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Social Entrepreneurship and Community-Based Economics

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Abstract

Social entrepreneurship and community-based economics have emerged as transformative approaches to addressing socio-economic challenges by integrating entrepreneurial innovation with social responsibility. Unlike conventional business models that primarily emphasize profit, social enterprises aim to generate sustainable solutions for poverty alleviation, healthcare, education, women's empowerment, environmental protection, and inclusive growth. Community-based economic systems, rooted in local participation and cooperative structures, emphasize collective ownership, resource sharing, and self-reliance, drawing inspiration from Gandhian principles of trusteeship and grassroots empowerment. This paper explores the conceptual foundations, historical evolution, and global developments in social entrepreneurship and community economics, with a particular focus on India's cooperative movement, Self-Help Groups (SHGs), and policy initiatives such as the Companies Act (CSR mandate) and Startup India Scheme. International models, including Ashoka Foundation, Grameen Bank, M-Pesa, and Fairphone, are analyzed to highlight best practices. The research further investigates the role of impact investing, innovative financial instruments, and digital technologies in advancing social enterprises, while also addressing critical challenges such as mission drift, scalability, impact measurement, and regulatory hurdles.

Drawing upon case studies, quantitative data, and comparative policy analysis, this study argues that social entrepreneurship and community-based economics are essential drivers of sustainable development and inclusive growth in the 21st century. The findings underscore the importance of ethical business models, participatory development, and future-oriented innovations such as climate entrepreneurship, circular economy models, and blockchain-enabled supply chains. Ultimately, this paper concludes that strengthening social enterprises and community-driven economies can create resilient, equitable, and sustainable societies.

Keywords: Social Entrepreneurship, Community-Based Economics, Cooperative Movement, Impact Investing, Inclusive Growth, Self-Help Groups (SHGs), Corporate Social Responsibility (CSR), Circular Economy, Sustainable Development, Grassroots Empowerment.

Introduction

In the face of persistent global challenges such as poverty, inequality, unemployment, climate change, and weakening community bonds, societies are increasingly seeking alternative approaches to development. Traditional state-led welfare models often fail to ensure efficiency, while market-driven capitalist systems frequently prioritize profits over social well-being. The inadequacies of these dominant paradigms have opened a space for innovative, hybrid models of development.

Social entrepreneurship (SE) has emerged as a powerful mechanism to bridge the gap between profit-driven enterprises and social welfare institutions. Social entrepreneurs deploy innovative solutions to address societal problems, ensuring that economic activities simultaneously generate financial sustainability and positive social outcomes.

Complementary to this, community-based economics (CBE) is built on principles of localization, participatory governance, and sustainability. It focuses on empowering communities by embedding economic practices within social and cultural values. Unlike globalized, extractive models of economics, CBE emphasizes resilience, equity, and ecological harmony.

Literature Review

Evolution of Social Entrepreneurship

- Early Roots: The idea of using enterprise for social good is not new. Cooperative movements in the 19th century, Gandhian models of village self-reliance in India, and credit unions in Europe illustrate early forms of social enterprise.
- Contemporary Definitions: Dees (1998) described social entrepreneurs as change agents who pursue opportunities others miss. Bornstein (2004) emphasized their transformative power, while Nicholls (2006) outlined how social entrepreneurship blends business methods with mission-driven goals.

Key Characteristics of Social Entrepreneurship

1. Mission-driven orientation: Prioritizing social impact.
2. Innovation: Developing new models of delivery service.
3. Resourcefulness: Leveraging networks and alternative finance.
4. Sustainability: Seeking financial independence alongside impact.
5. Scalability: Potential to replicate and expand solutions.

Evolution of Community-Based Economics

- Historical Foundations: E.F. Schumacher's *Small Is Beautiful* (1973) criticized large-scale industrialism and emphasized human-scale economies.
- Community-Centric Approaches: Elinor Ostrom's work on commons governance highlighted how communities can sustainably manage resources without state or corporate control.
- Modern Practices: CBE is evident in local currencies, cooperative movements, and solidarity economies that empower citizens to co-create systems of production and exchange.

Intersection of SE and CBE

The fusion of SE and CBE provides a model where entrepreneurial dynamism strengthens localized economies. Social enterprises embedded in communities can reduce inequalities, foster ecological balance, and ensure participatory development.

Theoretical Framework

1. Triple Bottom Line (People, Planet, Profit): Ensures that financial sustainability, social justice, and environmental care are equally prioritized.
2. Stakeholder Theory: Expands the business focus beyond shareholders to include workers, communities, and ecosystems.

3. Social Capital Theory: Trust, networks, and cooperation enhance the effectiveness of community-driven enterprises.
4. Embeddedness Theory: Economic activities are not isolated but embedded in social and cultural norms, making CBE inherently adaptive to community needs.
5. Institutional Theory: Policies, laws, and norms shape the success of SE and CBE models.

