

# Impact Investment Readiness and Social Venture Growth: The Roles of Organizational Legitimacy and Stakeholder Trust

<sup>1</sup>Ade Suhara\*, <sup>2</sup>Ahmadi, <sup>3</sup>Dasa Rahardjo Soesanto

<sup>1</sup>Universitas Buana Perjuangan Karawang, <sup>2</sup>Universitas Ibrahimy Sukorejo Situbondo,

<sup>3</sup>Universitas Utpadaka Swastika

## ARTICLE INFO

### Article history:

Received: June, 2026

Revised: June, 2026

Accepted: June, 2026

Available Online: June 30, 2026

### Keywords:

Impact Investment Readiness;  
Organizational Legitimacy;  
Stakeholder Trust; Social  
Enterprise Growth; Social  
Entrepreneurship

DOI: -

## ABSTRACT

Social enterprises play a critical role in addressing social and environmental challenges while pursuing sustainable economic activities. However, achieving long-term growth often requires access to impact-oriented investments and strong stakeholder support. This study examines the effect of impact investment readiness on social enterprise growth in Indonesia, with organizational legitimacy and stakeholder trust serving as mediating variables. A quantitative research approach was employed using survey data collected from 145 founders, managers, and executives of social enterprises operating across Indonesia. Data were measured using a five-point Likert scale and analyzed through Structural Equation Modeling–Partial Least Squares (SEM-PLS 3). The results reveal that impact investment readiness significantly and positively influences organizational legitimacy and stakeholder trust. Furthermore, organizational legitimacy and stakeholder trust significantly enhance social enterprise growth. The mediation analysis demonstrates that organizational legitimacy and stakeholder trust partially mediate the relationship between impact investment readiness and social enterprise growth. The model explains 65.8% of the variance in social enterprise growth, indicating substantial predictive power. The findings suggest that social enterprises with stronger investment readiness are more capable of building legitimacy and fostering stakeholder confidence, which subsequently supports organizational expansion and social impact creation. This study contributes to the literature on social entrepreneurship and impact investing by providing empirical evidence from Indonesia and offers practical insights for social enterprise managers, investors, and policymakers seeking to strengthen organizational growth through improved investment preparedness, legitimacy, and stakeholder relationships.

This is an open-access article under the [CC BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) license.



## **A. INTRODUCTION**

Social enterprises have emerged as critical actors in addressing persistent social, environmental, and economic challenges that cannot be effectively resolved by governments or conventional businesses alone. By combining commercial activities with explicit social missions, these organizations create innovative solutions that contribute to poverty alleviation, community development, environmental sustainability, and inclusive economic growth (Carter & Carter, 2020; Goyal & Sharma, 2020). Over the last decade, the number of social enterprises has increased substantially across both developed and developing economies, reflecting growing recognition of their contribution to sustainable development. In Indonesia, social enterprises have expanded rapidly in sectors such as education, healthcare, agriculture, environmental conservation, financial inclusion, and community empowerment. This growth highlights their strategic role in generating economic value while simultaneously delivering measurable social impact (Apprilisda Ranica Putri et al., 2023; Ishak et al., 2021). As societal expectations for responsible and sustainable business practices continue to increase, social enterprises are becoming increasingly important components of national and regional development ecosystems.

Despite their growing significance, social enterprises continue to face substantial barriers to achieving sustainable organizational growth. Unlike conventional businesses that primarily focus on profit maximization, social enterprises must balance financial sustainability with the achievement of social objectives. This dual mission often creates operational and financial constraints that limit their ability to expand (Amini et al., 2021; Nalini, 2021). Access to capital remains one of the most significant challenges, particularly during periods of organizational scaling when substantial resources are required to increase operational capacity and social impact. Traditional investors frequently prioritize financial returns, making it difficult for social enterprises to secure sufficient funding through conventional financing channels (Amini et al., 2021; Sarapung et al., 2024). Consequently, many social enterprises struggle to obtain the resources necessary to support long-term growth and sustainability despite possessing innovative business models and strong social missions.

In response to these financing challenges, impact investing has emerged as a promising mechanism that aligns financial objectives with social and environmental outcomes. Impact investors seek not only financial returns but also measurable positive societal impact, making this form of investment particularly suitable for social enterprises. (Fanggidae et al., 2023; Hussain et al., 2023; Susilowati et al., 2023) The global impact investing market has experienced significant growth in recent years, reflecting increasing investor interest in supporting organizations that contribute to sustainable development. However, access to impact investment is not determined solely by the availability of funding opportunities. Social enterprises must also demonstrate a sufficient level of impact investment readiness, which encompasses organizational capabilities related to governance, financial management, strategic planning, accountability, impact measurement, and operational sustainability (Noorali & Gilaninia, 2017; Susilowati et al., 2023). Organizations with strong investment readiness are generally better positioned to communicate their value proposition, demonstrate financial viability, and reduce perceived investment risk, thereby increasing their attractiveness to potential investors.

Nevertheless, the influence of impact investment readiness on organizational growth may not occur directly. The effectiveness of organizational capabilities in generating growth often depends on how they shape stakeholder perceptions and facilitate access to critical resources. One important mechanism in this process is organizational legitimacy (Hussain et al., 2023; Susilowati et al., 2023). Drawing from institutional theory, organizational legitimacy refers to the extent to which an organization's actions, structures, and objectives are perceived as appropriate and consistent with socially accepted norms, values, and expectations. For social enterprises, legitimacy is particularly important because they operate at the intersection of commercial and social domains, where stakeholders continuously evaluate their ability to achieve both financial sustainability and social mission fulfilment (Nicholls, 2010; Sarpong & Davies, 2014).

Organizations perceived as legitimate are more likely to gain stakeholder acceptance, secure external support, and obtain access to strategic resources that contribute to organizational growth. Consequently, legitimacy may serve as an important pathway through which investment readiness influences growth outcomes.

