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The Impact of Legal Resource Factors on Social Entrepreneurship

Dr. Abdul Mateen
Lecturer, Centre for Management & Commerce, University of Swat, KPK
Email: abdulmateen@uswat.edu.pk

Dr. Badshah Hussain (Corresponding Author)
Assistant Professor, Center for Management & Commerce, University of Swat.
Email: badshah12@gmail.com,

Dr. Nasir Shaeen
Associate Professor, Centre for Management & Commerce, University of Swat.
Email: nasirshaheen@uswat.edu.pk

Abdur Rehman
PhD Management Sciences, Qurtuba University Peshawar,
Email: rehman091@yahoo.com,

Akhter Hussain
PhD Scholar, Center for Management & Commerce, University of Swat, Khyber Pakhtunkhwa Pakistan, 19120, Email: 241163@uswat.edu.pk, https://orcid.org/0009-0008-5414-9704

Faiza Tajuddin
Lecturer, Language Instructor, SPS College Swat, KPK, 19120,
Email: faizakhan9aa@gmail.com

Abstract
This study is a quantitative research study exploring the impact of legal resources on social entrepreneurship in Khyber Pakhtunkhwa (KPK), Pakistan. The legal resources, including regulatory frameworks, intellectual property rights, contract enforcement and government legal support are very important in defining the operational environment of social enterprises. A total of 246 respondents who represented different social entrepreneurs all over KPK were used to collect data using a structured questionnaire. The study employed statistical methods such as correlation and regression analysis to determine the degree to which the social entrepreneurship growth and sustainability are dependent on the legal factors. The results indicate that there is a strong positive correlation between the factors related to the legal resources and social entrepreneurship, which implies that the favorable legal systems boost the entrepreneurial activity with the social aim. The research will be very helpful in informing the policy makers and development practitioners to enhance legal

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frameworks that promote a favorable environment in the region to promote social innovation and enterprise development.

Keywords: Legal Resource Factors, Social Entrepreneurship, Khyber Pakhtunkhwa, Quantitative Research, SEM.

Introduction

The 21st century global socio-economic environment is characterized by more and more complex and interrelated issues such as climate change and growing inequality to systemic poverty and disparities in the service provision to people. Social entrepreneurship in this regard become a revolutionary wave and has presented market oriented solutions to these long term issues. Social entrepreneurs have been popularly known as agents of change by integrating pragmatic, resource-seeking strategy of a business executive and the zeal of a social reformist (Bornstein & Davis, 2010). Social enterprises that work on a continuum of hybridity, intentionally blurring the traditional distinction of the for-profit and non-profit goals of financial sustainability and social good respectively (Dees, 1998). This hybrid model, however, resides in institutional settings, which are mostly preconditioned by a definite for-profit/not-for-profit dichotomy. Even the legal and regulatory frameworks that order the economy can be a major impediment to the establishment, growth and sustainability of social enterprises. Moreover such models also validates the link between marketing resources and social entrepreneurship (Mateen et al., 2025). These are not administrative trifles, but foundational strategic choices, which determine how much an enterprise can raise capital, what its mission is, whether it can draw talent and quantify its success (Battilana & Lee, 2014).

The presence of a legal framework that is not compatible with the hybrid character of a social enterprise may create so-called mission drift, efficiency failures and limited access to capital (Irfan et al., 2025). This also creates an impact on financial resources of social entrepreneurship (Mateen et al., 2025) As a result, there has been a worldwide trend in the development of custom legal frameworks of social enterprise. The Community Interest Company (CIC) in the United Kingdom, the Benefit Corporation in the United States, and the Societa Benefit in Italy are only some examples of the attempts to offer a third space in corporate law (Rawhouser, Cummings & Crane, 2015). These legal structures are intended to legally embody a social or environmental agenda, guard against the tendency of the agenda to yield to profit maximization, and be transparent and legitimate to investors, consumers and partners. Although there is this level of activity of legislation, there is an acute issue of the lack of knowledge of the practical effect of these legal systems. Although the characteristics of these new forms are well-documented, the empirical support to their cause-effect connection to the main social enterprise outcomes like scalability, financial performance and impact resilience is thin and far between.

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Background of the Study

The Social Entrepreneurship Conceptual Terrain.

