb and the Arab-Muslim world to interrogate the transferability of the identified dynamics. A second avenue invites the empirical examination of the correlation between the quality of internal cultural grammar and the long-term sustainability of mission-driven organisations, notably during generational transitions or scale-up moments. A third avenue, particularly relevant at a time when artificial intelligence is penetrating organisations in the Global South, would consist of interrogating how digital tools calibrated to Anglo-Saxon grammars may be reinterpreted or resisted within culturally plural contexts, thereby extending the mechanism of productive reinterpretation identified in this study. In all these extensions, the invitation remains the same: to think inclusion not as a universal to be applied but as a grammar to be reconstructed, in each context, in each organisation, in each encounter.

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Reconceptualizing Ar-Rahnu as an Integrated Islamic Social Finance Ecosystem for Sustainable Social Enterprise Development: The IPSEFM Model

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Abstract

Despite the expansion of Islamic social finance, micro-entrepreneurs and social enterprises—particularly those serving low-income and underserved communities—continue to face constraints in obtaining timely, affordable and development-oriented financing. Ar-Rahnu (Islamic pawn financing) is widely recognized as a Shariah-compliant source of short-term liquidity, yet the literature has largely treated it as a stand-alone, collateral-based transaction. This conceptual paper develops the Islamic Pawnshop Social Enterprise Financing Model (IPSEFM), which reconceptualizes Ar-Rahnu as the coordinating platform of an integrated entrepreneurial financing ecosystem. Using a critical synthesis of the literature on Ar-Rahnu, Islamic microfinance, Islamic social finance, social entrepreneurship, and entrepreneurship ecosystems, the paper integrates Maqasid al-Shariah, Islamic social finance, the entrepreneurship ecosystem, and stakeholder and institutional perspectives. IPSEFM combines asset-backed micro-credit, entrepreneurship incubation, zakat and waqf support, community-based revolving finance and digital infrastructure. The framework proposes that the developmental value of Ar-Rahnu increases when financing is linked to capability building, institutional collaboration and complementary social-finance resources. The model therefore, shifts the unit of analysis from a financing transaction to an entrepreneurial development pathway. The paper contributes by bridging previously fragmented streams of Islamic finance and entrepreneurship scholarship, offering a theoretically grounded model for financial inclusion, enterprise resilience and community empowerment. It also provides policy directions for Ar-Rahnu operators, Islamic financial institutions, zakat and waqf agencies, regulators, universities and development organizations, while establishing propositions for future empirical validation.

Keywords: Ar-Rahnu; Islamic social finance; social enterprise; financial inclusion; entrepreneurship ecosystem.

Abstrak

Meskipun berlaku perluasan kewangan sosial Islam, usahawan mikro dan perusahaan sosial, terutamanya yang berkhidmat kepada komuniti berpendapatan rendah dan kurang mendapat perkhidmatan, terus berdepan kekangan untuk mendapatkan pembiayaan yang tepat pada waktunya, mampu milik dan berorientasikan pembangunan. Ar-Rahnu (pembiayaan pajak gadai Islam) secara meluas diiktiraf sebagai sumber kecairan jangka pendek yang patuh Syariah, namun *literatur sebahagian besarnya menganggapnya sebagai transaksi berasaskan cagaran yang berdiri sendiri. Kertas kerja konseptual ini membangunkan Model Pembiayaan Perusahaan Sosial Kedai Pajak Gadai Islam (IPSEFM), yang mengonsepkan semula Ar-Rahnu sebagai platform penyelaras bagi ekosistem pembiayaan keusahawanan yang bersepadu. Dengan menggunakan sintesis kritikal literatur mengenai Ar-Rahnu, mikrokewangan Islam, kewangan sosial Islam, keusahawanan sosial, dan ekosistem keusahawanan, kertas kerja ini mengintegrasikan Maqasid Syariah, kewangan sosial Islam, ekosistem keusahawanan, serta perspektif pemegang taruh dan institusi. IPSEFM menggabungkan mikrokredit berasaskan aset, inkubasi keusahawanan, sokongan zakat dan wakaf, pembiayaan pusingan berasaskan komuniti, serta infrastruktur digital. Kerangka ini mencadangkan bahawa nilai pembangunan Ar-Rahnu meningkat apabila pembiayaan dihubungkan dengan pembangunan keupayaan, kerjasama institusi, dan sumber kewangan sosial yang pelengkap. Oleh itu, model ini mengalih unit analisis daripada transaksi pembiayaan kepada laluan pembangunan keusahawanan. Kertas kerja ini menyumbang dengan merapatkan aliran keilmuan kewangan Islam dan keusahawanan yang sebelum ini terpisah-pisah, sekaligus menawarkan model berasas teori bagi inklusi kewangan, ketahanan perusahaan, dan pemerkasaan komuniti. Ia juga menyediakan hala tuju dasar untuk pengendali Ar-Rahnu, institusi kewangan Islam, agensi zakat dan wakaf, pengawal selia, universiti dan organisasi pembangunan, di samping mengemukakan cadangan untuk pengesahan empirikal pada masa akan datang.*

1. INTRODUCTION

Financial inclusion is a key pillar of poverty reduction, entrepreneurship and sustainable socioeconomic development. Despite this, many micro-entrepreneurs and small social enterprises remain unfundable due to poor credit histories, lack of formal records, unconventional collateral, and irregular cash flows. Although microcredit has been successful in providing the poor and needy with access to small loan amounts, the literature also identifies issues with financing costs, fixed repayment schedules, and debt dependency among targeted beneficiaries (Kasoga & Tegambwage, 2021; Yue et al., 2022). Such restrictions offer further arguments for financing arrangements that are both accessible and provide ethical protection and development support.

Islamic finance offers a normative set of principles, including justice (adl), public interest (maslahah), mutual cooperation (ta'awun), risk awareness, asset linkage, and the avoidance of riba. Islamic social finance extends the developmental function of finance by introducing the concepts of zakat, waqf, sadaqah, qard al-hasan, and Islamic microfinance. A new approach to these instruments is to consider them as complementary tools which can facilitate productive participation, income generation and long-term community resilience (Ma & Sukmana, 2025; Tok et al., 2022; Widiastuti et al., 2022).

In this context, Ar-Rahnu has emerged as a significant source of short-term liquidity, especially in Malaysia. It lets customers pledge valuable assets, typically gold, and obtain financing in a Sharia-compliant manner. It's very easy to implement, simple to access and doesn't require interest payments, which makes it appealing to low-income households, informal workers and micro-entrepreneurs. The prevailing conceptualisation remains transactional and is usually measured by customer acceptance, service quality, Shariah compliance, operational efficiency, or the availability of ready financing (Damit, 2023; Razak & Asutay, 2022; Yahaya et al., 2024).

An important question that is insufficiently addressed in this transactional approach is whether Ar-Rahnu can serve as a platform to help create a broader ecosystem in which enterprises can be established and sustained, rather than merely solving short-term liquidity issues. Finance is not the only part of sustainable entrepreneurship. It also calls for entrepreneurial skills, mentoring, market access, networks, institutional recognition, and digital infrastructure and supportive governance (Leendertse et al., 2022; Stam & van de Ven, 2021). The resources are generally distributed among financial institutions, zakat and waqf institutions, universities, government bodies, NGOs, and private-sector partners. They lack a mechanism for integration, which prevents them from achieving a cumulative impact on their development.

This paper fills that gap by developing the Islamic Pawnshop Social Enterprise Financing Model (IPSEFM). The model positions Ar-Rahnu as a coordinating platform among asset-backed financing, entrepreneurship incubation, Islamic social finance, community-based revolving support, and digital infrastructure. The paper aims to: (1) synthesise the literature on Ar-Rahnu, Islamic social finance and social enterprise development; (2) create a multidisciplinary theoretical underpinning for the role of Ar-Rahnu in the context of an ecosystem; and (3) propose an integrated conceptual model and propositions to inform future empirical studies and policy design. So the contribution is not an entirely new pawn financing contract, but a new developmental structure that can be built on top of Ar-Rahnu.

2. CONCEPTUAL APPROACH AND SCOPE

A conceptual theory-building approach is used in the study. Conceptual research generates new explanations by drawing on existing explanations, highlighting gaps in existing knowledge, and outlining relationships among concepts that can then be tested empirically (Jaakkola, 2020; Partelow, 2023). The tests of causal relationships in the present paper, therefore, are not performed with primary data. Rather, it brings together the knowledge of Islamic finance, microfinance, social entrepreneurship , entrepreneurship ecosystems, and organisational theory, to create a plausible model for the contribution of Ar-Rahnu to sustainable enterprise development.

The synthesis is structured around the five questions: What developmental role has the literature given to Ar-Rahnu? What complementary resources are available from Islamic social finance? In addition to finance, what is the need for sustainable social enterprise development? What should the institutional actors in an entrepreneurship ecosystem be? How to bring these elements together in a theoretically defensible framework? This problem-centred synthesis is appropriate, as the proposed model encompasses a range of financial, social, entrepreneurial, and institutional areas that are typically studied separately.

3. CRITICAL LITERATURE REVIEW

3.1 Ar-Rahnu as an Islamic micro-credit mechanism

The term "Ar-Rahnu" refers to securing an asset against a financing obligation. Its permissibility is based on Islamic law, such as the pledging of security in Article 283 of the Qur'an and the pledging of armor in a credit transaction, based on Prophetic practice. Rahn, Qard Hasan, and

Ujrah are typically used together in contemporary operations, and some operations include principles of safekeeping. Unlike conventional pawn broking, where interest charges are allowed, Ar-Rahnu derives legitimate income from permissible service charges and is meant to maintain fairness and transparency (Aziz et al., 2023; Muda et al., 2024).

In Malaysia, Ar-Rahnu is now a well-established Islamic microfinance product. Previous studies document acceptance as part of Shariah compliance, ease of access., comparatively lower financing costs, and the ability to finance groups that may otherwise be unable to meet the requirements of conventional banks (Deraman et al., 2026; Razak & Asutay, 2022). These features make Ar-Rahnu especially relevant to the problem of micro-enterprises with immediate working-capital requirements.

However, there are three constraints on literature. First, the instrument's nature remains primarily a short-term liquidity solution, with its role in enterprise creation, growth, and resilience not yet fully developed. Second, attention is given to operational issues (acceptance, efficiency, service quality, and compliance) rather than to long-term socio-economic outcomes. Third, Ar-Rahnu is typically viewed as a single product rather than as an institution that can serve as a gateway for entrepreneurs to access other financial services, capacity development, and market services. These constraints call for an ecosystem-level analysis rather than a product-level analysis.

3.2 Islamic social finance as a complementary resource system

Islamic social finance is a synthesis of philanthropy and market-oriented approaches to achieve social welfare and inclusive development. Zakat can help address vulnerability and, if governance allows, support productive economic participation; waqf can support the provision of durable assets, facilities, and community infrastructure; Qard al-Hasan can provide interest-free working capital; and Islamic microfinance can extend structured financing to underserved groups. Their value for development is both within individual instruments and in their complementarity in the different phases of the entrepreneurs' journey (Islam et al., 2023; Ma & Sukmana, 2025; Maulina et al., 2023).

The central weakness is fragmentation. Zakat, waqf, Islamic microfinance and Ar-Rahnu are usually studied in isolation from one another. Consequently, scholarship lacks a description of how a financially disadvantaged person might transition from emergency liquidity to productive financing, incubation, market participation, and/or commercial sustainability. IPSEFM's solution to this missing path is to think of Ar-Rahnu as a starting point, a beginning, not as a last resort for financing.

3.3 Social enterprise and the financing-capability gap

Social business and social entrepreneurship are forms of business activity intertwined with a clearly defined social value added. However, broader social entrepreneurship research has highlighted hybrid organisational forms that seek to achieve both economic viability and social outcomes (Ratinho & Bruneel, 2024; Sottini et al., 2025), and Yunus' (2010) call for business solutions to social problems further underscores the importance of such forms. These are especially relevant to poverty and unemployment, women's economic involvement, and youth enterprise and community development (Raman et al., 2025).

Their hybrid nature also poses financing issues (Le et al., 2024; Singh et al., 2025). Social returns might be hard to value, and business returns are unpredictable for conventional financiers (Le et al., 2024). However, capital is not the solution to the problem. The survival of a financed activity is determined by financial literacy, bookkeeping, business planning, digital marketing, mentoring, networks and access to markets (Le et al., 2024; Weerakoon & McMurray, 2025). An Islamic model of social enterprise finance, then, calls for both financial and non-financial resources. This observation forms the basis for the inherent nature of incubation and capability development in the proposed Ar-Rahnu ecosystem.

3.4 Entrepreneurship ecosystems and institutional collaboration

The theory of entrepreneurship ecosystems shifted the focus of entrepreneurship from individual entrepreneurs to the environment in which entrepreneurship occurs. Various actors from government, universities, financial institutions, investors, business organisations, regulators, mentors, and networks all play a role in the processes of enterprise creation and development (Leendertse et al., 2022; Queissner et al., 2025; Wurth et al., 2022). There are several components to this system: finance, human capital, markets, culture, policy, infrastructure and support services.

In the context of Ar-Rahnu, the question of the institution shifts from “How can an effective pawn financing transaction be delivered?” to “How can a financing institution which makes its services available coordinate the resources that are needed for enterprise sustainability?” The operators of Ar-Rahnu already deal with financially constrained clients and thus can be used as a practical tool for screening needs, referral and follow-up. This coordinating role is the central architectural innovation in IPSEFM.

3.5 Sustainable development and Maqasid al-Shariah

The normative meaning of Islamic finance is connected to justice, the distribution of wealth, ethical economic activities, and the protection of wealth. Maqasid al-Shariah offers a broader lens on welfare because it connects financial phenomena to human welfare and to the preservation and development of fundamental interests. In entrepreneurial financing, the concept of hifz al-mal need not be limited to safeguarding pledged assets but can also encompass productive wealth creation, responsible enterprise, financial inclusion, and financial resilience (Güney, 2024; Zailani et al., 2022).

This view reinforces the developmental outcomes approach to assessing Ar-Rahnu. While accessibility and repayment are important, a Maqasid-based assessment should also focus on the following: financing that facilitates income generation; capability; dignity; the reduction of exclusion; and sustainable economic participation. IPSEFM, therefore, does not consider socioeconomic value creation as a side effect but rather as an intended effect (Damit, 2023).

3.6 Synthesis and research gap

The literature makes it clear that there is a pattern. Ar-Rahnu scholarship is relatively strong on the financing transaction; Islamic social finance scholarship explains several complementary instruments; social-enterprise research explains the importance of coordinated institutional support; and ecosystem research explains the importance of coordinated institutional support. What was missing was a structure that connects all these streams in Ar-Rahnu into a platform that is easily accessible for coordinating them. The resulting lack of a coherent pathway in the literature is thus architectural: there is no link connecting immediate liquidity to complementary social finance, entrepreneurial ability, institutional cooperation, and sustainable social-enterprise outcomes.