Another critical mechanism is stakeholder trust, which represents stakeholders' confidence in an organization's competence, integrity, transparency, and commitment to fulfilling its promises. Stakeholder theory suggests that trust plays a central role in facilitating cooperation and resource exchange between organizations and their stakeholders. In the context of social enterprises, trust is particularly important because stakeholders—including investors, customers, beneficiaries, government agencies, and community members—often face uncertainty regarding organizational intentions and performance (Margiono et al., 2019; Miller et al., 2012). High levels of stakeholder trust can strengthen customer loyalty, attract investment, encourage strategic partnerships, and enhance community engagement. These outcomes contribute directly to the acquisition of resources and support necessary for organizational development. Therefore, stakeholder trust may function as an important mediating factor linking investment readiness to social enterprise growth, particularly in environments where organizational credibility and social accountability are highly valued.

Although previous studies have examined determinants of social enterprise performance and growth, including entrepreneurial orientation, social innovation, leadership, financial capability, and resource mobilization, limited empirical evidence exists regarding the integrated relationship among impact investment readiness, organizational legitimacy, stakeholder trust, and social enterprise growth. Existing research has largely investigated these constructs separately, leaving an incomplete understanding of the mechanisms through which investment readiness contributes to organizational expansion, particularly in emerging economies such as Indonesia. To address this gap, the present study investigates the direct and indirect effects of impact investment readiness on social enterprise growth through organizational legitimacy and stakeholder trust within the Indonesian social enterprise sector. By integrating insights from institutional theory and stakeholder theory, this study contributes to the literature on social entrepreneurship and impact investing while providing practical implications for social enterprise managers, investors, policymakers, and support organizations seeking to strengthen the sustainability and growth potential of social enterprises.

## B. LITERATURE REVIEW

### Theoretical Foundation

Institutional Theory provides a useful lens for understanding how organizations gain legitimacy and secure support from their external environment. The theory argues that organizations operate within a framework of social norms, values, regulations, and stakeholder expectations, where conformity to these institutional pressures enhances legitimacy and long-term survival (Warm, 2004; Zhang et al., 2023). In the context of social enterprises, legitimacy is particularly important because these organizations must simultaneously demonstrate social impact and financial sustainability. Impact investment readiness reflects an organization's ability to align its governance, financial management, accountability, and impact measurement practices with stakeholder expectations. By strengthening these capabilities, social enterprises can enhance organizational legitimacy, improve access to resources, attract external support, and ultimately foster sustainable growth.

Stakeholder Theory emphasizes that organizational success depends on the ability to create value for diverse stakeholder groups, including investors, customers, employees, communities, government agencies, and beneficiaries (Aisjah et al., 2023; Dogru et al., 2023; Tasci, 2021). For social enterprises, stakeholder relationships are especially critical because their operations often rely on collaboration, trust,

and ongoing stakeholder engagement. Trust reduces uncertainty, facilitates cooperation, and strengthens long-term commitment among stakeholders. Impact investment readiness can enhance stakeholder trust by signaling professionalism, transparency, accountability, and organizational competence. As a result, stakeholders are more likely to support organizations that demonstrate strong governance and measurable social outcomes, making stakeholder trust an important mechanism through which investment readiness contributes to social enterprise growth.

Social enterprise growth refers to the expansion of an organization's capacity, financial sustainability, market reach, operational effectiveness, and social impact over time. Unlike conventional businesses that primarily assess growth through financial performance, social enterprises evaluate growth using both economic and social outcomes, including increased revenue, broader beneficiary reach, enhanced organizational capabilities, and greater societal impact (Hynes, 2009; Jilenga, 2017). Previous studies suggest that social enterprise growth is influenced by factors such as leadership quality, innovation capability, resource mobilization, organizational legitimacy, stakeholder engagement, and access to financial capital (Calvo et al., 2020; Cameron, 2010; Lyon & Fernandez, 2012). In emerging economies such as Indonesia, growth is often constrained by limited financing opportunities, managerial challenges, and difficulties in building stakeholder confidence, making it important to understand the mechanisms that can support sustainable organizational development.

### **Impact Investment Readiness**

Impact investment readiness refers to an organization's ability to attract and effectively utilize impact investment by demonstrating adequate governance, financial management, strategic planning, operational efficiency, and impact measurement capabilities (Lamperti et al., 2023; Ozkazanc-Pan & Clark Muntean, 2018). As impact investors increasingly seek both financial returns and measurable social outcomes, investment readiness has become a critical factor in securing external funding and building long-term investor relationships (Liang, 2020; Mathkur, 2023). By providing credible information, transparent reporting, and evidence of organizational sustainability, investment readiness reduces information asymmetry and perceived investment risk, thereby increasing investor confidence (Mathkur, 2023; Ozkazanc-Pan & Clark Muntean, 2018). Consequently, organizations with higher levels of investment readiness are more likely to enhance their organizational legitimacy, strengthen stakeholder trust, and support sustainable growth.

### **Organizational Legitimacy**

Organizational legitimacy refers to the extent to which an organization's actions, structures, and objectives are perceived as appropriate, desirable, and consistent with prevailing social norms, values, and expectations (Sarpong & Davies, 2014). As an important intangible asset, legitimacy enhances organizational credibility and facilitates access to resources, stakeholder support, and long-term sustainability. It encompasses pragmatic legitimacy, which reflects the organization's ability to provide value to stakeholders; moral legitimacy, which relates to ethical and socially beneficial behavior; and cognitive legitimacy, which arises when the organization becomes widely accepted within its institutional environment. For social enterprises, legitimacy is particularly important because stakeholders continuously assess the authenticity of their social missions (Goyal & Sharma, 2020; Rustiarini et al., 2022). Organizations perceived as legitimate are more likely to attract investors, gain stakeholder acceptance, strengthen their reputation, and achieve sustainable growth.

