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Islamic Economic Values, Community Social Capital, and Women's Economic Empowerment: The Mediating Role of Community Participation

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ARTICLE INFORMATION **ABSTRACT**

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ABSTRACT
Women's economic empowerment is increasingly recognized as a critical component of inclusive and sustainable development, yet the mechanisms through which ethical values and community resources translate into economic agency remain insufficiently understood. This study examines the effects of Islamic economic values and community social capital on women's economic empowerment, with community participation serving as a mediating mechanism. A quantitative cross-sectional design was employed involving 96 women MSME entrepreneurs participating in women's business communities in a selected regency/city in Indonesia. The results indicate that Islamic economic values and community social capital have significant positive effects on both community participation and women's economic empowerment. Community participation also exerts a significant positive effect on women's economic empowerment and partially mediates the relationships between Islamic economic values and empowerment, as well as between community social capital and empowerment. The proposed model explains 68.1% of the variance in women's economic empowerment, indicating substantial explanatory capacity. These findings demonstrate that women's empowerment is not determined solely by access to economic resources, but also by the extent to which ethical values and social relationships are translated into meaningful community engagement. The study contributes to women's entrepreneurship and Islamic economics literature by positioning community participation as a behavioral mechanism linking normative and relational resources to economic empowerment. Practically, the findings highlight the importance of strengthening women's business communities as platforms for trust-building, peer support, collective learning, and economic decision-making.

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1. INTRODUCTION

Women's economic empowerment has become an important component of inclusive economic development because it extends beyond women's participation in income-generating activities to encompass their ability to access resources, exercise economic agency, make decisions, and benefit from economic opportunities. Despite substantial progress in gender equality, structural constraints continue to limit women's participation in economic life. The World Bank reported that women globally still enjoy substantially fewer legal protections than men, while disparities in access to childcare, finance, employment opportunities, and entrepreneurship remain persistent barriers to their economic advancement (World Bank, 2024). These conditions indicate that increasing women's economic participation alone is insufficient; greater attention is needed to the institutional, social, and behavioral mechanisms that enable women to transform economic activities into greater control over resources and decision-making.

This issue is particularly relevant to Indonesia, where women have a significant presence in micro, small, and medium enterprises (MSMEs). Women are estimated to own approximately 60% of Indonesian MSMEs, although their businesses are disproportionately concentrated in the micro-enterprise segment and continue to face constraints in accessing credit and markets (World Bank, n.d.). Recent evidence from Indonesia further demonstrates that women's entrepreneurship can improve household economic outcomes, but its effectiveness depends on access to capital, entrepreneurial capabilities, social networks, and support systems (Purba et al., 2025). Therefore, the economic empowerment of women entrepreneurs cannot be understood solely through business ownership or income generation. It also depends on the resources, relationships, values, and forms of participation through which women strengthen their ability to sustain businesses and influence economic decisions.

This study is conducted in Kota Palopo, South Sulawesi, Indonesia, a growing urban area where micro and small enterprises play a significant role in local economic activity. Similar to many developing urban regions, women entrepreneurs in Palopo are actively involved in trade, food processing, services, and home-based industries, often operating within informal or semi-formal business structures. In this context, women's business communities and local entrepreneurial groups have emerged as important platforms for networking, knowledge exchange, and business support. However, despite their active participation in MSMEs, many women entrepreneurs in Palopo still face limitations in scaling up their businesses, accessing formal financial services, and strengthening their market competitiveness. These conditions make Palopo a relevant empirical setting to examine the mechanisms that shape women's economic empowerment in a community-based entrepreneurial environment.

Within Muslim communities, Islamic economic values provide a relevant normative foundation for understanding such processes. Islamic economic principles emphasize ethical economic conduct through values such as justice, honesty, responsibility, mutual assistance, and concern for collective welfare. These principles potentially influence how entrepreneurs perceive economic success, interact with other actors, and distribute economic and social responsibilities. Recent scholarship has begun to examine Islamic values in relation to women-led MSMEs. Maksum et al. (2025), for example, identified Islamic values as an emerging research domain in women's entrepreneurship and showed that existing studies associate Islamic ethics with sustainable business practices, social responsibility, and women's entrepreneurial activities (Maksum et al., 2025). However, their bibliometric review also revealed that empirical research connecting Islamic values with specific economic and behavioral outcomes among women entrepreneurs remains limited. This limitation creates an important opportunity to move beyond the normative discussion of Islamic entrepreneurship and empirically examine whether Islamic economic values are associated with women's economic empowerment and through what mechanism such an association may occur.

In addition to values, community social capital represents an important resource for women entrepreneurs, particularly those operating small businesses with limited formal resources. Social capital is embedded in relationships characterized by networks, trust, reciprocity, shared norms, and access to collective resources. For women entrepreneurs, these relationships can provide information, market connections, knowledge, emotional support, and opportunities for collaboration. Shahzad et al. (2025) found that structural and relational forms of social capital helped women entrepreneurs obtain market access, develop skills, improve financial access, and strengthen business sustainability (Shahzad et al., 2025). Similarly, Lenz et al. (2025) demonstrated that peer relationships among women entrepreneurs enable resource sharing, mentoring, collaboration, and the creation of both economic and social value, particularly in resource-constrained environments (Lenz et al., 2025). These findings suggest that community social capital may compensate, at least partly, for limited formal resources available to women-owned microenterprises.

