

The Role of Community-Based Entrepreneurship in Economic Empowerment

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Abstract

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Community-based entrepreneurship has emerged as a strategic approach to fostering inclusive and sustainable economic empowerment at the grassroots level. This study aims to explore the role of community entrepreneurship in strengthening local economic capacity through a systematic literature review. By examining scholarly articles published, findings indicate that the success of economic empowerment through this approach largely depends on active community engagement, cross-sectoral collaboration, and adaptability to social change. Community-based entrepreneurship not only improves household income but also enhances social cohesion, broadens access to resources, and accelerates local innovation. The study affirms that strengthening local capacity, empowering women, and developing micro-enterprises play a critical role in shaping an effective community entrepreneurship ecosystem. The implications highlight the importance of supportive policies that facilitate local and participatory initiatives to foster sustainable and inclusive development. This research contributes to a deeper understanding of the community-based entrepreneurship model and its significance in transforming marginalized economies into resilient and self-reliant systems.

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1. Introduction

In the context of increasingly complex global dynamics and rising economic inequality, an economic development approach based on local communities has become an increasingly crucial and indispensable strategy. One of the most significant forms of this approach is community-based entrepreneurship, a model that not only focuses on achieving short-term economic gains but also aims at the holistic empowerment of the local communities involved. This model positions the community as the main actor in decision-making processes, independent utilization and management of local resources, and active involvement in inclusive and participatory social and economic development (Bell & Reed, 2022). Community-based entrepreneurship differs substantially from conventional forms of entrepreneurship because its approach emphasizes social values, local culture, and active participation from all elements of society. Its primary goal is not merely to seek economic profit, but also to encourage widespread social transformation, build community resilience in the face of change, and systematically reduce poverty through a sustainable process.

This model becomes highly relevant and contextual, especially in addressing various structural challenges that have historically limited community mobility, such as high unemployment rates, low financial literacy, limited entrepreneurial capacity, and restricted access to markets, capital, and technology. Economic empowerment carried out through community entrepreneurship mechanisms is often realized through the development of micro and small enterprises rooted in local potential (Mulyono et al., 2020). Sectors such as community-based agriculture, handicrafts

rooted in local cultural traditions, and services tailored to local community needs are the most common forms of implementation. The success of these ventures is highly influenced by internal factors, such as the entrepreneurial skills of the community, leadership capacity within the community, and a high level of social solidarity; as well as external factors such as adequate government policy support, good access to microfinance and community-based financing schemes, and sufficient connectivity to local and wider markets.

Previous research has shown that effective economic empowerment strategies through entrepreneurship approaches must consider the unique characteristics of the empowered community, including cultural values, social relationship patterns, and local organizational structures (Bruton et al., 2018). However, more recent literature, particularly that published last five years, highlights that the integration of digital technology, community-specific needs-based training, and participatory approaches are key differentiating factors determining the success of community entrepreneurship models. This approach, combining technology and contextual training, has proven to support the creation of social innovation at the local level, strengthen community capacity for economic independence, and encourage the sustainability of businesses rooted within the community itself.

The urgency of this study lies in the importance of formulating a conceptual and practical framework that can serve as a reference in the planning and implementation of community entrepreneurship development in various contexts. This is crucial given that, to date, there is no strong consensus in the literature regarding success indicators, mechanisms for measuring socio-economic impact, or

the best strategies for building truly effective and sustainable community-based entrepreneurship in various regions (Wijoyo et al., 2020). This research has the main objective of comprehensively reviewing and evaluating various academic literatures discussing the role of community-based entrepreneurship in promoting local economic empowerment. The focus of the study is directed at identifying various approaches used in community entrepreneurship, internal and external factors that drive or hinder its success, various structural and cultural challenges faced, and the economic and social impacts that have been noted by previous research. Thus, this study is expected to make a significant contribution to the formation of a more inclusive, adaptive, and participatory entrepreneurship model that can be widely applied in the context of local community-based economic development.

2. Literature Review

2.1. Concept of Community-Based Entrepreneurship

Community-based entrepreneurship is an economic approach that specifically places local communities as the main actors in the entire process of creating economic, social, and cultural value in their own regions (Ditta-Apichai et al., 2020). In this approach, the community is no longer positioned merely as a passive recipient of benefits, but rather as a key driver actively involved in designing, managing, and developing economic initiatives based on available local potential. Bruton et al. (2018) explicitly explain that the main characteristics of this community entrepreneurship approach are its collaborative nature, its basis in social and cultural

values, and its strong reliance on independent and sustainable management of local resources.