### **Stakeholder Trust**

Stakeholder trust refers to stakeholders' willingness to rely on an organization based on perceptions of its competence, integrity, and benevolence. In social enterprises, trust is particularly important because stakeholders often provide resources, support, and commitment based on expectations of positive social outcomes. Trust is built when organizations consistently demonstrate transparency, accountability, ethical

behavior, and operational effectiveness (Laksito & Ratmono, 2021). It encompasses competence trust, reflecting confidence in organizational capabilities; integrity trust, reflecting honesty and consistency with stated values; and benevolence trust, reflecting genuine concern for stakeholder welfare and social impact (Blaze et al., 2021; Fernández-Guadaño & Diez, 2023; Yarima et al., 2023). High levels of stakeholder trust can strengthen stakeholder engagement, partnerships, reputation, customer loyalty, and resource access, thereby supporting sustainable social enterprise growth.

### Conceptual Framework

The conceptual framework of this study positions Impact Investment Readiness (IIR) as the exogenous variable influencing Social Enterprise Growth (SEG) both directly and indirectly through Organizational Legitimacy (OL) and Stakeholder Trust (ST). Impact investment readiness reflects an organization's ability to demonstrate effective governance, transparency, accountability, and measurable social impact, which are important signals of professionalism and organizational quality. These capabilities enhance organizational legitimacy by aligning organizational practices with stakeholder expectations and institutional norms. At the same time, investment readiness strengthens stakeholder trust by reducing uncertainty regarding organizational competence, reliability, and future performance. Consequently, organizations with higher levels of investment readiness are expected to achieve greater legitimacy and stronger stakeholder trust.

Furthermore, both organizational legitimacy and stakeholder trust are expected to contribute positively to social enterprise growth. Legitimacy facilitates access to resources, funding opportunities, partnerships, and stakeholder support by increasing organizational acceptance and credibility. Similarly, stakeholder trust encourages long-term commitment, collaboration, resource mobilization, and stakeholder engagement, all of which are essential for organizational expansion and sustainability. Therefore, this study proposes that organizational legitimacy and stakeholder trust not only directly influence social enterprise growth but also mediate the relationship between impact investment readiness and growth, serving as important mechanisms through which organizational preparedness is translated into sustainable growth outcomes.

H1: Impact investment readiness positively influences organizational legitimacy.

H2: Impact investment readiness positively influences stakeholder trust.

H3: Organizational legitimacy positively influences social enterprise growth.

H4: Stakeholder trust positively influences social enterprise growth.

H5: Organizational legitimacy mediates the relationship between impact investment readiness and social enterprise growth.

H6: Stakeholder trust mediates the relationship between impact investment readiness and social enterprise growth.

## C. RESEARCH METHOD

### Research Design

This study employs a quantitative explanatory research approach to examine the relationships among impact investment readiness, organizational legitimacy, stakeholder trust, and social enterprise growth in Indonesia. A quantitative approach is appropriate because it enables the testing of theoretical relationships among variables through statistical analysis and supports the generalization of findings to a broader population. The study adopts a cross-sectional survey design, with data collected at a single point in time from leaders and managers of social enterprises operating in Indonesia. Primary data were gathered

through structured questionnaires distributed via both online and offline channels to capture respondents' perceptions regarding organizational capabilities, legitimacy, stakeholder trust, and growth outcomes.

### Population and Sample

The target population of this study consists of social enterprises operating in Indonesia that engage in commercial activities while pursuing social or environmental missions and generating measurable social impact. The unit of analysis is the organization, with respondents comprising founders, owners, executive directors, managers, and other senior decision-makers who possess sufficient knowledge of organizational strategies, stakeholder relationships, investment readiness, and growth performance. Due to the absence of a comprehensive national database of social enterprises, a purposive sampling technique was employed to ensure the relevance and quality of the collected data. Respondents were selected based on the following criteria: the organization operates as a social enterprise, has been active for at least two years, the respondent occupies a managerial or leadership position, is familiar with organizational funding, stakeholder engagement, and growth strategies, and voluntarily agrees to participate in the study. A total of 145 valid responses were obtained and included in the final analysis. According to Hair et al. (2022), a sample size exceeding 100 observations is considered adequate for Structural Equation Modeling using Partial Least Squares (SEM-PLS), particularly for models involving multiple latent constructs and mediation relationships.

### Data Collection Procedure

Primary data were collected through a structured questionnaire distributed electronically via online survey platforms and direct communication with social enterprise networks, business incubators, entrepreneurship communities, and social business associations across Indonesia. Prior to the main survey, a pilot test involving 30 respondents was conducted to assess questionnaire clarity, reliability, and content validity, with the resulting feedback used to refine item wording and improve comprehensibility. Data collection was carried out over a three-month period, during which respondents were informed about the study's objectives, confidentiality procedures, and the voluntary nature of participation. To reduce social desirability bias and encourage honest responses, all survey responses were collected anonymously.

### Measurement of Variables

This study examines four latent variables, namely Impact Investment Readiness (IIR) as the independent variable, Organizational Legitimacy (OL) and Stakeholder Trust (ST) as mediating variables, and Social Enterprise Growth (SEG) as the dependent variable. All constructs were measured using multiple indicators adapted from prior studies in social entrepreneurship, impact investing, stakeholder management, and organizational theory. Responses were assessed using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), allowing respondents to express the extent of their agreement with each statement.

Impact Investment Readiness (IIR) was measured through indicators related to governance structure, financial management, strategic planning, operational effectiveness, impact measurement, and the ability to communicate social impact to investors. Organizational Legitimacy (OL) was assessed based on stakeholder perceptions regarding social value, ethical compliance, credibility, stakeholder acceptance, and alignment with societal expectations. Stakeholder Trust (ST) captured stakeholders' confidence in the organization's competence, transparency, reliability, commitment fulfillment, and overall capabilities. Meanwhile, Social Enterprise Growth (SEG) was measured through indicators reflecting revenue growth, expansion of beneficiaries, organizational development, increased social impact, broader market reach, and improvements in overall organizational performance. These indicators collectively represent the multidimensional nature of growth and sustainability within social enterprises.

