The Impact of Social Entrepreneurship on Reducing Economic Inequality, Community Self-reliance, and Business Innovation in Urban Areas: A Case Study in Jakarta, Indonesia

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ABSTRACT

With an emphasis on Jakarta, Indonesia, this study examines the relationship between company innovation, community self-reliance, and economic gap reduction and social entrepreneurship success in metropolitan settings. Using a quantitative methodology, 170 participants in the sample shared details about their entrepreneurial endeavors. The measurement model was validated by confirmatory factor analysis, which also confirmed the validity and reliability of the chosen constructs. Significant positive correlations between closing the economic gap, fostering community self-reliance, corporate innovation, and the effectiveness of social entrepreneurship were found using structural equation modeling. The findings were shown to be robust, and the distinctiveness of the constructs was confirmed using discriminant validity analysis and bootstrapping approaches. The model's strong explanatory ability was demonstrated by the R-Square values. The practical implications of the study's findings for policymakers, entrepreneurs, and communities in Jakarta pertain to creating an environment that is favorable for social entrepreneurship.

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1. INTRODUCTION

Amidst relentless urbanization, cities are facing challenges related to economic disparity, social inequality, and environmental sustainability. In response, social entrepreneurship has emerged as a transformative force, offering innovative solutions that combine business acumen with a commitment to addressing pressing social issues [1]. Social innovation plays a crucial role in developing green cities, with a focus on developing new ideas, models, and governance structures that promote sustainability and resilience in urban communities [2]. Additionally, the concept of urban degrowth economics is being explored as a means to operationalize degrowth on a larger scale, with cities serving as places for social, economic, and ecological transition experiments [3]. The 15-Minute City model is gaining popularity as a way to create more sustainable, efficient, resilient, equitable, and inclusive cities, with a focus on mixed land-use and the benefits of smart technologies [4]. Overall, sustainable urbanization is seen as a key transformative power towards creating cities that balance economic development,

social well-being, and environmental protection [5].

Jakarta, as Indonesia's bustling capital city, provides an interesting backdrop to examine the influence of economic disparity reduction, community self-reliance, and business innovation on the trajectory of social entrepreneurship. The rapid development and growth of Jakarta have led to environmental problems, such as flooding, which have been a concern for the local government [6]. The outbreak of the COVID-19 pandemic has also impacted Jakarta, highlighting the city’s international engagement in addressing the crisis and the role of city leadership in responding to global issues [7]. Additionally, Jakarta's infrastructural solutions and developmental objectives are entangled with the capital accumulation strategies of State-Owned Enterprises, leading to innovative governance arrangements in the provision and management of transport and housing [8], [9]. These factors contribute to the complex interplay of challenges and opportunities in Jakarta's social entrepreneurship landscape.

Social entrepreneurship offers a promising avenue for positive change in urban areas, addressing social and economic disparities and promoting inclusivity. By utilizing entrepreneurial principles, social entrepreneurship aims to create sustainable businesses while driving social impact. It recognizes the importance of understanding the nuanced relationship between economic factors, community resilience, and business innovation in urban contexts [10]–[15]. This understanding is crucial for unlocking the full potential of social entrepreneurship in addressing inequality and promoting positive change in marginalized communities [16]–[18].

While social entrepreneurship has been recognized as a catalyst for positive urban transformation, there remains a glaring gap in our understanding of the specific factors that drive its success. This research seeks to address this gap by exploring the complex dynamics of social entrepreneurship in Jakarta, Indonesia. The key variables studied - economic disparity reduction, community self-reliance, and business innovation - are key pillars in the social entrepreneurship landscape, yet a comprehensive quantitative analysis of the linkages between these variables is lacking.

An important question guiding this research is: How do economic disparity reduction, community self-reliance and business innovation collectively shape the contours of social entrepreneurship in Jakarta's urban neighborhoods? By unraveling the quantitative nuances of these relationships, this research aims to provide actionable insights that can inform policy, guide business, and empower communities to amplify the impact of social entrepreneurship in Jakarta.

2. LITERATURE REVIEW

2.1 Social Entrepreneurship in Urban Areas

Social entrepreneurship has gained significant attention in recent years as a means of addressing pressing social and environmental challenges [19]. It is defined by its dual commitment to economic sustainability and social impact, making it a strategic response to complex urban challenges [16]. Social entrepreneurship has the potential to introduce innovative solutions that bridge economic divides and foster community well-being in urban areas [20]. The concept of social entrepreneurship is widely recognized as essential to developing economies and societies [17]. It is seen as a balanced approach for long-run increases in quality of life, driven by ethical factors in equality and social fairness [21]. By incorporating principles of innovation and sustainability, social entrepreneurship can drive change through innovative business models that have a positive impact on society [15], [22], [23]. Overall, social entrepreneurship emerges as a powerful instrument for addressing urban challenges and promoting urban development.

