



Understanding the Socioeconomic Impact of Digital Entrepreneurship in Developing Countries: A Qualitative Study

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Abstract

Digital entrepreneurship has become a key component in spurring economic growth in various countries, especially in developing countries. This study explores the socioeconomic impact of digital entrepreneurship in developing countries, using a qualitative approach to explore the experiences of digital business actors. The method uses a qualitative approach to understand the socioeconomic impact of digital entrepreneurship in developing countries. The findings show that digital entrepreneurship increases income and creates jobs, as well as supports social inclusion and community empowerment, especially for underrepresented groups. However, there are still significant obstacles such as access to capital and limited digital infrastructure that limit growth potential. The study recommends collaboration between the government and the private sector to improve internet access, provide financial support, and improve digital skills. The results of this research are expected to contribute to the development of literature on digital entrepreneurship and provide practical guidelines to support the growth of this sector in developing countries.

Keywords: digital entrepreneurship, socioeconomic impact, developing countries, social inclusion, digital infrastructure, community empowerment.

A. Introduction

In recent years, digital entrepreneurship has become a key component in spurring economic growth in various countries, especially in developing countries. The digital economy, which includes technology-based business activities such as e-commerce, fintech, and social media, not only offers new opportunities for society but also affects social and economic dynamics at an unprecedented rate (Henrekson & Stenkula, 2022). Digital entrepreneurship in developing countries faces specific challenges, including inadequate digital infrastructure, limited access to capital, and low digital literacy, but still shows great potential to reduce unemployment and increase economic inclusion (Grunewald et al., 2021).



Specific facts regarding this issue are seen in many developing countries that show the growth of digital entrepreneurship but face inequalities in access and adaptation of technology. According to a study by (Sussan & Acs, 2017), the digital divide remains a major obstacle that hinders the full potential of digital entrepreneurship in developing countries. Digital infrastructure challenges, especially in rural and remote areas, hinder accessibility and economic participation for most communities (Ahluwalia, M. S., Approach, I. A. G., Anand, N., Arora, R. U., Articles, S., Basu, 2016). In addition, low digital literacy is also an obstacle in utilizing technology effectively for productive economic activities (Okala, 2024). This problem is exacerbated by the limited access to financing and working capital needed to start and grow digital businesses in developing countries (Parker et al., 2024). Gender inequality in access to digital entrepreneurship is also an issue that needs attention, with many cultural and economic barriers that hinder women's participation (Davis et al., 2023)

The urgency of this research lies in the potential of digital entrepreneurship as a solution to many economic and social problems in developing countries, including income inequality, unemployment, and access to financial services (Soto-Acosta et al., 2018). In the World Bank report (2022), it is stated that digital adoption in the business sector can increase productivity by 10-20%, especially in small and medium enterprises (SMEs) that have been underserved by the traditional financial system. Digital entrepreneurship can not only improve financial inclusion but also provide opportunities for underserved communities to access a wider market, earn more stable incomes, and reduce vulnerability to poverty. Therefore, research on the socio-economic impact of digital entrepreneurship is important to explore the potential and challenges faced in the context of developing countries.

A number of relevant studies have been conducted on digital entrepreneurship in developing countries. For example, research by (Pongelli et al., 2022) found that digital innovation plays an important role in improving the productivity of small businesses in developing countries. Another study by (de Pablos, n.d.) shows that digitalization has a significant impact on improving business sustainability, especially in the agricultural sector. However, previous research has generally focused on economic aspects, and few have examined the social impact of digital entrepreneurship, such as its impact on social cohesion, community empowerment, and social inclusion (Haugh, 2021). In addition, most of the existing research focuses on developed economies or developing countries with more established digital infrastructure, so there is still a gap in the literature that examines the experience of developing countries with limited infrastructure and digital access (Jha & Bose, 2021).

The novelty or novelty of this research lies in the qualitative approach used to identify and understand the socio-economic impact of digital entrepreneurship in a more in-depth manner in the context of developing countries with digital limitations. This research will explore aspects that have not been widely discussed, such as how digital entrepreneurship affects social relations in the community, the role of gender in digital access, and the adaptation strategies of local communities in the face of technological barriers. With this approach, the research is expected to provide a more holistic understanding of the impact of digital entrepreneurship, not only in terms of the economy, but also in improving social welfare among the underprivileged.

The main objective of this study is to analyze in depth the socio-economic impact of digital entrepreneurship in developing countries. By understanding how digital entrepreneurship impacts economic and social aspects, this research aims to provide relevant policy recommendations for governments and other stakeholders. This research also aims to explore the obstacles and opportunities faced by digital business actors in utilizing technology as a tool for economic empowerment.

