



# Social Entrepreneurship Drives Sustainability in Tourist Villages: Evidence from Bantul

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**Abstract.** This scientific study aimed to examine the impact of social entrepreneurship on social and environmental sustainability in developing tourist villages, and whether government regulations moderated these effects. The study used a quantitative method and collected data from 42 tourist villages in Bantul Regency. Data was analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The study found that social entrepreneurship has a positive and significant impact on both social and environmental sustainability in tourist villages. However, the study did not find any moderating effect of government regulations on social or environmental sustainability. These findings suggest that social entrepreneurship is important for promoting sustainability in developing tourist villages, and that government regulations may not play a significant role in moderating these effects. The implications of this study can inform policies and practices aimed at promoting sustainable development in tourism contexts.

**Keywords:** Social Entrepreneurship · Social Sustainability · Environment Sustainability · Government Regulation

## 1 Introduction

Indonesian society has been widely known for its high social culture in carrying out a daily social life and one of the output activities resulting from this culture is *gotong royong* or mutual cooperation. Social activities also affect the community's economy which is realized through social entrepreneurship. Social entrepreneurship is an outcome based on social and economic values which emerges as a means to meet the community's social and environmental needs by developing economically viable organizations that are run both individually and in teams [1]. Social entrepreneurship has four pillar dimensions, namely social mission, social innovation, social networking, and financial returns which are regressed with three dimensions of sustainable business development covering social, environmental, and achieving economic goals. Social entrepreneurship is important for the economy due to its role in enhancing human development through improving the

quality of life by reducing development and controlling poverty [2]. Social entrepreneurship is an important aspect of the business education environment that contributes to the overall well-being of society, even in epidemic conditions [3].

As social sector organizations, social entrepreneurship have some goals including organizational sustainability. Organizational sustainability refers to achieving business victories in the current industrial world without compromising current and future needs and involving social, environmental, and economic sustainability [4]. On the other hand, in practice, these organizations face funding problems so they have to turn to commercial activities to produce the necessary sources of funds by shifting from the cost recovery concept to more than a cost recovery concept and being an independent organization [1]. Many researchers agree that social sustainability is related to social business problems involving shareholder demands, economic problems, environment, and social welfare [3].

Government regulations play a positive role in sustainable business development in the relationship between business start-ups and entrepreneurship development [3] in which government regulations have significant moderation on entrepreneurial development. The government is involved in the process of social entrepreneurship and helps individuals to build social networks to ensure business sustainability. Therefore, government regulations that favor entrepreneurs can be improved to develop social entrepreneurship and sustainable business development [5].

Tourist villages are the tourist destinations developed by village communities and the activities are managed by the village government or tourism awareness groups (Pokdarwis) where the village has special characteristics such as pristine resources, unique traditions and culture of the local community, and other special characteristics that become the identity of tourism activities [5]. Tourist villages are one of the social organizations as the activities are carried out together to provide opportunities for local communities to be more independent and improve their welfare through the provision of services and products [6].

As one of the prioritized tourism sectors for development by the government, the tourist village faces some problems such as less optimal tourism management and inappropriate tourism object development strategies. Thus, the local government is expected to be a facilitator who can find solutions to these problems through community empowerment [6].

Bantul District is one of the districts in D.I Yogyakarta Province that has a high relatively mobilization flow which provides good development potential for tourist attractions in this area considering that this district has natural attractions such as beaches or pine forests. Referring to the regional regulation (Perda) of the Bantul Regent Number 11 of 2020 article 8 concerning the direction of regional tourism development with the orientation of growth, increasing employment opportunities, reducing poverty, and preserving the environment and culture, the development of tourist villages as a social organization whose implementation brings social values, social missions, and social networks should get full support from the government to develop sustainable businesses development. Therefore, this study aims to describe whether social entrepreneurship,

with moderate support from government regulations, has an impact on social and environmental sustainability. This study involved 40 groups of tourist villages in the Bantul District.

## 2 Literature Review

Danubianu and Teodorescu (2017) define sustainable business development as an organization that can give hope and meets the wishes of individuals and stakeholders of current and future generations by creating and innovating to develop new business strategies in order to accelerate positive social change and maintain ecological integrity as well as improve business performance. Sustainable business development is an important target to be achieved to avoid unsustainable traditional business practices [1]. Besides, sustainable business development is one of the most important aspects of an organization. Thus, in decision-making, one has to focus on motivating sustainable development as it has become one of the main goals to meet current needs without reducing the importance of other goals. Therefore, companies with sustainable business development get a more competitive advantage than those that do not develop their business. It can be said that social mission, social innovation, and social networks have an important role in sustainable business development.

The development of a social enterprise requires the integration of several components, including social and environmental sustainability [1].

### 2.1 Social Entrepreneurship and Social Sustainability

The main thing to determining social sustainability is to define social value, also known as social capital by the majority of scientists. Social capital is formed by related organizations (such as the government, judiciary, military, health care systems, banking systems, educational systems, charities, and so on) that enhance the potential for impactful individual and group acts in human welfare structures. Social sustainability is defined as “meeting the needs of the present without compromising the ability of future generations to meet their own needs [7]. Other scholars appear to view social sustainability in terms of maintaining or preserving a preferred way of life or protecting certain sociocultural traditions [8].