Nevertheless, the possession of supportive networks or shared social norms does not automatically generate economic empowerment. Social resources must be activated through meaningful engagement. This distinction makes community participation theoretically important. In this study, community social capital refers to the relational resources available within the community, whereas community participation refers to women's actual involvement in collective activities, knowledge exchange, decision-making, mutual support, and community-based economic initiatives. Evidence increasingly indicates that active participation can generate empowerment outcomes. Nguyen et al. (2025) showed that participation in social networks can indirectly influence women's economic empowerment behavior, while also emphasizing the importance of the social capital generated through such participation (Nguyen et al., 2025). More recently, Showkat and Baba (2026) found that women's active engagement in social enterprises, cooperatives, and livelihood-based organizations significantly contributed to economic and psychological empowerment, demonstrating that participation represents an important pathway through which collective environments can produce individual empowerment outcomes (Showkat & Baba, 2026).

Despite these developments, the literature remains fragmented in several respects. Research on Islamic values and women's entrepreneurship has largely concentrated on ethical orientation, entrepreneurial identity, sustainability, or conceptual relationships, with relatively limited empirical examination of how Islamic economic values translate into empowerment outcomes among women-owned MSMEs (Maksum et al., 2025). Meanwhile, studies on social capital have established the importance of networks and peer support for women entrepreneurs but have mainly emphasized resource access, entrepreneurial entry, business resilience, or venture performance (Lenz et al., 2025; Shahzad et al., 2025). Studies addressing participation provide evidence that active engagement can enhance empowerment, yet participation has more often been examined as an independent activity or in digital and social-enterprise settings rather than as the behavioral mechanism connecting community-based resources and values to women's economic empowerment (Nguyen et al., 2025; Showkat & Baba, 2026). Taken together, these strands of research suggest a theoretical gap concerning how Islamic economic values and community social capital are converted into women's economic empowerment through women's active participation in entrepreneurial communities.

Addressing this gap is particularly relevant for women MSME entrepreneurs in Kota Palopo who participate in women's business communities. Such communities are not merely platforms for business interaction; they can provide spaces in which values are practiced, trust is established, information is exchanged, collective initiatives are undertaken, and women acquire opportunities to participate in economic and social decision-making. Accordingly, this study proposes community participation as a mediating mechanism linking Islamic economic values and community social capital with women's economic empowerment. The proposed framework distinguishes between the availability of social resources and norms on the one hand and women's behavioral engagement with those resources on the other. This distinction is important because it provides a more process-oriented explanation of empowerment rather than assuming that values or social relationships directly produce economic outcomes.

Therefore, this study aims to examine the effects of Islamic economic values and community social capital on women's economic empowerment, while investigating the mediating role of community participation among women MSME entrepreneurs participating in women's business communities in Kota Palopo, Indonesia. The study offers three contributions. First, it extends the women's entrepreneurship literature by integrating Islamic economic values with social capital in explaining women's economic empowerment. Second, it introduces community participation as a behavioral mechanism through which normative and relational resources may be transformed into empowerment outcomes, thereby clarifying the distinction between possessing social capital and actively mobilizing it. Third, it provides empirical evidence from Kota Palopo, where women constitute an important segment of the MSME sector but continue to encounter limitations in business expansion and resource access. In practical terms, the findings are expected to inform the development of women's business communities and empowerment programs that combine ethical economic values, stronger social relationships, and opportunities for meaningful participation rather than relying exclusively on financial or technical interventions.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Theoretical Foundation

This study explains women's economic empowerment by integrating a social capital perspective with a process-oriented view of empowerment. The social capital perspective considers relationships, trust, reciprocity, shared norms, and networks as resources that individuals can mobilize to obtain information, support, opportunities, and other resources needed for economic activities. In women's entrepreneurship, these relational resources are particularly important because women frequently operate within social and institutional environments in which access to formal financing, business networks, information, and market opportunities remains constrained. Babajide et al. (2022) demonstrate that social capital strengthens the benefits that female entrepreneurs obtain from microfinance by facilitating entrepreneurial activities and access to resources (Babajide et al., 2022). Similarly, Bastian et al. (2023) show that women entrepreneurs in collectivist settings actively rely on social ties for resource acquisition, decision-making, self-efficacy, and empowerment (Bastian et al., 2023). These findings support the argument that economic outcomes among women entrepreneurs cannot be separated from the social relationships within which entrepreneurial activities take place.

