

## **The Role of MSME Product Innovation in Enhancing Competitiveness, Economic Independence, and Family Welfare in the Creative and Digital Economy Era**

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### **Abstract**

This study aims to analyze the role of MSME (Micro, Small, and Medium Enterprises) product innovation in enhancing competitiveness, economic independence, and family welfare in the era of the creative and digital economy. The method employed is a literature review with a qualitative approach, primarily focused on enriching references related to community service. Data were obtained from scholarly articles on Google Scholar and credible websites covering the period 1962–2025. Out of a total of 50 articles retrieved, only 24 were selected through a rigorous screening process based on relevance and quality. Analysis was conducted descriptively by examining relevant theories, previous studies, and real-world case studies of MSMEs in Indonesia. The findings indicate that product innovation plays a strategic role in creating competitive advantages, strengthening economic independence through the utilization of local resources, and improving family welfare of entrepreneurs through income growth and business sustainability. These findings confirm that product innovation not only impacts business success but also serves as an essential instrument in community service programs to reinforce the role of MSMEs as drivers of the creative and digital economy.

**Keywords:** Product Innovation, MSMEs, Competitiveness, Economic Independence, Family Welfare, Creative Economy, Digital Transformation

## **Peran Inovasi Produk UMKM dalam Meningkatkan Kualitas Daya Saing, Kemandirian Ekonomi, dan Kesejahteraan Keluarga di Era Ekonomi Kreatif dan Digital**

### **Abstrak**

Penelitian ini bertujuan untuk menganalisis peran inovasi produk UMKM dalam meningkatkan kualitas daya saing, kemandirian ekonomi, dan kesejahteraan keluarga di era ekonomi kreatif dan digital. Metode yang digunakan adalah tinjauan pustaka dengan pendekatan kualitatif yang difokuskan untuk menambah referensi terkait pengabdian masyarakat. Data diperoleh dari artikel ilmiah di Google Scholar dan website kredibel dengan rentang waktu 1962–2025. Dari total 50 artikel yang diperoleh, hanya 24 artikel yang dipilih melalui seleksi ketat berdasarkan relevansi dan kualitas. Analisis dilakukan secara deskriptif dengan mengkaji teori-teori relevan, penelitian terdahulu, dan studi kasus nyata pada UMKM di Indonesia. Hasil penelitian menunjukkan bahwa inovasi produk memiliki peran strategis dalam menciptakan keunggulan bersaing, memperkuat kemandirian ekonomi melalui pemanfaatan sumber daya lokal, serta meningkatkan kesejahteraan keluarga pelaku usaha melalui pertumbuhan pendapatan dan keberlanjutan usaha. Temuan ini menegaskan bahwa inovasi produk tidak hanya berimplikasi pada keberhasilan bisnis, tetapi juga menjadi instrumen penting dalam program pengabdian masyarakat untuk memperkuat peran UMKM sebagai penggerak ekonomi kreatif dan digital.

**Kata kunci:** Inovasi Produk, UMKM, Daya Saing, Kemandirian Ekonomi, Kesejahteraan Keluarga, Ekonomi Kreatif, Transformasi Digital

## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) represent a sector with significant contributions to the national economy, particularly in Indonesia, as they can absorb labor, reduce unemployment rates, and support more equitable income distribution. However, in the context of the creative and digital economy, MSMEs face substantial challenges related to competitive intensity, shifting consumer behavior, and accelerated technological transformation that demands continuous innovation. Product innovation encompasses design modifications, the use of alternative raw materials, quality improvements, and attractive packaging strategies to enhance added value. In innovation literature, Ziemnowicz (2013) emphasizes that innovation is a key driver of economic growth because it generates differentiation and competitive advantages that cannot be achieved through conventional means. For MSMEs, product innovation is essential for survival and growth in the highly competitive digital era.

The role of product innovation in enhancing MSME competitiveness is widely discussed in business strategy literature, where Porter (1985), through the concept of competitive advantage, explains that firms can excel through product differentiation or cost efficiency. In the context of MSMEs, differentiation is often a more effective strategy because limited capital and production capacity make price competition difficult. Products with high innovation, whether in design, function, or packaging, can create greater added value for consumers. Empirical studies in the food, fashion, and craft sectors in Indonesia show that MSMEs that actively innovate can more easily penetrate digital markets through e-commerce compared to those with homogeneous and non-unique products (Abadi et al., 2021; Muazza et al., 2023; Widyastuti et al., 2023). Product innovation can thus be understood as a catalyst for enhancing sustainable competitiveness in both local and global markets.