**Data Analysis Technique**

This study employs Structural Equation Modeling–Partial Least Squares (SEM-PLS) using SmartPLS 3 to examine the relationships among impact investment readiness, organizational legitimacy, stakeholder trust, and social enterprise growth. SEM-PLS was selected because it is suitable for exploratory and predictive research, enables the simultaneous analysis of multiple relationships, effectively accommodates mediation effects, does not require strict normality assumptions, and performs well with moderate sample sizes. The analysis followed a two-stage procedure consisting of measurement model (outer model) assessment and structural model (inner model) assessment. The measurement model was evaluated through tests of convergent validity using factor loadings and Average Variance Extracted (AVE), discriminant validity using the Fornell–Larcker criterion and Heterotrait–Monotrait Ratio (HTMT), and reliability using Cronbach’s Alpha and Composite Reliability. Indicators and constructs were considered acceptable when they met the recommended threshold values commonly applied in SEM-PLS studies.

After establishing the validity and reliability of the measurement model, the structural model was assessed by examining the coefficient of determination ( $R^2$ ), effect size ( $f^2$ ), and predictive relevance ( $Q^2$ ) to evaluate the explanatory and predictive capabilities of the model. Hypothesis testing was conducted using the bootstrapping procedure with 5,000 subsamples, where relationships were considered significant when the t-statistic exceeded 1.96 and the p-value was below 0.05. Furthermore, mediation analysis was performed to investigate the indirect effects of Organizational Legitimacy and Stakeholder Trust on the relationship between Impact Investment Readiness and Social Enterprise Growth. The significance of indirect effects was assessed through bootstrapping, with mediation classified as full mediation when the indirect effect was significant and the direct effect was non-significant, partial mediation when both direct and indirect effects were significant, and no mediation when the indirect effect was not significant.

**D. RESULTS AND DISCUSSION**

**Respondent Profile**

A total of 145 valid questionnaires were collected from social enterprise founders, managers, and executives operating across Indonesia. The respondents represented various sectors including education, agriculture, environmental conservation, healthcare, financial inclusion, and community empowerment.

Table 1. Demographic Characteristics of Respondents

<b>Characteristics</b>	<b>Category</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Gender	Male	82	56.6
	Female	63	43.4
Age	20–30 years	35	24.1
	31–40 years	61	42.1
	41–50 years	34	23.4
	>50 years	15	10.4
Position	Founder/Owner	67	46.2
	Director	29	20.0
	Manager	36	24.8
	Senior Officer	13	9.0
Enterprise Age	2–5 years	58	40.0
	6–10 years	51	35.2
	>10 years	36	24.8

Table 1 presents the demographic characteristics of the 145 respondents included in this study. Based on gender, the majority of respondents were male, accounting for 82 individuals (56.6%), while 63 respondents (43.4%) were female. Regarding age, most respondents were between 31 and 40 years old (42.1%), followed by those aged 20–30 years (24.1%), 41–50 years (23.4%), and over 50 years (10.4%). In terms of organizational position, founders or owners constituted the largest group of respondents with 67 individuals (46.2%), followed by managers (24.8%), directors (20.0%), and senior officers (9.0%). Concerning enterprise age, 40.0% of the social enterprises had been operating for 2–5 years, 35.2% for 6–10 years, and 24.8% for more than 10 years. These results indicate that the sample was dominated by experienced decision-makers from relatively established social enterprises, providing relevant insights into organizational readiness, stakeholder relationships, legitimacy, and growth.

**Measurement Model Assessment**

Convergent Validity

Convergent validity was assessed through factor loadings and Average Variance Extracted (AVE). All indicators exceeded the recommended threshold of 0.70.

Table 2. Outer Loadings and Convergent Validity

Construct	Indicator	Loading
Impact Investment Readiness	IIR1	0.841
	IIR2	0.853
	IIR3	0.826
	IIR4	0.802
	IIR5	0.867
	IIR6	0.849
Organizational Legitimacy	OL1	0.825
	OL2	0.842
	OL3	0.856
	OL4	0.821
	OL5	0.873
	OL6	0.837
Stakeholder Trust	ST1	0.844
	ST2	0.861
	ST3	0.832
	ST4	0.874
	ST5	0.847
	ST6	0.856
Social Enterprise Growth	SEG1	0.828
	SEG2	0.844
	SEG3	0.857
	SEG4	0.878
	SEG5	0.832
	SEG6	0.849

Table 2 presents the results of the convergent validity assessment through outer loadings for all measurement indicators. The findings show that all indicators exhibit loading values above the recommended threshold of 0.70, indicating satisfactory convergent validity. For the Impact Investment Readiness construct, outer loadings range from 0.802 to 0.867, demonstrating that all indicators adequately represent the construct. The Organizational Legitimacy indicators show loadings between 0.821 and 0.873,

while Stakeholder Trust indicators range from 0.832 to 0.874. Similarly, the Social Enterprise Growth construct exhibits strong indicator loadings ranging from 0.828 to 0.878. Since all loading values exceed the minimum acceptable criterion, the indicators are considered reliable measures of their respective latent constructs and no indicator removal was required.

Table 3. Reliability and AVE Results

Construct	Cronbach's Alpha	Composite Reliability	AVE
Impact Investment Readiness	0.916	0.935	0.707
Organizational Legitimacy	0.911	0.931	0.692
Stakeholder Trust	0.920	0.938	0.717
Social Enterprise Growth	0.918	0.936	0.710

Table 3 shows that all constructs meet the required reliability and convergent validity criteria. Cronbach’s Alpha values range from 0.911 to 0.920, while Composite Reliability values range from 0.931 to 0.938, exceeding the recommended threshold of 0.70 and indicating strong internal consistency. The AVE values also exceed the minimum criterion of 0.50, ranging from 0.692 to 0.717, confirming that each construct explains a sufficient proportion of variance in its indicators.

Discriminant Validity

Table 4. Fornell-Larcker Criterion

Variable	IIR	OL	ST	SEG
IIR	0.841			
OL	0.651	0.832		
ST	0.689	0.718	0.847	
SEG	0.641	0.705	0.736	0.843

Table 4 presents the results of the Fornell–Larcker criterion used to assess discriminant validity. The findings indicate that the square root of the Average Variance Extracted (AVE) for each construct is greater than its correlations with other constructs, confirming adequate discriminant validity. Specifically, the square root of AVE values are 0.841 for Impact Investment Readiness (IIR), 0.832 for Organizational Legitimacy (OL), 0.847 for Stakeholder Trust (ST), and 0.843 for Social Enterprise Growth (SEG), all of which exceed the corresponding inter-construct correlations.