These community entrepreneurship initiatives arise from the urgent need to create an alternative economic system that is fairer and more inclusive, in response to capitalist models that are often considered exploitative, exclusive, and not supportive of marginalized communities. Furthermore, community entrepreneurship also functions as a reliable social mechanism to overcome various forms of economic marginalization experienced by certain community groups. According to Honadle (2018), this approach has great potential in creating "new economic spaces" where local communities have greater control over capital distribution, decision-making in production processes, and a fairer and more democratic distribution of economic results.

2.2. Dynamics of Economic Empowerment Through Community Entrepreneurship

Economic empowerment through community entrepreneurship generally takes place through interconnected strategic stages that form a continuous process. These stages include increasing both individual and collective capacity within the community, the process of transferring relevant skills and knowledge to support entrepreneurial activities, expanding access to various forms of capital, both from formal financial institutions and informal sources, and gradually developing business scale adapted to the capabilities and local resources owned by the community (Esteves et al., 2021). All these stages play an important role as a foundation in supporting robust and inclusive community-based economic empowerment.

In a broader context, financial literacy is one of the key factors determining the strength and resilience of a community's economy. The community's ability to understand, manage, and plan financial aspects appropriately will influence the independence and sustainability of local businesses (Aquino et al., 2018). The community entrepreneurship approach also plays a significant role in addressing gender inequality, through the active involvement of women in micro-business activities designed and managed collectively within the community (Bhardwaj, 2018). According to Ditta-Apichai et al. (2020), local needs-based training and partnerships with various external institutions contribute significantly to the success of community economic transformation. Collaboration becomes an important element in expanding the reach and socio-economic impact of community entrepreneurship.

2.3. Challenges and Sustainability Strategies

Despite its enormous potential in driving community-based economic development, community entrepreneurship is not immune to various complex and diverse challenges. Some of the main challenges identified in various studies include limited access to information and communication technology that can be used to support productivity and market expansion, lack of regulations that support the legal and administrative development of community businesses, and social resistance or cultural rejection of traditional economic models towards participatory and entrepreneurship-based economic models (Sahut et al., 2021). These conditions hinder the process of economic transformation that community entrepreneurship aims to achieve.

To ensure the continuity and sustainability of established community entrepreneurship initiatives, strong and collaborative support from various parties is needed, especially from the government through progressive public policies, the private sector through partnerships, and the community itself as the owner of the initiative. One strategic solution that is increasingly relevant is the targeted application of digital technology and contextual technology-based training. This approach is considered capable of accelerating adaptation to changing times and strengthening the capacity of community business actors. This is also in line with the findings in a study by Xu and Dobson (2019), which states that the digitalization of business processes and the development of innovative ecosystems are key factors in determining the future direction of global and sustainable community entrepreneurship.

3. Method

This research uses a systematic literature review (SLR) method that aims to examine and analyze the contribution of community-based entrepreneurship to community economic empowerment. The main focus is directed at scientific findings published in international academic journals between 2018 and 2022. Articles analyzed in this study were obtained through Google Scholar with selection limitations on scientific publications that have high relevance to the topics of community-based entrepreneurship and economic empowerment. Article selection was strictly based on several inclusion criteria, namely: journals must be published articles must be written in English to be academically accessible and analyzed

internationally; the discussion in the articles must focus on issues of community entrepreneurship and community economic empowerment; and include both empirical and conceptual articles.

Data collection was carried out using keywords such as “community-based entrepreneurship,” “economic empowerment,” and “community development through entrepreneurship.” Articles that appeared in the search results were then further filtered through abstract and content review to ensure suitability with the research focus. After going through this selection process, 15 scientific articles were selected and analyzed in depth. The analysis was carried out with a thematic approach, which grouped articles based on the main themes that emerged, such as the social role of community entrepreneurship, the economic impact generated, and the factors influencing the success of these initiatives. The findings from these various articles were then compiled and synthesized narratively to produce an integrated understanding. To maintain the validity of the analysis, this research only used journals published by reputable academic publishers such as Elsevier, Taylor & Francis, Emerald, and Springer. Nevertheless, the main limitation of this study lies in the potential for selection bias and limited access to paid articles. Therefore, the results of this study more represent open literature that is publicly and academically accessible.

4. Results

The results of the systematically reviewed literature study show that community-based entrepreneurship plays a very fundamental and irreplaceable role

in the process of community economic empowerment. This role is realized through a series of mechanisms such as strengthening local capacity, increasing social collaboration, and mobilizing available resources within the community. All these processes form a strategic framework that allows the community not only to be an object of development but also to be an active subject capable of determining the direction and form of economic development they desire. A number of in-depth studies analyzed confirm that entrepreneurial initiatives that grow and develop from within the community have a much stronger impetus in creating inclusive, participatory, and sustainable economic growth compared to top-down economic development approaches that are often too centralized and detached from the real local context.

