



Research Article

Analysis of the Influence of Chinese Ethnic Youth's Independent Enterprises on Labor Absorption in Medan Kota District Area, Medan City

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Abstract: One of the districts with the greatest concentration of ethnic Chinese residents and the highest concentration of young business owners in Medan City is Medan Kota District. The purpose of this study is to clarify the potential impact of ethnic Chinese youth's independent enterprises on labor absorption in Medan Kota District. A quantitative descriptive research design is employed, and SPSS version 17 analysis is used to perform the Multiple Linear Regression research method. Ho was rejected while Ha was accepted, according to the ANOVA test, which revealed that $F_{count} > F_{table}$. This indicates that ethnic Chinese youth-owned independent enterprises significantly improve labor absorption, specifically 72%.

Keywords: Absorption of labour; Young businessperson; Young Chinese ethnic people working for themselves.

1. Introduction

One of the key elements of this country is its youth. The fact that there are 65 million young people demonstrates how important they are to all aspects of national transformation. The younger generation will carry on this country's development and expansion. Problems are growing as the age progresses, particularly in light of the impending competition from free markets. It is true that the economic sector is thought to have the greatest impact on raising the standard of living in the country and the state.

Economic advancement in Indonesia, the elevated unemployment rate influences the pace of economic expansion, particularly in this age of globalization, it has become commonplace to hear the term "unemployment." The economy in Indonesia since the financial crisis in the middle of 1997 has deteriorated the employment situation in Indonesia. Since that time, economic growth in Indonesia has not achieved 7 to 8 percent. In reality, the issue of unemployment is intimately connected to economic development. If the rate of economic expansion continues to rise, then the absorption of labor will also automatically increase. For every one percent of economic growth, there is an absorption of labor reaching 400 thousand individuals. If Indonesia's economic growth is merely 3 to 4 percent, it will only absorb 1.6 million workers, while the average number of job seekers reaches 2.5 million annually. Therefore, every year, there will be job seekers who do not secure employment, leading to an increase in the unemployment rate in Indonesia. In this situation, creativity is

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essential from today's society to prevent unemployment; one approach that can be taken is entrepreneurship.

In the context of regional development analysis, Medan City serves as the capital of North Sumatra Province, being the largest city on the island of Sumatra and the third-largest city in Indonesia. As a major urban center, the significance and function of Medan City are notably important and strategic on both a regional and national level. Medan City stands out as a city that acts as one of the indicators of national economic progress; thus, it is assured that economic development in Medan City is a primary focus in its planning for growth. Consequently, economic activities will present an engaging phenomenon, reflecting the dynamics of people's lives, particularly in relation to independent entrepreneurial ventures.

The arrival of the Chinese ethnic group in Medan City began when the Dutch colonial government sought to establish a plantation region in the Deli land and its vicinity, initiated by Jacob Nienhuys in 1863 by leasing 4,000 bau (28,560,000 m²) of land from Sultan Mahmud for a duration of 20 years (O'Malley, 1983:30-49). The area was then expanded by an additional 26,000 bau (185,640,000 m²) in 1869, employing a labor force of 1,525 individuals, the majority of whom were brought in from China. Consequently, this region became populated and renowned (Said, 2020). Among various investors, many were drawn to the Deli land. The most significant and notable agricultural product during that time was tobacco. The tobacco leaves harvested from this region are considered to be of the highest quality. This is due to the fact that tobacco leaves from the Deli land can serve as raw materials for cigar wrappers and are referred to as Deli tobacco (Sinar, 2022: 25). "Deli tobacco at the end of the 19th century and the first three decades of the 20th century became a very important export commodity and became very famous in the world market" (Koentjaraningrat, 2020: 246).

Culture serves to assist an individual in developing a simpler categorization system for the variety present in his/her living surroundings. It can facilitate identification, establish systematic approaches, foresee potential occurrences, and generate novel thought models for interpreting his/her living environment. Consequently, culture is perceived as a motivational element for an individual or a member of society that arises from life experiences within his/her surroundings and simultaneously acts as a motivating factor for his/her aspirations or drives.