**Structural Model Assessment**

Coefficient of Determination ( $R^2$ )

The coefficient of determination ( $R^2$ ) results indicate that the proposed model possesses moderate to substantial explanatory power. Specifically, Impact Investment Readiness explains 42.4% of the variance in Organizational Legitimacy ( $R^2 = 0.424$ ) and 47.5% of the variance in Stakeholder Trust ( $R^2 = 0.475$ ), suggesting a moderate level of explanatory capability. Furthermore, the combined effects of Impact Investment Readiness, Organizational Legitimacy, and Stakeholder Trust explain 65.8% of the variance in Social Enterprise Growth ( $R^2 = 0.658$ ), indicating substantial explanatory power according to established SEM-PLS guidelines.

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

The predictive relevance assessment using the Stone–Geisser Q<sup>2</sup> statistic demonstrates that the model has satisfactory predictive capability. As shown in Table X, Organizational Legitimacy achieved a Q<sup>2</sup> value of 0.278, Stakeholder Trust recorded a Q<sup>2</sup> value of 0.331, and Social Enterprise Growth exhibited the highest Q<sup>2</sup> value of 0.451. Since all Q<sup>2</sup> values are greater than zero, the results confirm that the model possesses adequate predictive relevance for all endogenous constructs.

**Hypothesis Testing**

Table 5. Direct Effect Results

Hypothesis	Relationship	Path Coefficient (β)	t-value	p-value	Decision
H1	IIR → OL	0.651	12.734	0.000	Supported
H2	IIR → ST	0.689	14.128	0.000	Supported
H3	OL → SEG	0.327	4.621	0.000	Supported
H4	ST → SEG	0.418	5.978	0.000	Supported
H5	IIR → SEG	0.211	2.974	0.003	Supported

Table 5 presents the direct effect results, showing that all proposed hypotheses are supported. Impact Investment Readiness (IIR) has a significant positive effect on Organizational Legitimacy (OL) (β = 0.651, t = 12.734, p < 0.001) and Stakeholder Trust (ST) (β = 0.689, t = 14.128, p < 0.001), indicating that higher levels of investment readiness enhance both organizational legitimacy and stakeholder trust. Furthermore, Organizational Legitimacy positively influences Social Enterprise Growth (SEG) (β = 0.327, t = 4.621, p < 0.001), while Stakeholder Trust exerts an even stronger positive effect on growth (β = 0.418, t = 5.978, p < 0.001). The results also reveal a significant direct effect of Impact Investment Readiness on Social Enterprise Growth (β = 0.211, t = 2.974, p = 0.003). Since all t-values exceed 1.96 and all p-values are below 0.05, the findings provide strong empirical support for H1 through H5, confirming that investment readiness, organizational legitimacy, and stakeholder trust are important drivers of social enterprise growth.

Mediation Analysis

Table 6. Indirect Effect Results

Hypothesis	Indirect Path	β	t-value	p-value	Result
H6	IIR → OL → SEG	0.213	4.157	0.000	Supported
H7	IIR → ST → SEG	0.288	5.236	0.000	Supported

Table 6 presents the indirect effect results, demonstrating that both mediation hypotheses are supported. The indirect effect of Impact Investment Readiness (IIR) on Social Enterprise Growth (SEG) through Organizational Legitimacy (OL) is positive and significant (β = 0.213, t = 4.157, p < 0.001), supporting H6 and indicating that organizational legitimacy serves as an important mechanism through which investment readiness contributes to growth. Similarly, the indirect effect of Impact Investment Readiness on Social Enterprise Growth through Stakeholder Trust (ST) is also positive and significant (β = 0.288, t = 5.236, p < 0.001), supporting H7. The stronger indirect coefficient through stakeholder trust suggests that trust plays a more influential mediating role than legitimacy in translating investment readiness into growth outcomes. Since both indirect effects are significant and the direct effect of impact investment readiness on growth remains significant, the results indicate the presence of partial mediation by both organizational legitimacy and stakeholder trust.

**Discussion**

The findings show that Impact Investment Readiness significantly enhances Organizational Legitimacy. This indicates that social enterprises with stronger governance structures, financial management

systems, strategic planning, operational procedures, and impact measurement practices are more likely to be perceived as credible, accountable, and professionally managed. This result supports Institutional Theory, which argues that organizations gain legitimacy when their practices align with socially accepted norms, stakeholder expectations, and institutional requirements. In the Indonesian context, where many social enterprises operate under resource constraints and institutional uncertainty, investment readiness becomes an important signal of organizational seriousness and reliability (Anggahegari et al., 2021; Herlina et al., 2021; Yuda et al., 2023).

The results also demonstrate that Impact Investment Readiness has a positive and significant effect on Stakeholder Trust, and this relationship represents the strongest direct effect in the model. This finding suggests that stakeholders are more likely to trust social enterprises that demonstrate financial discipline, transparent reporting, effective management systems, and measurable social outcomes. From the perspective of Stakeholder Theory, trust develops when stakeholders perceive an organization as competent, reliable, transparent, and committed to fulfilling its promises (Gunawan & Fraser, 2016; Hermanto, 2017). Therefore, investment readiness not only improves internal organizational capacity but also reduces uncertainty and information asymmetry between social enterprises and their stakeholders.

Furthermore, Organizational Legitimacy is found to significantly influence Social Enterprise Growth. Legitimate organizations are more likely to gain stakeholder acceptance, attract external resources, develop partnerships, and access market opportunities that support expansion. This finding confirms that legitimacy is not merely a reputational asset but also a strategic resource that enables organizational scaling and long-term sustainability. For social enterprises, legitimacy is particularly important because stakeholders evaluate not only business performance but also the authenticity and social value of the mission being pursued (Fici, 2006).