In its essence, the social entrepreneurship is characterized by its initial goal: the establishment of the social value. J. Gregory Dees (1998) defined the social entrepreneur to be a change agent by taking a mission to generate and maintain social value and tirelessly seeking new possibilities to fulfill that mission, involving a process of constant innovation, adaptation and taking risks without being constrained by the available resources at any given moment. This is the difference between social enterprises and traditional businesses, where the social objectives are considered secondary or instrumental to profit and conventional charities, which may not have a self-sustaining, market driven revenue base. The social enterprise has a hybrid quality, which poses a distinct number of challenges, especially in terms of identity, governance and accountability. They are forced to navigate between the institutional logic of social welfare and commercial markets, which they must manage on a day-to-day operations and a long-term strategy (Pache & Santos, 2013). This contradiction as such are the most acute in the field of law and regulation, where such hybrid entities have not traditionally had a separate category.

The Institutional Void: The Issue of Legal Misfit

Institutional theory states that organizations are affected with both formal and informal rules where they are located (North, 1991). The formal regulatory environment provides the rules of the game that give acceptable organizational forms, fiduciary and ownership model. In this regard, the social enterprises have over the decades been faced by a significant institutional gap (Mair and Marti, 2009) between two distinct and typically inappropriate legal forms:

The For-Profit Corporate Structure

The alteration to a regular corporation or LLC means that the enterprise is exposed to the concept of shareholder primacy which can be interpreted juridically as an obligation to generate a profit. This presents a permanent danger of mission drift especially with an effort to entice investment by traditional venture capital. The social mission is not given any protection under the legal framework against the demands of the investors to receive more financial benefits

The Non Profit Form

Registering as a 501(c)(3) in the U.S. or an equivalent in most other countries, the social mission is legally bound and is accompanied by perks such as being tax-exempt and able to take government grants. However, it has a disastrous drawback to the venture activities. Non-profit making is generally prohibited to distribute profits to the owners or directors, which would be tantamount to denying access to equity investment, which is one of the sources of capital to expand an innovative business. This can put social enterprises in the trap of grant dependency where they are chained in terms of growth and sustainability (Kerlin, 2010).

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This law violator submits entrepreneurs to complex and in numerous respects convoluted workarounds, such as the formation of parallel non-profit and profit organizations, therefore, imposing an overhead on the administration and could possibly cause confusion in the administration.

The Development of Mixed Legal Forms

The realization of this law loophole has resulted in a proliferation of lawmaking creativity in the development of a cordial system of the social economy. The new types of law do not remain homogenous but share similar features that seek to resolve the underlying conflict of hybridity (Reiser, 2011). The following are the most significant characteristics typically:

Purpose Determined by Law: A business charter must refer to some form of public good or social purpose as one of its objectives. This transforms the mission to be more of a voluntary desire to a mandatory one.

Extended Fiduciary Duties: The directors must not only look into the effects of their actions on the shareholders but also on other parties outlined in the statute, including employees, the community, and the environment. This offers a legal justification of the choices of a social impact over profit maximization.

Increased Transparency and Accountability: These laws are committed to mandatory reporting on social and environmental performance usually on a third-party standard. This builds a system of accountability to the stated mission of the enterprise and offers credibility to the outside audiences. The Community Interest Company (CIC) in the UK was the first significant example of a modern example, which was launched in 2005. CIC is a limited liability company that is intended to be used by social enterprises that desire to use their profits and assets in the interest of the people. It has an asset lock that ascertains the assets are committed to the social cause and a limit on dividend payments to ensure profit extraction does not take over the mission. In the US, one of the first, state-level efforts in encouraging program-related investments (PRIs) by foundations was the Low-Profit Limited Liability Company (L3C). Nevertheless, the more powerful and popular model has been the Benefit Corporation. Benefit Corporation legislation was originally passed in Maryland in 2010, and now has been enacted in more than 35 states in the U.S. It specifically covers the directors in case they take into account non-financial stakeholders and obliges them to publish an annual report on public benefits. Other comparable models have spread around the world; the Società Benefit of Italy, and the Sociedad de Beneficio e Interes Colectivo (BIC) of Colombia, show that there is a worldwide tendency towards the legal formalization of the sphere of social enterprises.

