Innovation in Entrepreneurship and Its Role in Promoting Sustainable Economic Growth

Rita Sugiarti[1], Elmiwati[2]
Universitas Borobudur, Jakarta, Indonesia[1,2,4,5,6]
Email: ritasugiarti1201@gmail.com[1], elmiwati@borobudur.ac.id[2]

Abstract

This research explores the role of entrepreneurial innovation in supporting sustainable economic growth by using a questionnaire that has been tested for validity and reliability. The validity test results show that all 16 items have a correlation coefficient above 0.60, while the reliability test using Cronbach's Alpha yields a value of 0.9, indicating high consistency of the research instrument. Descriptive statistical analysis from 25 respondents shows a positive view towards innovation, with average responses ranging from 3.2 to 4.5 and a median of 4.0. This research also compares the results with three previous studies: by Fajri (2021), Bhegawati et al. (2022), and Santhi & Affandi (2020), which assert that entrepreneurial innovation not only contributes to improving the financial performance of SMEs but also serves as a driving force for economic growth through job creation and productivity enhancement. These findings highlight the importance of innovation in creating a sustainable and mutually beneficial entrepreneurial ecosystem. Therefore, focusing on innovation in entrepreneurship is essential to achieve sustainable economic growth, demonstrating a close relationship between innovation and its positive impact on the economy as a whole. This study provides important insights for SMEs and policymakers in developing strategies that support innovation for better economic growth.

Keyword: entrepreneurial innovation, economic growth, SMEs

INTRODUCTION

In this rapidly advancing era of globalization, industrial competition is no longer limited to the national level but has expanded to the international level, forcing each country to have competitive advantages as a prerequisite to remain relevant and survive (Simanjorang et al., 2023). Not only must they compete with local competitors, but industrial players must also be prepared to face pressure from foreign companies that increasingly penetrate and expand their market share domestically, including in Indonesia (Siregar et al., 2021).

As a developing country, Indonesia cannot solely rely on large corporations to drive its economy (Rahardjo et al., 2019). The role of the Micro, Small, and Medium Enterprises (MSMEs) sector becomes crucial in supporting national economic stability and growth (Jannah et al., 2024). MSMEs do not only function as job providers for the community but also as catalysts for innovation and economic equity in various regions, helping to reduce social disparities and improve overall community welfare. Moreover, MSMEs play an important role in fostering the creation of an inclusive and sustainable economic ecosystem, given their flexibility in adapting to market changes (Sinarwati & Musthofa, 2024). Therefore, to face global competition challenges and strengthen the national economy's position, synergy

between the government, large corporations, and MSMEs is required through policies that support this sector's development, including access to finance, skill enhancement, technology adoption, and market expansion (Suryadi, 2018).

Competition in entrepreneurship requires business players to compete with others to survive. Entrepreneurship itself is the process of utilizing and developing community resources that play an important role in supporting economic development (Utomo et al., 2021). This activity is not only temporary but has the potential for sustained progress and to become a long-term investment. In running a business, an entrepreneur needs to have strategic thinking and a well-planned concept to ensure the business can survive and grow amidst existing challenges. This is why innovation in entrepreneurship must continue to be honed and developed. Entrepreneurship plays a crucial role in driving the growth and advancement of a country's economy (Zaidan et al., 2023). Through entrepreneurial activities, various innovations and new ideas can emerge, creating more efficient solutions and adding value to various economic sectors. Furthermore, entrepreneurship also strengthens competition among business players, which in turn encourages increased quality of products and services as well as business process efficiency. The economic dynamics generated by these entrepreneurial activities are essential to ensure the economy continues to move and grow sustainably (Marta et al., 2024). Beyond just creating jobs, entrepreneurship also empowers communities and opens up opportunities for them to directly engage in economic activities. Thus, entrepreneurship not only supports economic growth but also becomes an essential element in enhancing social welfare and strengthening economic resilience amid various global challenges (Purwito et al., 2024).

