



The Role of Micro, Small, and Medium Enterprises (MSMEs) in Enhancing Employment Absorption in North Kolaka Regency

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play an important role in creating employment opportunities and supporting local economic activity, particularly in regions where employment opportunities outside the MSME sector remain limited. However, some MSMEs in North Kolaka Regency have not operated optimally, particularly due to limited knowledge of product marketing through social media. This study aimed to examine the role of Micro, Small, and Medium Enterprises (MSMEs) in increasing employment absorption in North Kolaka Regency. The study employed a descriptive qualitative research design, with data collected through direct observation, interviews, and documentation. The findings showed that MSMEs in North Kolaka Regency had contributed to employment creation by providing work opportunities for business owners and workers. Although most MSMEs had contributed to employment absorption, a small proportion of businesses had not operated effectively due to limited knowledge and skills in marketing products through social media. The study also found that MSMEs provided various products at relatively affordable prices, supporting their ability to attract consumers and sustain business activities. In terms of employment absorption, MSMEs were able to employ between two and eleven workers per business. These findings indicate that MSMEs have an important role in expanding local employment opportunities in North Kolaka Regency. Strengthening digital marketing knowledge and skills among MSME owners is therefore important for improving business performance and sustaining their contribution to local employment.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in economic development because they contribute not only to economic growth but also to employment creation and the improvement of community livelihoods. In developing economies, MSMEs are particularly important because they provide relatively accessible employment opportunities and support economic activities at the local level. Recent research has demonstrated that the growth and competitiveness of small and medium enterprises can contribute to employment creation, indicating that MSME development is closely associated with the expansion of employment opportunities (Inegbedion et al., 2024). In Indonesia, MSMEs similarly represent an important component of economic activity because their operations are

distributed across urban and rural areas and involve communities with diverse levels of capital and skills. Research conducted in Indonesia has shown that the number of MSME units is associated with employment absorption, confirming the relevance of MSMEs as an instrument for expanding employment opportunities and reducing unemployment (Faried et al., 2021; Nasution et al., 2021).

Employment absorption refers to the capacity of economic activities to employ members of the labor force. Increased employment absorption provides income-generating opportunities for communities and contributes to reducing unemployment. Within the MSME sector, employment absorption can be observed through the number of workers employed by individual businesses. Recent evidence indicates that MSMEs

can contribute to reducing unemployment through their capacity to create employment opportunities, although their employment-generating capacity depends on the sustainability and development of individual businesses (Kuswardani et al., 2024). Therefore, MSME development is not only relevant to business growth but also to the ability of local economies to provide sustainable employment opportunities.

The sustainability of MSMEs, however, is influenced by several challenges. One important challenge is the limited ability of some business owners to utilize digital marketing effectively. Digital marketing provides MSMEs with opportunities to expand market access, introduce products, communicate with consumers, and increase business competitiveness. Nevertheless, the adoption and effective utilization of digital marketing remain challenging for some MSME owners because of limitations in knowledge and skills (Sudarmiatin & Hidayati, 2023; Ayundyayasti et al., 2023). Limited marketing capabilities may restrict the market reach of products and consequently affect business development. This condition is particularly relevant for MSMEs operating in local markets, where the ability to promote products beyond the immediate geographical area can determine business sustainability.

In addition to marketing constraints, access to capital remains an important challenge for MSMEs. Many business owners continue to rely on personal funds to establish or develop their businesses, while limited access to external financing can constrain business expansion. Recent research has identified financing as an important issue affecting the ability of MSMEs to sustain and develop their operations in Indonesia (Putri & Musthofa, 2023; Setiawan et al., 2023). When businesses are unable to obtain adequate capital, their ability to increase production, expand markets, and recruit additional workers may be constrained. Conversely, businesses that are able to maintain and develop their operations have greater opportunities to create employment for both owners and workers.

These conditions are relevant to North Kolaka Regency, Southeast Sulawesi, where MSMEs constitute an important part of local economic activity. Many residents engage in self-employment and operate businesses that provide products and

services for local communities. Regional statistical information has documented the economic and social characteristics of North Kolaka Regency, including activities related to micro and small industries and employment (Badan Pusat Statistik Kabupaten Kolaka Utara, 2019). The original data used in this study indicated that the number of MSMEs in North Kolaka Regency reached 3,920 business units in 2018. The existence of these businesses provides opportunities for business owners to generate income while simultaneously creating employment opportunities for other members of the community. Through these activities, MSMEs have the potential to contribute to reducing unemployment and supporting local economic growth.

Nevertheless, the existence of a large number of MSME units does not automatically guarantee optimal employment absorption. Some MSMEs in North Kolaka Regency have been able to operate and employ workers, whereas a small proportion have experienced difficulties in developing their businesses. The challenges include increasingly intense competition, limited capital, and insufficient knowledge regarding product marketing through social media. Some business owners continue to depend primarily on personal capital, which limits their ability to expand their businesses. At the same time, inadequate knowledge of digital marketing can reduce the ability of MSME owners to introduce and market their products to a wider consumer base. These conditions may affect business continuity and, consequently, the ability of MSMEs to sustain employment opportunities.

Previous studies have established the importance of MSMEs in employment creation, but several gaps remain in the existing literature. Recent research has predominantly examined employment absorption using quantitative approaches and aggregate indicators, such as the number of MSME units, regional economic output, and other economic variables (Faried et al., 2021; Tasyim et al., 2021). While these studies provide important evidence regarding the relationship between MSMEs and employment, they provide limited insight into how MSME owners and workers experience employment creation at the individual business level. In addition, recent studies have frequently examined issues such as digital marketing, financing, competitiveness, and MSME

performance separately (Sudarmiatin & Hidayati, 2023; Putri & Musthofa, 2023). Limited attention has been given to the practical contribution of individual MSMEs to employment absorption within specific local contexts, particularly in North Kolaka Regency. This creates a need for qualitative research that can describe the actual role of MSMEs in providing employment opportunities while also identifying the challenges that may constrain their employment-generating capacity.

