

From Capacity to Welfare: The Role of MSME Human Resource Transformation through Innovation, Digitalization, Emotional Intelligence, and Sustainability in Driving Community Economy

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Abstract

This study aims to analyze the role of micro, small, and medium enterprises (MSMEs) human resource transformation through innovation, digitalization, emotional intelligence, and sustainability in improving community welfare. The method used is a literature review with a qualitative approach focused on enriching references related to community service. Data were collected from Google Scholar and selected credible websites covering the period 1964–2025. From an initial search of 50 articles, after a rigorous selection process based on relevance, quality, and relation to the theme of community service, 36 articles were analyzed descriptively. The results show that innovation plays a role in creating added value for MSME products and services, digitalization expands market access, emotional intelligence enhances the quality of relationships with customers and partners, while sustainability ensures business continuity through the balance of economic, social, and environmental aspects. This study contributes to the literature by integrating various relevant theories, such as the Resource-Based View, Innovation Theory, Technology Acceptance Model, Emotional Intelligence, and the Triple Bottom Line. The conclusion emphasizes that MSME human resource transformation through these four dimensions provides a tangible contribution to community welfare, thus serving as an important reference for designing community service programs based on MSME development.

Keywords: MSMEs, Human Resource Transformation, Innovation, Digitalization, Emotional Intelligence, Sustainability, Community Welfare, Community Service

Dari Kapasitas ke Kesejahteraan: Peran Transformasi SDM UMKM berbasis Inovasi, Digitalisasi, Kecerdasan Emosional, dan Keberlanjutan dalam Menggerakkan Ekonomi Masyarakat

Abstrak

Penelitian ini bertujuan untuk menganalisis peran transformasi sumber daya manusia (SDM) UMKM berbasis inovasi, digitalisasi, kecerdasan emosional, dan keberlanjutan dalam meningkatkan kesejahteraan masyarakat. Metode yang digunakan adalah tinjauan pustaka dengan pendekatan kualitatif yang difokuskan untuk menambah referensi terkait pengabdian masyarakat. Data dikumpulkan dari Google Scholar dan website kredibel tertentu pada periode 1964–2025. Dari hasil pencarian awal sebanyak 50 artikel, setelah melalui proses seleksi ketat berdasarkan kriteria relevansi, kualitas, dan keterkaitan dengan tema pengabdian masyarakat, diperoleh 36 artikel yang dianalisis secara deskriptif. Hasil analisis menunjukkan bahwa inovasi berperan dalam menciptakan nilai tambah produk dan layanan UMKM, digitalisasi memperluas akses pasar, kecerdasan emosional meningkatkan kualitas hubungan dengan pelanggan dan mitra, sementara keberlanjutan menjamin kelangsungan usaha melalui keseimbangan aspek ekonomi, sosial, dan lingkungan. Penelitian ini memperkaya literatur dengan mengintegrasikan berbagai teori relevan, seperti Resource-Based View, Innovation Theory, Technology Acceptance Model, Emotional Intelligence, dan Triple Bottom Line. Kesimpulan penelitian menegaskan bahwa transformasi SDM UMKM melalui keempat dimensi tersebut memberikan kontribusi nyata bagi kesejahteraan masyarakat, sehingga dapat dijadikan rujukan penting dalam merancang program pengabdian masyarakat berbasis UMKM.

Kata kunci: UMKM, Transformasi SDM, Inovasi, Digitalisasi, Kecerdasan Emosional, Keberlanjutan, Kesejahteraan Masyarakat, Pengabdian Masyarakat

INTRODUCTION

The transformation of human resources (HR) within micro, small, and medium enterprises (MSMEs) has become a crucial issue in strengthening the foundations of community economy. In Indonesia, MSMEs play a vital role as the backbone of economic activity, contributing more than 60% to the Gross Domestic Product (GDP) and absorbing up to 97% of total national employment (Septiani et al., 2024). However, this great potential is often hampered by the limited capacity of HR in terms of managerial knowledge, technology adoption, product innovation, and the ability to build long-term business sustainability. Previous studies indicate that HR capacity has a direct impact on community welfare, particularly in regions highly dependent on the MSME sector (Hernita et al., 2021).

