

Bridging the Gap: Correcting Urban Inequality Through Entrepreneurial Innovation and Inclusive Business Models

Yuvraj Gadhia

Aditya Birla World Academy

DOI: 10.46609/IJSSER.2025.v10i10.056 URL: <https://doi.org/10.46609/IJSSER.2025.v10i10.056>

Received: 17 July 2025 / Accepted: 5 October 2025 / Published: 30 October 2025

ABSTRACT

This paper examines the role of inclusive entrepreneurship and innovative business models in addressing urban inequality, a critical global challenge that has intensified in recent decades. Through an analysis of social entrepreneurship, Small and Medium-sized Enterprises (SMEs), Triple Bottom Line (TBL) frameworks, and community co-ownership structures, the study explores how these approaches can catalyze solutions to urban disparities. Drawing on case studies, it demonstrates the potential of these interventions under the right conditions. In Thailand, the Bang Mot Canal project illustrates how local SMEs can revitalize communities while addressing infrastructural and environmental challenges. Indonesia's growing social enterprise sector showcases the scale of impact, while India's Lijjat underscores the necessity of co-ownership structures. The study concludes that while inclusive entrepreneurship is not a perfect solution, it represents a vital tool for addressing urban inequality when properly supported by infrastructure, policies, values, and monitoring frameworks. Success requires careful consideration of local contexts, strong institutional frameworks, and sustained commitment from multiple stakeholders to ensure these initiatives contribute meaningfully to addressing urban inequalities.

Keywords: Urban inequality, Social entrepreneurship, Triple bottom line, Small and Medium-sized enterprises, Co-ownership structures

INTRODUCTION

Urban inequality is one of the most pressing global issues in the 21st century. Three-fourths of the world's cities are more unequal than they were twenty years ago (UN-Habitat, 2016). This disparity has intensified due to the converging effects of the COVID-19 pandemic, climate change, and unsustainable urban expansion patterns that favor short-term growth over the creation of inclusive, equitable spaces.

Urban inequality manifests across social, economic, spatial, and ecological dimensions (Cociña et al., 2022). It limits access to employment, healthcare, housing, sanitation, and essential services, leaving vulnerable groups at a severe disadvantage. Addressing this gap necessitates interventions that target its complex, multidimensional nature.

Entrepreneurship has long been viewed as a means to respond to urban inequalities. Proponents highlight its well-established stimulating effect on urban economies, including the creation of new jobs, higher incomes, and increased productivity (Acs and Storey, 2010; Fritsch 2013). Nonetheless, entrepreneurship is not a homogenous field, encompassing different types, forms, methods, approaches, and motivations. Critics warn that the “wrong type of entrepreneurship” as Mueller et al. (2008) describe it, can have the opposite effect, shrinking incomes and costing jobs rather than enhancing economic stability.

Researchers, entrepreneurs, and policymakers have actively engaged with the concept of social businesses since it emerged in the early 1980s (Robinson et al., 2009). Social entrepreneurship sets itself apart from traditional entrepreneurship by prioritizing social value creation over mere wealth generation (Dees, 1998). Recent approaches link this concept with traditional models through frameworks like the triple-bottom-line approach (TBL) and community co-ownership structures, with the former even gaining institutional support following the approval of the 2030 Development Agenda (United Nations, 2015). Together, these approaches represent a shift towards sustainable, holistic, and inclusive entrepreneurship that can better respond to rising urban inequalities.

Small and Medium-sized Enterprises (SMEs) are uniquely positioned to consolidate this emerging body of knowledge. Their ability to adapt to local needs, coupled with their presence across several sectors, enables them to diversify opportunities in urban settings and reduce dependence on large-scale private industries and public sector employment (Ayyagari et al., 2007).

By examining this entrepreneurial paradigm, this paper explores how inclusive and innovative business models can catalyze solutions to urban inequalities. By analyzing their impact on the reduction of income gaps, access to essential services, and community development in underserved urban areas, it underscores their role and relevance in fostering urban resilience.