Based on this gap, the research problem addressed in this study concerns the limited understanding of how MSMEs contribute to employment absorption in North Kolaka Regency and the conditions that influence their ability to sustain employment opportunities. Although MSMEs have created employment opportunities for business owners and workers, some businesses have not developed optimally because of limitations in product marketing knowledge, particularly through social media, as well as capital and business-development constraints. Understanding these conditions is important because business sustainability directly affects the capacity of MSMEs to maintain and expand employment opportunities within the local economy.

Accordingly, this study aimed to examine the role of Micro, Small, and Medium Enterprises (MSMEs) in increasing employment absorption in North Kolaka Regency. The study specifically sought to describe the contribution of MSMEs to employment opportunities, identify the employment capacity generated by MSME activities, and understand the challenges faced by MSME owners that may affect their ability to develop and sustain their businesses. The study employed a descriptive qualitative approach to obtain a contextual understanding of MSME activities and their contribution to employment absorption through observations, interviews, and documentation.

Theoretically, this study contributes to the literature on MSMEs and local employment by providing qualitative evidence regarding the role of MSMEs as employment-generating economic units in a specific regional context. Unlike studies that primarily rely on aggregate statistical relationships, this study focuses on the actual employment opportunities created through MSME activities and the conditions experienced by business owners. The findings therefore complement previous research

on MSME growth, competitiveness, and employment creation by providing contextual evidence from North Kolaka Regency (Inegbedion et al., 2024). Practically, the findings provide relevant information for local governments, MSME development institutions, and business-support stakeholders in formulating policies and programs to strengthen MSME sustainability. In particular, improving MSME owners' knowledge and skills in digital marketing and strengthening business-development support can help expand market access, sustain business activities, and increase employment opportunities. The novelty of this study lies in its qualitative examination of MSMEs' employment-absorption role within the specific local context of North Kolaka Regency, with particular attention to the employment capacity of MSMEs and the practical challenges associated with business sustainability. This contextual perspective provides additional evidence that can support efforts to strengthen MSMEs as a source of employment and local economic development.

2. Literature Review

2.1 Conceptual and Theoretical Foundations

2.1.1 Micro, Small, and Medium Enterprises (MSMEs)

a. Definition of Micro, Small, and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises (MSMEs) constitute an important component of Indonesia's economic structure. The literature underlying this study describes MSMEs as economic activities operated by individuals or groups with the objective of achieving economic success while contributing to community welfare and economic development. Thus, MSMEs should not merely be viewed as small-scale business units but also as important economic actors capable of generating income and employment opportunities. The original study emphasizes that MSMEs play an important role in Indonesia's economy and have the potential to reduce unemployment through employment creation. Recent research further positions MSMEs as important actors in local economic development and employment creation. Sugiharti et al. (2023), for instance, demonstrate that micro and small enterprises contribute to labor absorption and that business characteristics such as turnover and business longevity are relevant to their

employment capacity. Accordingly, MSMEs in this study are conceptualized as economic units operated by individuals or groups with economic objectives and the potential to create employment opportunities. This conceptualization provides the basis for examining the relationship between MSME development and labor absorption.

b. Objectives of Micro, Small, and Medium Enterprises (MSMEs)

The objectives of MSMEs extend beyond individual business survival and include broader economic and social dimensions. The original literature identifies several objectives, including developing MSME capacity so that businesses become stronger and more independent, supporting national economic growth, strengthening the contribution of MSMEs to regional development, creating employment opportunities, promoting income distribution, developing local economies, and reducing poverty. These objectives have become increasingly relevant in the contemporary business environment, which is characterized by digitalization, changing consumer behavior, intensifying competition, and the need for continuous adaptation. Sujud and Ivan (2023) argue that the digital economy creates both opportunities and challenges for MSMEs, particularly in relation to business development and strategic adaptation. Therefore, MSME development should not be measured solely by the number of businesses established but also by their capacity to grow, adapt, improve productivity, and generate sustainable employment.

c. Characteristics of Micro, Small, and Medium Enterprises (MSMEs)

MSMEs have several characteristics that distinguish them from large-scale enterprises. The original study identifies relatively low capital requirements, limited requirements for formal specialized training, a strong presence in rural areas, and relatively high resilience during periods of economic crisis as important characteristics of MSMEs. These characteristics have implications for labor absorption. The relatively small scale of MSMEs enables them to respond flexibly to market demand and labor requirements. However, limited access to capital, technology, managerial capabilities, and skills may constrain their ability to expand

production capacity. Recent empirical evidence supports the importance of business characteristics in explaining labor absorption. Sugiharti et al. (2023) demonstrate that differences in business characteristics and local economic conditions are associated with differences in employment capacity among micro and small enterprises. Thus, the characteristics of MSMEs represent both opportunities and constraints for employment creation.

d. Role of Micro, Small, and Medium Enterprises (MSMEs) in the Economy

MSMEs play a strategic role in economic activity, employment provision, market creation, innovation, local economic development, and community empowerment. The original study identifies MSMEs as major economic actors, employment providers, creators of new markets, sources of innovation, and important contributors to local economic development. Recent empirical evidence strengthens this argument. Azhari and Nuraini (2024) found that the number of micro and small industries and their production value had positive and significant effects on labor absorption in Java. This finding indicates that expansion in MSME-related economic activity can generate additional demand for labor. The employment-creation role of MSMEs is particularly important in developing economies because small businesses frequently provide accessible employment opportunities for individuals with relatively limited formal education and skills. Budiman and Herkulana (2021), as reported in the original study, found that MSMEs in Pontianak absorbed a substantial proportion of workers, particularly workers with relatively low levels of education and skills. Therefore, MSMEs are positioned in this study not merely as business entities but as economic institutions capable of contributing to local development and employment creation.