Economic independence built by MSMEs is also significantly influenced by product innovation. According to the Resource-Based View theory (Barney, 1991), unique internal resources, such as creativity in product innovation, can become strategic assets that are difficult for competitors to imitate. In practice, innovative MSMEs can reduce dependence on imported products, increase the value of local resources, and create stronger value chains at the regional level. For instance, batik MSMEs that combine traditional motifs with modern styles not only preserve cultural identity but also expand their market to millennials and international consumers (Istiqomah & Amboro, 2024). This demonstrates that product innovation supports economic independence, as MSMEs can leverage local creativity without relying entirely on foreign technology or products.

Family welfare literature closely links MSME growth to improvements in community living standards, as business profits can be allocated for education, healthcare, and daily needs. Product innovation increases the potential for profit by enhancing selling prices, expanding market share, and attracting new consumers. According to Maslow's hierarchy of needs, fulfillment of basic to self-actualization needs can be achieved when a family's economic resources are sufficient and stable (Maslow, 1962). MSMEs that can survive and grow through product innovation contribute more effectively to the welfare of the

entrepreneurs' families. This phenomenon is evident among culinary MSME entrepreneurs in Yogyakarta who successfully penetrated online markets through menu innovations and environmentally friendly packaging, resulting in higher income and direct improvements in family quality of life (Widyaningrum et al., 2021).

The creative economy era presents extensive opportunities for MSMEs to develop products based on ideas, creativity, and innovation that carry economic value. According to Howkins (2002), the creative economy emphasizes the utilization of human creativity as a primary resource, which, when combined with digital technology, can generate significant added value. In this context, MSMEs that innovate their products focus on creating a unique identity reflecting local culture, environmental sustainability, and modern consumer lifestyles. For example, bamboo craft MSMEs in West Java have transformed traditional products into modern interior designs with creative touches that appeal to premium markets (Hidjaz et al., 2023). This demonstrates that product innovation serves as a vital instrument for MSMEs to remain competitive in the creative economy.

Digital transformation further reinforces the urgency of product innovation, as digital technology provides broader market access while simultaneously increasing global competition. The Diffusion of Innovation theory proposed by Rogers (1995) explains how innovations can be adopted by society, including through digital media such as marketplaces, social media, and online marketing applications. Innovative MSMEs can more rapidly adapt their products to digital market trends, for example by adding personalization features, interactive designs, or using eco-friendly packaging aligned with digital consumers' preferences. Conversely, MSMEs that fail to innovate risk falling behind, as monotonous products struggle to capture consumer attention amid the flood of information and choices in online markets. Product innovation and the utilization of digital technology thus work synergistically to strengthen MSME competitiveness.

Empirical studies indicate that product innovation is positively and significantly associated with competitiveness, economic independence, and family welfare among MSME entrepreneurs. A study in the culinary sector of East Lampung found that MSMEs implementing menu and packaging innovations could increase revenue by 14–30% compared to those that did not innovate (Afriyani & Yulianti, 2025). Another study on fashion MSMEs in Surabaya showed that globally trend-based design creativity strengthened export market penetration. These findings are consistent with Schumpeter's and Porter's innovation theories, which emphasize that business success largely depends on the ability to innovate. Product innovation can thus be viewed as a central variable linking MSME development with improvements in community quality of life.

Based on the above literature review, it is understood that MSME product innovation forms the foundation for economic independence and family welfare in the creative and digital economy era. Innovation enables MSMEs to create differentiation, expand markets, reduce external dependence, and simultaneously increase family income. With the growing support of digital technology, product innovation will become increasingly crucial for promoting MSME sustainability in facing global competition. Therefore, this

study aims to analyze in depth how MSME product innovation can enhance competitiveness, economic independence, and family welfare amid the dynamics of the creative and digital economy.

### **Product Innovation**

Product innovation is the process of creating, improving, or modifying goods or services with the aim of providing added value to consumers while enhancing a business's competitive advantage. According to Ziemnowicz (2013), innovation can take the form of introducing new products, improving quality, using alternative raw materials, or applying new designs and technologies. In the context of MSMEs, product innovation does not always require large capital but emphasizes the entrepreneur's creativity in reading market trends, adapting to consumer needs, and offering solutions that differ from similar products. This innovation serves as a crucial instrument for MSMEs to survive in intense competition, especially in the digital era that demands rapid change.