The aspect of innovation in MSME HR transformation is one of the key drivers for survival amid increasingly intense global competition. According to Joseph Schumpeter's innovation theory, the development of new ideas, creativity in product creation, and the adoption of more efficient production methods can generate significant economic growth (Ziemnowicz, 2013). The implementation of innovation in MSMEs is not only related to products but also business models, marketing strategies, and approaches to customer relations. A concrete example can be seen in culinary MSMEs in Yogyakarta, which successfully combined local traditions with modern product innovations, enabling them to penetrate export markets. Thus, innovation-based transformation not only creates competitive advantages but also enhances community welfare through job creation and increased purchasing power.

In addition to innovation, digitalization has become a critical element in MSME HR transformation toward improving community welfare. The COVID-19 pandemic clearly demonstrated that MSMEs that quickly adapted to digital platforms were able to survive and even thrive despite physical restrictions. Digitalization opens broader access for MSMEs to market products through e-commerce, social media, and fintech platforms. Rogers' (1995) Diffusion of Innovation Theory emphasizes that the adoption of digital technology depends on perceived benefits, ease of use, and environmental support. When MSME human resources have strong digital capabilities, they enhance economic inclusion for communities, especially for groups that previously had limited access to wider markets.

However, transformation based on innovation and digitalization alone is insufficient without incorporating emotional intelligence as the foundation of HR management. Goleman (1995), through the concept of Emotional Intelligence (EI), emphasized that the ability to understand oneself, manage emotions, empathize, and build interpersonal relationships has a significant influence on both individual and organizational success. In the MSME context, the emotional intelligence of owners and employees can strengthen business resilience under competitive pressures, improve service quality to customers, and

maintain harmonious workplace relationships. An example can be found in tourism service MSMEs in Bali, where business actors with high levels of emotional intelligence are able to create better customer experiences, foster tourist loyalty, and maintain long-term business reputation (Indrayani et al., 2024).

The sustainability dimension is also an indispensable pillar in the transformation of MSME human resources. The triple bottom line concept introduced by Elkington (1998) emphasizes the importance of balancing economic, social, and environmental aspects. MSMEs that integrate sustainability principles into their operations consider both the social impact on communities and environmental preservation. For instance, coffee-processing MSMEs in Toraja that adopt environmentally friendly practices and empower local farmers not only increase the added value of their products but also generate collective welfare for surrounding communities (Sia et al., 2025). This demonstrates that sustainability-based transformation positions MSMEs as agents of change that drive inclusive economic development.

The transformation of MSME human resources integrated with innovation, digitalization, emotional intelligence, and sustainability can serve as a strategic pathway toward enhancing community welfare (Yusuf et al., 2023). These four aspects complement one another: innovation fosters the creation of new value, digitalization expands market access, emotional intelligence strengthens the quality of human relationships, and sustainability ensures long-term business continuity. When MSMEs succeed in developing human resources across these dimensions, the impact is reflected in more equitable socio-economic development, inclusivity, and greater resilience against crises.

In the Indonesian context, characterized by cultural diversity, geographic variation, and different levels of digital literacy, the implementation of MSME HR transformation requires adaptive and contextual approaches. Several regions have demonstrated success in combining local innovation with digital technology, such as craft-based MSMEs in Jepara that use digital platforms to market woodcarving products abroad, or batik MSMEs in Pekalongan that develop modern designs while maintaining cultural heritage (Arifin, 2021; Widjajanti & Jumbri, 2025). However, many areas still face constraints such as limited digital infrastructure, low technological literacy, and a lack of awareness regarding the importance of business sustainability. These conditions highlight the need for HR transformation strategies involving collaboration between government, academia, the private sector, and local communities.

Ultimately, research on MSME human resource transformation through innovation, digitalization, emotional intelligence, and sustainability is highly relevant to understanding how individual and organizational capacities can be transformed into collective welfare. This study is expected to provide a more comprehensive understanding of the relationship between HR capacity strengthening and community welfare achievement through the MSME pathway, while also offering strategic recommendations for stakeholders in designing MSME development programs oriented toward innovation, digital inclusion, emotional soft skills enhancement, and sustainable business practices. In

doing so, MSMEs can be recognized as a crucial pillar in driving community economy toward independence and sustainable welfare.

MSMEs

Micro, small, and medium enterprises (MSMEs) are a crucial pillar of Indonesia's economy, playing a significant role in job creation, economic growth, and strengthening national competitiveness (Ausat et al., 2022). MSMEs can absorb a large workforce, particularly in the informal sector, and serve as a support for the local economy through the production and distribution of goods and services that are closely aligned with community needs. In the face of globalization and digitalization challenges, MSMEs are required to be more adaptive and innovative to enhance productivity while expanding market reach.

