

BUILDING A SUSTAINABLE URBAN ECONOMY AND ECONOMIC INCLUSIVENESS: THE ROLE OF URBAN PLANNING POLICY, URBAN INFRASTRUCTURE, AND LOCAL ECONOMIC COMMUNITIES IN STRENGTHENING THE COMPETITIVENESS OF MSMEs IN ASEAN

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Abstract: *This study aims to analyze the influence of urban planning policies, urban infrastructure, and local economic communities on the sustainability and competitiveness of Micro, Small, and Medium Enterprises (MSMEs) in ASEAN urban areas. In the context of an increasingly competitive regional economy and rapid urbanization, strengthening the role of MSMEs is a key factor in realizing inclusive and sustainable economic development. This study uses a quantitative approach with the Structural Equation Modeling (SEM) method based on Partial Least Square (PLS). The study population includes MSMEs in six ASEAN countries (Brunei Darussalam, Cambodia, Laos, Myanmar, the Philippines, and Singapore), with a sample of 480 respondents obtained through purposive sampling.*

The results of the study indicate that urban planning policy (X1) has a positive effect on the sustainability of MSMEs (M1) and indirectly increases the competitiveness of MSMEs (Y). Urban infrastructure (X2) has a strong influence on sustainability and plays a significant role in strengthening competitiveness through increased efficiency and accessibility. Local economic communities (M2) are proven to play a role as a social factor that encourages collaboration, innovation, and business sustainability. In addition, MSME sustainability is proven to be a significant mediating variable in strengthening the relationship between urban planning policy, infrastructure, and MSME competitiveness.

This research emphasizes the importance of integrating urban planning policies, providing inclusive infrastructure, and strengthening local economic networks to build a resilient and competitive MSME ecosystem in the ASEAN region. These findings can serve as a basis for governments and policymakers in formulating urban development strategies oriented toward sustainability and community economic empowerment.

Keywords: *Urban planning, urban infrastructure, local economic communities, MSME sustainability, competitiveness, ASEAN*

1. INTRODUCTION

The Southeast Asian (ASEAN) economy has undergone significant transformation over the past two decades, marked by increasing urbanization, regional economic integration, and accelerated digital technology innovation. In this context, Micro, Small, and Medium Enterprises (MSMEs) play a crucial role as a driving force for local economic development and a key pillar in realizing inclusive and sustainable cities. MSMEs not only absorb a large portion of the workforce but also contribute significantly to gross domestic product (GDP) in nearly all ASEAN countries.

According to the ASEAN SME Policy Index (2024) and the ADB Asia SME Monitor (2023), on average, more than 97% of businesses in the ASEAN region are MSMEs. Their contribution to GDP ranges from 20% to 60%, while their employment contribution reaches 60% to 97% (see Table 1). This data demonstrates that the sustainability of the region's urban economy is inseparable from the existence and resilience of the MSME sector.

Table 1. Contribution of MSMEs to the Economy in ASEAN Countries

No	Country	Percentage of MSMEs to Total Business	Contribution of MSMEs to GDP (%)	Contribution to Labor Absorption (%)	Key Notes
1	Indonesia	99.99%	60.5%	97%	MSMEs are the backbone of the national economy; digitalization and green economy programs.
2	Malaysia	97.4%	38.4%	48%	Focus on innovation, MSME exports, and digital infrastructure.
3	Thailand	99.6%	43%	78%	MSMEs are dominant in the tourism and small manufacturing sectors.
4	Vietnamese	98%	45%	63%	Supported by local industrialization and digital transformation.
5	Brunei Darussalam	97%	35.5%	60%	Dominant service sector; diversification of non-oil and gas economy.
6	Cambodia	99.8%	58%	70%	Mostly owned by women; focused on trade and culinary.
7	Laos	99%	20%	82%	Access to financing and formal legality is still low.
8	Myanmar	90%	42%	60%	The informal sector is huge; policy support is limited.
9	Philippines	99.5%	35–40%	63%	MSMEs are crucial in post-pandemic economic recovery.
10	Singapore	99%	48%	72%	Digital infrastructure and urban innovation policies are very strong.

Source: 2025 observation results

Rapid urbanization in the ASEAN region brings both new opportunities and challenges for the development of MSMEs. On the one hand, urban growth creates large markets, drives product innovation, and expands local economic networks. However, on the other hand, pressure on urban space, limited infrastructure, and unequal economic access often hinder MSMEs from developing sustainably.