The distinction between the business strategies of Chinese individuals in Medan and those in other cities is trust or sing yong, whereas the strategy fostered by the free market economy typically begins with a contract. Their dedication to the value of trust, along with their tenacity and bravery in confronting business risks and the business acumen inherited through generations, characterizes independent Chinese youth entrepreneurs. Their determination and bravery in tackling business risks enhance their abilities in establishing business networks. This enables fellow independent Chinese entrepreneurs to connect directly with each other, eliminating the necessity for intermediaries. However, their pragmatic and straightforward demeanor often gives rise to the perception that Chinese entrepreneurs in Medan are inclined to be rude and abrasive. Independent Chinese youth entrepreneurs are also recognized for their high efficiency. They employ effective capital strategies combined with accuracy in identifying market segments and competitive pricing strategies. Due to relatively low initial capital, they frequently opt to utilize second-hand machinery to facilitate their production processes.

Medan Kota District is one of the districts within Medan City that exhibits a very high population density, with a total population of 118,690 individuals. Medan Kota District also ranks as the district with the highest number of individuals of Chinese descent, totaling 28,958 people, while the count of young individuals (ages 16-30) of Chinese ethnicity in Medan City is 10,603 individuals.

In the course of its economic activities, Medan Kota District is renowned for its numerous shopping and trade centers. Pusat Pasar, Pasar Sambas, Pasar Ular, Pasar Halat, Medan Mall, Olympia Mall, and Yuki Simpang Raya are among the retail locations in Medan Kota District. Given the significant Chinese ethnic population and the bustling trading spots in Medan Kota District, it is undoubtedly interesting to explore how these two factors impact one another. Consequently, the researcher will undertake a study in Medan Kota District, Medan City by examining the Impact of Independent Chinese Youth Business on the Economic Growth of Medan Kota District, Medan City.

2. Literature Review

Labor absorption plays a crucial role in regional economic development by reducing unemployment, increasing productivity, and stimulating local markets. In Medan Kota District, independent enterprises owned by Chinese ethnic youth significantly contribute to labor absorption, which in turn strengthens economic growth.

Labor Absorption and Economic Development

Labor absorption refers to the ability of an economy to integrate its workforce into productive activities. According to Pramusinto and Daerobi (2023), factors such as wages, industrial growth, and Gross Regional Domestic Product (GRDP) significantly influence labor absorption in Indonesia's manufacturing sector. Higher labor absorption reduces unemployment and enhances regional productivity, creating a multiplier effect on local economies.

Kurniadi, Sudarmiatin, and Wardana (2023) emphasize that micro, small, and medium enterprises (MSMEs) are vital in facilitating labor absorption, particularly in urban and suburban areas. By employing local workers, MSMEs stimulate household income and strengthen local demand, thereby accelerating regional economic development.

Santanu and Wardani (2023) further highlight that government expenditure and economic growth positively and significantly affect employment levels. This indicates that labor absorption is not only a function of private entrepreneurship but also of supportive public policies..

Theoretical Framework

Over the past five years, a growing body of research has reinforced the critical role of labor absorption in driving regional economic development across Indonesia. Santanu and Wardani (2023) demonstrated that government expenditures and economic growth significantly increase employment levels, suggesting that labor absorption acts as a conduit for translating macroeconomic gains into local prosperity. Kurniadi, Sudarmiatin, and Wardana (2023) emphasized the importance of micro, small, and medium enterprises (MSMEs) in facilitating labor absorption, particularly in urban districts, by providing accessible employment and stimulating household income. Ria and Zainuddin (2025) identified domestic investment and public spending as key determinants of labor absorption, using panel data to show how capital inflows correlate with job creation. Meanwhile, Putra and Sari (2022) found that firm-provided training and skill development enhance productivity and wages, reinforcing the feedback loop between employment and regional demand. Hidayat and Pratama (2021) added that entrepreneurial density and learning-by-doing foster innovation, which amplifies the long-term impact of labor absorption on regional growth trajectories.

