

# How Social Innovation Enhances Community Well-Being: The Mediating Role of Social Enterprise Performance

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## ABSTRACT

Community well-being has become a major concern in sustainable development, particularly in developing countries where social and economic challenges continue to affect quality of life. Social innovation is increasingly recognized as an effective approach to addressing societal problems by creating innovative solutions that generate social value and empower communities. This study examines the effect of social innovation on community well-being and investigates the mediating role of social enterprise performance in Indonesia. A quantitative research design was employed using survey data collected from 158 participants involved in social enterprise activities across various regions of Indonesia. Data were gathered through a structured questionnaire measured on a five-point Likert scale and analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS 3). The findings reveal that social innovation has a significant positive effect on social enterprise performance and community well-being. Social enterprise performance also significantly influences community well-being. Furthermore, social enterprise performance partially mediates the relationship between social innovation and community well-being through a significant indirect effect. The results indicate that innovative social initiatives contribute more effectively to community welfare when supported by strong organizational performance. This study contributes to the literature on social innovation and social entrepreneurship by providing empirical evidence from Indonesia and offers practical implications for policymakers and social enterprise leaders seeking to enhance community well-being through sustainable innovation strategies.

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## **A. INTRODUCTION**

Community well-being has emerged as a central objective in contemporary development discourse, particularly in developing countries where economic growth alone is often insufficient to address persistent social and economic challenges. Modern development perspectives increasingly emphasize that sustainable progress extends beyond income generation and economic productivity to include broader dimensions of quality of life, such as social inclusion, health, education, environmental sustainability, access to opportunities, and overall life satisfaction (Bramhankar et al., 2023; Sajad Ahmad Bhat & Priyanka Patni, 2023). Consequently, community well-being has become a multidimensional concept that reflects the extent to which individuals and communities can achieve a prosperous, inclusive, and meaningful life (Christens, 2012; Farmer et al., 2016). This shift in development thinking has encouraged governments, non-governmental organizations, and development practitioners to explore innovative approaches capable of generating sustainable social impact while addressing complex societal needs.

Indonesia represents an important context for examining community well-being due to its continuing socio-economic challenges despite significant economic advancement over recent decades. Although national economic growth has contributed to improvements in living standards, issues such as poverty, unemployment, inequality, social exclusion, and unequal access to education and healthcare remain prevalent across many regions. Disparities between urban and rural communities further contribute to uneven development outcomes and variations in quality of life (Christens, 2012; Farmer et al., 2016). These challenges highlight the limitations of conventional development interventions and create a need for alternative approaches that can complement governmental efforts. In this context, social innovation has attracted increasing attention as a promising mechanism for addressing complex social problems through collaborative, sustainable, and community-oriented solutions.

Social innovation refers to the development and implementation of new ideas, products, services, processes, or organizational models that address social needs more effectively than existing alternatives while simultaneously generating value for society (Burns, 2016; Loock, 2020; Venkatesh et al., 2003). Unlike traditional business innovation, which primarily focuses on economic returns, social innovation seeks to create positive social outcomes and long-term societal benefits. In recent years, social innovation initiatives in Indonesia have expanded considerably across various sectors, including education, healthcare, environmental sustainability, digital inclusion, poverty reduction, and community empowerment. Previous studies suggest that social innovation can improve access to resources, strengthen social capital, enhance community participation, and promote inclusive development (Aydın et al., 2023; Rachmawati et al., 2025; Weerasekara & Bhanugopan, 2023). Through these mechanisms, social innovation enables communities to become active contributors to their own development rather than passive recipients of external assistance, thereby creating conditions that support improved community well-being.

Despite its potential, the effectiveness of social innovation often depends on the capabilities and performance of the organizations responsible for implementing innovative initiatives. Among these organizations, social enterprises occupy a particularly strategic position because they combine social missions with entrepreneurial and market-oriented approaches. Social enterprises aim to create social value while maintaining financial sustainability, allowing them to address societal challenges through innovative and scalable solutions (Halid et al., 2020; Tabuena et al., 2022). Their ability to mobilize resources, establish stakeholder partnerships, deliver services efficiently, and sustain operations over time determines whether innovative ideas can be translated into meaningful social outcomes. Consequently, social enterprise performance is increasingly recognized as a critical factor influencing the success of social innovation initiatives and their capacity to generate tangible benefits for communities.

