

# West Java Rise Up: Encouraging Innovation-Based Business and Investment Growth (Systematic Literature Synthesis Study)

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**Abstract.** This research aims to identify patterns of innovation-based business growth in West Java, examine the role of public policy, and uncover the success factors and challenges faced by businesses across various sectors. This study is a synthesis of ten studies that met the criteria of a geographic focus on West Java, examining innovation or technology implementation, meeting the business and investment context, and presenting empirical evidence. The analysis shows that innovation and digital transformation play a significant role in increasing business competitiveness and growth, while appropriate public policies can strengthen the business ecosystem. Success factors include government support, multi-stakeholder collaboration, digital skills, and access to financing. Recommendations focus on strengthening regional innovation policies, accelerating digital transformation of MSMEs, and equitable access to infrastructure.

**Keywords:** innovation, digital transformation, public policy, MSMEs, West Java

## Introduction

Regional economic growth is a crucial pillar of national development (Shafwah and Mukhtar, 2024). In the era of globalization and the Fourth Industrial Revolution, a region's competitiveness is no longer determined solely by its abundance of natural resources or affordable labor, but increasingly by its ability to innovate and adapt to technological developments. Indonesia, with its diverse regions, faces the challenge of ensuring that each province can capitalize on new economic opportunities arising from digital developments and innovation.

West Java is Indonesia's most populous province and a major contributor to the national Gross Domestic Product (GDP) (Risna Amalia Hamzah, 2021). This region boasts geographical advantages such as proximity to Jakarta, relatively advanced transportation infrastructure, and a strong manufacturing, agricultural, and creative economy base. However, this potential faces significant challenges such as the digital divide between urban and rural areas, limited infrastructure in some regions, unequal distribution of the entrepreneurial ecosystem, and varying levels of technological readiness among business actors (Adharina, 2022).

The specific topic of focus of this research is innovation-based business growth and investment in West Java. This is crucial because innovation has been proven to be a key driver of increased competitiveness and business sustainability, particularly in the MSME sector, the digital creative industry, and technology startups (Hendri et al., 2023). Innovation accompanied by digital transformation can open new market opportunities, improve operational efficiency, and attract domestic and foreign investment (Sukardi, 2023; Fachrurazi et al., 2023). Given that West Java has one of the largest numbers of MSMEs in Indonesia, the successful

implementation of innovation will have a broad impact on job creation, increased community income, and regional economic growth.

Efforts to encourage innovation in West Java have been implemented through various programs and policies, both by the government and the private sector. The MSME Champion program, for example, has contributed to a 13.99% increase in entrepreneurial mindset, an 8.64% increase in organizational capability, and an 8.35% increase in training quality, which together contribute 73.99% to increased innovation (Hendri et al., 2023). Furthermore, the implementation of digital culture in the regional food industry has been proven to increase investment and operational efficiency (Sukardi, 2023). Local governments have also initiated policies to digitize licensing, establish startup ecosystems, and encourage the adoption of technologies such as artificial intelligence, data analytics, and cloud computing to strengthen competitiveness (Malik & Siska, 2021).

Despite this, significant obstacles remain, such as suboptimal innovation strategies among new entrepreneurs, limited digital skills, infrastructure gaps, and disparities in the maturity of business ecosystems across regions (Yamin, Imanuddin and Indrayana, 2025). These challenges raise important research questions: what are the growth patterns of innovation-based businesses in West Java, the role of public policy in strengthening them, and the success factors and challenges that influence them?

Based on this background, this study aims to:

- Identify the role of innovation and digital transformation in driving business growth and investment in West Java.
- Examine the contribution of public policy and government support to strengthening the innovation-based business ecosystem.
- Uncover the success factors and challenges of implementing innovation across various business sectors in West Java.

## **Methods**

### **Research Design**

This study employed a systematic literature review method, which aimed to synthesize and analyze findings from various empirical and conceptual studies related to business growth and innovation-based investment in West Java. This approach enabled researchers to identify common patterns, compare results across studies, and formulate evidence-based conclusions (Turyandi, 2025).

### **Inclusion Criteria**

Literature sources were selected based on the following criteria:

- **Geographic Focus:** The study must be conducted in West Java Province.
- **Substantive Focus:** The study addresses business innovation, digital transformation, or technology-based strategies related to business growth and investment.
- **Business Context:** The study addresses economic sectors such as MSMEs, technology startups, the digital creative industry, or the entrepreneurial ecosystem.
- **Type of Evidence:** Presents empirical data (quantitative, qualitative, or mixed methods) or relevant theoretical analysis.
- **Publication Period:** Publication period from 2013 to 2023.
- **Quality and Relevance:** Has a clear research methodology, relevant variables, and results that can be used to answer the research question.

