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Inclusive Business-Model Innovation for Economically Marginalized Communities

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Abstract

Inclusive business-model innovation has emerged as an important approach for reconciling commercial viability with broader economic participation among communities that remain underserved by conventional markets. Economically marginalized populations frequently encounter interconnected barriers involving affordability, physical and digital accessibility, limited purchasing power, weak market connections, restricted access to productive assets, insecure employment, and insufficient influence over the design of products and services intended for them. Conventional business models may address these populations only as low-income consumers, thereby overlooking opportunities to integrate community members as suppliers, workers, distributors, entrepreneurs, knowledge partners, and co-creators of value. This study develops an integrated framework for inclusive business-model innovation for economically marginalized communities, emphasizing five complementary dimensions: affordability and access, community co-creation, livelihood integration, localized distribution, and financial sustainability.

The research adopts a conceptual-methodological and simulation-based design because no original community-level or enterprise-level dataset was supplied. A synthetic analytical population of 600 business-model profiles was allocated across low, moderate, and high inclusion conditions. The resulting Inclusive Value Creation Index increased from 46.5 under low inclusion to 65.9 under moderate inclusion and 81.8 under high inclusion. These numerical values are theoretical simulation outputs rather than empirical estimates. The analysis indicates that the strongest inclusive models are not characterized simply by lower prices; they simultaneously expand access, incorporate local knowledge into value creation, strengthen livelihood opportunities, develop context-sensitive distribution mechanisms, and preserve sufficient economic viability for continuity and scaling.

The study further argues that inclusion should be assessed according to the net value created for economically constrained communities rather than solely by the number of low-income customers reached. Sustainable scaling requires partnership with ecosystem actors, locally embedded capabilities, community participation, and adaptive business-model configurations. The proposed framework contributes to inclusive-innovation and business-model literature by shifting attention from market penetration toward reciprocal value creation and by providing an operational structure for future empirical research.

Keywords: Inclusive Business Model, Economically Marginalized Communities, Inclusive Innovation, Base of the Pyramid, Community Co-Creation, Social Value Creation, Livelihood Integration, Frugal Innovation, Inclusive Growth, Sustainable Business Models.

1. Introduction

Economic exclusion is not produced by income constraints alone. Communities may be marginalized because markets fail to provide affordable products, appropriate distribution channels, access to finance, relevant infrastructure, secure employment, productive opportunities, or meaningful participation in decisions that affect their economic lives. Inclusive-business thinking responds to this challenge by moving beyond philanthropy and conventional corporate social responsibility toward commercially viable approaches in which low-income populations participate in core business activity. The World Bank describes inclusive businesses as commercially viable enterprises that develop innovative ways of doing business with people at the base of the economic pyramid, while broader development approaches emphasize participation as suppliers, distributors, retailers, employees, and consumers.

The intellectual development of inclusive innovation has similarly moved beyond the assumption that marginalized populations should be treated merely as recipients of inexpensive products. George, McGahan, and Prabhu conceptualized inclusive innovation as both a process and an outcome directed toward populations excluded from mainstream socioeconomic development. Subsequent Base-of-the-Pyramid scholarship has increasingly emphasized embeddedness, community knowledge, local entrepreneurship, co-creation, and institutional context. Lashitew, Bals, and van Tulder demonstrated that inclusive business models become socially meaningful when enterprises become embedded in local contexts and adapt organizational practices to support social innovation.

Business-model innovation provides a particularly useful lens because inclusion requires changes not only to products but also to the way value is created, delivered, and captured. A company may offer an affordable product while retaining a distribution system that excludes remote populations. It may employ members of disadvantaged communities while paying insufficiently or offering no pathway for capability development. It may purchase from low-income producers while shifting disproportionate risk onto them. Schoneveld therefore argues that genuinely inclusive business models should be evaluated according to the net value generated for income-constrained groups and should prioritize value creation rather than maximizing organizational value capture from vulnerable populations.

Recent research has strengthened this argument. Sustainable and inclusive business studies in Latin America show that inclusive models can combine economic, social, and environmental innovation, while research linking frugal innovation and inclusive business demonstrates that affordability becomes more effective when product architecture and value-chain design permit deeper participation by low-income actors. Research on SMEs entering Base-of-the-Pyramid healthcare markets further illustrates that successful inclusive innovation requires local embeddedness and movement from outsider status toward meaningful participation within local ecosystems.

A persistent research gap nevertheless remains between access-oriented business models and participation-oriented inclusive business models. Much of the discussion continues to emphasize affordability, customer acquisition, or geographic reach, whereas sustainable economic inclusion requires simultaneous attention to community agency, livelihood creation, local distribution, ecosystem collaboration, and commercial durability. Scaling research also indicates that inclusive businesses rarely expand successfully in isolation; scaling usually requires mutual adaptation between the enterprise and ecosystem partners. The present study addresses this gap by developing an integrated framework in which marginalized communities participate in multiple stages of value creation and by examining, through transparent simulation, how different degrees of inclusion influence overall inclusive value-creation capacity.

