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## Empowering Rural Women Through Entrepreneurship: An Analysis of Economic and Social Impacts

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**Abstract:** This study analyzes the economic and social impacts of rural women empowerment through entrepreneurship in Indonesia. Using a mixed-method approach, the research involved 150 female entrepreneur respondents from 10 villages in Central Java and East Java. Results indicate that entrepreneurship programs increased women's income by an average of 45% within 12 months, with 78% of respondents reporting enhanced economic independence. Social impacts include a 62% increase in household decision-making participation and 56% improvement in community involvement. BPS data shows 64% of SMEs are managed by women, yet access to capital and technology remains limited. Empowerment programs through entrepreneurship prove effective in improving rural women's economic and social status while reducing gender disparities in the economic sector.

**Keyword:** women empowerment, rural entrepreneurship, economic impact, social impact, SMEs

### INTRODUCTION

Women's empowerment through entrepreneurship has become a key focus of Indonesia's economic development strategy, particularly in rural areas. This phenomenon reflects a paradigm shift from traditional approaches that position women as passive beneficiaries to active roles as economic actors capable of creating added value. Data from the Central Statistics Agency (BPS) shows that women manage 64% of all Micro, Small, and Medium Enterprises (MSMEs) in Indonesia, yet their participation in formal entrepreneurial activities still faces various structural and cultural barriers.

Rural areas in Indonesia have unique characteristics that distinguish them from urban areas, where rural women play a dual role as household managers and contributors to the family economy. Strong patriarchal traditions often limit women's access to economic resources, education, and business development opportunities. Nevertheless, the economic potential of rural women is enormous, particularly in sectors related to agricultural processing, handicrafts, and local community-based businesses.

Rural women's entrepreneurship has an impact that goes beyond the economic aspect. Women's success in managing businesses not only increases family income but also changes

social dynamics at the household and community levels. Economically independent women tend to have a stronger voice in family decision-making, better access to health and education services, and more active participation in social and community activities.

Government empowerment programs, such as the Women-Friendly Village and Child Care programs, which have been implemented in 138 pilot villages across 71 regencies and 33 provinces, demonstrate a serious commitment to optimizing women's role as agents of economic change at the grassroots level. These programs prioritize the development of basic infrastructure for women's entrepreneurship starting at the village level, with a focus on skills training, access to capital, and business mentoring.

However, evaluation of the effectiveness of these empowerment programs remains limited, particularly in measuring the long-term impact on changes in women's economic and social status. Previous studies have focused more on quantitative aspects, such as increased income, without deeply exploring how entrepreneurship affects women's position within the social structure of rural communities. Yet, the social transformations resulting from women's economic independence have broad implications for the overall development of rural communities.

This research seeks to fill this gap by analyzing the impact of empowering rural women through entrepreneurship from a broader perspective, encompassing both economic and social aspects in an integrated manner. The research focuses not only on changes in economic indicators but also on the transformation of women's roles and status within the family and society. This analysis is expected to provide a more comprehensive understanding of the mechanisms of women's empowerment through entrepreneurship and its contribution to gender-equitable village development.

## Literature Review

The concept of women's empowerment has undergone significant evolution in development literature, from a welfare approach that positions women as passive recipients of assistance to an empowerment approach that emphasizes increasing women's capacity and agency. Rowlands (1997) defines empowerment as a multidimensional process encompassing power within (self-awareness), power with (collective solidarity), power to (ability to act), and power over (control over resources). This conceptual framework provides a theoretical foundation for understanding how entrepreneurship can be an effective empowerment instrument.

In the entrepreneurship literature, Brush et al. (2009) identified that women's motivations for entrepreneurship differ from men's, with women being more motivated by the need to balance work and family life, as well as the desire to make a positive contribution to the community. These characteristics are particularly relevant to the conditions of rural women who have dual responsibilities as homemakers and breadwinners. Entrepreneurship offers flexibility, enabling rural women to simultaneously optimize their domestic and productive roles.

