

**ISLAMIC COMMUNITY-BASED ENTERPRISE AND
COMMUNITY ECONOMIC DEVELOPMENT: AN
EXPLORATORY CASE STUDY IN BANDUNG,
INDONESIA**

BY

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A dissertation submitted in fulfilment of the requirement for
the degree of Doctor of Philosophy (Business
Administration)

**Kulliyyah of Economics and Management Sciences
International Islamic University Malaysia**

DECEMBER 2021

ABSTRACT

This research sought to investigate an Islamic community-based enterprise (ICBE) in Bandung City, Indonesia. To date, research in the community-based enterprise (CBE) applies mainly conventional ideas of the social entrepreneurship framework. Applying such a framework in the context of a Muslim community raises several fundamental issues as some of the ideas may clash with Islamic teachings and practices. This research examined a singular case of an ICBE that has been working with troubled Muslim youth since 2013. This study is using a qualitative approach which includes sixteen interviews with ICBE founders and members, observations, document reviews, and focus group discussion (FGD). The study aimed to investigate the origin of the ICBE, its unique characteristics, and the manner of its contribution towards community economic development (CED), especially for troubled Muslim youth in Bandung City. Thematic analysis guided the data analysis. The first major finding in this study was *hijrah* (migration) experienced by the founders which increased their awareness of social duty, motivating them to assist troubled Muslim youths in the city. The founders used *jamaah* (congregational) in creating goodness and stated that the ICBE was their *jariyah* (an activity that continues to benefit them until the hereafter). The second major finding concerns the role of Islamic social capital in the interaction process of the community. In particular, the bond of *aqeedah* is a key which binds all members and non-members. This ensures that ICBE itself is not exclusive. Instead of being open only to members, the ICBE spreads its wings wide to include the wider society. A third major finding of the study reveals that the ICBE establishes short-term, interim, and long-term goals for community economic development, with the ultimate objective of achieving *al-falah* (success). A vital element in this development that adheres to the Islamic principles is the equal importance of material and non-material goals. The findings of the study have implications for both theory and practice. First, it provides a fresh perspective in looking at the two underlying theories; the resource-based view (RBV) and the social action theory. It clarifies that the function of RBV is not only for the benefit of the organisation or community, but the benefits of RBV can be extended to outsiders. It further indicates that religion is a source of thought and action to carry out social functions in society, disputing the idea that social actions involving religion are due to tradition or just a legacy of ancestors. This study adds depth to the literature on community enterprise from an Islamic perspective in which Islamic teaching and practices form the foundation of the ICBE. The study has also successfully integrated the important role of Islamic Social Capital (ISC) and its relation to the concept of Islamic entrepreneurship. For practical purposes, this study contributes to developing new policy implementations, as it highlights an alternative development model that is based on Islamic teachings and practices which can be adopted by other Muslim communities. The researcher has identified three limitations in the conduct of this study, which include: (i) the limitation of a case study research method; (ii) small sample size; and (iii) there non-definitive evaluation of the development programme.