2. Objectives of the Study

2.1 To Conceptualize Inclusive Business-Model Innovation

The first objective is to define inclusive business-model innovation as a strategic redesign of value creation, value delivery, and value capture that expands meaningful economic participation among marginalized communities. The study distinguishes inclusion from simple low-price selling and argues that an inclusive business model should improve both market access and productive participation.

2.2 To Identify the Principal Mechanisms of Inclusive Value Creation

The second objective is to analyze five mechanisms considered central to inclusive business-model design: affordability and access, community co-creation, livelihood integration, localized distribution, and financial sustainability. The study examines how these mechanisms interact rather than treating each as an isolated intervention.

2.3 To Develop a Testable Inclusive Value-Creation Framework

The third objective is to establish an analytical framework suitable for future field validation. A simulation is used to demonstrate expected relationships without falsely representing synthetic numerical values as evidence collected from marginalized communities or operating businesses.

3. Review of Literature

3.1 From Base-of-the-Pyramid Markets to Inclusive Value Creation

Early Base-of-the-Pyramid thinking drew managerial attention to underserved low-income markets and challenged assumptions that people with limited incomes represented no commercially viable demand. The approach subsequently evolved from viewing low-income populations primarily as consumers toward understanding them as potential producers, entrepreneurs, knowledge holders, suppliers, and business partners.

George, McGahan, and Prabhu advanced this literature by emphasizing that inclusive innovation should benefit disenfranchised populations and should be understood as both a process and an outcome. Lashitew, Bals, and van Tulder extended the analysis by showing that inclusive businesses frequently face tensions between commercial objectives and social goals. Their research demonstrates that local embeddedness and mission-driven organizational processes can enable social innovation within Base-of-the-Pyramid contexts.

Schoneveld provides an important conceptual refinement by arguing that inclusion should be assessed through net value creation for income-constrained populations. A business cannot reasonably be considered inclusive merely because it has low-income customers if the relationship generates excessive financial risk, exploitative working conditions, dependency, or limited social value.

3.2 Co-Creation, Frugal Innovation, and Local Embeddedness

Inclusive innovation frequently requires the adaptation of mainstream products and delivery systems to contexts characterized by limited infrastructure, irregular incomes, geographic dispersion, institutional gaps, or culturally specific preferences.

Frugal innovation offers one response by emphasizing resource efficiency, affordability, simplicity, and context-sensitive design. Lange and colleagues' analysis of African cases demonstrates that frugal innovation and inclusive business can become closely interconnected and that modular product or service configurations may facilitate deeper forms of inclusion.

However, affordability alone is insufficient.

Products designed externally may still fail when businesses lack understanding of everyday conditions in the target community. Community co-creation can reduce this distance by involving users, local entrepreneurs, workers, civil-society organizations, suppliers, and other stakeholders in identifying needs and adapting solutions.

Mortazavi and colleagues' analysis of a Western SME entering a Base-of-the-Pyramid healthcare market illustrates that inclusive innovation develops through an extended process of becoming embedded in the local environment rather than simply transferring a predetermined business model into a low-income context.

More recent stakeholder research also connects stakeholder integration and inclusive innovation with social-value creation, strengthening the argument that participation should begin during innovation design rather than after a product has already been developed.

3.3 Inclusive Scaling and Ecosystem Participation

Scaling is among the most difficult challenges for inclusive business.

A model that works successfully in one village, urban neighborhood, producer network, or regional market may fail when transferred to a different context because infrastructure, institutions, income patterns, culture, distribution, regulatory systems, or partner capabilities differ.

Derks and colleagues' research on scaling inclusive business impacts argues that effective scaling frequently requires collaboration with ecosystem actors and mutual adaptation of business models.

This finding is important because traditional scaling strategies often emphasize standardization. Inclusive scaling may require a different logic: preserve the core inclusion principles while adapting operational mechanisms to local circumstances.

Community-based enterprise research similarly indicates that generic business models may need to be replaced by models tailored to local communities, resources, and governance structures.

The literature therefore suggests that inclusive business-model innovation operates at three interconnected levels:

1. **Individual level:** access, affordability, income, skills, agency, and dignity.
2. **Business-model level:** value proposition, distribution, sourcing, employment, revenue, and cost structure.
3. **Ecosystem level:** institutions, finance, infrastructure, civil society, government, partners, and local networks.

The present study integrates these levels within a single inclusive value-creation framework.

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4. Research Methodology

4.1 Research Design

The study adopts a conceptual-methodological and simulation-based research design.