Table 1. Literature synthesis and unresolved gap

Theme	Established insight	Representative sources	Unresolved issue
Ar-Rahnu	Accessible Shariah-compliant micro-credit and liquidity	Razak & Asutay (2022); Yahaya et al. (2024)	Limited focus on long-term entrepreneurial outcomes
Islamic micro/social finance	Supports inclusion, poverty alleviation and productive participation	Tok et al. (2022); Islam et al. (2023); Maulina et al. (2023)	Instruments remain institutionally fragmented
Social enterprise	Combines commercial sustainability and social value	Ratinho & Bruneel (2024); Sottini et al. (2025); Singh et al. (2025)	Weak connection to Ar-Rahnu financing
Entrepreneurship ecosystem	Finance must be combined with institutions, networks and capabilities	Wurth et al. (2022); Queissner et al. (2025)	Limited application to Islamic pawn financing
Maqasid and development	Finance should advance welfare, justice and wealth protection/development	Zailani et al. (2022); Damit (2023); Güney (2024)	Need operational ecosystem translating principles into outcomes

4. THEORETICAL FOUNDATION

4.1 Maqasid al-Shariah

Maqasid al-Shariah supplies the normative purpose of the framework. It requires that Islamic financial activity be assessed in relation to human welfare rather than in contractual form alone. Within IPSEFM, the protection and development of wealth are operationalised through the productive use of financing, income generation, enterprise continuity, and reduced financial vulnerability. The framework consequently assumes that Shariah compliance is necessary, but that developmental value is also central to evaluating institutional success.

4.2 Islamic social finance perspective

The Islamic social finance outlook sheds light on why there is no need to compromise between commercial and philanthropic resources. Each instrument addresses a different constraint: Ar-Rahnu provides fast, asset-backed liquidity; zakat can help qualified, vulnerable entrepreneurs; waqf can provide productive assets and infrastructure; Qard al- Hasan can help with working capital; and commercial Islamic finance can help with later-stage expansion. IPSEFM therefore conceptualises a financing continuum rather than a single product.

4.3 Entrepreneurship ecosystem theory

IPSEFM is a non-financial architecture that entrepreneurship ecosystem theory explains. Relationships between finance, skills, markets, institutions, policy and networks are important for sustainable enterprise. It is worth including universities, government agencies, NGOs, private companies, business associations, digital platforms, and financial institutions. It also explains why, in different institutional settings, the same financing instrument can yield different outcomes.

4.4 Stakeholder and institutional theories

Stakeholder Theory suggests that organisations can generate sustainable value by engaging with multiple stakeholders instead of shareholders (Freeman, 1984; Donaldson & Preston, 1995; Awa et al., 2024; Mahajan et al., 2023). This can be used for an Ar-Rahnu ecosystem in which complementary resources are provided by entrepreneurs, financial institutions, zakat and waqf institutions, the regulators, universities and communities, and different forms of value are returned to them. Institutional Theory incorporates the importance of regulation, governance, norms and legitimacy (DiMaggio & Powell, 1983; Scott, 2014; Alam & Miah, 2024; Eitrem et al., 2024). The implementation of Islamic finance requires cross-institutional coordination and legitimacy due to the governance expectation of both regulatory and Shariah requirements.

4.5 Integrated theoretical logic

The theories have complementary functions. The Maqasid defines the developmental purpose,; Islamic social finance defines the financial resources that are complementary to the purpose of the project; entrepreneurship ecosystem theory defines the capabilities and needs of the stakeholders; the Stakeholder Theory defines the value-creation needs; and the Institutional Theory defines the governance and legitimacy needs. Together, they advance the hypothesis that Ar-Rahnu has a stand-alone liquidity product.

5. THE ISLAMIC PAWNSHOP SOCIAL ENTERPRISE FINANCING MODEL (IPSEFM)

5.1 Model architecture

The five components of IPSEFM are complementary: (1) asset-based Ar-Rahnu micro-credit; (2) social-enterprise incubation and entrepreneurial development; (3) the linkage with zakat and waqf institutions; (4) a community-based revolving financing mechanism; and (5) the digital Islamic pawnshop ecosystem. These elements make Ar-Rahnu an entry point to the entrepreneurial development process.

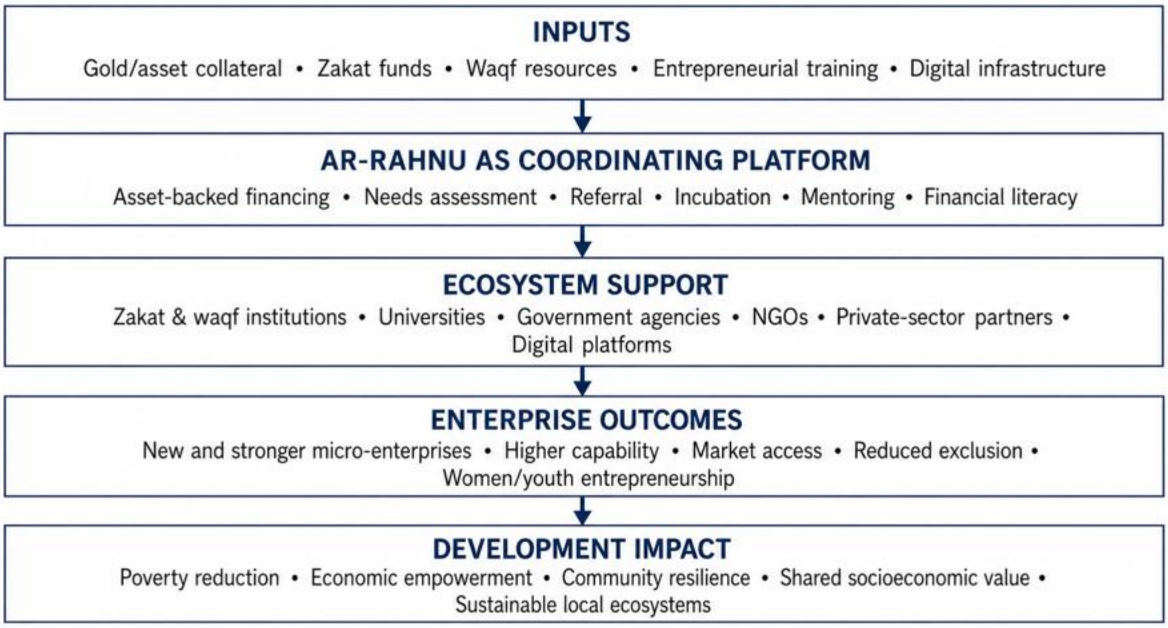

Figure 1: Conceptual architecture of IPSEFM

5.2 Component 1: Asset-based micro-credit financing

The entry financing mechanism is done by Ar-Rahnu. The customer provides valuable assets primarily gold, to access fast, Shariah-compliant liquidity. The asset-backed structure can help micro-enterprises that lack reliable formal records by minimising information and credit constraints while eliminating reliance on interest-based loans. But under IPSEFM, financing is explicitly tied to productive use. Needs assessment is important for differentiating between emergency household liquidity and working capital or business development requirements, and for appropriately referring to complementary support.

5.2.1 Pathways for Asset-Less

A critical limitation of conventional Ar-Rahnu is that access to financing presupposes ownership of a pledgeable asset, typically gold. This requirement may unintentionally exclude the extremely poor, who are among the groups most in need of productive financing but are least likely to possess suitable collateral. IPSEFM therefore introduces an alternative entry pathway for asset-less beneficiaries through the strategic integration of Islamic social finance resources.

Under this pathway, eligible beneficiaries would first undergo a socioeconomic eligibility assessment, entrepreneurial potential screening, and a basic needs assessment. Where an individual possesses a viable income-generating or micro-enterprise opportunity but lacks acceptable collateral, participating zakat or waqf institutions may provide an institutional support mechanism, subject to applicable Shariah, legal and governance requirements.

For eligible asnaf, zakat resources may be used to provide productive assets, start-up inputs, equipment, working capital assistance, or other permissible forms of productive support. Rather than requiring the beneficiary to pledge personal wealth they do not possess, the social-finance institution effectively absorbs part of the initial asset constraint, enabling the beneficiary to enter the entrepreneurial development pathway.

Waqf provides a complementary mechanism. Productive waqf assets may be made available for beneficiary use, including equipment, machinery, business premises, shared production facilities or other income-generating assets. Where legally and Shariah permissible, institutional arrangements may also be structured in which designated waqf resources support the financing architecture without transferring ownership of the waqf corpus to the beneficiary.

The model therefore, distinguishes two entry routes. The standard pathway applies to entrepreneurs who possess eligible assets and can access conventional Ar-Rahnu financing. The social-finance-supported pathway applies to eligible asset-less beneficiaries, for whom zakat, waqf, qard al-hasan or other approved Islamic social-finance instruments provide the initial bridge into productive economic activity.

Importantly, this pathway should not be interpreted as automatically treating zakat or waqf assets as conventional collateral. The precise legal and Shariah structure must depend on jurisdictional requirements, institutional mandates and approval by the relevant Shariah authorities. The conceptual principle is that the lack of personal collateral should not automatically exclude an otherwise eligible and potentially viable entrepreneur from IPSEFM.

As beneficiaries accumulate productive assets, improve income stability, establish transaction records and strengthen enterprise capability, they may progressively transition from philanthropic or socially supported financing toward conventional Ar-Rahnu or other Islamic commercial financing. IPSEFM thus establishes a graduation pathway from social-finance-supported entry → productive asset creation → enterprise stabilisation → asset-backed/commercial financing → financial independence.

This mechanism extends the model from financial inclusion to financial progression. Zakat and waqf are therefore not merely supplementary resources within IPSEFM; for the extreme poor, they can constitute the institutional bridge that makes participation in the entrepreneurial ecosystem possible in the first place. Eventually, there should be two entry pathways converging into IPSEFM:

Path A: Asset-owning beneficiary → Ar-Rahnu collateral → financing

Path B: Asset-less eligible beneficiary → Zakat/Waqf/Qard al-Hasan support → productive asset/financing access → incubation. Both then converge into enterprise development. See figure 2,

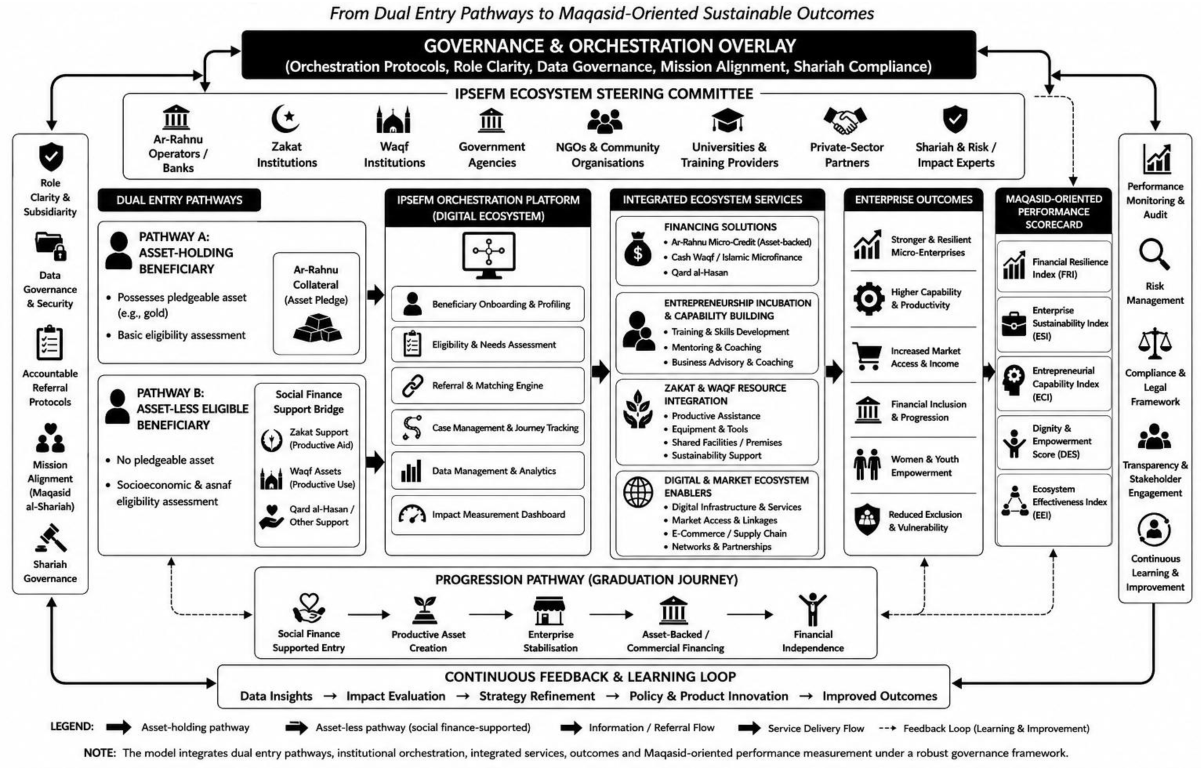

Figure 2: Revised conceptual architecture of the improved IPSEFM

5.3 Component 2: Social-enterprise incubation and capability development

The second component is on the financing-capability gap. Financial literacy, bookkeeping, business planning, digital marketing, operational support, mentoring and market access support can all be provided to beneficiaries. Ar-Rahnu operators don't have to provide all services themselves, they can be responsible for organising cooperative service relationships between universities, government agencies, NGOs, business associations and private companies. The goal is to increase the likelihood that short-term financing has an impact that supports a viable enterprise, rather than repeated reliance on liquidity.

5.4 Component 3: Integration with zakat and waqf

Zakat and waqf are complementary resources for addressing the entrepreneurial constraint, which can be met through collateralised finance. Zakat support can be provided to eligible beneficiaries in the form of productive assistance, training, or targeted business support, subject to applicable Shariah and governance requirements. The waqf may include fixed assets with a longer lifespan such as premises, joint production facilities, equipment, training centres, and digital infrastructure. The synergy is a form of social and structural reinforcement that reduces structural barriers, whilst Ar-Rahnu provides a disciplined financing gateway.

5.5 Component 4: Community-based revolving mechanism

A revolving mechanism of the community creates a multiplier effect. If an enterprise is successful, it can make voluntary contributions to a community development pool or participate in a structured peer-support arrangement. Thereafter, resources can be used to support additional entrepreneurs, youth-led initiatives, women's businesses, or local projects. The logic is based on the concepts of ta'awun, solidarity, and the circulation of wealth: beneficiaries can gradually become providers, which reduces exclusive reliance on external grants and increases local ownership of the project.