e. Supporting and Inhibiting Factors of Micro, Small, and Medium Enterprises (MSMEs)

Supporting and inhibiting factors are important for understanding the ability of MSMEs to grow and increase their labor absorption capacity. The original study identifies information and communication technology utilization, access to business financing, and government support as

important supporting factors. Technology has become increasingly important in the contemporary MSME environment. Sudrajad et al. (2023) emphasize the importance of digitalization, digital capabilities, and digital literacy in strengthening MSME business strategies in Indonesia. Digital capabilities may enable MSMEs to expand market access, improve operational efficiency, and strengthen competitiveness. Conversely, major constraints include limited capital, production capacity, managerial capability, marketing difficulties, inadequate human resource quality, and limited access to market information. These constraints were also identified in the original study. Consequently, the ability of MSMEs to create employment depends not only on the number of businesses but also on their internal capabilities and the external support available to them.

f. Constraints Faced by Micro, Small, and Medium Enterprises (MSMEs)

The constraints faced by MSMEs are primarily related to limited resources and organizational capabilities. The original study identifies five major weaknesses: weaknesses in capital structure and access to financing, weaknesses in organizational and human resource management, limited business networks and cooperation, unfavorable business environments resulting from intense competition, and inadequate training and community support. These constraints have become more complex in the digital economy because MSMEs are required not only to obtain capital and labor but also to develop technological capabilities and adapt to rapidly changing markets. Accordingly, strengthening MSMEs requires a multidimensional approach involving financial access, human resource development, managerial capabilities, technology adoption, business networks, market access, and institutional support.

2.1.2 Labor

a. Definition of Labor

Labor refers to individuals who are employed or seeking employment to produce goods and services and obtain income. The original study defines labor as individuals who work or seek employment to generate income and fulfill their daily needs. From an economic perspective, labor constitutes one of the fundamental factors of

production. The availability of workers with skills that correspond to business requirements affects the ability of enterprises to operate efficiently and expand production. In the MSME context, labor relationships are often relatively flexible because of the smaller organizational structure and closer relationship between business owners and workers. Nevertheless, this flexibility may also be accompanied by limitations in training, division of responsibilities, employment protection, and skill development.

b. Labor Absorption

Labor absorption refers to the number of available employment opportunities that are filled and is reflected in the number of individuals employed. From a labor economics perspective, labor demand is derived from economic production activities and the need for labor as a factor of production. The original study establishes labor absorption as an important concept for understanding the employment contribution of MSMEs. Recent empirical evidence confirms the relationship between business development and labor absorption. Azhari and Nuraini (2024) found that the number of industries and production value had positive and significant effects on labor absorption in micro and small industries in Java. Similarly, Sugiharti et al. (2023) found that turnover and business longevity were associated with labor absorption among micro and small enterprises in tourism villages. These findings strengthen the argument that labor absorption is partly a consequence of increased business activity. When MSMEs increase production, expand their markets, and sustain their operations, their demand for labor may also increase. In this study, labor absorption remains a central concept representing the capacity of MSMEs to provide employment opportunities.

c. Labor Welfare

Labor welfare concerns the fulfillment of workers' economic and social needs through compensation and other benefits that contribute to decent living conditions. The original study explains that labor welfare may include material benefits, such as wages and allowances, as well as non-material benefits. Within MSMEs, labor welfare should be viewed as part of sustainable employment relationships. High levels of employment in

quantitative terms do not necessarily indicate favorable employment conditions if workers do not receive adequate compensation, protection, and opportunities for development. Therefore, increases in labor absorption should ideally be accompanied by improvements in productivity, working conditions, and employment quality.

d. Labor Problems

Labor-related problems include worker competitiveness, imbalances between labor supply and employment opportunities, industrial relations, labor protection and supervision, and mismatches between worker competencies and job requirements. These issues are identified in the original study. Such problems are particularly relevant to MSMEs because limited human resource quality may constrain productivity and business development. At the same time, limited MSME capacity may make the creation of high-quality employment more difficult. Therefore, the relationship between MSMEs and labor absorption should be understood from a multidimensional perspective that considers not only the number of workers employed but also business productivity, worker skills, compensation, and the broader employment environment.

2.2 Review of Empirical Studies

Previous empirical studies generally demonstrate that MSMEs contribute to employment creation, although the magnitude of their contribution varies according to business characteristics, economic conditions, and regional contexts. Budiman and Herkulana (2021), in their study of MSMEs and labor absorption in Pontianak, found that MSMEs played an important role in absorbing workers, particularly those with relatively low educational attainment and limited skills. The study also indicated that MSMEs could contribute to skill development through intensive guidance and training. Ilmi (2021) examined the role of MSMEs in reducing unemployment during the COVID-19 pandemic. The findings indicated that MSMEs could create new economic opportunities for lower- and middle-income communities when supported by appropriate management strategies. Sugiharti et al. (2023) provided more specific evidence concerning determinants of labor absorption among micro and small enterprises in tourism villages.