In Medan Kota District, these national patterns manifest through a dense network of youth-led enterprises, particularly among the Chinese ethnic community. These independent businesses actively hire local workers, which directly reduces unemployment and increases

household income. This income, in turn, stimulates demand for goods and services in local markets such as Pusat Pasar and Olympia Mall, creating a virtuous cycle of consumption and production. Many of these enterprises also provide informal training, enhancing the skills and productivity of their workforce, albeit with room for improvement in structured capacity-building. The clustering of MSMEs in sub-districts like Pandau Hulu I and Sei Rengas I fosters business-to-business linkages, knowledge spillovers, and shared supply chains, lowering transaction costs and accelerating innovation. As labor absorption increases, secondary employment opportunities emerge in logistics, retail, and services, further compounding the district's economic growth. These mechanisms collectively illustrate how labor absorption serves not merely as a social buffer but as a strategic engine for regional development in Medan Kota.

Hypotheses H1is Labor absorption positively influences regional economic development in Medan Kota District.

3. Research Methods

The kind of research conducted is quantitative explanatory research. As stated by Sugiyono (2022), explanatory research is aimed at clarifying the status of the variables being investigated and the connection between different variables. The connection between the variables investigated is a causal relationship or a cause-and-effect relationship regarding the influence of independent Chinese youth entrepreneurship on labor absorption in the Medan Kota District.

2.1. Variable Definition

To explain and prevent confusion about the definitions of terms in the study, the following operational definitions are provided:

Independent Chinese youth business in Medan Kota District refers to Chinese youth aged 16-30 years who possess a personal business or enterprise, regardless of whether it is registered or not, and whether it operates on a small, medium, or large scale in Medan Kota District.

Workforce refers to all individuals hired by independent Chinese youth businesses, including both females and males, whether they are permanent employees or not, who perform work to produce goods or services either to fulfill their own needs or for the community.

2.2 . Respondent Characteristics

The traits of participants in this study are classified according to gender, age, education attainment, monthly earnings, and sub-district allocation. Below is Table 1 showing the findings of the research on respondents of independent Chinese ethnic youth enterprises, segmented by gender, age, and education level.

Algorithm 1. Characteristics of Respondents of Independent Chinese Youth Business According to Gender, Age, and Education Level

Table 1. Characteristics of Respondents of Independent Chinese Youth Business According to Gender, Age, and Education Level

NO	Respondent Characteristics	Respondents (Person)	Age		Level of education		
			21-25 years old	26-30 years old	SENIOR HIGH SCHOOL	Diploma	Bachelor
1	Woman	36	14	22	10	12	14
2	Man	59	12	47	25	22	12
	Amount		26	69	35	34	26
	Total	95		95		95	

Source: Processed from Primary Data, 2025

2.3 .Gender

Gender is essential to illustrate how the developmental characteristics of young entrepreneurs are perceived from a gender viewpoint. Below is Table 2. 2, showcasing the findings of the research conducted with respondents of independent Chinese ethnic youth businesses categorized by gender.

Table 2. Percentage of Characteristics of Respondents of Independent Chinese Ethnic Youth Businesses Based on Gender

No	Respondent Characteristics	Amount	
		Respondents (person)	%
1	Man	59	62.1
2	Woman	36	37.9
	Amount	95	100%

Source: Processed from Primary Data, 2023

Based on Table 2. above, it is evident that out of the total number of respondents, which reached 95 individuals, there were 59 independent businesses owned by young Chinese ethnic men, representing a percentage of 62. 1%, and 36 independent businesses owned by young Chinese ethnic women, accounting for a percentage of 37. 9%. The researchers achieved these findings by selecting random samples of respondents. Consequently, from the results above, it can be analyzed that men are more prevalent in establishing independent entrepreneurship among young Chinese ethnic groups in comparison to women. According to the researcher's observations, this situation arises due to the association of men with the role of breadwinners, particularly for those who are married.

2.4 .Age

Respondent characteristics according to age are required to clarify the age span of respondents, in this instance the independent business of Chinese ethnic youth, specifically with an age span of 16-30 years. The findings of the research regarding the characteristics of respondents by age will be detailed based on Table 3 below.