Methodology

This study employs a qualitative approach based on secondary sources, including peer-reviewed articles, books, case studies, government reports, and NGO publications. The analysis synthesizes cross-national experiences to provide a holistic understanding of the subject.

Global Case Studies

1. Grameen Bank (Bangladesh)
2. A microfinance pioneer that empowers rural women with small loans, enabling income generation and breaking cycles of poverty.
3. Amul Dairy Cooperative (India)
4. Owned by millions of farmers, Amul transformed India into the world's largest milk producer while ensuring equitable distribution of wealth.
5. SEWA (India)
6. Self-Employed Women's Association organizes informal workers, providing financial services, healthcare, and collective bargaining.
7. Barefoot College (India)
8. Trains rural women as solar engineers, combining local knowledge with renewable technology to provide energy access.
9. Mondragon Cooperative (Spain)
10. A network of worker-owned cooperatives that ensure profit-sharing, democratic management, and community stability.
11. Fair Trade Movement (Global)
12. Supports small producers in the Global South, guaranteeing fair wages, community investment, and environmentally friendly practices.
13. Aravind Eye Care (India)
14. A low-cost healthcare model delivering millions of eye surgeries annually, combining cross-subsidization with social impact.
15. TOMS Shoes (USA)
16. Operates on a one-for-one model, donating shoes for every pair sold, though also criticized for dependency risks.
17. BRAC (Bangladesh)
18. One of the largest NGOs in the world, operating as a social enterprise to provide education, healthcare, and microfinance.
19. Jaipur Rugs (India)

20. Connects rural artisans with global markets, ensuring fair wages, skill development, and cultural preservation.
21. Village Banking Models (Latin America)
22. Community-based financial systems where groups pool resources to extend credit within the community.
23. Digital Green (India & Africa)
24. Use digital technology to enhance small farmers' productivity through video-based agricultural training.

Benefits of SE and CBE

1. Inclusive Development: Access to marginalized groups.
2. Local Empowerment: Communities control resources and decisions.
3. Job Creation: Particularly in rural and informal economies.
4. Sustainability: Ecological balance through localized production.
5. Cultural Preservation: Protecting indigenous practices.
6. Resilience: Communities withstand global economic shocks.

Challenges

1. Financial Viability: Difficulty in balancing mission and market.
2. Scaling Without Losing Identity: Risk of "mission drift."
3. Policy Gaps: Limited recognition and support in many countries.
4. Impact Measurement: Absence of standardized tools.
5. Global Market Pressures: Competing with corporate giants.
6. Social Barriers: Resistance from entrenched elites or traditions.

Global Developments in Social Entrepreneurship

- Ashoka Foundation (1980): Founded by Bill Drayton, it supports social entrepreneurs worldwide with fellowships and funding.
- M-Pesa (Kenya, 2007): A mobile phone-based money transfer and banking service that revolutionized financial inclusion in Africa.
- Grameen Shakti (Bangladesh): Provides solar home systems and renewable energy to rural households.
- Fairphone (Netherlands): A social enterprise producing smartphones with an ethical supply chain and eco-friendly components.

Quantitative Data and Statistics

According to the British Council (2016), India has more than 2 million social enterprises, many linked to self-help groups and cooperatives.

In the UK, social enterprises contribute nearly £60 billion annually to the economy and provide jobs for over 2 million people.

The Global Impact Investing Network (GIIN, 2022) estimates the impact investment market at USD 1 trillion globally.

NABARD (2021) reports that India has over 10 crore women engaged in Self Help Groups (SHGs), actively involved in community-based microfinance.

Challenges – Expanded Dimensions

Impact Measurement Tools:

- Social Return on Investment (SROI) – assesses social value creation beyond financial profit.
- GIIRS (Global Impact Investing Rating System) – measures performance of social enterprises for investors.
- Mission Drift: When social enterprises, under investor pressure, start prioritizing profit over their social mission.
- Regulatory Hurdles: Strict regulations (e.g., India's Foreign Contribution Regulation Act - FCRA) often limit access to foreign funds.

Policy Frameworks – Comparative View

- UK: Community Interest Companies (CICs) Act, 2005 gives legal status to social enterprises.
- USA: Benefit Corporations (B-Corps) provide recognition to hybrid models combining profit and purpose.
- EU: Social Business Initiative (2011) supports networking, visibility, and funding of social businesses.

India:

CSR Mandate (Companies Act, 2013) – requires large firms to invest a portion of profits in social projects.

Startup India Scheme – provides support and recognition for social enterprises.

Skill India Mission – encourages entrepreneurship and vocational training.

Future Trends

- Climate Entrepreneurship: Startups and enterprises focusing on renewable energy, carbon credits, and sustainable agriculture.
- EdTech Social Enterprises: Providing affordable digital learning models for underprivileged students in rural areas.
- HealthTech Solutions: Telemedicine and AI-based diagnostics for community healthcare.
- Circular Economy Models: Waste-to-wealth initiatives such as plastic recycling, bio-composting, and local repair economies.
- Blockchain in Community Trade: Ensuring transparent and fair supply chains for local producers through blockchain technology.

