

# SOCIAL ENTREPRENEURSHIP IN AFRICA: LEVERAGING INNOVATIVE BUSINESS MODELS TO ADDRESS SUSTAINABLE DEVELOPMENT CHALLENGES

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DOI: <https://doi.org/10.5281/zenodo.18050452>

## Abstract

Social entrepreneurship has emerged as a critical tool for addressing development issues in Africa by using new and sustainable methods. Research has shown that the continent continues to grapple with major sustainable development challenges such as poverty, inequality, climate change, and unemployment. These persistent issues highlight the need for inclusive and scalable solutions that go beyond traditional development frameworks. This study seeks to explore how social entrepreneurship, through the adoption of innovative business models such as impact investing, hybrid ventures, and social franchising, is addressing these challenges across Africa. A qualitative research method was applied in this study by drawing on case studies and secondary data to examine the role and impact of social entrepreneurship in fostering sustainable development. This paper also highlights successful initiatives and business models, including those focused on agriculture, education, healthcare, and environmental conservation. It also outlines the Africa Forward initiative, a collective effort by African social entrepreneurs to drive systemic change through narrative shift, ecosystem development, funding, job creation, and capacity development.

**Keywords:** innovative business models, social entrepreneurship, sustainable development, sustainable development goals (SDGs)

## 1. INTRODUCTION

Africa has a wide range of natural and human resources, but the continent remains plagued by chronic social, economic and environmental issues that limit inclusive and sustainable development. In Sub-Saharan Africa, poverty, joblessness and inequality continue to prevail despite the changes in governance framework, infrastructural development, and the involvement of the private sector. According to the World Bank (2025), in 2022, about 45.5 percent of the population in Sub-Saharan Africa lived below the international poverty line of USD 2.15 per day, with the figure expected to rise to almost 464 million people in 2024 (World Bank, 2024a). Youth unemployment is another contributing factor to these issues, in 2023, the world youth unemployment rate stands at 13.56%, which is approximately 64.9 million unemployed young people across the world (Macrotrends, 2024; ILO, 2024). Environmental pressures also contribute to these socio-economic vulnerabilities because Africa, although responsible for less than one-tenth of greenhouse gas emissions globally, is still disproportionately impacted by climate change in terms of frequent droughts, floods, and land degradation that undermine livelihoods and food security (WMO, 2023). As a result, Africa is lagging behind the realisation of the majority of

Sustainable Development Goals (SDGs), which highlights the necessity to implement new, inclusive, and context-specific methods of development (UNDP, 2023).

Within this context, social entrepreneurship has become a viable tool for solving complex development challenges. Social entrepreneurship refers to the use of entrepreneurial principles to develop a sustainable solution to social and environmental issues and balancing the delivery of social value with financial sustainability (Kamaludin, 2023; Ogbari, Ingomowei & Amaihian, 2025). Social enterprises have a more complex mission since they combine the logic of business and the goal of social good unlike the traditional profit-based businesses or pure philanthropic organisations. This hybrid orientation is especially applicable in African settings and other institutional voids such as weak regulatory frameworks, poor market development, and poor service provision of the state (Arejiogbe, Moses, Salau, Onayemi, Agada, Dada & Obisesan, 2023). Social enterprises within such settings tend to operate as alternative service delivery systems, which are left to fill the gaps created by the state and traditional development actors.

In Africa, studies demonstrate the increased applicability of social entrepreneurship to the gaps in systemic development. Indicatively, M-KOPA in Kenya has facilitated more people to access affordable off-grid solar energy on a pay-as-you-go business model, and LifeBank in Nigeria has used digital platforms to streamline blood and oxygen supply chains, hence enhancing healthcare outcomes. These initiatives suggest that social entrepreneurship in Africa is not limited to short-term relief programmes, but it provides solutions to long-term development issues in a scalable and financially sustainable way.