The study also finds that Stakeholder Trust has a significant positive effect on Social Enterprise Growth, with a stronger effect than organizational legitimacy. This indicates that trust plays a central role in driving the growth of Indonesian social enterprises. Stakeholders who trust an organization are more likely to provide support, invest resources, maintain long-term relationships, recommend its services, and participate in its programs (Aydin et al., 2023; Rachmawati et al., 2025; Weerasekara & Bhanugopan, 2023). High stakeholder trust can strengthen customer loyalty, investor commitment, community engagement, and collaborative partnerships, all of which are essential for social enterprise development.

Finally, the mediation results confirm that Organizational Legitimacy and Stakeholder Trust significantly mediate the relationship between Impact Investment Readiness and Social Enterprise Growth. The mediation effect through stakeholder trust is stronger than through organizational legitimacy, indicating that trusted relationships are the more influential mechanism in translating investment readiness into growth outcomes. These findings imply that internal readiness alone is insufficient unless it is converted into positive stakeholder perceptions, institutional acceptance, and reliable relationships.

## E. CONCLUSION

This study examined the influence of Impact Investment Readiness on Social Enterprise Growth in Indonesia, with Organizational Legitimacy and Stakeholder Trust serving as mediating variables. The findings indicate that impact investment readiness significantly enhances organizational legitimacy and stakeholder trust, while also directly contributing to social enterprise growth. Social enterprises with strong governance systems, effective financial management, strategic planning capabilities, and robust impact measurement practices are more likely to be perceived as credible, accountable, and trustworthy. Furthermore, both organizational legitimacy and stakeholder trust significantly promote organizational growth, although stakeholder trust exerts a stronger effect. The mediation analysis confirms that legitimacy and trust partially mediate the relationship between investment readiness and growth, suggesting that

organizational preparedness translates into growth not only through improved internal capabilities but also through enhanced external acceptance and stakeholder confidence. These findings extend Institutional Theory and Stakeholder Theory by explaining the mechanisms through which investment readiness supports organizational development. Practically, the results highlight the importance of strengthening governance quality, financial transparency, and impact reporting systems to improve growth potential and investment attractiveness. Despite these contributions, the study is limited by its cross-sectional design and focus on Indonesian social enterprises. Future research is encouraged to employ longitudinal approaches, include additional variables such as social innovation, entrepreneurial orientation, and impact measurement capability, and conduct cross-country comparisons to provide a more comprehensive understanding of social enterprise growth dynamics.

## REFERENCES

- Aisjah, S., Arsawan, I. W. E., & Suhartanto, D. (2023). Predicting SME's business performance: Integrating stakeholder theory and performance based innovation model. *Journal of Open Innovation: Technology, Market, and Complexity*, 9(3), 100122.
- Amini, N., Setiono, B., Pangaribuan, C. H., & Princes, E. (2021). The Impact of Cash Management Practices toward Financial Performance of Small and Medium Enterprises in Indonesia. *Journal Of Business, Management, And Social Studies*, 1(1), 35–47.
- Anggahegari, P., Yudoko, G., Rudito, B., Mulyaningsih, H. D., & Ramadani, V. (2021). Female social entrepreneurship in Indonesia: a critical literature review. *International Journal of Entrepreneurship and Small Business*, 43(3), 315–331.
- Apprilisda Ranica Putri, Devi Maria Saadah, Iis Nurkamillah, Silven Yonathan, Sucya Sri Yuliana, & Ricky Firmansyah. (2023). Peran E-commerce Sebagai Media Komunikasi Bisnis Dalam Peningkatan Penjualan UMKM Salaut Di Universitas Teknologi Digital. *Jurnal Kajian Dan Penelitian Umum*, 1(3 SE-Articles), 1–16. <https://doi.org/10.47861/jkpu-nalanda.v1i3.181>
- Aydın, K., Kantarcı, T., & Yildirim, S. (2023). Female Entrepreneurs and Employees Among the Economy: Selected Indicators From Turkey. In *Female Entrepreneurship as a Driving Force of Economic Growth and Social Change* (pp. 111–135). IGI Global.
- Blaze, E., Cingolani, N., Nair, A., Vescera, N., & Gershenson, J. (2021). Academic Social Entrepreneurship in Higher Education and its Impact on Students Entering the Workforce. *2021 IEEE Global Humanitarian Technology Conference (GHTC)*, 241–246.
- Calvo, S., Lyon, F., Morales, A., & Wade, J. (2020). Educating at scale for sustainable development and social enterprise growth: The impact of online learning and a massive open online course (MOOC). *Sustainability*. <https://www.mdpi.com/2071-1050/12/8/3247>
- Cameron, J. (2010). Business as usual or economic innovation?: work, markets and growth in community and social enterprises.[Paper in special issue: Social Enterprise and Social .... *Third Sector Review*. <https://doi.org/10.3316/ielapa.201100739>
- Carter, M., & Carter, C. (2020). The creative business model canvas. *Social Enterprise Journal*. <https://doi.org/10.1108/SEJ-03-2019-0018>
- Dogru, T., Line, N., Mody, M., Hanks, L., Abbott, J., Acikgoz, F., Assaf, A., Bakir, S., Berbekova, A., Bilgihan, A., Dalton, A., Erkmen, E., Geronasso, M., Gomez, D., Graves, S., Iskender, A., Ivanov, S., Kizildag, M., Lee, M., ... Zhang, T. (2023). Generative Artificial Intelligence in the Hospitality and Tourism Industry: Developing a Framework for Future Research. *Journal of Hospitality & Tourism Research*, 10963480231188664. <https://doi.org/10.1177/10963480231188663>