Although existing literature has extensively examined the relationships between social innovation, social entrepreneurship, organizational performance, and social outcomes, several important research gaps

remain. First, many studies focus primarily on the direct effects of social innovation on social outcomes without adequately investigating the underlying mechanisms through which these effects occur. Second, empirical evidence regarding the mediating role of social enterprise performance remains limited, particularly in developing-country contexts. Third, much of the existing research has been conducted in developed economies where institutional environments, resource availability, and social structures differ substantially from those found in emerging countries such as Indonesia. These limitations raise questions regarding the generalizability of previous findings and highlight the need for context-specific research that explores how social innovation contributes to community well-being through organizational performance mechanisms.

Drawing upon Social Innovation Theory and Social Entrepreneurship Theory, this study examines the influence of social innovation on community well-being and investigates the mediating role of social enterprise performance in Indonesia. Social Innovation Theory suggests that innovative social solutions create value by addressing unmet societal needs and improving social outcomes, whereas Social Entrepreneurship Theory emphasizes the capacity of mission-driven organizations to generate social value through entrepreneurial activities. Integrating these theoretical perspectives provides a comprehensive framework for understanding how social innovation contributes to community welfare and how social enterprise performance facilitates this process. Therefore, this study seeks to answer four research questions: (1) Does social innovation significantly influence community well-being? (2) Does social innovation positively affect social enterprise performance? (3) Does social enterprise performance contribute to community well-being? and (4) Does social enterprise performance mediate the relationship between social innovation and community well-being? By addressing these questions, the study contributes to the growing literature on social innovation and social entrepreneurship while providing empirical evidence from Indonesia regarding the mechanisms through which innovative social solutions enhance community well-being.

## B. LITERATURE REVIEW

### Social Innovation

Social innovation has emerged as an important approach for addressing complex social challenges that cannot be effectively solved through conventional market mechanisms or government interventions alone. It refers to the development and implementation of novel ideas, services, processes, or organizational models that create social value by addressing societal needs more effectively than existing solutions (Dhewanto et al., 2023; Hadjielias et al., 2022; Pimentel & Bercilla, 2023). Unlike commercial innovation, which focuses primarily on economic gains, social innovation emphasizes sustainable social impact through collaboration among governments, nonprofit organizations, social enterprises, communities, and private-sector actors. In response to challenges such as poverty, inequality, unemployment, environmental degradation, and limited access to education and healthcare, social innovation encourages community participation, leverages local knowledge, and promotes inclusive development (Ahmed & Harrison, 2022; Alfazzi, 2023). In Indonesia, the growing adoption of social innovation across sectors such as education, agriculture, environmental management, healthcare, digital inclusion, and community empowerment highlights its strategic role in improving social outcomes and advancing community well-being. Therefore, organizations that actively engage in social innovation are expected to develop more effective and sustainable solutions that contribute to both organizational performance and societal welfare.

### 2.2 Social Enterprise Performance

Social enterprises are hybrid organizations that pursue social missions while maintaining financial sustainability through entrepreneurial activities. Unlike traditional businesses that prioritize profit or nonprofit organizations that rely heavily on donations, social enterprises seek to create social value alongside economic viability, making organizational performance a key determinant of their success

(Iskandar & Kaltum, 2021; Sarapung et al., 2024; Xu, 2024). Social enterprise performance encompasses not only financial and operational outcomes but also social impact, stakeholder satisfaction, innovation capability, and community engagement. Drawing on the Resource-Based View (RBV), effective performance depends on the organization's ability to leverage strategic resources such as social networks, community trust, entrepreneurial leadership, and innovative capabilities. Previous studies indicate that social innovation can enhance social enterprise performance by strengthening problem-solving capacity, stakeholder involvement, and service effectiveness (Arena et al., 2015; Fatoki, 2011; Raihani et al., 2024). Moreover, strong organizational performance enables social enterprises to transform innovative ideas into tangible and sustainable community benefits, making it a crucial mechanism through which social innovation contributes to broader social outcomes and community well-being.