5.6 Component 5: Digital Islamic pawnshop ecosystem

Digital infrastructure improves reach, coordination and monitoring. Mobile interfaces, digital payments, cloud-based case management, e-commerce links and data analytics can reduce transaction costs and connect entrepreneurs to services beyond the physical pawnshop. Digitalisation also enables outcome tracking across institutions, although its use must be governed by appropriate data protection, Shariah governance and inclusion safeguards. Technology is, therefore, an enabling layer, not a substitute for institutional trust or entrepreneurial capability.

6. CONCEPTUAL PROPOSITIONS

The integrated framework yields propositions suitable for future empirical testing. These propositions are deliberately stated at the ecosystem level because the paper argues that developmental impact arises from interactions among resources rather than from the volume of financing alone.

P1. Ar-Rahnu financing that is explicitly linked to productive enterprise use will be positively associated with entrepreneurial sustainability compared with stand-alone short-term liquidity provision.

P2. Entrepreneurial capability development will strengthen the relationship between access to Ar-Rahnu financing and sustainable enterprise outcomes.

P3. Integration of Ar-Rahnu with zakat, waqf and other Islamic social finance resources will improve financial inclusion and reduce financing vulnerability among eligible underserved entrepreneurs.

P4. Institutional collaboration among Ar-Rahnu operators, government agencies, universities, social finance institutions, and private-sector partners will enhance the effectiveness of the IPSEFM ecosystem.

P5. Governance quality and institutional legitimacy will condition the relationship between ecosystem integration and developmental outcomes.

P6. Digital integration will enhance the accessibility, coordination, scalability and outcome-monitoring capacity of the IPSEFM ecosystem, subject to digital inclusion and governance safeguards.

P7. The combined operation of financing, capability development, and complementary social-finance resources will generate stronger community-level socioeconomic outcomes than any component operating in isolation.

7. THEORETICAL CONTRIBUTIONS

The paper makes four theoretical contributions. First, it reconceptualises Ar-Rahnu from a transactional financing product to an entrepreneurial ecosystem gateway. This shifts the analytical focus from approval speed, collateral and service quality toward enterprise pathways and developmental outcomes. Second, it connects Islamic social finance with entrepreneurship ecosystem theory. Rather than treating zakat, waqf, qard al-hasan and

Ar-Rahnu as isolated instruments, IPSEFM explains how they may serve different constraints and stages of enterprise development.

Third, the framework incorporates normative and organisational theory. To understand the importance of socioeconomic development, Maqasid al-Shariah is introduced, and the ways collaboration, governance, and legitimacy affect implementation are explained, with stakeholder and institutional perspectives introduced. Fourth, IPSEFM incorporates a multiplier approach, encouraging beneficiaries from receiving liquidity to becoming sustainable entrepreneurs and, in theory, even providers of community financing and support. This provides a conceptually different outcome pathway compared to multiple short-term borrowings.

8. POLICY AND MANAGERIAL IMPLICATIONS

For Ar-Rahnu operators and Islamic financial institutions, the model suggests broadening performance indicators beyond transaction volume and repayment. Relevant developmental indicators include productive use of funds, business survival, income stability, capability improvement, referrals completed and progression to more suitable financing. Operators could establish formal referral protocols and partnership agreements rather than attempting to internalise every support function.

For zakat and waqf institutions, IPSEFM provides a structured interface for engaging entrepreneurial beneficiaries. Productive support can be coordinated with financing and capability development, while preserving eligibility, governance and Shariah requirements. For governments and regulators, the model highlights the need for enabling rules, data-sharing safeguards, digital infrastructure and mechanisms for cross-agency coordination. Pilot programmes could test the model before wider institutionalisation.

Universities, training providers and NGOs can supply entrepreneurship education, mentoring, impact measurement and applied research. Private-sector partners can contribute market access, procurement opportunities, technology and industry expertise. The central managerial implication is therefore orchestration: the value of IPSEFM depends less on one institution controlling all resources than on a credible platform coordinating specialised contributors around an entrepreneur's development journey.

8.1 Governance and Orchestration Protocols

Because IPSEFM depends on collaboration among institutions with different mandates, regulatory environments and organisational objectives, ecosystem integration requires an explicit governance architecture. Collaboration alone does not guarantee effective coordination. Without clearly defined responsibilities, the model may create duplicated services, fragmented beneficiary experiences, inappropriate data sharing, accountability gaps and mission drift.

IPSEFM therefore proposes an Orchestration Protocol governing the relationships among participating institutions. The protocol should establish five core governance principles: role clarity, subsidiarity, accountable referral, controlled data sharing and mission alignment.

Role clarity requires each participating institution to operate within its recognised competence and mandate. Ar-Rahnu operators and financial institutions should primarily undertake financing assessment and financial-service functions; zakat institutions should determine asnaf eligibility and permissible zakat assistance; waqf institutions should govern the deployment and protection of waqf resources; universities and training providers should deliver capability development and evaluation; NGOs may undertake community outreach, mentoring and beneficiary support; while private-sector partners may facilitate market access, technology, procurement and industry linkages.

Subsidiarity means that no coordinating institution should unnecessarily absorb functions that are more appropriately performed by specialised partners. Ar-Rahnu's role as the coordinating platform therefore, does not imply institutional domination. Its function is to facilitate an integrated beneficiary pathway through screening, referral, monitoring and coordination.

Accountable referral requires common eligibility criteria, referral procedures, service-level expectations and feedback mechanisms. Each referral should have a defined originating institution, receiving institution, intended intervention, completion status and responsible party. This creates continuity across the beneficiary's entrepreneurial development journey and reduces duplication.

Controlled data sharing is particularly important in the digital IPSEFM ecosystem. Participating institutions should adopt common data governance protocols covering informed consent, data minimisation, purpose limitation, access rights, cybersecurity, retention, confidentiality, and auditability. Institutions should receive only the beneficiary information necessary to perform their designated function. Sensitive financial, religious-eligibility and socioeconomic information should not become unrestricted ecosystem-wide data.

Mission alignment is required to prevent mission drift. Participating institutions should agree on a common IPSEFM social-purpose charter based on financial inclusion, productive economic participation, dignity, enterprise sustainability and Maqasid al-Shariah. Commercial expansion, financing volume or technological scalability should not displace the model's primary developmental purpose.

Operationally, governance may be coordinated through an IPSEFM Ecosystem Steering Committee comprising representatives of the principal participating institutions and supported by expertise in Shariah, risk, data governance, and impact measurement. The committee should establish participation standards, approve institutional protocols, monitor ecosystem performance, resolve inter-agency disputes and periodically evaluate whether activities remain consistent with the agreed social mission.

The digital platform should consequently function as an orchestration infrastructure rather than merely a technology platform. Its role is to enable authorised referrals, beneficiary journey tracking, service coordination, and aggregated impact measurement while maintaining institutional boundaries and data protection requirements.

This governance architecture operationalises the stakeholder and institutional foundations of IPSEFM by translating multi-stakeholder collaboration into defined rules of responsibility, accountability and legitimacy.

9. IMPLEMENTATION CHALLENGES AND FUTURE RESEARCH

Implementation is likely to face several constraints. Ar-Rahnu remains collateral-dependent, meaning the poorest individuals without pledgeable assets may still require alternative entry mechanisms. Coordination among financial, religious, regulatory, educational and development institutions may create governance complexity. Productive zakat and waqf applications differ across jurisdictions and must comply with relevant legal and Shariah requirements. Digitalisation can also exclude users with low digital literacy and raise data-governance concerns.

Future research should therefore validate the model in stages. Qualitative case studies can examine stakeholder feasibility and governance design; pilot programmes can test referral and incubation processes; surveys can operationalise the propositions; and longitudinal studies can assess enterprise survival, household income, financial vulnerability and community effects. Comparative studies across Ar-Rahnu operators and jurisdictions would clarify which components are universal and which require contextual adaptation. Research should also develop a Maqasid-oriented performance scorecard that combines financial sustainability with measurable social and entrepreneurial outcomes.

9.1 Operationalising the Maqasid-Oriented Performance Scorecard

To facilitate future empirical validation, IPSEFM proposes a preliminary Maqasid-oriented performance scorecard that evaluates success beyond financing volume, repayment and institutional efficiency. The scorecard treats financial performance as one dimension of developmental success rather than its sole indicator.

Five preliminary outcome domains are proposed: financial resilience, enterprise sustainability, entrepreneurial capability, dignity and social inclusion, and ecosystem effectiveness.

Financial Resilience Index (FRI). This dimension measures whether beneficiaries become less financially vulnerable following participation in IPSEFM. Potential indicators include changes in household or enterprise income, income volatility, emergency savings, dependence on repeated short-term borrowing, ability to meet financial obligations, and progress toward sustainable financing.

Enterprise Sustainability Index (ESI). This measures the economic durability of the supported enterprise. Indicators may include business survival at 12, 24 and 36 months; revenue stability; profitability or operating surplus; employment creation; customer growth; market diversification; and progression from social-finance dependence toward commercially sustainable financing.

Entrepreneurial Capability Index (ECI). This captures improvements in the beneficiary's ability to manage and develop an enterprise. Indicators may include financial literacy, bookkeeping capability, business planning, digital competency, marketing capability, access to markets, network development and completion of relevant entrepreneurship training.

Dignity and Empowerment Score (DES). Consistent with the developmental orientation of Maqasid al-Shariah, this dimension evaluates whether financing improves the beneficiary's perceived dignity, agency and economic independence.

Potential survey items may measure perceived control over financial decisions, reduce dependence on informal assistance, confidence in managing the enterprise, ability to provide for household needs, perceived social inclusion and optimism regarding future economic security.

Ecosystem Effectiveness Index (EEI). This measures the effectiveness of institutional orchestration. Indicators may include referral completion rates, average referral time, duplication of services, partner response rates, beneficiary retention, successful transitions between financing stages, data governance compliance, and stakeholder satisfaction.

The proposed scorecard can combine objective indicators, administrative data and beneficiary-reported measures. Longitudinal assessment should preferably be conducted at entry and at predetermined intervals, for example, 6, 12, 24 and 36 months, enabling researchers to observe changes rather than relying exclusively on cross-sectional outcomes.

For empirical research, each multidimensional construct should undergo appropriate scale development and validation procedures, including content validity, reliability assessment, convergent and discriminant validity, and, where appropriate, confirmatory factor analysis. Weighting of individual dimensions should initially remain theoretically informed rather than assumed to be universally fixed, because the relative importance of different Maqasid outcomes may vary across beneficiary groups and institutional contexts.

Accordingly, the IPSEFM scorecard should be regarded as a preliminary operational framework rather than a validated measurement scale. Its contribution is to translate the normative developmental objectives of Maqasid al-Shariah into observable constructs that can subsequently be tested empirically and refined.

10. CONCLUSION

Ar-Rahnu has proven value as an accessible Shariah-compliant source of liquidity, but its developmental potential need not end at the pawn-financing transaction. This paper develops IPSEFM demonstrate how Ar-Rahnu can serve as the coordinating gateway for a broader Islamic social finance and entrepreneurship ecosystem. The model integrates asset-backed micro-credit, capability development, zakat and waqf resources, community-based revolving support and digital infrastructure within a governance structure involving multiple institutional stakeholders.

The central argument is that sustainable entrepreneurial development is more likely when accessible financing is connected to capabilities, institutions and complementary resources. IPSEFM thus moves Islamic pawn financing from a transactional logic toward a developmental logic consistent with Maqasid al-Shariah. As a conceptual model, it requires empirical validation but provides a structured foundation for research, policy experimentation, and institutional collaboration aimed at transforming short-term liquidity into sustainable enterprise and community empowerment.

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Social Media Marketing Strategy for Social Business: A Conceptual Framework

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Abstract

Social entrepreneurship is gaining recognition as a practical way to address societal challenges through innovative business practices. Social business, pioneered by Nobel Peace Laureate Muhammad Yunus, peruses economic sustainability while generating measurable social impact by reinvesting profits into their mission rather than distributing them to shareholders. In Malaysia, social enterprises hold considerable potential for transformation but continue to struggle with limited market visibility, weak branding, and ineffective digital engagement. It is due to the prior research on social media strategy has concentrated on profit-driven small and medium enterprises (SMEs) and has treated "social media strategy" as a single, undifferentiated construct rather than disaggregating it into the specific resource-based elements that drive financial outcomes. To address this gap, the present paper proposes an integrative conceptual framework, explicitly grounded in the Resource-Based View (RBV) theory, that identifies platform strategy, content strategy, brand awareness, and audience engagement as four intangible, VRIN-qualifying digital resources that jointly influence the sales growth of social enterprises. The framework is developed through a narrative RBV-guided synthesis of the social media marketing and social entrepreneurship literature, and four research propositions are advanced to guide future empirical testing. The paper contributes theoretically by extending RBV beyond its conventional emphasis on tangible resources into the digital and relational capabilities of hybrid, mission-driven organisations, and practically by providing social entrepreneurs and policymakers with actionable guidance for strengthening digital effectiveness. This paper uses "social enterprise" for consistency, in line with the terminology used by Malaysia, the Ministry of Entrepreneur Development and Cooperatives (MEDAC) and the majority of the Malaysian social-enterprise literature cited herein.

Keywords: Social Entrepreneurship, Social Enterprise, Social Business, Resource-Based View theory, Social Media Marketing, Malaysia

Abstrak

Keusahawanan sosial semakin mendapat pengiktirafan sebagai cara praktikal untuk menangani cabaran kemasyarakatan melalui amalan perniagaan yang inovatif. Perniagaan sosial, yang dipelopori oleh Penerima Anugerah Keamanan Nobel Muhammad Yunus, mengejar kelestarian ekonomi sambil menjana impak sosial yang boleh diukur dengan melabur semula keuntungan ke dalam misi mereka, dan bukannya mengagihkannya kepada pemegang saham. Di Malaysia, perusahaan sosial memegang potensi transformasi yang sangat besar tetapi terus berdepan dengan *keterlihatan pasaran yang terhad, penjenamaan yang lemah, dan penglibatan digital yang tidak berkesan. Hal ini demikian kerana penyelidikan terdahulu mengenai strategi media sosial telah bertumpu pada perusahaan kecil dan sederhana (PKS) yang berteraskan keuntungan dan telah menganggap "strategi media sosial" sebagai satu konstruk tunggal yang tidak dibezakan, dan bukannya memisahkannya kepada elemen berteraskan sumber khusus yang memacu hasil kewangan. Bagi menangani jurang ini, kertas kerja ini mencadangkan satu kerangka konseptual integratif, yang berasas secara eksplisit dalam teori Pandangan Berasaskan Sumber (RBV), yang mengenal pasti strategi platform, strategi kandungan, kesedaran jenama, dan penglibatan khalayak sebagai empat sumber digital tidak nyata yang memenuhi kriteria VRIN yang secara bersama mempengaruhi pertumbuhan jualan perusahaan sosial. Kerangka ini dibangunkan melalui sintesis naratif berpandukan RBV daripada literatur pemasaran media sosial dan keusahawanan sosial, dan empat proposisi penyelidikan dikemukakan untuk membimbing ujian empirikal pada masa hadapan. Kertas kerja ini menyumbang secara teoretikal dengan meluaskan RBV melampaui penekanan konvensionalnya terhadap sumber nyata kepada keupayaan digital dan hubungan bagi organisasi hibrid yang berteraskan misi, dan secara praktikal dengan menyediakan panduan yang boleh dilaksanakan kepada usahawan sosial dan pembuat dasar untuk memperkukuh keberkesanan digital. Kertas kerja ini menggunakan istilah "perusahaan sosial" untuk keselarasan, selaras dengan terminologi yang digunakan oleh Kementerian Pembangunan Usahawan dan Koperasi (KUSKOP) Malaysia dan majoriti literatur perusahaan sosial Malaysia yang dipetik di sini.*

1. INTRODUCTION

Social businesses have emerged as hybrid organisations that integrate social missions with market-driven strategies, reinvesting profits into advancing social objectives rather than maximising shareholder wealth. This dual orientation positions social business as an innovative model for addressing societal challenges while ensuring long-term sustainability (Yunus, 2008; Rahman & Sultana, 2021).

