

Transformation of Human Resource Capacity in MSMEs through Innovation, Digitalization, and Strategic Partnerships as Drivers of Community Economic Welfare in Tourism Villages

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Abstract

This study aims to analyze the transformation of human resource (HR) capacity in Micro, Small, and Medium Enterprises (MSMEs) through innovation, digitalization, and strategic partnerships as drivers of community economic welfare in tourism villages. The research method employed is a literature review with a qualitative approach, focusing primarily on providing additional references related to community service. Data were collected from scholarly articles published on Google Scholar and credible websites within the timeframe of 1964–2025. Out of 50 articles gathered, a strict selection based on relevance and quality yielded 23 articles that were further analyzed using qualitative descriptive analysis. The findings reveal that innovation drives creativity and product differentiation in tourism village-based MSMEs, digitalization expands market access and improves operational efficiency, while strategic partnerships strengthen networking, knowledge transfer, and access to broader resources. These three factors collectively support the enhancement of MSME HR capacity, directly contributing to income growth, job creation, and collective community welfare in tourism villages. The study contributes theoretically by reinforcing the integration of Human Capital Theory, Diffusion of Innovation Theory, Technology Acceptance Model, Resource-Based View, and Community Development Theory, while also providing practical contributions as additional references for developing community service programs focused on empowering tourism village MSMEs.

Keywords: MSMEs, Human Resource Transformation, Innovation, Digitalization, Strategic Partnerships, Tourism Villages, Community Service

Transformasi Kapasitas Sumber Daya Manusia UMKM melalui Inovasi, Digitalisasi, dan Kemitraan Strategis sebagai Penggerak Kesejahteraan Ekonomi Masyarakat di Desa Wisata

Abstrak

Penelitian ini bertujuan untuk menganalisis transformasi kapasitas sumber daya manusia (SDM) Usaha Mikro, Kecil, dan Menengah (UMKM) melalui inovasi, digitalisasi, dan kemitraan strategis sebagai penggerak kesejahteraan ekonomi masyarakat di desa wisata. Metode penelitian yang digunakan adalah tinjauan pustaka dengan pendekatan kualitatif, dengan fokus utama untuk menambah referensi terkait pengabdian masyarakat. Data diperoleh dari artikel ilmiah yang dipublikasikan pada Google Scholar dan website kredibel dalam rentang waktu 1964–2025. Dari 50 artikel yang terkumpul, setelah seleksi ketat berdasarkan relevansi dan kualitas, terpilih 23 artikel yang dianalisis lebih lanjut menggunakan analisis deskriptif kualitatif. Hasil penelitian menunjukkan bahwa inovasi berperan dalam mendorong kreativitas dan diferensiasi produk UMKM berbasis desa wisata, digitalisasi memperluas akses pasar dan meningkatkan efisiensi operasional, sedangkan kemitraan strategis memperkuat jejaring, transfer pengetahuan, serta akses terhadap sumber daya yang lebih luas. Ketiga faktor tersebut terbukti mendukung peningkatan kapasitas SDM UMKM, yang berdampak langsung pada peningkatan pendapatan, penciptaan lapangan kerja, dan kesejahteraan masyarakat desa wisata secara kolektif. Penelitian ini memberikan kontribusi teoretis dengan memperkuat integrasi Human Capital Theory, Diffusion of Innovation Theory, Technology Acceptance Model, Resource-Based View, dan Community Development Theory, serta kontribusi praktis dalam bentuk referensi tambahan untuk pengembangan program pengabdian masyarakat di bidang pemberdayaan UMKM desa wisata.