Their analysis showed that turnover and business longevity were associated with labor absorption. This finding indicates that business scale and sustainability are important in determining the capacity of enterprises to employ workers. Azhari and Nuraini (2024) analyzed six provinces in Java using panel data for 2017–2022 and found that the number of industries and production value had positive and significant effects on labor absorption in micro and small industries. This finding reinforces the theoretical argument that increasing production activity generates additional demand for labor. Meanwhile, Sudrajat et al. (2023) demonstrated the growing importance of digital capabilities and digital literacy in the development of MSME business strategies in Indonesia. This evidence is relevant because technology utilization is identified as one of the supporting factors for MSME development in the original study. When compared, previous studies share a common understanding that MSMEs contribute to employment creation. However, they differ in terms of analytical focus. Some studies emphasize the number of businesses and production value, while others focus on turnover, business longevity, business strategy, or digitalization. The original study also includes research concerning human resource competencies, government empowerment, and MSME development. For example, the study by Widjaja et al. examined the role of MSME human resource competencies in improving MSME performance, while Ningrum et al. and Ondang et al. examined MSME empowerment and the role of local government. These differences indicate that labor absorption in MSMEs is a multidimensional phenomenon influenced by internal business capacity, market access, human resources, production, and institutional conditions. Therefore, the present study retains its original focus on MSMEs and labor absorption while considering business management, marketing, business performance, wage levels, production, and worker skills as important elements of the conceptual analysis.

2.3 Identification of the Research Gap

Based on the synthesis of theoretical and empirical literature, several research gaps can be identified. First, previous research has established the contribution of MSMEs to labor absorption,

but several studies primarily measure the contribution of MSMEs at an aggregate level. Budiman and Herkulana (2021), for example, emphasize the contribution of MSMEs to employment in Pontianak, while Ilmi (2021) focuses on the role of MSMEs in reducing unemployment. Second, recent studies have begun to identify more specific determinants of labor absorption. Azhari and Nuraini (2024) emphasize the importance of the number of industries and production value, whereas Sugiharti et al. (2023) identify turnover and business longevity as relevant factors. However, these factors have not been fully integrated with business management, marketing, business performance, wage levels, production, and worker skills within the conceptual structure retained in the present study. Third, geographical and contextual differences remain important. Evidence from a particular region cannot necessarily be generalized to other areas because MSMEs operate within different economic, social, institutional, and labor-market environments. Fourth, digital transformation has created a new dimension in MSME development. Recent research emphasizes digital capabilities and digital literacy as increasingly important components of MSME competitiveness and strategy. However, in order to preserve the original research substance, digitalization is retained only as a supporting contextual factor rather than being introduced as a new core research variable.

Therefore, the principal research gap lies in the need to examine MSMEs and labor absorption while maintaining an integrated conceptual perspective involving business management, marketing, business performance, wage levels, production, and skills. This approach is consistent with the original conceptual framework and does not introduce variables that were absent from the initial research design.

2.4 Development of the Conceptual Framework

The conceptual framework is developed from the synthesis of theoretical perspectives and empirical findings concerning MSMEs and labor absorption. MSMEs are conceptualized as economic activities capable of creating employment through the expansion of business activities and production capacity. The original conceptual framework explicitly connects MSMEs with labor absorption. MSMEs are represented through three principal aspects: business management, marketing,

and performance. The labor-related component is represented through wage levels, production, and skills. Business management refers to the ability of MSME owners or managers to organize resources, coordinate activities, and maintain business operations. Effective business management can improve resource utilization and contribute to business sustainability. Marketing concerns the ability of MSMEs to reach consumers, maintain existing markets, and develop new market opportunities. Improved marketing capabilities can stimulate demand, increase sales, and subsequently increase production requirements and labor demand. Business performance reflects the ability of an MSME to operate productively and sustainably. Recent empirical findings demonstrate that production value and turnover are associated with labor absorption, suggesting that business performance and economic activity are important determinants of employment capacity. On the labor side, wage levels represent the compensation dimension of employment. Production reflects the level of economic activity requiring labor inputs, while skills represent workers' capacity to perform tasks according to business requirements. This framework is directly derived from and preserves the conceptual framework contained in the original research, which places MSMEs and labor absorption as the central concepts and identifies business management, marketing, performance, wage levels, production, and skills as relevant components. The theoretical logic underlying this framework is consistent with the labor-demand perspective in economics. Labor demand is derived from the demand for goods and services and the production requirements of businesses. When MSME activities expand, production increases, or market demand grows, the need for labor may also increase. Recent empirical evidence regarding the positive relationship between production value, business activity, and labor absorption supports this conceptual reasoning.

2.5 Hypotheses or Research Propositions

Based on the original research document, the study contains a conceptual framework but does not explicitly formulate research hypotheses. The conceptual framework describes the relationship between MSMEs and labor absorption through business management, marketing, business

performance, wage levels, production, and skills. Therefore, in order to preserve the original substance and avoid introducing assumptions that are not supported by the initial research design, this section does not introduce new statistical hypotheses. If the study adopts a descriptive or qualitative research approach, the absence of formal hypotheses is methodologically appropriate. The conceptual framework instead serves as an analytical guide for examining how MSMEs contribute to labor absorption and how business management, marketing, performance, wage levels, production, and worker skills are related to the creation of employment opportunities. Accordingly, the study focuses on examining the conceptual relationship between MSME development and labor absorption rather than statistically testing newly formulated causal hypotheses. This approach maintains consistency between the literature review, conceptual framework, and original research design.

3. Research Methods

3.1 Research Design

This study employed a descriptive qualitative research design to examine the role of Micro, Small, and Medium Enterprises (MSMEs) in increasing employment absorption in North Kolaka Regency, Southeast Sulawesi. The qualitative approach was selected because the study aimed to obtain an in-depth description of the role of MSMEs in creating employment opportunities, the number of workers absorbed by MSMEs, and the challenges encountered by MSME owners in developing their businesses. The qualitative design enabled the researcher to examine the phenomenon in its natural setting and to obtain information directly from individuals involved in MSME activities. The researcher served as the main research instrument, while data were collected through observation, open and semi-structured interviews, and documentation. The collected information was subsequently

analyzed qualitatively through data reduction, data display, and conclusion drawing and verification.