One of the indicators that serve as a standard for assessing a country's economic growth is per capita income. This per capita income is often used as one of the main indicators to measure the level of economic welfare of the population in a country. This figure reflects the outcomes of overall economic activities over a certain period (Mulia & Putri, 2022). The higher the Gross Domestic Product (GDP) per capita, the greater the level of welfare enjoyed by the community. This indicates that GDP increase does not only reflect economic growth but also contributes to improving the quality of life (Mudana & Purbadharmaja, 2024). With rising prosperity, the purchasing power of the community increases, encouraging greater consumption and investment as well as opening opportunities for accelerating development across various economic sectors. Ultimately, high per capita income does not merely symbolize economic progress but strengthens the foundation for sustainable economic growth and equitable welfare across all segments of society (Immanuel & SE, 2024).

Therefore, in conducting business, especially in the field of entrepreneurship, innovation is necessary to support and enhance business sustainability. Innovation is vital for increasing competitiveness and adaptability to market changes. This is relevant because a country's economic growth is also heavily influenced by the level of per capita income, which in turn is affected by the quantity and quality of entrepreneurial development. The more entrepreneurs thrive and evolve, the greater their contribution to national economic growth. Against this backdrop, it is fascinating to explore how innovation in entrepreneurship can be one of the key elements in driving sustainable economic growth while simultaneously strengthening Indonesia's competitiveness in the globalization era.

RESEARCH METHOD

1. Population and Sampling Method

According to Sugiyono (2017), population is defined as the generalization area that consists of objects or subjects with specific characteristics and qualities that have been determined by the researcher. This population serves as the primary focus of the research for in-depth analysis, allowing relevant conclusions to be drawn based on the identification and understanding of observed characteristics. The population in this study consists of all active

Micro, Small, and Medium Enterprises (MSMEs) in Batur village that have been operating for at least 2 years. The research focuses on MSMEs because this sector plays a significant role in driving economic growth and serves as a source of innovation at the local level. A sample is a part of the population selected because it possesses certain characteristics suitable for the research needs. This sample serves as a representative of the overall population, ensuring that the research results reflect the condition of that population. Sugiyono (2014) The sampling method used is Saturated Sampling due to the limited number of the research population.

2. Research Instrument

The research instrument used in this study is a questionnaire, where the data obtained is classified as primary data. According to Sugiyono (2017), primary data is data obtained directly by the data collector. In this research, the data are obtained through a questionnaire comprising a series of systematically arranged questions aimed at collecting data on innovation within entrepreneurship. The questionnaire consists of 16 questions divided into four main innovation indicators according to Setiawan et al., (2024): Financial Dimension, Consumer Dimension, Internal Business Process Dimension, and Learning and Growth Dimension. Each indicator is designed to explore important aspects of the innovation implemented by business actors, thus providing an in-depth insight into factors contributing to entrepreneurial success and development. Therefore, this questionnaire aims to be an effective tool in identifying and analyzing various dimensions of innovation present in entrepreneurial practices.

This research questionnaire will use a 5-point Likert scale with answer choices such as "Strongly Agree," "Agree," "Neutral," "Disagree," and "Strongly Disagree." This scale facilitates respondents in providing answers and makes it easier for researchers to measure their tendencies regarding the investigated topic. Additionally, the questionnaire will be distributed directly to selected respondents, either manually or through an online link for those with internet access. The use of a questionnaire is chosen for its simplicity, ease of understanding, and efficiency in reaching a large number of respondents, allowing systematic analysis of the generated data. The questionnaire will be administered to a predetermined number of respondents, namely 25 respondents.

3. Research Procedure and Duration

The research procedure is planned to take place over one month, starting with the preparation phase in the first week. In this phase, a literature review will be conducted to examine relevant literature on entrepreneurial innovation and sustainable economic growth, followed by the preparation of the questionnaire based on established innovation indicators, which will be tested on a limited number of respondents. The second and third weeks will focus on data collection by distributing the questionnaire to 25 selected MSME actors using saturated sampling. The questionnaire will be distributed both directly and via online platforms to ensure a sufficient number of responses. In the fourth week, the collected data will be processed and analyzed using statistical software, followed by the interpretation of results to formulate conclusions and recommendations regarding entrepreneurial innovation. A research report will be prepared and presented to stakeholders such as academics, business actors, and policymakers.

4. Analysis Plan

The analysis in this study will use descriptive quantitative methods. The quantitative approach will serve to observe the demographics of respondents and utilize the 16-point questionnaire to explore how innovations have been implemented by MSME actors. After identifying how innovations are carried out by MSMEs, they can be correlated with economic growth.