### 2.3 Community Well-being

Community well-being refers to the overall quality of life experienced by individuals and groups within a community, encompassing economic, social, psychological, environmental, and cultural dimensions. Contemporary development perspectives recognize that well-being extends beyond material prosperity to include life satisfaction, social inclusion, security, empowerment, access to opportunities, and community participation (Dousin & Aralas, 2024; Kehinde et al., 2023). Drawing on Social Capital Theory, strong social relationships, trust, networks, and collective engagement contribute significantly to improved community outcomes by fostering cooperation, resilience, and social cohesion (Bramhankar et al., 2023; Sajad Ahmad Bhat & Priyanka Patni, 2023). Social innovation plays an important role in enhancing community well-being by addressing unmet social needs, improving access to education, healthcare, economic opportunities, and environmental resources, while social enterprises often facilitate these improvements through innovative and sustainable solutions (Dousin & Aralas, 2024; Kehinde et al., 2023). Consequently, community well-being is commonly assessed through indicators such as economic stability, social inclusion, quality of services, environmental conditions, life satisfaction, and overall quality of life.

### 2.4 Conceptual Framework

Based on the literature review and theoretical foundations, this study proposes a conceptual framework in which Social Innovation (SI) functions as the independent variable, Social Enterprise Performance (SEP) serves as the mediating variable, and Community Well-being (CWB) acts as the dependent variable. Social innovation enables organizations to develop novel solutions to social problems, improve service quality, strengthen stakeholder engagement, and create greater social value. Through innovative practices, social enterprises can enhance operational effectiveness, increase beneficiary satisfaction, improve resource mobilization, and strengthen organizational sustainability. Previous studies consistently indicate that innovation positively influences organizational performance by increasing adaptability, stakeholder support, and long-term effectiveness. In addition, social innovation directly contributes to community well-being by improving access to resources, promoting social inclusion, supporting economic empowerment, enhancing educational and healthcare opportunities, and strengthening community resilience (Dousin & Aralas, 2024; Kehinde et al., 2023). Communities that benefit from innovative social interventions often experience higher levels of participation, social capital, and quality of life. Empirical evidence further suggests that social innovation contributes significantly to sustainable community development and broader societal welfare (Carter & Carter, 2020; Goyal & Sharma, 2020; Yaskun et al., 2023). Accordingly, this study proposes that social innovation positively influences both social enterprise performance and community well-being.

Furthermore, social enterprise performance plays a crucial role in transforming innovative ideas into tangible social outcomes. High-performing social enterprises are better positioned to deliver effective programs, reach larger beneficiary groups, sustain operations, and generate meaningful social impact in areas such as employment, education, healthcare, environmental sustainability, and social inclusion (Amini

et al., 2021; Rustiarini et al., 2022). Strong organizational performance also fosters trust, participation, and collective action within communities, thereby contributing directly to improved community well-being. While social innovation may generate positive social outcomes, its effectiveness often depends on the ability of social enterprises to implement and scale innovative solutions successfully. In line with Social Entrepreneurship Theory and the Resource-Based View (RBV), organizational capabilities and performance serve as important mechanisms through which innovation creates social value. Therefore, social enterprise performance is expected to mediate the relationship between social innovation and community well-being, whereby innovative organizations achieve superior performance that subsequently enhances community welfare. Accordingly, this study proposes that social enterprise performance positively affects community well-being and mediates the effect of social innovation on community well-being.

H1: Social innovation positively influences social enterprise performance.

H2: Social innovation positively influences community well-being.

H3: Social enterprise performance positively influences community well-being.

H4: Social enterprise performance mediates the relationship between social innovation and community well-being.

## **C. RESEARCH METHOD**

### **Research Design**

This study employed a quantitative approach with an explanatory research design to examine the relationships among Social Innovation (SI), Social Enterprise Performance (SEP), and Community Well-being (CWB) in Indonesia. A quantitative method was considered appropriate for testing theoretical relationships and generating empirical evidence through statistical analysis, while the explanatory design enabled the investigation of causal relationships and the mediating role of social enterprise performance. The study adopted a cross-sectional survey design, collecting primary data at a single point in time through structured questionnaires distributed to individuals involved in various social enterprise initiatives across Indonesia. The conceptual framework comprises Social Innovation as the independent variable, Social Enterprise Performance as the mediating variable, and Community Well-being as the dependent variable. To test the proposed direct and indirect relationships, the study employed Structural Equation Modeling–Partial Least Squares (SEM-PLS 3).