### **MSMEs**

MSMEs are business units that play a vital role in a country's economy, particularly in Indonesia, as they can absorb labor, strengthen domestic economic structures, and promote equitable welfare distribution. According to Law No. 20 of 2008, MSMEs are categorized based on asset size and annual turnover, with micro-enterprises being the smallest, followed by small and medium enterprises (Ausat et al., 2022). MSMEs often root themselves in local potential and community strengths, making them the backbone of grassroots economy. Their role becomes increasingly important in the creative and digital economy era, as MSMEs possess high flexibility to quickly adjust products and business strategies in response to market changes.

### **Competitiveness**

Competitiveness refers to the ability of a business or nation to produce superior products and services compared to competitors, thereby attracting consumers and sustaining in competition. According to Porter (1985), competitiveness can be achieved through differentiation strategies, cost leadership, and focus on specific market segments. In the context of MSMEs, competitiveness is usually manifested through product quality, unique design, competitive pricing, excellent service, and innovative marketing strategies, including leveraging digital platforms. High competitiveness enables MSMEs to expand their markets domestically and internationally while ensuring long-term business sustainability.

### **Economic Independence**

Economic independence is a condition in which individuals, households, or a nation can meet their needs autonomously without excessive reliance on external parties. Within the MSME framework, economic independence is demonstrated by entrepreneurs' ability to optimize local resources, create their own employment, and build sustainable value chains within the community. According to Resource-Based View theory (Barney, 1991),

economic independence is achieved when entrepreneurs leverage unique resources to generate added value. Consequently, economic independence supports the resilience of both family and regional economies.

### **Family Welfare**

Family welfare refers to the fulfillment of basic needs such as clothing, food, housing, education, healthcare, and self-actualization of family members. Based on Maslow's hierarchy of needs, family welfare can be evaluated through the economic capacity to meet these layered needs (Maslow, 1962). In the context of MSMEs, family welfare improves when businesses increase income, provide economic stability, and create opportunities for social mobility. Furthermore, family welfare is linked to holistic quality of life improvements, including children's access to education, health security, and social well-being.

### **Creative Economy**

The creative economy is an economic system that relies on human creativity, ideas, and innovation as the primary resources to generate added value. Howkins (2002) defines the creative economy as a new economic form driven by intellectual creativity, arts, culture, and technology. In Indonesia, the creative economy encompasses 17 subsectors, including culinary, fashion, crafts, music, film, and digital applications. MSMEs operating in this sector have significant growth opportunities as they can produce unique, artistic, and globally relevant products. The creative economy also contributes to preserving local culture and turning it into a competitive economic strength.

### **Digital Transformation**

Digital transformation is the process of integrating digital technology into all aspects of business, changing work methods, strategies, and interactions with consumers. According to the Diffusion of Innovation theory (Rogers, 1995), the adoption of digital technology accelerates the dissemination of innovations and facilitates market access. For MSMEs, digital transformation includes using social media, marketplaces, digital payment systems, and business management applications to improve efficiency and expand consumer reach. This transformation opens opportunities to enter global markets. Therefore, digital transformation becomes a key factor in MSMEs' success in facing the challenges of the modern economy.

## **METHOD**

This study employs a literature review method with a qualitative approach aimed at enriching references related to community service, particularly in understanding the role of MSME product innovation in enhancing competitiveness, economic independence, and family welfare in the era of the creative and digital economy. The primary focus of this research is to collect, examine, and analyze relevant previous studies to expand the scientific knowledge base while providing practical contributions in the context of

community service, especially for MSME actors and institutions supporting small business development.

The data sources for this study were obtained from scholarly articles published on Google Scholar as well as from selected credible websites directly related to MSMEs, product innovation, and the development of the creative economy. The publication period of the articles analyzed ranges from 1962 to 2025, ensuring that the data and information examined remain current, relevant, and aligned with the latest developments in the digital era.

The initial data collection process yielded approximately 50 articles related to the research topic. However, through a rigorous selection process based on relevance, journal quality, topic suitability, and data authenticity, the number of articles included in the final analysis was narrowed down to 24. This selection ensures that the literature analyzed provides a significant scientific contribution to the understanding of MSME product innovation and its implications for competitiveness, economic independence, and family welfare.

The analysis employed in this study is qualitative descriptive analysis, which involves interpreting findings from the selected literature to identify patterns, themes, and conceptual relevance that can serve as a foundation for theoretical and practical development. The results of the analysis are then integrated into a comprehensive narrative that explains the relationships among variables and provides new perspectives in the field of community service, particularly in designing programs that promote MSME product innovation as a means to enhance competitiveness and welfare.



