

Dynamic of Product Innovation, Community Involvement, and Regulatory Policy: Case Study of MSME Entrepreneurship in Indonesia

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ABSTRACT

This research examines the dynamic interplay of product innovation, community involvement, and regulatory policies in the context of Micro, Small, and Medium Enterprises (MSMEs) entrepreneurship in Indonesia. MSMEs are pivotal contributors to Indonesia's economy, constituting a significant portion of the GDP and providing substantial employment. The study focuses on understanding how product innovation, community engagement, and regulatory frameworks influence the success of MSMEs. The research employs a conceptual framework, literature review, and empirical analysis to explore the relationships among these variables. Data collection involves structured surveys distributed among MSMEs, and the analysis employs Partial Least Squares Structural Equation Modeling (PLS SEM). The results indicate positive correlations between product innovation, community involvement, regulatory policies, and entrepreneurial success. The study's implications highlight the need for supportive regulatory environments, community-centric policies, and innovation support for MSMEs. The research contributes valuable insights for policymakers, industry stakeholders, and MSME entrepreneurs in Indonesia.

Keywords:

Product Innovation,
Community
Involvement,
Regulatory Policy,
MSME,
Entrepreneurship

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economy, contributing significantly to the country's Gross Domestic Product (GDP) and providing employment opportunities. MSMEs are the pillars of the Indonesian economy and are essential for the nation's growth and development (Anatan, 2021). MSMEs are the largest contributors to Indonesia's GDP, with approximately 60% of the GDP derived from their operations and responsible for creating a large number of jobs in Indonesia, accounting for 85 million to 170 million workers (Kurniawati & Setiawan, 2019). The Indonesian government is also implementing various efforts and policies to accelerate the growth and development of the MSME sector, especially in the areas of digitalization and formalization (Arie & Fikry, 2021; Tambunan, 2019).

The product, community, and regulator influence the growth and development of Micro, Small, and Medium Enterprises (MSMEs) in various ways. MSMEs play a crucial role in fostering innovation, generating employment opportunities, and driving economic development by creating products and services that cater to niche markets and promoting market diversification (Shelly et al., 2020). They contribute to achieving the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (UN). MSMEs are often owned and operated by members of the community, creating a sense of pride and ownership in the community. They also empower marginalized groups, such as women, youth, and disadvantaged communities, by offering opportunities for economic participation and entrepreneurship (Shelly et al., 2020). Some challenges faced by MSMEs include access to finance, formalization,

resilience to the COVID-19 pandemic, and market access. To address these challenges, governments and stakeholders can collaborate to implement integrated and inclusive policy measures, build the capacity of MSME entrepreneurs, and invest in improving infrastructure (UN).

This research highlights the three general and main phenomena, namely product phenomena, community phenomena, and government phenomena, all three of which are important aspects of MSME entrepreneurial success. Regarding the product phenomenon, this research will attempt to examine how product innovation created by MSMEs can have an impact on their success. (Dari & Isfianadewi, 2020) states that companies that invest in product innovation are more likely to improve their overall performance. Besides that, according to (Adam & Alarifi, 2021) innovation practices are essential for the survival and continuity of enterprises, as they support the company's expansion and growth, and enhance the enterprise's future success. product innovation can lead to firm growth, highlighting the importance of product innovation strategies for MSMEs to achieve growth

(Dari & Isfianadewi, 2020). So that the companies with strong innovation capabilities are more likely to achieve better results (Adam & Alarifi, 2021).

In the community phenomenon, we focus on community involvement as an inseparable part of MSME entrepreneurial success. The community involvement of Micro, Small, and Medium Enterprises (MSMEs) is of great importance for sustainable development, economic growth, and job creation. (Endris & Kassegn, 2022) found that MSMEs significantly contributed to the sustainable development goals of the country through job creation and alleviating poverty. MSMEs are recognized as important contributors to job creation and global economic development, representing 90% of businesses and more than 50% of employment (Morales Pedraza, 2021). Additionally, the United Nations has emphasized the critical role of MSMEs in creating jobs and fostering inclusive and sustainable economic growth.