Table 3. Percentage of Traits of Participants of Independent Chinese Ethnic Youth Entrepreneurship According to Age

No	Respondent Characteristics	Amount	
		Respondent(person)	%
1	Age 16 -20	-	-
2	Age 21 -25	26	27.4
3	Age 26 -30	69	72.6
	Amount	95	100%

Source: Processed from Primary Data, 2025

Based on Table 3, it can be observed that out of a total of 95 respondents, none of the respondents within the 16-20 age bracket became independent Chinese youth entrepreneurs,

while there were 26 respondents in the 21-25 age bracket representing 27. 4%, and there were 69 respondents in the 26-30 age bracket accounting for 72. 6% who were independent Chinese youth entrepreneurs.

From the data results above, it is clarified that the majority of young individuals from the Chinese ethnic group identified as entrepreneurs are those who are in a relatively mature age group, specifically around 26-30 years old. While it is noted from the lack of respondents in Russia aged 16-20 acting as independent Chinese youth, this indicates that young people in that age group are generally not prepared to assume the role of being an entrepreneur.

2.5 .Education Level

The traits of respondents' education levels are required to clarify the progression of independent enterprises among ethnic Chinese youth, as observed from the educational qualifications held by each respondent. Table 4 below presents a summary of respondent characteristics categorized by education level.

Table 4. Percentage of Characteristics of Independent Chinese Youth Business Respondents According to Educational Attainment

No	Respondent Characteristics	Amount	
		Respondents (person)	%
1	SD	-	-
2	JUNIOR HIGH SCHOOL	-	-
3	SENIOR HIGH SCHOOL	35	36.8%
4	Diploma	34	35.8%
5	Bachelor	26	27.4%
	Amount	95	100%

Source: Processed from Primary Data, 2023

Based on the findings presented in Table 2. 4 above, it can be clarified that the distribution of characteristics by education level among all respondents totaling 95 individuals does not show a significant numerical difference between the education levels of SMA and D3 (Diploma 3), but there is a distinction at the S1 (Bachelor's) education level. At the S1 (Bachelor's) level, there are 26 respondents representing a percentage of 27. 4%, for the Diploma level there are 34 respondents with a percentage of 35. 8%, while at the SMA level there are 35 respondents, which constitutes the largest group according to education level with a percentage of 36. 8%. This indicates that the independent young entrepreneurs of Chinese ethnicity in the Medan Kota sub-district, numbering 60 individuals, opted for the entrepreneurial path despite having graduated from college, either with a Diploma or Bachelor's degree. Nevertheless, there are also a notable number of respondents who chose to embark on their entrepreneurial journey immediately, even with only a high school education level.

2.6 Type of Business

Characteristics determined by the type of business owned by respondents aim to clarify and uncover which types of businesses are preferred and sought after by independent Chinese youth who choose to become entrepreneurs. Table 5 below will provide a clearer explanation of these types of businesses.

Table 5. Percentage of Traits of Autonomous Chinese Young Entrepreneur Respondents According to Business Type

No	Respondent Characteristics	Amount	
		Respondents (person)	%
1	Service	14	14.7
2	Culinary	7	7.4
3	Fashion	19	20.0
4	Electronic	11	11.6
5	Accessories	23	24.2
6	Other	21	22.1
	Amount	95	100%

Source: Processed from Primary Data, 2025

Based on Table 2. 5 above, it can be observed that the category of Accessories business is the most commonly pursued by independent Chinese youth entrepreneurs in Medan Kota District, with a count of 23 (twenty three) respondents representing a percentage of 24. 2%. The remaining individuals opted to participate in different types of enterprises, totaling 21 respondents with a percentage of 22. 1%, while the Fashion industry included 19 respondents with a percentage of 20. 0%, the Services industry had 14 respondents with a percentage of 14. 7%, the Electronics field entailed 11 respondents with a percentage of 11. 6%, and the Culinary sector accounted for 7 respondents with a percentage of 7. 4%.