Human Resources

Human resource (HR) transformation is a strategic process aimed at improving the competence, skills, and character of the workforce to effectively respond to changing business environments (González-Varona et al., 2021). For MSMEs, HR transformation is vital as human resources often determine business sustainability and growth. This transformation encompasses training, empowerment, and the development of leadership quality oriented toward performance and innovation. With effective HR transformation, MSMEs can cultivate a workforce that is more adaptive, productive, and highly competitive.

Innovation

In the context of MSMEs, innovation refers to the ability to create, develop, and implement new ideas in products, services, or business models (Vasconcelos et al., 2021). Innovation is not limited to technology; it can also involve creativity in marketing strategies, product design, and customer service. Innovative MSMEs can survive in highly competitive markets, increase product added value, and strengthen customer loyalty. Therefore, innovation serves as a key driver for MSME growth and sustainability.

Digitalization

Digitalization refers to the utilization of digital technologies to enhance business efficiency, effectiveness, and reach (Morisson & Aula, 2025). For MSMEs, digitalization may include the implementation of e-commerce, digital marketing, app-based financial systems, or collaborative platforms. Through digitalization, MSMEs can access broader markets, reduce operational costs, and strengthen connectivity with consumers. Digital transformation also enhances MSMEs' competitiveness in the increasingly technology-driven digital economy.

Emotional Intelligence

Emotional intelligence (EI) is the ability to recognize, understand, and manage one's own emotions as well as those of others in social or business interactions (Wijekoon et al.,

2017). In the MSME context, EI is a critical asset for both leaders and employees to foster harmonious workplace relationships, improve customer satisfaction, and face challenges with a positive attitude. MSMEs that prioritize emotional intelligence in HR management and customer service can build trust, loyalty, and a stronger business reputation.

Sustainability

Sustainability refers to the effort to maintain a balance among economic, social, and environmental aspects in business operations (Hourneaux Jr et al., 2018). MSMEs that implement sustainability principles focus not only on financial profit but also on the social impact on communities and environmental preservation. Sustainable practices may include using environmentally friendly materials, empowering local communities, and applying responsible business ethics. Through sustainability, MSMEs can generate long-term value while supporting inclusive economic development.

Community Welfare

Community welfare refers to the fulfillment of basic needs, improvement in quality of life, and the achievement of socio-economic stability within a community (Adigracia & Tiopan, 2022). MSMEs play a crucial role in enhancing community welfare by creating jobs, increasing income, and empowering local populations. As MSMEs grow and develop, the impact can be directly felt by communities in the form of better economic access, new business opportunities, and improved living standards.

Community Service

Community service represents tangible contributions from educational institutions, organizations, or individuals in addressing socio-economic issues within communities (Nurdin, 2023). In the MSME context, community service often takes the form of entrepreneurship training, digitalization assistance, management strengthening, or market access facilitation. Such programs not only increase the capacity of MSME actors but also strengthen collaboration among academia, government, industry, and local communities to create sustainable solutions for community economic development.

METHOD

This study is a literature review with a qualitative approach specifically aimed at enriching references related to community service. The primary focus of this research is to identify, summarize, and analyze scholarly articles and credible sources that discuss community service practices within the context of MSME human resource transformation based on innovation, digitalization, emotional intelligence, and sustainability. A qualitative approach was chosen because it provides a deeper and more descriptive understanding of the phenomenon, ensuring that the results meaningfully contribute to the literature and offer relevant references on community service aligned with current needs. Data were collected from Google Scholar and selected credible websites (e.g., government portals and research institutions) covering the publication period from 1964 to 2025, to ensure that all retrieved data are up-to-date and relevant to post-pandemic conditions as

well as the development of digitalization. The search process employed combined keywords in both Indonesian and English, such as “pengabdian masyarakat,” “community service,” “UMKM/MSMEs,” “innovation,” “digitalization,” “emotional intelligence,” and “sustainability.”

The initial search yielded 50 potentially relevant articles. However, not all articles were directly related to the topic, particularly regarding community service aspects. Therefore, a strict selection was applied based on several criteria: (1) published between 1964 and 2025; (2) discussing practices, models, or outcomes of community service; (3) relevant to MSMEs and HR transformation; (4) originating from reputable journals or credible institutional websites; (5) accessible in full text. Articles that did not meet these criteria, such as opinion pieces lacking clear methodology or reports of low quality, were excluded from the analysis. After the screening process, 36 articles from the initial 50 were selected for further analysis. The analysis was conducted descriptively, emphasizing the extraction of key themes, best practices, and tangible contributions offered by each article to the development of community service. This process included grouping articles based on the focus of the service (e.g., digital training, innovation strengthening, enhancement of MSME actors’ emotional intelligence, or sustainable business practices) and summarizing results that could serve as additional reference material.