ملخص البحث

يسعى هذا البحث إلى تحقيق المشروع المجتمعي الإسلامي (ICBE) في مدينة باندونغ بإندونيسيا. حتى الآن، يطبق معظم البحث في مجال المشاريع المجتمعية (CBE) الأفكار التقليدية لإطار ريادة الأعمال الاجتماعية. وتطبيق مثل هذا الإطار في سياق المجتمع المسلم سيثير العديد من القضايا الأساسية حيث قد تتعارض بعض الأفكار مع التعليم والممارسات الإسلامية. فهذا البحث يدرس حالة فردية لـ ICBE تعمل مع الشباب المسلم المضطرب منذ عام 2013. يستخدم هذا البحث نهجًا نوعيًا يتضمن فيه ستة عشر مقابلة مع مؤسسي وأعضاء ICBE، والملاحظات، ومراجعات الوثائق، والمناقشة الجماعية المركزة (FGD). ويهدف البحث إلى التحقيق في أصول ICBE، وخصائصه الفريدة، وطريقة مساهمته نحو التنمية الاقتصادية المجتمعية (CED)، خاصة للشباب المسلم المضطرب في مدينة باندونغ. ومنهج التحليل الموضوعي يساعد في تحليل البيانات. كانت أول نتيجة رئيسية في هذا البحث هي ظاهرة المحجرة التي عاشها المؤسسون زادتهم الوعي بالواجب الاجتماعي، ومن ثم حفزتهم على مساعدة الشباب المسلم المضطرب في المدينة. فاستخدم المؤسسون آلية الجماعة في خلق الخيرات، وذكروا أن ICBE هو صدقتهم الجارية أي النشاط الذي يستمر في تدفق الثواب والأجر لهم إلى ما بعد الموت. والنتيجة الرئيسية الثانية تتعلق بدور رأس المال الاجتماعي الإسلامي في عملية تفاعل المجتمع. على وجه الخصوص، رباط العقيدة هو المفتاح الذي يربط جميع أعضاء ICBE وغير الأعضاء. فهذا يضمن أن ICBE نفسه ليس حصريًا. بدلاً من أن يكون مفتوحًا لأعضائه فقط، فإن ICBE ينتشر أجنحته في نطاق واسع لتشمل المجتمع الأوسع. والنتيجة الرئيسية الثالثة للبحث تكشف أن ICBE يضع أهدافًا قصيرة المدى ومؤقتة وطويلة المدى للتنمية الاقتصادية المجتمعية (CED)، وهدفها النهائي هو تحقيق الفلاح (النجاح). والعنصر الحيوي في هذا التطور الذي يلتزم بالمبادئ الإسلامية هو الأهمية المتساوية للأهداف المادية وغير المادية. ونتائج هذا البحث لها آثار على كل من النظرية والتطبيق. أولاً، يقدم البحث منظورًا جديدًا في النظر إلى النظريتين الأساسيتين؛ هما النظرة القائمة على الموارد (RBV) ونظرية الفعل الاجتماعي. فيتضح أن وظيفة RBV ليست لصالح المنظمة أو المجتمع بعينه فقط، بل يمكن تمديد فوائد RBV إلى أي شخص خارجه. كما يشير البحث إلى أن الدين هو مصدر الفكر والعمل للقيام بالوظائف الاجتماعية في المجتمع، على غرار الفكرة التي تقول أن الإجراءات الاجتماعية التي تنطوي على الدين ترجع فقط إلى التقاليد أو مجرد إرث من الأسلاف. ويضيف هذا البحث عمقًا إلى الدراسات حول المشروع المجتمعي من منظوره الإسلامي حيث تم تشكيل أساس ICBE وفق التعليم والممارسات الإسلامية. وينجح البحث أيضًا في دمج الدور المهم لرأس المال الاجتماعي الإسلامي (ISC) وعلاقته بمفهوم ريادة الأعمال الإسلامية. أما للأغراض العملية، فيساهم هذا البحث في تطوير عملية تنفيذ السياسة الجديدة، حيث إنه يسלט الضوء على نموذج التنمية البديلة الذي يعتمد على التعليم والممارسات الإسلامية ويمكن أن تتبناها المجتمعات الإسلامية الأخرى. وقد تعرف الباحث بثلاثة قيود في إجراء هذا البحث، التي تشمل على: (1) محدودية منهج دراسة الحالة؛ و (2) صغر حجم العينة؛ و (3) عدم توفر التقييم النهائي لبرنامج التنمية.

APPROVAL PAGE

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DECLARATION

I hereby declare that this dissertation is the result of my own investigation, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at the International Islamic University Malaysia or other institutions.

Indra Fajar Alamsyah



December 2021

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ACKNOWLEDGEMENTS

First and foremost, I am grateful to Allah *Ta'ala* for granting me the opportunity to pursue this journey. Very special thanks to my supervisor, Dr. Azura Omar, for her endless support, guidance and patience. She is not only as supervisor for me, she is like my family. I would also like to thank my chairman Prof. Dr. Suhaimi Mhd Sarif for his constructive ideas and support throughout the journey. I am grateful to the examiners for their valuable suggestions and comments to improve my work.

I extend thanks to my parents who both continuously encouraged and assured me that it was actually possible to complete this work, especially for my late mother—*Allahyarhamah*, may Allah bless this journey as the *jariyah* for her. I appreciate the time taken by the community to participate in this research. Last but not least, I am grateful to my friends for encouraging me throughout the journey. Thank you.