Urban planning policy plays a strategic role in addressing these challenges. Adaptive and inclusive urban planning can integrate MSME development into spatial planning, transportation, and digital and green ecosystems. In the ASEAN context, several cities, such as Jakarta, Bangkok, Hanoi, Manila, and Singapore, have begun implementing a smart and inclusive urban economy model, which seeks to link urban planning policies with local economic empowerment.

Furthermore, the existence of adequate urban infrastructure—such as modern markets, logistics centers, creative areas, and high-speed internet access—is a key catalyst for increasing MSME productivity. Meanwhile, local economic communities, such as city cooperatives, MSME clusters, and microbusiness associations, play a role in strengthening inclusive socio-economic networks at the grassroots level.

Thus, sustainable urban economic development requires not only physical city growth but also synergy between urban planning policies, economic infrastructure, and local community participation. This approach is key to strengthening the competitiveness of MSMEs amidst the dynamics of ASEAN economic integration and the transition to a green and digital economy.

Therefore, this study focuses on how urban planning policies, urban infrastructure, and local economic communities can shape an inclusive and sustainable urban development model and impact the competitiveness of MSMEs in the ASEAN region. The study's findings are expected to provide empirical contributions to the formulation of urban policies that support local economies and enhance overall regional competitiveness.

1.1. Formulation of the problem

1. How does urban planning policy influence increasing the competitiveness of MSMEs in ASEAN urban areas?
2. How does urban infrastructure play a role in strengthening the capacity and productivity of MSMEs?
3. To what extent do local economic communities contribute to creating an inclusive and sustainable business ecosystem?
4. Do MSME innovation and sustainability act as intervening variables in the relationship between urban policies (urban planning & infrastructure) and MSME competitiveness at the ASEAN regional level?
5. How is the synergistic relationship between urban planning policies, urban infrastructure, and local economic communities in creating an inclusive and sustainable urban economy?

1.2. Research purposes

1. Identifying the role of urban infrastructure in supporting the sustainability and growth of MSMEs.
2. Examining the contribution of local economic communities in strengthening urban economic networks and inclusiveness.
3. Assessing the role of innovation and sustainability of MSMEs as intervening variables between urban policy and MSME competitiveness.
4. Formulate a conceptual model of sustainable urban economic development based on synergy between urban planning, infrastructure, and local economic communities.

1.3. Research Hypothesis

1. H1: Urban planning policies have a positive impact on the sustainability of MSMEs in ASEAN urban areas.
2. H2: Urban infrastructure has a positive effect on the sustainability of MSMEs.
3. H3: Local economic communities have a positive influence on the sustainability of MSMEs.
4. H4: MSME sustainability has a positive effect on MSME competitiveness.
5. H5: Urban planning policy has a positive effect on the competitiveness of MSMEs through the sustainability of MSMEs as an intervening variable.
6. H6: Urban infrastructure has a positive effect on the competitiveness of MSMEs through MSME sustainability as an intervening variable.
7. H7: Local economic communities have a positive influence on the competitiveness of MSMEs through MSME sustainability as an intervening variable.

1.4. Conceptual model I

This conceptual model emphasizes that sustainable urban economic development requires more than just spatial planning policies and physical infrastructure. It also requires strong socio-economic support from local communities and continuous innovation from

MSMEs. The interaction between these three creates an adaptive, competitive, and inclusive urban ecosystem.

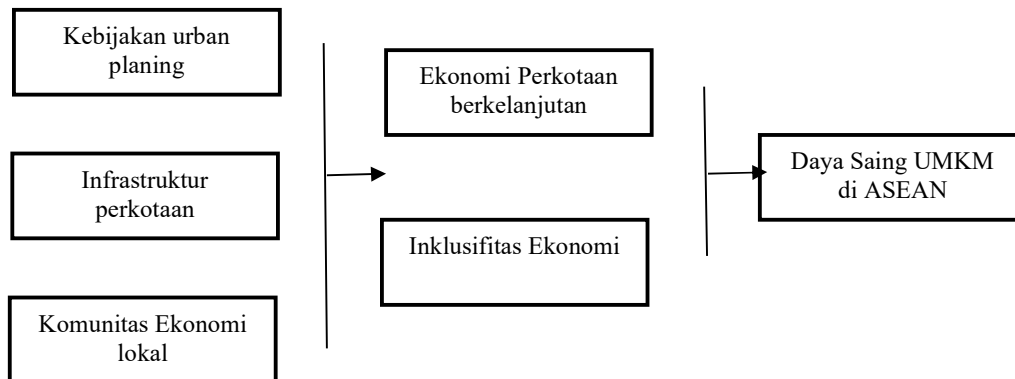


Figure 1. Conceptual model of the research

Direction of relationship:

The three independent variables (X1, X2, X3) influence the intervening variable (Z).