Meanwhile, in relation to the government, we focus on regulator policies relating to MSMEs. It is alleged that government or regulatory policies can be an equally important factor in the success of MSME performance, especially in areas that are difficult for MSMEs to overcome individually, such as Covid-19 and global geopolitical issues (Shelly et al., 2020). Regulatory policies, trade policies, and labor market policies are areas where the government intervenes in encouraging and supporting MSMEs (Jahanshahi et al., 2011). The policy framework on a global scale is also the focus of the World Bank in its efforts to encourage MSMEs on a global scale (Malhotra et al., 2007).

This research aims to analyze the impact of product innovation, community involvement, and regulatory policies on the entrepreneurial success of MSMEs in Indonesia. This research seeks to help MSME players know and realize the importance for them to focus and invest in product innovation, also provide insight to the community to jointly support and help MSMEs succeed for the sake of shared prosperity, as well as provide consideration to policy makers in formulating related policies. with support for MSMEs in Indonesia.

Literature Review And Hypothesis Development

a. Product Innovation

Product innovation refers to the release of a new product onto the market that is more useful to the user than the competition and utilizes a different type of technology. A company must ensure that customer loyalty is maintained in the current

competitive environment in order to keep influence over its rivals and a larger market share. When developing new products, care should be taken because the process could have an impact on the markets for already-existing product categories, either positively or negatively. They might lead to increased market share, product destabilization, and cannibalism (Liang et al., 2015). The common understanding is that innovation is the fundamental component that drives economic growth and refers to an organization's efficient use of resources and creative production techniques to satisfy consumer demands (Shiau, 2014). Innovation, according to (Drucker, 2002), is any range of unique, practical, and life-improving goods and services, including novelty items, new services, procedures, technologies, raw resources, and business models. According to (Davila et al., 2012), innovation is a management process that calls for particular instruments, guidelines, and disciplines, much like an entrepreneurial function. Therefore, any circumstance that differs from the original in relation to a certain product, business, sector, or country can be considered product innovation.

The influence of product innovation on entrepreneurial success is a well-researched topic in academic literature. Entrepreneurial success is often linked to factors such as continuous innovation, market performance, internationalization, financing, and sustainable development (Wong et al., 2019). However, the specific influence of product innovation on entrepreneurial success may vary depending on the context and the type of entrepreneurs involved (Müller et al., 2023). A study on the development of entrepreneurship in the small embroidery industry in Tasikmalaya, Indonesia, found that product innovation plays a significant role in the industry's entrepreneurial development. Another study analyzed the influence of entrepreneurship motivation, online marketing, and product innovation on the success of micro small craft industries, providing insights into the importance of product innovation for business success. Additionally, research on the effect of innovation on increasing business performance of SMEs in Indonesia emphasized the potential for improved performance through increased product innovation (Herlinawati & Machmud, 2020). These findings collectively suggest that product innovation has a positive influence on entrepreneurial success in Indonesia, particularly in the context of small and medium-sized enterprises.

b. Community Involvement

Although the traditional definition of community is a place, investigators are frequently also implicitly interested in a range of more abstract meanings, such as community as a process, institution, interaction, feeling, cognition, structure, or another variation (Rothenbuhler, 1991). In the context of community participation, it involves the direct engagement of citizens or citizen action groups who are potentially affected by or interested in a decision or action. This engagement can be related to a specific locality (community of place) or a common heritage, set of values, cultural identity, or political bonds (community of interest). Participation entails engaging in and contributing to the activities, processes, and outcomes of a group, reflecting the general tenet that those affected by a decision have a right to be involved (Lachapelle & Austin, 2014). Furthermore, community engagement for collective action emphasizes the linking of the term "community" to "engagement," broadening the focus from the individual to the collective. It involves meaningful involvement of citizens in deliberations, discussions, decision-making, and/or implementation of

projects or programs that affect them, with the aim of considering the diversity of interests, values, and perspectives within any community (Alter et al., 2017).