TABLE OF CONTENTS

Abstract	ii
Abstract in Arabic	iii
Approval Page.....	iv
Declaration.....	v
Copyright Page.....	vi
Acknowledgements.....	vii
List of Tables	xiv
List of Figures	xv
CHAPTER ONE: INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Marginalisation of Young People in Urban Areas.....	2
1.2 The Case of Bandung City, Indonesia	4
1.2.1 Social Problems among Young People.....	4
1.2.2 Economic Problems among Young People.....	5
1.2.3 Islamic Community-Based Enterprise (ICBE) of Bandung City..	7
1.3 Problem Statement	8
1.4 Purpose of the Study	9
1.5 Objective of the Study	9
1.6 Research Questions.....	10
1.7 Significance of the Study	10
1.8 Scope of the Study	11
1.9 Operational Definitions.....	11
1.10 Organisation of the Study	12
1.11 Chapter Summary	14
CHAPTER TWO: LITERATURE REVIEW.....	15
2.1 Introduction.....	15
2.2 From Entrepreneurship to Social Entrepreneurship.....	15
2.3 Social Entrepreneurship (SE).....	19
2.3.1 Defining SE and Social Entrepreneurs	20
2.3.2 Types of SE.....	22
2.4 Community-Based Enterprise (CBE)	24
2.4.1 The Nature of CBE	24
2.4.2 Origin of CBE.....	25
2.4.3 Characteristics of CBE.....	27
2.4.3.1 Dependence on Social Capital	27
2.4.3.2 Based on Available Community Skills.....	28
2.4.3.3 Product of Incremental Learning and Collective Experience.....	29
2.4.3.4 Multiplicity of Goals.....	31
2.4.3.5 Community Participation as Requirement.....	32
2.5 Islamic Perspective on Entrepreneurship.....	34
2.5.1 An Islamic Entrepreneurship Model.....	37
2.5.2 Functions of the Entrepreneur in Islam.....	40

2.5.2.1 Function of <i>al-Iqtisadiyah</i>	40
2.5.2.2 Function of <i>al-Ijtima'iyah</i>	42
2.6 Social Capital	46
2.6.1 Types of Social Capital	51
2.6.2 Islamic Social Capital	53
2.6.2.1 <i>Silaturahmi</i> and <i>Ukhuwah Islamiyah</i>	55
2.6.2.2 Bond of <i>Aqeedah</i> (Matters of Faith)	57
2.6.2.3 Good Purpose.....	59
2.6.2.4 <i>Al-'Adl</i> (Justice)	61
2.7 Community Economic Development (CED).....	63
2.7.1 CED and Its Approaches.....	63
2.7.2 The Role of Community Residents in CED.....	67
2.7.2.1 Planning, Designing and Approving Plans	67
2.7.2.2 Building Partnerships.....	68
2.7.3 Aims of CED.....	69
2.7.3.1 Increase Access to Capital and Asset Building.....	69
2.7.3.2 Improve the General Business Climate.....	71
2.7.3.3 Business Stimulation.....	72
2.7.4 CED Outcomes and Model	74
2.7.5 Islamic Perspective on CED	78
2.7.6 Development Criteria from Islamic Perspective.....	82
2.7.6.1 Sharia Compliant for Development	82
2.7.6.2 ' <i>Asabiyya</i> and <i>Ukhuwah Islamiyah</i>	83
2.7.6.3 <i>Hijrah</i> and Community Empowerment	84
2.8 Literature Gaps.....	87
2.9 The Underlying Theories	89
2.9.1 Resource-Based View (RBV)	89
2.9.2 Social Action Theory	90
2.10 Chapter Summary	91
CHAPTER THREE: RESEARCH METHODOLOGY	92
3.1 Introduction.....	92
3.2 Research Paradigm.....	92
3.2.1 Philosophical Assumption on Ontology and Epistemology	93
3.2.1.1 The Ontological Assumptions.....	94
3.2.1.2 The Epistemological Assumptions	95
3.3 Methodological Tradition	95
3.4 Research Design: The Case Study	98
3.5 Justification on Selecting the Case Study	101
3.6 Designing the Case Study	102
3.6.1 Types of Case Study Designs	102
3.6.2 Defining the Unit of Analysis	103
3.6.3 Format of a Case Study.....	103
3.7 Selection of Participants	104
3.7.1 Participants' Criteria	105
3.8 Data Collection	106
3.8.1 Sources of Evidence.....	106
3.8.1.1 Semi-Structured Interview	106
3.8.1.2 Observation	108