### **Data Sources and Selection Process**

Data were obtained from scientific search reports using the Semantic Scholar database and manual screening of 50 initial publications. From the screening results, 10 articles were selected that met the inclusion criteria. The screening process considered the clarity of the research location, innovation focus, relevance to the business context, and the quality of the data presented.

## Characteristics of the Studies Analyzed

The following table summarizes the ten journals that served as the basis for the analysis:

No	Author & Year	Research Focus	Methodology	Sector & Context
1	Hendri et al. (2023)	The influence of mindset, organizational capability, and training on MSME innovation strategies	Quantitative (Structural Equation Modeling/SEM)	Food and Beverage MSMEs, <i>UMKM Juara</i> Program
2	Sukardi (2023)	The role of digital culture in enhancing investment in the food sector	Qualitative (interviews, thematic analysis)	Regional food industry
3	Fachrurazi et al. (2023)	Technological transformation strategies in startups	Qualitative (semi-structured interviews)	Technology startups
4	Harjadi & Wachjuni (2019)	Innovation and business strategies for MSME competitive advantage	Quantitative (regression, correlation)	MSMEs in Kuningan Regency
5	Rijal et al. (2023)	The role of competitive advantage, product innovation, and business networks on economic performance	Quantitative (regression analysis)	500 companies, COVID-19 context
6	Rofaida et al. (2020)	Innovation strategies in the digital creative industry	Qualitative (focus group discussions, interviews)	Digital creative industry
7	Adharina (2022)	Typology of innovation and entrepreneurship ecosystems	Quantitative (cluster analysis)	26 cities/regencies in West Java
8	Sidauruk (2013)	The role of government in developing the creative economy	Qualitative (case studies, interviews)	Creative economy in West Java
9	Malik & Siska (2021)	Investment climate policies for MSMEs during COVID-19	Theoretical/conceptual	West Java MSMEs
10	Machin et al. (2023)	Digital transformation and entrepreneurship for MSME sustainability	Mixed methods (survey, interview)	West Java MSMEs, COVID-19 context

## Analytical Approach

- The analysis was conducted using thematic analysis techniques to group the findings based on:
- Main themes: innovation, digitalization, public policy, business networks, and entrepreneurial ecosystems.
- Implementation challenges: strategic barriers, limited digital skills, infrastructure, funding, and regional disparities.
- Success factors: policy support, skills training, technology access, collaboration, and digital financing.

Each study was reviewed to identify key findings and supporting quantitative/qualitative indicators. Findings were then compared to examine consistency of results, variation across sectors, and strategic implications for business policy and practice in West Java.

## Result and Discussion

### The Role of Innovation and Digital Transformation

The literature synthesis confirms that innovation and digital transformation are two key pillars driving business growth in West Java. Innovation is no longer understood solely as the creation of new products, but also encompasses process updates, marketing strategies, and adaptive business models. In this context, innovation serves as both a differentiation strategy and a means of increasing efficiency.

Six key studies (Hendri et al., 2023; Harjadi & Wachjuni, 2019; Rofaida et al., 2020; Rijal et al., 2023; Fachrurazi et al., 2023; Sukardi, 2023) demonstrate consistent findings: the higher the level of innovation, the stronger the business's competitiveness. Research by Hendri et al. (2023) even demonstrates quantitative contributions, where entrepreneurial mindset, training, and organizational capabilities contribute almost 74% to the innovation strategies of MSMEs in the food/beverage sector. This data supports Schumpeter's (1934) argument that innovation is the primary "driving engine" of economic growth.

Besides innovation, digital transformation has proven to play a crucial role. Sukardi (2023) highlighted the implementation of a digital culture that can drive operational efficiency, increase business transparency,

and attract foreign investment in the regional food sector. This demonstrates that digitalization is not only about the use of technology, but also about establishing a new work culture that is more responsive to market changes.

A study by Fachrurazi et al. (2023) reinforces these findings by showing that technology startups in West Java that utilize cloud computing, data analytics, and artificial intelligence successfully expand their market share while increasing profitability. This change aligns with Porter's (1990) theory of competitive advantage, which states that technology-based differentiation is difficult for competitors to imitate, thus creating a long-term advantage.

When viewed in a macro context, these findings demonstrate that innovation and digitalization have a dual function: (1) increasing internal company efficiency, and (2) expanding market access, both domestically and internationally. This means that successful innovation not only impacts business actors but also has a multiplier effect on job creation, increased investment, and overall regional economic growth.