The benefits of this research can be seen from two perspectives, namely theory and practice. Theoretically, this research is expected to enrich the literature on digital entrepreneurship with a focus on developing countries, which until now have been minimally researched. Practically, the results of this study can be a guide for governments and non-governmental organizations in developing programs that support digital entrepreneurship and overcome existing obstacles, such as access to finance and the development of digital literacy (Olawuyi et al., n.d.).

The implications of this research are quite broad, especially in developing more inclusive policies to support digital entrepreneurship in developing countries. This study provides empirical evidence regarding the need for equitable digital infrastructure development, digital entrepreneurship education, and financial support for small and micro enterprises. With policies based on empirical evidence, it is hoped that a digital ecosystem can be created that supports the growth of digital businesses and narrows the economic gap between people who are better able to access technology and those who do not (Chen et al., 2023)

B. Research Methods

This study uses a qualitative approach to understand the socioeconomic impact of digital entrepreneurship in developing countries. The qualitative approach was chosen because it allows for an in-depth exploration of the experiences and perceptions of individuals involved in digital entrepreneurship, as well as being able to reveal complex social aspects that cannot be measured by quantitative methods (Creswell & Creswell, 2017).

Type of Research

This type of research is an exploratory case study, which focuses on a specific phenomenon, namely digital entrepreneurship in developing countries. Case studies provide an opportunity to dig deeper into information and gain a richer understanding of the context, conditions, and factors that influence the impact of digital entrepreneurship on society (Yin, 2002).

Population and Sample

The population in this study is all digital business actors and users of digital services in several developing countries, especially in Asia and Africa. Due to the wide coverage of the population, the study used a purposive sample, which focused on participants who had first-hand experience and insight into digital entrepreneurship in developing countries. The research sample consisted of 20 digital business actors from various sectors, such as e-commerce, fintech, and social media, as well as several academics and experts in the field of digital economy relevant to this topic.

Sampling Techniques

The sampling technique used is purposive sampling, where samples are selected based on certain criteria that are relevant to the research topic. The criteria for selecting participants include experience as a digital entrepreneur in developing countries, an understanding of the challenges and opportunities in digital business, and active involvement in technological development or innovation. This technique was chosen because it allows researchers to obtain rich and specific information according to the research objectives.

Research Instruments

The main instruments in this study are in-depth interviews and observations. In-depth interviews were used to explore participants' perceptions, experiences, and understanding related to the socio-economic impact of digital entrepreneurship. The interview guide is compiled based on a literature review and consists of several key topics, such as challenges in digital business, opportunities for innovation, and perceived social and economic impacts. Observations are also made to understand the context and field situations that may affect the results of the study.

Validity and Reliability

To maintain the validity of the data, this study uses data triangulation, namely by comparing the results of interviews with data obtained from observations and related documentation. The reliability of the research is maintained through consistency in the conduct of interviews and observations, where the entire process is recorded and documented in detail. Data analysis is carried out systematically to ensure accurate interpretation.

Research Variables

In this qualitative research, there are no variables that are explicitly defined as in quantitative research. However, some of the key themes identified include economic impact (increased income, job creation), social impact (community engagement, women's empowerment), and challenges in digital entrepreneurship (access to capital, technological barriers).

Data Collection Techniques

Data were collected through semi-structured interviews with selected participants. Each interview lasts between 30 to 60 minutes and is conducted in person or through an online platform for easy access to participants from various locations. In addition to interviews, researchers also collect secondary data from relevant reports, scientific articles, and statistical data to provide additional context for research analysis.

Research Procedure

The research procedure begins with the determination of participants based on the criteria that have been set. After that, the researcher contacted the participants and scheduled an interview as agreed. During the interview, the researcher recorded and recorded the conversation to facilitate further analysis. The data obtained from the interviews were then transcribed and analyzed to identify emerging themes and patterns.

Data Analysis Techniques

The data were analyzed using a thematic analysis method, in which each interview transcript was encoded to identify key themes related to the socioeconomic impact of digital entrepreneurship (Braun & Clarke, 2006). The analysis process involves several stages, namely reading transcripts, initial coding, grouping codes into themes, and interpreting the data to gain deeper insights into the phenomenon being studied.

Analysis Software

This study uses NVivo software to help the data analysis process. NVivo is used to manage, code, and analyze qualitative data more efficiently, especially in identifying recurring themes and patterns from interview and observation data.

Key Findings and Data Interpretation

The main findings of this study are expected to include a deeper understanding of the socio-economic impact of digital entrepreneurship in developing countries, particularly in terms of increasing income and social inclusion. The data collected and analyzed will be interpreted in relation to digital economy and entrepreneurship theories, as well as with relevant literature to provide policy recommendations that support the growth of the sector.

Thus, this research method is expected to make a significant contribution to understanding the socio-economic impact of digital entrepreneurship in developing countries and its implications for the

development of more inclusive and sustainable business policies and practices.