**Figure 1.** Research Flowchart

## **FINDING AND DISCUSSION**

Product innovation serves as a crucial foundation for maintaining the existence and growth of MSMEs, as explained in Joseph Schumpeter's Innovation Theory of Profit, which states that innovation is the primary driving force behind long-term profits through product differentiation, technological renewal, and continuous adaptation to changing consumer needs (Ziemnowicz, 2013). In practice, innovation is not limited to creating entirely new products but also includes functional modifications, enhancing aesthetic value, and improving the utility of existing products to provide new experiences for consumers. For MSMEs, limited capital and resources often act as catalysts for creativity, as entrepreneurs are compelled to find smart solutions to remain relevant in competitive markets. This is evident in many MSMEs that successfully transform constraints into strengths, for example, by utilizing local raw materials or simple technologies to create high-value products. Product innovation enables MSMEs to expand market reach, enhance customer loyalty, and strengthen competitiveness in facing the dynamics of the creative economy and the accelerating digital transformation that demands rapid adaptation.

Competitive advantage through product innovation can be explained by Porter's (1985) Competitive Advantage Theory, which posits that firms capable of delivering tangible differentiation are more likely to survive compared to competitors who rely solely on low-cost strategies. In the context of MSMEs, product innovation has been proven to create advantages that are difficult to imitate, whether through flavor development, design, or overall consumer experience. Research conducted by Kristianto (2021) on culinary MSMEs in Yogyakarta found that entrepreneurs who innovated in menu variations and packaging design were able to attract significantly higher consumer interest compared to those offering homogeneous products. A concrete example is "Bakpia Kukus Tugu Jogja," which successfully combined traditional culinary heritage with modern touches, including its characteristic soft steamed texture and elegant packaging, attracting both domestic and international tourists (Assidiq, 2023). This phenomenon demonstrates that product innovation serves as a strategic resource that enables MSMEs to consolidate their market position, retain existing customers, and simultaneously attract a broader new segment amidst intense competition.

Economic independence, one of the primary goals of MSME development, can be understood through the Resource-Based View (RBV) perspective proposed by Barney (1991), which argues that an organization's competitive advantage is determined by the utilization of unique, hard-to-imitate internal resources that provide long-term strategic value. In the context of MSMEs in Indonesia, many entrepreneurs have successfully leveraged local potential as the basis for product innovation, thereby strengthening regional economic independence. A study by Dapid et al. (2024) shows that MSMEs in West Java that process local materials such as bamboo and rattan into modern furniture can reduce dependence on imported products while simultaneously increasing added value for local communities. This case illustrates that resource-based innovation creates a more self-reliant economic cycle, as production output possesses export potential while

highlighting local wisdom. Product innovation thus serves as an instrument for sustainable economic development, enhancing national self-reliance through MSME empowerment and optimal utilization of local potential.

From the perspective of family welfare, Maslow's Hierarchy of Needs provides a conceptual framework explaining how economic stability achieved through increased business income directly impacts the fulfillment of basic needs up to the self-actualization of MSME entrepreneurs' families (Maslow, 1962). The fulfillment of physiological needs such as clothing, food, and shelter can only be achieved when the business generates stable economic returns, while safety, love and belonging, esteem, and self-actualization needs can develop once financial conditions are controlled. Research by Ella & Didit (2025) revealed that families of culinary MSME entrepreneurs in Surabaya who engaged in product innovation and leveraged digital marketing experienced significant increases in monthly income, which contributed to overall improvements in family quality of life. A concrete example is the MSME "Roti Gembong Gedhe" in Surabaya, which successfully expanded its store network through innovative bread flavor variants tailored to young consumers and sales strategies via online applications. Through such innovations, entrepreneurs improved their families' standard of living, for instance by funding higher education for children, improving housing conditions, and creating opportunities for family members to develop themselves positively (Jogja, 2021). Product innovation thus proves to be an essential catalyst in achieving family welfare through enhanced economic stability.