The Persistent Research Gap and the Need for Empirical Scrutiny

The fast proliferation of these hybrid varieties of law is a major institutional experiment. Supporters say they minimize mission drift, reduce the cost of capital by

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impact investors and create value and greater trust in the brand with consumers (Clark & Babson, 2012). Nevertheless, this legislative activity has until recently, been lagged behind by the academic literature. A significant portion of the available literature has been descriptive, normative or doctrinal analysis of the statutes themselves (e.g., Murray, 2012). Empirical studies available that quantitatively measure the effectiveness of such legal forms in delivering their promised benefits are lacking in critical numbers. There are several questions to be answered:

Do Benefit Corporations really become more resilient to mission over time than mission-driven traditional corporations?

Is there any certification effect that can be measured, which enables enterprises with these legal forms to raise more debt or equity financing?

How does the differences between the particular terms of such laws (e.g., the intensity of the asset lock, the specificity of the reporting?

In the absence of sound, evidence based responses to these questions, social entrepreneurs have to make one of their most important strategic choices on anecdote and advocacy instead of data. On the same note, policy makers do not have the required feedback to revise the current laws or formulate new laws that are best suited to promote the social economy. This paper is placed within this context. It is also intended to go beyond the theoretical and descriptive narratives to offer a rigorous, empirical study of the actual world effects of legal frameworks on social entrepreneurship. This study will add value to the theory by systematically examining the connection between the legal structure and the level of enterprise performance and in turn it will inform the practice of entrepreneurship and also offer an evidence based platform on which future policymaking in the social economy can be based.

Literature Review

The Theoretical Foundations: Hybridity and the Institutional Theory.

To learn how the legal factors, influence social entrepreneurship, it is necessary to initially place these organizations in the context of the larger institutions. The institutional theory offers a potent perspective in this analysis, according to which the rules of the game are formal and informal in the environment of organizations, which are deeply influenced by them (North, 1991). The formal institutions are laws, regulations and property rights, whereas the informal institutions are cultures, norms and beliefs. The social enterprises as well as any other organization aim to gain legitimacy which is a generalized attitude that the actions of the social enterprise are desirable and proper in the existing institutional system (Suchman, 1995). But the peculiarity of social enterprises is that these are hybrid organizations, which are naturally integrated into several or more institutional logics that are usually competing (Battilana & Lee, 2014). They have to follow both the commercial logic of the market that is more about financial efficiency and competition and the social welfare logic of the non-profit sector that is more about social impact and community benefit.

This hybridity gives rise to a perpetual conflict in that the organization has to meet the conflicting demands of the stakeholders such as impact investors and paying customers as well as grant-making foundations and beneficiaries. Formal institutions

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are mostly manifested in the legal environment. An institutional void of hybrids is the traditional legal system that is dichotomous and approaches for-profit and non-profit entities (Mair & Marti, 2009). This gap poses serious problems; because neither of the available forms of law accommodates the dual purpose of a social enterprise. The lack of a favorable legal environment causes entrepreneurs to align themselves with institutional templates that are not oriented towards their main goals, causing what can be called a legal legitimacy deficit.

The Legal Misfit: Problems in the Traditional Dual System.

The practical constraints that social enterprises encounter in operating within traditional legal systems have formed a massive volume of literature. These problems can be categorized into three broad sections, that is, mission, capital and accountability.

Mission Drift and Governance Tensions

The most frequently mentioned risk is that of mission drift the gradual erosion of social purpose in the pursuit of financial gain. The directors of these companies have fiduciary duties in a traditional for-profit corporate regime, construed, in most jurisdictions (particularly in Anglo-American law), to imply shareholder wealth maximization (Hansmann, 1996). This creates a legal vulnerability when directors make decisions that are aimed at providing social impact as opposed to profit making because they will be exposed to shareholder law suits under the fiduciary duty. This directive ensures the institutionalization of a mission drift propensity especially in scaling or outside investment search (Battilana & Lee, 2014).