This paper uses "social enterprise" for consistency, in line with the terminology used by MEDAC and the majority of the Malaysian social-enterprise literature cited herein, unless a claim is specific to Yunus's model.

In Malaysia, the Ministry of Entrepreneur Development and Cooperatives (MEDAC) has recognised social enterprise as a vital driver of socio-economic development (Medac, 2025).

Yet, despite supportive policies and community-driven initiatives such as the

Malaysia Social Entrepreneurship Blueprint 2030, many social enterprises face persistent challenges, including limited market visibility, weak branding, and underutilisation of digital tools (Nordin et al., 2023; Shafie et al., 2023).

Although social media platforms offer cost-effective opportunities for storytelling, branding, and customer engagement, social

enterprises lack structured strategies to translate their digital presence into measurable outcomes, such as sales growth and sustainability (Daud & Othman, 2019; Rajah et al., 2022). Most Malaysian social enterprises maintain social media accounts without a coherent strategy to convert engagement into tangible business outcomes, such as revenue growth or long-term sustainability (Daud & Othman, 2019; Rajah et al., 2022).

The novelty of this framework lies at the intersection of three limitations in the existing literature. First, the bulk of empirical and conceptual work on social media marketing strategy and organisational performance has been conducted within purely commercial small and medium enterprises (SMEs) (Hussain et al., 2023; Fu et al., 2024; Jumbulingam et al., 2024), where financial return is the sole performance criterion. Comparatively little conceptual work has examined how the same digital resources operate within social business and social enterprises. Whose dual social and financial objectives, resource constraints, and mission-driven branding logic differ meaningfully from purely commercial firms (Rasyid & Bowen, 2021; Nordin et al., 2024).

Second, where conceptual frameworks of social media marketing do exist, it typically treated “social media strategy” or “digital marketing capability” as a broad, undifferentiated construct. This offering general propositions about social media use and organisational performance without decomposing the construct into the specific, actionable elements through which value is created (Dwivedi et al., 2021). This generality leaves social entrepreneurs and policymakers with limited practical guidance, because it does not specify which digital resource, platform selection, content, brand-building, or audience interaction should be prioritised, nor how each maps onto a firm's resource-based advantage.

The present framework departs from this by disaggregating social media strategy into four theoretically distinct constructs, platform strategy, content strategy, brand awareness, and audience engagement, and by linking each explicitly to sales growth as a measurable financial-sustainability outcome.

Third, applications of the Resource-Based View (RBV) theory in the SME and social-enterprise literature have concentrated primarily on tangible resources, financial capital, physical networks, and basic human resources, while comparatively little attention has been paid to intangible resources such as customer trust, organisational reputation, and digital marketing capability, despite their growing importance in the digital economy (Day et al., 2025; Diego & Chima, 2021; Kamaruddin et al., 2024).

By extending RBV theory to the dynamic, externally oriented digital resources of social enterprises, this paper contributes a theoretical account of how digitally intangible resources can be strategically leveraged to create value in hybrid, mission-constrained organisations.

Taken together, these three gaps, contextual (SME versus social enterprise), contractual (undifferentiated versus disaggregated strategy), and theoretical (tangible versus intangible RBV resources), constitute the specific novelty of the proposed framework.

This paper is conceptual in nature and does not collect or analyse primary data; its objectives are framed as theory-building rather than hypothesis-testing objectives. Accordingly, the study aims to:

- RO1: To conceptually examine the proposed influence of platform strategy on the sales growth of social enterprises.
- RO2: To conceptually examine the proposed influence of content strategy on the sales growth of social enterprises.
- RO3: To conceptually examine the proposed influence of brand

awareness on the sales growth of social enterprises.

- RO4: To conceptually examine the proposed influence of audience engagement on the sales growth of social enterprises.

This paper is organised as follows. Section II reviews the literature on social entrepreneurship, social enterprise, social business, social media marketing, and RBV theory, including a comparison of RBV with competing theoretical lenses. Section III explains the methodological approach used to develop the framework. Section IV presents the conceptual framework and four accompanying research propositions, explicitly integrating each construct with the RBV. Section V discusses the study's academic and practical implications, situates the framework in relation to prior conceptual models, and outlines its limitations. Section VI concludes the paper.

2. LITERATURE REVIEW

A. Social Entrepreneurship, Social Enterprise, and Social Business

Social entrepreneurship is widely regarded as a process that combines entrepreneurial practices with social missions to generate sustainable solutions for societal issues (Dees, 1998; Mair & Martí, 2006). Social enterprise is defined as a business strategy that addresses social issues, which aims to balance financial growth with community impact (Graci, 2025).

Social business, introduced by Muhammad Yunus, represents a distinct model within this spectrum. Social business is designed to operate as financially sustainable entities while prioritising social impact over profit maximisation (Yunus, 2010; Wirtz & Volkmann, 2018).

Unlike non-profit organisations, social businesses generate revenue, but instead of distributing profits to shareholders, they reinvest them to advance their missions (Rahman & Sultana, 2021). This approach has positioned social enterprise as a practical and scalable model for addressing global challenges such as poverty, inequality, and environmental degradation (Defourny & Nyssens, 2017). Unless a claim is specific to Yunus's model, this paper uses “social enterprise” for consistency, in line with the terminology used by MEDAC and the majority of the Malaysian social-enterprise literature cited herein.

In Malaysia, social enterprises have grown with support from the Ministry of Entrepreneur Development and Cooperatives (MEDAC). Accredited organisations are increasingly addressing issues such as poverty reduction, access to education, and environmental sustainability (Shahrin et al., 2022; Nordin et al., 2023). However, these organisations continue to face structural challenges, including weak branding, limited visibility, and resource constraints , which hinder their ability to scale operations and remain competitive (Daud & Othman, 2019; Shafie et al., 2023).

B. Social Media Marketing in Social Enterprise

Social media platforms such as Facebook, Instagram, and TikTok provide cost-effective tools for increasing visibility, connecting with stakeholders, and building strong digital brands (Dwivedi et al., 2021; Mohanan & Amutha, 2023). For social enterprises, these platforms offer significant opportunities to engage audiences and to leverage storytelling for social impact, particularly among digital natives such as millennials and Generation Z, who are highly responsive to interactive content (Roslan et al., 2022).

The literature identifies four recurring dimensions of social media strategy that are relevant to business success: platform strategy, or the selection of appropriate channels to expand visibility and align with audience demographics (Shen, 2023). Content strategy, compelling and shareable material that communicates social missions while building trust (Ghapar et al., 2023), brand awareness, recognition and credibility among target audiences (Erkollar & Oberer, 2017). Lastly, audience engagement, dialogue, and participation among stakeholders (Rane et al., 2023). Despite these opportunities, Malaysian social enterprises often lack structured digital strategies: while many maintain social media accounts, these are frequently underutilised, with unclear objectives and limited measurable impact on outcomes such as revenue and sustainability (Rajah et al., 2022; Nordin et al., 2024).

C. The Resource-Based View Theory

The Resource-Based View (RBV) theory provides a foundational framework for analysing how internal resources and capabilities drive organisational success and sustainable competitive advantage. It was first introduced by Penrose (1959) and was later developed by Barney (1991) (Matson, 2021, p. 25; Barney, 1991).

The RBV theory emphasises the combination of a company's tangible and intangible resources to assess its superior performance. Tangible resources encompass financial, network, human, technological, and physical assets, whereas intangible resources include innovation capability, brand reputation, organisational culture, and knowledge systems. Intangible assets play an increasingly significant role in the digital economy because they can be redeployed repeatedly across markets and are difficult for competitors to imitate (Madhani, 2010; Tajvidi & Karami, 2021). Companies can outperform their competitors if they possess resources that are valuable, rare, inimitable, and non-substitutable (VRIN) (Barney, 1991; Day, 1994; Madhani, 2010).

RBV theory was selected after considering Dynamic Capabilities Theory, Stakeholder Theory, and Uses and Gratifications Theory. RBV was considered the most suitable because it directly explains how social enterprises utilise valuable resources and capabilities, such as platform strategy, content strategy, brand awareness, and audience engagement. Additionally, Dynamic Capabilities Theory (Teece, Pisano, & Shuen, 1997) emphasises a firm's capacity to sense, seize, and reconfigure resources amid rapid environmental change, which is relevant to fast-moving digital platforms. It emphasis on continuous organisational reconfiguration presupposes a level of managerial and analytical capacity that most resource-constrained Malaysian social enterprises do not yet possess.

This demanding lens for organisations that are still building basic digital resources rather than dynamically reconfiguring mature ones. Stakeholder Theory (Freeman, 1984) foregrounds the management of relationships with multiple stakeholder groups and is well-suited to explaining legitimacy and accountability. However, it is comparatively silent on how specific internal resources, such as a firm's content or platform capability, translate into a measurable financial outcome, such as sales growth, which is the central dependent variable of this study. Uses and Gratifications Theory (Katz, Blumler, & Gurevitch, 1974) explains why audiences consume media content from their motivational perspective, but it does not address the organisation's resource configuration and therefore its better suited to studies of content consumption than to studies of organisational competitive advantage.

RBV theory is comparatively better suited to the present study, as it explicitly provides the VRIN criteria, a testable basis for explaining why some digital resources, but not others, are valuable. This is also directly relevant to the framework that seeks to identify which social media resources matter for social growth. Additionally, RBV theory also connects internal, firm-controlled resources to firm-level performance outcomes, whereas Dynamic Capabilities, Stakeholder Theory, and Uses and Gratifications Theory are each oriented toward organisational change, external relationship management, rather than the resource-to-performance link that this paper investigates

Empirical research demonstrates that RBV theory explains how an organisation's digital and relational capabilities interact to produce organisational performance. The use of social media by organisations can generate a wide variety of marketing, innovation, and customer-relations capabilities that, in turn, enhance an organisation's brand equity and boost its profits (Kim et al., 2015; Olanrewaju et al., 2020). Paniagua and Sapena (2014) identified four main types of resources provided by social media channels; social marketing resources, and revealed-preference resources. These resources enhance performance by fostering unique, inimitable relationships and generating data-driven insights, making them difficult for competitors to imitate and thereby helping firms sustain a long-term competitive advantage.

3. METHODOLOGY

This paper adopts a narrative, theory-driven, integrative literature review methodology to develop its conceptual framework. This method is well established for conceptual papers that seek to synthesise a fragmented body of literature around a single theoretical lens rather than to exhaustively map an entire field, as would be expected of a systematic review with a PRISMA-style protocol (Torraco, 2005; Snyder, 2019).

The literature underpinning the framework was identified through keyword searches of Scopus, Web of Science, and Google Scholar using combinations of the terms “social media marketing,” “social media strategy,” “social enterprise,” “social business,” “sales growth,” and “Resource-Based View,” supplemented by construct-specific terms (“platform strategy,” “content strategy,” “brand awareness,” “audience engagement”). The search was concentrated on peer-reviewed journal articles and conference proceedings published between 2015 and 2025, with particular emphasis on 2020–2025 publications. This is to capture the post-pandemic acceleration of digital adoption among small and mission-driven organisations, and it was supplemented by foundational, pre-2015 theoretical sources (e.g., Barney, 1991; Penrose, 1959; Dees, 1998) where a construct's theoretical grounding required it.

Sources were included if they (a) empirically or conceptually examined at least one of the four social media strategy constructs in relation to firm-level or brand-level performance, (b) were published in a peer-reviewed outlet, and (c) were available in English. Sources were excluded if they addressed social media use unrelated to organisational or marketing outcomes (e.g., purely psychological or clinical studies).

The objective was theoretical integration rather than exhaustive coverage or effect-size aggregation; no meta-analytic results were performed. Instead, the retained studies were thematically synthesised construct by construct. Each construct was then mapped explicitly onto

Barney's (1991) VRIN criteria to test whether it plausibly qualifies as a resource capable of generating sustained competitive advantage within the RBV framework.

The construct-by-construct VRIN mapping, presented in Section IV, is the analytical procedure through which the conceptual framework and its four research propositions were derived.

4. CONCEPTUAL FRAMEWORK

This study proposes a conceptual framework that integrates RBV theory with social media marketing strategy to enhance sustainability and competitiveness in social enterprises. The framework identifies four independent constructs, platform strategy, content strategy, brand awareness, and audience engagement, that collectively influence the dependent construct of sales growth (Figure 1).

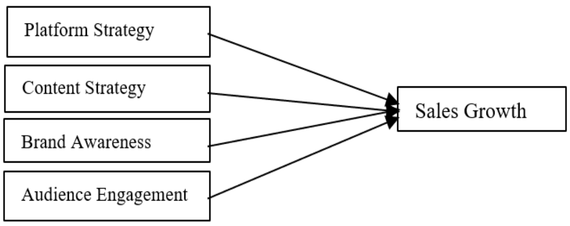

Figure 1: Conceptual Framework

A. Platform Strategy

Platform strategy refers to the selection and integration of appropriate social media channels, such as Facebook, Instagram, and TikTok, to reach intended audiences, ensure visibility, and align with the digital habits of stakeholders (Shen, 2023). Platform strategy reflects a firm's technological and organisational ability to select and integrate digital ecosystems that enhance communication and network effects (Dwivedi et al., 2021; Kumar et al., 2025; Gawer, 2022). Within RBV theory terms, platform selection, content development, and the systematic governance of these workflows are Valuable, because they drive customer conversion. Rare; they are optimised specifically for the hybrid social objectives of social enterprises rather than for purely commercial goals. Over time, such configurations become Inimitable and Non-substitutable because they are embedded in an organisation's culture and accumulated experience, satisfying the full VRIN criteria.