Kata kunci: UMKM, Transformasi SDM, Inovasi, Digitalisasi, Kemitraan Strategis, Desa Wisata, Pengabdian Masyarakat

INTRODUCTION

The development of MSMEs in Indonesia cannot be separated from their role as the backbone of the national economy, particularly in rural areas with tourism potential. MSMEs contribute more than 60% to national GDP and absorb more than 97% of the workforce, making the strengthening of human resource (HR) capacity a key factor in enhancing the competitiveness of this sector (Wijaya, 2023). However, in many tourism villages, the quality of HR still faces limitations in terms of managerial competence, digital skills, and innovation capabilities. This condition has led many MSMEs in tourism villages to operate under traditional business models that are vulnerable to changes in global market trends and external disruptions such as economic crises or pandemics. Therefore, transforming HR capacity is crucial for enabling MSMEs to grow as drivers of economic welfare in tourism village communities.

The concept of HR capacity transformation in MSMEs aligns with the Human Capital Theory proposed by Becker (1964), which emphasizes that improving workforce skills, knowledge, and experience through training and education leads to higher productivity. In the context of tourism villages, HR capacity building is not limited to technical aspects of production or services but also includes an understanding of sustainable tourism management, creative marketing strategies, and cross-cultural communication skills to serve both domestic and international tourists. When MSME HR in tourism villages internalizes these skills, they can adapt more quickly to changing market demands, strengthen product innovation, and enhance tourist satisfaction, ultimately driving higher income and better welfare for the local community.

Innovation becomes a crucial dimension in transforming MSME HR capacity, as it produces products and services aligned with modern consumer preferences. The Diffusion of Innovation Theory by Rogers (1995) explains that the adoption of innovation within organizations depends on individuals' ability to understand, accept, and implement changes. Tourism village MSMEs that successfully develop culture-based products—such as locally unique batik, traditional cuisine with modern packaging, or education-based ecotourism—will hold stronger appeal for tourists. However, the main challenge lies in the lack of innovation capacity due to limited global insights, minimal creative training, and restricted access to market networks. Investment in strengthening the innovation capacity of MSME HR in tourism villages thus becomes a critical agenda to ensure business sustainability and competitiveness.

Beyond innovation, digitalization is an inseparable factor in the transformation of MSMEs in the digital economy era. The Technology Acceptance Model by Davis (1989) highlights that individuals' acceptance of technology is influenced by perceived ease of use and perceived usefulness. In the context of tourism village MSMEs, digitalization includes the use of e-commerce platforms, social media, online booking applications, and digital payment systems. The implementation of digitalization expands market reach to the

global level, improves operational efficiency, and ensures business transparency. However, many MSME actors in tourism villages still face barriers such as low digital literacy, limited internet access, and inadequate technological infrastructure. If these barriers can be overcome, digitalization has the potential to become a primary accelerator in enhancing the HR capacity of MSMEs in tourism villages.

Strategic partnerships also play a vital role in strengthening the human resource (HR) capacity of tourism village MSMEs. The Resource-Based View theory emphasizes that an organization's competitive advantage is determined by its ability to leverage unique and hard-to-imitate resources, one of which is collaboration (Barney, 1991). MSMEs in tourism villages often lack sufficient capital, market access, or technology, making partnerships with government, educational institutions, the private sector, and communities essential. For instance, partnerships with digital platforms such as Traveloka or Tokopedia can provide broader market access; collaborations with universities can offer training and mentoring programs; while cooperation with the government can bring regulatory support and incentives (Gayatria et al., 2025). Through these strategic partnerships, tourism village MSME HR gains opportunities to learn, build networks, and enhance their capacity to manage businesses more professionally.

The impact of HR capacity transformation through innovation, digitalization, and strategic partnerships is not only felt at the business level but also on the overall economic welfare of tourism village communities. The Community Development Theory by Bhattacharyya (2004) emphasizes that community development based on collective participation and local economic empowerment will lead to social and economic sustainability. As tourism village MSMEs grow, they create new jobs, increase household income, and reduce urban migration. Moreover, the success of tourism village MSMEs also contributes to cultural and environmental preservation, as tourism-based economic activities encourage communities to maintain their local identity as a key attraction. Thus, HR capacity transformation generates a multiplier effect that strengthens local economic resilience.