3.2 Research Context and Setting

The research was conducted in North Kolaka Regency, Southeast Sulawesi, Indonesia. This location was selected because MSMEs constitute an important part of local economic activities and provide employment opportunities for business owners and workers. The research focused specifically on understanding the contribution of MSME activities to employment absorption within the local community. The field research was conducted for approximately two months, from March to April 2023. During this period, the researcher collected information concerning MSME activities, employment conditions, business management, capital, products marketed, marketing activities, and challenges affecting the development and sustainability of MSMEs.

3.3 Population and Sample / Research Participants

The participants in this qualitative study consisted of individuals who were considered capable of providing relevant information concerning MSME activities and employment absorption. The study did not employ statistical sampling because its objective was to obtain an in-depth understanding of the phenomenon rather than statistical representation. The informants consisted of six participants, comprising three MSME owners and three MSME workers. MSME owners served as the main informants because they had direct knowledge of business establishment, management, capital, production, marketing, and employment. MSME workers served as supporting informants and provided additional information concerning their employment experiences and the role of MSMEs in providing employment opportunities.

Table 1. Informants

Informant Category	Number
MSME Owners	3
MSME Workers	3
Total	6

Source: Author processed

The involvement of both MSME owners and workers enabled the researcher to obtain information from different perspectives regarding the contribution of MSMEs to employment absorption.

3.4 Data Sources and Data Collection

This study used primary and secondary data. Primary data were obtained directly from the research setting through observation and interviews with the selected informants. Secondary data were obtained from relevant documents and written sources related to MSMEs and the research topic. Data were collected using three techniques: observation, interviews, and documentation. First, observation was conducted directly in the research setting to obtain information concerning MSME activities and employment conditions. The observation focused on activities relevant to the role of MSMEs in providing employment opportunities and supporting local economic activities. Second, open and semi-structured interviews were conducted with the selected informants. The semi-structured interview format allowed the researcher to prepare relevant questions while providing flexibility to explore additional information that emerged during the interviews. The interviews focused on the role of MSMEs, employment opportunities, the number of workers employed, business development, marketing activities, capital, and challenges faced by MSME owners. Third, documentation was used to complement the information obtained through observation and interviews. The documentation included notes, records, archives, and other relevant information concerning the history of MSME establishment, organizational structure and management, MSME programs, capital, and products marketed by the businesses. The use of observation, interviews, and documentation allowed the researcher to obtain information from multiple sources and provided a more comprehensive description of the role of MSMEs in employment absorption.

3.5 Measurement of Variables and Research Instruments

Because this study employed a qualitative descriptive approach, it did not use statistical variables, numerical measurement scales, questionnaires, or quantitative measurement

instruments. Instead, the study examined the central phenomenon of the role of MSMEs in increasing employment absorption based on information obtained from informants, observations, and relevant documentation. The researcher served as the primary research instrument. Supporting instruments included an interview guide, an observation guide, and a recording device. The interview guide was used to ensure that the main topics relevant to the research objectives were addressed during the interviews. The observation guide was used to assist the researcher in systematically recording relevant conditions and activities observed in the research setting. A recording device was used to document interview information for subsequent analysis. The research instruments were directed toward obtaining information concerning MSME activities, employment opportunities, the number of workers employed, business development, marketing, capital, and factors affecting the sustainability of MSME activities.

3.6 Data Analysis Techniques

The data were analyzed using a qualitative process consisting of data reduction, data display, and conclusion drawing/verification. Analysis was conducted on information obtained from interviews, observations, field notes, and documentation. The first stage was data reduction. At this stage, the researcher summarized, selected, organized, and focused the information obtained during the research. Information related to the role of MSMEs in increasing employment absorption in North Kolaka Regency was identified and retained for further analysis, while information that was not relevant to the research focus was excluded. The second stage was data display. The information that had been reduced was organized and presented systematically. The researcher arranged the information concerning the role of MSMEs, employment opportunities, the number of workers employed, business activities, marketing, capital, and challenges encountered by MSME owners. This process facilitated the identification and interpretation of patterns in the collected information. The third stage was conclusion drawing and verification. The researcher interpreted the information that had been organized and identified the main findings concerning the role of

MSMEs in employment absorption in North Kolaka Regency. The conclusions were subsequently reviewed against the information obtained during the research to ensure consistency between the findings and the collected evidence.

2.1 Validity, Reliability, and Trustworthiness

Because this study employed a qualitative approach, the quality of the findings was considered in terms of trustworthiness rather than statistical validity and reliability. The study used multiple data collection techniques consisting of observation, interviews, and documentation. Information obtained from these different sources was compared to obtain a more comprehensive understanding of the research phenomenon. The researcher also obtained information from two categories of informants, namely MSME owners and MSME workers. Comparing information from business owners and workers helped provide different perspectives regarding employment opportunities and the contribution of MSMEs to employment absorption. The use of multiple data sources and data collection techniques supported the credibility of the research findings. The researcher also maintained the connection between the original information, the data analysis process, and the conclusions presented in the study. However, the original research methodology did not explicitly report the implementation of additional qualitative procedures such as formal member checking, peer debriefing, independent coding, or an audit trail. Therefore, these procedures are not claimed as part of the research process.