Studies on women's entrepreneurship in developing countries indicate that access to financial and social capital is a key factor in success. Mayoux (2001), in her research in Africa and Asia, found that microfinance programs combined with entrepreneurship training proved more effective than providing capital alone. This finding aligns with Kabeer's (2001) research, which emphasized that women's economic empowerment requires an approach that integrates structural and individual aspects.

In the Indonesian context, Tambunan's (2009) research shows that women MSME entrepreneurs face more complex obstacles than men, including limited access to technology, business networks, and family support. However, women have an advantage in managing small businesses due to their multitasking abilities and strong orientation toward personal

relationships. These characteristics serve as valuable social capital for developing community-based businesses.

The economic impact of women's entrepreneurship has been documented in numerous studies. Research by Duflo (2012) in various countries shows that increasing women's income has a greater multiplier effect on family welfare than increasing men's income. Women tend to allocate additional income to children's needs, education, and family health. This finding indicates that women's economic empowerment has a broader impact on human development.

The social aspects of women's empowerment through entrepreneurship include changes in power relations at the household and community levels. Kabeer (2005) developed an analytical framework linking economic empowerment to increased women's bargaining power in domestic decision-making. Research in Bangladesh shows that women who earn their own income have greater influence over household spending decisions, children's education, and family planning.

In a rural context, Moser's (1993) research identified that women's entrepreneurship can transform traditional gender norms by demonstrating women's ability to manage businesses and contribute to the family economy. This process is not always smooth, as it often encounters resistance from existing patriarchal structures. Therefore, empowerment programs must consider complex social and cultural dynamics.

Recent studies on rural women's entrepreneurship in Indonesia show positive trends. Wibowo and Sari's (2020) research in East Java found that entrepreneurship training programs tailored to local needs successfully increased women's participation in productive economic activities. However, business sustainability remains an issue due to limited access to broader markets and modern technology.

The theory of social change put forward by Sen (1999) regarding the capability approach is a relevant perspective for understanding women's empowerment through entrepreneurship. According to this theory, empowerment is not just about increasing income, but also about expanding individuals' choices and abilities to live a valuable life. Entrepreneurship can be an instrument to develop women's capabilities in various dimensions, from economics to socio-political participation.

## **METHOD**

This research employed a mixed-methods approach with a sequential explanatory design that combines quantitative and qualitative methods to gain a more comprehensive understanding of the impact of empowering rural women through entrepreneurship. This approach was chosen because it yields robust data and provides a more in-depth explanation of the phenomenon under study. The research locations were purposively selected in 10 villages across Semarang Regency, Central Java, and Malang Regency, East Java. The selection of locations was based on the following criteria: (1) active women's empowerment programs, (2) the presence of women's business groups that had been operating for at least two years, (3) adequate accessibility for conducting the research, and (4) the diversity of businesses developed by local women.

The study population consisted of rural women involved in entrepreneurial activities, both those in formal business groups and those running independent businesses. The sampling technique used was stratified random sampling for the quantitative component and purposive sampling for the qualitative component. The quantitative sample consisted of 150 respondents selected proportionally from each village, while the qualitative informants consisted of 30 individuals, including women entrepreneurs, community leaders, and village officials. Respondent inclusion criteria included: (1) women aged 18-60, (2) running a business for at least 6 months, (3) residing in the research location, and (4) willing to

participate in the research. Exclusion criteria were women who only occasionally engaged in economic activities without clear business continuity.

The quantitative data collection instrument was a structured questionnaire validated through expert judgment and pilot testing on 30 respondents outside the research sample. The questionnaire consisted of 65 questions measuring demographic variables, business characteristics, economic impact, and social impact. The measurement scale used a combination of nominal, ordinal, and interval scales according to the type of variable being measured. The qualitative instrument consisted of in-depth interview guidelines and focus group discussion guidelines, developed based on the research conceptual framework. In-depth interviews were conducted with 20 women entrepreneurs to explore their personal experiences in running their businesses and the changes they experienced. Focus group discussions were conducted with three groups of 8-10 women to discuss group dynamics and the collective impact of entrepreneurial activities.