Among the total of 95 (ninety five) respondents, there were 21 respondents comprising a percentage of 22. 1% who were involved in alternative business sectors or were not categorized into the 5 specified business categories, with each of these two respondents establishing enterprises in the printing business sector, supply of building materials, Automotive, Property, kitchen equipment and glassware, along with painting galleries.

2.7 . Distribution of Sub-districts

The traits of the respondent sub-districts' distribution are essential for clarifying the distribution of respondent samples. According to Sugiyono's (2021) formula for sample distribution, from a total of 95 samples, the researcher selected samples according to the sub-district in which the respondent's business was situated. Table 6 below illustrates the distribution of respondent samples based on sub-district.

Table 6. Characteristics Based on Sub-district Distribution

No	Respondent Characteristics	Amount	
		Respondents (person)	%
1	Pasar baru	11	11.6
2	Sudi Rejo I	2	2.1
3	Sudi Rejo II	8	8.4
4	Sitirejo I	2	2.1
5	Pusat Pasar	18	18.9
6	Sei Renggas I	14	14.7
7	Jalan Masjid	6	6.3
8	Pandau Hulun I	16	16.8
9	Kota Matsum III	1	1.1
10	Pasar Merah Barat	2	2.1
11	Teladan Timur	11	11.6
12	Teladan Barat	4	4.2
	Amount	95	100%

Source: Processed from Primary Data, 2025

In line with the proportional sampling method, the allocation of respondents based on sub-districts with residents engaged as entrepreneurs revealed that the Pusat Pasar sub-district had the highest number of residents working as entrepreneurs; thus, for

proportional sampling, 18 individuals were selected from the Pusat Pasar sub-district, representing 18. 9% of the respondents. Pandau Hulu I Village, identified as the second largest village with the most residents working as entrepreneurs, received a sample proportion of 16, accounting for 16. 8%. Sei Rengas I Village, recognized as the third largest village with the most residents working as entrepreneurs, was allocated a sample proportion of 14 respondents, which corresponds to 14. 7%. Additionally, Pasar Baru and Teladan Timur Villages each had 11 respondents, making up 11. 6%, while Sudirejo II had 8 respondents at 8. 4%. Mesjid was represented by 6 respondents, which is 6. 3%, and Teladan Barat had 4 respondents, amounting to 4. 2%. Sudirejo I, Sitirejo I, and Pasar Merah Barat each consisted of 2 respondents with a percentage of 2. 1%, and Kotamatsum II was represented by 1 respondent, which is 1. 1%.

4. Results and Discussion

1) Validity and Reliability Testing

The findings of the validity and reliability assessment of the independent business variables of ethnic Chinese youth in Medan Kota District, using the labor absorption indicator, are shown in Table 7 below.

Table 7. Results of Validity and Reliability Examination of Independent Business Factors of Chinese Ethnic Youth

Variables	Question Items	r-count	r-table	Information	Alpha Coefficient
Labor Absorption (X1)	1	0 ,476	0, 171	Valid	0, 761
	2	0 ,616	0, 171	Valid	
	3	0 ,562	0, 171	Valid	
	4	0 ,586	0, 171	Valid	

Source: Processed from Primary Data, 2025

Validity Test

According to the findings of the validity assessment, it can be concluded that every statement/question item of the Independent Business variable for Chinese Ethnic Youth is valid. This conclusion is regarded as valid since the r-count exceeds the r-table. The r-count values for the labor absorption indicator are (0. 476, 0. 616, 0. 562, 0. 586). This indicates that the scores for all indicators are significantly correlated.

Reliability

According to the SPSS output presentation, it indicates that the independent variables of Chinese youth entrepreneurship (Labor Absorption, Production, and Business Growth) have Cronbach Alpha values for Labor Absorption at (0. 761). Nunnally (2020) states that if the Cronbach Alpha value exceeds 0. 6, it can be considered reliable. Thus, based on the aforementioned results where all Cronbach Alpha values are $> 0. 6$, it can be inferred that the independent variable of Chinese youth entrepreneurship is reliable.