The empowerment perspective adds an important distinction between possessing resources and having the capacity to transform those resources into meaningful economic outcomes. Ng et al. (2022) conceptualize women's empowerment in entrepreneurship as a dynamic process involving individual and collective dimensions of power. Their findings show that entrepreneurial activities may develop "power to," "power with," and "power within," indicating that empowerment involves both individual agency and women's ability to act together with others (Ng et al., 2022). This interpretation is particularly relevant to women entrepreneurs participating in business communities because empowerment may emerge not merely from possessing financial or social resources but from their ability to use those resources, participate in collective activities, influence decisions, and pursue economic goals.

On this basis, the present study distinguishes four related but conceptually separate constructs. Islamic economic values represent normative orientations that guide economic behavior; community social capital represents relational resources embedded in trust, networks, reciprocity, and shared norms; community participation represents the actual engagement through which women interact with and mobilize resources available within their business communities; and women's economic empowerment represents the expansion of women's economic agency, control, and capacity to make meaningful economic decisions. This distinction provides the theoretical foundation for examining community participation as a mechanism through which normative and relational resources can be converted into empowerment outcomes.

2.2. Islamic Economic Values and Women's Economic Empowerment

Islamic economic values refer to ethical principles that guide economic behavior according to Islamic teachings, including honesty, justice, trustworthiness, responsibility, mutual assistance, and concern for collective welfare. In entrepreneurship, these values position business activities not merely as mechanisms for generating profit but also as forms of economic responsibility toward customers, partners, families, and wider society. Wibowo et al. (2022) found that Islamic values are significantly associated with entrepreneurial attitudes and intentions in the Indonesian context, demonstrating that religiously grounded values can influence how individuals interpret and pursue entrepreneurial activities (Wibowo et al., 2022). Islamic values therefore have behavioral implications rather than functioning only as abstract religious beliefs.

The relevance of Islamic values becomes more pronounced when women's entrepreneurship is considered. Tlaiss and McAdam (2021) found that Muslim women entrepreneurs use Islamic teachings to interpret entrepreneurial decisions and that Islam can provide inspiration and resilience in navigating entrepreneurial challenges (Tlaiss & McAdam, 2021). Their findings illustrate that religious values may provide women with a legitimate framework for economic action while shaping the way they understand their responsibilities and entrepreneurial identities. Althalathini et al. (2022) similarly show that women entrepreneurs in Muslim societies can draw on Islamic interpretations to challenge restrictive social structures and strengthen their entrepreneurial agency (Althalathini et al., 2022). Their study demonstrates that Islamic religious frameworks do not necessarily constrain women's entrepreneurship; under particular interpretations, they can provide resources through which women renegotiate economic and social roles.

For women MSME entrepreneurs, values such as honesty and trustworthiness may strengthen credibility in relationships with customers and business partners, while justice, responsibility, and mutual assistance can support more sustainable economic relationships. Islamic values may also reinforce women's perception that economically productive activities are compatible with their moral and social responsibilities. When these values strengthen legitimacy, confidence, responsible control over business activities, and the capacity to pursue economic opportunities, they can contribute to women's economic empowerment. Therefore, this study proposes **H1: Islamic economic values positively influence women's economic empowerment.**

2.3. Islamic Economic Values and Community Participation

Islamic economic values are also relevant to collective economic behavior because several of their central principles emphasize relationships among individuals rather than individual economic achievement alone. Mutual assistance, responsibility, fairness, solidarity, and concern for collective welfare encourage economic actors to recognize obligations toward other members of society. In this sense, Islamic economic values may create a normative orientation that supports cooperative rather than exclusively individualistic entrepreneurship.

Empirical evidence suggests that Islamic values can shape entrepreneurial attitudes and subsequent behavioral intentions. Wibowo et al. (2022) report that Islamic values contribute to entrepreneurial intention through psychological and attitudinal pathways (Wibowo et al., 2022). In the SME context, Yusfiarto et al. (2022) also demonstrate that Islamic social capital is important for sustainable SME performance in Indonesia, highlighting the economic significance of relationships grounded in Islamic values, trust, and social connectedness (Yusfiarto et al., 2022). These studies indicate that Islamic principles can support behaviors involving cooperation, relationship building, and resource exchange rather than operating solely at the level of personal belief.

Within women's business communities, this normative orientation can encourage women to share business knowledge, assist other members, join collective programs, participate in discussions, and contribute to community initiatives. Participation can thus represent one behavioral expression of values emphasizing mutual responsibility and collective benefit. Although previous studies have primarily examined entrepreneurial intentions or business outcomes rather than community participation as a distinct construct, their findings provide a basis for expecting Islamic economic values to facilitate greater collective engagement. Accordingly, this study proposes **H2: Islamic economic values positively influence community participation.**

2.4. Community Social Capital and Women's Economic Empowerment

Community social capital refers to relational resources available through networks, interpersonal trust, reciprocity, shared norms, and supportive relationships among community members. Its central economic relevance lies in the fact that relationships can provide access to resources that entrepreneurs do not individually possess. Women entrepreneurs may obtain market information, business knowledge, referrals, emotional support, financing information, customers, suppliers, or collaborative opportunities through their relationships with other entrepreneurs and community members.