Central to this transformative potential is the adoption of innovative business models. Mechanisms such as impact investing mobilise capital towards ventures that deliver both financial returns and measurable social impact, while hybrid ventures and social franchising enable mission-driven organisations to balance sustainability with scale (Global Impact Investing Network, 2023; Agrawal & Jespersen, 2024). Nevertheless, even with the growing academic interest, the current literature is still disjointed, frequently capturing scattered cases of success without sufficiently describing how social entrepreneurial purpose is translated into scalable and systematic developmental results via structured business model innovation, especially in institutionally weak African settings (Agu & Ochinawata, 2021; Madichie, Gbadamosi & Rwelamila, 2021; Ibidunni, Ogundana & Olokundun, 2024).

This study is theoretically grounded in Institutional Theory and Hybrid Organisation Theory to fill this gap. Institutional Theory describes how formal and informal institutional set-ups influence organisational behaviour in weak institutional settings, and Hybrid Organisation Theory describes how social enterprises integrate social and commercial logics in order to be sustainable. Based on these perspectives, this study develops a conceptual framework that places innovative business models as an intervening process between social entrepreneurship and sustainable development outcomes with institutional context as a moderating condition. Accordingly, this study adopts conceptual review methods to analyse the role of social entrepreneurship in sustainable development in Africa based on innovative business models to provide theoretical understanding and practical knowledge to policy-makers, investors, and ecosystem participants.

## 2. LITERATURE REVIEW

### 2.1. Social Entrepreneurship and Sustainable Development in Africa

The concept of social entrepreneurship has increasingly gained attention as the mechanism for addressing complex social and environmental issues, particularly in contexts where conventional state and market interventions have proven inadequate (Mishra, 2021; Kamaludin, 2023). Existing studies conceptualise social entrepreneurship as a pursuit of innovative and market-oriented solutions to social issues, supporting entrepreneurial processes which focus on the creation of social value, and financial sustainability (Ogbari et al., 2025; Agrawal & Jespersen, 2024). This model has been established in the African context as particularly applicable because of the chronic shortage of development, poverty, and low institutional capacity (Muli & Arasa, 2019; Arejeogbe et al., 2023).

Despite the growing number of research, existing studies on social entrepreneurship in Africa remain largely descriptive and fragmented. Much of the existing studies focused mainly on success stories or success narratives, often highlighting outcomes without sufficiently interrogating the mechanisms through which social enterprises generate, scale, and sustain impact over time (Agu & Ochianwata, 2021; Madichie et al., 2021). Consequently, social entrepreneurship is often depicted as a sequence of project-based interventions but not a development pathway that can create systemic and long-term results. This descriptive predisposition restricts the incorporation of theories and reduces the explanatory capacity of the literature, specifically with respect to the sustainable development outcomes (Ibidunni et al., 2024).

### 2.2. Hybrid Organisation Theory and the Logic of Social Enterprises

Hybrid Organisation Theory offers a convenient perspective through which the structural and strategic complexities of social enterprises are understood. This theory assumes that social enterprises exist in the boundaries between social welfare and commercial logics, and organisations must strike a balance between the mission-driven goals and market-based demands (Battilana & Lee, 2014). Studies believe that such a hybridity promote innovation, flexibility, and organisational resilience; nevertheless, it also brings about the conflict concerns mission drift, resource distribution, and governance (Nair, 2022).

In the African conditions, such tensions are frequently aggravated by an unstable market, restricted access to finance, and weak regulatory conditions. Some researchers state that hybridity allows social enterprises to diversify sources of revenue and increase legitimacy (Kamaludin, 2023), but others argue that conflicting institutional logics can limit expansion and sustainability of social enterprises (Govil & Neti, 2024). The body of literature therefore remains divided on whether hybridity is a strategic asset or structural liability of the social enterprises running in resource-constrained environments. This theoretical tension underscores the necessity to explore how organisational processes, especially business model decisions, can help social enterprises to cope with dual logics in institutionally fragile contexts.