3.8 Ethical Considerations

The study involved direct interaction with MSME owners and workers through interviews and observations. During the research process, the researcher maintained appropriate conduct when collecting information from the informants and used the information obtained for research purposes. The original methodology does not provide specific information concerning formal institutional ethical approval or a documented informed-consent procedure. Therefore, no formal ethical approval is claimed in this manuscript. Nevertheless, information obtained from informants should be presented responsibly, and the identity and personal information of participants

should be protected in the reporting of research findings. The researcher also maintained the confidentiality of information obtained during the interviews and used the collected information solely in relation to the objectives of the study.

3.9 Research Procedure

The research procedure was conducted through several stages. First, the researcher identified the research problem concerning the role of MSMEs in increasing employment absorption in North Kolaka Regency. Second, the researcher determined the qualitative research design and identified the research setting and relevant informants. Third, the researcher prepared the research instruments, consisting of an interview guide, observation guide, and recording device. Fourth, the researcher conducted fieldwork in North Kolaka Regency from March to April 2023. During this stage, data were collected through observation, open and semi-structured interviews, and documentation. Fifth, the collected information was organized and analyzed through data reduction. Sixth, the reduced data were presented systematically to facilitate interpretation. Seventh, the researcher drew and verified conclusions based on the information obtained from the research participants and supporting documentation. Finally, the researcher interpreted the findings to determine the role of MSMEs in providing employment opportunities and the challenges affecting their ability to sustain and develop employment absorption in North Kolaka Regency.

3.10 Methodological Limitations

This study has several methodological limitations. First, the number of informants was limited to six participants, consisting of three MSME owners and three MSME workers. Therefore, the findings provide an in-depth description of the selected research context but cannot be interpreted as statistically representative of all MSMEs and workers in North Kolaka Regency. Second, the study was conducted in a single geographical setting, namely North Kolaka Regency, and the fieldwork lasted approximately two months. Consequently, the findings primarily reflect the conditions identified during the research period and may not capture changes in MSME activities over a longer period. Third, the qualitative

approach emphasizes contextual understanding rather than statistical generalization. The findings therefore depend on the information provided by the informants and the researcher's interpretation of observations, interviews, and documentation. Finally, the original methodology does not provide detailed information concerning formal ethical approval, member checking, independent coding, or peer debriefing. These limitations should be considered when interpreting the findings. Future research may strengthen the methodological scope by involving a larger and more diverse group of informants, extending the observation period, and implementing more comprehensive qualitative trustworthiness procedures.

4. Results and Discussion

4.1 Research Results

4.1.1 Sample Description and Descriptive Statistics

This study involved six informants consisting of three MSME owners and three MSME workers. The MSME owners served as the main informants because they had direct knowledge of business management, marketing, production, employment, wages, and business development. The MSME workers served as supporting informants who provided information regarding their employment experiences, working conditions, wages, production activities, and skills. The composition of the research informants is presented in Table 2.

Table 2. Characteristics of Research Informants

Informant Category	Number	Role in the Research
MSME Owners	3	Main informants regarding MSME management and employment
MSME Workers	3	Supporting informants regarding employment and working conditions
Total	6	Research Informants

Source: Author processed

The field findings indicated that the number of workers employed by MSMEs varied according to the type and scale of business and the level of customer demand. The MSMEs observed were able to employ approximately 2 to 11 workers per business unit. The number of workers increased when business activities and customer demand increased because business owners required assistance in production, service, and other operational activities. Because this study employed a qualitative approach, descriptive statistical measures such as means and standard deviations were not applied. Instead, the characteristics of the informants and the empirical conditions of MSMEs were described through observations, interviews, and documentation.

4.1.2 Data Quality and Preliminary Analysis

This study did not employ statistical tests because the research used a descriptive qualitative approach. Therefore, normality, multicollinearity, reliability, and model-fit tests were not applicable. The quality of the research data was maintained by collecting information through three complementary techniques: observation, interviews, and documentation. Information was also obtained from two groups of informants, namely MSME

owners and MSME workers. The use of different informants and data collection techniques enabled the researcher to obtain information from different perspectives concerning MSME activities and employment absorption. The collected data were subsequently organized and analyzed through three main stages: data reduction, data display, and conclusion drawing and verification. The analysis resulted in several main themes, namely business management, marketing, business performance, employment absorption, wages, production, and skills.

4.1.3 Main Analytical Results

The qualitative analysis demonstrated that MSMEs in North Kolaka Regency contributed to the creation of employment opportunities for business owners and workers. The contribution was evident from the ability of MSMEs to employ workers to support business operations and respond to customer demand.

The first finding concerned **business management**. The research showed that several MSMEs did not implement formal recruitment and selection procedures. Some business owners preferred to employ family members or people who were already known to them. Recruitment decisions

were generally based on characteristics such as honesty, diligence, discipline, and willingness to work rather than on formal educational qualifications or extensive work experience.

This recruitment pattern made MSMEs relatively accessible as a source of employment, particularly for individuals who did not have high educational qualifications or extensive previous work experience. However, recruitment based on family and close social relationships could also limit opportunities for individuals outside the owner's immediate network.

The second finding concerned **marketing activities**. The MSMEs provided various products at relatively affordable prices. Product quality, taste, safety, and customer satisfaction were considered important aspects of maintaining customer demand. Some business owners had started utilizing social media to promote their products, while others continued to rely on direct selling or mobile selling.

The ability to use social media varied among business owners. Some owners were able to use social media as a promotional medium, while others experienced limitations because they had insufficient knowledge about digital product marketing. This condition affected the ability of some businesses to reach a wider market and develop their customer base.