3.8.1.3 Document Review.....	109
3.8.1.4 Focus Group Discussion (FGD).....	110
3.8.2 Creating the Case Study Database	111
3.9 Data Analysis	111
3.9.1 Coding.....	116
3.9.2 Categorisation	116
3.9.3 Thematic Grouping	117
3.10 Assessing Research Quality	118
3.10.1 Internal Validity or Credibility	119
3.10.2 Reliability or Consistency.....	120
3.10.3 External Validity or Transferability	122
3.11 Ethical Consideration.....	123
3.12 Chapter Summary	124

CHAPTER FOUR: FINDINGS I OF DATA COLLECTED FROM ICBE

FOUNDERS.....	125
4.1 Introduction.....	125
4.2 The Demographic Characteristics of ICBE Founders	125
4.2.1 Founders' Profiles.....	125
4.2.2 Founders' Background.....	128
4.2.2.1 Founder 1 (F1)	128
4.2.2.2 Founder 2 (F2)	130
4.2.2.3 Founder 3 (F3)	132
4.2.2.4 Founder 4 (F4)	133
4.2.2.5 Founder 5 (F5)	135
4.2.2.6 Founder 6 (F6)	137
4.2.2.7 Founder 7 (F7)	140
4.2.2.8 Founder 8 (F8)	141
4.2.2.9 Founder 9 (F9)	143
4.3 The Origin of ICBE in Bandung City	144
4.3.1 Social Duty.....	144
4.3.2 Fulfilling the <i>Jama'ah</i> Request.....	149
4.3.3 The <i>Jariyah</i> (Continuous) Act	151
4.4 Characteristics of ICBE in Bandung City	154
4.4.1 Sharia Sovereignty	154
4.4.2 Non-Exclusivity	156
4.4.3 Based on Available Community Skill.....	159
4.4.4 Culture of Learning.....	161
4.4.5 Dependence on Social Bonds.....	163
4.4.6 Multiplicity of Goals.....	165
4.5 Chapter Summary	167

CHAPTER FIVE: FINDINGS II OF DATA COLLECTED FROM ICBE

MEMBERS.....	168
5.1 Introduction.....	168
5.2 Researcher's Note on the Data Collection for Normal Members	168
5.3 ICBE and Muslim Youths Community.....	169
5.4 Entrepreneur Incubator Programme.....	171
5.5 ICBE Community Members	172

5.10.2.2.1 Connecting the Regional Economy	228
5.10.2.2.2 Increasing Investment	229
5.10.2.2.3 Increasing Members' Welfare.....	231
5.10.3 Long-Term Outcomes	233
5.10.3.1 Preparing a Prosperous Society	234
5.10.3.2 Preparing a Society Equipped with Islamic Teachings	235
5.10.3.3 Development Programme Replication.....	237
5.11 Chapter Summary	238
CHAPTER SIX: THE MODEL AND DISCUSSION	239
6.1 Introduction.....	239
6.2 The Model for an Islamic Community-Based Enterprise	239
6.3 Discussion on Research Findings	243
6.3.1 <i>Hijrah</i> as the Critical foundation of ICBE.....	243
6.3.2 Objective 1: Documenting the Creation of ICBE	245
6.3.2.1 Theme 1: Social Duty	246
6.3.2.2 Theme 2: Teachings for the <i>Jamaa'ah</i>	248
6.3.2.3 Theme 3: Encouragement for <i>Jariyah</i>	249
6.3.3 Objective 2: Identifying the Characteristics of ICBE	251
6.3.3.1 Theme 1: Sharia Sovereignty.....	251
6.3.3.2 Theme 2: Non-Exclusivity.....	253
6.3.3.3 Theme 3: Based on Available Community Skill	254
6.3.3.4 Theme 4: Culture of Learning.....	255
6.3.3.5 Theme 5: Dependence on Social Bonds	255
6.3.3.6 Theme 6: Multiplicity of Goals.....	256
6.3.4 Objective 3: Exploring the Role of Islamic Social Capital	257
6.3.4.1 Theme 1: The Role of Bond of <i>Aqeedah</i>	259
6.3.4.2 Theme 2: The Role of Islamic Brotherhood	260
6.3.4.3 Theme 3: Cooperation and Teamwork	261
6.3.4.4 Theme 4: Good Purpose as Barometer	262
6.3.4.5 Theme 5: Fairness, Non-Discriminatory and Justice.....	263
6.3.5 Objective 4: Determining the Contribution of ICBE to CED... 264	
6.3.5.1 Theme 1: The Alternative Way of Development.....	264
6.3.5.2 Theme 2: The Development Inputs.....	266
6.3.5.2.1 Social Inputs.....	266
6.3.5.2.2 Economic Inputs	268
6.3.5.3 Theme 3: The Outcomes of Development.....	270
6.3.5.3.1 Early Outcomes.....	270
6.3.5.3.2 Interim Outcomes.....	271
6.3.5.3.3 Long-Term Outcomes.....	273
6.4 Chapter Summary	274
CHAPTER SEVEN: CONCLUSION AND RECOMMENDATIONS.....	275
7.1 Introduction.....	275
7.2 Overview of the Study	275
7.3 Key Findings of the Study	276
7.3.1 Research Question 1	276