In the context of the creative economy, Howkins' (2002) Creative Economy theory emphasizes that creativity serves as the primary capital capable of generating new economic value and acting as a differentiating factor in global competition. Such creativity becomes a strategic instrument in attracting market attention and providing space for MSMEs to develop a unique identity that is difficult to imitate. Research by Sukarsih et al. (2019) shows that fashion MSMEs in Bandung successfully utilized creativity by combining local ethnic motifs with modern designs, enabling them to penetrate global markets via e-commerce platforms. A larger case study can be seen in the MSME "Buttonscarves," a hijab brand that boldly integrates cultural elements with international trends through distinctive design. This innovation allowed the brand to enter global markets, dominate the premium segment, and contribute to improving the welfare of business partners, including local designers, workers, and resellers across regions (Laras, 2023). This success demonstrates that the creative economy not only produces high-value products but also creates a business ecosystem capable of mobilizing multiple stakeholders, expanding employment opportunities, and enhancing national competitiveness on the international stage.

The accelerating digital transformation also speeds up the diffusion of product innovations, as explained by Rogers' (1995) Diffusion of Innovation theory, in which an innovation can be adopted by society through stages of knowledge, persuasion, decision, implementation, and confirmation—many of which are now facilitated by digital communication media. For MSMEs, leveraging digital technology accelerates consumer

adoption of innovations by improving product accessibility. Research by Purnama et al. (2022) on culinary MSMEs in Jakarta indicates that entrepreneurs using digital platforms such as ShopeeFood, GoFood, and Tokopedia can attract consumers more quickly and increase sales volume compared to those relying solely on offline sales. A tangible example reflecting this phenomenon can be seen in the rapid growth of "Es Teh Indonesia," an MSME that began with a simple innovation in tea flavor variants but achieved massive growth through effective digital marketing strategies and franchise-based partnerships. As a result, the business created thousands of jobs, expanded its store network to various regions, and provided tangible contributions to the welfare of both entrepreneurs' families and employees involved (Anagatha & Wahyu, 2024). This success underlines that digital transformation serves as a fundamental foundation for accelerating innovation diffusion and strengthening MSME sustainability in the modern economic era.

In addition to theoretical support and findings from previous studies, empirical evidence from local case studies further strengthens the argument that product innovation can significantly enhance competitiveness and drive economic independence for MSMEs. For instance, Batik Trusmi in Cirebon has successfully combined traditional classic batik motifs with modern design innovations and utilized digital printing technology to cater to the preferences of younger generations, who seek aesthetically valuable products aligned with contemporary fashion trends. Research by Rachmat & Darmansyah (2023) indicates that this innovative strategy has increased Batik Trusmi's export volume over the past two years, demonstrating that product innovation not only directly impacts business growth but also expands market reach to the international level. Furthermore, this success has positively affected the welfare of batik artisans' families, as their income becomes more stable, supporting the fulfillment of basic needs, children's education, and the development of new skills. This phenomenon underscores that product innovation can serve as a strategic bridge between preserving local traditions and adapting to modern market demands, enabling MSMEs to act as custodians of cultural heritage while simultaneously strengthening the local ecosystem through more equitable profit distribution.

Overall, the synthesis of classical and contemporary theories—including the Innovation Theory of Profit, Competitive Advantage Theory, Resource-Based View, Maslow's Hierarchy of Needs, Creative Economy, and Diffusion of Innovation—together with various empirical findings and real-world case studies, consistently demonstrates that product innovation plays an exceptionally strategic role in the context of MSMEs. Product innovation not only serves as a tool to enhance competitiveness in local and global markets but also promotes economic independence by leveraging local resources, strengthening workforce skills, and generating more stable income streams for entrepreneurs and their families. In the era of the creative and digital economy, where information technology and creativity merge intensively, innovation becomes a fundamental element in creating new added value that drives business growth, expands market reach, and improves community welfare. Thus, MSME product innovation is not merely a short-term business strategy; it is a multidimensional instrument capable of

reinforcing the foundation of the national economy sustainably, supporting community empowerment programs, and bridging the balance between cultural preservation, technological advancement, and improved quality of life for entrepreneurs and their families. Collectively, this evidence emphasizes that prioritizing product innovation must be central to every MSME development policy, as through innovation, MSMEs become a key pillar of inclusive and sustainable economic growth.