However, the literature also highlights several challenges in implementing HR capacity transformation in tourism village MSMEs. The main obstacles lie in limited education and training, low digital literacy, restricted access to financing, and weak partnership ecosystems. Institutional Theory states that organizational success depends on regulatory support, social norms, and institutional practices within its environment (Scott, 1995). In many cases, tourism village MSMEs face regulations that are not favorable to micro and small enterprises, complex bureaucracy in accessing financing, and limited ongoing assistance from government and private institutions. This implies that HR capacity transformation cannot be separated from the improvement of supporting ecosystems to ensure that the changes achieved are inclusive and sustainable.

Based on this overview, in-depth research is needed on the transformation of HR capacity in MSMEs through innovation, digitalization, and strategic partnerships as drivers of community economic welfare in tourism villages. This study aims to analyze how these three factors contribute to enhancing the HR competencies of tourism village

MSMEs, the extent to which their implementation can improve business competitiveness, and how they impact local community welfare. With comprehensive understanding, this study is expected to provide theoretical contributions to the development of tourism-based MSME studies as well as practical contributions for policymakers, business actors, and tourism village communities in designing more effective, innovative, and sustainable empowerment strategies.

MSMEs

Micro, Small, and Medium Enterprises (MSMEs) are business units that play a vital role in Indonesia's economy as they absorb a large workforce and contribute significantly to the national Gross Domestic Product (GDP) (Ausat et al., 2022). MSMEs are characterized by relatively small-scale operations, limited capital, and management by individuals or small groups, yet they possess high flexibility in adapting to market changes. In tourism villages, MSMEs are often based on local potential such as traditional culinary products, handicrafts, agricultural outputs, and tourism services, thereby serving as a means of preserving local culture. Thus, the development of MSMEs in tourism villages helps maintain local social and cultural identity.

Human Resource Transformation

Human resource (HR) transformation is a systematic process of enhancing workforce competencies, knowledge, skills, and mindset to adapt to modern developments and the demands of the business environment. In the context of tourism village MSMEs, HR transformation includes improving managerial skills, innovation capacity, digital literacy, and adaptive attitudes in managing businesses rooted in tourism and local culture (González-Varona et al., 2021). This transformation highlights the importance of investment in education, training, and continuous mentoring, as the quality of HR is the key determinant of MSME success in facing global competition. With transformed HR, MSMEs in tourism villages can operate more productively, efficiently, and sustainably, thereby supporting community welfare.

Innovation

Innovation is the process of creating, developing, or renewing products, services, or business processes to deliver greater added value and remain relevant to market needs. For tourism village MSMEs, innovation may take the form of product diversification based on local wisdom, creative packaging, the development of experience-based tourism services, and the adoption of new technologies to enhance service quality. Innovation plays a crucial role in expanding market share and maintaining product relevance in the long run (Ehiaguina et al., 2025). Without innovation, tourism village MSMEs risk stagnation and face difficulties in competing amidst rapid changes in consumer preferences and tourism industry trends.

Digitalization

Digitalization is the process of integrating digital technology into various aspects of business to enhance efficiency, accessibility, and competitiveness. For MSMEs in tourism villages, digitalization involves the use of social media for promotion, e-commerce platforms for product sales, online booking applications for tourism services, and digital payment systems to facilitate transactions. The implementation of digitalization enables MSMEs to expand their market from local to national and even international levels, increase managerial transparency, and strengthen customer relationships through real-time interaction (Zein et al., 2025). However, the success of digitalization largely depends on the level of digital literacy among MSME HR, internet infrastructure availability, and adequate technological ecosystem support in rural areas.

Strategic Partnerships

Strategic partnerships are long-term collaborations between MSMEs and external parties such as government, educational institutions, the private sector, or digital platforms to achieve mutually beneficial goals. For tourism village MSMEs, strategic partnerships provide opportunities for access to capital, managerial training, innovation mentoring, and wider marketing. For example, collaboration with universities can bring training and research programs, while cooperation with digital platforms or travel agencies can increase visibility and sales of local products. With strong partnerships, MSMEs can access resources previously out of reach and accelerate the transformation of their HR capacity (Hamdi et al., 2024).