Prior studies report generally positive associations between platform strategy and sales-related outcomes. Effective platform strategies improve customer engagement and conversion (Revathi et al., 2024; Taruna Wijaya et al., 2025). Hybrid cross-platform approach helps firms sustainably build brand image and boost retention and sales (Haque et al., 2024; Simanjuntak et al., 2024).

Studies indicate that effective platform strategies improve company performance as they increase visibility, customer engagement and conversion of customers into sales (Revathi et al., 2024). Effective marketing strategies on marketing platforms for Small and Medium Enterprises (SMEs) and social enterprises with small marketing budgets can help to achieve their marketing goals on social media platforms (Amirrudin et al., 2024).

A study by Mohamed & Liang (2025) examined the performance and growth drivers of 127 SMEs across five major cities in Somalia. The findings reveal that 67 per cent of participants observed an increase in customer interactions as well as brand awareness on social media channels. Additionally, 54 per cent of participants reported an increase in sales due to online campaigns.

P1: Platform strategy, as a valuable and rare digital resource, is positively associated with the sales growth of social enterprises.

B. Content Strategy

Content strategy emphasizes the creation of compelling, consistent, and shareable materials that convey both the social and entrepreneurial dimensions of a business. High-quality content enhances storytelling, builds trust, and fosters emotional connections with audiences (Ghapar et al., 2023). Conceptualising content strategy as a firm-specific, knowledge-intensive resource is consistent with RBV theory: content strategy converts creativity and information into brand value (Dwivedi et al., 2021; Akuma et al., 2025; Lanfranchi et al., 2025). Making it Valuable when it drives engagement, conversion, Rare and Inimitable when it is distinctive. It is difficult for competitors to replicate because it is embedded in an organisation's authentic mission narrative rather than being purchasable off-the-shelf.

A study by Smith et al., (2024) on content strategy in hybrid organisations discovered that purpose-driven storytelling increases brand authenticity and stakeholder engagement. Additionally, Robson (2025) conducted a study on content strategy and performance of Micro and Social Commerce in Malaysia, and the results of the study showed that client retention and sales growth were both positively affected by high-quality content that was consistent and evoked emotions. On top of that, the study of Fan & Zhang (2025) highlights the significant influence of content flow, source of credibility, and trust evaluation on sales growth. The study suggests guidance for green agriculture products in harnessing social media content and ensuring sustainable sales growth.

P2: Content strategy, as a valuable and inimitable knowledge-intensive resource, is positively associated with the sales growth of social enterprises.

C. Brand Awareness

Brand awareness reflects the extent to which stakeholders recognize and associate positive attributes with a social enterprise. Establishing brand awareness is essential for credibility, legitimacy, and long-term customer loyalty (Erkollar & Oberer, 2017).

Consistent branding across social media improves customer engagement and builds brand trust (Ahmad et al., 2022). Additionally, digital content strategies that reflect brand values significantly increase online awareness and overall sales performance (Sugiat, 2025).

According to Jumbulingam et al. (2024), brand awareness positively affects customer trust and sales growth for Malaysian SMEs through customer engagement with brands on social media. Digital storytelling on platforms like Instagram and TikTok, for example, builds relationships between brands and customers and enhances brand recall, leading to customer loyalty and long-term relationships (Efendioğlu & Durmaz, 2022; Pillay & Struweg, 2025).

P3: Brand awareness, as a valuable and slow-to-replicate reputational resource, is positively associated with the sales growth of social enterprises.

D. Audience Engagement

Audience engagement captures the level of interaction, participation, and co-creation between social enterprises and their stakeholders. Engagement can take the form of likes, shares, comments, or more meaningful actions such as volunteering, donations, or purchases (Rane et al., 2023).

Garg (2025) emphasises that emotional engagement increases the likelihood that customers develop an emotional attachment to a company's stories and mission or social responsibility. This increases customer loyalty and future sales, as audiences who share a brand's values are potential supporters (Fatmawati & Fauzan, 2021). In addition, Ritala (2024) highlighted that engagement is a crucial mediator that translates digital marketing activities, such as content strategy and marketing platform, into brand trust and sales.

P4: Audience engagement, as a valuable and inimitable relational resource, is positively associated with the sales growth of social enterprises.

5. DISCUSSION AND IMPLICATIONS

The proposed conceptual framework contributes to both the academic discourse and the practical development of social enterprises. It highlights social media as more than a communication tool; it positions social media strategies as critical drivers of sustainability.

A. Academic Contribution

This paper extends the existing literature by integrating RBV theory into the context of social enterprise digital marketing and by explicitly mapping each construct onto Barney's (1991) VRIN criteria rather than treating RBV as a separate construct (Dwivedi et al., 2021). Broader conceptual accounts of digital and social media marketing, such as Dwivedi et al.'s (2021) research agenda, tend to treat social media capability as a single, high-level construct and to remain theory-agnostic about the specific mechanism of competitive advantage.

The present framework disaggregates that capability into four VRIN-mapped constructs and commits to a single, testable theoretical mechanism, giving it more precise practical and empirical purchase for social enterprises.

This advances a structured model that can guide future empirical research and reinforces the argument that communication is not a peripheral function but a central driver of organisational effectiveness in social enterprises.

B. Practical Contribution

From a practical standpoint, the framework offers actionable guidance for social enterprises in Malaysia and beyond. By adopting structured social media strategies, organisations can enhance visibility by selecting platforms aligned with audience preferences. This helps strengthen the brand through consistent, impactful content that builds credibility, deepens stakeholder engagement, fosters participatory approaches, and improves financial sustainability.

This increased brand awareness and engagement translate into sales growth that can be reinvested in the organisation's mission. Policymakers and support organisations, including MEDAC, can use the framework to design training programmes, funding initiatives, and digital marketing support tailored to the needs of social enterprises. This is particularly relevant in Malaysia, where many social organisations lack the expertise and resources to fully exploit digital opportunities (Nordin et al., 2024; Ghazali et al., 2023).

C. Limitation and Future research

As a conceptual paper, this study is subject to limitations that should guide its interpretation and future use. First, because no primary data were collected, the four propositions advanced in Section IV are theoretically derived and evidence-informed rather than empirically confirmed. This should be treated as testable propositions rather than established findings. Second, the framework assumes that the four constructs operate independently and additively on sales growth. It does not model potential interaction effects (for example, whether audience engagement moderates the effect of content strategy) or mediating mechanisms, which future structural models could usefully explore. Third, the single-theory RBV lens, while justified in Section II.C, necessarily foregrounds internal resources at the expense of external, institutional, or stakeholder-level explanations that a multi-theoretical model might capture.

These limitations point directly to a future research agenda: the four propositions should be operationalised into measurable constructs and tested empirically, for example, using Partial Least Squares Structural Equation Modelling (PLS-SEM).

D. Broader Relevance

Although this framework is contextualised within Malaysia, its implications extend to social enterprises and social businesses globally. In regions where digital adoption is high but organisational strategies remain underdeveloped; the proposed model can serve as a roadmap for integrating communication strategies with sustainability goals.

6. CONCLUSION

Social enterprises in Malaysia face persistent challenges in visibility, branding, and financial sustainability despite their growing importance in addressing socio-economic and environmental issues. This paper responds to these challenges by proposing a conceptual framework that positions social media as a strategic, RBV-qualifying driver of growth and competitiveness. Drawing on RBV theory, the framework identifies four constructs, platform strategy, content strategy, brand awareness, and audience engagement, that collectively influence sales growth and sustainability, and it advances four accompanying research propositions (P1–P4) that make the framework directly testable. This model contributes academically by testing RBV theory in Malaysian social enterprise in linking disaggregated social media strategy constructs to organisational performance through an explicit, construct-by-construct VRIN mapping.

It provides practical guidance for social enterprises, policymakers, and support organisations seeking to enhance digital competitiveness. Future research can empirically validate the framework using quantitative methods, such as PLS-SEM, to test the relationships among the proposed constructs and to address the limitations noted in Section V.C. Such work will not only advance academic knowledge but also strengthen the capacity of social enterprises to achieve both social and financial goals. In conclusion, social media, when applied strategically and grounded in a clear resource-based logic, is more than a promotional tool: it is a crucial enabler of resilience, innovation, and long-term sustainability in the social enterprise sector.

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From Digital Financial Inclusion to Human Development in ASEAN: The Mediating Role of Sustainability Performance

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Abstract

Digital financial inclusion has become increasingly important for sustainable development, yet how it contributes to human development remains less clear, particularly in ASEAN economies. This study examines whether sustainability performance (ESG) mediates the relationship between digital financial inclusion and human development. Using panel data from eight ASEAN countries over 2015–2024, the study constructs a multidimensional Digital Financial Services Index (DFSI) and applies fixed-effects regression models selected through the Hausman test. The results show that digital financial inclusion has a positive and significant effect on ESG performance, while traditional financial development measures, including financial access and financial depth, are not significant. ESG performance is positively associated with human development. The mediation analysis further shows that the indirect effect of digital financial inclusion on human development through ESG is positive and statistically significant. In contrast, the direct effect becomes insignificant once ESG is included. These findings suggest that digital finance contributes to human development mainly through stronger sustainability performance. The study highlights the importance of developing digital financial systems that support both sustainability objectives and broader human development outcomes.

Keywords: Digital financial inclusion, ESG performance, Human development, Mediation analysis, Sustainability

Abstrak

Inklusi kewangan digital telah menjadi semakin penting bagi pembangunan mampan, namun bagaimanakah ia menyumbang kepada pembangunan manusia kekal kurang jelas, khususnya dalam ekonomi ASEAN. Kajian ini meneliti sama ada prestasi kelestarian (ESG) mengantarai hubungan antara inklusi kewangan digital dengan pembangunan manusia. Menggunakan data panel daripada lapan buah negara ASEAN sepanjang tahun 2015–2024, kajian ini membina Indeks Perkhidmatan Kewangan Digital (DFSI) pelbagai dimensi dan mengaplikasikan model regresi kesan tetap yang dipilih melalui ujian Hausman. Dapatan kajian menunjukkan bahawa inklusi kewangan digital mempunyai kesan positif dan signifikan terhadap prestasi ESG, manakala ukuran pembangunan kewangan tradisional, termasuk akses kewangan dan kedalaman kewangan, adalah tidak signifikan. Prestasi ESG dikaitkan secara positif dengan pembangunan manusia. Analisis pengantaraan seterusnya menunjukkan bahawa kesan tidak langsung inklusi kewangan digital terhadap pembangunan manusia melalui ESG adalah positif dan signifikan secara statistik, manakala kesan langsung menjadi tidak signifikan selepas ESG diperkenalkan. Sebaliknya, kesan langsung menjadi tidak signifikan sebaik sahaja ESG dimasukkan. Dapatan ini menunjukkan bahawa kewangan digital menyumbang kepada pembangunan manusia terutamanya melalui prestasi kelestarian yang lebih kukuh. Kajian ini menyerlahkan kepentingan membangunkan sistem kewangan digital yang menyokong kedua-dua objektif kelestarian dan hasil pembangunan manusia yang lebih luas.

1. INTRODUCTION

The expansion of financial systems has long been viewed as a key driver of economic and social progress. This belief has been strengthened in ASEAN economies by the rapid growth of mobile banking, digital payment systems, and access to financial services over the past ten years. But even with these changes, progress in human development across the region is still uneven and, in some cases, surprisingly small (Wang et al., 2024). Evidence from Human Development Index (HDI) trends between 2015 and 2024 reveals persistent divergence across ASEAN economies: high-income countries maintain consistently elevated levels, while middle- and lower-income countries experience only modest improvements, particularly in the post-pandemic period. Highlighting structural vulnerabilities in translating economic and financial expansion into sustained human development gains. This pattern indicates that financial development does not automatically lead to human development; instead, its effects depend on deeper structural mechanisms (Awdeh et al., 2023).

Recent empirical evidence suggests that the relationship between financial development and welfare outcomes is neither linear nor uniform. For instance, some studies indicate an inverse relationship between financial development and economic growth, and a positive correlation between financial development and income disparity across ASEAN nations (Wahyudi et al., 2024). While financial inclusion and digital finance can expand economic participation, their developmental impact varies significantly across countries depending on institutional quality, digital readiness, and governance structures (Ozili, 2024; Parvez et al., 2023). In ASEAN specifically, digital financial services have improved access but have not consistently translated into equitable development outcomes, reflecting disparities in adoption and effectiveness (Bajwa et al., 2025). These findings challenge the conventional assumption that expanding financial systems automatically enhances societal well-being.

A central limitation in the literature lies in the aggregation of financial development into broad indicators, which obscures the distinct roles of financial access, digital financial inclusion, and financial depth (Chisadza & Biyase, 2023; Pavon, 2021). This disaggregation is crucial for understanding how specific components of financial infrastructure contribute to human development outcomes. More importantly, existing research has largely overlooked the mechanisms through which financial development influences human development, focusing instead on direct relationships that assume a linear transmission (Mani et al., 2024). Specifically, further research is warranted to examine the causal mechanisms underlying the observed relationships among technology, innovation, financial development, human development, and economic well-being (Vojinović et al., 2024).

This study argues that the missing link lies in the sustainability orientation of financial systems, captured through environmental, social, and governance (ESG) performance. However, the influence of financial development on sustainability outcomes may not be uniform across its different dimensions (Guo & Naseer, 2025). In particular, digital financial inclusion may play a more critical role compared to traditional indicators such as financial access and financial depth (Drago et al., 2025). Financial systems influence not only the level of investment but also the allocation of resources between sustainable and unsustainable activities (Nauman et al., 2024). Emerging evidence suggests that improvements in digital financial systems can enhance ESG outcomes by promoting transparency, enabling responsible financial practices, and supporting long-term investments (Guo et al., 2025). At the same time, ESG performance is increasingly recognised as an important factor in improving overall well-being, including human development (Barykin et al., 2022). However, its role as a pathway through which digital financial inclusion influences human development remains poorly understood, particularly in ASEAN countries (Khoi & Dinh, 2025).

The ASEAN region provides a unique context for examining this relationship due to its diversity in financial systems, digital infrastructure, and sustainability practices. While countries such as Singapore and Malaysia have advanced financial ecosystems, others are still in earlier stages of financial and digital development. This heterogeneity suggests that financial development may yield different outcomes depending on how effectively it is aligned with sustainability-oriented practices. Consequently, financial expansion may be development-enhancing only when improvements in ESG performance accompany it; otherwise, its impact may be limited or uneven.

Grounded in Financial Intermediation Theory and Sustainable Development Theory, this study reconceptualises the finance–development nexus by incorporating sustainability performance as a mediating mechanism. It addresses three research questions: (i) how financial access, digital financial inclusion, and financial depth influence ESG performance in ASEAN countries; (ii) whether ESG performance contributes to human development; and (iii) whether ESG mediates the relationship between financial development and human development.