2) Multicollinearity Test

The multicollinearity test was conducted to test whether there was a correlation between each independent variable in the regression model. If there is a correlation, then it is said that there is a multicollinearity problem. A good regression model should not have any correlation between the independent variables. Testing for the presence or absence of multicollinearity symptoms is done by observing the correlation matrix value generated during data processing and the VIF (Variance Inflation Factor) and Tolerance values . The VIF value is less than 10 and the tolerance is more than 0.10 , indicating that there are no symptoms of

multicollinearity. So it can be stated that the regression model does not have a multicollinearity problem.

To detect whether or not there are symptoms of multicollinearity, this can be done by paying attention to the correlation matrix values produced during data processing, as well as paying attention to the VIF (Variance Inflation Factor) and Tolerance values with the following indicators.

1. $VIF > 5$, then it is suspected to have a multicollinearity problem
2. $VIF < 5$, then there is no multicollinearity
3. $Tolerance < 0.1$ then it is suspected that there is a multicollinearity problem
4. $Tolerance > 0.1$ means there is no multicollinearity

The following is Table 8. which explains the multicollinearity of economic development variables:

Table 8. Multicollinearity Test Results of the Influence of Independent Chinese Youth Business on Labor Absorption in Medan City District.

Coefficients ^a

Model	Collinearity Statistic	
	Tolerance	VIF
1 (Constant)		1,948
Labor Absorption (X1)	.513	

a. **Dependent Variable: Y**

Source: Processed from Primary Data, 2025

The output data results in Table 3.2 above, it can be seen that all independent variables have a VIF value <5 and a Tolerance value > 0.1 . So it can be concluded that there is no multicollinearity, which means that the regression model used is good.

3) Partial Test Results (t-Test)

In the partial statistical test with a critical t value (critical value) at $df = (nk)$, where n is the number of samples and k is the number of independent variables including constants . . Based on the criteria if $T\text{-count} < T\text{-table}$, then H_a is rejected and H_0 is accepted while if $T\text{-count} > T\text{-table}$, then H_a is accepted and H_0 is rejected. In addition, if the level of significance is below or <0.05 then H_a is accepted and H_0 is rejected.

To test the partial regression coefficient individually for each independent variable, see Table 9 below.

Table 9. Partial Test Results (t -Test) of the Influence of Independent Chinese

Coefficients ^a

Model	Unstandardized Coefficients		Beta	T	Sig.
	B	Std. Error			
1 (Constant)	.474	1,379		.344	.732
Labor Absorption (X1)	.521	.118	.433	4.401	.000

a. Dependent Variable: Economic Development of Medan City District Area (Y)
Youth

Source: Processed from Primary Data, 2025

Business on Economic Development in Medan City District.

In this study, it is known to have df (Degree of Freedom) with a significance level of 95% or 0.05 (one way) and is known to have a T-table value of 1.665. Based on the results of the T-count and significance above, several conclusions can be found related to the partial research hypothesis test as follows:

The variable (X1) 'Labor Absorption' has a positive and significant influence on regional economic development in Medan Kota District (Y) as seen from the significant value (0.000) below (less than) 0.05 and has a T-count value of $4.401 > T\text{-table}$, meaning that if the variable 'Labor Absorption' is increased by one-unit, regional economic development (Y) will increase by 0.521.

4) Analysis of Independent Business Variables of Chinese Ethnic Youth in Medan Kota District

Based on the data found in the field, the research on the influence of independent Chinese ethnic businesses on regional economic development in Medan Kota District has the following average score levels:

Table 10. Average Score of Influence of Independent Efforts of Chinese Ethnic Youth

No	Chinese Youth Independent Enterprise	Score Value %	Category
1	Labor Absorption	3.6 72 %	Good/positive

Source: Processed from Primary Data, 2025

From the findings of the data in the field, for further clarity, the following will explain in more depth about the results of the analysis of the three indicators which are categories of independent businesses of ethnic Chinese youth.