FINDING AND DISCUSSION

The transformation of MSME human resources within the framework of enhancing community welfare can be analyzed through the lens of Resource-Based View (RBV) Theory, introduced by Barney (1991), which emphasizes that an organization’s competitive advantage is largely determined by its ability to manage resources that are valuable, rare, inimitable, and non-substitutable (VRIN framework). In the MSME context, strategic resources are not limited to physical assets such as capital, production machinery, or distribution networks but also encompass the quality and capacity of human resources, which serve as the primary driver of business development. MSME human resources equipped with innovation skills, digital technology mastery, emotional intelligence in building customer relationships, and sustainability orientation can generate advantages that are difficult for competitors to replicate. This aligns with the findings of Pajri (2024), which indicate that enhancing MSME HR capacity has a significant impact on the success of small enterprises in facing increasingly intense global competition. A concrete example of RBV application can be seen in batik MSMEs in Pekalongan, which have managed to survive and expand in international markets by leveraging culturally authentic design innovations that are difficult for foreign batik producers to imitate (Putri et al., 2024). This case demonstrates that MSME success depends on how human resources manage unique resources to create added value while simultaneously promoting community welfare through job creation, increased household income, and the strengthening of local cultural identity in the global economy.

The role of innovation in MSME HR transformation aligns with Joseph Schumpeter’s Innovation Theory, in which innovation is viewed as a primary driver of economic growth

and market dynamics through the mechanism of “creative destruction” (Ziemnowicz, 2013). Within this framework, innovation encompasses processes, marketing strategies, and business models capable of providing a competitive advantage for MSMEs. Sitinjak and Sahir (2025) found that MSMEs that consistently develop innovations, whether in products or services, are more capable of increasing revenue, expanding market reach, and strengthening competitiveness. A practical illustration can be seen in the culinary MSME “Mie Lethak” in Bantul, Yogyakarta, where a traditional product initially known only locally was re-packaged with a modern approach, both in terms of packaging design and digital marketing strategy, successfully attracting domestic and international tourists (Ramadhan et al., 2019). This innovation strengthens local identity and generates direct economic benefits, including increased entrepreneur income, creation of new jobs, and community-based economic growth. Therefore, innovation in MSMEs functions as a community empowerment tool by enhancing competitiveness based on local wisdom, ultimately strengthening regional economic resilience in the face of global competition.

The digitalization aspect of MSMEs can be explained using the Technology Acceptance Model (TAM) introduced by Davis (1989), which states that user acceptance and utilization of technology are strongly influenced by perceived ease of use and perceived usefulness. For MSMEs, human resources’ ability to accept and adopt digital technologies is key to expanding markets, improving efficiency, and strengthening customer relationships. Aulia et al. (2025) showed that the adoption of e-commerce and various digital platforms among MSMEs in East Java significantly increased sales volume, extended market reach to international levels, and improved operational efficiency. The case of furniture MSMEs in Jepara provides concrete evidence of how digitalization opens access to new markets: products that were previously sold only locally can now reach European consumers through global marketplaces (Zulfikar et al., 2018). These successes demonstrate that digitalization is a critical tool for building a global reputation, creating supply chain efficiency, and increasing the perceived value of local products in the eyes of international consumers. Thus, the acceptance and utilization of digital technology by MSME human resources represent a strategic step to ensure business sustainability, strengthen national competitiveness, and contribute directly to community welfare through market expansion, income growth, and the reinforcement of MSMEs’ positions in the global economy.

In addition to innovation and digitalization, emotional intelligence is a critical factor in managing MSME human resources, as it directly relates to how entrepreneurs navigate market dynamics, maintain customer relationships, and manage business pressures. The Emotional Intelligence theory developed by Goleman (1995) emphasizes five key components—self-awareness, self-regulation, motivation, empathy, and social skills—all of which are highly relevant in the MSME context. An entrepreneur with strong self-awareness can recognize their strengths and weaknesses, enabling wiser decision-making in business management. Meanwhile, self-regulation allows MSMEs to remain calm and focused under competitive pressures, preventing instability during crises. Kadani (2022) found that MSME actors with high emotional intelligence are better able to maintain

service quality, build consumer trust, and enhance customer loyalty. A concrete example can be observed in community-based tourism MSMEs in Ubud, Bali, where business owners leverage emotional intelligence to create more personalized tourist experiences, such as listening to visitor needs, providing empathetic service, and establishing warm communication to foster long-term relationships (Girindra et al., 2023; Indrayani et al., 2024). This demonstrates that emotional intelligence-based strategies have a direct impact on increasing local community income, ultimately contributing significantly to the welfare of residents around tourist destinations.