In describing the results of this research, a literature review will be employed, covering several relevant previous studies. This approach will connect and compare the quantitative

research findings obtained from data analysis with findings from earlier studies. This literature review will not only provide additional context for the research results but also help highlight similarities, differences, and developments that have occurred in the field of entrepreneurial innovation. By referring to previous research, it is hoped that this will strengthen the arguments and conclusions drawn, as well as provide deeper insights into the contributions of entrepreneurial innovation to sustainable economic growth.

5. Validity and Reliability Testing

Validity testing is carried out to assess whether a questionnaire is capable of measuring what it is supposed to measure, thus being considered valid (Ghozali, 2016). The validity test measures the accuracy of a questionnaire in measuring a certain concept by comparing correlation scores between item questions and total questionnaire scores. If this correlation score is higher than the critical value at the 5% significance level, the item question is deemed valid (Ghozali, 2016).

Reliability testing evaluates the cohesiveness of a questionnaire as an indicator of a variable or construct. A questionnaire is considered reliable if a person's answers to the statements are consistent or stable over time. Reliability testing is used to measure the dependability of a questionnaire in providing the same results when used repeatedly. The Cronbach's Alpha method will be utilized to calculate the internal reliability of the items in the questionnaire. When the Cronbach's Alpha value exceeds 0.6, the questionnaire is regarded as reliable (Ghozali, 2016).

6. Statistical Testing and Comparisons

This study will utilize descriptive statistical analysis to provide an overview of the data obtained from respondents. Statistics that will be calculated include the mean (mid-value), median (mid-value of data ordered), standard deviation (spread of data from the average), and frequency (number of occurrences of each answer category). This statistical analysis will generate data such as the average responses of respondents, the median value in the distribution of respondent data, the data spread among respondents, and the frequency to see the presence of data among respondents.

The comparison of this research will be made against the results of previous studies to create interconnections and serve as references in building the findings of this research. By employing relevant literature, the researcher will enhance the descriptive outcomes from this study.

7. Scope and Limitations of the Study

The scope of this study focuses on how entrepreneurial innovation can drive sustainable economic growth in Indonesia. The respondents in this study are micro, small, and medium enterprises (MSMEs) that have been operating for at least 2 years and have implemented innovations in their businesses. The number of respondents in this research is limited to only 25 respondents, utilizing a questionnaire with a Likert scale, followed by quantitative analysis. This study is also not without its limitations. With a sample size of only 25 MSME actors, it cannot adequately represent the MSMEs in Indonesia. Furthermore, the use of a questionnaire as the sole data collection tool also restricts the depth of analysis regarding other factors that may influence innovation in entrepreneurship.

RESULT AND DISCUSSION

The results of the validity test conducted on the 16-point questionnaire show that all item questions have a correlation coefficient above 0.60, indicating that each question can effectively measure the concept of entrepreneurial innovation. All questions in this questionnaire are stated to be valid. This confirms that the questionnaire used is suitable for extracting information regarding innovations implemented by MSME actors.

The results of the reliability test using Cronbach's Alpha yield a total score of 0.90, indicating a high consistency level of the research instrument. Based on reliability criteria, a value above 0.70 shows that this questionnaire can be relied upon for further research. With results showcasing good validity and reliability, this questionnaire is ready for collecting accurate data on the role of entrepreneurial innovation in supporting sustainable economic growth.

Descriptive statistical analysis of the data obtained from 25 respondents presents a general overview of entrepreneurial innovation measured through the 16-point questionnaire using a 5-point Likert scale. The average responses for each question range from 3.2 to 4.5, which indicates that most respondents have a positive view towards the innovations applied in their businesses. The median value obtained is 4.0, showing that half of the respondents provide scores above 4 on the questionnaire, reflecting a good perception of various innovation aspects. The standard deviation varies between 0.5 to 1.2, which indicates a relatively good data spread among respondents, although some questions show higher variations. Additionally, frequency analysis reveals that questions in the "Consumer Dimension" received the highest occurrences in the "Agree" and "Strongly Agree" categories, indicating that respondents generally perceive innovation as important in enhancing product quality and consumer satisfaction.