### **Population and Sample**

The population of this study consisted of individuals actively involved in social enterprise activities and community development programs across various regions of Indonesia, including beneficiaries, volunteers, employees, community leaders, and other stakeholders participating in social innovation initiatives. Due to the absence of a comprehensive database of social enterprise participants nationwide, a non-probability purposive sampling technique was employed. Respondents were selected based on the following criteria: participation in social enterprise programs for at least six months, being at least 18 years of age, possessing adequate knowledge of the organization's social innovation activities, and willingness to participate voluntarily in the study. A total of 158 valid responses were collected and analyzed. This sample size exceeds the minimum requirements recommended for Structural Equation Modeling–Partial Least Squares (SEM-PLS), thereby providing adequate statistical power for testing the proposed structural relationships and mediation effects.

### **Data Collection Procedure**

Primary data were collected using a structured questionnaire administered through both online and offline channels. The online survey was distributed via email, social media, and community communication

platforms, while offline questionnaires were delivered directly to selected social enterprise communities and program participants. Prior to the main data collection, a pilot test involving 30 respondents was conducted to evaluate the clarity, readability, and reliability of the questionnaire items, and the feedback obtained was used to refine the instrument and strengthen its content validity. Data collection was carried out over a three-month period, during which all participants were informed about the study's objectives, confidentiality procedures, and their right to withdraw at any stage of the research. Participation was entirely voluntary, and informed consent was obtained from all respondents before they completed the questionnaire.

**Measurement of Variables**

All constructs in this study were measured using multi-item scales adapted from established literature on social innovation, social entrepreneurship, and community well-being. Responses were assessed using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Social Innovation (SI) was defined as the extent to which social enterprises develop and implement innovative solutions that address community needs and create social value and was measured using five indicators adapted from previous social innovation studies. Social Enterprise Performance (SEP) reflected the organization's ability to achieve social objectives while maintaining operational effectiveness and sustainability and was measured using five indicators. Meanwhile, Community Well-being (CWB) referred to improvements in quality of life, social inclusion, economic opportunities, and overall community welfare resulting from social enterprise activities and was also measured using five indicators.

Table 1. Variable and Indicators

Code	Indicator
SI1	The organization develops innovative solutions to social problems.
SI2	New ideas are frequently introduced to improve community services.
SI3	Community members actively participate in innovation initiatives.
SI4	The organization collaborates with various stakeholders to create social value.
SI5	Innovative programs effectively address local community needs.
Code	Indicator
SEP1	The organization successfully achieves its social mission.
SEP2	Programs are implemented efficiently and effectively.
SEP3	Beneficiaries are satisfied with the services provided.
SEP4	The organization maintains sustainable operations.
SEP5	The organization demonstrates continuous growth and development.
Code	Indicator
CWB1	Community members experience improved quality of life.
CWB2	Social enterprise activities enhance social inclusion.
CWB3	Community members have better access to opportunities and resources.
CWB4	Community participation in development activities has increased.
CWB5	Overall community welfare has improved because of social enterprise programs.

**Operational Definition of Variables**

The study included three main variables. Social Innovation (SI) was defined as the development and implementation of innovative social solutions that create social value and address community needs and was measured using five indicators (SI1–SI5). Social Enterprise Performance (SEP) referred to the effectiveness of social enterprises in achieving social objectives while maintaining organizational sustainability and was measured using five indicators (SEP1–SEP5). Community Well-being (CWB) represented the overall quality of life and welfare experienced by community members and was measured

using five indicators (CWB1–CWB5). Together, these indicators were used to evaluate the relationships among the constructs within the proposed research model.

**Data Analysis Technique**

The collected data were analyzed using Structural Equation Modeling–Partial Least Squares (SEM-PLS 3), which was selected because of its suitability for exploratory and predictive research, its ability to handle complex mediation models, and its effectiveness with relatively small sample sizes. The analysis followed a two-stage approach consisting of measurement model (outer model) and structural model (inner model) evaluation. The measurement model was assessed through convergent validity, discriminant validity, and reliability tests. Convergent validity was evaluated using outer loading values ( $\geq 0.70$ ) and Average Variance Extracted ( $AVE \geq 0.50$ ), while discriminant validity was examined using the Fornell–Larcker criterion and Heterotrait–Monotrait Ratio (HTMT), with HTMT values below 0.90 indicating satisfactory discriminant validity. Reliability was assessed using Cronbach’s Alpha and Composite Reliability (CR), both of which were required to exceed 0.70 to demonstrate acceptable internal consistency.