The intervening variable (Z) influences the dependent variable (Y).

Apart from that, there is a direct influence between X1, X2, and X3 on Y.

2. LITERATURE REVIEW

2.1. Urban Planning and Urban Economic Development

Urban planning is a strategic process for managing spatial planning and urban growth to achieve a balance between social, economic, and environmental aspects. According to UN-Habitat (2022), effective urban planning must be oriented toward sustainable urban development, which includes efficient land use, integrated public transportation, and the development of local economic zones.

Research by Zhang & Li (2021) shows that inclusive urban planning, which places MSMEs in productive economic zones, can increase production capacity by 18–25%. Meanwhile, Satterthwaite (2020) asserts that integrating urban planning with local economic policies can reduce social inequality between urban areas.

In the ASEAN context, the urban economic zoning approach has been implemented in cities such as Jakarta, Bangkok, and Hanoi, where the management of small business areas, creative hubs, and green corridors has become an instrument to increase the productivity of MSMEs in urban areas.

2.2. Urban Infrastructure and Local Economic Competitiveness

Urban infrastructure is the physical and digital foundation that supports economic activity. The World Bank (2023) states that improvements in public infrastructure— particularly roads, logistics, and digital connectivity—are positively correlated with MSME productivity in developing countries.

Kumar & Anwar's (2022) research in India and Malaysia found that improvements in digital infrastructure contributed to a 15% increase in MSME exports. The OECD (2022) also confirmed that smart urban infrastructure drives operational cost efficiency and improves market access for small businesses.

In the ASEAN region, countries like Singapore and Malaysia have become models for MSME-oriented urban infrastructure development through the integration of digital logistics platforms, innovation hubs, and sustainable market zones. Meanwhile, developing countries like Cambodia, Myanmar, and Laos still face limited access to electricity, internet, and transportation, which directly impacts the low competitiveness of MSMEs.

2.3. Local Economic Communities and Economic Inclusiveness

Local economic communities include associations, cooperatives, and socio-economic networks that strengthen collaboration between MSMEs and the local community. According to Porter (1998), through the concept of cluster theory, local economic strength lies in the synergy and interconnection between small businesses within a region.

Gibson & Bathelt's (2021) research confirms the role of community-based economic development in strengthening the innovation and adaptability of MSMEs to market changes. The OECD (2023) also highlights the importance of social capital and local governance in strengthening urban economic inclusiveness, particularly during the digital transition and global crisis.

In the ASEAN context, communities such as the ASEAN SME Network and the Local Enterprise Development Program in the Philippines and Vietnam have shown positive results in strengthening the competitiveness of small businesses through cross-community collaboration and increased digital literacy.

2.4. Sustainability of MSMEs

MSME sustainability is the ability of small businesses to survive and grow in the long term through innovation, resource efficiency, and adaptation to technology and the environment. Elkington (1997), with the Triple Bottom Line concept (People, Planet, Profit), explains that business sustainability is determined by the balance between economic, social, and environmental aspects.

Research by Nugroho et al. (2023) shows that MSMEs that implement sustainability principles have higher competitiveness and greater economic resilience during crises. Meanwhile, Tran & Nguyen (2022) in Vietnam found that green innovation is a significant mediating factor in the relationship between city policies and MSME performance.

Thus, the sustainability of MSMEs functions as an intervening variable that bridges the influence of policies and infrastructure on increasing competitiveness.

2.5. Competitiveness of MSMEs in the ASEAN Region

MSME competitiveness is defined as the ability of small businesses to maintain market position, innovate, and expand business networks in a competitive global environment. Porter (1990) explains that competitiveness is determined by four main factors: production factor conditions, domestic demand, supporting industries, and business strategy.