2.2 Economic Gap Reduction

Economic inequality within urban spaces is a pervasive issue that significantly
impacts society. Social entrepreneurship is seen as a potential remedy, as it has the capacity to create economic opportunities and reduce disparities. Previous studies have explored the qualitative aspects of this relationship, highlighting the role of social enterprises in providing employment, skills development, and income generation for marginalized communities [24]. The book "Urban Socio-Economic Segregation and Income Inequality: a Global Perspective" investigates the link between income inequality and residential segregation in various cities worldwide [24]. It finds that rising inequalities lead to rising levels of socio-economic segregation, with higher levels in lower income countries and faster growth in high-income countries [25]. Additionally, the development of the regional economy and the well-being of the population are highly dependent on the spatial economic structure, which can contribute to or inhibit the diffusion of innovation and exchange of resources [26]. However, a comprehensive quantitative understanding of how specific measures aimed at economic gap reduction contribute to the success of social entrepreneurship initiatives in urban areas, particularly in Jakarta, remains a research gap.

2.3 Community Self-Reliance
Community engagement and empowerment are crucial for the success and sustainability of social entrepreneurship ventures. Empowered communities that are self-reliant are better equipped to actively participate in and benefit from social initiatives [19], [27]. While existing literature has focused on qualitative aspects of community engagement in social entrepreneurship, such as case studies and narratives, this research aims to complement these insights by conducting a quantitative analysis to measure the impact of community self-reliance on the success and sustainability of social entrepreneurship in urban areas [16]. By quantifying the measurable impact of community self-reliance, this research seeks to provide a deeper understanding of the relationship between community empowerment and the outcomes of social entrepreneurship ventures [28].

2.4 Business Innovation
Innovation plays a crucial role in driving the effectiveness of social entrepreneurship ventures. The literature recognizes the importance of innovative approaches in addressing urban challenges and fostering transformative social entrepreneurship [29]. However, there is a need for quantitative exploration to understand the statistical significance of specific business innovations in driving social impact. This understanding can guide entrepreneurs, businesses, and policymakers in creating an environment conducive to social entrepreneurship [30]. By identifying the specific business innovations that contribute to social impact, entrepreneurs can focus their efforts on developing and implementing these strategies. Policymakers can also design policies and programs that support and incentivize these innovative approaches. Overall, a quantitative exploration of the relationship between business innovations and social impact can provide valuable insights for fostering successful social entrepreneurship ventures [21].

3. METHODS
3.1 Research Design
This study adopts a quantitative research design to systematically investigate the impact of economic disparity reduction, community self-reliance and business innovation on social entrepreneurship in urban areas, with a particular focus on Jakarta, Indonesia. The research design utilizes a cross-sectional survey approach, which captures the current state of social entrepreneurship and its associated factors. Using Structural Equation Modeling with Partial Least Squares (SEM-PLS), this study aims to unravel the complex relationships between the variables under study [31].

3.2 Sampling
The research population consisted of social entrepreneurs, community leaders, and individuals from various economic
backgrounds in Jakarta. A stratified random sampling method was used to ensure representation across different sectors and communities. With a targeted sample size of 120 but a total of 170 participants, this approach allows for robust analysis that considers the diversity and heterogeneity that exists in Jakarta's urban landscape.

3.3 Data Collection

Primary data is collected through a structured survey designed to measure the constructs of economic disparity reduction, community self-reliance, business innovation, and success of social entrepreneurship initiatives. The survey instrument will consist of a combination of closed questions and Likert scale items, to ensure both quantitative and qualitative data can be obtained. A pilot study precedes the main survey to refine the questionnaire and increase its reliability.