7.3.2 Research Question 2	277
7.3.3 Research Question 3	278
7.3.4 Research Question 4	278
7.4 Research Contribution	279
7.4.1 Theoretical Contribution.....	279
7.4.1.1 Contribution to Underlying Theories.....	279
7.4.1.2 Contribution to the Literature	281
7.4.1.2.1 The Literature on Community Enterprise	281
7.4.1.2.2 The Literature on Islamic Social Capital ...	281
7.4.1.2.3 The Literature on Alternative Development.....	282
7.4.2 Practical Contribution	282
7.5 Limitations of the Study.....	283
7.5.1 The Limitation of a Case Study Research Method	283
7.5.2 Small Sample Size	283
7.5.3 Non-Definitive Evaluation of the Development Programme ...	284
7.6 Recommendations.....	284
7.6.1 Recommendations for Future Researchers	284
7.6.2 Recommendations for Social Entrepreneurs.....	285
7.6.3 Recommendations for Relevant Ministries.....	286
7.7 Chapter Summary	287
REFERENCES.....	288
APPENDIX A: CASE STUDY PROTOCOL.....	325
APPENDIX B: CONSENT LETTER	327
APPENDIX C: CASE STUDY CONFIRMATION LETTER.....	330
APPENDIX D: INTERVIEW GUIDELINE	332
APPENDIX E: INFORMATION DEMOGRAPHICS.....	335
APPENDIX F: THANK YOU LETTER	336
APPENDIX G: SAMPLE INTERVIEW TRANSCRIPT	337
APPENDIX H: SAMPLE FIELD NOTES	344
APPENDIX I: SAMPLE (ELECTRONIC) DOCUMENT EVIDENCE	345
APPENDIX J: SAMPLE FGD TRANSCRIPT	346
APPENDIX K: SAMPLE CODING OF INTERVIEW TRANSCRIPT	349
APPENDIX L: SAMPLE CODING OF FIELD NOTES	350
APPENDIX M: SAMPLE CODING OF DOCUMENT EVIDENCE	351

LIST OF TABLES

Table 1.1	The Population of Youths in the Three Largest Cities	4
Table 1.2	Social Problems among Youths in Bandung City	5
Table 1.3	Unemployment among Young People	6
Table 2.1	Types of Social Enterprise	23
Table 2.2	The Three Schools of Thoughts on Social Capital	49
Table 3.1	Example of the Coding Process	116
Table 3.2	Example of Categorisation	116
Table 3.3	Example of Thematic Grouping	117
Table 3.4	Example of Audit Trial	121
Table 3.5	Example of Thick Description	123
Table 4.1	Demographic Profiles of Founders	126
Table 5.1	Normal Members of ICBE	172
Table 5.2	Newcomer Entrepreneurs in ICBE	177

LIST OF FIGURES

Figure 2.1	Islamic Entrepreneurship Model	38
Figure 2.2	Community Economic Development Model	77
Figure 3.1	The Saldaña Model	115
Figure 6.1	The ICBE Model	241



CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Research on community-based enterprise (CBE) is a relatively new field (Parwez, 2017; Olmedo, Twuijver & O'Shaughnessy, 2019; Mandrysz, 2020). Over the years, since the initial conceptualisation of CBE by Peredo and Chrisman in 2006, many researchers looked at CBEs in various communities in many nations (see Lyons, Alter, Audretsch, & Augustine, 2012; Pierre, von Friedrich & Wincent, 2014; Valchovska & Watts, 2016; Peredo & Chrisman, 2017). The thesis that these researchers have put forth is that CBE can be the answer to the economic and social challenges a community is experiencing. It cannot be denied that CBEs may provide opportunities for development for communities, especially for those in marginalised and deprived areas (Orozco-Quintero & Berkes, 2010; Orozco-Quintero & Davidson-Hunt, 2010; Peredo & Chrisman, 2017), in rural and urban areas, and in both developed and developing nations. However, for Muslim communities, a reconceptualisation of CBEs is needed to meet the requirements of Islam. Thus far, very few studies have applied the Islamic perspective on the study of CBEs (see Mohiuddin, 2017; Parwez, 2017; Riwanjanti & Fadloli, 2019). At both the conceptual level and practical level, there is a clear gap in the literature concerning Islamic CBE. Therefore, there is a need for a comprehensive model of Islamic CBE as Islamic principles must be applied in all aspects of the human lives. This is the overall focus of this research. More specifically, the research comprehensively investigate the formation and operations of

an Islamic CBE in Bandung City, Indonesia, that seeks to solve the problems of marginalised people, especially Muslim youths.

1.1.1 Marginalisation of Young People in Urban Areas

Despite the progress that has been made around the world, marginalisation of some people still continues (GEM Report, 2020), even in urban areas. UNDP's Human Development Report (2020) states human development over the past 30 years has been impressive, as more people around the world have access to basic necessities. However, development has been uneven and human deprivation (or marginalisation) persists, in both developing nations and developed nations. UNESCO broadly defines marginalisation, based on the Global Education Monitoring or GEM Report (2020), as a form of acute and persistent disadvantage rooted in underlying social inequalities. From the researcher's understanding, the root of this problem is due to irregularities in multidimensional problems from the economic, social, and cultural sectors. In line with that, for Bhatia and Kapur (2018) posit that marginalisation equals to social exclusion. While the present study will not be looking at social exclusion (and/or marginalisation) in great detail, it is important to acknowledge that it is a multi-dimensional concept (hence difficult to define accurately) that has economic, social, cultural, and political dimensions (Bhalla & Lapeyre, 1997; Abro et al., 2013; Bernt & Colini, 2013; Mowat, 2015; Kemppainen et al., 2020).

Social exclusion affects all parts of societies regardless of age, living areas (urban or rural), and a nation's development level. Researchers in the United States for instance, reported that a large proportion of young people, especially those of African American descent, come from inner city, low-income families that exist within a community context of disempowerment with limited access to resources, facing

daily violence, crime, and substance abuse (Berman, Kurtines, Silverman, & Serafini, 1996; Ferrer-Wreder et. al., 2002; Holdo & Bengtsson, 2019). More recent studies (see Bhatia & Kapur, 2018; Chou, 2018; Hales & Williams, 2018; Dean, Wentworth, & LeCompte, 2019; Kemppainen et al., 2020) have shown these issues are global phenomena, affecting young people in countries like Columbia, India, Pakistan, Germany, and perhaps many more.

It is a fact that in many parts of the world, negative culture has plagued the younger generation with issues ranging from school fights, drug trafficking, and gangsterism to the more serious issue of homicide. In fact, the World Health Organisation (WHO) (2020) classify youth violence as a global public health problem in its Fact Sheet No. 356 and reported that some 200.000 homicides occur among youths 10–29 years of age each year, which is 42% of the total number of homicides globally each year. From a sociological perspective, negative cultures may be due to the nature of young people themselves, who often rebel against the prevailing social norms (Hebdige, 1979; Hassan, Vignoles & Schwartz, 2019). From a different lense, however, many other factors have been identified to cause juvenile delinquencies, including poverty, urban poverty, and exclusion (Hale & Williams, 2018; WHO, 2020), as well as influence of foreign cultural lifestyle (Williams, 2018). Whatever is the cause, negative culture is growing rapidly among young people, notably in urban areas. Finding solutions to the problems of negative culture will not be easy as it can be extremely difficult to tackle the root causes of problems. For instance, in fighting urban poverty, Wratten (1995), in his seminal work states: “within cities, certain of the problems associated with poverty – poor environmental conditions, vulnerability arising from commercialisation, social stress and conflict with state authority – occur in unique combination and defy solution by vertical sectorial intervention” (p. 33).