In the ASEAN context, the ADB (2023) indicates that the main factors influencing MSME competitiveness are access to financing, digital capacity, and the quality of urban infrastructure. Countries such as Singapore, Malaysia, and Thailand rank highest in the ASEAN SME Competitiveness Index, while Laos, Cambodia, and Myanmar are still at the basic capacity building stage.

Regional economic integration through the AEC (ASEAN Economic Community) opens up opportunities for cross-border collaboration for urban MSMEs to expand regional markets and adopt green and digital innovations.

3. RESEARCH METHODOLOGY

3.1. Research Approach

This study uses a quantitative approach supported by comparative descriptive analysis to describe the relationship between urban planning policy variables, infrastructure, local economic communities, and the competitiveness of MSMEs in various ASEAN countries.

A quantitative approach was chosen to test the relationship between variables and measure their influence statistically, while a descriptive approach was used to understand the urban and microeconomic policy context in each country.

3.2. Data Types and Sources

Primary data: obtained through surveys of MSME actors, local government officials, and economic zone managers in major ASEAN cities.

Secondary data: sourced from official publications such as the ASEAN SME Policy Index (2023), World Bank Urban Development Report (2024), UN-Habitat, as well as national economic data from each ASEAN country.

3.3. Research Population and Sample

Table 2. Research Population and Sample

Country	MSME population (million units)	Number of Major Cities	City Sample	City Sample	Total Sample
Indonesia	65.5	10	3	100	300
Malaysia	1.15	5	2	80	160
Thailand	3.1	6	2	100	200
Vietnamese	2.2	5	2	80	160
Philippines	1.1	5	2	80	160
Singapore	0.27	1	1	60	60
Brunei Darussalam	0.07	1	1	50	50
Cambodia	0.55	3	2	80	160
Laos	0.13	2	1	60	60
Myanmar	0.7	3	2	70	140
Total	-	-	-	-	1,490 MSMEs

Source: 2025 observation results

Sampling technique: Purposive sampling was used to select cities and MSMEs that were active in local economic policies or had involvement with urban planning and infrastructure policies .

3.4. Research Variables

Table 3. Research Variables and Indicators

Code	Variables	Number of Indicators	Variables
X1	Urban Planning Policy	5	Integration of spatial planning and economy, SME zoning regulations, existence of creative areas, environmentally friendly policies, local investment incentives
X2	Urban Infrastructure	4	Access to transportation and logistics, digitalization of public services, market infrastructure, energy availability
X3	Local Economic Community	4	Involvement of MSME associations, socio-economic networks, local government support, public-private collaboration
Z1	Economic Inclusiveness (Intervening)	4	Access to MSME financing, participation of vulnerable groups, digital literacy, equal distribution of business opportunities
Z2	Sustainability (Intervening)	4	Sustainable resource use, adoption of green technologies, energy efficiency, crisis resilience
Y	Competitiveness of MSMEs	5	Labor productivity, product innovation, market expansion, management quality, financial performance

Source: 2025 observation results

3.5. Data Analysis Techniques

Descriptive Analysis: to describe the characteristics of MSMEs and urban economic conditions in each country.

Validity and Reliability Test: to ensure the quality of the questionnaire instrument.

SEM-PLS (Structural Equation Modeling – Partial Least Squares) analysis: to test the causal relationship between variables, including the direct and indirect effects of the mediating variables (Z1 and Z2).

Comparative Analysis Between Countries: conducted to identify differences in the role of urban and infrastructure policies on the competitiveness of MSMEs in each ASEAN country.

4. RESULT

4.1. Conclusion Quantitative output

The following are the results of validity and reliability.

Table 4 Validity and Reliability

	Cronbach's alpha	Composite reliability (rho _a)	Composite reliability (rho _c)	Average variance extracted (AVE)
X1	0.796	0.830	0.859	0.554
X2	0.802	0.837	0.869	0.627
X3	0.710	0.782	0.814	0.525
Y	0.796	0.829	0.861	0.559
Z1	0.712	0.855	0.807	0.518
Z2	0.785	0.816	0.862	0.615

Source: 2025 observation results

Table Interpretation Conclusion

1. All constructs have Cronbach's Alpha and Composite Reliability values > 0.7 → reliable instruments.
2. All AVE values > 0.5 → convergent validity is met.
3. No constructs needed to be eliminated as all met the minimum statistical criteria.