Restrictions on Access to Capital

The legal form chosen has a fundamental restriction on the type of capital that a social enterprise can raise. The equity markets are not entitled to non-profit social enterprises because these enterprises cannot issue ownership shares as Kerlin (2010) defines them in a comparative study. This limited their possibilities of expanding and they were forced to use debt or grants that may not be sufficient or contain debilitating terms. On the other hand, a social enterprise that is registered as a for-profit can have an easier time persuading equity investors who might not understand the dual nature of the enterprise or who might in turn put pressure on the enterprise to focus more on financial gains (Clark & Babson, 2012). This provides a gap in funding between social enterprises which are too commercial to be philanthropies and too social to be conventional finance.

Lack of Accountability and Transparency

The traditional binary system is also confusing and opaque. A social mission company that is for-profit does not legally need to report on its social performance and this makes it hard to ensure that consumers, investors and partners can check its claims on impact. This may result in impact washing and loss of trust in the sector. In the same vein, a non-profit that is involved in commercial ventures can be questioned

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by the regulators and donors that feel that they have been unfairly competed with or their charitable funds have been misused (Reiser, 2011). The absence of a legal framework of accountability specification to hybrid goals is an important impediment in both cases.

The Emergence of Hybrid Legal Forms: A Global Response

To address these issues, social enterprise has given rise to a variety of new forms of legal structures spread throughout the world over the last 20 years. The literature has greatly moved beyond merely stating the problem to listing and studying these new legal structures. These forms are an effort to fill the institutional vacuum and offer an intelligible legal identity to hybrid organizations. Researchers such as Rawhouser, Cummings & Crane (2015) interpret this phenomenon with the help of the creation of categories, stating that the development of such laws as the Benefit Corporation in the U.S. contributes to the formation of a new category of organization that is legitimate in the market. Although these legal forms are typically jurisdiction specific, a set of core features are often embodied in them as synthesized by Reiser (2011) and others:

An Articulated Social Purpose: The corporate charter should clearly identify a particular purpose of public benefit as a fundamental purpose of its existence that places the mission beyond a voluntary act of mission to a legally enforceable basis.

Extended Fiduciary Duties: Directors are no longer only obliged to make decisions that affect the workers, the community and the environment but also the shareholders. This offers a legal safe haven in making decisions which are profit and purpose oriented.

Improved Transparency and Reporting: Periodic reporting on the social and environmental performance, which is usually measured against a third party standard, is mandatory. This is meant to establish accountability of the said social mission.

The Unanswered Questions: A Critical Lapse in the Empirical Evidence.

Despite the comprehensive research on these new forms of law in terms of descriptive and normative literature, the literature has an empirical gap which needs to be filled by verifying the actual effects of these forms of law. Much has been written about the hypothetical propositions of what these laws ought to achieve but there is a deafening silence on what they actually achieve in practice of sound quantitative research.

The Mission Resilience Assumption

There is an innermost commitment of hybrid forms of law that mission drift is reduced. Nevertheless, there are limited longitudinal studies that have followed Benefit Corporations or CICs over a period of time to contrast their mission fidelity with a control group of mission oriented traditional corporations. The legal protection is not the only factor as Battilana et al. (2022) state; the organizational culture,

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leadership and pressure of stakeholders are also key and their interplay with the law is not yet well comprehended.

The Capital Access Hypothesis

The assumption that a specialized form of law will open up new sources of capital is tested on a large scale not very well. Although there are case studies of successful capital raises of Benefit Corporations (e.g., Etsy, Kickstarter), it is not clear that this is a trend that can be generalized. Do impact investors prefer to invest in or provide good terms to an enterprise that is legally encoded as a social enterprise? According to research by Agrawal and Hockerts (2019), the legal signal is useful but investors continue to pay significant attention to other due diligence variables and the legal form is not a silver bullet.

Diversity in Legal Design and Effectiveness

The literature has not been rigorously investigating the effects of differences in the design of such laws. As an illustration, does a high asset lock of a CIC result in contrasting growth trends, as compared to the looser reporting structure of a U.S. Benefit Corporation? What impact does the various reporting standards have on the quality and usefulness of the disclosed impact data? A cross-jurisdictional comparative research would be required to go beyond a binary analysis (supported vs. not supported) to a subtler sense of what particular legal mechanisms prove to be most effective.