Recent studies provide strong support for the importance of these resources among women entrepreneurs. Babajide et al. (2022) found that social capital plays an enabling role in female entrepreneurship by strengthening women's ability to benefit from microfinance and entrepreneurial resources (Babajide et al., 2022). Jalil et al. (2023), using data from 479 women entrepreneurs, found that social capital is associated with women entrepreneurs' intentions to expand their entrepreneurial activities and that entrepreneurial attitudes partially transmit this effect (Jalil et al., 2023). Bastian et al. (2023) further demonstrate that strong social ties can provide women entrepreneurs with resources, self-efficacy, decision-making support, and empowering capacities within collectivist societies (Bastian et al., 2023). Together, these findings indicate that social capital is not simply a social characteristic of entrepreneurial communities but an economically productive resource.

This relationship is especially relevant for micro and small enterprises because limited organizational scale often makes entrepreneurs more dependent on external relationships for information, resources, and opportunities. When women have trusted networks and reciprocal relationships, they may gain greater ability to respond to business challenges, recognize opportunities, maintain business activities, and make economic decisions. Such capacities are closely associated with economic empowerment because they increase women's ability to exercise control over productive activities and economic choices. Therefore, **H3: Community social capital positively influences women's economic empowerment.**

2.5. Community Social Capital and Community Participation

Community social capital and community participation are closely related but should not be treated as identical constructs. Community social capital refers to the quality and availability of relationships and social resources, whereas community participation concerns the extent to which women actually become involved in community activities. A woman may belong to a community characterized by trust and strong networks but remain relatively passive in meetings, business programs, collective initiatives, knowledge sharing, or decision-making. Conversely, meaningful participation represents an active behavioral process through which available social relationships are used.

Trust can reduce uncertainty regarding interactions with other members, while reciprocity creates expectations that contributions to a community will be met by support from others. Networks provide communication channels, and shared norms facilitate coordination among members. These conditions can lower the social costs of participation and increase women's willingness to become involved in collective activities. Bastian et al. (2023) show that women entrepreneurs actively leverage strong social ties for action, resource acquisition, and entrepreneurial decision-making (Bastian et al., 2023). Their findings suggest that relational resources become economically consequential when women actually mobilize their relationships during entrepreneurial activities. Jalil et al. (2023) similarly demonstrate that social capital is linked to women's entrepreneurial attitudes and intentions, indicating that social resources can influence subsequent behavioral orientations (Jalil et al., 2023).

Applied to women's business communities, greater trust, reciprocal relationships, shared norms, and network connectedness should make members more willing to attend activities, exchange knowledge, participate in joint programs, support other entrepreneurs, and become involved in collective decision-making. The present study therefore expects community social capital to function as an enabling condition for behavioral engagement. Thus, **H4: Community social capital positively influences community participation.**

2.6. Community Participation and Women's Economic Empowerment

Community participation refers to the active involvement of women entrepreneurs in activities and decision-making processes within their business communities. Participation may involve attending meetings and training, exchanging entrepreneurial information, sharing experiences, contributing to collective activities, supporting other members, participating in business initiatives, and becoming involved in decisions that affect the community. Participation therefore differs from formal membership because membership indicates affiliation, whereas participation indicates actual engagement.

The empowerment implications of collective participation are increasingly recognized in recent studies. Mahato et al. (2023), through a systematic review of research on self-help groups, conclude that participation in such groups is important for multidimensional women's empowerment and identify collective participation as a pathway through which women gain economic and social capacities (Mahato et al., 2023). Bharti (2021) similarly finds that cooperative-based arrangements contribute to women's economic independence, access to and control over resources, and broader empowerment (Bharti, 2021). These findings suggest that organizations and communities can create spaces through which women develop capabilities that would be difficult to obtain through isolated entrepreneurial activities.

Collective participation can also expand forms of agency that are directly relevant to entrepreneurship. Ng et al. (2022) demonstrate that women's entrepreneurial empowerment in collective contexts involves both individual and collective forms of power. More recently, Yousafzai and Aljanova (2025) show that solidarity and collective action among women entrepreneurs can create economic opportunities, knowledge sharing, and broader socio-economic change (Ng et al., 2022; Yousafzai & Aljanova, 2025). These findings indicate that participation provides more than access to information; it can strengthen women's confidence, collective voice, ability to influence decisions, and capacity to mobilize economic opportunities.

For women MSME entrepreneurs, active community participation may therefore improve access to practical business knowledge, peer learning, collaboration, market information, training opportunities, and collective decision-making experiences. Repeated engagement in these activities can enhance women's ability to make business decisions and exercise greater control over economic resources. Accordingly, **H5: Community participation positively influences women's economic empowerment.**

2.7. Women's Economic Empowerment

Women's economic empowerment in this study refers to women's enhanced capacity to exercise agency in economic activities, make meaningful economic decisions, control and utilize resources, and pursue economic opportunities through their enterprises. This conceptualization deliberately distinguishes empowerment from business performance. An enterprise can experience higher sales or profits without necessarily increasing the female owner's autonomy or control over economic decisions. Conversely, empowerment involves changes in women's ability to act, decide, negotiate, and exercise control over economic matters that affect their businesses and livelihoods.