By reframing financial development as a conditional driver of human development, this study advances a more nuanced understanding of how financial systems contribute to societal progress. It further provides new empirical evidence from ASEAN economies and introduces a multidimensional Digital Financial Services Index (DFSI) to capture digital financial inclusion more comprehensively.

2.0 LITERATURE REVIEW

2.1 Financial Development and Human Development

The interplay between financial development and human development has garnered significant attention in academic and policy discourse due to its implications for sustainable growth and societal well-being (Zainuri et al., 2023). Financial development, characterised by the expansion and efficiency of financial institutions and markets, is widely recognised as a driver of human development, which encompasses improvements in education, health, and overall quality of life (Afolabi et al., 2023, p. 202). However, this relationship is inherently complex, with evidence suggesting both direct and indirect pathways of influence. Recent empirical studies indicate that financial development does not automatically improve human development outcomes; rather, its impact depends on factors such as institutional quality, inclusiveness, and the distribution of financial access, which determine how effectively financial resources are translated into broader societal benefits (Kamalu & Ibrahim, 2023, p. 34).

A growing body of literature highlights that financial development can positively influence human development by improving access to financial services, thereby empowering individuals and marginalised groups (Mani et al., 2024). For instance, Ofosu-Mensah Ababio et al. (2021) find that financial inclusion, measured by access to savings, credit, and insurance, significantly enhances human development in frontier economies. Similarly, in Southeast Asia, financial inclusion has been shown to expand access to economic opportunities and support development outcomes, although its effectiveness remains conditional on structural and institutional factors (Vo et al., 2021). These findings underscore the role of financial systems in facilitating investments that enhance human capabilities and improve welfare.

Despite these positive associations, the relationship is not universally robust. In certain contexts, financial development exhibits a negligible or limited impact on human development. For example, evidence from Nigeria suggests that while financial indicators such as credit supply and money supply are statistically significant, their long-term effects on human development remain minimal, reflecting inefficiencies in financial intermediation (Afolabi et al., 2023, p. 208). Similarly, in India, financial development has been found to negatively affect economic growth, with human development emerging as a more critical determinant of progress (Kumar & Batra, 2023). These findings indicate that financial expansion alone is insufficient and may not yield meaningful developmental outcomes without supportive institutional and policy frameworks.

In emerging economies, including ASEAN, financial inclusion has expanded significantly (Wahyudi et al., 2024, p. 123), yet its contribution to human development outcomes remains uneven. This inconsistency is often attributed to structural factors such as institutional quality, regulatory effectiveness, and disparities in access and usage (Abdelghaffar et al., 2022, p. 166). Collectively, these findings suggest that the relationship between financial development and human development is conditional rather than deterministic, emphasising the need to move beyond aggregate measures and examine the specific channels through which financial systems influence development.

In this regard, this study conceptualises financial development as a multidimensional construct comprising financial access, financial depth, and digital financial inclusion. Financial access reflects the availability and reaches of financial services to individuals and businesses; financial depth captures the size and liquidity of financial institutions and markets; and digital financial inclusion represents the extent to which digital technologies facilitate the delivery and use of financial services. By disaggregating financial development into these dimensions, this study seeks to provide a more nuanced understanding of how different aspects of financial systems contribute to human development outcomes.

2.2 Theoretical Background

Financial Intermediation Theory and Sustainable Development Theory provide a complementary framework for understanding how financial development influences human development (Archer & Idun, 2023). Financial Intermediation Theory explains the role of financial institutions in mobilising savings, allocating capital, and reducing information asymmetry within the economy (Abdelghaffar et al., 2022; Séraphin & Carelle, 2025). Through these functions, financial systems determine how resources are accessed and distributed across sectors (Vojinović et al., 2024). In this study, financial access, financial depth, and digital financial inclusion represent key dimensions of financial intermediation. These dimensions shape not only the availability of financial services but also the efficiency and inclusiveness of capital allocation, thereby influencing broader economic and social outcomes (Vojinović et al., 2024).

However, financial intermediation alone does not guarantee improvements in human development (Afolabi et al., 2023). The effectiveness of financial systems depends on how financial resources are utilised and whether they are directed toward activities that generate sustainable and inclusive benefits (Mani et al., 2024). This highlights the relevance of Sustainable Development Theory, which emphasises integrating economic growth with social inclusion and environmental sustainability (Yuan, 2025). From this perspective, development outcomes should be assessed not only in terms of economic expansion but also in terms of improvements in social welfare and environmental quality (Chaturvedi, 2024). Within this theoretical framework, sustainability performance (ESG) emerges as a critical mechanism linking financial development to human development in ASEAN countries. ESG reflects the extent to which economic and financial activities align with environmental, social, and governance objectives (Makhdalena et al., 2023).

2.3 Dimensions of Financial Development

To better understand the evolving role of financial systems, financial development can be disaggregated into three key dimensions: financial access, financial depth, and digital financial inclusion. Financial access refers to the availability of financial services to underserved populations, thereby expanding participation in the financial system, although not necessarily ensuring active use (Damane & Ho, 2024, p. 6). By improving access to credit, savings, and financial tools, financial access enables broader participation in economic activities and supports investments that enhance social and economic well-being (Farah et al., 2026).

Financial depth captures the size and liquidity of financial markets and institutions, reflecting the extent of financial intermediation (Mishra, 2022, p. 7). However, its contribution is conditional rather than linear (Bod'a, 2023). While greater financial depth can facilitate capital allocation and investment, its positive effects typically emerge only when supported by sufficient financial access and strong institutional frameworks (Shapoval, 2021, p. 211). In the absence of these conditions, financial depth may lead to inefficient resource allocation or the concentration of financial benefits (Danquah & Adu, 2025, p. 12).

Digital financial inclusion refers to the adoption and effective use of digital financial technologies, which reduces barriers to access and enhances financial inclusion (Dey, 2025). Through mobile banking, digital payments, and online financial platforms, digital inclusion expands outreach and efficiency (Khera et al., 2022). Nevertheless, its effectiveness depends on digital literacy and institutional quality, which determine the extent to which individuals and firms can meaningfully utilise digital financial services (Sahay et al., 2021).

Empirical evidence shows that financial access and financial depth affect economic outcomes in different but complementary ways. Meanwhile, digital inclusion marries these concepts with technological innovation, offering transformative potential to bridge existing gaps. Financial access and depth generally promote economic growth and reduce poverty, but their effects are not always straightforward. In particular, financial depth can have negative effects when access is limited, highlighting the importance of inclusive financial systems that ensure broad and equitable reach (Shapoval, 2021, p. 207). High mobile penetration rates in developing countries have enabled significant progress, but rural-urban differences and digital literacy gaps remain critical challenges (Dudu et al., 2024, p. 2038). Understanding the interplay among these components is critical for designing resilient financial systems that can adapt to shocks, foster innovation, and promote equitable development (Ofosu-Mensah Ababio et al., 2023)

2.4 Sustainability Performance (ESG) as a Transmission Mechanism

Sustainability performance (ESG) is a key mechanism linking financial development to human development in ASEAN countries (Fu & Irfan, 2022). Stakeholder theory emphasises that governments and institutions create value by addressing the needs of citizens, communities, and regulators and by aligning financial policies with social and environmental priorities (Cakti & Aryani, 2023). Signaling theory suggests that strong national ESG performance reflects transparency, governance quality, and effective policymaking, which is particularly important in ASEAN economies characterised by varying levels of institutional strength (Vo et al., 2021). From the resource-based view, ESG represents national capabilities that enable countries to utilise financial development effectively for sustainable and inclusive growth (Makhdalena et al., 2023). Together, these perspectives position ESG not merely as an outcome, but as a national-level mechanism through which financial access, depth, and digital inclusion contribute to improved human development outcomes.

However, the relationship between financial development and ESG performance in ASEAN remains inconclusive. Prior studies report mixed findings, suggesting that the impact of financial development on sustainability outcomes varies across countries and contexts (Setyowati et al., 2025; Ng et al., 2020). While financial development is generally associated with higher ESG performance globally (Hassani et al., 2024), this relationship appears more complex within ASEAN due to differences in financial structures, institutional quality, and sustainability disclosure practices (Putri & Pratama, 2023). These variations indicate that the relationship may be non-linear and highly context-dependent (Huy et al., 2025).

This complexity is further compounded by the early stage of sustainable finance frameworks and inconsistent ESG reporting standards across ASEAN countries, which limit comparability and policy alignment (Loan et al., 2024; Naibaho et al., 2025). Additionally, herding behaviour among firms contributes to uneven adoption of sustainability practices, reinforcing heterogeneity across the region (Warokka et al., 2025). Collectively, these factors highlight the need for a more nuanced and systematic examination of how financial development influences ESG outcomes within ASEAN. In particular, understanding the mechanisms through which financial access, depth, and digital inclusion shape sustainability performance is essential for promoting more consistent and effective ESG integration across the region (Ahmad et al., 2025).

2.5 Finance, ESG, and Human Development in ASEAN

The ASEAN region provides a unique setting for examining the interplay between financial development, sustainability, and human development (Muhammed & Musa, 2025). The region has experienced rapid financial expansion, particularly in access to financial services and digital financial inclusion, alongside significant heterogeneity in institutional quality and digital capacity (Trabelsi & Fhima, 2024, p. 127). This diversity creates a complex environment in which the effects of financial development on environmental, social, and governance (ESG) outcomes, as well as broader human well-being, are likely to vary across countries (Elatroush, 2023, p. 16).

Existing studies indicate that digital financial inclusion can enhance economic participation and resilience in ASEAN economies; however, its broader developmental impact depends critically on the quality of governance and sustainability practices (Wahyudi et al., 2024, p. 108). At the same time, ESG adoption remains uneven across the region, reflecting differences in regulatory frameworks, institutional capacity, and policy implementation (Handoyo & Anas, 2024). These variations influence how financial resources are allocated and utilized, thereby shaping sustainability outcomes and development trajectories (Xiao et al., 2023, p. 49). This issue is particularly salient given ASEAN's exposure to environmental and social risks, and the growing emphasis on integrating ESG considerations into investment and policy frameworks to promote sustainable development (Sadiq et al., 2022).

Taken together, these dynamics suggest that sustainability performance may serve as a critical link between financial development and human development (Singhal et al., 2023). Specifically, ESG influences whether financial expansion translates into meaningful societal progress by shaping the direction, inclusiveness, and effectiveness of financial resource allocation (Xie et al., 2025). Against this backdrop, this study examines the relationships between financial development, ESG performance, and human development within the ASEAN context, with particular emphasis on the mediating role of sustainability performance.

2.6 Research Gap and Hypothesis Development

Despite a large body of research, important gaps remain in understanding how financial development influences human development. Most studies rely on aggregate measures, which mask the distinct roles of financial access, financial depth, and digital financial inclusion (Samputra, 2023; Tissaoui et al., 2024). Yet these dimensions operate through different channels and produce distinct effects on development outcomes (Mburamatare et al., 2025). As a result, existing evidence provides limited insight into the specific pathways through which financial systems shape human development.

Second, while sustainability performance (ESG) has gained increasing attention, its role as a transmission mechanism remains underexplored. Most studies examine ESG either as an outcome of financial development or as a determinant of firm performance, with limited focus on its role in shaping national-level development outcomes (Muchenje et al., 2025; Zhang et al., 2025; Zheng et al., 2025). This gap is particularly evident in ASEAN economies, where differences in institutional quality and sustainability practices may shape the relationship between financial development and human development (Asmarani & Ningsih, 2023, p. 96).

Third, empirical evidence on ASEAN remains limited and fragmented. Many studies focus on single-country analyses or global samples, thereby overlooking regional diversity in financial systems (Dash, 2025, p. 395), digital readiness (Hodijah & Hastuti, 2022, p. 32), and ESG adoption (Chen & Zhang, 2022, p. 2). As a result, existing findings provide limited insight into the region-specific dynamics of the finance–development relationship. Finally, the measurement of digital financial inclusion remains incomplete. Existing studies often rely on single indicators, which do not capture their multidimensional nature (Anton & Nucu, 2024, p. 581; Yang et al., 2025, p. 342). This limits the ability to assess the impact of digital financial services on sustainability and development outcomes.

To address these gaps, this study focuses on the mechanisms through which financial development influences human development. It disaggregates financial development into financial access, financial depth, and digital financial inclusion, and introduces sustainability performance (ESG) as a mediating variable. By focusing on ASEAN economies and employing a multidimensional Digital Financial Services Index (DFSI), this study provides a more nuanced and context-specific understanding of the finance–development relationship.

2.7 Hypothesis Development

2.7.1 *Financial Development and ESG Performance*

Financial development influences sustainability performance through its role in resource allocation and investment decisions (Nasreen et al., 2023). Financial access expands participation in the financial system, enabling individuals and firms to engage in economic activities that support inclusive and socially responsible outcomes (Idris et al., 2023). Financial depth strengthens financial systems' ability to mobilise and allocate capital, facilitating long-term investments aligned with environmental and social objectives (Shapoval, 2021). However, its effects are contingent on the inclusiveness and efficiency of financial systems (Nabil, 2024).

Digital financial inclusion further strengthens these mechanisms by reducing transaction costs, improving access to financial services, and enhancing transparency (Mpofu, 2024). Through digital platforms, financial resources can be distributed more efficiently and inclusively, supporting sustainability-oriented investments (Jovović & Vuković, 2024). However, its effectiveness depends on digital literacy and institutional quality, which shape its ability to generate meaningful ESG outcomes (Lu et al., 2022).

Based on these arguments, the following hypotheses are proposed:

H1: Financial access has a positive effect on sustainability performance.
H2: Financial depth positively affects sustainability performance.
H3: Digital financial inclusion positively affects sustainability performance.

2.7.2 *Sustainability Performance and Human Development*

Sustainability performance reflects the extent to which economic activities align with environmental protection, social inclusion, and good governance (Drago et al., 2025). At the national level, stronger ESG performance indicates more effective policies, higher institutional quality, and more responsible resource allocation (Ma et al., 2024; Wang et al., 2023). These factors contribute to improvements in human development by enhancing access to education and healthcare, improving environmental quality, and raising overall living standards (Gidage & Bhide, 2024; Wang, 2024).

In ASEAN, where disparities in institutional capacity and governance persist (Omeje, 2024), ESG plays a critical role in determining whether financial development translates into tangible welfare gains (Makhdalena et al., 2023; Salem et al., 2025). Countries with stronger ESG performance are better able to convert financial resources into inclusive and sustainable development outcomes (Xie et al., 2025). Accordingly, the following hypothesis is proposed:

H4: Sustainability performance (ESG) has a positive effect on human development.

2.7.3 *ESG as Mediating Role*

Financial development provides the infrastructure for economic activity (Awdeh et al., 2023); its impact on human development depends on how financial resources are allocated and utilised (Afolabi et al., 2023). ESG serves as a key transmission mechanism by shaping the direction and quality of these allocations (Barykin et al., 2022). Financial systems that support sustainability-oriented investments are more likely to generate long-term social and environmental benefits, thereby improving human development outcomes (Akala et al., 2022).