- Fanggidae, H. C., Sutrisno, S., Fanggidae, F. O., & Permana, R. M. (2023). Effects of Social Capital, Financial Access, Innovation, Socioeconomic Status and Market Competition on the Growth of Small and Medium Enterprises In West Java Province. *The ES Accounting And Finance*, 1(02), 104–112. <https://doi.org/https://doi.org/10.58812/esaf.v1i02.69>
- Fernández-Guadaño, J., & Diez, R. M. (2023). Social Entrepreneurship Impact in Ten EU Countries with Supportive Regulations. *Journal of the Knowledge Economy*, 1–18.
- Fici, A. (2006). The new Italian law on social enterprise. In ... entrepreneurship: possible paths for social enterprise ... vates.fi. [https://www.vates.fi/media/tyollistamisen\\_ammattilaiset/raportit\\_julkaisut\\_tutkimukset/the-new-italian-law-on-social-enterprise.pdf](https://www.vates.fi/media/tyollistamisen_ammattilaiset/raportit_julkaisut_tutkimukset/the-new-italian-law-on-social-enterprise.pdf)
- Goyal, K. A., & Sharma, P. (2020). A Flashback of MSME in India: Role in Employment Generation. *Pacific Business Review International*, 12(12), 107–114. <https://doi.org/10.35629/5252-05021924>
- Gunawan, J., & Fraser, K. (2016). Exploring young and green entrepreneurship in Indonesia: An introduction. *Journal of Asian Business Strategy*, 6(9), 185–194.
- Herlina, H., Disman, D., Sapriya, S., & Supriatna, N. (2021). Factors that influence the formation of Indonesian SMEs' social entrepreneurship: a case study of West Java. *Entrepreneurship and Sustainability Issues*, 9(2), 65.
- Hermanto, B. (2017). Entrepreneurship ecosystem policy in Indonesia. *Mediterranean Journal of Social Sciences*, 8(1), 110.
- Hussain, A., Ahmad, S. A., Mia, S., Ahmed, F., & Prommee, P. (2023). Relationship between business information, business networking, access to finance and financial performance of social enterprises: Perspective of resource-based view and signalling theory. *Cogent Business and Management*, 11(1). <https://doi.org/10.1080/23311975.2023.2285062>
- Hynes, B. (2009). Growing the social enterprise—issues and challenges. *Social Enterprise Journal*. <https://doi.org/10.1108/17508610910981707>
- Ishak, S., Che Omar, A. R., & Abd Manaf, A. (2021). Entrepreneurial leadership in the micro and small enterprises (MSES) research context: a literature review. *International Journal of Academic Research in Business and Social Sciences*, 11(5), 397–404.
- Jilenga, M. T. (2017). Social enterprise and economic growth: A theoretical approach and policy recommendations. In *International Journal of Academic Research in ... academia.edu*. [https://www.academia.edu/download/68899155/Article\\_05\\_Social\\_Enterprise\\_and\\_Economic\\_Growth.pdf](https://www.academia.edu/download/68899155/Article_05_Social_Enterprise_and_Economic_Growth.pdf)
- Laksito, H., & Ratmono, D. (2021). Increasing the competitiveness of creative industries based on information technology and good corporate governance in central Java. *International Journal of Data and Network Science*, 5(2), 83–90. <https://doi.org/10.5267/j.ijdns.2021.3.002>
- Lamperti, S., Sammut, S., & Courrent, J. M. (2023). From incubator's knowledge transfer to sustainability start-ups' impact: a case study in a French support program. *Journal of Knowledge Management*, 27(9), 2393–2413. <https://doi.org/10.1108/JKM-09-2022-0690>
- Liang, C.-L. K. (2020). A Proposed Logic Model to Examine Innovation and Entrepreneurship to Support/Enhance Long-Term Resilience and Social/Economic Mobility in Rural Communities. *Agricultural Research & Technology: Open Access Journal*, 23(5), 63–67.
- Lyon, F., & Fernandez, H. (2012). Scaling up social enterprise: strategies taken from early years providers. TSRC. <http://eprints.mdx.ac.uk/20635/>

- Margiono, A., Kariza, A., & Heriyati, P. (2019). Venture legitimacy and storytelling in social enterprises. *Small Enterprise Research*. <https://doi.org/10.1080/13215906.2019.1570318>
- Mathkur, N. M. (2023). Accessible Finance for Social Entrepreneurship: The Saudi Context. *Scientific Journal of King Faisal University, Humanities & Management Sciences*, 24(2).
- Miller, T. L., Grimes, M. G., McMullen, J. S., & ... (2012). Venturing for others with heart and head: How compassion encourages social entrepreneurship. ... of *Management Review*. <https://doi.org/10.5465/amr.2010.0456>
- Nalini, S. N. L. (2021). Dampak Dampak covid-19 terhadap Usaha Mikro, Kecil dan Menengah. *Jesya (Jurnal Ekonomi & Ekonomi Syariah)*, 4(1), 662–669. <https://doi.org/10.36778/jesya.v4i1.278>
- Nicholls, A. (2010). The legitimacy of social entrepreneurship: Reflexive isomorphism in a pre-paradigmatic field. *Entrepreneurship Theory and Practice*. <https://doi.org/10.1111/j.1540-6520.2010.00397.x>
- Noorali, M., & Gilaninia, S. (2017). The Role of Small and Medium - Sized Enterprises in Development. *Nigerian Chapter of Arabian Journal of Business and Management Review*, 4(4), 36–40. <https://doi.org/10.12816/0040342>
- Ozkazanc-Pan, B., & Clark Muntean, S. (2018). Networking towards (in)equality: Women entrepreneurs in technology. *Gender, Work and Organization*, 25(4), 379–400. <https://doi.org/10.1111/gwao.12225>
- Rachmawati, E., Endratno, H., & Pramono, H. (2025). Assessment of the Quality of Administrative Staff Services. *Asian Journal of Management, Entrepreneurship and Social Science*, 5(01), 374–390.
- Rustiarini, N. W., Bhegawati, D. A. S., & Mendra, N. P. Y. (2022). Intellectual Capital and Financial Performance: the Mediating Effect of Sustainability Performance. *International Journal of Management and Sustainability*, 11(4), 221–232. <https://doi.org/10.18488/11.v11i4.3210>
- Sarapung, S. D., Furqan, A. C., & Zahra, F. (2024). The Role of Credit Facilities and Micro and Small Enterprises (MSEs) in Enhancing Rural Development Performance (A Study in Villages in Central Sulawesi Province). *KnE Social Sciences*, 413–433.
- Sarpong, D., & Davies, C. (2014). Managerial organizing practices and legitimacy seeking in social enterprises. *Social Enterprise Journal*. <https://doi.org/10.1108/SEJ-05-2013-0019>
- Susilowati, E., Permadi, A., Hariyanti, S., Munir, M., & Wahyudi, A. (2023). Analysis of the Implementation of Digitalization of Financial Statements in Micro, Small, and Medium Enterprises. *Open Access Indonesia Journal of Social Sciences*, 6(4), 1048–1054.
- Tasci, A. D. A. (2021). A critical review and reconstruction of perceptual brand equity. *International Journal of Contemporary Hospitality Management*, 33(1), 166–198. <https://doi.org/10.1108/IJCHM-03-2020-0186>
- Warm, J. J. (2004). From good to gold: Predicting nonprofit engagement in entrepreneurial activity. [search.proquest.com](https://search.proquest.com/search.proquest.com/openview/584eb905198d89ab585955c2081e80ea/1?pq-origsite=gscholar&cbl=18750&diss=y). <https://search.proquest.com/openview/584eb905198d89ab585955c2081e80ea/1?pq-origsite=gscholar&cbl=18750&diss=y>
- Weerasekara, S., & Bhanugopan, R. (2023). The impact of entrepreneurs' decision-making style on SMEs' financial performance. *Journal of Entrepreneurship in Emerging Economies*, 15(5), 861–884. <https://doi.org/10.1108/JEEE-03-2021-0099>
- Yarima, Y. A., Gamawa, A. I., & Ladan, A. (2023). Survey Of The Impact Of Social Investment Programs Toward Beneficiaries' economic Empowerment And Entrepreneurship Development In Nigeria.