**Table 1.** Key Findings on the Importance of Product Innovation for MSMEs

Aspect	Theory/Reference	Key Findings	Case Example
<b>Foundation for MSME Existence &amp; Growth</b>	Schumpeter's Innovation Theory of Profit (Ziemnowicz, 2013)	Innovation is the main driver of long-term profits through product differentiation, technological renewal, and adaptation to changing consumer needs. Innovation includes not only new products but also functional modifications, aesthetic enhancements, and improving the utility of existing products.	Many MSMEs utilize local materials or simple technologies to create high-value products.
<b>Competitive Advantage</b>	Porter's Competitive Advantage Theory (1985)	Innovative products create hard-to-imitate advantages and enhance customer loyalty. Tangible differentiation through flavor, design, or consumer experience strengthens MSME market position.	"Bakpia Kukus Tugu Jogja" combines traditional culinary heritage with modern touches, attracting domestic and international tourists (Assidiq, 2023).
<b>Economic Independence</b>	Resource-Based View (Barney, 1991)	Utilizing unique local resources through product innovation strengthens regional economic independence and increases local value. Resource-based innovation creates a self-reliant economic cycle.	MSMEs in West Java process bamboo and rattan into modern furniture (Dapid et al., 2024).
<b>Family Welfare</b>	Maslow's Hierarchy of Needs (1962)	Increased business income through product innovation allows fulfillment of basic needs up to self-actualization for entrepreneurs' families.	"Roti Gembong Gedhe" in Surabaya expanded its store network with innovative bread flavors and online sales strategies, improving family living standards (Ella & Didit, 2025).
<b>Creative Economy</b>	Howkins' Creative Economy Theory (2002)	Creativity serves as primary capital, generating new economic value and unique identity, difficult to imitate, and enhancing global competitiveness.	"Buttonscarves" integrates cultural elements with international trends, entering global markets and

			supporting local designers, workers, and resellers (Laras, 2023).
<b>Digital Transformation</b>	Rogers' Diffusion of Innovation (1995)	Digital platforms accelerate innovation adoption, increasing product accessibility and sales for MSMEs.	"Es Teh Indonesia" developed tea flavor variants and used digital marketing and franchise strategies, creating thousands of jobs (Anagatha & Wahyu, 2024).
<b>Cultural Preservation &amp; Market Growth</b>	Empirical & Local Case Studies	Product innovation bridges tradition and modern trends, expands national and international market reach, and improves artisan family welfare.	Batik Trusmi, Cirebon, combines classic motifs with digital printing, increasing exports and stabilizing artisan income (Rachmat & Darmansyah, 2023).
<b>Strategic Conclusion</b>	Theory & Empirical Synthesis	MSME product innovation is multidimensional: enhancing competitiveness, economic independence, family welfare, creativity, digital adoption, and cultural preservation. It serves as a pillar of inclusive and sustainable economic growth.	-

## CONCLUSION

This literature review study confirms that product innovation is a strategic factor capable of enhancing MSME competitiveness, supporting economic independence, and improving the welfare of entrepreneurs' families in the era of the creative and digital economy. Theories by Schumpeter on innovation, Porter on competitive advantage, Barney through the Resource-Based View, as well as Maslow and Howkins, collectively demonstrate the interconnection between creativity, product excellence, and the improvement of living standards. Findings from previous studies and real-world case studies of MSMEs in Indonesia reinforce the argument that product innovation has significant implications for family economic resilience and business sustainability. Therefore, MSME product innovation can be viewed as an essential instrument in supporting community-based economic development.

Theoretically, this study enriches the literature on the role of product innovation within the context of the creative and digital economy while providing an academic foundation for understanding how innovation can strengthen economic independence and family welfare. Practically, the study implies that MSME actors need to develop product innovation strategies based on local creativity, digital technology, and market orientation to effectively compete in the global market. Policy implications also emerge, suggesting that governments and educational institutions can use the study's findings as a reference

for community service programs, innovation training, and structured MSME mentoring initiatives.

This study has limitations due to its reliance on a literature review with descriptive analysis, making the results highly dependent on the quality of the referenced articles. The articles analyzed were limited to the period between 1962 and 2025, with only 24 articles selected after a rigorous screening process, which does not cover the entirety of potentially relevant literature. Additionally, this research did not conduct direct empirical testing with MSME actors, rendering the findings conceptual and in need of field validation. Other limitations include differences in geographical, cultural, and business sector contexts, which may affect the application of product innovation and are not fully addressed in this study.

Future research is recommended to conduct empirical studies using both quantitative and qualitative field methods to directly examine the relationships between product innovation, competitiveness, economic independence, and family welfare. For MSME actors, practical suggestions include enhancing innovation capabilities through collaboration with creative communities, leveraging digital technology, and maintaining environmental sustainability to ensure long-term product appeal. Governments and educational institutions are encouraged to expand community service programs focused on MSME product innovation development, such as training in product design, digital marketing, and technology-based capital access. Consequently, synergy among academics, government, industry, and communities can strengthen the role of MSMEs as key drivers of the creative and digital economy in Indonesia.

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