Therefore, as urban poverty of a community as unique combination of circumstances, solutions to this problem vary among communities. Furthermore, Hale and Williams (2018) make the observation that a problem related with urban life, because its complexity as proposed by Wratten (1995), requires a more comprehensive agenda that makes use of material and non-material assets.

1.2 THE CASE OF BANDUNG CITY, INDONESIA

1.2.1 Social Problems among Young People

The population of youths in Indonesia, between 15 - 29 years, is 25 per cent of the total population (ASEAN, 2018). With a total population of over 260 million in 2018, this roughly translates to 60 million youths in total, making Indonesia third in the list of countries with the most youths in the world, behind India and China. According to UNFPA Indonesia (2018), slightly more than half of the youths are in urban areas. The three largest cities in Indonesia, Jakarta, Surabaya and Bandung have the largest population of young people, with Bandung ranking first with the highest youth demographic at 30% as shown in Table 1.1.

Table 1.1: The Population of Youths in the Three Largest Cities

Age range	Jakarta	Surabaya	Bandung
15-19	706.550	105.915	222.489
20-24	883.803	126.867	259.461
25-29	1.049.766	145.281	230.114
Total	2.640.119	378.063	712.064
Total population	10.177.924	2.771.615	2.395.622
Percentage	25.9%	13.6%	29.7%

Source: Central Bureau of Statistics, Republic of Indonesia (2019)

Bandung City, located some 180 km southeast from Indonesia's capital city of Jakarta, serves as the capital of West Java province. Nicknamed the "Paris of Java",

according to UNESCO (2017), Bandung is labelled as one of 180 creative city networks in 2014. With the high population of young people in Bandung, this is perhaps expected as the young is considered to be more creative (Canclini, 2017). However, over the years, Bandung has seen an increase in juvenile delinquencies cases. In 2016, there were 250 cases of brawls with 37 victims. This has increased in 2017, with 339 cases of brawls involving 82 deaths. Events continue to increase throughout 2017 until the beginning of 2019 reaching 643 cases of brawls (National Commission of Human Rights, Republic of Indonesia, 2019). In addition to brawling, there are other crimes and social problems that plague the young people in Bandung City. For instance, criminal cases of motorised vehicle theft dominated by young people is also prominent. In 2018, there were 116 cases, involving 107 motorcycle thefts and nine car thefts. The last official data available in 2019 on social problems (namely neglected children, drug abuser, prostitute, HIV/AIDS patient) in Bandung City involving youth people is summarised in Table 1.2.

Table 1.2: Social Problems among Youths in Bandung City

Social Problems	Cases
Neglected children	7.625
Drug abuse	402
Prostitution	390
HIV/AIDS/ HIV patients	1.145

Source: West Java Central Bureau of Statistics (2019)

1.2.2 Economic Problems among Young People

It is often the case that social issues generated by marginalisation would impact the economic well-being of those marginalised. In the early 2000s, both Bay and Blekesaune (2002) and O'Higgins (2001) from The International Labour Organisation

(ILO) argued that an important impact of marginalisation of young people would be in terms of economic as marginalised young people would likely face a serious problem of unemployment. This was confirmed by numerous studies in Asia (Morris, 2006), North Africa (World Bank, 2014), sub-Sahara Africa (Banks, 2016), Mediterranean countries (Calder et al., 2017), and Latin America (Deneulin & Sánchez-Ancochea, 2017). In the most recent joint report by the Asian Development Bank (ADB) and International Labour Office or ILO (2020), this problem of unemployment is escalating because of COVID-19. It is not surprising that youth unemployment is also an issue in Bandung City, Indonesia. Table 1.3 below shows the unemployment level for youths between the ages of 19 to 35. As expected, the global pandemic has brought massive unemployment in the city, as unemployment rate increased by 3.24 per cent for 2020. Before COVID-19, the increase in the unemployment rate was only around 0.1%, while during the pandemic, the unemployment rate increased by more than 3%.