Entrepreneurial Perception and Adoption

The perspective of the entrepreneur is another field that has not been studied well. What is the reason that some social entrepreneurs embrace these new structures and others, despite being in the same jurisdiction, opt to stick to the traditional structures? According to the qualitative studies by Grimes et al. (2019), legal complexity, awareness, and perceived costs (both financial and administrative) are the factors that are important in the decision-making process that often exceed the theoretical benefits. In short, there is a solid theoretical and descriptive underpinning in the literature that is present. It powerfully proves the issue of legal misfit, records the worldwide reaction by the new forms of law and outlines the theoretical advantages of the new forms of law. Such construct can also create a huge impact on the consumers purchase decision that affects the brand trust (Rehman et al., 2025). Nonetheless, it is inadequate in giving conclusive empirical results on the causal connection among these legal aspects and actual performance and impact of social enterprises. This study will help fill this specific gap by shifting the discussion of what the laws are to what the laws do and will offer much-needed evidence to entrepreneurs, investors and policymakers who have to work through the shifting nature of social entrepreneurship.

Legal Resource Factors

In the context of influencing social ventures, legal resources play an important role in determining their growth, functioning, and success. Any business is operated within

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the confines of the legal requirements, any country and nation has some rules and regulation to the smooth operation of the business. The current literature is helpful in understanding the role of legal structures and regulations in defining the social entrepreneurship environment. Fallatah (2020) argues that a favorable legal environment should be conducive to entrepreneurship, and it is necessary to find the weaknesses and gaps in the existing legal system and offer an environment conducive to the flourishing of entrepreneurial activity. Facilitated laws are very helpful in growth and development of social entrepreneurs. Additionally, Coates & Van Opstal (2009) deal with the opportunities and challenges of various legal frameworks of social entrepreneurship as an example of the Belgian one. They describe the necessity to introduce new legal frameworks that can assist and regulate the activities of social entrepreneurship.

The above research and discussion show that easy and convenient legislation and legal frame work that facilitates social entrepreneurs is in demand. Based on the literature above, the hypothesis was worked out as follows:

H1: There is significant positive relationship between Legal resource factors and social entrepreneurship.

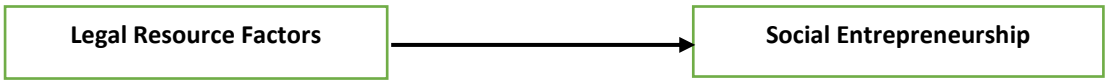


Figure 1: Conceptual framework

Research Methodology

This study uses the quantitative correlational research design to conduct a systematic study into the relationship between the legal resource factors and social entrepreneurship in Pakistan. The main aim is to find out whether or not there is a statistically significant relationship between the positive perceptions of the legal and regulatory environment and enhanced access to finance, operational efficiency and social impact.

Research Design, Population, Sampling and Data Collection.

The population to be targeted is social enterprises operating in KPK Pakistan. The data was collected using a cross-sectional survey design, where a sample of social enterprises that are in operation in KPK province was surveyed at a given time. This type of design is suitable to measure variables and test the relationships between them without manipulating them, which allows capturing the picture of the existing landscape (Creswell & Creswell, 2018). Since specialized legal forms of social enterprises are at an early stage of development in KPK Pakistan, the independent variable will be on the perceptions of the entrepreneur towards the legal environment. The snowball method of sampling was also included where the respondents were requested to suggest other eligible social enterprises. A number of 246 respondents were the target population developed into a sample with the G*Power software.

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The primary data were collected with the help of a self-administered online questionnaire, which was distributed with the help of online tools such as Google Forms and the invitation sent by email. The online strategy will ensure there is a wide coverage, economical and real time response particularly in cases where the population is geographically dispersed. The social media communities and discussions about entrepreneurship were used in recruiting the participants. The analysis was performed with the help of SPSS-23 and SmartPLS for examining the demographics, reliability, regression and Structural Equation Modelling (SEM).

Data Analysis and Findings of the Study

The analysis of the data that was collected based on a five (5) likert scale on 246 of the sample size in KPK Pakistan. The findings are presented in order of the research objectives, where the primary statistics of the sample are provided followed by tests of reliability, correlation analysis and results of the regression models to test the basic hypotheses.

Descriptive Statistics and Sample Profile.