Tourism Villages

A tourism village is a rural area developed specifically as a tourist destination by leveraging its natural potential, cultural heritage, and local wisdom. The concept of tourism villages emphasizes active community involvement in managing attractions, accommodations, culinary offerings, and handicrafts as part of the tourist experience (Satibi et al., 2022). The presence of MSMEs in tourism villages is closely tied to community-based economic development, as their products and services not only attract tourists but also provide livelihoods for local residents. A well-developed tourism village creates a balance between economic, social, and environmental aspects, thereby safeguarding cultural and environmental sustainability.

Community Service

Community service is a tangible form of contribution from academics, government, and other institutions in addressing societal issues through empowerment programs, training, mentoring, and local capacity development. In the context of tourism village MSMEs, community service often takes the form of digitalization training, culturally based product innovation, basic financial management, and strengthening partnership networks. The primary objective of community service is to improve community welfare by applying knowledge and technology while fostering the economic independence of tourism villages (Fatih & Hakim, 2023). Community service serves as an essential bridge between

academic research findings and practical implementation in the field, supporting the sustainable transformation of MSME human resources.

METHOD

This study employed a literature review with a qualitative approach, aiming to provide an in-depth understanding of the transformation of MSME human resource (HR) capacity through innovation, digitalization, and strategic partnerships as drivers of community economic welfare in tourism villages. The primary emphasis of this research is to enrich references related to community service, so that the findings can serve as both theoretical and practical foundations in supporting empowerment programs for community-based MSMEs and village tourism. A qualitative approach was chosen because it allows for the exploration of meanings, patterns, and contexts embedded in previous research findings, thus producing a more comprehensive and interpretative analysis compared to mere data quantification.

Research data were collected through a systematic search on Google Scholar and several credible websites focusing on academic publications, institutional reports, and scientific articles related to MSMEs, innovation, digitalization, strategic partnerships, and community empowerment. The literature selection was limited to the period between 1964 and 2025 to ensure that the information obtained remains relevant to the most recent developments in terms of concepts, practices, and policies. The initial collection process resulted in 50 articles; however, after a rigorous selection process based on inclusion criteria—such as topic relevance, alignment with the tourism village context, relation to MSME HR capacity, and contribution to the discourse on community service—the final analysis included 23 articles considered the most representative.

The analysis was conducted using qualitative descriptive analysis, which involved describing, comparing, and synthesizing findings from the selected literature to illustrate general patterns, challenges, opportunities, and strategies that emerged from previous studies. Each article was reviewed in depth to identify key variables, methods used, main findings, and their implications for the transformation of MSME HR capacity in tourism villages. The results of the analysis were then presented in a structured narrative form, enabling the explanation of the relationships among innovation, digitalization, and strategic partnerships, as well as their impact on enhancing the economic welfare of tourism village communities.

Thus, this method allows the study to generate theoretical contributions in the form of enriched literature on MSME development in the context of tourism villages, while also offering practical contributions as additional references for the implementation of community service programs oriented toward local economic empowerment through the strengthening of MSME HR capacity.