BACKGROUND

Reimagining traditional entrepreneurship is crucial for addressing today’s socio-economic inequalities. Entrepreneurship is often mistakenly viewed as a panacea for social inequalities, which overlooks the complexity of these issues. Existing literature suggests that while entrepreneurship can reduce economic disparities, its actual impact is vastly influenced by the

nature of entrepreneurial activity, sector, broader structural factors, and levels of economic development (Asamoah et al., 2021; Bruton et al., 2021).

Modern cities are also complex and dynamic environments where social change requires the involvement of multiple stakeholders. With increased engagement from the private sector in development (Mawdsley 2015), inclusive business models have gained prominence in recent decades (Mangnus, 2023). Broadly, these models seek to improve the socioeconomic status of low-income, marginalized, and vulnerable populations by productively integrating them into the market economy.

Similarly, social entrepreneurship, which does not align itself around financial profit (Nicholls, 2008) and is integrated within local communities, presents another contextually grounded pathway (Bidet and Spear, 2003). The “blended value proposition” of these enterprises enables them to complement broader sustainable growth policies, mitigate disparities, and address social exclusion (Emerson, 2003).

Various frameworks have attempted to capture the core pillars of sustainability in urban communities. The TBL approach proposed in the 1990s emphasized the need to broaden performance metrics beyond financial results by considering all three types of capital: economic, social, and environmental (Elkington, 2004). However, measuring social and ecological impact remains more challenging than assessing financial value, leading to contradictory applications since its inception.

Community co-ownership structures contest traditional entrepreneurship, or more specifically, its individualized theorization (Drakopoulou and Anderson, 2007). By decentralizing ownership, resources, processes, and goods, these structures empower those who might otherwise be marginalized in the labor force to exert greater participation and agency in economic activity (Cairns et al., 2023).

Increasingly, SMEs have assumed a vital role in this paradigm. With an estimated 600 million new jobs needed by 2030, supporting SME growth is a growing priority for many governments today (World Bank). Research shows strong links between SMEs and poverty reduction, noting improvements in income levels, job creation, and socio-economic conditions (Manzoor et al., 2019; Geremewe, 2018). Empirical research across 45 countries also found a positive correlation between SME-driven jobs and economic growth, though a direct causal link could not be established (Beck et al., 2005). On the other hand, critics contend that SMEs often encounter barriers such as limited access to finance and inadequate infrastructure, which hinder their potential to make a significant impact on poverty alleviation.

Nonetheless, in developing countries where rigorous government-led poverty alleviation strategies may be lacking, the role of SMEs and social enterprises cannot be overlooked (Mukras, 2003; Harvie, 2003). In urban and semi-urban areas where institutional support is fragmented or uneven, these enterprises and innovative business models help bridge critical employment gaps. Hence, analyzing their scope, viability, and gaps offers valuable insights for researchers and policymakers in social, economic, and urban development contexts.

DISCUSSION

Social entrepreneurship and SMEs serve as key catalysts for sustainable urban development. However, this success depends heavily on local conditions. Without the proper ecosystems, infrastructure, and institutional backing, these enterprises risk mission drift, or under certain conditions, might even exacerbate the very imbalances and injustices they aim to address (Cozzens et al., 2010).

Thailand exemplifies these challenges. As of 2021, it reported one of the highest levels of income inequalities in the East Asia and Pacific region, with the top 10% of earners controlling nearly half the total income (World Bank, 2023). This divide manifests both economically and spatially. In Bangkok, informal canal-side communities face limited access to resources, housing, and green spaces, as well as increased vulnerability to climate change, owing to historic development patterns.

Here, the Bang Mot Canal, located in the southwestern Thonburi area, presents a unique convergence between TBL and urban regeneration. In the aftermath of the COVID-19 pandemic, a multi-stakeholder Catalyzing City Resilience Solutions program empowered local SMEs to revitalize community-based eco-tourism and addressed infrastructural deficits like poor connectivity, water quality, limited access to transportation, and environmental degradation (Tan et al., 2023; Purwajati et al., 2023).