The sustainability dimension in MSME HR transformation is also a fundamental aspect, which can be understood through the Triple Bottom Line Theory introduced by Elkington (1998), emphasizing the importance of balancing economic, social, and environmental aspects in business strategy. For MSMEs, applying sustainability principles becomes a source of competitive advantage that enhances product value in the eyes of global consumers. Mendrofa (2024) demonstrates that MSMEs integrating sustainability into their operations tend to gain greater trust from both consumers and investors, as they are perceived as more socially and environmentally responsible. A concrete example is seen in Toraja coffee MSMEs, which implement organic farming systems while empowering local farmers within the coffee production supply chain. Through this strategy, Toraja coffee products achieve ethical value by supporting environmentally friendly practices and farmer welfare. Sia et al. (2025) show that these sustainability practices successfully increase the marketability of Toraja coffee internationally, expand distribution networks, and promote collective community welfare. This confirms that sustainability orientation is a strategic approach for MSMEs that simultaneously delivers economic, social, and ecological benefits, reinforcing MSMEs as agents of sustainable development at both local and global levels.

From a community development perspective, MSME HR transformation aligns with Community Development Theory proposed by Dunham (1970), which emphasizes that community development must involve active citizen participation in managing and utilizing local potential. This concept highlights that economic empowerment should be participatory, where the community plays a primary role in managing enterprises and directing development goals. Maulitha and Aminah (2024) assert that community service programs focused on MSME empowerment can enhance residents' economic capacity while strengthening social solidarity within communities. This is exemplified by the case study of Pentingsari Tourism Village in Sleman, Yogyakarta, where collaboration among academics, local government, and the community led to the integrated development of tourism-based MSMEs (Andrianto & Damayanti, 2018). The community development-based approach successfully increased residents' income through business diversification (homestays, culinary ventures, handicrafts), reinforced local cultural identity as a tourism attraction, and created robust social networks among community members. This transformation demonstrates that community participation in MSME development strengthens social cohesion, preserves local culture, and enhances residents' sense of

ownership over regional development, resulting in more equitable and sustainable community welfare.

From a socio-economic contribution perspective, MSME human resource transformation has been shown to have a direct impact on broader community welfare. This can be explained through Human Capital Theory, proposed by Becker (1964), which asserts that investment in education, skills, and HR training leads to increased productivity with long-term economic growth effects. In the MSME context, such investment includes adaptation capability, creativity, and digital literacy, which are essential requirements for navigating global market changes. Lukito et al. (2024) found that digital marketing training programs for MSME actors in West Java significantly improved managerial skills, strengthened promotional strategies, and expanded market access, which had previously been limited to local areas. The socio-economic impact of this capacity building is clearly seen in food processing MSMEs in Subang, which, after receiving entrepreneurship mentoring, successfully expanded their product distribution into modern retail chains (Arifudin & Tanjung, 2020). This success created new job opportunities for surrounding communities, generating a multiplier effect on the local economy. Such HR development models, based on training and mentoring, enhance MSMEs' resilience in facing crises while strengthening local economic structures through job creation, income distribution, and overall improvement of community living standards.

Overall, this analysis demonstrates that MSME HR transformation based on innovation, digitalization, emotional intelligence, and sustainability plays a crucial role in driving community economic activity while promoting collective welfare. These four dimensions do not operate in isolation but complement each other in forming a more adaptive and resilient MSME ecosystem. Innovation serves as the foundation for strengthening product competitiveness through differentiation based on cultural or technological advantages, while digitalization broadens market access at both national and international levels. Meanwhile, emotional intelligence enhances the quality of interactions and social relationships among entrepreneurs, consumers, and the community, ultimately reinforcing loyalty and business continuity. The sustainability dimension ensures that MSMEs do not focus solely on short-term profits but also consider the social and ecological impacts of their business activities, thereby contributing to economic development within a sustainable framework. When these four dimensions are supported by modern management theories such as RBV, Innovation Theory, TAM, Triple Bottom Line, Human Capital, and Community Development, MSME HR transformation creates an inclusive and resilient business system. This strengthening becomes even more effective when combined with community service practices through collaboration among academics, government, and local communities. Consequently, MSME HR transformation can build an inclusive, equitable economic ecosystem that supports sustainable economic development in Indonesia.