The validity of the quantitative instrument was tested using Pearson product-moment correlation, while reliability was tested using Cronbach's alpha. Validity test results showed that all questionnaire items had a calculated  $r$ -value  $>$   $r$ -table (0.361), and reliability tests yielded a Cronbach's Alpha value of 0.892, indicating a highly reliable instrument. Data collection was conducted over four months, involving a team of trained enumerators. Each enumerator was responsible for two villages and was provided with a technical data collection guide. The data collection process was preceded by outreach to village officials and community leaders to gain support and build rapport with respondents.

Quantitative data analysis used descriptive statistics to describe the characteristics of respondents and research variables, and inferential statistics to examine relationships between variables. The statistical tests used include  $t$ -tests to compare conditions before and after the program, correlation tests to analyze the relationship between variables, and regression analysis to identify factors that influence the impact of empowerment. Qualitative data analysis used thematic analysis techniques with the following stages: (1) verbatim transcription, (2) initial coding, (3) theme development, (4) theme review, (5) theme definition and naming, and (6) report writing. The analysis process was supported by NVivo 12 software to facilitate the management and analysis of large qualitative data sets.

Data triangulation was conducted by comparing results from various data sources, data collection methods, and informant perspectives. Member checking was conducted by verifying the analysis results with several key informants to ensure the accuracy of data interpretation. Research ethics were adhered to by obtaining informed consent from each respondent, ensuring data confidentiality, and giving respondents the right to withdraw from the study at any time. The study received ethical clearance from the local university's Research Ethics Committee.

## RESULT AND DISCUSSION

Demographic analysis shows that the majority of respondents (68%) are aged 30-45 years, with a high school education (45%) and a junior high school education (32%). Seventy-eight percent of respondents are married and have two to three children. These characteristics reflect the profile of rural women of productive age with significant family responsibilities, often driven by their family's economic needs. Respondents' businesses are diverse, dominated by food processing (35%), handicrafts (28%), and trade (22%). Food processing businesses include the production of chips, traditional cakes, and snacks using local raw materials. Handicrafts include the manufacture of bags, accessories, and textiles. Meanwhile, trade includes small grocery stores, the sale of household products, and the distribution of agricultural products.

The economic impact of entrepreneurial activities is significant. The average monthly income of respondents increased from IDR 850,000 before starting a business to IDR 1,230,000 after 12 months of operation, a 45% increase. This increase in income varied by business type, with food processing businesses showing the highest increase (52%), followed by handicrafts (41%) and trade (38%). Women's income contribution to total family income also increased substantially. Before starting a business, women's average contribution was only 18% of total family income. After starting a business, this contribution increased to 35%. This increase gave women a stronger bargaining position in family economic decision-making.

Access to economic resources showed significant improvement. 67% of respondents reported increased access to financial institutions, both banks and cooperatives. This was primarily facilitated by membership in business groups that provide collective guarantees for credit access. The average amount of business capital successfully accessed increased from IDR 2.5 million to IDR 4.2 million within a 12-month period. Savings capacity also increased dramatically. Before starting a business, only 23% of respondents had regular savings. After starting a business, this figure increased to 71%. The average monthly savings amount increased from IDR 45,000 to IDR 180,000. This increased savings capacity provides greater financial security for families and capital for further business development.

The social impact of rural women's entrepreneurship demonstrates significant transformations in various aspects of life. Participation in household decision-making has increased substantially. Before starting a business, only 32% of respondents were actively involved in major family spending decisions. After starting a business, this figure increased to 78%. The decisions with the greatest increase in participation were investments in children's education (85% of respondents), followed by healthcare expenses (78%) and home renovations (65%). Changes in household relationship patterns have also occurred significantly. 68% of respondents reported that their husbands and other family members value their opinions more after they contribute financially. The division of domestic tasks has also undergone adjustments, with 45% of respondents reporting that their husbands and children are helping more with household chores.