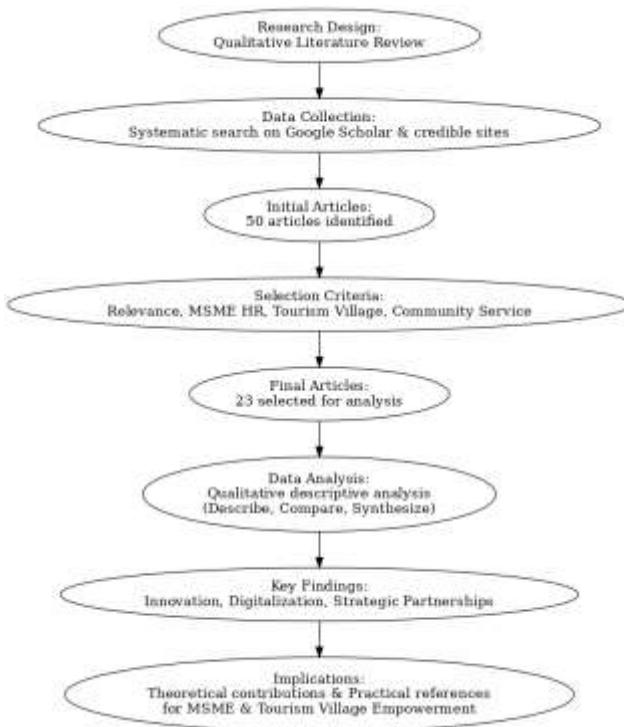


Figure 1. Research Flowchart

FINDING AND DISCUSSION

The discussion on the transformation of MSME human resource (HR) capacity in tourism villages can begin with the foundation of Human Capital Theory proposed by Becker (1964), which emphasizes that investments in enhancing workers' skills, knowledge, and experience contribute to increased productivity and organizational competitiveness. This theory is relevant in the context of MSMEs in tourism villages, as most business actors still rely on traditional skills inherited across generations, such as preparing local cuisine, producing handicrafts, or providing services rooted in local wisdom. While these skills represent a comparative advantage, there remain limitations in mastering modern management, digital literacy, and adaptation to the rapidly changing dynamics of global markets. Research conducted by Siswanto et al. (2024) on structured entrepreneurship and digital marketing training in Sendangsari Village, Yogyakarta, revealed that young MSME actors experienced significant improvements in managing social media, developing promotional strategies, and creating engaging visual content such as product photos and videos. The training encouraged a more visionary entrepreneurial spirit among MSME actors. Furthermore, the transformation of HR capacity through this approach enhanced the added value of tourism village products that were once only marketed locally but have now begun to reach regional and even national markets. Thus, Human Capital Theory underscores that investing in MSME human resources fosters adaptive mindsets and sustainability-oriented perspectives, positioning tourism villages as community-based growth centers.

The dimension of innovation is a crucial element in building the HR capacity of tourism village MSMEs, as innovation functions as a strategic instrument to enhance

product and service differentiation, thereby strengthening tourist appeal. Rogers' (1995) Diffusion of Innovation Theory explains that the adoption of innovation within a community is strongly influenced by communication patterns, social structures, and individual readiness to embrace change. Hence, innovation is the community's ability to accept, implement, and sustain new ideas. A concrete example is presented in Wahidin's (2019) research on the transformation of the Giriloyo batik industry in Wukirsari Village, Imogiri, Bantul, where artisans successfully created new batik motifs, adopted bolder color schemes, and developed modern marketing strategies through digital media and collaborations with creative communities. These innovations shifted market perceptions of Giriloyo batik from ordinary traditional products to high-value artworks with exclusive markets. The impact included increased artisan income, business sustainability amid competition from imported products, and the emergence of collaborations between artisans, academics, and creative industry players. These findings demonstrate that HR transformation focused on creativity, boldness in innovation, and adaptability to consumer preference shifts is a determining factor for MSMEs in tourism villages to evolve into local innovation hubs, significantly contributing to community welfare. In this regard, innovation becomes a cultural identity that reinforces tourism village sustainability.

Digitalization emerges as a dominant factor in determining the success of strengthening tourism village MSME capacity in the era of Industry 4.0, where access to information, marketing, and transactions increasingly depend on digital platforms. Based on the Technology Acceptance Model (TAM) introduced by Davis (1989), technology adoption by individuals is influenced by two key variables: perceived ease of use and perceived usefulness, which determine the extent to which individuals are willing to adopt and utilize new technology in their activities. Research by Ariyanti et al. (2025) on Pentingsari Tourism Village provides empirical evidence that the use of social media platforms such as Instagram, TikTok, Facebook, YouTube, and location-based tools like Google Maps significantly increased the exposure and promotional reach of tourism village products to broader audiences, including domestic and international tourists. However, the study also highlighted limitations in HR capacity regarding digital content management, such as inconsistent posting, suboptimal photo and video quality, and limited data analysis skills for understanding digital consumer behavior. Nevertheless, the findings show that structured training in digital marketing and e-commerce enables MSME actors to improve professionalism in marketing, expand market share, and diversify income streams through digital channels. The impact contributes to enhancing the professional image of tourism villages as destinations relevant to modern travelers' needs. Digital literacy, therefore, can be understood as a core competency in the HR transformation of tourism village MSMEs, integrating technology as a sustainable and competitive long-term business strategy in the global market.