Table 1. Key Findings on MSME Human Resource Transformation and Its Impact on Community Welfare

Dimension	Key Findings	Theoretical Lens	Practical Examples	Impact on Community/MSMEs
Human Resources (HR) Transformation	Strategic HR, including innovation, digital mastery, emotional intelligence, and sustainability orientation, drives MSME competitiveness.	Resource-Based View (RBV) – Barney, 1991 (VRIN framework)	Batik MSMEs in Pekalongan leveraging culturally authentic designs	Job creation, increased household income, strengthened local cultural identity
Innovation	Continuous product, service, and process innovation enhances revenue, market reach, and competitiveness.	Innovation Theory – Schumpeter	Culinary MSME “Mie Lethek” in Bantul repackaging traditional products with modern design and digital marketing	Strengthened local identity, economic growth, creation of new jobs, community empowerment
Digitalization	Adoption of digital technologies expands market access, improves efficiency, and strengthens customer relationships.	Technology Acceptance Model (TAM) – Davis, 1989	Furniture MSMEs in Jepara reaching European consumers via online marketplaces	Business sustainability, global reputation, income growth, enhanced MSME positioning in global markets
Emotional Intelligence	Emotional intelligence in entrepreneurs enhances decision-making, customer relationships, and crisis management.	Emotional Intelligence – Goleman, 1995	Community-based tourism MSMEs in Ubud, Bali applying empathy and personalized service	Increased local community income, consumer trust, loyalty, long-term relationship building
Sustainability	Incorporating social, economic, and environmental considerations improves trust, product value, and long-term competitiveness.	Triple Bottom Line – Elkington, 1998	Toraja coffee MSMEs implementing organic farming and empowering local farmers	Expanded international market, ethical product positioning, collective community welfare
Community Development	Participatory economic empowerment strengthens social cohesion and supports sustainable local development.	Community Development Theory – Dunham, 1970	Pentingsari Tourism Village, Sleman: integrated tourism-based MSMEs	Diversified local economy, reinforced cultural identity, stronger social networks, equitable community welfare

Socio-Economic Contribution	Investment in HR development enhances productivity, resilience, and local economic structures.	Human Capital Theory – Becker, 1964	Food processing MSMEs in Subang receiving entrepreneurship mentoring	Job creation, expanded income, multiplier effect on local economy, improved living standards
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CONCLUSION

This study confirms that MSME human resource transformation through innovation, digitalization, emotional intelligence, and sustainability is a key factor in strengthening business competitiveness while enhancing community welfare. Innovation enables MSMEs to create added value that differentiates products and services, digitalization broadens market access, emotional intelligence strengthens the quality of relationships with customers and partners, and sustainability ensures business continuity by maintaining a balance between economic, social, and environmental aspects. These four dimensions complement each other, forming an MSME ecosystem that is resilient, adaptive, and capable of making a significant contribution to Indonesia’s community economic development.

Theoretically, this study enriches the literature on MSME HR transformation by integrating various theoretical perspectives, ranging from Resource-Based View, Innovation Theory, Technology Acceptance Model, Emotional Intelligence, to the Triple Bottom Line. Practically, it has implications for MSME actors, government, academics, and development partners in designing community service programs that are more innovative, digitally oriented, emphasize emotional soft skills, and prioritize sustainability. In other words, this study provides additional references on community service that can serve as a guide in formulating policies or MSME mentoring strategies across different regions.

This study is limited to a literature review method with a qualitative approach, drawing from academic articles and credible websites published between 1964 and 2025. After a rigorous selection process, 36 articles were analyzed, which limits the data scope to publicly available publications. Furthermore, this study did not conduct empirical field testing, so the findings are primarily conceptual and descriptive rather than verified. Additionally, the focus on the Indonesian MSME context may limit generalizability to other regions with different economic characteristics.

For future research, it is recommended to combine literature review methods with field studies or empirical surveys to obtain stronger primary data. Comparative studies across regions or countries could also provide insights into variations in MSME HR transformation strategies under different contexts. Practically, MSME actors are encouraged to actively participate in community service-based mentoring programs, particularly those related to digital literacy, product innovation, emotional intelligence development, and the application of sustainability principles. Governments and academics are expected to expand collaborative programs connecting businesses, universities, and

local communities to create a more inclusive, productive, and sustainable MSME empowerment ecosystem.

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