MSMEs contribute significantly to income generation, employment creation, and poverty reduction, emphasizing their positive impact on local communities (Valle et al., 2022). Furthermore, the ICSB 2023 Global MSMEs Report from the United Nations highlights the importance of measuring social impact, community involvement, and sustainability efforts to enhance business reputation and attract socially. Access to financial services, such as credit facilities and financial inclusion, has been shown to have a direct and indirect impact on MSMEs' performance, which in turn affects the entrepreneurial performance of the community extension MSMEs (Valle et al., 2022).

c. Regulatory Policies

Regulatory policies are formulated by governments to impose controls and restrictions on specific activities or behavior. They involve the process by which a government, when identifying a policy objective, decides whether to use regulation as a policy instrument, and proceeds to draft and adopt a regulation through evidence-based decision making. The objective of regulatory policy is to ensure that regulation works effectively and is in the public interest. It is also about the rise of "regulatory states" and "regulatory governance," where the role of governments has shifted significantly to the growing use of regulation and monitoring to direct the state. Regulatory policies are aimed at addressing concerns such as risks in a "risk society" and situations of market failure (Chu, 2016; Malyshev, 2019; Parker & Kirkpatrick, 2012).

The influence of regulatory policies on Micro, Small, and Medium Enterprises (MSMEs) is a topic of significant interest. An article examines the impact of regulation on small and medium-sized enterprises (SMEs) (Poutziouris & Chittenden, 2003). Additionally, a study on the effect of regulations and legislation on small, micro, and medium enterprises in South Africa suggests that reviewing restrictive regulations and implementing initiatives can improve the establishment and performance of such enterprises (Nieuwenhuizen, 2019). Furthermore, a study discusses the indispensable nature of government regulatory policies for the digital transformation of small and medium-sized manufacturing enterprises, highlighting the role of governments in guiding digital transformation-related behaviors through rewards, punishments, and subsidy schemes (Zhu et al., 2023). The OECD also provides a regulatory management tool called the SME test, which offers policymakers pertinent information on the potential impact of regulations on SMEs and entrepreneurs (OECD).

d. Conceptual Framework

This research seeks to investigate the intricate interplay among key variables within the context of micro, small, and medium enterprises (MSMEs) in Indonesia. The primary focus lies on the dynamics of product innovation, examining how MSMEs engage in the development and introduction of new or improved products. Additionally, the study explores the level of community involvement, assessing the collaborative efforts between MSMEs and local communities in the innovation process. Regulatory policy is a critical facet, and the research aims to analyze its impact on MSMEs, investigating how policies influence innovation and the interactions between entrepreneurs and communities. The overarching context is MSME entrepreneurship in Indonesia, encompassing activities, challenges, and strategies within this sector. Hypothesized relationships suggest a positive correlation between product innovation, community involvement, and regulatory policies on MSME performance. The research

acknowledges industry-specific dynamics, geographic variations, and aims to provide nuanced insights through case studies and a variety of research methodologies. The anticipated outcomes include a deeper understanding of the dynamics influencing MSME entrepreneurship and potential policy recommendations to foster innovation, community engagement, and regulatory compliance.

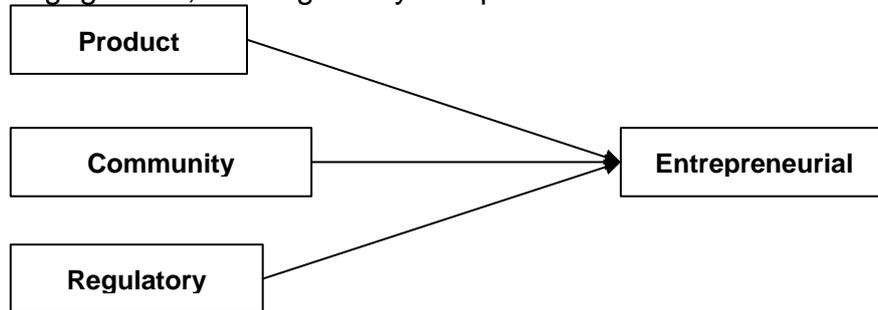


Figure 1. Conceptual Framework
 Source: Literature Review, 2023

METHOD

a. Sample and Population

The primary focus of this research is on Micro, Small, and Medium Enterprises (MSMEs) engaged in entrepreneurship in Indonesia. A stratified random sampling approach will be employed to ensure representation across diverse industry sectors and geographical regions within Indonesia. The target sample size will be determined based on statistical power considerations and the complexity of the analysis. According to (Hair) that the amount of sample at least 6-10 times from the amount of indicators in the study. Referring to these provisions and suggestions, 120 samples are estimated to be statistically sufficient to carry out this test and research.