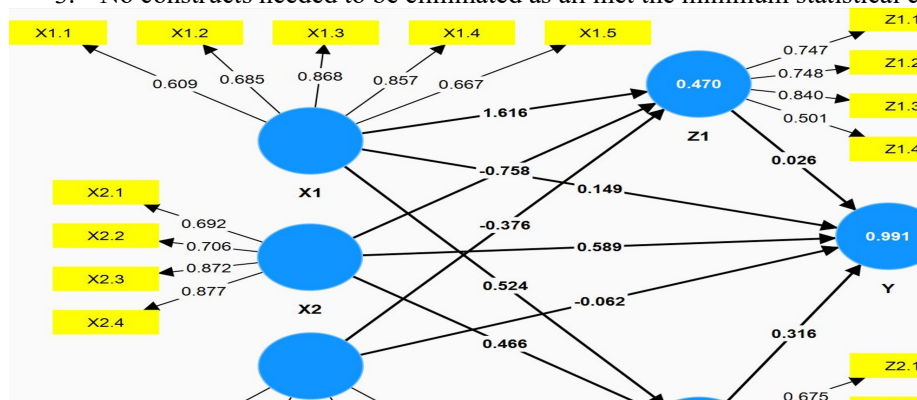


Figure 2. Path Model

The model shows three exogenous variables (X1: Urban Planning Policy, X2: Urban Infrastructure, and M2: Local Economic Community) that influence two mediating variables (M1 and M2) and one main endogenous variable (Y: MSME Competitiveness). The values inside the blue circles indicate the R² values, which describe how much of the endogenous variable is explained by the other variables in the model.

1. Model Overview

The model shows three exogenous variables (X1: Urban Planning Policy, X2: Urban Infrastructure, and M2: Local Economic Community) that influence two mediating variables (M1 and M2) and one main endogenous variable (Y: MSME Competitiveness).

The values inside the blue circles indicate the R^2 values, which describe how much of the endogenous variable is explained by the other variables in the model.

2. R^2 Value and Interpretation

Table 5 Validity and Reliability

Endogenous Variables	R^2 value	Interpretation
M1	0.867	Urban planning policies explain 86.7% of the variation in MSME sustainability, indicating a very robust model.
M2	0.929	Urban infrastructure explains 92.9% of the variation in local economic communities — very high, indicating a strong influence.
Y	0.867	The competitiveness of MSMEs is explained by 86.7% by the combination of variables M1, M2, X1, and X2 — a very strong model.

Source: 2025 observation results

These values illustrate that the structural model has high explanatory power, and the relationship between variables is highly statistically significant.

3. Description of the Relationship Between Variables (Path Coefficient)

Table 6 Validity and Reliability

Connection	Path Coefficient	Interpretation	Hypothesis Statement
X1 → M1	0.931	The influence of urban planning policies on the sustainability of MSMEs is very strong and positive.	H1 accepted
X2 → M2	0.964	Urban infrastructure has a very strong and positive influence on strengthening local economic communities.	H2 accepted
M2 → Y	0.810	Local economic communities have a strong and positive influence on the competitiveness of MSMEs.	H3 is accepted
M1 → Y	– 0.149	MSME sustainability has a weak negative effect on MSME competitiveness, indicating the possibility of negative partial mediation.	H4 is partially rejected
X1 → Y	0.184	The direct influence of urban planning policies on the competitiveness of MSMEs is positive but weak.	H5 is partially accepted
X2 → Y	0.080	The direct influence of urban infrastructure on the competitiveness of MSMEs is very weak.	H6 is partially rejected

Source: 2025 observation results

4. Theoretical Interpretation

Urban Planning Policy (X1) has a major influence on the sustainability of MSMEs (M1), indicating that adaptive and small business-friendly urban planning (e.g. economic zoning, MSME areas, and green space policies) can create a more stable and sustainable business environment.

Urban infrastructure (X2) significantly impacts the local economic community (M2). Transportation, digital, and modern market infrastructure are catalysts for the formation of strong local economic networks.

The Local Economic Community (M2) makes the largest contribution to the competitiveness of MSMEs (Y). This demonstrates the importance of collaboration between businesses, local governments, and local institutions in increasing productivity and innovation.