### 2.3. Institutional Voids and the African Entrepreneurial Context

Institutional Void Theory further enhances the comprehension of African social entrepreneurship environment by highlighting the deficit or failure of market-supporting institutions including regulatory frameworks, financial systems and infrastructure (North, 1993). The institutional voids determine entrepreneurial behaviour by raising transaction costs, reducing access to capital, and

restricting scalability (Muli & Arasa, 2019). While these weaknesses pose critical obstacles, some studies claim that they also open up possibilities of entrepreneurship innovation because businesses devise other schemes to solve the institutional failure (Akinboade Taft, Weber, Manoko & Molobi, 2023; Agu & Ochinawata, 2021).

In social entrepreneurship studies, institutional voids are treated as contextual background rather than analytically integrated variables. Accordingly, it remains unclear how social enterprises can respond in a systematic way to these limitations or use institutional weaknesses as a chance to create social innovations and build sustainable development (Madichie et al., 2021; Atogenzoya, 2020; Kamaludin, 2023). This omission undermines the ability of existing studies to explain the variance in performance, and influence in different African context.

#### **2.4. Business Model Innovation as an Integrative Mechanism**

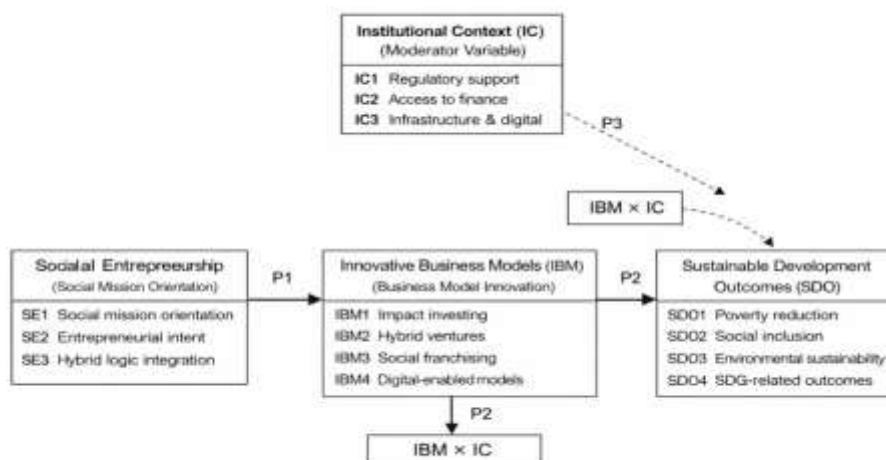
Recent research increasingly recognises business model innovation as a critical mechanism through which social enterprises navigate hybrid organisational demands and institutional constraints. Innovative business models, such as impact investing structure, hybrid revenue design, and social franchising enable social enterprises to align social missions with financial viability while adapting to weak institutional environments (Nair, 2022; GIIN, 2023). In African setting, these models can be used as adaptive strategies to address the institutional voids in the African contexts, where enterprises utilise the local resources, limit their reliance on external financing, and incrementally scale up the impact (Agrawal & Jespersen, 2024).

However, business models have remained under-theorised within current studies on social entrepreneurship, despite their recognised importance. Although empirical studies acknowledge their operational relevance, business models are not often placed as key explanatory tools that connect the social entrepreneurial intention and sustainable development outcomes (Mukoro, Sharmina & Gallego-Schmid, 2022; Ibidunni et al., 2024). This conceptual oversight helps to promote the primarily descriptive character of extant studies and restricts theoretical progress.

#### **2.5. Synthesis and Research Gap**

Collectively, the literature reveals three critical gaps. First, studies in Africa on social entrepreneurship are mostly descriptive and have limited analytical integration. Secondly, Hybrid Organisation Theory and Institutional Void Theory provide useful insights, they are rarely combined to explain how social enterprises operate and scale in African environments. Third, the mediating effect of innovative business models in converting the intent of social entrepreneurship into sustainable development outcomes is under-theorised. This study therefore addresses these gaps by integrating these theoretical lenses into a single conceptual framework that would place innovative business models as mediating variables and institutional context as a moderate circumstance that defines the sustainable development outcomes in Africa.