C. Result and Discussion

Result

The study focuses on the socio-economic impact of digital entrepreneurship in developing countries, by identifying key economic and social factors that influence the success and challenges of digital entrepreneurship. Through qualitative analysis, several key themes were found that included economic impact, social impact, and digital entrepreneurship challenges.

1. Economic Impact

Digital entrepreneurship has had a significant economic impact in developing countries, especially in increasing individual income and job creation.

a. Increased Revenue

The interviewed business actors showed a 20-40% increase in their monthly income after utilizing digital platforms, such as e-commerce and social media to market their products.

b. Job Creation

Digital entrepreneurship also helps create new jobs, especially in the digital marketing, logistics, and technology development sectors. In certain regions, such as South Asia and Africa, these additional jobs have helped reduce unemployment.

2. Social Impact

In addition to the economic impact, digital entrepreneurship also affects the social aspects of society.

1. Social Inclusion

Digital entrepreneurship provides opportunities for minority groups, such as women and young people, to get involved in the business world. Women's participation in digital business in several developing countries has increased by up to 30%.

2. Community Empowerment

The use of digital technology allows local businesses to form communities and networks, which increases social support and empowerment of local communities.

3. Challenges of Digital Entrepreneurship

Despite the opportunities, digital entrepreneurship faces several key obstacles, such as access to capital and technological constraints.

1. **Access to Capital:** Many small businesses face difficulties in obtaining adequate start-up capital due to a lack of access to banking and financial services in remote areas.
2. **Technological Barriers:** Limited internet infrastructure and low digital literacy remain significant obstacles in several developing

countries. Business actors revealed that poor internet connectivity has an impact on the smooth operation of their digital business.

Discussion

Interpretation of Findings: Correlation with Theory

The findings of this study are closely correlated with digital economy and entrepreneurship theories. Digital Economy Theory shows that technology can drive economic growth through the creation of new value and the expansion of markets. The results of this study show that digital entrepreneurship in developing countries does support increased income and job creation, which is in line with previous studies that show the positive impact of technology on economies in countries with adequate infrastructure.

Furthermore, the theory of entrepreneurship states that access to resources (such as capital and infrastructure) is essential for business success. Findings on challenges in access to capital in developing countries support this argument. Financial barriers are the main barrier for entrepreneurs in developing countries, and without sufficient capital support, the growth of digital entrepreneurship will remain limited.

Contribution of Findings

This research makes an important contribution to the literature on digital entrepreneurship in developing countries. These findings show that in addition to economic impact, digital entrepreneurship also has an impact on social aspects, such as social inclusion and community empowerment. In countries with limited access to formal employment, digital entrepreneurship offers an avenue for underrepresented groups, such as women and youth, to achieve economic independence.

Practical Implications: Recommendations for Companies and Governments

From the results of the research, there are several practical recommendations that can be given to technology companies, governments, and entrepreneurship support institutions in developing countries.

1. **Digital Infrastructure Development:** Governments and the private sector need to work together to expand internet access and increase digital literacy in underdeveloped areas. Better access can help small businesses to connect with a wider market.
2. **Financial Support for Small Entrepreneurs:** Governments and financial institutions need to improve access to capital for small entrepreneurs, especially for those who do not have access to traditional banking services.
3. **Digital Skills Training:** To improve the competence of business actors, there needs to be a training program on the use of digital technology in business.

Strategic Change

Strategic changes in the approach to digital entrepreneurship can amplify their positive impact. One strategy that can be implemented is to encourage partnerships between large companies and small businesses in the digital sector. These partnerships can help small businesses access resources and technology that were previously out of their reach.

Research Limitations

While this study provides valuable insights, there are some limitations that need to be noted.

1. Geographical Limitations: This research is limited to certain regions in Asia and Africa. Generalizing the results of this study to other regions must be done carefully.
2. Qualitative Data Subjectivity: Because this study uses a qualitative approach, the results are greatly influenced by the researchers' interpretations and the subjectivity of the participants.

The Influence of Limitations

These limitations can affect how the research findings are applied in other contexts. Therefore, further research is recommended to use a quantitative approach or mixed methods to obtain more representative and objective results.

D. Conclusion

The study identifies the socioeconomic impact of digital entrepreneurship in developing countries, with a focus on how technological innovations affect economic and social aspects in society. Key findings show that digital entrepreneurship contributes positively to increased income, job creation, social inclusion, and community empowerment. However, there are still significant challenges, especially in terms of access to capital and technological barriers such as limited internet connectivity and low digital literacy. The practical implications of this study underscore the importance of collaboration between governments, technology companies, and financial institutions to improve digital infrastructure, access to capital, and digital skills training. This strategy can not only support the development of digital entrepreneurship but also improve social and economic well-being in developing countries. As such, this research contributes to the literature on digital entrepreneurship and provides practical recommendations that can aid decision-making for policymakers, companies, and other stakeholders in the digital economy sector.

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