The following table gives a clear picture of the demographic scenario of the social entrepreneurs of the study. Such a profile could be studied and allow us to draw a conclusion regarding the potential trends and biases in the impact of factors of legal resources on different groups. The results show that average social entrepreneur in this sample are well educated (74.40% College level), middle aged (42.70%) or older individuals (26% over 45) and 77.65 percent of them are male and 22.35 percent are female.

Table 1: Profile of Sampled Social Enterprises (N=246)

Characteristic	Category	Frequency	Percentage
Gender	Male	191	77.65%
	Female	55	22.35%
Factors	**Sum**	246	100%
Ages	20-35 years	77	31.30%
	36-45 years	105	42.70%
	45 & Above	64	26%
Factors	**Sum**	246	100%
Education	College Level	183	74.40%
	University/Post Graduate	63	25.60%
	Sum	246	100%

Reliability & validity Tests

Reliability tests were conducted using Cronbach alpha for each construct and the target value was above 0.70. Internal consistency was verified using Composite

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Reliability (CR) and the value greater than 0.70 indicates that the scale is reliable. Convergent validity was measured through Average Variance Extracted (AVE) > 0.50, the below mentioned table 2 shows that all the values of the items regarding the Cronbach's Alpha and CR are greater than 0.7, which shows the acceptance level of reliability and internal consistency of the items. The value of AVE shows that all the constructs have a valid convergent validity (AVE>0.50).

Table 2 Reliability & Validity Statistics

S#	Variables	Items	Cronbach's alpha	Composite Reliability	Average variance extracted (AVE)
01	Legal Resource Factors	03	0.859	0.756	0.784
02	Social entrepreneurship	08	0.887	0.812	0.767

Correlation Analysis

A Pearson correlation analysis was conducted to examine the bivariate relationships between the main variables. The results are summarized in Table 3.

Table 3: Pearson Correlation Matrix

Variables	Mean	SD	Legal Resource Factors	Social Entrepreneurship
Legal Resource Factors	3.77	0.71	1	
Social Entrepreneurship	3.86	0.74	.753**	1

Note: N = 246, p < 0.01 (2-tailed)

The correlation matrix reveals several significant preliminary findings: Legal Resource Factors has a strong, positive correlation with Social Entrepreneurship (r = .753, p < .01). Therefore, the connection between the social entrepreneurship and legal resource factors are trustworthy, valuable and significant.

Regression Analysis

Table 4 Regression

Predictor Variable	B	Std. Error	β	t	P-value
(Constant)	.474	.179		6.164	.000
Legal Resource Factors	.567	.046	.571	27.168	.000
R = .571, Adjusted R^2 = .569, Fstat = 27.17 (0.000)**, p < .001**					

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The regression table above shows that the constant 0.474 indicates that as that the average Social Entrepreneurship will be 0.474 and is significant because the P value of the constant is less than 0.05 and the implication is that an increase of 1 percent in the Legal Resource Factor will lead to an increase of 0.567 in the Social Entrepreneurship. It is a significant and fitted model since F value is more than 4 and P value is less than 0.05 (Fstat= 27.17 >4). The value of R=0.571 implies that there is a correlation between the two variables with the correlation of 57.1% and the value of the R square implies that the independent variable Legal Resource Factor can account the change in the dependent variable Social Entrepreneurship 56.9 percent.

Discussion of the Major Results in the Pakistani Context.

The study has defined three areas that are considered to be critical in that legal resources factors are highly pronounced:

The Lack of a Specific Legal Model

One of the key points is the tremendous difficulty in the absence of a specific legal framework to represent hybrid organizations. In Pakistan, social entrepreneurs are limited to either become a not-for-profit company by registering as a society under the Societies Registration Act, 1860, or a company under the Companies Ordinance, 1984 (as a Section 42 company) or become a for-profit company under the Companies Act, 2017. The non-profit path limits the sharing of profits and availability of equity financing, whereas the for-profit approach poses mission-drift issues and does not communicate social purpose to stakeholders. This knowledge gap compels the businesspeople to act within the grey areas of the law, posing serious identity, governance, and fundraising problems, a discovery that can be related to the institutional theory concept of logic conflict.