No field survey, household questionnaire, community interview, enterprise dataset, ethnographic observation, or experimental intervention is represented as having been conducted.

A synthetic analytical population of 600 business-model profiles was created and distributed across three analytical conditions:

Low-Inclusion Business Model: 200 profiles Moderate-Inclusion Business Model: 200 profiles High-Inclusion Business Model: 200 profiles

The design evaluates the internal coherence of the proposed framework rather than estimating real-world causal effects.

4.2 Construct Operationalization

Table 1: Operational Framework for Inclusive Business-Model Innovation

Construct	Operational Interpretation	Scale	Expected Relationship
Affordability and Access	Ability of marginalized communities to obtain useful products or services despite economic, geographic, infrastructural, or digital constraints	0–100	Positive
Community Co-Creation	Degree of meaningful community participation in identifying needs, designing solutions, evaluating outcomes, and improving delivery	0–100	Positive
Livelihood Integration	Inclusion of community members as workers, producers, suppliers, distributors, entrepreneurs, or income-generating partners	0–100	Positive
Local Distribution Capacity	Use of locally appropriate channels, intermediaries, networks, technologies, and logistics for last-mile delivery	0–100	Positive
Financial Sustainability	Ability of the model to generate adequate revenues and manage costs without undermining its inclusion objectives	0–100	Positive
Inclusive Value	Composite representation of economic access, participation, local value creation, and	0–100	Outcome

Construct	Operational Interpretation	Scale	Expected Relationship
Creation Index	business-model durability		

4.3 Analytical Procedure

The Inclusive Value Creation Index was modeled conceptually as:

IVCI = 0.22(AA) + 0.24(CC) + 0.22(LI) + 0.16(LD) + 0.16(FS) + ε

where:

IVCI = Inclusive Value Creation Index AA = Affordability and Access CC = Community Co-Creation LI = Livelihood Integration LD = Local Distribution Capacity FS = Financial Sustainability ε = controlled random variation representing unmodeled institutional and business factors

Community co-creation receives the largest illustrative weighting because the framework treats marginalized populations as active participants in business-model development rather than passive beneficiaries.

The coefficients are simulation assumptions and not empirically estimated regression weights.

A fixed random seed was used in generating the synthetic profiles to support reproducibility. Each construct was bounded between 0 and 100.

5. Analysis

5.1 Inclusive Value Creation Across Business-Model Conditions

The simulation demonstrates a progressive increase in the Inclusive Value Creation Index as business-model inclusion becomes stronger.

Table 2: Simulated Inclusive Business-Model Outcomes

Analytical Indicator	Low Inclusion	Moderate Inclusion	High Inclusion
Affordability and Access	48.1	67.4	83.8
Community Co-Creation	42.0	63.2	81.1
Livelihood Integration	45.4	66.9	82.9
Local Distribution Capacity	45.6	65.0	81.5
Financial Sustainability	55.2	68.2	78.8
Inclusive Value Creation Index	**46.5**	**65.9**	**81.8**

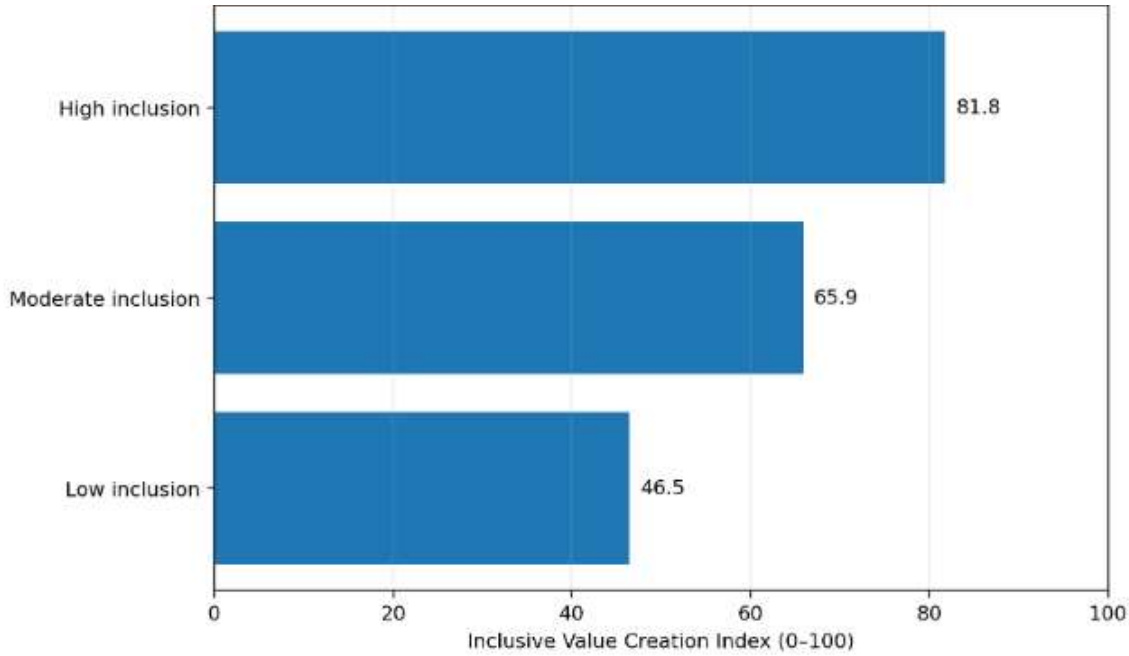
Note: All values are synthetic analytical scores on a 0–100 scale. They do not represent observed community or enterprise data.