These community entrepreneurship initiatives have proven capable of providing direct and tangible impacts on various indicators of community welfare, including the creation of new jobs in both the informal and formal sectors, a significant increase in household income, and the strengthening of social capacity which includes social trust, local leadership, and citizen participation in economic decision-making processes at the community level. In general, this approach is not only economic but also builds community self-confidence to develop independently and sustainably.

The reviewed literature shows that there are various forms of community-based entrepreneurship developing in various regions. These forms include local cooperatives managed by the community itself, micro-businesses owned and operated by community groups, and business units based on cultural values and local

tourism activities. Each of these models has common basic values, namely the principle of mutual cooperation as a basis for collective work, active participation of community members in all business processes, and fair and proportional distribution of economic benefits to all contributors. In a study conducted by Aquino et al. (2018), it was found that collective ownership structures in community entrepreneurship play an important role in increasing a sense of ownership of common economic assets, and directly strengthening social cohesion and solidarity within the community.

In addition, the active role and involvement of women in community entrepreneurship activities is also one of the important findings that consistently appear in various academic literatures. In the article by Bhardwaj (2018), it is explained that women's empowerment through community-based entrepreneurship training has resulted in a very significant increase, both in terms of family income and in terms of women's social participation in marginalized areas that were previously excluded from economic access. The involvement of women in community entrepreneurship not only has a positive economic impact but also increases their self-confidence, expands women's leadership capacity at the community level, and opens up wider space for gender equality in the productive sector.

Furthermore, the findings from the study by Esteves et al. (2021) show that community-based economic development cannot only be viewed from an economic perspective, but requires a multidimensional approach. The dimensions that need to be considered simultaneously include the social dimension which includes social

networks and mutual cooperation values, the environmental dimension such as sustainable management of natural resources, and the economic dimension itself which includes productivity, income, and economic independence. Community entrepreneurship, according to the study, must be able to overcome various structural challenges faced by the community, such as limited access to business capital, constraints in business legality and licensing, lack of skills in utilizing technology, and cultural resistance to social and economic change. Therefore, collaborative and cross-sectoral economic development interventions, involving government, civil society organizations, financial institutions, and private business actors, are important strategies to ensure the success of community-based economic empowerment processes.

One of the latest developments in community entrepreneurship is the utilization of digital technology as a primary tool in business development. Technology is considered a key factor capable of increasing the effectiveness and efficiency in carrying out community-based entrepreneurial activities. In research conducted by Xu and Dobson (2019), it is stated that the digitalization of entrepreneurial processes allows for the expansion of local product market reach to wider areas, even across regions and countries. In addition, the use of digital platforms also accelerates the administrative and general business management processes. These digital platforms enable community business actors to market products online, establish partnerships with various parties virtually, and access technology-based entrepreneurship training and guidance without having to rely on physical presence.

Not only that, various community entrepreneurship models examined also show great potential in environmental conservation and sustainable natural resource management. The study by Ditta-Apichai et al. (2020) is an example that illustrates how community initiatives in independently managing the tourism sector are able to create economic value while maintaining environmental integrity and local culture. In this study, tourism activities are developed not merely for commercial interests, but also as a tool for environmental education and the preservation of traditional culture. This approach strengthens the position of community entrepreneurship as a comprehensive, integrated, and long-term development tool.

Education and training also emerge as integral components in supporting the success and sustainability of community entrepreneurship. A study conducted by Sahut et al. (2021) states that contextual entrepreneurship training, adapted to local needs, and based on real-world practices has a significant impact on increasing managerial capacity, strategic business planning, and more structured business financial management. The development of training curricula based on local potential and combined with real case studies has proven capable of creating sustainable entrepreneurial behavior change within the community.

However, behind all the potential and successes found, community-based entrepreneurship still faces various serious challenges in terms of sustainability. One of the most common obstacles is the weak internal institutional structure within the community itself, including the absence of an effective governance system, lack of transparency in financial management, and limited organizational capacity in managing internal conflicts. In addition, dependence on external donors in the early

phase of business development often hinders the transition process towards economic independence. No less important, access to alternative financing sources outside formal banking schemes also remains a major obstacle hindering the expansion of community businesses.

To overcome these obstacles, many communities develop more flexible and solidarity-based internal financing mechanisms, such as revolving funds among members, community-based savings and loan cooperatives, and partnerships with private business actors who share a common vision of sustainable development. These alternative strategies not only provide more affordable financial access but also encourage the formation of stronger economic independence and reduce dependence on short-term external funding sources.