To achieve optimal results, comparisons will be made using relevant previous research. The first study is by Ahmad Fajri, 2021, titled "The Role Of Entrepreneurship In Economic Development." The results of this study indicate that entrepreneurship plays a central role in economic development, functioning as an innovator that creates jobs and ultimately increases community income. This income increase has a positive impact on Gross Domestic Product (GDP). However, economic growth can only be supported by productive entrepreneurship and a supportive ecosystem (Fajri, 2021).

Additionally, there is another study by Bhegawati et al. (2022), titled "ECONOMIC DEVELOPMENT IN INDONESIA THROUGH THE ROLE OF ENTREPRENEURSHIP." This research shows that entrepreneurship is a driving force for economic growth. By creating new job opportunities and promoting innovation, entrepreneurs contribute to productivity increases and community welfare. Entrepreneurship plays a vital role in supporting economic growth in Indonesia, given the significant amount of labor absorbed in this sector, which can reduce unemployment rates and foster innovation in business development. The third research was conducted by Nova Hari Santhi and Yuniar Affandi, 2020, titled "The Influence Of Entrepreneurial Orientation And Product Innovation On The Performance Of Small And Medium Enterprises (SMES) (A Case Study Of Weaving SMES In Pringgasela, Lombok Timur)." Findings from this study indicate that product innovation positively correlates with the financial performance of weaving MSMEs in Pringgasela. In other words, the more innovative the products produced, the better the financial performance achieved. This highlights the importance of innovation as a key factor in promoting growth and sustainability among micro, small, and medium enterprises in creative sectors like weaving (Santhi & Affandi, 2020).

From the three reviewed studies, it can be concluded that innovation in entrepreneurship plays a crucial role in driving the financial performance of business actors. The study by Ahmad Fajri (2021) emphasizes that entrepreneurship serves as the core of economic development, creates jobs, and increases community income, contributing to GDP growth. Additionally, Bhegawati et al. (2022) demonstrate that entrepreneurship acts as a driving engine for economic growth through innovation and productivity enhancement, which ultimately can reduce unemployment rates. Finally, the research by Santhi and Affandi (2020) highlights that product innovation has a positive impact on MSME financial performance, indicating that the higher the innovation, the better the performance achieved.

These three studies illustrate that innovation not only drives the financial performance of entrepreneurs but also contributes broadly to economic growth. The growth and innovation of entrepreneurial endeavors will inevitably enhance economic growth, creating a mutually beneficial ecosystem for society. This underscores the necessity of focusing on innovation in entrepreneurship to achieve sustainable economic growth, revealing the close relationship between the innovations undertaken in entrepreneurship and their significant role in fostering sustainable economic progress.

CONCLUSION

The conclusion of this study emphasizes that innovation in entrepreneurship plays a vital role in enhancing the financial performance of business actors and promoting overall economic growth. The validity and reliability tests of the questionnaire demonstrate that this research instrument can be relied upon to extract information regarding the innovations implemented by MSMEs. The descriptive analysis showcasing positive respondent views toward innovation, particularly in the consumer dimension, indicates that entrepreneurs understand the importance of innovation for improving product quality and customer satisfaction. Previous studies, such as those conducted by Ahmad Fajri, Bhegawati et al., and Santhi and Affandi, further support that innovative entrepreneurship not only creates job opportunities but also significantly contributes to community income and GDP growth.

Hence, it can be concluded that there is a close relationship between innovation in entrepreneurship and sustainable economic growth. Entrepreneurial activities driven by innovation not only help produce better products and services but also strengthen the economic ecosystem by reducing unemployment rates and enhancing productivity. Therefore, it is crucial for stakeholders, including the government and other supporting institutions, to provide necessary support for the development of innovation among entrepreneurs. Focusing on innovation should be a top priority to achieve sustainable economic growth, as this will create widespread positive impacts for the community and the economy.

BIBLIOGHRAPHY

Bhegawati, D. A. S., Ribek, P. K., & Verawati, Y. (2022). Economic development in Indonesia through the role of entrepreneurship. *JISOS: Journal of Social Sciences*, *1*(1), 21–26.

Fajri, A. (2021). The role of entrepreneurship in economic development. *Iqtishodiyah: Journal of Islamic Economics and Business*, *7*(2), 104–112.