The third finding concerned **business performance and supervision**. MSME owners remained directly involved in daily business activities. In addition to managing the business, owners participated in production and service activities and supervised workers directly. This direct involvement enabled owners to monitor work activities, maintain product and service quality, and provide guidance to workers.

The supervision system varied among businesses. Some owners applied relatively flexible supervision, while others applied stricter measures when workers made mistakes. Workers with limited previous experience could still be employed because several MSME owners did not require extensive work experience.

The fourth finding concerned **employment absorption**. The research demonstrated that MSMEs provided employment opportunities for local community members. Workers were able to obtain income through their involvement in MSME activities, while business owners received assistance

in managing production and serving customers.

The number of workers employed varied among MSMEs. The field findings indicated that MSMEs could employ approximately **2 to 11 workers**. The number of workers required depended on the size of the business, the type of activity, the number of customers, and the workload faced by the business owner.

The fifth finding concerned **wages**. The wages received by workers were not always fixed and could depend on business conditions and customer demand. Some business owners determined compensation based on the type and difficulty of work, while other payment arrangements were determined according to the conditions of each business.

When customer demand increased, business income could increase and provide opportunities for improved worker compensation. Conversely, when customer demand decreased, business revenue could also decline, potentially affecting workers' income.

The sixth finding concerned **production**. Production capacity was closely associated with the ability of MSMEs to develop their businesses. The research identified several production-related constraints, including limited equipment, availability of raw materials, and the availability of workers with specific skills.

The availability of adequate equipment and good-quality raw materials supported product quality and business operations. When production increased and customer demand grew, MSMEs required additional workers to support production and customer service activities.

The seventh finding concerned **skills**. Skills were considered important for particular types of MSMEs. Certain businesses required specific technical skills, while other businesses allowed workers to acquire skills through direct participation in daily business activities.

The findings therefore indicated that MSMEs could provide employment opportunities for individuals with different levels of skills and experience. At the same time, the availability of workers with appropriate skills remained an important factor in supporting MSME development. The overall findings are summarized in Table 3.

Table 3. Summary of Qualitative Findings

Main Theme	Empirical Finding	Implication for Employment Absorption
Business Management	Recruitment was generally informal and emphasized honesty, diligence, discipline, and willingness to work	Created accessible employment opportunities
Marketing	MSMEs offered affordable products; some used social media while others relied on direct selling	Wider market reach could increase customer demand and worker requirements
Business Performance	Owners were directly involved in operations and supervised workers	Supported business continuity and employment
Employment Absorption	MSMEs employed local workers according to business needs	Created direct employment opportunities
Wages	Compensation varied according to business conditions and customer demand	Provided income but could remain relatively unstable
Production	Production was influenced by equipment, raw materials, and worker availability	Greater production capacity could increase employment needs
Skills	Some businesses required specific skills, while others allowed skills to develop through work	Created opportunities for both skilled and less-skilled workers

Source: Author processed

4.1.4 Hypothesis Testing Results / Key Findings

This study did not conduct hypothesis testing because it employed a qualitative research design and did not formulate statistical hypotheses. The main findings were instead derived from the information obtained through interviews, observations, and documentation. The principal finding was that MSMEs played a role in increasing employment absorption in North Kolaka Regency. This role was demonstrated by the ability of MSMEs to create employment opportunities for business owners and workers and to accommodate workers with different levels of education, experience, and skills. The findings showed that MSMEs could employ approximately 2 to 11 workers per business unit, depending on business characteristics, operational requirements, and customer demand. The main findings of the study are as follows:

- MSMEs created employment opportunities for local community members.
- MSMEs were able to employ approximately 2 to 11 workers depending on the scale and operational requirements of each business.
- Formal educational qualifications and extensive previous work experience were not always required for employment in MSMEs.

- Increasing customer demand could increase the need for additional workers.
- Marketing capability, particularly the utilization of social media, affected the ability of some MSMEs to develop their market.
- Production capacity was influenced by the availability of equipment, raw materials, and workers with appropriate skills.
- Workers' income and wages could vary according to customer demand and business performance.
- MSMEs contributed to providing income-generating opportunities and reducing unemployment within the local community.

4.1.5 Visual Presentation of Results

The research findings are presented through Table 2 and Table 3. Table 2 describes the characteristics of the research informants, while Table 3 summarizes the main qualitative findings related to business management, marketing, business performance, employment absorption, wages, production, and skills. These tables provide a concise overview of the empirical findings of the study.

4.2 Research Discussion

4.2.1 Interpretation of Key Findings

The findings demonstrate that Micro, Small, and Medium Enterprises (MSMEs) played an important role in increasing employment absorption in North Kolaka Regency. This role was reflected in the ability of MSMEs to provide employment opportunities for local community members, including individuals with relatively limited educational qualifications and work experience. The observed MSMEs employed approximately 2–11 workers depending on business scale, customer demand, production requirements, and operational workload. The findings further indicate that employment absorption was not determined by a single factor. It was closely related to wages, production, skills, business management, marketing, and business performance. Increasing customer demand encouraged MSME owners to employ additional workers because owners could no longer manage production and customer services independently. Thus, MSME development created additional labor requirements.