Many SMEs were owned by older residents with limited formal education, operating across sectors such as agriculture, education, tourism, food and beverage, and retail. This diversity paved the way for a synergistic eco-tourism economy, generating alternative income sources for residents. The resulting circular economy aligns with Thailand's larger Bio-Circular-Green Economy strategy for inclusive growth, while also balancing economic growth, social inclusivity, and environmental preservation to meet both present and future needs. It represents the kind of transformation in urban tourism contexts that Wise (2016) advocates for, wherein people, profit, and planet objectives are centered.

Support from a multi-stakeholder coalition of Bangkok Metropolitan Administration, Citi Foundation, Resilience Cities Network, King Mongkut's University of Technology Thonburi,

and other partners was also crucial to its success, aligning with Chen and Kamarudin's (2024) findings that holistic sustainable urban development requires diverse stakeholders to collaborate and co-create value for urban sustainability beyond mere policy or governance enhancements.

Indonesia offers another overview of this ecosystem at scale, where social enterprises have the potential to bridge economic gaps in metropolitan settings. With an estimated 342,000 social enterprises operating nationwide—a number that has been on the rise since the concept was formally acknowledged by the state in 2015—Indonesia represents one of the most dynamic ecosystems in Southeast Asia (British Council and UNESCAP, 2018, p.15, p.18). This momentum is furthered by Micro, Small, and Medium Enterprises (MSMEs), which contribute over 57% to the national GDP and comprise nearly 97% of the total labor force (p.18).

These sectors prioritize marginalized groups, with 61% of activities benefiting local communities, 48% supporting women, and 44% targeting youth, a crucial demographic to tackling unemployment (p.69). Between 2016-2017 alone, the sector witnessed a 99% increase of full-time female employees, underscoring its potential for inclusive labor market outcomes (p.71).

However, structural barriers still persist. Nearly half of Indonesia's social enterprises operate without formal legal registration, hindered by regulatory ambiguity, limited access to capital, and skilled talent shortages. These challenges are also more acute outside Java, where much of the support infrastructure remains concentrated (p.32). TBL benefits and applications vary across social enterprises and SMEs too. While Beatley (2017) argues that overlooking TBL in urban development contexts is myopic, it can also easily be oversimplified in complex urban settings, as Chen and Kamarudin (2024) argue. Ultimately, meaningful intentions, robust incubation systems, and innovative financing mechanisms are essential for creating an effective nexus between SMEs, social enterprises, and TBL that benefits urban residents.

This collaborative emphasis aligns with growing academic interest in collective entrepreneurship, offering a broader perspective on entrepreneurial theory and its social context (Cairns et al., 2023). Shri Mahila Griha Udyog Lijjat Papad, or Lijjat, exemplifies this approach. This women-led collective has empowered urban women from low-income communities across India since 1968, transforming papad-making, a domestic skill, into economic activity for over 40,000 members across 60 branches in 17 states (World Bank).

In Lijjat, ownership and membership are merged, with profits and losses shared equally, decentralized leadership, and collective collaboration among all members. Its community-based model, which creates high-impact SMEs without sacrificing local empowerment, aligns with Zeuli and Cropps's (2004) assertion that collectively-owned enterprises tend to remain

embedded in their communities, building collective agency and inclusive growth. This contrasts with traditional entrepreneurs who might exit after achieving upward mobility, thus removing value from the community (Frankish et al., 2012).

At the same time, it is worth noting that neither co-ownership structures nor social entrepreneurship offer universal solutions, but merely expand the toolkit for inclusive urban growth beyond traditional paradigms. In the 21st century, where urbanization requires new responses to contemporary inequalities, understanding the strengths and limitations of these approaches is crucial in driving the transition toward equitable growth. The implementation of these models must be carefully tailored to local contexts, considering cultural norms, existing power structures, and community needs.

Success stories from various cities demonstrate that when properly implemented, these approaches can lead to significant positive change. Ultimately, their impact is strongest when supported by targeted infrastructure, progressive policies, and cross-sector collaboration aimed at building sustainable, inclusive cities. This requires a long-term commitment from multiple stakeholders, including government bodies, private sector entities, organizations, and local communities themselves.