Regulatory Complexity and Bureaucratic Hurdles

The research discovered that there was a significant consensus on regulatory complexity and bureaucratic inertia being a significant impediment. Registration, tax exemption (especially by the Federal Board of Revenue), and yearly compliance procedures are outlined as long-term, non-transparent, and expensive. This compliance tax has a disproportionate impact on small social enterprises, which instead of delivering programs and marketing their products divert the little resources to compliance tax. The fact that the laws of the colonial era have never been removed, and that there has been no digitalization and regulatory awareness, poses a barrier to entry and formalization of great heights.

Limits to Access to Justice and Intellectual Property

The study has indicated that affordability of legal advice is a serious limitation. The majority of social enterprises do not have access to specialized legal services, and they are often weak during negotiations of the contract, resolving disputes, and being exposed to the complicated regulatory environment. More so, whereas tech-based

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social innovations (ex: in Agritech or Healthtech) might greatly depend on the protection of intellectual property (IP), the cost and difficulty of patenting or trademarking via an organization, the Intellectual Property Organization of Pakistan (IPO-Pakistan), makes it unaffordable to many and hinders innovation and imitation.

Comparison and Contrast with Existing literature

These results are consistent with international research, including the works of Nicholls (2010) who underlines the importance of the institutional environment. But the situation in Pakistan brings in certain layers of complexity. Although the legal system of countries such as the UK and the US has developed into specialized forms of law, the legal framework of Pakistan is still based on a binary profit/non-profit divide. This paper supports the research conducted by Azhar and Bashir (2020) who found regulatory barriers as one of the challenges facing Pakistani social enterprises. Our study, however, is more comprehensive by identifying the lack of a hybrid form of law as the root problem on which numerous other operational problems are derivative. Although Pakistani social entrepreneurs are astonishingly strong, this study shows that some failures in the legal and regulatory system may limit their development and influence irreversibly, so that they will not be able to provide solutions corresponding to the scale of the social issues in the country.

Direct implications of the results are on the policy makers, ecosystem builders and entrepreneurs:

Policymakers

The legal innovation is badly needed. The new policy makers ought to see the opportunity to write a new law (a hybrid, a hybrid legal form, e.g., a "Pakistan Social Enterprise" structure) that includes locking assets, distribution of profits to few, and reporting of impact. Studies have shown the influence of such marketing activities in social enterprise sector (Rahman et al., 2025). At the same time, a one-stop-shop of registration and compliance, possibly on the platform of the Securities and Exchange Commission of Pakistan (SECP) would dramatically lower the transaction costs of doing well.

In the case of Ecosystem Builders (Incubators, Donors, Impact Investors)

Funders ought to invest in legal services, such as pro-bono legal clinics and document templates. To equip the entrepreneurs with the challenges, incubators should incorporate legal literacy into their main training courses.

Social Entrepreneurs

This study highlights the vitality of strategic planning in which legal planning is vital at the very beginning. An entrepreneur has to make the most careful trade-offs in regard to the legal structure they choose and take the initiative to push the reforms in the policy by taking collective action.

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Conclusion

This study aimed at exploring the effects of legal resource variables on the social entrepreneurship in Pakistan. The conclusion is evident: the existing legal system is a bottleneck, critical, and frequently disregarded, which has been hindering the potential of a thriving social enterprise sector. The lack of a specific legal form combined with regulatory complexity and lack of access to justice makes social entrepreneurship one that requires a social entrepreneur to bend their models to the legal categories that are obsolete as opposed to enabled by an architecture. Social entrepreneurship is an extremely important source of innovation and creation of employment and sustainable solutions to the problems in the country with deep-rooted developmental issues. But in the absence of the legal scaffolding needed, such ventures have a hard time attaining the size, capital, and permanence to create an indelible mark on issues such as poverty, education and healthcare. The way ahead must be a concerted effort to find a way to overcome the gap between the innovative possibilities of the social world and the inertia of the law. Pakistan can realize the full potential of social entrepreneurs by appreciating the law not as a limiting factor but as a facilitating factor. Legal reform should not be regarded as a side-show, but as part of any national strategy towards sustainable and inclusive economic development. The future of social entrepreneurship in Pakistan does not only lie in the zeal of the social entrepreneurs themselves, but it also lies on the intelligence of the policymakers to create a legal ecosystem in which the zeal can be nurtured and grow to heights.

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