The structural model was evaluated using the coefficient of determination ( $R^2$ ), predictive relevance ( $Q^2$ ), effect size ( $f^2$ ), and path coefficient analysis.  $R^2$  values were interpreted as substantial (0.75), moderate (0.50), or weak (0.25), while  $Q^2$  values greater than zero indicated predictive relevance. Effect sizes were assessed using  $f^2$  values of 0.02, 0.15, and 0.35, representing small, medium, and large effects, respectively. Hypothesis testing was conducted through a bootstrapping procedure with 5,000 subsamples, using a significance threshold of t-statistic  $> 1.96$  and p-value  $< 0.05$ . Furthermore, the mediating role of Social Enterprise Performance was examined through indirect effect analysis within the SEM-PLS framework by testing the direct effect of Social Innovation on Community Well-being, the effect of Social Innovation on Social Enterprise Performance, the effect of Social Enterprise Performance on Community Well-being, and the indirect effect of Social Innovation on Community Well-being through Social Enterprise Performance. The mediation effect was classified as full mediation when the direct effect became insignificant after including the mediator, partial mediation when both direct and indirect effects remained significant, and no mediation when the indirect effect was not statistically significant.

**D. RESULTS AND DISCUSSION**

**Respondent Profile**

A total of 158 valid questionnaires were collected and analyzed. The respondents consisted of beneficiaries, volunteers, employees, and community members involved in social enterprise activities across various regions in Indonesia.

Table 2. Demographic Characteristics of Respondents

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	71	44.9
	Female	87	55.1
Age	18–25 Years	38	24.1
	26–35 Years	59	37.3
	36–45 Years	42	26.6
	>45 Years	19	12.0
Education	High School	29	18.4
	Diploma	34	21.5
	Bachelor Degree	76	48.1
	Postgraduate	19	12.0
Involvement Duration	<1 Year	27	17.1

	1–3 Years	69	43.7
	4–6 Years	42	26.6
	>6 Years	20	12.6

Table 2 presents the demographic characteristics of the 158 respondents participating in this study. Female respondents constituted the majority of the sample, accounting for 55.1% (87 respondents), while male respondents represented 44.9% (71 respondents). In terms of age, the largest group was respondents aged 26–35 years, comprising 37.3% (59 respondents), followed by those aged 36–45 years at 26.6% (42 respondents), 18–25 years at 24.1% (38 respondents), and over 45 years at 12.0% (19 respondents). Regarding educational background, most respondents held a bachelor’s degree, representing 48.1% (76 respondents), followed by diploma holders at 21.5% (34 respondents), high school graduates at 18.4% (29 respondents), and postgraduate degree holders at 12.0% (19 respondents). Concerning involvement in social enterprise activities, the majority had participated for 1–3 years (43.7%, 69 respondents), followed by 4–6 years (26.6%, 42 respondents), less than one year (17.1%, 27 respondents), and more than six years (12.6%, 20 respondents), indicating that most participants possessed sufficient experience and familiarity with social innovation initiatives implemented by social enterprises.

**Descriptive Statistics**

Table 3. Descriptive Statistics of Research Variables

Variable	Mean	Standard Deviation
Social Innovation (SI)	4.12	0.59
Social Enterprise Performance (SEP)	4.05	0.63
Community Well-being (CWB)	4.18	0.57

Table 3 presents the descriptive statistics of the research variables. The results indicate that respondents generally reported positive perceptions across all constructs, as reflected by mean scores above 4.00 on a five-point scale. Community Well-being (CWB) recorded the highest mean value of 4.18 with a standard deviation of 0.57, suggesting that respondents perceived a relatively high level of welfare and quality of life resulting from social enterprise activities. Social Innovation (SI) also demonstrated a high mean score of 4.12 with a standard deviation of 0.59, indicating strong agreement regarding the implementation of innovative solutions to address community needs. Meanwhile, Social Enterprise Performance (SEP) achieved a mean score of 4.05 and a standard deviation of 0.63, reflecting favorable perceptions of organizational effectiveness and sustainability. The relatively low standard deviation values across all variables suggest a consistent pattern of responses among participants and indicate limited variation in perceptions regarding social innovation, social enterprise performance, and community well-being.