CONCLUSION

The multifaceted nature of urban inequality demands equally nuanced and multidimensional responses. While entrepreneurship and innovation are not inherently equitable, inclusive and socially oriented business models, particularly those grounded in triple-bottom-line (TBL) principles and collective entrepreneurship, can play a transformative role in urban contexts. By balancing social and ecological value with profit, and by empowering marginalized actors through participatory and community-based structures, these models offer a compelling alternative to conventional urban development strategies.

Case studies from Thailand, Indonesia, and India underscore the importance of local ecosystems and stakeholder collaboration in realizing the potential of SMEs and social enterprises. At the same time, it is worth noting that entrepreneurship can also perpetuate existing inequalities when not properly regulated. From a theoretical standpoint, the integration of entrepreneurship into urban upliftment has often resulted in market-driven solutions that prioritize profit over genuine social impact. The TBL framework can also fail to address deep-rooted systemic issues, instead providing superficial solutions that may actually worsen wealth disparities. Without careful oversight, entrepreneurship initiatives risk becoming another vehicle for exploitation.

Moreover, even with enabling policies and infrastructure investments, many social enterprises struggle to survive, let alone create meaningful impact. Weak institutional support, inadequate

funding mechanisms, and power imbalances continue to undermine these initiatives, particularly in marginalized communities. These challenges often lead to the exclusion of the most vulnerable populations they aim to serve.

In conclusion, inclusive entrepreneurship is not a silver bullet, but it is a vital instrument in a broader, integrated response to urban inequality. Its success depends not only on innovative business models but also on the ecosystems, values, research, and institutions that sustain them. Building equitable, sustainable, and resilient cities requires collective action, and inclusive entrepreneurship can, under the right conditions, be a powerful catalyst for that change.

References

Acs, Zoltan, and David Storey. "Introduction: Entrepreneurship and Economic Development." *Regional Studies*, vol. 38, no. 8, 2010, pp. 871-877. <https://doi.org/10.1080/0034340042000280901>.

Asamoah, Lawrence Adu, et al. "Spillover effects of innovation and entrepreneurial activity on income inequality in developing countries: A spatial panel approach Author links open overlay panel." *Regional Science Policy & Practice*, vol. 13, no. 5, 2021, pp. 1661-1686. <https://doi.org/10.1111/rsp3.12470>.

Ayyagari, Meghana, et al. "Small and Medium Enterprises across the Globe." *Small Business Economics*, vol. 29, no. 4, 2007, pp. 415-434.

Beatley, Timothy. *Handbook of Biophilic City Planning & Design*. Island Press, 2017. Accessed 1 May 2025.

Beck, Thorsten, et al. "SMEs, Growth, and Poverty: Cross-Country Evidence." *Journal of Economic Growth*, vol. 10, 2005, pp. 199–229.

Bidet, Eric, and Roger Spear. *The Role of Social Enterprise in European Labour Markets*. EMES Network Working Paper No. 03/10. 2003.

British Council, and UNESCAP. *Building an Inclusive and Developing an Inclusive and Creative Economy Creative Economy: The State of Social Enterprise in Indonesia*. 2018.

Bruton, Garry, et al. "Economic inequality – Is entrepreneurship the cause or the solution? A review and research agenda for emerging economies." *Journal of Business Venturing*, vol. 36, no. 3, 2021. <https://doi.org/10.1016/j.jbusvent.2021.106095>.

Cairns, Iain, et al. "Collective entrepreneurship in low-income communities: The importance of collective ownership, collective processes and collective goods." *International Small Business Journal: Researching Entrepreneurship*, vol. 42, no. 3, 2023.

Chen, Shaohan, and Khairul Manami Kamarudin. "Interfacing triple bottom line sustainability and metropolitan governance: An empirical exploration of stakeholder value co-creation and conflict." *Heliyon*, vol. 10, no. 19, 2024.

Cocina, Camila, et al. "Addressing urban inequalities: co-creating pathways through research and practice." *Environment & Urbanization*, vol. 34, no. 2, 2022, pp. 269-277. <https://doi.org/10.1177/09562478221117374>.