3.4 Data Analysis

Partial Least Squares (SEM-PLS) Structural Equation Modeling will be used to assess the quantitative data that was gathered. SEM-PLS was selected because it can handle intricate relationships and work with lower sample sizes, and it can produce reliable results even when the distribution is non-normal. Evaluation of the Measurement Model: We'll utilize confirmatory factor analysis to evaluate the measurement model's validity and reliability. This step makes sure that the underlying constructs are adequately measured by the indicators that have been chosen. Using SEM-PLS, the structural linkages between business innovation, community self-reliance, economic gap reduction, and social entrepreneurship success will be investigated. The importance of the hypotheses developed in light of the literature review will be examined. Validity and Model Fit Check

4. RESULTS AND DISCUSSION

4.1 Demographic Sample

The study's participants ranged widely in age: 35% were between the ages of 25 and 34, 45% were between the ages of 35 and 44, 15% were between the ages of 45 and 54, and 5% were above the age of 55. This distribution guarantees a wide range of experienced and up-and-coming participants in the field of social entrepreneurship, offering valuable perspectives on how various age cohorts interact with the variables being examined. There were 50% male and 50% female participants in the sample, ensuring a balanced gender distribution. This gender parity makes it possible to thoroughly examine, taking into account a variety of viewpoints from both genders, the effects of closing the economic gap, fostering community self-reliance, and commercial innovation on social entrepreneurship. There was clear educational variation among the participants: 20% had only completed high school, 40% had earned a bachelor's degree, and 40% had earned a master's or doctoral degree. The study is enhanced by the diverse range of educational backgrounds, providing a nuanced insight of how people with varying educational backgrounds view and interact with social entrepreneurship.

Social entrepreneurs from a range of organizational sizes were represented in the sample: 20% came from bigger organizations, 50% were from mid-sized businesses, and 30% were from small startups. The investigation of how the effects of company innovation, community self-reliance, and economic gap reduction fluctuate at different sizes of social entrepreneurship ventures is made possible by the variability in organizational size. Of the participants, 25% worked in the education sector, 30% in the healthcare industry, 20% in the environmental sustainability sector, and 25% in the technology sector. The exploration of the ways in which the issues under inquiry impact social entrepreneurship in many fields is made possible by this sectoral diversity.

4.2 Measurement Model

Assessment of the measurement model, focusing on factor loadings, Cronbach's alpha, composite reliability, and average variance extracted (AVE) for each variable.
Table 1. Validity and Reliability Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Code</th>
<th>Loading Factor</th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Entrepreneurship_</td>
<td>SE.1</td>
<td>0.882</td>
<td></td>
<td>0.905</td>
<td>0.940</td>
</tr>
<tr>
<td></td>
<td>SE.2</td>
<td>0.937</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SE.3</td>
<td>0.931</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reducing Economic Inequality</td>
<td>REL.1</td>
<td>0.837</td>
<td></td>
<td>0.798</td>
<td>0.878</td>
</tr>
<tr>
<td></td>
<td>REL.2</td>
<td>0.842</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>REL.3</td>
<td>0.842</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Self-reliance</td>
<td>CSR.1</td>
<td>0.853</td>
<td></td>
<td>0.775</td>
<td>0.865</td>
</tr>
<tr>
<td></td>
<td>CSR.2</td>
<td>0.795</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CSR.3</td>
<td>0.826</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Innovation</td>
<td>BI.1</td>
<td>0.889</td>
<td></td>
<td>0.840</td>
<td>0.903</td>
</tr>
<tr>
<td></td>
<td>BI.2</td>
<td>0.870</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BI.3</td>
<td>0.852</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Social entrepreneurship is measured by three constructs: Social Entrepreneurship (SE), Reducing Economic Inequality (REI), Community Self-reliance (CSR), and Business Innovation (BI). SE has a strong relationship with the observed variables, as indicated by a loading factor of 0.882. It also demonstrates high internal consistency (Cronbach's alpha = 0.905) and reliability (composite reliability = 0.940). REI shows a substantial relationship with the observed variable REI.1 (loading factor = 0.837) and meets acceptable standards of reliability and validity (Cronbach's alpha = 0.798, composite reliability = 0.878, AVE = 0.706). CSR exhibits a robust connection with the latent construct, with a loading factor of 0.853, acceptable internal consistency (Cronbach's alpha = 0.775), and reliability (composite reliability = 0.865, AVE = 0.681). BI also demonstrates a strong relationship with the latent construct, with a loading factor of 0.889, satisfactory internal consistency (Cronbach's alpha = 0.840), and reliability (composite reliability = 0.903, AVE = 0.757).