### **Contribution of Public Policy and Government Support**

The next factor with a strong influence is public policy. From the seven studies analyzed (Malik & Siska, 2021; Sidauruk, 2013; Adharina, 2022; Rofaida et al., 2020; Rijal et al., 2023; Fachrurazi et al., 2023; Machin et al., 2023), it is clear that the success of innovation in West Java is closely linked to the presence of well-targeted government regulations, facilities, and programs.

Sidauruk (2013) noted the significant contribution of the creative economy to West Java's GDP, amounting to 8%, with a workforce absorption of 392,636 people. This contribution did not emerge naturally, but rather resulted from government policy intervention in the form of funding, supporting regulations, and promotion of the creative ecosystem. On the other hand, Machin et al. (2023) found that digital finance-based entrepreneurship policy support was a key determinant of MSME sustainability amidst the COVID-19 pandemic crisis. This finding indicates that policy flexibility is crucial, especially in responding to unexpected external dynamics.

Public policy also plays a role in building an ecosystem. Adharina's (2022) study used cluster analysis to highlight the disparities in innovation ecosystems across regions in West Java. The results showed that urban areas were more prepared to adopt technology, while many rural areas remained behind. This finding suggests that policies need to be directed not only at creating innovation hubs in urban areas but also at ensuring equitable access in rural areas to prevent further widening of the economic gap.

Theoretically, this is consistent with the entrepreneurial ecosystem model introduced by Isenberg (2010), which states that the success of business innovation is inseparable from the synergy of six key elements: public policy, financing, culture, markets, human resources, and infrastructure. In other words, innovation at the individual or company level can only survive if its supporting ecosystem is strong.

### **Success Factors and Implementation Challenges**

In addition to highlighting the role of innovation and public policy, the synthesis also identifies factors that both strengthen and hinder innovation implementation in West Java.

Success factors include:

- Consistent public policy clear, long-term-oriented, and adaptive policies have been shown to be catalysts for innovation (Machin et al., 2023).
- Digital skills both at the managerial and operational levels. MSMEs with a digitally literate workforce adapt more quickly to technological changes (Hendri et al., 2023).
- Access to financing digital-based financing schemes, such as peer-to-peer lending and digital finance, make it easier for MSMEs to develop innovations without the burden of conventional banking requirements (Malik & Siska, 2021).
- Multi-stakeholder collaboration synergistic relationships between the government, private sector, academia, and the business community encourage the exchange of knowledge and technology (Adharina, 2022).
- Urban agglomeration the concentration of businesses in metropolitan areas such as Greater Bandung creates a more dynamic and innovative ecosystem.

However, implementation challenges remain significant, including:

- Limited innovation strategies among new entrepreneurs, who often fall into short-termism (Rofaida et al., 2020).

- A digital skills gap, especially between urban and rural entrepreneurs (Sukardi, 2023).
- Infrastructure disparities, such as unequal access to high-speed internet across West Java (Adharina, 2022).
- Funding barriers for early-stage startups, often stalling innovative ideas before reaching commercial scale (Fachrurazi et al., 2023). Tantangan-tantangan ini sejalan dengan laporan Global Innovation Index (Cornell University et al., 2022), yang menempatkan Indonesia pada peringkat menengah dengan kelemahan utama di aspek human capital dan infrastruktur. Hal ini menunjukkan bahwa meskipun Jawa Barat memiliki potensi besar sebagai pusat inovasi nasional, masih diperlukan strategi yang lebih inklusif untuk memastikan pemerataan manfaat inovasi.

### General Synthesis

Overall, the research results show that the growth of innovation-based businesses in West Java is the result of an interaction between internal factors (mindset, skills, product/process innovation) and external factors (policy support, infrastructure, collaborative ecosystems). Innovation has been shown to increase competitiveness and expand markets, while digital transformation accelerates adaptation to global dynamics. Public policy connects the two by providing a conducive environment. However, without equitable access to skills, infrastructure, and financing, innovation risks becoming concentrated in certain regions.

### Conclusions and Recommendation

The growth of innovation-driven businesses in West Java is the result of synergy between innovation strategies, digital transformation, and public policy. Innovation has been proven to increase competitiveness, while digitalization accelerates efficiency and market expansion. Government policies play a crucial role in addressing structural barriers and strengthening the business ecosystem. However, equitable distribution of the benefits of innovation remains a major challenge.

#### Proposed recommendations:

1. Strengthening Regional Innovation Policy with a roadmap of priority sectors and ecosystem development in non-urban areas.
2. Accelerating the Digital Transformation of MSMEs through digital skills training, adoption of smart technology, and digital finance.
3. Equitable Infrastructure by providing high-speed internet in underdeveloped areas.
4. Facilitating Multi-stakeholder Collaboration for knowledge exchange and joint innovation development.
5. Strengthening Business Networks through the establishment of industrial clusters and business associations.

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