Ng et al. (2022) emphasize this process-oriented character of empowerment by showing that women's entrepreneurial experiences involve the development of different forms of power at both individual and collective levels (Ng et al., 2022). Bastian et al. (2023) further demonstrate that women entrepreneurs can use social relationships to strengthen decision-making, self-efficacy, resource acquisition, and empowerment (Bastian et al., 2023). Similarly, cooperative research shows that economic independence becomes empowering when women gain access to and control over resources rather than simply participating in income-generating activities (Bharti, 2021).

Accordingly, the present study treats women's economic empowerment as the principal outcome of the proposed model. Islamic economic values provide a normative orientation for responsible economic action, community social capital provides relational resources, and community participation provides a mechanism through which women can activate these resources. Economic empowerment emerges when these processes strengthen women's control, agency, and capacity to make meaningful economic decisions.

2.8. The Mediating Role of Community Participation

The proposed mediating role of community participation is based on the argument that resources do not necessarily generate empowerment unless they are translated into action. Islamic economic values can provide women with ethical orientations emphasizing responsibility, cooperation, mutual assistance, and productive economic behavior. However, holding such values does not automatically produce greater economic control or decision-making capacity. Their empowerment implications are more likely to emerge when women express these values through concrete interactions such as sharing information, assisting peers, engaging in collective economic initiatives, and participating in community decisions. Evidence that Islamic values influence entrepreneurial attitudes and behaviors (Wibowo et al., 2022), combined with evidence that collective participation contributes to empowerment (Mahato et al., 2023), provides the theoretical basis for expecting participation to transmit part of the influence of Islamic economic values to women's economic empowerment. This mediation proposition is an inference drawn from these complementary streams of evidence rather than a claim that the exact mediation relationship has already been established in prior research. Therefore, **H6: Community participation mediates the relationship between Islamic economic values and women's economic empowerment.**

A similar mechanism can be proposed for community social capital. Social capital creates access to networks, trust, reciprocal relationships, shared norms, and potential support, but possessing these resources is different from using them. Bastian et al. (2023) show that women entrepreneurs obtain empowering benefits when they leverage social ties for entrepreneurial actions and resource acquisition, while Babajide et al. (2022) demonstrate that social capital enables women entrepreneurs to make more effective use of economic resources (Babajide et al., 2022; Bastian et al., 2023). Research on collective empowerment further indicates that active involvement in groups can strengthen women's economic and decision-making capacities(Bharti, 2021; Mahato et al., 2023). Taken together, these findings support a process in which relational resources facilitate engagement and engagement subsequently contributes to empowerment. Consequently, **H7: Community participation mediates the relationship between community social capital and women's economic empowerment.**

The proposed model therefore views community participation as the behavioral bridge between resources and empowerment. Islamic economic values explain the normative basis that may encourage women to engage responsibly and collectively, while community social capital explains the relational resources that make such engagement possible. Community participation captures the extent to which these normative and relational resources are actually activated through involvement in women's business communities. By testing both direct and indirect relationships, the model can determine whether Islamic economic values and community social capital independently contribute to women's economic empowerment and whether community participation explains part of these relationships.

3. METHODOLOGY

This study uses a quantitative cross-sectional design to examine the relationships among Islamic economic values, community social capital, community participation, and women's economic empowerment. The unit of analysis is women MSME entrepreneurs who are members of business communities in a selected region in Indonesia. Respondents are selected using purposive sampling based on the criteria of being women MSME owners or managers, actively involved in a business community, and participating in business decision-making processes. The minimum sample size is 96 respondents, determined using the Lemeshow formula for an unknown population.

Data are collected using a structured questionnaire that is adapted from previous studies and adjusted to the MSME context. All variables are measured as reflective constructs, namely Islamic economic values which reflect ethical principles in economic behavior, community social capital which represents trust, networks, and shared norms, community participation which captures involvement in community activities and collaboration, and women's economic empowerment which reflects control over resources, decision-making autonomy, and business capability. All items are measured using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The questionnaire is translated into Indonesian, reviewed for clarity, and then distributed to eligible respondents. Participation in the study is voluntary, and all responses are treated with strict confidentiality.

The data are analyzed using partial least squares structural equation modeling (PLS-SEM) through a two-stage approach consisting of measurement model and structural model evaluation. The measurement model is assessed by examining indicator reliability, internal consistency reliability using Cronbach's alpha, rho_A, and composite reliability, as well as convergent validity using average variance extracted (AVE) with a minimum threshold of 0.50. Discriminant validity is evaluated using the heterotrait-monotrait ratio (HTMT), with particular attention given to distinguishing between community social capital and community participation as conceptually related but distinct constructs. The structural model is then evaluated by assessing collinearity, path coefficients, coefficient of determination (R^2), and effect size (f^2). Hypotheses are tested using bootstrapping with 10,000 resamples and a 95% confidence interval. Mediation analysis is conducted to examine the indirect effects of Islamic economic values and community social capital on women's economic empowerment through community participation.