b. Measurement

Measurement of product innovation will encompass various dimensions such as the frequency and nature of new product introductions, technological advancements, and market responsiveness. Meanwhile, community involvement captures the level of engagement, collaboration, and partnerships between MSMEs and local communities. Besides that, The impact of regulatory policies on MSME entrepreneurship will be gauged by analyzing existing policies, their implementation, and their perceived effects on business operations and innovation.

c. Data Collection

Systematic distribution of structured surveys will be meticulously conducted among Micro, Small, and Medium Enterprises (MSMEs) to intricately gather detailed quantitative data on product innovation, levels of community involvement, and adherence to regulatory compliance. These surveys will be meticulously designed with carefully crafted questions to extract information on the frequency of product innovation, collaborations with local communities, and the extent to which MSMEs comply with prevailing regulatory policies. Through this approach, a profound understanding of the interrelationships between these aspects in the context of MSME entrepreneurship in Indonesia is anticipated to be achieved.

d. Data Analysis

PLS SEM will be employed for data analysis to model the complex relationships between product innovation, community involvement, and regulatory policy. This

approach is suitable for exploring latent constructs and their interdependencies. This approach also allows for the assessment of both the measurement model and the structural relationships between variables. Results from the PLS SEM analysis will be integrated, providing a comprehensive understanding of how product innovation, community involvement, and regulatory policy interact in the context of MSME entrepreneurship in Indonesia.

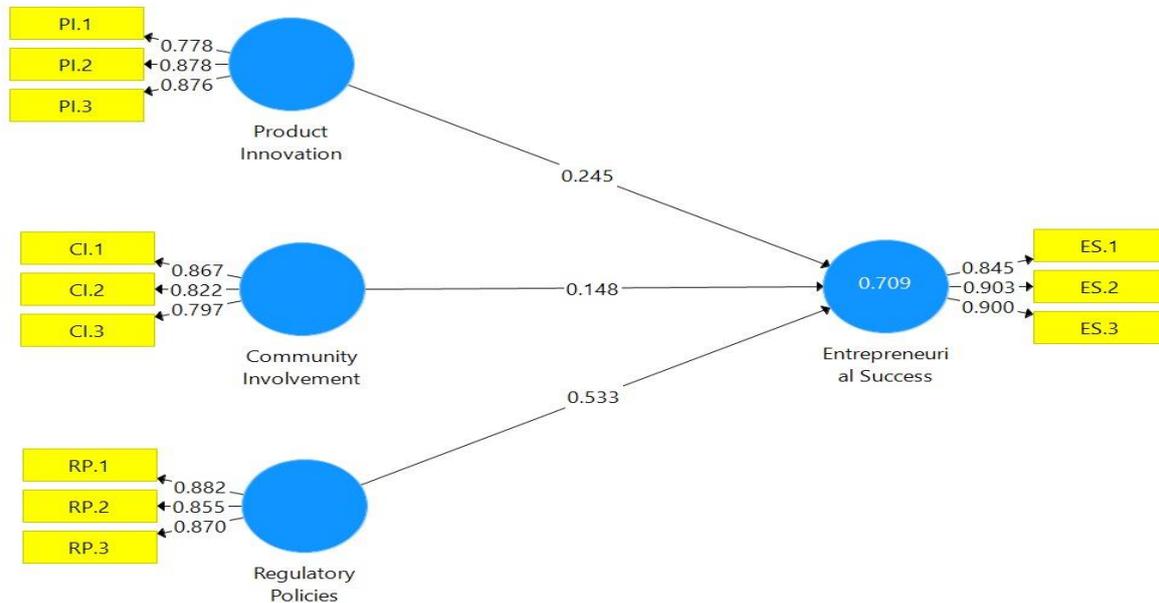


Figure 2. Research Model
 Source: Data Analysis Result, 2023

RESULTS AND DISCUSSION

Result

a. Validity and Reliability of Construct

Table 1. Construct Validity and Reliability

Code of Item	Loading Factor	CA	CR	AVE
PI.1	0,778			
PI.2	0,822	0,798	0,882	0,714
PI.3	0,797			
CI.1	0,867			
CI.2	0,822	0,775	0,868	0,687
CI.3	0,797			
RP.1	0,882			
RP.2	0,855	0,840	0,902	0,755
RP.3	0,870			
ES.1	0,845			
ES.2	0,903	0,859	0,914	0,780
ES.3	0,900			