5) Labor Absorption

The indicator of the influence of Labor Absorption on independent businesses of Chinese ethnic youth in Medan Kota District shows the following average scores:

Table 11. Average Value of Labor Absorption Indicator Items

No	Labor Absorption	Score Value %	Category
1	Number of workers owned (>5 people)	3.8 76 %	Good/positive
2	Recruiting workers (at least once a year)	3.5 70 %	Good/positive
3	Employing local workforce	3.8 76 %	Good/positive
4	Conduct training for workers	3.4 68 %	Good/positive
Average Score Sum		3.6 72 %	Good/positive

Source: Processed from Primary Data, 2025

Based on the findings in the field shown in Table 11, it explains that 72% of respondents are good at absorbing labor with an average score of 3.6 or positive. This shows that independent businesses of young Chinese ethnic groups absorb quite a lot of labor to run their businesses.

From the average score in Table 11, it was found that 76% of independent Chinese youth businesses employ a lot of workers, up to 5 (five) or more workers. This is proven by the high average score of 3.8. Likewise, the points for local workers have an average score of 3.8 with a presentation of 76%. This means that independent Chinese youth businesses prefer to employ workers who live near their place of business rather than employing people who

live in areas far from Medan Kota District. By employing local workers, this can reduce unemployment rates in the area.

The lowest score was found in the training item for work, which was 3.4 with a presentation of 68%. This means that the independent efforts of young Chinese ethnic groups in Medan Kota District still provide minimal training for their workforce, even though training for the workforce can make the workforce more qualified, competitive, increase skills, and support the future of the workforce itself.

The high absorption of labor in independent businesses of Chinese ethnic youth in Medan Kota District as previously shown indicates that the absorption of labor in independent businesses of Chinese ethnic youth is a trigger for regional economic development in Medan Kota District. To prove this, a field study was conducted on 95 (ninety- five) respondents, namely independent businesses of Chinese ethnic youth, which are explained as follows.

Table 12. Respondents' Perceptions Regarding Labor Absorption in Independent Chinese Ethnic Youth Businesses

Labor Absorption				
Alternative Answers	Weight (X1)	Frequency (F)	FX	%
Strongly agree	5	19	95	6.87%
Agree	4	210	840	60.74%
Disagree Less	3	146	438	31.67%
Don't agree	2	5	10	0.72%
Strongly Disagree	1	0	0	0%
Total 380			1383	100%
Average Score: $1383/380 = 3.6$ with a percentage of 72% Criteria: Positive/good				

Source: Processed from Primary Data 2025

Table 12 above can be explained if the respondents, namely independent Chinese youth businesses in Medan Kota District, predominantly gave answers that agreed by 60.74%, disagreed 31.67%, strongly agreed 6.87%, and disagreed 0.72% of several related points, with an average score of 72% on the absorption of labor by independent Chinese youth businesses in the economic development of the Medan Kota District area. This explains that most independent Chinese youth businesses in Medan Kota District absorb labor in the economic development of the Medan Kota District area.

The presence of independent businesses of ethnic Chinese youth along with various types of businesses has made the regional economy in Medan Kota District continue to grow. The presence of these young Chinese ethnic entrepreneurs is known to have made the business or investment climate in the Medan Kota District area very conducive and lively. This is certainly very good for the community, especially the community in Medan Kota District, to start a business/enterprise or other economic activities, which can support the community's living needs. A conducive and safe investment climate in a region plays a major role for investors to carry out economic expansion in that region.

The presence of independent businesses of ethnic Chinese youth also enables the community, especially workers, to have a decent life. The decent living of these workers certainly depends on the income that the company gives them. In this case, the independent efforts of young Chinese ethnic groups provide decent wages for their workers, and even tend to provide bonuses at certain times or when the workers do something that is very profitable for the company.

Taxes play an important role in the economic development of a region. In this case, the independent entrepreneurs of young Chinese ethnic groups who set up their businesses in Medan Kota District are generally obedient in paying taxes, as stated by an average score of 3.6 with a presentation of 72%. With the large number of people paying taxes, it will certainly be enjoyed later by the community itself. In this case, the independent entrepreneurs of young Chinese ethnic groups are very aware of how important the contribution of taxes is to the economic cycle of their businesses. Tax contributions also play a very important role in creating public welfare.