In contrast, financial development that is misaligned with sustainability objectives may lead to inefficient or unequal resource distribution, thereby limiting its contribution to human development (Singhal et al., 2023). This suggests that ESG mediates the relationship between financial development and human development. Therefore, the following mediation hypotheses are proposed:

H5: Sustainability performance (ESG) mediates the relationship between financial access and human development.
H6: Sustainability performance (ESG) mediates the relationship between financial depth and human development.
H7: Sustainability performance (ESG) mediates the relationship between digital financial inclusion and human development.

2.8 Conceptual Framework

This study develops a conceptual framework, presented in Figure 1, grounded in Financial Intermediation Theory and Sustainable Development Theory, to examine how financial development influences human development through national sustainability performance (ESG).

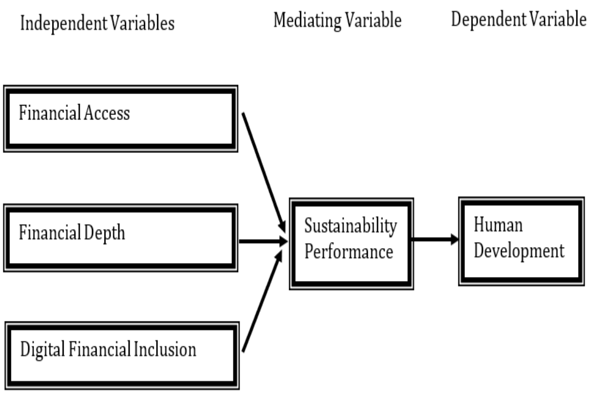

Figure 1: Conceptual framework

3.0 METHODS

3.1 Research Design

This study adopts a quantitative research design, using panel data analysis to examine the relationships among financial development, sustainability performance (ESG), and human development across ASEAN countries. A panel approach is appropriate because it captures both cross-country heterogeneity and temporal dynamics, enabling more robust and efficient estimation than cross-sectional or time-series models. It follows a mechanism-based framework in which financial development influences human development indirectly through sustainability performance (ESG). This enables the identification of both direct and indirect (mediated) effects.

3.2 Data and Sample

This study uses a balanced panel of eight ASEAN countries covering the period 2015–2024, resulting in 80 country-year observations. The countries included are Malaysia, Indonesia, Thailand, Singapore, Vietnam, Brunei Darussalam, the Philippines, and Cambodia. Myanmar and Laos are excluded because complete data are not available for the study period. Human development is measured using the Human Development Index (HDI), while the ESG score represents sustainability performance. Financial development is examined through financial access, financial depth, and digital financial inclusion. Financial access is measured by bank branches and ATM density per 100,000 adults, financial depth by domestic credit to the private sector as a percentage of GDP, and digital financial inclusion by the constructed Digital Financial Services Index (DFSI). Final consumption expenditure growth is included as a control variable. The data are obtained from UNDP, Refinitiv, the World Bank, and the International Telecommunication Union. Table 1 summarises the variables, measurements, and data sources used in this study.

Table 1: Definition and Measurement of Variables

Variable	Measurement	Source
Dependent Variable, Human Development	Human Development Index (composite of education, health, income), HDI	UNDP
Mediating Variable, Sustainability Performance	Environmental, Social, Governance score, ESG	Refinitiv
Independent Variables, Financial Access	Bank branches per 100,000 adults. ATM per 100,000 adults.	World Bank
Independent Variables, Financial Depth	Domestic credit to private sector (% of GDP)	World Bank

Independent Variables, Digital Financial Inclusion	Composite index (Fishburn-weighted): account ownership, digital payments, mobile subscriptions, internet usage	Constructed (based on World Bank, ITU)
Control Variables, Economic Activity	Final consumption expenditure growth (%)	World Bank

3.3 Construction of Digital Financial Services Index (DFSI)

Digital financial inclusion is measured using a composite Digital Financial Services Index (DFSI). A composite measure is used because single indicator cannot adequately represent access to and use of digital financial services. The final index consists of four indicators: account ownership (A1), digital payment use (A2), mobile subscriptions (A3), and internet penetration (A4). An additional digitalpayment indicator was initially considered but removed due to conceptual overlap with A2. The final index, therefore, retains four indicators that represent both the use of digital financial services and the infrastructure that supports their use.

Before aggregation, each indicator is transformed using min–max normalisation to place variables measured in different units on a common scale:

$$X_{ijt}^{*} = \frac{X_{ijt} - X_j^{min}}{X_j^{max} - X_j^{min}}$$

where X_{ijt} represents indicator j for country i in year t, while X_j^{min} and X_j^{max} represent the minimum and maximum values of the respective indicator in the sample.

The normalised indicators are then combined using rank-based Fishburn weights. The main specification adopts a usage-first ranking because the index is intended to capture digital financial inclusion rather than digital infrastructure alone. Digital payment use (A2), therefore, receives the highest weight (0.5208), followed by internet penetration (A4 = 0.2708), mobile subscriptions (A3 = 0.1458), and account ownership (A1 = 0.0625). Greater weight is placed on actual digital financial activity, while internet and mobile connectivity are treated as enabling conditions. Account ownership receives the lowest weight because holding an account does not necessarily indicate active use of digital financial services.

Accordingly, the main DFSI is calculated as:

$$\begin{aligned} DSFI_{it} = 100[0.0625\, A1_{it}^{*} &+ 0.5208\, A2_{it}^{*} \\ &+ 0.1458\, A3_{it}^{*} \\ &+ 0.2708\, A4_{it}^{*}\,] \end{aligned}$$

The resulting index ranges from 0 to 100, with higher values indicating greater digital financial inclusion. To examine whether the empirical findings depend on the chosen ranking, an alternative infrastructure-first specification is also constructed and summarised in Table 2. Under this specification, internet penetration receives the largest weight (0.5208), followed by mobile subscriptions (0.2708), account ownership (0.1458), and digital payment use (0.0625). The main models are re-estimated using this alternative DFSI. The results remain consistent with those obtained from the usage-first index, indicating that the main findings are not driven by the specific weighting structure used to construct DFSI.

Table 2: DFSI Construction

Indicator	Measure	Main weight	Alternative weight
A1	Account ownership	0.0625	0.1458
A2	Digital payment use	0.5208	0.0625
A3	Mobile subscriptions	0.1458	0.2708
A4	Internet penetration	0.2708	0.5208
Orientation		Usage-first	Infrastructure-first

3.4 Panel Data and Model Selection

The study uses panel data covering eight ASEAN countries over the period 2015–2024. Panel data are appropriate for this study because they allow the analysis to account for cross-country differences while capturing changes within each country over time. This is particularly relevant in the ASEAN context, where countries differ considerably in their financial systems, level of digitalisation, institutional conditions, and development outcomes. Some of these differences are difficult to observe directly but may still influence sustainability performance and human development,

Both fixed-effects (FE) and random-effects (RE) models were considered. The FE model controls for unobserved country-specific characteristics that remain relatively stable over time by allowing each country to have its own intercept. The RE model, in contrast, assumes that these unobserved country-specific effects are not correlated with the explanatory variables. This distinction is important because factors such as institutional structure, regulatory environment, and characteristics of the financial system may be related to the financial development indicators examined in this study. The Hausman specification test was therefore used to determine which estimator was more appropriate.

3.5 Model Specification

Three empirical models are estimated to examine the relationships proposed in the conceptual framework. The models are structured sequentially to determine whether financial development and digital financial inclusion are associated with sustainability performance and human development, and whether sustainability performance mediates these relationships.

Model 1: Sustainability Performance

The first model examines whether financial access, financial depth, and digital financial inclusion are associated with sustainability performance. Bank branches and ATM density represent financial access, financial depth is measured by domestic credit to the private sector (DCPS), and digital financial inclusion is captured by financial depth is measured by domestic credit to the private sector (DCPS), and digital financial inclusion is captured by the Digital Financial Services Index (DFSI). Consumption growth is included as a control variable

$$ESG_{it} = \alpha_i + \beta_1 branches_{it} + \beta_2 atm_{it} + \beta_3 dcps_{it} + \beta_4 dfsi_{it} + \beta_5 consumption_{it} + \mathcal{E}_{it} \quad (1)$$

where i represents the country and t represents the year. This model is used to test H1, H2, and H3 concerning the effects of financial access, financial depth, and digital financial inclusion on sustainability performance.

Model 2: Human Development

The second model examines the relationship between the financial development variables and human development with ESG introduced as a mediator. Human development, measured by the Human Development Index (HDI), is specified as the dependent variable.

$$HDI_{it} = \alpha_i + \beta_1 branches_{it} + \beta_2 atm_{it} + \beta_3 dcps_{it} + \beta_4 dfsi_{it} + \beta_5 consumption_{it} + \mathcal{E}_{it} \quad (2)$$

This model establishes the relationship between the financial development variables and HDI before accounting for sustainability performance. In the mediation analysis, it therefore provides the total-effect relationship against which the direct effects in Model 3 are compared.

Model 3: Human Development with ESG as Mediator

The third model incorporates ESG into the HDI equation to examine whether sustainability performance helps explain the associations between financial development and digital financial inclusion and human development.

$$HDI_{it} = \alpha_i + \beta_1 branches_{it} + \beta_2 atm_{it} + \beta_3 dcps_{it} + \beta_4 dfsi_{it} + \beta_5 esg_{it} + \beta_6 consumption_{it} + \mathcal{E}_{it} \quad (3)$$

The coefficient of ESG in Model 3 provides the basis for testing H4, which proposes a positive relationship between sustainability performance and human development. Models 1–3 are then considered together when assessing the mediation hypotheses H5, H6, and H7. In particular, the analysis examines whether the financial development variables influence ESG in Model 1, whether they are associated with HDI in Model 2, and whether their relationships with HDI change after ESG is introduced in Model 3. The statistical significance of the indirect effects is assessed separately in the mediation analysis described in Section 3.6.

3.6 Mediation Analysis

The mediation analysis examines whether sustainability performance (ESG) serves as a channel through which financial development and digital financial inclusion influence human development. The analysis is conducted using three fixed-effects models. Model 1 examines the effects of financial access, financial depth, and digital financial inclusion on ESG. Model 2 estimates their direct effects on human development, while Model 3 introduces ESG to examine whether these relationships change once sustainability performance is accounted for.

For the mediation effect, particular attention is given to four paths. Path a represents the effect of the independent variable on ESG, while path b captures the effect of ESG on human development after controlling for the independent variables. Path c represents the total effect on human development before ESG is included, whereas path c′ represents the remaining direct effect after ESG is introduced. The indirect effect is calculated as the product of paths a and b (ab). Its statistical significance is assessed using the Sobel test. A statistically significant indirect effect provides evidence that ESG mediates the relationship between the respective financial development variable and human development.

3.7 Endogeneity and Robustness Check

Although the fixed-effects model controls for unobserved country characteristics that remain constant over time, it does not fully eliminate the possibility of reverse causality. For example, stronger sustainability performance may itself encourage the development of digital financial systems, while higher levels of human development may also support improvements in financial inclusion and ESG performance.

To examine whether the main findings are sensitive to this issue, the study conducts an additional robustness check using one-year-lagged explanatory variables. In this specification, financial development, digital financial inclusion, ESG, and the control variable are measured in the preceding year, while the dependent variable is measured in the current year. Introducing a temporal lag helps reduce the possibility that current ESG or human development outcomes are simultaneously determining the explanatory variables.

The lagged models are estimated using the same fixed-effects framework as the main analysis. Because the first observation for each country has no preceding-year value, the lagged specification contains 72 country-year observations. The purpose of this test is not to claim that endogeneity has been completely eliminated, but to examine whether the main relationships remain when explanatory variables are temporally separated from the outcomes.

4.0 Findings

4.1 DFSI Analysis

Based on the constructed Digital Financial Services Index (DFSI), ASEAN countries show a clear and consistent upward trend in digital financial inclusion from 2015 to 2024. This indicates that the region has undergone a significant digital transformation of its financial systems over the past decade. Overall, all countries demonstrate improvement in DFSI, although the level and speed of development differ significantly. Singapore records the highest DFSI values throughout the period, increasing steadily from around 84 in 2015 to nearly 98 in 2024. This reflects its highly advanced, mature digital financial ecosystem, supported by robust infrastructure and high digital adoption.

Malaysia also shows strong performance, with DFSI rising from approximately 70 to almost 89, indicating continuous progress in expanding digital financial services and access. Similarly, countries such as Thailand, Brunei, and Vietnam show significant improvements, with Vietnam standing out as one of the fastest-growing economies in terms of DFSI, increasing from about 31 to 76 over the study period. Meanwhile, Indonesia and the Philippines exhibit moderate but steady growth in DFSI. Although their initial levels are relatively low, both countries have shown clear acceleration in recent years, particularly after 2019, reflecting the increasing adoption of digital financial platforms. The results indicate a clear pattern of rising inclusion in the digital financial sector across ASEAN, with evidence of convergence as lower-performing countries gradually narrow the gap with more advanced economies. This reflects a regional shift toward a more digitally inclusive financial system.

4.2 Descriptive Statistic

Table 3: Summary of Panel Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
HDI	80	0.77	0.10	0.56	0.95
ESG	80	61.87	18.81	28.80	95.60
DFSI	80	64.94	23.50	6.15	97.92
Branches	80	10.21	4.27	2.90	21.00
ATM	80	52.71	26.92	13	114.00
DCPS	80	91.19	43.53	34.56	164.10
Consumption	80	3.51	4.20	-13.35	20.25

Table 3 presents descriptive statistics based on the study's conceptual framework, beginning with the dependent variable, followed by the mediating variable, independent variables, and control variables. The dependent variable, human development (HDI), records an average value of 0.77, with values ranging from 0.56 to 0.95. This indicates that the countries in the sample fall between medium and high levels of human development, with noticeable variation across countries. The mediating variable, sustainability performance (ESG), has a mean score of 61.87, with a range of 28.8 to 95.6. This suggests that while some countries demonstrate strong ESG performance, others are still at a developing stage, supporting the role of ESG as a key channel through which financial factors may influence development outcomes.

The independent variables include DFSI, bank branches, ATMs, and domestic credit to the private sector (DCPS). The DFSI shows an average value of 64.94, with a wide range from 6.15 to 97.92, indicating large disparities in digital financial access. Similarly, bank branches and ATMs exhibit variation across countries, reflecting differences in traditional financial infrastructure. The DCPS variable, with a mean of 91.19 and a wide range from 34.56 to 164.10, indicates significant differences in financial depth among countries. Finally, the control variable, consumption, has an average value of 3.51, with values ranging from -13.35 to 20.25, suggesting fluctuations in economic conditions across countries and over time. Overall, the descriptive statistics show substantial variation across all variables, supporting the use of panel data analysis to examine the relationships proposed in the conceptual framework.