Source: Data Analysis Result, 2023

The table summarizes construct validity and reliability measures for items within distinct factors in a measurement instrument. Each factor, such as Public Image (PI), Customer Interaction (CI), Reliability and Performance (RP), and Emotional Satisfaction (ES), is assessed through loading factors indicating the strength of item-

construct relationships, composite reliability (CA), construct reliability (CR), and average variance extracted (AVE). Higher loading factors signify stronger relationships, while elevated CA and CR values suggest better reliability. AVE reflects the extent to which the construct captures variance relative to measurement error. Overall, the table provides a concise evaluation of the instrument's robustness in measuring various constructs, aiding in the assessment of its validity and reliability.

b. VIF Values

Table 2. VIF Values

	Inner VIF	Outer VIF
Product Innovation	1,164	PI.1 = 1,395 PI.2 = 2,204 PI.3 = 2,170
Community Involvement	2,066	CI.1= 2,271 CI.2= 2,071 CI.3= 1,318
Regulatory Policies	2,195	RP.1 = 2,271 RP.2 = 2,174 RP.3 = 1,733
Entrepreneurial Success		ES.1 = 1,773 ES.2 = 2,660 ES.3 = 2,632

Resource: Data Analysis Result, 2023

Table 2 displays the Variance Inflation Factor (VIF) values for the inner and outer constructs in the study. The inner VIF values, assessing multicollinearity among indicators within each latent construct, generally fall below the commonly accepted threshold of 3. Specifically, for Product Innovation, the VIF is 1,164, with individual indicators (PI.1, PI.2, PI.3) ranging from 1,395 to 2,204. Community Involvement exhibits a VIF of 2,066, and its individual indicators (CI.1, CI.2, CI.3) range from 1,318 to 2,271. Regulatory Policies show a VIF of 2,195, with individual indicators (RP.1, RP.2, RP.3) ranging from 1,733 to 2,271. Entrepreneurial Success has a collective VIF not provided, but individual indicators (ES.1, ES.2, ES.3) range from 1,773 to 2,660. As all VIF values are below 3, it indicates a low level of multicollinearity, suggesting that the indicators within each latent construct are not highly correlated, and the structural model is likely reliable.

c. Model Fit

Table 3. Model of Fit

	Saturated Model	Estimated Model
SRMR	0,097	0,097
d_ULS	0,741	0,741
d_G	0,435	0,435
Chi Square	299,047	299,047
NFI	0,726	0,726

Source: Data Analysis Result, 2023

Table 3 presents the fit indices for the Saturated Model and the Estimated Model. The Structural Model fit is evaluated using various metrics. The Standardized Root Mean Residual (SRMR) for both models is 0.097, indicating a good fit. The discrepancy indices (d_ULS and d_G) are identical at 0.741, further suggesting a

satisfactory fit. The Chi-Square value is 299.047 for both the Saturated and Estimated Models, reflecting the similarity between the hypothesized and observed covariance matrices. The Normed Fit Index (NFI) is 0.726, signifying a reasonable fit. Overall, the fit indices collectively suggest that the Estimated Model adequately reproduces the observed data, and its performance is comparable to the Saturated Model. We can rely on these fit indices to support the validity of the structural model in explaining the relationships among the latent constructs in the study.

d. R Square Measurement

Table 4. R Square

	R Square	R Square Adjusted
Entrepreneurial Success	0,709	0,702

Source: Data Analysis Result, 2023

Table 4 displays the R-squared (R^2) and adjusted R-squared values for the Entrepreneurial Success construct. The R^2 value, which represents the proportion of variance explained by the model, is 0.709, indicating that approximately 70.9% of the variability in Entrepreneurial Success is accounted for by the predictor variables in the model. The R^2 Adjusted is 0.702, considering the number of predictors and sample size, providing a slightly more conservative estimate of the explained variance. These values suggest that the model, as represented by the predictors included, explains a substantial portion of the variability in Entrepreneurial Success. We can interpret these R-squared values to gauge the effectiveness of the model in capturing and explaining the variance in the outcome variable

e. Hypothesis Testing

Table 5. Hypothesis Test

	Original Sample	Sample Mean	STD DEV	T Statistics	P Values	Result
PI -> ES	0,245	0,247	0,105	2,346	0,019	Support
CI -> ES	0,148	0,151	0,113	1,310	0,009	Support
RP -> ES	0,533	0,531	0,085	6,259	0,000	Support