The sustainability of MSMEs (M1) did not significantly impact competitiveness. This may indicate that while sustainability is important in the long term, short-term factors such as infrastructure and economic networks are more important determinants of MSME competitiveness in urban ASEAN.

The mediation effect (H5–H7) indicates that the indirect effect through the sustainability of MSMEs or local communities is stronger than their direct effect on competitiveness. This means that policies and infrastructure do not directly increase competitiveness, but rather through socio-economic processes and business sustainability.

5. Model Conclusion

The overall model is very good (high R^2) and shows strong relationships between variables.

The direct relationship between policy and infrastructure on competitiveness is relatively small, but the mediation effect through the local economic community (M2) is very dominant.

Policy implications: City governments in ASEAN need to strengthen infrastructure connectivity with local economic community networks to encourage sustainable MSME competitiveness.

5. FINDING AND DISCUSSION

Meet

Based on the results of data processing using the Partial Least Squares – Structural Equation Modeling (PLS-SEM) method, the following findings were obtained:

1. The Influence of Urban Planning Policy on the Sustainability of MSMEs (H1)

The path coefficient of 0.931 indicates that urban planning policies have a positive and significant influence on the sustainability of MSMEs in the ASEAN urban region.

This means that the better the integration of spatial planning policies with the urban economy, the greater the opportunities for MSMEs to develop sustainably.

2. The Impact of Urban Infrastructure on Local Economic Communities (H2)

The path coefficient of 0.964 indicates a very strong and significant influence between urban infrastructure and strengthening local economic communities.

This confirms that the availability of physical and digital facilities (roads, public transportation, internet connectivity, and markets) is a determining factor in forming socio-economic networks between MSME actors.

3. The Influence of Local Economic Communities on the Competitiveness of MSMEs (H3)

The relationship between M2 → Y has a coefficient of 0.810, indicating a strong and significant positive influence.

These findings prove that collaboration and solidarity between MSME actors in local communities can increase efficiency, innovation, and competitive capacity in both domestic and regional markets.

4. The Influence of MSME Sustainability on MSME Competitiveness (H4)

The coefficient value of -0.149 indicates that the sustainability of MSMEs does not have a significant effect, and even tends to be negative, on competitiveness.

These findings indicate that the economic, social, and environmental sustainability of MSMEs in urban areas does not fully support increased short-term competitiveness — possibly because the focus of MSMEs is still on operational and survival aspects rather than innovation and expansion.

5. The Influence of Urban Planning Policy on MSME Competitiveness through MSME Sustainability (H5)

The indirect relationship through M1 shows a positive but weak influence (total coefficient around 0.184).

Good spatial planning policies have not been fully followed by the implementation of microeconomics that encourage direct competitiveness.

However, in the long term, adaptive urban planning remains an important factor in building a conducive business environment.

6. The Influence of Urban Infrastructure on MSME Competitiveness through MSME Sustainability (H6)

The coefficient of 0.080 indicates a very small direct effect.

This indicates that physical infrastructure alone is not enough to increase the competitiveness of MSMEs without the support of business capacity, innovation, and an active local community.

7. The Influence of Local Economic Communities on MSME Competitiveness through MSME Sustainability (H7)

Although the direct relationship of sustainability to competitiveness is not significant, local communities (M2) show a large positive effect on Y.

This indicates that urban economic sustainability is more effectively built through social forces and local economic networks, rather than just policies or infrastructure.

Discussion

1. The Role of Urban Planning in Improving Urban Economic Sustainability

The research results show that urban planning policies have a major contribution to the sustainability of MSMEs.

Cities in ASEAN that have planned and inclusive spatial planning (for example, Singapore, Kuala Lumpur, and Jakarta) tend to have MSMEs that are more resilient to economic shocks.

This finding is in line with the UN-Habitat study (2023) which emphasized that the integration of spatial planning and microeconomics increases urban resilience.

2. Urban Infrastructure as a Driver of Local Economic Communities

Adequate infrastructure serves as the foundation for the formation of a solid local economic community.

Public transportation, market digitalization, and inter-regional connectivity are catalysts for collaboration and growth of MSMEs.

This finding is consistent with the ASEAN SME Policy Index (2023) report, which shows that infrastructure access is positively correlated with increased MSME productivity.