#### **Figure 1: Conceptual Model**



### 3. METHODOLOGY

This study adopted a conceptual review approach, which is based on a synthesis pool of secondary data to examine how social entrepreneurship contributes to sustainable development in Africa through innovative business models. A conceptual reviews method is appropriate when the objective is to integrate fragmented information, clarify theoretical connections, and develop propositions for future empirical testing rather than to test hypotheses using primary data (Jaakkola, 2020). Relevant sources were identified from academic databases including Scopus, Google Scholar, and Emerald Insight, as well as institutional repositories of development organisations such as the World Bank, UNDP, and African Development Bank, Global Impact Investing Network (GIIN), and documented case studies of African social enterprises between the years 2019 to 2024.

Studies were included if they explicitly addressed **social entrepreneurship or impact-driven business models** within Africa, and demonstrated clear social or environmental sustainability objectives. Purely philanthropic studies or those lacking entrepreneurial mechanisms were excluded. Data analysis followed a thematic synthesis procedure involving the identification of recurring themes, coding of conceptual arguments and contextual factors, and integration of insights across studies. This process enabled the development of propositions and the construction of a conceptual framework linking social entrepreneurship, innovative business models, and sustainable development outcomes within institutionally constrained African environments.

### 4. ANALYSIS

The review is analysed through thematic synthesis of reviewed literature and reported African case evidence adhering to the conceptual frame formed in this study. Consistent with conceptual review design, the analysis does not include any statistical testing, but rather points to recurring patterns and relationships across studies which can be used to explain the contribution of social entrepreneurship to sustainable development outcomes in institutionally constrained settings. The synthesis produced three analytically meaningful themes relating to the propositions developed in this study.

The initial theme emphasises social entrepreneurship as an adaptive response to institutional deficiencies. In African settings, social enterprises frequently arise in context marked by weak state capacity and market failure, such as energy access, healthcare delivery, agriculture, and education. The analysis reveals that social entrepreneurs are institutional innovators who integrate social missions with market based discipline in order to provide necessary services sustainably. Empirical evidence from ventures such as M-KOPA LifeBank highlights how social enterprises substitute for ineffective public systems while maintaining operational viability. This pattern support **(P1)** which posits that social entrepreneurship contributes to sustainable development in Africa by integrating social impact with financially sustainable practices, particularly in contexts where state and donor interventions are limited. These findings through the lens of Institutional Theory indicate that social enterprises do not just exist within the framework of the institutional constraints, but they actually transform the local developmental logic.

The second theme reinforces the **mediating role of innovative business models** in translating social entrepreneurial intent into scalable and sustainable development outcomes. The synthesis shows that those social enterprises that embrace the impact investment structure, hybrids revenue model and social franchising exhibit more endurance and continuity when compared to those based on single source funding or simply philanthropic methods. These business models enable mobilisation of resources, risk diversification and context replication. This is consistent with **(P2)** which suggests innovative business models enhance the scalability and long-term sustainability of social enterprises. In line with Hybrid Organisation Theory Hybridity emerges as a strategic process that helps organisations to balance conflicting social and commercial logics effectively.

The third theme shows the **moderating influence of institutional context**. The reviewed literatures consistently show that regulatory clarity, availability of infrastructure, and ecosystem support are key factors that condition the success of innovative business models. Business model innovation increases development outcomes in favourable institutional conditions, but its effects are limited in unfavourable institutional conditions. This finding supports **(P3)** demonstrating that institutional context moderates the relationship between business model innovation and sustainable development outcomes. Generally, the analysis confirms that social entrepreneurship achieves systemic impact in Africa when innovative business models are integrated into normalizing institutional settings.

## 5. DISCUSSION

The study adds to the existing body of knowledge in social entrepreneurship by providing synthesised clarification of how social enterprises in Africa produce sustainable development outcomes in circumstances of institutional weakness. Instead of perceiving social entrepreneurship as a group of isolated interventions, the findings place it as an institutional-level reaction to the endemic development failures, where market and state mechanisms are not working anymore. This perspective shifts the discussion from individual enterprise success toward understanding social entrepreneurship as a systemic development process embedded within specific institutional environments.