4. RESULT AND DISCUSSION

4.1. Results

The measurement model assessment showed satisfactory reliability and validity across all constructs. The outer loadings of the indicators ranged from 0.712 to 0.889, exceeding the generally recommended minimum level. Cronbach's alpha values ranged from 0.847 to 0.889, while composite reliability values ranged from 0.894 to 0.917, indicating adequate internal consistency. The average variance extracted (AVE) values ranged from 0.602 to 0.650 and therefore exceeded the threshold of 0.50. These results indicate that Islamic economic values, community social capital, community participation, and women's economic empowerment achieved satisfactory convergent validity.

Table 1. Measurement Model Assessment

Construct	Cronbach's α	rho_A	Composite Reliability	AVE
Islamic Economic Values	0.861	0.868	0.900	0.602
Community Social Capital	0.875	0.881	0.908	0.622
Community Participation	0.847	0.853	0.894	0.628
Women's Economic Empowerment	0.889	0.894	0.917	0.650

Source: *Research Findings, 2026*

Discriminant validity was also established because all heterotrait-monotrait ratio (HTMT) values were below 0.85. In particular, the HTMT value between community social capital and community participation was 0.741, confirming that the two variables represent related but empirically distinct constructs. The variance inflation factor values ranged from 1.38 to 2.07, indicating that collinearity did not constitute a critical problem in the structural model.

The structural model explained a substantial proportion of variance in the endogenous constructs. Islamic economic values and community social capital jointly explained 52.6% of the variance in community participation ($R^2 = 0.526$). Meanwhile, Islamic economic values, community social capital, and community participation explained 68.1% of the variance in women's economic empowerment ($R^2 = 0.681$). These results suggest that the proposed model possesses meaningful explanatory power for understanding economic empowerment among women MSME entrepreneurs.

Bootstrapping with 10,000 resamples showed that all hypothesized relationships were positive and statistically significant. Islamic economic values had a positive effect on women's economic empowerment ($\beta = 0.214$, $p = 0.006$) and community participation ($\beta = 0.327$, $p < 0.001$), supporting H1 and H2. Community social capital significantly influenced women's economic empowerment ($\beta = 0.286$, $p < 0.001$) and community participation ($\beta = 0.451$, $p < 0.001$), supporting H3 and H4. Community participation also had a significant positive effect on women's economic empowerment ($\beta = 0.403$, $p < 0.001$), supporting H5.

Table 2. Hypothesis Testing Results

Hypothesis	Relationship	β	t-value	p-value	Decision
H1	Islamic Economic Values → Women's Economic Empowerment	0.214	2.74	0.006	Supported
H2	Islamic Economic Values → Community Participation	0.327	4.01	<0.001	Supported
H3	Community Social Capital → Women's Economic Empowerment	0.286	3.49	<0.001	Supported
H4	Community Social Capital → Community Participation	0.451	5.62	<0.001	Supported
H5	Community Participation → Women's Economic Empowerment	0.403	4.88	<0.001	Supported
H6	Islamic Economic Values → Community Participation → Women's Economic Empowerment	0.132	3.16	0.002	Supported
H7	Community Social Capital → Community Participation → Women's Economic Empowerment	0.182	3.92	<0.001	Supported

Source: *Research Findings, 2026*

The mediation analysis further demonstrated that community participation significantly mediated the relationship between Islamic economic values and women's economic empowerment ($\beta = 0.132$, $p = 0.002$), supporting H6. The indirect effect of community social capital through community participation was also significant ($\beta = 0.182$, $p < 0.001$), supporting H7. Because the corresponding direct effects remained statistically significant after the mediator was included, the findings indicate partial mediation. Community participation therefore does not replace the direct contribution of Islamic economic values and social capital but constitutes an additional mechanism through which both resources contribute to women's economic empowerment.

4.2. Discussion

The positive relationship between Islamic economic values and women's economic empowerment indicates that economic empowerment among women entrepreneurs is not driven exclusively by access to financial or material resources. Values associated with ethical responsibility, trustworthiness, fairness, mutual assistance, and legitimate economic activity can provide a normative foundation that strengthens women's confidence and agency in managing their enterprises. This interpretation is consistent with Barqawi et al. (2025), who found that Islamic teachings can support women entrepreneurs by reinforcing independence, economic participation, and a sense of empowerment. Their study also shows that women can mobilize religious principles as supportive institutional resources rather than viewing religion exclusively as a constraint on entrepreneurship.
The significant effect of Islamic economic values on community participation further suggests that these values have a collective dimension. Principles emphasizing cooperation and mutual responsibility appear to encourage women entrepreneurs to become more involved in business communities rather than pursuing entrepreneurial goals exclusively as individual activities. This result extends the existing discussion of Islamic entrepreneurship by suggesting that Islamic economic values may influence empowerment partly because they encourage women to interact, cooperate, share knowledge, and become involved in collective economic activities. This interpretation is particularly relevant to recent evidence showing that religious and institutional contexts can shape how Muslim women construct and exercise entrepreneurial agency (Barqawi et al., 2026).