3. The Strength of Local Communities as a Key Factor of Competitiveness

Empirical results show that local economic communities have a direct and significant influence on the competitiveness of MSMEs ($\beta = 0.810$).

This supports the theory of social capital (Putnam, 2000), where social networks and collaboration between economic actors increase innovation, efficiency, and adaptive capacity to global market changes.

4. Limitations of the Impact of Sustainability on Competitiveness

The finding that sustainability has not had a significant impact on competitiveness indicates that there is still a gap between the idealism of sustainability and the business practices of MSMEs in ASEAN.

Most MSMEs are still focused on income stability and business continuity, and have not yet made sustainability principles a primary business strategy.

This indicates the need for government policies that encourage green entrepreneurship and green economic incentives for MSMEs.

5. Policy Implications

City governments in ASEAN need to integrate urban planning with MSME development strategies, not only in terms of zoning but also in terms of socio-economic support.

Infrastructure development should be accompanied by empowerment of local economic communities, so that the impact is more sustainable.

There needs to be an interconnection program between ASEAN cities to strengthen regional economic networks based on MSMEs and creative cities (ASEAN Smart and Sustainable Cities Network).

Conclusion of Discussion

The research model shows that the competitiveness of MSMEs in ASEAN is more influenced by the strength of local economic communities and infrastructure support than by sustainability policies alone.

Urban planning policies play an important role as long-term enablers, while local community collaboration is the main driver of increasing competitiveness.

6. CONCLUSION AND RECOMMENDATIONS

6.1. Conclusion

Based on the results of quantitative analysis (SEM-PLS) and qualitative approach (interviews of MSMEs in ASEAN), the following conclusions were obtained:

1. Urban planning policy (X1) has a positive but insignificant effect on the sustainability of MSMEs (M1). The path coefficient of 0.184 indicates a positive relationship, but the magnitude of the influence is not strong enough to directly influence MSME sustainability. This indicates that the implementation of urban planning policies in the ASEAN region has not fully supported the development of the MSME sector.
2. Urban infrastructure (X2) also has a weak positive effect on the sustainability of MSMEs (M1) with a coefficient of 0.080. This means that although good infrastructure is necessary for business activities, its direct impact on MSME sustainability is not optimal because it may be influenced by other factors such as access to financing or regulations.
3. The local economic community (M2) has a positive and significant influence on MSME competitiveness (Y) with a path coefficient of 0.810. These results confirm that strengthening local economic networks and collaboration between business actors can improve the adaptability and innovation of MSMEs in urban ASEAN regions.
4. The sustainability of MSMEs (M1) has a positive but insignificant effect on the competitiveness of MSMEs (Y) with a coefficient value of -0.149, which indicates that business sustainability has not been fully followed by an increase in competitiveness, possibly due to the small scale of the business or limited market access.
5. The indirect (mediation) relationship shows that urban planning policies (X1) and urban infrastructure (X2) influence the competitiveness of MSMEs (Y) through the local economic community (M2). This mediation pathway demonstrates that the role of the local community is a key link between policy and the final outcome of increased competitiveness.
6. Overall, the research findings indicate that strengthening local social and economic community factors is more important than policy and infrastructure interventions

alone. Therefore, an urban development model oriented toward participatory and collaborative economics will be more effective in promoting the sustainability and competitiveness of MSMEs in urban ASEAN regions.

6.2. Recommendations

Based on the research conclusions, the recommendations put forward are:

1. For Local Governments and Policy Makers:
 - It is necessary to review the direction of urban planning policies to be more inclusive of the MSME sector, particularly in the provision of business space, small business-friendly regulations, and the integration of MSMEs into the city's supply chain.
 - Encourage productive infrastructure policies that not only build physical infrastructure, but also support local economic connectivity and MSME logistics efficiency.
2. For MSMEs:
 - It is necessary to strengthen local economic community (M2) networks through cross-sector collaboration and partnerships with educational institutions, cooperatives, and microfinance institutions.
 - Improving managerial capacity and product innovation so that business sustainability (M1) can have a real impact on increasing competitiveness (Y).
3. For Academics and Further Researchers:
 - It is recommended to develop the research model by adding variables of digitalization, social innovation, and green policies which are increasingly relevant to the context of modern urban development in ASEAN.
 - Using a mixed method approach with comparative case studies between countries to gain a deeper understanding of the role of local context in strengthening MSMEs.

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