4.3 Hausman Test

The results indicate that the chi-square statistic is 25.72 with a p-value of 0.0001, which is statistically significant at the 1% level. This leads to the rejection of the null hypothesis that the Random Effects model is appropriate. Therefore, the Fixed Effects model is preferred, as it provides consistent and reliable estimates by controlling unobserved heterogeneity across cross-sectional units. Since the Fixed Effects (FE) model was selected based on the Hausman test, the analysis properly accounts for differences among the eight ASEAN countries included in this study over the period 2015–2024.

Using the FE model, the analysis focuses on changes within each country over time rather than differences between countries. This is especially important for supporting the study's main finding that digital financial inclusion does not directly improve human development but instead works indirectly through sustainability performance. The fixed-effects model, therefore, allows the analysis to focus on within-country changes over time while controlling for time-invariant country characteristics.

4.4 Determinants of Sustainability Performance

Model 1 examines the effects of financial access, financial depth, and digital financial inclusion on sustainability performance (ESG). Table 4 presents the Fixed Effects regression results. It indicates that the model is statistically significant and explains a substantial proportion of the variation in sustainability performance across ASEAN countries over time. Among the financial development variables, digital financial inclusion (DFSI) emerges as the only significant determinant of ESG performance. Specifically, the results show that an increase in DFSI significantly improves sustainability outcomes, suggesting that digital financial systems play an important role in promoting environmentally and socially responsible practices.

In contrast, traditional financial development indicators, such as financial access (measured by bank branches and ATM density) and financial depth, do not exhibit a statistically significant effect on ESG. This implies that simply expanding physical banking infrastructure or increasing credit availability may not be sufficient to enhance sustainability performance in the ASEAN context. Instead, the findings highlight the growing importance of digital financial inclusion as a more effective driver of sustainability. These results provide strong support for Hypothesis 3, while Hypotheses 1 and 2 are not supported.

Table 4: Fixed Effects Regression Results for Sustainability Performance (ESG)

Variable	**FE**
Branches	-0.2645
	(.2230)
ATM	0.0623

	(.3150)
DCPS	0.0290
	(.2940)
DFSI	0.0874***
	(<.001)
Consumption	0.0028
	(.8870)
Constant	52.9555***
	(<.001)
R-squared	0.7627
Observations	80

Note: p-values are reported in parentheses. *** p < .01, ** p < .05, * p < .10.

4.5 Human Development Model without ESG as Mediator

Model 2 examines the relationship between the financial development variables and human development prior to the introduction of ESG. This provides the total-effect specification used in the subsequent mediation analysis. The results show that DFSI has a positive and statistically significant relationship with HDI (β=0.000396), while bank branches, ATM density, DCPS, and consumption is statistically insignificant. The significant DFSI coefficient establishes an initial relationship with HDI before the mediating role of ESG is considered. This means that countries with higher digital financial access and usage tend to have better human development outcomes. On the other hand, bank branches, ATM availability, domestic credit, and consumption expenditure do not show a significant relationship with HDI in this model.

Table 5: Fixed Effects Regression Results for Human Development (HDI)

Variable	**FE**
Branches	-0.0016
	(.305)
ATM	0.0005
	(.232)
DCPS	0.0003

	(.123)
DFSI	.0003961***
	(.0008)
Consumption	-6.81e-06
	(.971)
Constant	0.7069***
	(<.001)
R-squared	0.6853
Observations	80

Note: p-values are reported in parentheses. *** p < .01, ** p < .05, * p < .10.

4.6 Mediating Role of Sustainability Performance

Table 6: Fixed Effects Regression Results for Human Development (HDI) with ESG as a Mediating Variable

Variable	**FE**
Branches	-0.000220
	(.859)
ATM	0.0001598
	(.491)
DCPS	0.000118
	(.307)
DFSI	-0.0000677
	(.496)
Consumption	-0.0000217
	(.880)
ESG	0.005306***
	(<.001)
Constant	0.4259633***
	(<.001)

R-squared	0.8754
Observations	80

Note: p-values are reported in parentheses. *** p < .01, ** p < .05, * p < .10.

The mediation analysis examines whether sustainability performance (ESG) mediates the associations of financial access, financial depth, and digital financial inclusion with human development. Before assessing the indirect effects, Model 3 shows that ESG has a positive and statistically significant relationship with HDI (β = 0.005306, p < .001). This finding supports H4, which proposes that stronger sustainability performance is associated with higher human development. The indirect effects were then assessed using the coefficients from the fixed-effects models and tested using the Sobel test.

Table 7: Mediation Effects of Financial Development on Human Development through ESG

Hypothesis	Relationship	Indirect Effect	Sobel Z	p-value	Decision
H5	Branches -> ESG -> HDI	-0.001409	-1.28	.199	Not supported
H5	ATM -> ESG -> HDI	0.000319	0.98	.325	Not supported
H6	DCPS -> ESG -> HDI	0.000162	1.19	.233	Not supported
H7	DFSI -> ESG -> HDI	0.000455	6.20	<.001	Supported

Note: Bank branches and ATM density represent financial access. Indirect effects are calculated as the product of the coefficient linking the respective financial-development variable to ESG (path a) and the coefficient linking ESG to HDI while controlling for the financial-development variables (path b). Statistical significance of the indirect effects is assessed using the Sobel test.

Table 7 above shows the results do not provide evidence that ESG mediates the relationship between financial access and human development. Bank branches and ATM density represent financial access. The indirect effect through ESG is −0.001409 for bank branches (z = −1.28, p = .199) and 0.000319 for ATM density (z = 0.98, p = .325). Neither indirect effect is statistically significant. This is consistent with Model 1, where neither bank branches nor ATM density has a significant relationship with ESG. H5 is therefore not supported.

A similar result is found for financial depth. The indirect effect of domestic credit to the private sector (DCPS) on human development through ESG is positive but statistically insignificant (indirect effect = 0.000162, z = 1.19, p = .233). This indicates that the relationship between financial depth and human development does not operate significantly through sustainability performance in the present sample. H6 is therefore not supported.

The result is different for digital financial inclusion. DFSI has a positive and statistically significant relationship with ESG in Model 1 (β = 0.0874, $p < .001$). Before ESG was introduced, DFSI alshad a positive and significant relationship with human development (β = 0.0003961, $p < .001$). Once ESG is included in Model 3, however, the direct effect of DFSI becomes statistically insignificant (β = −0.0000677, p = .496).

Mo^r^e importantly, the indirect effect of DFSI on HDI through ESG is positive and statistically significant (indirect effect = 0.000455, Sobel z = 6.20, $p < .001$). This provides evidence that the relationship between digital financial inclusion and human development operates through sustainability performance. In other words, the findings suggest that digital financial inclusion is associated with better human development outcomes, mainly when improvements in digital financial systems are accompanied by stronger sustainability performance. H7 is therefore supported.

The mediation results distinguish digital financial inclusion from the more traditional dimensions of financial development examined in this study. Financial access and financial depth do not show significant indirect effects through ESG, whereas the DFSI–ESG–HDI pathway is statistically significant. The findings therefore, identify sustainability performance as an important link between digital financial inclusion and human development in ASEAN.

4.7 Endogeneity and Robustness Check

To assess whether the main findings are sensitive to po tential reverse causality, the models were re-estimated using one-year-lagged explanatory variables. The results remain broadly consistent with the main fixed-effects estimates.

Table 8: lagged-variable robustness test

Relationship	Coefficient	p-value	Decision
Lagged DFSI -> ESG	0.0665	< .001	Positive and significant
Lagged DFSI -> HDI	0.000438	< .001	Positive and significant
Lagged ESG -> HDI	0.003861	< .001	Positive and significant
Lagged DFSI -> HDI with ESG	0.000097	.489	Not significant

Note: This changes the effective sample from 80 to 72 observations.

Table 8 shows lagged DFSI continues to have a positive and statistically significant relationship with sustainability performance (β = 0.0665, $p < .001$). It also remains positively associated with human development prior to the introduction of ESG (β = 0.000438, $p < .001$). When lagged ESG is included in the HDI model, ESG remains positive and statistically significant (β = 0.003861, $p < .001$), while the direct effect of lagged DFSI becomes statistically insignificant (β = 0.000097, $p = .489$).

The indirect effect of lagged DFSI on human development through ESG is also statistically significant (indirect effect = 0.000257, Sobel z = 3.43, $p < .001$). This result provides additional support for the mediating role of sustainability performance. It shows that the main DFSI–ESG–HDI relationship remains when the explanatory variables are measured one year before the outcome.

Some differences are observed for the traditional financial development indicators across the lagged specifications, suggesting that their relationships are less stable over time. Nevertheless, the principal finding concerning digital financial inclusion remains consistent with the main analysis. The lagged specification, therefore, provides additional evidence that contemporaneous relationships between the variables do not solely drive the results.

4.8 Discussion

The findings show a clear difference between traditional financial development and digital financial inclusion. Financial access and financial depth are not significantly associated with ESG, while digital financial inclusion shows a positive relationship. This suggests that simply expanding bank branches, ATMs, or private-sector credit may not be enough to improve sustainability performance. What seems to matter more is how financial services are delivered and used. This finding is consistent with Nasreen et al. (2023), who found that the sustainability benefits of financial development in Asian economies become more evident when technological progress is taken into account. It is also consistent with Li and Pang (2023) and Lu et al. (2022), who reported positive links between digital financial inclusion and ESG performance.

The mediation results provide a clearer picture of this relationship. ESG is positively associated with human development, and the indirect effect of DFSI on HDI through ESG is significant. In contrast, ESG does not significantly mediate the effects of financial access or financial depth. This means that the role of ESG found in this study is specific to digital financial inclusion rather than financial development in general. Digital finance may widen access and make financial services easier to use, but these benefits do not necessarily translate directly into better human development. The findings suggest that stronger sustainability performance is an important part of that process.

This pattern also supports the use of Financial Intermediation Theory together with Sustainable Development Theory. Financial Intermediation Theory explains how the financial system improves access to and allocation of financial resources. However, the insignificant results for traditional financial access and depth show that greater financial intermediation alone may not be sufficient. Sustainable Development Theory helps explain the next part of the relationship: how financial development contributes to wider social and environmental outcomes. In this study, ESG connects these two perspectives by showing how digital financial development is associated with human development through sustainability performance.

The findings are particularly relevant to ASEAN, where digital financial services have expanded rapidly, but countries remain at different stages of digital and sustainable development. Khoi and Dinh (2025) similarly found that digital financial inclusion contributes to sustainable development in ASEAN, although its effects differ across countries. The present study adds to this evidence by showing that sustainability performance may be one of the channels linking digital financial inclusion with human development. The implication is straightforward: expanding digital finance is important, but its wider developmental value may depend on whether stronger sustainability practices accompany that expansion.

Overall, the findings provide support for H3, H4, and H7, while H1, H2, H5, and H6 are not supported. Table 9 summarises the results of the hypothesis testing.

Table 9: Summary of Hypothesis Testing

Hypothesis	Proposed Relationship	Decision
H1	Financial access → ESG (+)	Not supported
H2	Financial depth → ESG (+)	Not supported
H3	Digital financial inclusion → ESG (+)	Supported
H4	ESG → Human development (+)	Supported
H5	Financial access → ESG → HDI	Not supported
H6	Financial depth → ESG → HDI	Not supported
H7	Digital financial inclusion → ESG → HDI	Supported

5.0 LIMITATION

This study has several limitations that should be considered when interpreting the findings. First, the analysis is limited to eight ASEAN countries due to data availability. Although the sample captures differences in financial development, digitalisation, sustainability performance, and human development across the region, the findings may not fully represent ASEAN economies, for which complete data were unavailable. Second, ESG is measured at the national level. This provides a broad measure of sustainability performance but may not capture differences across industries, institutions, or firms within each country.

The study also acknowledges the possibility of endogeneity and reverse causality. While country fixed effects control for unobserved characteristics that remain relatively stable over time, they do not eliminate all sources of endogeneity. The additional analysis using one-year lagged explanatory variables provides some reassurance, as the main DFSI–ESG–HDI relationship remains consistent when the explanatory variables are temporally separated from the outcomes. However, this robustness test should not be interpreted as establishing causality. Finally, the DFSI is constructed from available indicators of account ownership, digital payment use, mobile subscriptions, and internet penetration. Although these indicators capture important dimensions of digital financial inclusion, they may not fully reflect newer forms of digital finance, such as mobile wallets, fintech-based services, and other emerging digital financial activities.

6.0 CONCLUSION

The findings show that the different dimensions of financial development do not contribute to sustainability performance in the same way. Financial access, measured by bank branches and ATM density, is not statistically related to ESG, and financial depth, measured by DCPS, is also insignificant. H1 and H2 are therefore not supported. In contrast, digital financial inclusion has a positive and significant relationship with ESG, supporting H3.

ESG, in turn, is positively and significantly associated with human development, supporting H4. The mediation analysis provides a more specific result. ESG does not significantly mediate the relationship between financial access and human development or between financial depth and human development. H5 and H6 are therefore not supported. However, the indirect effect of DFSI on HDI through ESG is positive and statistically significant, while the direct relationship becomes insignificant after ESG is introduced. This provides support for H7. These results are consistent with the mediation evidence reported in Section 4.6.

These findings suggest that the developmental contribution of digital financial inclusion in ASEAN is not simply a matter of expanding digital access. What appears to matter is whether digital financial development is accompanied by stronger sustainability performance. At the same time, the absence of significant mediation for traditional financial access and financial depth shows that this mechanism should not be generalised to all forms of financial development.

The study contributes to the literature in two ways. First, it distinguishes financial access, financial depth, and digital financial inclusion rather than treating financial development as a single broad construct. This allows their different relationships with sustainability performance to be observed more clearly. Second, by positioning ESG between financial development and human development, the study provides evidence of a specific pathway through which digital financial inclusion is associated with broader development outcomes. The multidimensional DFSI also provides a broader representation of digital financial inclusion than relying on a single measure of digital access or usage.

From a policy perspective, the findings suggest that expanding digital financial services alone may not be enough to generate broader development benefits. Greater attention should be given to how digital finance is connected with sustainability objectives. For ASEAN policymakers, this includes encouraging digital financial services that support responsible lending, inclusive finance, and sustainability-oriented investment, while improving the consistency of ESG reporting across countries. Addressing differences in digital literacy, infrastructure, and affordability also remains important so that improvements in digital financial systems are accessible to a wider share of the population.

Future research could extend the analysis to other countries or regions and examine whether the same transmission mechanism holds in different institutional settings. Further work could also incorporate newer measures of digital finance, including fintech usage and mobile wallet adoption, as comparable data become available. Firm- or household-level studies may provide additional insight into how digital financial services translate into sustainability practices and improvements in individual well-being.

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