The Inclusive Value Creation Index increased by 19.4 points between the low- and moderate-inclusion conditions and by an additional 15.9 points between the moderate- and high-inclusion conditions.

The total modeled difference between low and high inclusion was 35.3 points.

5.2 Graphical Analysis

Figure 1. Inclusive Value Creation Across Business-Model Conditions



The figure illustrates that business models characterized by stronger participation, better access, deeper livelihood integration, more effective local distribution, and viable revenue structures produce substantially higher modeled inclusive-value scores.

5.3 Interpreting the Inclusion–Sustainability Relationship

The analytical framework therefore assumes that sustainable inclusive-business performance depends upon balancing:

- community benefit,
- organizational viability,
- local participation,
- affordability,
- productive opportunity,
- and institutional adaptability.
- The appropriate goal is not to maximize one dimension while neglecting the others.

6. Discussion

6.1 Inclusion Should Extend Beyond Consumption

The first major implication is that economically marginalized communities should not be conceptualized only as untapped consumer markets.

The strongest inclusive-business models expand the economic roles available to community members.

A rural household may simultaneously be:

- a customer for an affordable product,
- a supplier of agricultural output,
- a distributor within the local area,
- a micro-entrepreneur,
- an employee,
- and a source of contextual knowledge.

6.2 Co-Creation, Agency, and the Quality of Inclusion

The second implication concerns community agency.

A business model can technically include disadvantaged populations while leaving decision-making power almost entirely with external organizations.

Meaningful inclusion requires mechanisms through which local knowledge influences what is designed, how it is delivered, and how economic benefits are distributed.

Research on inclusive innovation increasingly supports the importance of embeddedness and stakeholder integration.

Co-creation can improve business-model relevance because local participants possess information that external organizations may not easily observe.

They may understand:

- seasonal income fluctuations,
- cultural preferences,
- informal distribution systems,
- mobility constraints,
- trusted community intermediaries,
- local risk perceptions,
- language requirements,
- existing livelihood practices,
- and reasons previous interventions failed.

6.3 Scaling Without Diluting Inclusion

The third implication concerns scaling.

Conventional businesses often achieve scale through standardization, centralization, and replication.

Inclusive-business scaling may require greater adaptability.

Derks and colleagues emphasize that ecosystem actors play an important role in scaling inclusive-business impact and that business-model adaptations are often required during expansion.
An inclusive model developed in one community should therefore not be copied mechanically into another.

The core principles can remain stable:
affordability, participation, fair value distribution, accessibility, local capability, and economic viability.
However, implementation may need to change according to local infrastructure, institutional conditions, consumer behavior, language, geography, regulatory systems, community organizations, or productive capabilities.

Recent research on SMEs entering Base-of-the-Pyramid markets similarly illustrates the importance of becoming locally embedded rather than operating indefinitely as an external market actor.
There are also important risks.

Inclusive-business narratives can become problematic if organizations:

- use poverty primarily as a market opportunity;
- transfer excessive commercial risk to low-income producers;
- rely on unsustainable debt;
- substitute precarious micro-work for quality employment;
- exaggerate social-impact claims;
- create dependency on proprietary systems;
- or count market reach as equivalent to poverty reduction.

For this reason, performance evaluation should incorporate both commercial and community-level outcomes.

Suitable future indicators could include income stability, supplier margins, employment quality, affordability, service accessibility, local ownership, skills development, retention of economic value within the community, participation in governance, and consumer protection.

7. Conclusion

Inclusive business-model innovation offers an important pathway for connecting commercial activity with broader economic participation, but meaningful inclusion requires more than selling lower-priced goods and services to people with limited incomes.

The study therefore proposes a transition from a narrow “market for marginalized communities” perspective toward a “business model with marginalized communities” perspective.
Future empirical research should validate the framework through longitudinal field studies, mixed-method designs, comparative case research, community-level impact assessment, and multi-country samples.

Researchers should also examine whether inclusive-business success improves household economic resilience, local enterprise formation, employment quality, community agency, and long-term mobility rather than relying solely on commercial growth or customer-reach measures.

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