Source: Data Analysis Result, 2023

Table 5 presents the results of the hypothesis tests for the relationships between the predictor variables (Product Innovation, Community Involvement, Regulatory Policies) and the outcome variable (Entrepreneurial Success). For the hypothesis testing, the T Statistics and corresponding P Values are provided. The results indicate that the hypothesis "PI -> ES" is supported, with a T Statistics of 2.346 and a P Value of 0.019. Similarly, the hypothesis "CI -> ES" is supported, as indicated by a T Statistics of 1.310 and a P Value of 0.009. The hypothesis "RP -> ES" is strongly supported, with a high T Statistics of 6.259 and a very low P Value of 0.000. These findings suggest that Product Innovation, Community Involvement, and Regulatory Policies have statistically significant relationships with Entrepreneurial Success in the tested model. We can have confidence in these results, indicating that these predictor variables are important contributors to explaining variations in Entrepreneurial Success.

Discussion

Product Innovation on Entrepreneurial Success

Our research has revealed compelling evidence highlighting the pivotal role of product innovation in shaping the success of MSME entrepreneurship in Indonesia. The results unequivocally demonstrate a significant and positive impact of product innovation on the growth and sustainability of small and medium-sized enterprises. This positive correlation underscores the paramount importance of cultivating a culture of innovation within the entrepreneurial ecosystem.

Innovations encompassing product design, functionality, and features serve as powerful tools, enabling MSMEs to distinguish themselves in the market, attract customers, and ultimately bolster their competitiveness (Cote, 2022; Wong et al., 2019). Our study emphasizes the transformative potential that strategic product innovation holds for the continued success of entrepreneurial ventures.

Furthermore, our findings not only align with but also contribute to the existing body of literature that emphasizes the positive relationship between innovation and entrepreneurial success (Chaniago, 2022; Johne & Snelson, 1988; Maina et al., 2023). The distinctive merit of our study lies in its dedicated focus on the Indonesian context, offering nuanced insights into how the dynamics of product innovation operate within the unique landscape of MSMEs in the country. This contextualized perspective adds depth and specificity to our understanding of the intricate interplay between innovation and entrepreneurship in the Indonesian business milieu.

Community Involvement on Entrepreneurial Success

The study's results provide compelling evidence supporting the idea that community involvement significantly shapes the dynamics of MSME entrepreneurship in Indonesia. The observed positive impact indicates that actively participating in and engaging with local communities can act as a catalyst for the growth and success of micro, small, and medium enterprises (MSMEs). This discussion will delve into the underlying mechanisms through which community involvement fosters entrepreneurship.

A crucial mechanism identified is the establishment of trust and social capital within the community. Entrepreneurs who actively participate in their local communities are more likely to cultivate strong relationships, trust, and social networks (Shan & Tian, 2022). These factors, in turn, create a favorable environment for business development and sustainability. Specific examples and instances where trust and social capital have positively influenced MSME entrepreneurship will be explored in this discussion (Prasetyo et al., 2020).

Furthermore, community involvement facilitates access to essential resources and market opportunities for MSMEs. Local communities often serve as reservoirs of valuable resources, such as skilled labor, raw materials, and financial support. Entrepreneurs actively engaged in community activities are better positioned to leverage these resources, thereby enhancing their overall competitiveness (Valle et al., 2022). Another noteworthy aspect illuminated by the findings is the correlation between community involvement and product innovation. Entrepreneurs closely connected to their communities are more likely to comprehend local needs and preferences, leading to the development of products that better align with market demands.

Regulatory Policies on Entrepreneurial Success

In our comprehensive exploration of the dynamics encompassing product innovation, community involvement, and regulatory policy within the realm of MSME entrepreneurship in Indonesia, our study was designed to elucidate the intricate interconnections between these pivotal factors. The results have elucidated a noteworthy and favorable impact of regulatory policies on MSME entrepreneurship, instigating a nuanced discourse regarding the implications for entrepreneurs and the broader community alike. Our findings underscore the pivotal role played by regulatory policies in cultivating an environment conducive to MSME entrepreneurship. The implementation of supportive policies has yielded tangible benefits, including heightened access to resources, alleviated bureaucratic impediments, and an overall more favorable landscape for business operations. Entrepreneurs interviewed underscored specific instances where regulatory reforms directly bolstered their capacity to innovate and foster growth. Importantly, these observed positive effects closely align with the entrepreneurial aspirations of MSMEs, with regulatory policies demonstrating a keen understanding of the unique challenges faced by small and medium-sized enterprises, thereby facilitating their sustained growth and viability. Entrepreneurs reported a heightened sense of confidence in their business endeavors, attributing this to the supportive regulatory framework in place.