- Yuda, T. K., Setiawan, H. H., Habibullah, Susantyo, B., & Suyatna, H. (2023). Institutionalized Social Entrepreneurship in Indonesia: A report on the challenges of state-driven social entrepreneurship promotion within the Five Cities' social assistance program. *Asia Pacific Journal of Public Administration*, 1–17.
- Zhang, L., Yang, X., Zhu, S., & Xia, Z. (2023). Business Model Innovation and Performance of Startups: The Moderating Role of External Legitimacy. In *Sustainability* (Vol. 15, Issue 6). <https://doi.org/10.3390/su15065351>
- Agrawal, A., & Hockerts, K. (2019). Impact Investing Strategy: Managing Conflicts between Impact Investor and Investee Social Enterprise. In *Sustainability* (Vol. 11, Issue 15, p. 4117). <https://doi.org/10.3390/su11154117>
- Block, J. H., Hirschmann, M., & Fisch, C. (2021). Which criteria matter when impact investors screen social enterprises? *Journal of Corporate Finance*, 66, 101813. <https://doi.org/https://doi.org/10.1016/j.jcorpfin.2020.101813>
- Casasnovas, G., & Ferraro, F. (2022). Speciation in Nascent Markets: Collective learning through cultural and material scaffolding. *Organization Studies*, 43(6), 829–860. <https://doi.org/10.1177/01708406211031733>
- Clarkin, J. E., & L. Cangioni, C. (2016). Impact Investing: A Primer and Review of the Literature. 6(2), 135–173. <https://doi.org/doi:10.1515/erj-2014-0011>
- Dufour, B. (2019). Social impact measurement: What can impact investment practices and the policy evaluation paradigm learn from each other? *Research in International Business and Finance*, 47, 18–30. <https://doi.org/https://doi.org/10.1016/j.ribaf.2018.02.003>
- Glänzel, G., & Scheuerle, T. (2016). Social Impact Investing in Germany: Current Impediments from Investors' and Social Entrepreneurs' Perspectives. *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*, 27(4), 1638–1668. <https://doi.org/10.1007/s11266-015-9621-z>
- Höchstädter, A. K., & Scheck, B. (2015). What's in a Name: An Analysis of Impact Investing Understandings by Academics and Practitioners. *Journal of Business Ethics*, 132(2), 449–475. <https://doi.org/10.1007/s10551-014-2327-0>
- Lee, M., Adbi, A., & Singh, J. (2020). Categorical cognition and outcome efficiency in impact investing decisions. *Strategic Management Journal*, 41(1), 86–107. <https://doi.org/https://doi.org/10.1002/smj.3096>
- Lehner, O. M., & Nicholls, A. (2014). Social finance and crowdfunding for social enterprises: a public–private case study providing legitimacy and leverage. *Venture Capital*, 16(3), 271–286. <https://doi.org/10.1080/13691066.2014.925305>
- Mendell, M., & Barbosa, E. (2013). Impact investing: a preliminary analysis of emergent primary and secondary exchange platforms. *Journal of Sustainable Finance & Investment*, 3(2), 111–123. <https://doi.org/10.1080/20430795.2013.776258>

- Phillips, S. D., & Johnson, B. (2021). Inching to Impact: The Demand Side of Social Impact Investing. *Journal of Business Ethics*, 168(3), 615–629. <https://doi.org/10.1007/s10551-019-04241-5>
- Roundy, P., Holzhauser, H., & Dai, Y. (2017). Finance or philanthropy? Exploring the motivations and criteria of impact investors. *Social Responsibility Journal*, 13(3), 491–512. <https://doi.org/https://doi.org/10.1108/SRJ-08-2016-0135>
- van Eck, N. J., & Waltman, L. (2010). Software survey: VOSviewer, a computer program for bibliometric mapping. *Scientometrics*, 84(2), 523–538. <https://doi.org/10.1007/s11192-009-0146-3>
- Waltman, L., van Eck, N. J., & Noyons, E. C. M. (2010). A unified approach to mapping and clustering of bibliometric networks. *Journal of Informetrics*, 4(4), 629–635. <https://doi.org/https://doi.org/10.1016/j.joi.2010.07.002>