Social missions can assist social entrepreneurs in achieving sustainable business development [9]. Companies pursuing a social mission are more likely to have stronger entrepreneurship and display better performance. All business practices are a part of a larger social and ecological system, so a real transition to sustainability demands a process of shared institutional alignment that balances the adaptive tensions among social missions, environmental preservation, and economic growth. Social workers are widely recognized as providing positive socio-economic value to communities because they continuously work to address long-term social problems in order to achieve sustainable business development. Thus, the researcher proposes the following hypothesis:

H1: Social entrepreneurship has an impact on social sustainability

Innovation is the application of new ideas to address social problems that can create strong social impacts and bring returns (monetary and non-monetary) to social

entrepreneurs [9]. Social entrepreneurship focuses on encouraging people to be proactively involved in initiatives for the benefit of society. These activities involve engaging, interacting, and bringing people together to change the world for the better. The role of social entrepreneurship as a driver of sustainable development concept and its evolutionary aspects have attracted more researchers. However, the practice of social entrepreneurship faces many challenges due to the complexity of the stakeholders and the ecological systems involved in the shared value creation framework. Thus, combining unique resources and social innovation can help entrepreneurs in developing sustainable businesses. Some previous studies have explained that innovation and social transformation through human-centered systemic design promote understanding of resource recovery and sustainability among stakeholders across projects as well as generate a holistic view. Another study by [1] stated that sustainable business development including environmental sustainability and proved that social mission, social innovation, social network, and financial gain are the unique resources of companies that result in business sustainability. Based on the explanation above, the researcher proposes the following hypothesis:

H2: Social entrepreneurship has an impact on environmental sustainability.

## **2.2 Government Regulations, Social Entrepreneurship, Social Sustainability, and Environmental Sustainability**

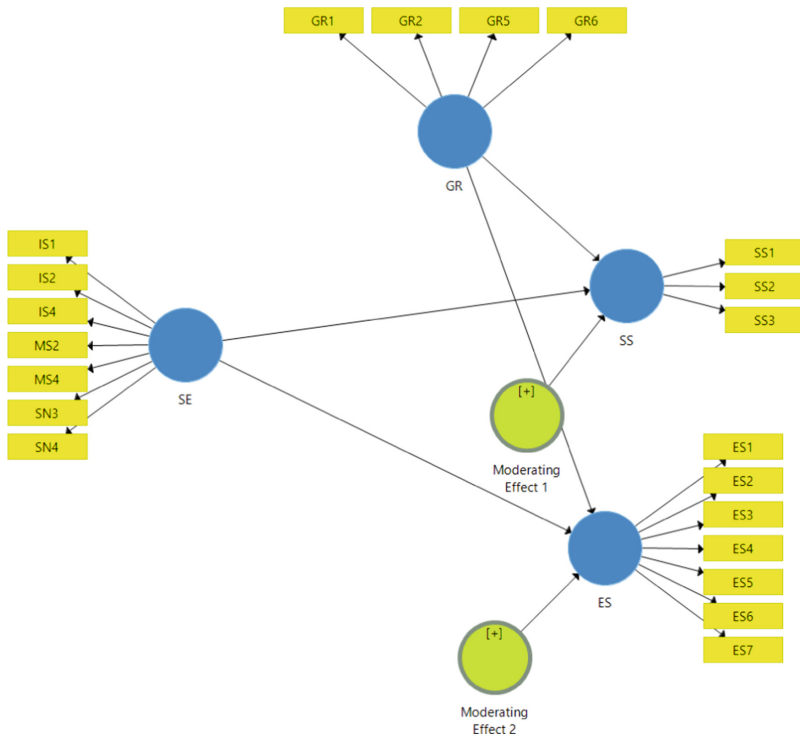
Different countries apply different government regulations to develop social entrepreneurship. Some support social entrepreneurs to generate jobs to reduce unemployment, while others focus on creating competition and innovation within enterprises. The government forces each organization to instill sustainability into its vision, mission, and business strategy. Government policies have a significant moderating effect on the relationship between entrepreneurship and economic growth [10]. Government policies demonstrate a moderate influence of social entrepreneurship, competence, and organizational culture on company performance [11]. The positive impact of entrepreneurship on economic growth and the mediating effect of public governance on entrepreneurship [12]. Government regulations moderate the relationship between social networking and sustainable business development, which is reflected in the strengthening of the relationship as government regulations on sustainable business development increase [3]. Thus, the researcher proposes the following hypothesis:

H3: Government regulations affect the relationship between social entrepreneurship with social sustainability, environmental sustainability.

## **3 Methodology**

This study used a quantitative approach with an exploratory design. The population of this study was all tourist villages in Bantul District with a total of 42. The determination of the sample used a purposive sampling technique. This study involved Primary data collected by questionnaires. A total of 42 questionnaires were collected.