**Measurement Model Assessment (Outer Model)**

Convergent Validity

Table 4. Outer Loadings

Indicator	Loading
SI1	0.842
SI2	0.864
SI3	0.825
SI4	0.887
SI5	0.851
SEP1	0.873

SEP2	0.891
SEP3	0.846
SEP4	0.882
SEP5	0.857
CWB1	0.869
CWB2	0.884
CWB3	0.836
CWB4	0.891
CWB5	0.878

Table 4 shows that all indicators have outer loading values above the recommended threshold of 0.70, indicating satisfactory convergent validity. The Social Innovation indicators range from 0.825 to 0.887, Social Enterprise Performance indicators range from 0.846 to 0.891, and Community Well-being indicators range from 0.836 to 0.891. These results demonstrate that each indicator has a strong relationship with its respective construct and is therefore valid for measuring the intended latent variable.

Table 5. Reliability and AVE

Construct	Cronbach's Alpha	Composite Reliability	AVE
Social Innovation	0.903	0.928	0.721
Social Enterprise Performance	0.916	0.937	0.749
Community Well-being	0.921	0.941	0.762

Table 5 demonstrates that all constructs meet the recommended criteria for reliability and convergent validity. Social Innovation achieved a Cronbach’s Alpha of 0.903, Composite Reliability of 0.928, and AVE of 0.721, while Social Enterprise Performance recorded values of 0.916, 0.937, and 0.749, respectively. Community Well-being exhibited the highest reliability and validity measures, with a Cronbach’s Alpha of 0.921, Composite Reliability of 0.941, and AVE of 0.762. Since all Cronbach’s Alpha and Composite Reliability values exceed the recommended threshold of 0.70 and all AVE values are greater than 0.50, the results confirm strong internal consistency, reliability, and convergent validity for all constructs included in the study.

Discriminant Validity

Table 6. Fornell-Larcker Criterion

Construct	SI	SEP	CWB
SI	0.849		
SEP	0.694	0.865	
CWB	0.681	0.748	0.873

Table 6 presents the results of the Fornell–Larcker criterion used to assess discriminant validity. The square root of the Average Variance Extracted (AVE) for each construct, shown on the diagonal, is greater than its correlations with other constructs. Specifically, Social Innovation (0.849) exceeds its correlations with Social Enterprise Performance (0.694) and Community Well-being (0.681), Social Enterprise Performance (0.865) exceeds its correlation with Community Well-being (0.748), and Community Well-being records the highest diagonal value of 0.873. These findings indicate that each construct is empirically distinct from the others and adequately captures its intended concept, thereby confirming satisfactory discriminant validity within the measurement model.

**4.4 Structural Model Assessment (Inner Model)**

**Coefficient of Determination (R<sup>2</sup>)**

The results of the structural model evaluation show that Social Enterprise Performance achieved an R<sup>2</sup> value of 0.482, indicating that Social Innovation explains 48.2% of the variance in Social Enterprise Performance, which can be considered a moderate level of explanatory power. Furthermore, Community Well-being recorded an R<sup>2</sup> value of 0.641, suggesting that Social Innovation and Social Enterprise Performance jointly explain 64.1% of the variance in Community Well-being. This result demonstrates substantial explanatory power and indicates that the proposed model effectively captures the key factors influencing community well-being within the context of social enterprise initiatives in Indonesia.

**Predictive Relevance (Q<sup>2</sup>)**

The predictive relevance assessment indicates that the model possesses satisfactory predictive capability, as evidenced by positive Q<sup>2</sup> values for all endogenous constructs. Social Enterprise Performance recorded a Q<sup>2</sup> value of 0.346, while Community Well-being achieved a higher Q<sup>2</sup> value of 0.473. Since both values exceed zero, the results confirm that the structural model has strong predictive relevance and is capable of accurately predicting the endogenous constructs based on the exogenous variables included in the study.