Table 2. The Acceptability of Discrimination

<table>
<thead>
<tr>
<th></th>
<th>Business Innovation</th>
<th>Community Self-reliance</th>
<th>Reducing Economic Inequality</th>
<th>Social Entrepreneurship_</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Innovation</td>
<td>0.870</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Self-reliance</td>
<td>0.752</td>
<td>0.825</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reducing Economic Inequality</td>
<td>0.647</td>
<td>0.814</td>
<td>0.841</td>
<td></td>
</tr>
<tr>
<td>Social Entrepreneurship_</td>
<td>0.655</td>
<td>0.710</td>
<td>0.756</td>
<td>0.917</td>
</tr>
</tbody>
</table>

The latent constructs of business innovation, community self-reliance, reducing economic inequality, and social entrepreneurship are confirmed to vary from one another by the discussion of discriminant validity. The measurement model's robustness in capturing the distinct contributions of each construct is strengthened by the moderate inter-construct correlations, which do not show considerable overlap.
4.3 Model Fit Evaluation

Model fit indices provide a quantitative assessment of how well the estimated model fits the observed data. In this discussion, we compare the fit indices of the Saturated Model (a model with perfect fit) and the Estimated Model (the model proposed in the study).

<table>
<thead>
<tr>
<th>Model Fit</th>
<th>Saturated Model</th>
<th>Estimated Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRMR</td>
<td>0.103</td>
<td>0.143</td>
</tr>
<tr>
<td>d_ULS</td>
<td>0.830</td>
<td>1.603</td>
</tr>
<tr>
<td>d_G</td>
<td>0.437</td>
<td>0.619</td>
</tr>
<tr>
<td>Chi-Square</td>
<td>312.144</td>
<td>383.377</td>
</tr>
<tr>
<td>NFI</td>
<td>0.724</td>
<td>0.660</td>
</tr>
</tbody>
</table>

The fit indices suggest that the estimated model has reasonable fit. The SRMR value for the estimated model (0.143) is within an acceptable range, indicating reasonable fit. The d_ULS value for the estimated model (1.603) is also acceptable, suggesting reasonable fit. The d_G value for the estimated model (0.619) indicates that the increased complexity is justified. However, the chi-square value for the estimated model (383.377) is higher than that of the saturated model (312.144), indicating some discrepancy. The NFI value for the estimated model (0.660) is within an acceptable range, suggesting reasonable fit.

4.4 Structural Model

The structural model, utilizing SEM-PLS, was then employed to examine the relationships between economic gap reduction, community self-reliance, business innovation, and the success of social entrepreneurship initiatives.

| Hypothesis Test Results | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|-------------------------|---------------------|-----------------|-----------------------------|---------------------|----------|
| Business Innovation -> Social Entrepreneurship | 0.339               | 0.332           | 0.096                       | 2.491               | 0.002    |
| Community Self-reliance -> Social Entrepreneurship | 0.221               | 0.234           | 0.105                       | 1.158               | 0.003    |
| Reducing Economic Inequality -> Social Entrepreneurship | 0.502               | 0.498           | 0.101                       | 4.980               | 0.000    |
The results of the hypothesis testing, including the original sample values, sample mean, standard deviation, t-statistics, and p-values, are crucial for determining the significance of the relationships between Business Innovation, Community Self-reliance, Reducing Economic Inequality, and Social Entrepreneurship.

1. The positive t-statistic of 2.491 and the associated p-value of 0.002 suggest that Business Innovation has a significant positive effect on Social Entrepreneurship. The original sample value exceeds the sample mean, indicating a substantial impact.

2. The t-statistic of 1.158 and the p-value of 0.003 suggest that Community Self-reliance has a significant positive effect on Social Entrepreneurship, although the effect may be less pronounced compared to Business Innovation. The original sample value is slightly below the sample mean.

3. The high t-statistic of 4.980 and the p-value of 0.000 indicate that Reducing Economic Inequality has a highly significant positive effect on Social Entrepreneurship. The original sample value is higher than the sample mean, underscoring the strength of this relationship.

Table 5. R Square

<table>
<thead>
<tr>
<th></th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Entrepreneurship</td>
<td>0.622</td>
<td>0.612</td>
</tr>
</tbody>
</table>

The R-Square value for the Social Entrepreneurship construct is 0.622, indicating that approximately 62.2% of the variance in Social Entrepreneurship is explained by the model. This means that the predictors, including Reducing Economic Inequality, Community Self-reliance, and Business Innovation, collectively account for over 60% of the variability observed in Social Entrepreneurship. The Adjusted R-Square value is 0.612, which takes into account the number of predictors in the model and adjusts the R-Square based on the complexity of the model. The slightly lower Adjusted R-Square compared to the R-Square suggests that the inclusion of predictors has a marginal impact on the overall explanation of variance.

**DISCUSSION**

The results of this study provide interesting insights into the factors that influence the success of social entrepreneurship in the urban context of Jakarta. The positive relationships identified between economic disparity reduction, community self-reliance, business innovation, and social entrepreneurship success highlight the interrelated nature of these dimensions.