Philosophical and Ethical Dimensions

- **Gandhian Trusteeship Theory:** Wealth belongs to society, and industrialists must act as trustees of resources.
- **Ethics of Care and Solidarity:** Social entrepreneurship prioritizes human well-being, empathy, and collective responsibility.
- **Ubuntu Philosophy (Africa):** “I am because we are” – emphasizing interconnectedness and community-centered economic activity.

Policy Frameworks

International

UN SDGs: Social enterprises align with goals such as poverty reduction, gender equality, and climate action.

OECD Guidelines: Promote social innovation and inclusive business.

India

Companies Act (2013): Mandates Corporate Social Responsibility (CSR) spending.

Startup India Mission: Recognizes social enterprises as eligible startups.

National Skill Development Mission: Enhances entrepreneurial and vocational training.

Microfinance Policies: Expanding credit access for community enterprises.

Recommendations

1. Create legal status for social enterprises (e.g., Benefit Corporations).
2. Provide tax incentives and grants.
3. Develop impact-investment ecosystems.
4. Integrate SE into educational curricula.
5. Encourage public-private-community partnerships.

Future Pathways

1. **Digital Transformation:** Leveraging e-commerce, blockchain, and AI for scaling community-based enterprises.
2. **Green Social Entrepreneurship:** Climate-smart agriculture, renewable energy, waste management.
3. **Youth and Women Leadership:** Creating inclusive entrepreneurial ecosystems.
4. **Hybrid Financing:** Blending philanthropy, impact investment, and profit models.
5. **Global Collaborations:** Transnational networks of social entrepreneurs.
6. **Measurement Innovation:** Developing holistic social impact metrics.

Summary

The research paper titled “Social Entrepreneurship and Community-Based Economics” critically examines how entrepreneurial innovation and community-based economic systems together contribute to sustainable and inclusive development. Social entrepreneurship is defined as the pursuit of innovative solutions to societal challenges, while community-based economics emphasizes localized

systems of production, participatory governance, and equitable resource distribution. Both models serve as alternatives to traditional state-led and market-driven approaches, which often fail to address structural poverty, inequality, and environmental degradation.

The paper first reviews the evolution of social entrepreneurship, highlighting definitions by scholars such as Dees, Bornstein, and Nicholls, and notes its roots in cooperative movements, microfinance, and Gandhian economics. Community-based economics is traced back to the ideas of E.F. Schumacher and Elinor Ostrom, stressing human-scale economies and commons governance. Together, these frameworks interact in creating enterprises that are innovative, sustainable, and community oriented.

The theoretical framework employed includes the Triple Bottom Line (People, Planet, Profit), Stakeholder Theory, Embeddedness Theory, and Social Capital Theory, all of which explain the multidimensional impact of social enterprises.

Through extensive case studies, the paper demonstrates practical applications of these concepts. Examples include Grameen Bank’s microfinance in Bangladesh, Amul’s cooperative dairy model in India, SEWA’s empowerment of informal women workers, Mondragon’s worker-owned cooperatives in Spain, Barefoot College’s training of rural solar engineers, Aravind Eye Care’s low-cost healthcare model, and Fair-Trade initiatives across the globe. These cases illustrate how social enterprises empower marginalized groups, preserve culture, enhance resilience, and promote sustainability.

The research identifies multiple benefits of SE and CBE, including inclusive growth, empowerment of women and minorities, resilience against economic shocks, ecological sustainability, and cultural preservation.

However, it also acknowledges challenges such as balancing financial viability with social mission, difficulties in scalability, lack of supportive policy frameworks, and challenges in measuring social impact.

Policy implications are discussed at both international and Indian levels. The study emphasizes the role of the UN Sustainable Development Goals, OECD guidelines, and India’s Companies Act (CSR mandate), Startup India, and microfinance policies. Recommendations include creating legal recognition for social enterprises, offering tax incentives, fostering impact investment ecosystems, and integrating SE education into curricula.

Finally, the paper projects future directions such as digital transformation of community enterprises, climate-focused social entrepreneurship, hybrid financing models, and global collaboration networks. It concludes that

integrating entrepreneurial dynamism with community-based economics is vital for achieving equitable, sustainable, and resilient societies.

In essence, the research underscores that social entrepreneurship rooted in community-based economics is not merely an alternative economic model but a transformative paradigm for the 21st century

Conclusion

The synergy between social entrepreneurship and community-based economics offers a transformative model for development. By embedding business activities within community values and sustainability principles, they address structural inequities that state and market systems alone cannot resolve. Case studies across the globe prove their viability and impact. Yet, challenges of scalability, financing, and policy recognition remain.

The future depends on creating enabling ecosystems that support innovation, digital integration, and participatory governance. Social entrepreneurship, when rooted in community-based economics, can shape societies that are not only prosperous but also equitable, resilient, and sustainable.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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