**Hypothesis Testing**

Table 7. Direct Effects

Relationship	Path Coefficient ( $\beta$ )	t-value	p-value	Decision
SI $\rightarrow$ SEP	0.694	14.587	0.000	Supported
SI $\rightarrow$ CWB	0.331	4.127	0.000	Supported
SEP $\rightarrow$ CWB	0.518	6.784	0.000	Supported

Table 7 presents the results of the direct effect analysis, showing that all proposed relationships are positive and statistically significant. Social Innovation has a strong positive effect on Social Enterprise Performance ( $\beta = 0.694$ ,  $t = 14.587$ ,  $p = 0.000$ ), indicating that higher levels of social innovation contribute substantially to improved organizational performance. Social Innovation also exerts a significant positive influence on Community Well-being ( $\beta = 0.331$ ,  $t = 4.127$ ,  $p = 0.000$ ), suggesting that innovative social initiatives directly enhance the quality of life and welfare of communities. Furthermore, Social Enterprise Performance positively affects Community Well-being ( $\beta = 0.518$ ,  $t = 6.784$ ,  $p = 0.000$ ), demonstrating that organizations with stronger performance are more effective in generating positive social outcomes. Since all t-values exceed 1.96 and all p-values are below 0.05, all direct-effect hypotheses are supported.

**Mediation Analysis**

Table 8. Indirect Effect

Relationship	Indirect Effect	t-value	p-value	Decision
SI $\rightarrow$ SEP $\rightarrow$ CWB	0.359	5.914	0.000	Supported

The indirect effect of Social Innovation on Community Well-being through Social Enterprise Performance is significant ( $\beta = 0.359$ ,  $p < 0.001$ ). Since both direct and indirect effects remain significant, Social Enterprise Performance functions as a partial mediator.

**Discussion**

The results show that Social Innovation has a strong positive effect on Social Enterprise Performance. This finding indicates that social enterprises that continuously develop innovative solutions,

collaborate with stakeholders, and apply creative approaches to social problems tend to achieve better organizational performance. In line with Social Innovation Theory, innovation enables organizations to respond more effectively to changing community needs, improve service delivery, strengthen stakeholder engagement, and enhance social value creation (García et al., 2025; Rustiarini et al., 2022). The finding also confirms that Social Innovation positively affects Community Well-being. Innovative social initiatives contribute directly to improvements in quality of life, social inclusion, access to opportunities, and overall community welfare. Through programs related to education, economic empowerment, healthcare, environmental sustainability, and digital inclusion, social innovation provides communities with new resources and solutions that may not be available through conventional development approaches (Amini et al., 2021; Sarapung et al., 2024).

Furthermore, Social Enterprise Performance has a significant positive influence on Community Well-being. This result demonstrates that organizational effectiveness is essential for transforming social missions into tangible social outcomes. High-performing social enterprises are more capable of managing resources efficiently, delivering quality services, sustaining beneficiary engagement, and expanding program coverage, which ultimately improves community welfare (Amini et al., 2021; Sarapung et al., 2024). The study also finds that Social Enterprise Performance mediates the relationship between Social Innovation and Community Well-being. This means that social innovation does not only influence community welfare directly, but also indirectly through improved organizational performance. The result suggests that innovative ideas alone are not sufficient to maximize social impact; they must be supported by effective management, strong leadership, operational efficiency, and sustainable resource mobilization.

Overall, the findings indicate that social innovation and social enterprise performance work together in enhancing community well-being. From a theoretical perspective, the results support Social Innovation Theory, Social Entrepreneurship Theory, and the Resource-Based View by showing that innovation, organizational capability, and social value creation are interconnected. Practically, the findings suggest that policymakers, development agencies, and social enterprise leaders should not only encourage innovative social programs but also strengthen the organizational capacity of social enterprises to ensure that innovation produces sustainable and meaningful benefits for communities in Indonesia.

## E. CONCLUSION

This study examined the relationships among social innovation, social enterprise performance, and community well-being within the context of social enterprise activities in Indonesia. The findings demonstrate that social innovation significantly enhances both social enterprise performance and community well-being, indicating that organizations that actively develop innovative solutions and address social challenges creatively are more effective in generating positive social outcomes. The results also reveal that social enterprise performance has a significant positive effect on community well-being and partially mediates the relationship between social innovation and community well-being, suggesting that innovation produces greater social impact when supported by strong organizational capabilities, effective resource management, and sustainable program implementation. These findings contribute to the literature on social innovation and social entrepreneurship by providing empirical evidence from Indonesia and highlighting the importance of organizational performance as a mechanism through which innovation creates social value. From a practical perspective, policymakers, development agencies, and social enterprise leaders should strengthen both innovation capacity and organizational effectiveness through supportive ecosystems, stakeholder collaboration, capacity-building initiatives, and sustainable development strategies to maximize long-term improvements in community well-being and social development.

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