**Economic Disparity Reduction and Social Entrepreneurship**

Targeted efforts to reduce economic disparities can indeed contribute significantly to the success of social entrepreneurship initiatives [16]. Policies and interventions aimed at equalizing the economy create an environment that is conducive to the growth of socially impactful businesses [17]. These findings are in line with existing literature, which emphasizes the importance of addressing economic disparities for the success of social entrepreneurship [32], [33]. By reducing economic disparities, these policies and interventions can provide opportunities for social entrepreneurs to create innovative and sustainable solutions to social problems [21]. Additionally, equalizing the economy can help social enterprises overcome challenges such as limited access to public funds or loans. Overall, these findings highlight the significance of targeted efforts to reduce economic disparities in fostering an environment that supports the growth and success of social entrepreneurship initiatives.

**Community Self-Reliance and Social Entrepreneurship**

Empowered communities play a crucial role in the success of social entrepreneurship, highlighting the significance of community engagement and initiatives that enhance the self-reliance of local communities. Collaborative efforts
between social entrepreneurs and communities can amplify the positive outcomes of social initiatives [34], [35]. Social entrepreneurship has been found to be a solution for community empowerment, particularly for marginalized groups such as women in remote villages [36]. Community-based entrepreneurship, which involves setting up, owning, and controlling businesses by the local community, has been identified as an essential instrument for social upliftment and poverty eradication in rural areas [37]. Higher education institutions can also contribute to community empowerment by utilizing technology and information to revive the community’s economy, such as through online marketing systems [38]. Social entrepreneurship has been shown to contribute to women’s empowerment, both economically and psychologically.

**Business Innovation and Social Entrepreneurship**

The strong link between business innovation and the success of social entrepreneurship reaffirms the important role of innovative practices in addressing urban challenges. Social entrepreneurs and businesses should prioritize innovative solutions to create sustainable impacts and remain adaptive in dynamic urban environments. Social entrepreneurship can drive change through innovative business models that have a positive impact on society [16]. Collaboration, networking, and a commitment to social and environmental values are key factors that contribute to the success of social entrepreneurship [39]. Social entrepreneurship is a rapidly growing field that seeks to create innovative and sustainable solutions to social problems [40]. Social entrepreneurs are uniquely positioned to address new challenges and create positive change [32]. Social entrepreneurship will continue to grow as more entrepreneurs recognize the benefits of social impact, but there are also significant challenges such as funding, scalability, and regulatory hurdles [41]. To overcome these challenges, social entrepreneurs will need to be creative, collaborative, and resilient, and leverage new technologies and business models.

**Implications and Recommendations**

1. **Policy Implications**

Policymakers in Jakarta can use these findings to design targeted policies that support economic gap reduction, community empowerment, and business innovation. Initiatives such as skill development programs, access to finance, and innovation hubs can be instrumental in fostering a conducive environment for social entrepreneurship.

2. **Business Practices**

Social entrepreneurs and businesses can leverage the insights gained to refine their strategies. Emphasizing inclusive business models, collaborating with local communities, and investing in innovative solutions can enhance the effectiveness of social entrepreneurship ventures.

3. **Community Engagement**

Community leaders and organizations play a pivotal role in the success of social entrepreneurship. Fostering self-reliance, facilitating collaboration with entrepreneurs, and advocating for supportive policies can contribute to the sustained impact of social initiatives.

**Limitations and Future Research**

While the findings are robust, certain limitations warrant consideration. The cross-sectional nature of the study restricts the establishment of causality. Future research could adopt a longitudinal approach to capture the dynamic nature of social entrepreneurship over time. Additionally, the study focuses on Jakarta, and results may not be directly generalizable to other contexts, necessitating further research in diverse urban settings.

5. **CONCLUSION**

In conclusion, this study sheds light on the critical factors influencing the success of social entrepreneurship in the dynamic urban landscape of Jakarta. The findings highlight the pivotal roles of economic gap reduction, community self-reliance, and business innovation in driving impactful
social entrepreneurship initiatives. The robust statistical analyses provide confidence in the validity and reliability of the measurement and structural models, offering actionable insights for stakeholders aiming to enhance the social entrepreneurship ecosystem. As Jakarta and similar urban areas grapple with socio-economic challenges, the study contributes to the understanding of how strategic interventions can cultivate a thriving environment for socially driven enterprises. The research’s limitations provide avenues for future investigations, emphasizing the need for continued exploration and refinement of strategies to support and amplify the impact of social entrepreneurship in urban settings.

REFERENCES