Community social capital also emerged as an important determinant of women's economic empowerment. The positive coefficient indicates that trust, reciprocal relationships, shared norms, and networks within entrepreneurial communities provide resources that strengthen women's capacity to manage and develop their economic activities. This result is consistent with Machio et al. (2024), who found that different dimensions of social capital contribute to women's empowerment through asset ownership, savings, and participation in important decisions (Machio et al., 2024). It is also consistent with evidence from Indonesian women entrepreneurs showing that social capital based on trust, norms, and networks strengthens entrepreneurial processes and business outcomes (Putri et al., 2025).

The stronger effect of community social capital on community participation (β = 0.451) demonstrates that the availability of relational resources plays a particularly important role in stimulating active engagement. Trust can reduce the perceived risks of sharing information, reciprocity can encourage mutual assistance, and networks can provide channels through which members participate in collective activities. Importantly, the empirical distinction between social capital and community participation supports the conceptual argument of this study. Social capital concerns the relationships and resources available within the community, whereas participation represents the actual use of those relationships through involvement and collective action. The findings of Putri et al. (2025) similarly highlight business community engagement and network development as mechanisms through which social capital can strengthen women-led enterprises (Putri et al., 2025).

Among the direct predictors, community participation showed the strongest relationship with women's economic empowerment (β = 0.403). This finding suggests that possessing supportive values or networks is not sufficient unless women actively engage with opportunities available within their communities. Participation in discussions, training, information exchange, collaboration, mutual assistance, and collective initiatives can provide practical opportunities for women to strengthen business capabilities and exercise greater economic agency. Widiastuti et al. (2024) emphasize that women's empowerment in Indonesia requires collaboration among business, community, government, academic, and other actors, while Harianto and Listyani (2025) similarly identify integrated community-based strategies as important for strengthening women's autonomy and empowerment (Harianto & Listyani, 2025; Widiastuti et al., 2024).

The mediation results constitute the central contribution of the study. Community participation significantly transmitted the effects of both Islamic economic values and community social capital to women's economic empowerment. This means that values and relational resources are more likely to generate empowerment when they are translated into meaningful participation. The result shifts the explanation from a simple resource-based perspective toward a process perspective: Islamic economic values provide normative orientation, community social capital provides relational resources, community participation activates those resources, and women's economic empowerment emerges as the resulting expansion of economic agency. Recent research increasingly conceptualizes women's entrepreneurial empowerment as a dynamic process shaped by institutional conditions and women's ability to mobilize informal networks and community-based resources (Ma'ruf et al., 2026).

Overall, the findings indicate that strengthening women's economic empowerment should not focus exclusively on financial assistance or technical business training. Women's business communities can play a strategic role when they simultaneously cultivate ethical economic values, strengthen relationships based on trust and reciprocity, and provide meaningful opportunities for members to participate in learning, collaboration, and decision-making. This implication is consistent with recent Indonesian evidence emphasizing that women's empowerment requires integrated interventions combining economic resources, education, community support, and socio-cultural transformation (Harianto & Listyani, 2025; Widiastuti et al., 2024).

5. CONCLUSION

This study highlights that women's economic empowerment is shaped not only by access to economic resources, but also by the values, relationships, and forms of participation that support women in exercising greater economic agency. The findings indicate that Islamic economic values and community social capital positively contribute to women's economic empowerment, both directly and indirectly through community participation. Among the relationships examined, community participation emerges as a particularly important mechanism, suggesting that ethical values and social relationships produce stronger empowerment outcomes when they are translated into active involvement, knowledge exchange, collective initiatives, and participation in community decision-making.

The study contributes to the literature by positioning community participation as the behavioral bridge between normative resources, relational resources, and women's economic empowerment. Islamic economic values provide an ethical orientation for responsible and cooperative economic behavior, while community social capital provides trust, networks, reciprocity, and social support. These resources become more economically meaningful when women actively engage in entrepreneurial communities and use collective opportunities to strengthen their business capabilities and decision-making power. This process-oriented explanation extends previous studies that have tended to examine Islamic values, social capital, participation, and empowerment as separate relationships.

Practically, the findings suggest that women's empowerment programs should move beyond financial assistance and technical training alone. Women's business communities can become more effective empowerment platforms when they simultaneously strengthen ethical economic values, build trust-based networks, encourage reciprocal support, and create meaningful opportunities for women to participate in learning, collaboration, and collective decision-making. Such an approach can help women entrepreneurs become not merely recipients of economic support, but active economic actors with greater control over resources, business decisions, and future opportunities.

Despite its contributions, this study is limited by its cross-sectional design, purposive sampling, and focus on women MSME entrepreneurs within a specific geographical context. Future studies may employ longitudinal designs, broader regional samples, or comparative settings to examine whether the proposed relationships remain consistent across different communities and institutional environments. Future research may also explore additional mechanisms, such as entrepreneurial self-efficacy, digital capability, or institutional support, to further explain how community-based resources contribute to women's economic empowerment.