Table 1.3: Unemployment among Young People

Year	Number of Workforce	Unemployment Number	Unemployment Rate (%)
2014	1.192.770	95.971	8.05
2015	1.192.521	107.532	9.02
2017	1.219.398	102.869	8.44
2018	1.204.451	96.465	8.01
2019	1.283.983	105.067	8.18
2020	1.288.260	147.081	11.42

Source: Central Bureau of Statistics, Bandung City (2021)

In addition to the economic issues, Baah-Boateng (2016) who conducted a study in Africa, Calder et al. (2017) and Nørup (2020) in several European countries,

and Shiratuddin (2021) in Malaysia, found that there is a connection between the marginalisation of young people and the growth of criminal activities among young people. Potentially, this reflects the mind-set that “crimes pay” as they are able to survive by criminal means to get out of the debilitating economic effect of unemployment. That fact that this happens even in developed nations points to a complex and difficult phenomenon to solve.

1.2.3 Islamic Community-Based Enterprise (ICBE) of Bandung City

Thus far, it has been very difficult to find solutions to the social issues and economic issues faced by the young urban dwellers. Programmes by government and mainstream social institutions shown little progress as juvenile delinquencies in big cities in Indonesia, especially in Bandung City, continue to increase over the years (Dewi, Wibawa & Gautama, 2017; Fauziah, Rafiyah & Solehati, 2018). As an alternative initiative to tackle the social and economic issues of young people in Bandung, a community group was formed by nine entrepreneurs to promote creative industries for young people.

One thing that makes ICBE different from other CBEs in the literature is that CBE is formed based on the Islamic principles. ICBE uses *da'wah* (*da'wah* simply means inviting or calling others to the way of truth and peace) as a solution to alleviating the negative problems among young people in Bandung City. In their programme, they also empower the local economy by creating business stimulation programmes that generate new entrepreneurs from marginalised young people. *Da'wah* programmes created specifically for young people combine activities that are favoured by the young people such as skateboarding exhibition and motorbike racing with Islamic lectures and dialogues. This community seeks to foster a better

understanding of Islam and to steer the young participants away from wrongdoing and a life of crimes. This community also emphasises the eradication of unemployment which can be a way for young people to distance themselves from criminal ways.

Studying ICBE in more detail will be a step forward in the study of CBEs as this study seeks to integrate the Islamic worldview in creating a business enterprise that relies on local knowledge to help solve local problems. To date, studies of CBEs have used mostly Western ideologies which often clash with the Islamic teachings. A case study on this community enterprise provides an opportunity to fill the gap in knowledge about ICBE, its characteristics, impact, and other issues. To date, to the knowledge of the researcher, very few studies have integrated an Islamic worldview in the study of CBE. A comprehensive study of ICBE is likely to expand knowledge in Islamic social entrepreneurship, Islamic social capital, and community economic development from an Islamic perspective. Social capital is regarded as an important determinant of CBE and CBE is often suggested to be an alternative way to develop a community.

1.3 PROBLEM STATEMENT

Discussion about CBE in economics and business literature has been prolific in recent years (Lyons et al., 2012; Valchovska & Watts, 2016; Gray, Kirkwood, Etemaddar & Monahan, 2018; Marticorena, 2018). According to Peredo and Chrisman (2006), community-based enterprises can be an alternative vehicle for community economic development in various regions, especially for communities that are somehow outside of the mainstream society. To date, however, studies on CBEs are largely based on the conventional and mostly Western values. This present study intends to approach this topic from the Islamic perspective, as there is a lack of conceptual and also empirical

studies in this area. So far, the literature review has only discovered the study by Parwez (2017) who studied a CBE of Muslim community in Gujarat, India. This study, however, was explored from the perspective of a minority community that needed empowerment to increase their economic opportunities and reduce their dependency on the mainstream society. It was not clear if Islamic perspective was considered in the study. Moreover, there is a need to examine in more detail the concepts of social capital and community economic development from an Islamic perspective.

1.4 PURPOSE OF THE STUDY

This research seeks to build an understanding about CBE that is founded on Islamic worldview and premises. This study aims to build a comprehensive model on Islamic community-based enterprise, and determine its impact on community economic development.

1.5 OBJECTIVE OF THE STUDY

The objectives of the study are:

1. To investigate factors that influence the creation of Islamic community-based enterprise (ICBE) in Bandung City.
2. To investigate the characteristics of Islamic community-based enterprise (ICBE) that distinguish it from conventional community-based enterprise (CBE) in the case of Bandung City.
3. To examine the role of Islamic social capital in Islamic community-based enterprise (ICBE) in the case of Bandung City.