Strategic partnerships also serve as an important instrument in supporting the HR transformation of tourism village MSMEs, as cross-sector collaboration creates synergies unattainable by individual business actors. The Resource-Based View (RBV) theory

proposed by Barney (1991) emphasizes that an organization's competitive advantage depends on its ability to control unique, valuable, inimitable, and non-substitutable resources, making collaboration a pathway to expanding access to such resources. In the context of tourism villages, strategic partnerships between local MSMEs, government agencies, educational institutions, the tourism industry, and digital communities can provide multiple benefits, ranging from managerial capacity building and marketing to financial access. Research by Juliastari et al. (2025) in Penglipuran Tourism Village, Bali, showed that partnerships between community members and local government, along with the optimization of digital marketing, strengthened the global branding of the village and increased tourist visits. Local MSMEs benefited from joint promotional opportunities, business management training programs, and access to professional mentoring that had previously been out of reach. These partnerships also function as platforms for sharing knowledge and best practices, allowing MSME actors to learn from more experienced partners in areas such as business management, product development, and digital marketing. Therefore, strategic partnerships enrich MSME HR capacity, strengthen competitive business networks, and foster an inclusive, collaborative, and sustainable tourism village ecosystem in the face of globalization challenges.

The tangible impact of human resource capacity transformation through innovation, digitalization, and strategic partnerships can be seen in the improvement of the economic welfare of rural tourism communities, underscoring the close interconnection between individual capacity strengthening and community development. The Community Development Theory proposed by Bhattacharyya (2004) emphasizes that development rooted in community participation will result in more sustainable welfare, as the community becomes the primary subject in managing its local potential. The studies of Seliari (2019) and Swesti et al. (2020) on the pottery industry in Kasongan Tourism Village, Bantul, provide a concrete example of how product design innovation, modern marketing strategies, and active community participation can drive creative tourism that is oriented toward the local economy. Product innovations such as more contemporary pottery designs, attractive packaging, and digital marketing involving e-commerce have been proven to increase tourists' interest in purchasing local products as part of their travel experience. Data shows that tourist spending rose significantly, from IDR 9.6 million in 2016 to IDR 15.4 million in 2017, indicating a positive market response to the modernization of culture-based MSMEs. This transformation generates a multiplier effect in the form of increased income for MSME actors, local job creation, and contributions to the economic sustainability of tourism villages. Thus, strengthening MSME human resources fosters collective welfare while reinforcing the identity of tourism villages as centers of community-based creative economies.

However, the implementation of MSME human resource transformation in tourism villages is not without structural and cultural constraints that limit the effectiveness of training, innovation, and digitalization programs. Institutional Theory, as articulated by Scott (1995), emphasizes that organizational success is strongly influenced by regulatory elements, social norms, and institutional practices that uphold the system. This means that

although MSME actors may acquire technical skills, without adequate institutional support, the results of transformation will not achieve optimal impact. Gunawan's (2023) study in Singgah Hamlet, Sade Village, Lombok, demonstrates that MSME digitalization does not automatically contribute significantly to business sustainability if not accompanied by adequate financial literacy. Many MSME actors struggle to manage capital, keep financial records, and understand profit–loss calculations, thus failing to fully maximize opportunities from digitalization and online marketing. This illustrates that human resource transformation must be multidimensional, encompassing digital literacy, financial literacy, and managerial literacy in a complementary manner. In addition, cultural factors such as resistance to change, preference for traditional methods, and limited supporting infrastructure also pose challenges that must be addressed through government policies, community mentoring, and MSME-friendly regulations. Therefore, ensuring that MSME human resource transformation is truly inclusive and sustainable requires synergy between individual capacity development and institutional reform to create an enabling environment for the growth of local tourism-based enterprises.