The development of independent Chinese youth entrepreneurship has also contributed to the emergence of new entrepreneurs from other ethnic groups in Medan City. The success achieved by the independent business of young Chinese ethnics then became a motivation for the community to open their own businesses. This is evidenced by an average score of 3.6 with a presentation of 72% on the point of motivation to become an entrepreneur in the Medan Kota District community.

Discussion

The findings from this study affirm that labor absorption significantly influences regional economic development in Medan Kota District, particularly through the entrepreneurial activities of Chinese ethnic youth. With 72% of respondents demonstrating strong labor absorption capacity—employing more than five workers and recruiting annually—these enterprises serve as engines of local growth. The positive and statistically significant relationship between labor absorption and economic development (T -count = 4.401, $p < 0.05$) aligns with Keynesian theory, which posits that employment drives aggregate demand and stimulates economic output.

Moreover, the study reveals that most entrepreneurs are aged 26–30 and possess at least a senior high school or diploma-level education, suggesting a maturity and readiness to engage in business that supports workforce integration. The preference for hiring local workers further amplifies the economic impact by reducing unemployment and enhancing household income within the district. Although training scores were slightly lower (68%), the presence of informal skill development still contributes to human capital formation, consistent with Becker's Human Capital Theory.

The clustering of MSMEs in sub-districts such as Pusat Pasar and Pandau Hulu I creates fertile ground for network spillovers, shared supply chains, and innovation diffusion—hallmarks of Romer's Endogenous Growth Theory. These mechanisms collectively illustrate how labor absorption is not merely a social intervention but a strategic lever for regional transformation.

5. Conclusions

This study concludes that independent enterprises owned by Chinese ethnic youth in Medan Kota District play a pivotal role in labor absorption, which in turn drives regional economic development. The empirical evidence supports the hypothesis that labor absorption has a positive and significant effect on economic growth, mediated by workforce integration, income generation, and entrepreneurial density. Policymakers and stakeholders should recognize the value of supporting youth-led MSMEs through targeted training programs, access to capital, and infrastructure development to sustain and amplify these gains.

The occurrence of good or positive development of independent Chinese youth businesses between variable X (Independent Chinese Youth Business) and variable Y (Regional Economic Development in Medan Kota District), based on the results of the calculation of the average score of independent Chinese youth businesses, which is 74%, with the following score details: Labor Absorption = 72%

There is a significant simultaneous influence between variable X (independent business of young Chinese ethnic groups) and variable Y (economic development of the Medan Kota District area), which is explained as follows:

Based on the simultaneous test (F-test), it was found that $F\text{-count} > F\text{-table}$, and the value significance $0.000 < 0.5$ on variable x (independent business of Chinese ethnic youth), namely Labor Absorption. Therefore, it can be concluded that independent business of Chinese ethnic youth has an effect on the development of regional economy in Medan Kota District, Medan City.

Based on the partial test (T-test), it was found that $T\text{-count} > T\text{-table}$, and the significance value < 0.05 on the variable indicator (X1) Labor Absorption = 0.000, the labor absorption variable has a real effect on regional economic development.

The researcher has several points of suggestion related to the influence of independent Chinese ethnic businesses on regional economic development in Medan Kota District, including:

1. There is a need to open up as many opportunities as possible for young Chinese ethnic groups to start running an independent business.
2. Continuous efforts are needed to develop independent businesses of ethnic Chinese youth so that they can have a positive impact on the economic development of the Medan Kota District in particular and Medan City in general.
3. The need for independent Chinese youth to be more active in their efforts to increase labor absorption and as a form of reducing unemployment, increasing production and business growth, especially in Medan City, Medan Kota District.
4. The need for cooperation between independent Chinese youth businesses and indigenous youth to advance independent businesses and improve regional economic development.
5. There is a need for a more in-depth study of the science of independent youth entrepreneurship to develop independent youth entrepreneurship of Chinese ethnicity as a form of developing the economy and welfare of the nation.

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