Theoretically, the findings narrow down the use of the Institutional Theory by showing that the social enterprises do not simply adjust to institutional voids but instead transform service provision and resource mobilisation behaviours in limited settings. The study also builds on Hybrid

Organisation Theory by demonstrating that hybridity in African social enterprises is not an organisational choice but rather a functional requirement in order to survive and scale. Using the innovative business models as mediating mechanisms, the study clarifies how the social entrepreneurial intent is operationalised into quantifiable and sustainable development outcomes, which is a major theoretical gap detected in the previous studies.

The discussion also underscores the importance of institutional context as a conditioning factor. While new business models increase resilience and scalability, the success of new business models greatly depends on regulatory clarity, the availability of infrastructure, and ecosystem support. This finding supports the necessity to go beyond the company-specific explanations and address the more global structural circumstances in evaluating the influence of social entrepreneurship on the development.

From a policy and practice perspective, the study illustrates that there should be concerted ecosystem level interventions. Policymakers should recognise hybrid organisational forms within legal and regulatory frameworks to reduce uncertainty and improve access to finance. Development agencies and investors are also advised to assist in patient and blended financing models that are long term goals of social enterprises. For practitioners, the findings emphasise the strategic importance of business model design in balancing social mission with financial sustainability. Collectively, the study result confirms that social entrepreneurship can serve as a viable pathway for sustainable development in Africa when innovative business models are embedded within enabling institutional environments.

## **6. CONCLUSION AND IMPLICATIONS**

This study examined social entrepreneurship as a pathway for addressing sustainable development challenges in Africa through innovative business models. Built on Institutional Theory and Hybrid Organisation Theory, the study revealed that social entrepreneurial intent, operationalised through hybrid ventures, assists social enterprises to respond to institutional weaknesses and contribute to inclusive and resilient development outcomes. The findings show that social entrepreneurship in Africa serves as an adaptive alternative to institutional failures, with innovative business models improving scalability and long-term sustainability. The effectiveness of these outcomes is conditioned by the strength of the surrounding institutional environment. Collectively, the study reinforces the argument that contributing to sustainable development in Africa involves strengthening social entrepreneurship ecosystems that integrate social mission with financial sustainability and align with continental and global development agendas, including Agenda 2063 and the Sustainable Development Goals.

## **7. LIMITATIONS AND FURTHER STUDIES**

This study is limited by its reliance on secondary data and conceptual synthesis, which restricts empirical generalisation of the findings. Lack of primary data does not allow testing the proposed relationships across specific sectors or countries. Future studies should empirically test the conceptual framework in quantitative or mixed-method across diverse African contexts. Future research should also carry out comparative sector across and institutional environments would further enhance understanding of how innovative business models influence the scalability and sustainability of social entrepreneurship outcomes.

## ACKNOWLEDGEMENTS

The authors acknowledge the support from Covenant University Centre for Research, Innovation and Discovery (CUCRID) Covenant University, Ota, Nigeria, The authors acknowledge the institutional support of the Covenant University Centre for Research, Innovation and Discovery (CUCRID), Covenant University, Ota, Nigeria, and the academic guidance of Dr. Ogbari, Ejoywokeoghene Mercy during the preparation of this manuscript.

## AUTHOR DECLARATIONS

**Author Contributions:** Conceptualization, O.E.M; , I.P.S methodology, I.P.S; validation, O.E.M formal analysis, I.P.S ;, resources, O.E.M writing—original draft preparation, I.P.S.; writing—review and editing, supervision O.E.M.; project administration I.P.S.; All authors have read and agreed to the published version of the manuscript.

**Funding:** This research received no external funding

**Institutional Review Board Statement:** Not applicable.

**Informed Consent Statement:** Not applicable.

**Data Availability Statement:** The study is based on a systematic review of existing literature. All data supporting the findings are available within the cited sources included in the reference list.

**Conflicts of Interest:** The authors declare no conflict of interest.

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