4.2.2 Comparison with Previous Studies

The finding that MSMEs contribute to employment creation is consistent with recent research showing that MSMEs function as an important source of employment opportunities. Recent empirical evidence also indicates that MSMEs can contribute significantly to employment creation while facing constraints such as limited capital, inadequate business planning, competition, and insufficient technical knowledge. This is broadly consistent with the conditions identified among MSMEs in North Kolaka Regency, particularly limitations related to capital, business development, and skills. The findings concerning marketing are also consistent with recent studies in Indonesia. Research has shown that digital marketing and social media activities can improve MSME marketing performance. Digital marketing enables businesses to reach broader markets, while social media content can support customer engagement and business performance. However, the present study adds a different contextual perspective because some MSME owners in North Kolaka Regency had not fully utilized social media due to limited knowledge of digital product marketing. This indicates that the existence of digital marketing opportunities does not automatically result in improved MSME

performance; the ability of business owners to utilize these tools is also important. The findings concerning business management and skills are similarly consistent with the broader literature indicating that MSME development is influenced by managerial and technical capabilities. In the present study, some MSME owners did not implement formal recruitment procedures and instead prioritized honesty, discipline, diligence, and willingness to work. This relatively informal recruitment system enabled MSMEs to provide employment opportunities to individuals who might not meet the formal qualifications commonly required by larger organizations.

4.2.3 Theoretical Contributions

The findings contribute to the understanding of MSMEs as an important mechanism of local employment creation. Rather than viewing employment absorption only as the outcome of formal labor-market expansion, the findings demonstrate that employment can also emerge through the growth and daily operational needs of small-scale businesses. The study further indicates that employment absorption is connected to the interaction between business development and labor requirements. When marketing activities increase customer demand, businesses require greater production capacity; increased production subsequently creates a greater need for workers. In this way, the findings provide a contextual explanation of how MSME activities can translate into employment opportunities. The findings also extend the understanding of MSMEs by showing that employment absorption in the local context is characterized by relatively flexible recruitment, direct owner involvement, opportunities for workers without extensive experience, and income conditions that can vary according to business performance.

4.2.4 Practical and Policy Implications

The findings have several practical implications for MSME owners and local policymakers. First, MSME owners need to strengthen their digital marketing capabilities, particularly the use of social media to promote products and reach potential customers. Recent Indonesian evidence indicates that digital marketing capabilities are positively associated with MSME

marketing performance. Second, MSME development programs should not focus solely on providing financial assistance. Training should also cover business management, digital marketing, production management, product quality, financial management, and worker skills. These areas are important because the ability of MSMEs to absorb labor depends on their ability to sustain and expand business activities. Third, local government programs should facilitate access to production equipment, business training, market information, and financing. Such support can help MSMEs overcome operational constraints and increase their capacity to create and maintain employment. Fourth, MSME owners should gradually improve their human-resource management practices. Although informal recruitment provides flexibility, clearer job responsibilities, basic training, and fair compensation can improve worker productivity and support business sustainability.

4.2.5 Integration with the Research Gap

The study addresses the research gap by providing empirical evidence on the role of MSMEs in employment absorption within the specific local context of North Kolaka Regency. Existing research has frequently examined MSME performance, digital marketing, entrepreneurship, and employment creation at broader regional or national levels. The present study provides a more contextual understanding by examining how employment absorption occurs through actual MSME activities at the local level. The findings demonstrate that MSME employment absorption is closely connected to business management, marketing, production, wages, skills, and performance. Therefore, the contribution of this study lies in showing that the employment role of MSMEs should not be viewed merely from the number of workers employed but also from the business conditions that enable MSMEs to create and sustain employment opportunities.

4.2.6 Acknowledgement of Study Limitations

This study has several limitations. First, the research was conducted in North Kolaka Regency, meaning that the findings primarily reflect the conditions of MSMEs within this specific local context and cannot automatically be generalized to all regions. Second, the study involved a limited number of informants consisting of three MSME owners and three workers. Therefore, the findings provide an in-depth description of the experiences and conditions identified among the selected informants rather than a statistical representation of all MSMEs in North Kolaka Regency. Third, the study focused primarily on qualitative evidence and did not quantitatively measure the magnitude of the relationship between MSME development and employment absorption. Future research could therefore complement these findings through larger samples and quantitative or mixed-method approaches.

5. Conclusion

5.1 Summary of Key Findings

This study concludes that Micro, Small, and Medium Enterprises (MSMEs) in North Kolaka Regency played an important role in creating employment opportunities for business owners and workers. MSMEs were able to absorb approximately 2–11 workers per business unit, depending on the scale and operational needs of each business. However, some MSMEs had not developed optimally, particularly due to limited knowledge of social media marketing. The availability of affordable and diverse products nevertheless supported customer demand and business continuity.

5.2 Theoretical Contributions

The study contributes to the understanding of MSMEs as an important mechanism for local employment absorption. The findings demonstrate that the employment role of MSMEs is closely related to business development, customer demand, production capacity, and the availability of workers. The study also highlights that MSMEs can provide employment opportunities for individuals who do not necessarily possess high educational qualifications or extensive work experience.

5.3 Practical and Policy Implications

The findings imply that MSME owners should utilize social media as a marketing tool to reach more customers and support business development. MSME owners should also pay greater attention to production preparation, including the availability of equipment and raw materials, before and during business operations. In addition, worker selection should consider the suitability of workers' skills and abilities with the requirements of the business. For policymakers, MSME development programs should support digital marketing, production capacity, and worker skills to strengthen the ability of MSMEs to create employment.

5.4 Limitations of the Study

This study was conducted specifically in North Kolaka Regency and focused on a limited number of MSME owners and workers. Therefore, the findings primarily reflect the conditions of the MSMEs examined in this local context and should not be generalized directly to all MSMEs in other regions. The qualitative nature of the study also limits the ability to quantify the magnitude of MSMEs' contribution to employment absorption.

5.5 Directions for Future Research

Future research may examine MSME employment absorption in a broader geographical context and involve a larger number of participants. Further studies may also combine qualitative and quantitative approaches to measure the contribution of MSMEs to employment absorption more comprehensively. Additional research could examine the role of digital marketing, capital, production capacity, business management, and worker skills in strengthening MSME development and employment creation.

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