In general, from all the studies analyzed, it can be concluded that the success of community entrepreneurship initiatives is highly influenced by the synergy between several important elements, namely identified and maximized local potential, adaptive and visionary community leadership, active participation of all community elements in decision-making, and policy support from local to national levels that are pro-people's initiatives. Economic empowerment oriented towards the community will be much more effective when the approach is systemic and able to consider the social, cultural, and economic dynamics developing in each community.

The final findings of this study also confirm that community entrepreneurship strategically directed at community economic empowerment must be able to create added value from various local products through innovation, quality improvement,

and production efficiency. In addition, this approach must strengthen locally based supply chains that are interconnected and encourage collaboration between different communities to create greater economies of scale. Such practices will strengthen the economic resilience of communities against various forms of crisis, and create fairer, more equitable, and sustainable development in various regions.

5. Discussion

The discussion of the findings in this study clearly shows that community-based entrepreneurship plays a very strategic and significant role in promoting comprehensive and sustainable economic empowerment. This approach is not only capable of generating increased income for individuals directly involved in business activities but also simultaneously building and strengthening social capital, which is the main foundation for the sustainability of a community. In this context, the local social networks created become an important element in expanding collaboration, strengthening social cohesion, and increasing the adaptive capacity of communities to the evolving dynamics of social and economic change. This strategy, ultimately, brings the community closer to a more measurable, contextual, and sustainable state of economic independence (Marín-González et al., 2022).

The literature that has been thematically analyzed shows that when local communities or people are given sufficient space to lead and manage their own economic initiatives, the results achieved will be far more relevant to local needs and contexts, more effective because they come from direct community participation, and more resilient in the long term because they are rooted in the internal strengths

of the community. This community entrepreneurship model also demonstrates a very important role in overcoming social and economic inequalities that have not been fully addressed by conventional development approaches. This is because this model has the ability to reach vulnerable groups, including women, youth, people with disabilities, and marginalized communities who have been excluded from access to economic resources (Ezbakhe et al., 2019).

However, the effectiveness and sustainability of community entrepreneurship in various contexts are not free from various structural challenges that are still faced (Doh et al., 2019). Some of the most frequently appearing challenges include limited regulations supporting local entrepreneurship, limited community access to digital technology and infrastructure, and weak internal institutional capacity within the community, leading to low quality of business governance. Therefore, cross-sector collaboration is very important to form a supportive entrepreneurial ecosystem. Government, the private sector, non-governmental organizations, and educational institutions need to synergize in facilitating affirmative policies, providing fiscal incentives, and organizing technical and managerial training that reaches communities even in remote areas.

The results of the analysis also show the importance of social innovation and the utilization of information and communication technology as key catalysts in the process of community economic transformation. When communities can adopt and internalize digital technology in their business activities, wider access to markets will be created, business management will become more efficient, and cooperation networks can be developed more broadly and inclusively (Banalieva & Dhanaraj,

2019). This process also encourages fairer economic inclusion and helps reduce inequality in access to economic opportunities that were previously limited to certain groups.

Community-based economic empowerment also cannot be separated from the importance of contextual education and training. Training programs designed not only to provide technical skills but also to foster entrepreneurial spirit, local leadership, and the ability to adapt to social and economic change are primary needs in building resilient communities. This knowledge and these skills will strengthen the community's capacity to continue to innovate and survive in the face of increasingly complex and competitive global challenges. Thus, overall it can be concluded that community-based entrepreneurship has enormous potential to become a superior strategy in creating a more inclusive, resilient, and sustainable economic system. The success of this strategy is highly dependent on three main factors, namely the strength of collaboration among stakeholders, active participation and collective awareness from the community, and the availability of supportive and responsive regulations for local initiatives that grow from the bottom up.

6. Conclusion

Community-based entrepreneurship is an economic development approach that positions the community as the main actor in social and economic transformation. Based on the literature review, the role of community entrepreneurship in economic empowerment is proven to be significant, especially in the context of increasing income, empowering vulnerable groups, and

strengthening social capital. The key to the success of this initiative lies in the community's ability to collectively manage local potential, utilize digital technology, and build strategic partnerships with various parties. In addition, contextual education and training are vital elements to form resilient and innovative local entrepreneurs. However, various challenges are still faced, including limited infrastructure, lack of supportive policies, and limited access to capital and markets. Therefore, synergy between the government, the private sector, and the community is needed to create an environment that supports inclusive and sustainable entrepreneurship. Community-based entrepreneurship has great potential to be a fair and sustainable economic empowerment strategy. To achieve this, a holistic and systemic approach is needed that not only focuses on economic aspects but also on strengthening local social and cultural structures as pillars of sustainability.

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