Furthermore, the literature highlights that programs to strengthen MSME human resources in tourism villages should be linked to community service agendas as a form of ongoing collaboration between educational institutions, government, and local communities to generate long-term and tangible impacts. This approach builds a relevant knowledge bridge between academic theory and practical application in the field. A community service program in Taro Tourism Village, Tegallalang District, Gianyar, Bali, conducted by the Bali Tourism Polytechnic team, serves as a concrete example of how training in digital marketing and capacity building for accommodation services can enhance the competitiveness of a tourism village. The program, held on September 17–18, 2024, involved 30 active participants, including homestay owners, MSME actors, and members of Pokdarwis (Tourism Awareness Groups) who play a central role in destination management. The training was designed with hands-on practice, such as creating digital promotional content, social media–based marketing techniques, and guest service management, ensuring that participants not only received knowledge but also directly implemented it according to the tourism village's needs. Evaluation results showed that participant satisfaction was rated “very good,” with an average score of 3.8, and most expressed a strong interest in joining follow-up programs, indicating that the intervention successfully addressed the community's actual needs. Moreover, Kalpikawati et al. (2024) noted that such collaborations enrich the academic literature and can serve as best practices for other institutions in designing similar programs. Thus, higher education involvement in community service activities through digital marketing training and service quality enhancement functions as a medium for building collective capacity that supports the sustainability of community-based tourism.

Based on the synthesis of theories, previous research findings, and case studies discussed, it can be concluded that the transformation of MSME human resource capacity through innovation, digitalization, and strategic partnerships constitutes a comprehensive and effective strategy for enhancing the competitiveness of rural tourism MSMEs and

fostering the economic welfare of local communities. This process affirms that adaptive and innovative human resources are the primary capital in optimizing community-based tourism potential. Nevertheless, the success of this transformation cannot be separated from the surrounding ecosystem, such as the availability of technological infrastructure, government policies supportive of MSMEs, accessible financing, and sustainable cross-sector collaboration networks. Collaboration involving higher education institutions through community service programs is particularly crucial, as it bridges the gap between academic knowledge and local practice, enabling rural tourism MSMEs to utilize innovation and technology more effectively. This perspective also demonstrates that research provides practical contributions in the form of empowerment models that can be replicated in other tourism villages across Indonesia. Thus, the integration of innovation, digitalization, strategic partnerships, and community service produces a holistic, inclusive, and sustainable strategy for MSME human resource development. In essence, this research serves as a practical guide for governments, universities, and local communities in designing MSME empowerment programs in tourism villages that are more relevant to contemporary needs, while also contributing to the achievement of Sustainable Development Goals (SDGs) in tourism and the creative economy.

Table 1. Key Findings on the Transformation of HR Capacity in Tourism Village MSMEs

Aspect/Theory	Key Findings	Empirical Example	Impact
Human Capital Theory (Becker, 1964)	Investment in skills, knowledge, and experience enhances productivity and competitiveness.	Entrepreneurship & digital marketing training in Sendangsari Village, Yogyakarta (Siswanto et al., 2024).	Improved digital promotion skills, market expansion from local to national, strengthened entrepreneurial mindset.
Diffusion of Innovation (Rogers, 1995)	Innovation strengthens product/service differentiation, fosters creativity, and adapts to consumer trends.	Giriloyo Batik innovation (Wahidin, 2019): new motifs, bold colors, digital marketing, collaboration with creative communities.	Increased artisan income, MSME resilience amid competition, upgraded image of batik into exclusive art products.
Technology Acceptance Model (Davis, 1989)	Digitalization is effective when perceived ease of use and usefulness are present; digital literacy is key HR capacity.	Digitalization in Pentingsari Tourism Village (Ariyanti et al., 2025): use of Instagram, TikTok, YouTube, Google Maps.	Greater exposure, wider market reach, enhanced marketing professionalism; challenges in content management & data analysis.
Resource-Based View (Barney, 1991)	Strategic partnerships expand access to unique resources, mentoring, and global branding opportunities.	Partnerships in Penglipuran Tourism Village, Bali (Juliaستاري et al., 2025).	Strengthened global branding, increased tourist visits, knowledge transfer & best practices among stakeholders.
Community Development Theory	Community participation reinforces sustainability and	Kasongan, Bantul (Seliari, 2019; Swasti et al., 2020): craft design	Tourist spending increased (IDR 9.6M → 15.4M), multiplier