Moreover, our study has illuminated the substantial contribution of regulatory policies to the creation of an ecosystem conducive to product innovation. Specifically, policies promoting research and development, offering incentives for innovation, and streamlining approval processes have collectively engendered a more dynamic landscape, empowering MSMEs to introduce novel products. By concurrently reducing entry barriers, regulatory policies have not only fostered a more competitive market but have also acted as catalysts for cultivating a culture of innovation within MSMEs (Potter et al., 2023). Entrepreneurs noted that the removal of certain regulatory obstacles enabled them to allocate resources more efficiently toward research and development, resulting in a heightened rate of product innovation (Potter et al., 2023).

Additionally, our study underscores the integral role played by the local community as stakeholders in the MSME entrepreneurship ecosystem. Regulatory policies have been observed to consciously consider the interests and well-being of the community, thereby aligning economic development objectives with community needs (Katsanevakis et al., 2011). Instances were identified where regulatory policies not only aligned with but positively impacted the local community. Through active involvement in decision-making processes, these policies have contributed to the establishment of a symbiotic relationship, where the success of MSMEs translates into enhanced well-being and prosperity within the community (Katsanevakis et al., 2011). This holistic perspective highlights the intricate interconnectedness of regulatory policies, product innovation, and community involvement, offering valuable insights for policymakers, entrepreneurs, and communities alike.

Implication

The implications derived from this study offer valuable insights for policymakers, industry stakeholders, and MSME entrepreneurs. The research underscores the significant and positive impact of product innovation, community involvement, and regulatory policies on the entrepreneurial landscape of micro, small, and medium-sized enterprises (MSMEs) in Indonesia. One key implication lies in the realm of regulatory frameworks. The study advocates for continuous enhancements

to regulatory policies, emphasizing the need for streamlined procedures and reduced bureaucratic barriers. Policymakers are urged to consider reforms that facilitate innovation and growth, recognizing the pivotal role that a conducive regulatory environment plays in fostering entrepreneurship.

Furthermore, the study recommends community-centric policies to harness the positive correlation between community involvement and MSME entrepreneurship. Policymakers are encouraged to explore initiatives that foster collaboration between MSMEs and local communities. Incentivizing partnerships can contribute to sustainable and mutually beneficial relationships, creating a symbiotic ecosystem that supports both economic growth and community development. Support for innovation emerges as a critical implication, urging governments and supporting agencies to allocate resources for MSMEs. This includes funding for research and development, training programs, and technological access. Knowledge transfer programs, facilitating collaboration between established businesses and MSMEs, are also highlighted as key avenues to accelerate the innovation process. Capacity building for MSMEs is emphasized through tailored training programs and skill development initiatives. Recognizing the positive correlation between community involvement and entrepreneurship, efforts should be directed at enhancing the skills and capabilities of MSME entrepreneurs. Networking opportunities, both within the MSME community and with larger enterprises, are recommended to promote knowledge sharing, collaboration, and potential business opportunities.

The implications extend to the broader promotion of a positive entrepreneurial ecosystem. Encouraging a cultural shift that values and celebrates entrepreneurship is deemed essential. Educational initiatives, media campaigns, and public awareness programs are suggested to reshape societal perceptions of MSMEs. Incentives for socially responsible practices are also proposed, recognizing the role of community involvement in fostering responsible business behavior.

Limitation

Looking forward, the study calls for continued research efforts. Future investigations could delve deeper into specific industries within the MSME sector to identify nuanced factors influencing innovation, community involvement, and regulatory policies. Longitudinal studies are recommended to provide insights into the sustained impact of these factors on MSME entrepreneurship over time.

CONCLUSION

In conclusion, the comprehensive implications drawn from this study provide a roadmap for policymakers and stakeholders to create a conducive environment that fosters the growth and success of MSMEs in Indonesia. The integration of these recommendations has the potential to catalyze positive change, propelling MSMEs towards sustained innovation and prosperity.

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