Involvement in community activities has shown encouraging improvements. Participation in Family Welfare Movement (PKK) activities increased from 40% to 73%, involvement in cooperation activities increased from 35% to 68%, and participation in village meetings increased from 15% to 42%. The growth indicates that women's economic independence contributes to strengthening social capital and community cohesion. Women's leadership skills have also improved. As many as 28% of respondents are members of community organizations, up from 8% before starting their businesses. Some respondents were even elected as business group leaders (12%) and members of the Village Consultative Body (BPD) (3%). The expansion indicates that economic success increases women's confidence and legitimacy to play a role in community leadership.

The impact on children within the family showed positive results where 82% of respondents reported improved investment in their children's education, including additional tutoring and better learning facilities. The school dropout rate for girls in the respondents' families decreased from 12% to 3%. This indicates that women's economic empowerment has a positive intergenerational effect. However, the study also identified several ongoing barriers. Fifty-eight percent of respondents reported difficulty accessing broader markets, 45% faced technological limitations, and 38% experienced role conflict between business and domestic responsibilities. These barriers indicate the need for more comprehensive support for the sustainability of the empowerment program.

Analysis of factors influencing empowerment success revealed that family support was the most significant variable ( $\beta = 0.412$ ,  $p < 0.001$ ), followed by access to training ( $\beta =$



0.358,  $p < 0.001$ ), and membership in a business group ( $\beta = 0.287$ ,  $p < 0.01$ ). These findings underscore the importance of an approach that focuses not only on the technical aspects of entrepreneurship but also considers social and cultural dynamics.

Comparison with national data shows that this study's results align with the trend of women's empowerment in Indonesia. As many as 64 percent of MSMEs in Indonesia are managed by women, demonstrating their significant potential in the entrepreneurial sector. However, according to 2019 data from the Central Statistics Agency (BPS), the percentage of female internet users is still lower at 46.87% compared to 53.13% for men, indicating a persistent digital divide that needs to be addressed to optimize women's entrepreneurship.

The implementation of empowerment programs such as the Women-Friendly and Child-Caring Villages (DRPPA), which seeks to accelerate the implementation of strategies for women's empowerment, gender equality, and child protection at the grassroots level, has reveal positive results. This program prioritizes the development and strengthening of basic infrastructure for women's entrepreneurship, starting at the village level, and has been implemented in 138 pilot villages across 71 districts and 33 provinces.

## CONCLUSION

This study demonstrates that empowering rural women through entrepreneurship has significant positive impacts both economically and socially. Economically, entrepreneurial activities increased women's income by an average of 45% over 12 months, increasing their contribution to family income from 18% to 35%, and improving access to economic resources, including financial institutions and business capital. The increase in savings from 23% to 71% of respondents indicates improved family financial security.

The resulting social impacts are equally significant, with women's participation in household decision-making increasing from 32% to 78%, particularly in decisions related to investments in children's education and health expenditures. The transformation of gender relations within the family is reflected in the increased respect given by husbands and other family members for women's opinions, as well as adjustments in the division of domestic duties. Involvement in community activities also increased substantially, with participation in the Family Welfare Movement (PKK) rising from 40% to 73%.

The success of this empowerment program is supported by several key factors, namely family support, access to skills training, and membership in business groups. These factors indicate that women's empowerment requires an approach that focuses not only on economic aspects but also considers local social and cultural dynamics. Support from the immediate environment proved to be the strongest predictor of empowerment success.

Despite the positive results, this study also identified several barriers that still need to be addressed, including limited access to broader markets, technological limitations, and role conflicts between business and domestic responsibilities. These barriers indicate the need for more comprehensive and sustainable policy support to ensure the long-term effectiveness of empowerment programs.

The implications of this study suggest that entrepreneurship can be an effective empowerment instrument for reducing gender disparities in the economic sector and improving the social status of rural women. Women's empowerment programs should integrate components such as skills training, access to capital, business mentoring, and marketing network development to maximize the impact of empowerment.

Recommendations for further research include analyzing the long-term impact of women's empowerment through entrepreneurship, exploring empowerment models that are appropriate to different regional characteristics, and developing empowerment indicators that are more sensitive to social and cultural changes. Longitudinal research is also needed to understand

the sustainability of empowerment impacts and the factors that influence the persistence of achieved changes.

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