(Bhattacharyya, 2004)	collective welfare.	innovation, packaging, e-commerce adoption.	effects: higher income, job creation, more sustainable village economy.
Institutional Theory (Scott, 1995)	HR transformation requires financial literacy, supportive regulations, and infrastructure to be optimal.	Study in Sade Village, Lombok (Gunawan, 2023): digitalization ineffective without financial literacy.	Barriers: weak capital management, cultural resistance, limited infrastructure. Solutions: layered policies & continuous mentoring support.
Role of Higher Education & Community Service	Academic involvement bridges theory-practice and strengthens collective capacity.	Program in Taro Tourism Village, Bali (Bali Tourism Polytechnic, 2024).	Participants improved competence in digital marketing & homestay services; satisfaction rated “very good” (score 3.8).

CONCLUSION

This study concludes that the transformation of human resource (HR) capacity in micro, small, and medium enterprises (MSMEs) through innovation, digitalization, and strategic partnerships plays a significant role in enhancing business competitiveness and fostering the economic welfare of communities in tourism villages. Innovation enables MSMEs to produce products and services relevant to tourist needs; digitalization expands market access, improves operational efficiency, and strengthens consumer interaction; while strategic partnerships create opportunities for networking, mentoring, and resource support that are often difficult to achieve individually. Thus, HR capacity transformation contributes to improving the collective welfare of rural tourism communities. Moreover, this research highlights its important contribution to enriching the body of knowledge on community service, particularly in the context of empowering tourism village MSMEs through multi-sector collaboration.

This study advances the literature on MSME development by integrating Human Capital Theory, Diffusion of Innovation Theory, Technology Acceptance Model, Resource-Based View, and Community Development Theory. The integration of these theories demonstrates that strengthening MSME human resource capacity requires a multidimensional approach involving innovation, technology, and strategic collaboration. The findings also broaden the perspective that the transformation of tourism village MSMEs forms part of community-based social development. Furthermore, the results of this study can serve as a reference for local governments, universities, private institutions, and tourism village communities in designing more targeted community service programs. Such programs may include product innovation training, digital marketing assistance, and facilitation of partnerships with e-commerce platforms and travel agencies. For tourism village MSMEs, these findings can be used as a guideline for improving HR competencies, expanding markets, and building sustainable business networks.

However, this study has several limitations. First, as a qualitative literature review, the findings rely heavily on the quality and relevance of the articles analyzed, and thus do not

directly reflect empirical field conditions. Second, the literature reviewed was limited to the period 1964–2025, which means that potentially relevant earlier studies were not included. Third, this study focuses exclusively on the context of MSMEs in tourism villages, so the findings may not be fully generalizable to MSMEs in other sectors or urban areas.

Based on these limitations, several recommendations can be proposed. First, future studies are encouraged to combine literature reviews with field research (e.g., case studies or surveys) in order to obtain a more empirical and contextual understanding. Second, expanding the scope of literature to cover longer time periods as well as international sources may enrich perspectives and provide comparative best practices. Third, for governments and higher education institutions, it is important to use this study's findings as a basis for developing community service programs that focus more on digitalization training, strengthening partnership networks, and mentoring for product innovation rooted in local culture. By taking these steps, the transformation of MSME human resource capacity in tourism villages can be optimized and make a more significant contribution to enhancing community economic welfare.

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