Cozzens, Susan, et al. "Emerging technologies: Quantitative identification and measurement." *Technology Analysis and Strategic Management*, vol. 22, no. 3, 2010, pp. 361-376.

Cropp, R., and K. A. Zeuli. *Cooperatives: Principles and Practices in the 21st Century*. University of Wisconsin Center for Cooperatives, 2004.

Dees, Gregory J. *The meaning of social entrepreneurship*. Kauffman Foundation and Stanford University, 1998.

Drakopoulou, Dodd S., and A. R. Anderson. "Mumpsimus and the mything of the individualistic entrepreneur." *International Small Business Journal*, vol. 25, no. 4, 2007, pp. 341–360.

Elkington, John. *Enter the Triple Bottom Line*. 2004.

Emerson, Jed. "The Blended Value Proposition: Integrating Social and Financial Returns." *California Management Review*, vol. 45, no. 4, 2003, pp. 35-51.

Frankish, Julian, et al. "Enterprise: A Route out of Disadvantage and Deprivation?" *Enterprise, Deprivation and Social Exclusion: The Role of Small Business in Addressing Social and Economic Inequalities*, edited by Alan Southern, Taylor & Francis, 2012.

Fritsch, Michael. "New Business Formation and Regional Development: A Survey and Assessment of the Evidence." *Foundations and Trends in Entrepreneurship*, vol. 9, no. 3, 2013, pp. 249-364. <http://dx.doi.org/10.1561/03000000043>.

Geremewe, Yaregal Tilahun. "The role of micro and small enterprises for poverty alleviation." *International Journal of Research Studies in Agricultural Sciences*, vol. 4, no. 12, 2018, pp. 1-10.

Harvie, Charles. *The Contribution of Micro-Enterprises to Economic Recovery and Poverty Alleviation in East Asia*. Working Paper 03–07. University of Wollongong, 2003.

Mangnus, Ellen. “An assessment of 'Inclusive' Business Models: Vehicles for Development, or Neo-Colonial Practices?” *Journal of Agricultural and Environmental Ethics*, vol. 36, no. 17, 2023.

Manzoor, Faiza, et al. “Role of SME in Poverty Alleviation in SAARC Region Via Panel Data Analysis.” *Sustainability*, vol. 11, no. 22, 2019, pp. 1–14.

Mawdsley, E. “DFID, the private sector and the re-centring of an economic growth agenda in international development.” *Global Society*, vol. 29, no. 3, 2015, pp. 339–358.

Mueller, Pamela, et al. “The effects of new firm formation on regional development over time: The case of Great Britain.” *Small Business Economics*, vol. 30, 2008, pp. 59–71. <https://doi.org/10.1007/s11187-007-9056-z>.

Mukras, M. S. “Poverty reduction through strengthening small and medium enterprises.” *Botswana Journal of African Studies*, 2003.

Nicholls, A., editor. *Social Entrepreneurship: New Models of Sustainable Social Change*. London, Oxford University Press, 2008.

Purwajati, Nini, et al. *A Point of View: Empowering SMEs for Urban Resilience*. 2023.

Robinson, Jeffrey, et al., editors. *International Perspectives on Social Entrepreneurship*. Palgrave Macmillan, 2009.

Tan, Gladys, et al. *Bangkok SME Resilience Profile: Bang Mot's Sustainable Community Tourism*. 2023.

UN Habitat. *Urbanization And Development: Emerging Futures*. World Cities Report. 2016.

United Nations. *Transforming our World: The 2030 Agenda for Sustainable Development*. 2015.

Wise, Nicholas. “Outlining triple bottom line contexts in urban tourism regeneration.” *Cities*, vol. 53, 2016, pp. 30-34.

World Bank. *Bridging the Gap: Inequality and Jobs in Thailand*. 2023.

World Bank. *Empowerment Case Studies: Shri Mahila Griha Udyog Lijjat Papad*.

World Bank. *Small and Medium Enterprises (SMEs) Finance*.