6. RECOMMENDATIONS AND POLICY IMPLICATIONS

The findings suggest that women's economic empowerment programs should not be designed solely around access to capital, equipment, or technical business training. Such interventions are important, but their effectiveness can be strengthened when they are combined with community-based mechanisms that encourage trust, cooperation, knowledge sharing, and active participation. Programs targeting women MSME entrepreneurs should therefore provide structured opportunities for members to engage in peer learning, joint business activities, mentoring, collaborative marketing, and collective problem-solving. These activities can help transform community membership into meaningful economic participation and strengthen women's ability to make independent business decisions.

Women's business communities should also strengthen their role as platforms for social capital development. Community managers can facilitate regular interaction among members, create peer-support mechanisms, and encourage reciprocal relationships that allow women entrepreneurs to exchange information, business contacts, market opportunities, and practical experience. Particular attention should be given to ensuring that participation is not dominated by a small group of active members. Inclusive community structures are needed so that newer, smaller, or less confident women entrepreneurs also have opportunities to contribute to discussions, access networks, and participate in collective decision-making.

The significant role of Islamic economic values implies that empowerment initiatives in Muslim communities can incorporate ethical economic principles into entrepreneurship development without limiting programs to religious instruction alone. Values such as honesty, trustworthiness, fairness, responsibility, mutual assistance, and concern for collective welfare can be integrated into business mentoring, financial management training, partnership development, and community governance. In this way, Islamic economic values can function as practical principles for building trustworthy business relationships and responsible entrepreneurial behavior while supporting women's economic agency.

For local governments and institutions responsible for MSME development, the findings indicate the importance of shifting from individually oriented assistance toward an ecosystem-based empowerment strategy. Government agencies can strengthen collaboration with women's business communities, cooperatives, Islamic financial institutions, universities, and other supporting organizations to provide integrated programs involving entrepreneurship training, market access, digital capability development, financial literacy, business mentoring, and networking opportunities. Community participation should be treated as an important program outcome rather than merely as attendance at training sessions. Evaluation should therefore consider whether women become more actively involved in business networks, collective initiatives, economic decision-making, and resource-sharing activities.

Policy interventions should also prioritize the sustainability of women's entrepreneurial communities. Short-term training programs may generate knowledge, but empowerment is more likely to develop when women have continuous access to networks, mentoring, and collective economic opportunities. Local policy makers can support community-based business forums, regular mentoring programs, shared marketing platforms, product exhibitions, business matching activities, and partnerships with financial and market institutions. Such support can help women entrepreneurs convert social relationships into tangible economic opportunities and reduce dependence on one-time assistance.

Finally, policies aimed at women's economic empowerment should recognize women entrepreneurs as active economic agents rather than merely beneficiaries of development programs. The objective of empowerment policy should therefore extend beyond increasing the number of women-owned enterprises or providing financial assistance. Greater emphasis should be placed on strengthening women's capacity to control economic resources, make strategic business decisions, expand entrepreneurial networks, participate in collective economic processes, and influence decisions that affect their businesses and communities. An empowerment strategy that combines ethical values, strong social capital, and meaningful community participation is more likely to produce sustainable improvements in women's economic agency and entrepreneurial resilience.

7. LIMITATIONS AND FUTURE RESEARCH

This study has several limitations that should be considered when interpreting its findings. First, the use of a cross-sectional design limits the ability to capture changes in women's economic empowerment over time. The relationships identified in this study therefore reflect associations observed at a single point rather than long-term empowerment trajectories. Future studies may employ longitudinal designs to examine whether Islamic economic values, community social capital, and community participation produce sustained effects on women's economic agency and business development.

Second, the study relies on purposive sampling and focuses on women MSME entrepreneurs within a specific geographical area. Although this approach is appropriate for reaching respondents with relevant characteristics, it may limit the generalizability of the findings to broader populations of women entrepreneurs. Future research could involve larger and more diverse samples across different regions, urban and rural settings, or different types of women's business communities to test the robustness of the proposed model.

Third, the study uses self-reported questionnaire data, which may be affected by respondents' perceptions and social desirability. This issue may be particularly relevant for constructs related to Islamic economic values and empowerment. Future research may strengthen the evidence by combining survey data with interviews, business records, community participation records, or objective indicators such as business growth, income changes, market expansion, and access to financial services.

Fourth, community participation is examined as the primary mediating mechanism in this study. While the findings support its importance, other psychological, organizational, and institutional mechanisms may also explain how values and social capital contribute to women's economic empowerment. Future studies may investigate additional mediators or moderators such as entrepreneurial self-efficacy, digital literacy, financial inclusion, family support, institutional support, entrepreneurial resilience, or access to Islamic financial services. Finally, the present model focuses primarily on individual and community-level factors. Future research may extend the framework by incorporating broader institutional and contextual conditions, including local government support, market accessibility, digital infrastructure, cultural norms, and the quality of entrepreneurial ecosystems. Comparative studies across regions or countries may also provide deeper insight into whether the role of Islamic economic values and community social capital varies across different socio-economic and institutional environments.

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