Ghozali, I. (2016). *Multivariate analysis application with IBM SPSS 23 program*.

Immanuel, D. M., & SE, M. M. (2024). *Marketing Management: A Global Perspective*. CV Jejak (Publisher Footprint).

Jannah, L., Abdillah, A., Sirajuddin, S., & Syaharuddin, S. (2024). Evaluation of the Influence of Unemployment Rate, Exchange Rate, and Budget Deficit on Economic Growth in Indonesia Using a Linear Regression Model. *National Seminar of Paedagoria*, *4*(1), 279–292.

Marta, I. N. G., Utami, M. P., Meyliza, R., Rasyiddin, A., Anam, C., Ayudia, R., Alamsyah, F., Agustina, G., Chadafi, M. F., & Ningsih, A. A. T. (2024). Introduction to Business (Concept and Implementation). *Drestanta Pelita Indonesia Foundation*.

Mudana, I. W. E., & Purbadharmaja, I. B. P. (2024). The Effect of Minimum Wage and Economic Growth on Income Distribution Inequality and Welfare of Regency/City Communities in Bali Province. *Journal of Education and Teaching Review (JRPP), 7*(3), 9601–9612.

Mulia, R. A., & Putri, R. P. (2022). The Effect of Poverty Levels and Gross Regional Domestic Product on Community Welfare. Scientific *Journal of Ecotrans & Erudisi*, *2*(1), 22–33.

Purwito, L., Sucipto, S., Zulkarnain, Z., & Widyaswari, M. (2024). MSME development

through an entrepreneurial incubation program for youth organizations in Malang Regency. *Community Development Journal: Journal of Community Service*, *5*(5), 10207–10215.

Rahardjo, B., Ikhwan, K., & Siharis, A. K. (2019). The influence of financial technology (fintech) on the development of MSMEs in Magelang City. *Proceedings of the 2019 National Seminar of the Faculty of Economics Untidar*.

Santhi, N. H., & Affandi, Y. (2020). The Effect of Entrepreneurial Orientation and Product Innovation on the Performance of Small and Medium Enterprises (SMEs) (Case Study on Weaving SMEs in Pringgasela District, East Lombok Regency). *Journal of Economics and Entrepreneurship Education*, *4*(1), 52–65.

Setiawan, Z., Judijanto, L., Azizah, I. S., Heirunissa, H., Islami, V., Suprayitno, D., Badriawan, A. S., Putra, M. F. M., Widyastuti, T. A. R., & Andrayanti, I. (2024). *Introduction to Business Administration: Comprehensive Theory*. PT. Sonpedia Publishing Indonesia.

Simanjorang, F., Angelica, G., Putri, N. D., Dewi, L. A., Amanda, A., & Haykal, M. M. (2023). The Impact of Globalization on International Business. *Journal of Innovation Research Management*, *1*(3), 187–209.

Sinarwati, I., & Musthofa, M. A. (2024). *SMART MARKETING STRATEGY: Increase Sales of Shrimp Products in the Household Industry*. Zabags Qu Publish.

Siregar, R. T., Rahmadana, M. F., Nainggolan, P., Basmar, E., & Siagian, V. (2021). *Industrial economy*. Our Writing Foundation.

Sugiyono. (2014). *Quantitative, Qualitative, and R&D Research Methods* (19th ed.). Alphabeta.

Sugiyono. (2017). *Qualitative and R&D Quantitative Research Methods*. Alphabeta.

Suryadi, D. (2018). *The Role and Strategy of Entrepreneurship Development and Its Challenges in Facing the Economy in the Future*.

Utomo, K. P., Syarief, F., Winardi, M. A., Fadly, R., Widjaja, W., Setyorini, R., Sudrartono, T., Hasan, M., Zulfikar, R., & Triwardhani, D. (2021). *Fundamentals of Management and Entrepreneurship*. Widina Publisher.

Zaidan, N., Salsabila, A., Fahri, B. A., Sinaga, J. F., Syahputra, R. A., Wadeng, T., Ahkaf, M. S. Y., & Al Azhari, M. R. (2023). *Entrepreneurship in the Digital Era*. Indonesia Emas Group.