The questionnaire used a 5-point Likert scale with 1 for strongly disagree and 5 for strongly agree. The questionnaire consisted of some questions related to social



**Fig. 1.** PLS Analysis Results

entrepreneurship (social vision, social mission, social network) and government regulations on sustainable business development including social sustainability, and environmental sustainability. Data were analyzed using the Moderated Regression Analysis (MRA) model with the help of SmartPLS version 3.

## 4 Results and Discussion

The following findings were obtained from data analysis using PLS (Partial Least Squares) (Fig. 1).

### 4.1 Outer Model

Based on PLS data processing, loading values below 0.70 are disregarded from the model since not all outer loading values satisfy the criteria of  $>0.70$ . The outer loading values that are acceptable and those that are not listed below.

Table 1 demonstrates that some variable structures, including IS3, MS1, MS3, SN1, SN2, SN5, GR3, and GR4, have been eliminated. Data that doesn't meet requirements need to be eliminated in order to produce good results.

**Table 1.** Outer Loading

<b>Constructs</b>	<b>Outer loading acceptable</b>	<b>Outer loading is not acceptable</b>
<b>Social entrepreneurship</b>		
IS1	0.860	
IS2	0.774	
IS3		0.687
IS4	0.776	
MS1		0.595
MS2	0.794	
MS3		0.470
MS4	0.784	
SN1		0.572
SN2		0.647
SN3	0.813	
SN4	0.756	
SN5		0.527
<b>Social sustainability</b>		
SS1	0.813	
SS2	0.792	
SS3	0.806	
<b>Environmental sustainability</b>		
ES1	0.822	
ES2	0.842	
ES3	0.768	
ES4	0.819	
ES5	0.851	
ES6	0.858	
ES7	0.747	
<b>Government regulations</b>		
GR1	0.862	
GR2	0.736	
GR3		-0.218
GR4		0.251
GR5	0.836	
GR6	0.709	

**Table 2.** Reliability Results

Constructs	AVE	Cronbach Alpha	Composite reliability
Social entrepreneurship	0.631	0.903	0.923
Social sustainability	0.646	0.728	0.846
Environmental sustainability	0.666	0.916	0.933
Government regulations	0.622	0.824	0.867

**Table 3.** R Square

Constructs	R Square	R Square Adjusted
Social sustainability	0.468	0.425
Environmental sustainability	0.560	0.525

## 4.2 Reliability Construct

The requirements of model testing include AVE (Average Variance Extracted) reflective constructions values higher than 0.5, Cronbach Alpha values higher than 0.7, and composite reliability values higher than 0.7. The Table 2 summarizes the findings of the measuring model.

According to the preceding table, every item complies with the established criteria. As a result, this model meets the standards of reliability.

## 4.3 Inner Model

### R Square

The R Square value is 0.67, which is considered good. A moderate model has a value between 0.33 and 0.67. Furthermore, if it is less than 0.33, the model is weak. According to the data analysis results, the R Square value in this study is as follows.

Table 3 displays the R Square value, which indicates that Social Sustainability is 46.8% and Environmental Sustainability is 56%. Accordingly, the research model is deemed to be moderate.

### Hypothesis Testing

Table 4 summarises the results of hypothesis testing. Testing the direct effect with set parameters confirmed this conclusion as  $SE \rightarrow SS$  and confirmed that it was a positive and significant impact ( $P = 0.000 < 0.05$ ). Furthermore, as a result,  $SE \rightarrow ES$  confirmed that it has a positive and significant influence ( $P = 0.000 < 0.05$ ). As a direct consequence, H2 was approved. Moreover, H3 is not supported due to  $P\text{-Value} > 0.005$ . It follows that government regulations cannot be used to moderate the impact of social entrepreneurship on social and environmental sustainability.

**Table 4.** Hypothesis Testing Results

Hypotheses	Relationships	(β)	T	P Values	Decision
Direct effects					
H1	SE → SS	0.670	7.537	0.000	Supported
H2	SE → ES	0,701	7.758	0.000	Supported
Moderating					
H31	Moderating effect 1 → SS	0,052	0.336	0.737	Not Supported
H32	Moderating effect 1 → ES	0.068	0.400	0.689	Not Supported

## 5 Conclusion

This research examined the essential strategic issues for social enterprises: social innovation, social mission, and social network. Besides that, sustainability is the best solution to all current organizational problems. Nowadays, all businesses strive for development sustainability i.e. social and environmental sustainability. To remain competitive, businesses must now practice sustainability in their operations.

The final of this study shows that social entrepreneurship has a positive and significant impact on social and environmental sustainability. That result is in line with the research done before such as [1]; [3]; [9]. The influence of social entrepreneurship on social and environmental sustainability cannot be moderated by government regulations. This study’s findings contradict previous research by [10]; performance [11]; and [12]. [3]. According to the findings of field researchers, this is because tourist villages existed before the government program. So, the development of tourist villages is initiated by the residents themselves. This initiative was created because residents recognize the various types of superior potential they have.

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