

HUMAN RESOURCE DEVELOPMENT AND DIGITALIZATION OF MSMEs IN THE SPIRIT OF NATIONALISM

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Abstract

Keywords:

Human Resource Development, MSME, Digitalization, Nationalism, Living Standards

This study explores the intersection of human resource development (HRD) and digitalization of micro, small, and medium enterprises (MSMEs), with particular emphasis on their contribution to improving living standards and strengthening national identity. While MSMEs represent a crucial pillar of the Indonesian economy, many face structural challenges in digital adaptation. This study employs a qualitative approach using secondary data obtained from scholarly publications, government reports, online databases, and mass media coverage from 2015–2024. Findings reveal that digitalization not only enhances MSME competitiveness but also improves the livelihoods of entrepreneurs and local communities through income diversification, market expansion, and employment opportunities. Furthermore, HRD is identified as the enabling factor that equips MSME actors with the competencies required for digital transformation, fostering innovation, self-reliance, and nationalism. The integration of HRD into MSME digitalization policies can serve as a pathway for inclusive economic growth and national resilience.

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INTRODUCTION

Micro, small, and medium enterprises (MSMEs) contribute significantly to national economies, particularly in emerging markets such as Indonesia, where they represent more than 97% of total business entities and absorb over 60% of the workforce (World Bank, 2020). The integration of digital technology has become essential for MSMEs to survive and thrive in an increasingly competitive global market (OECD, 2021). Digitalization not only provides MSMEs with opportunities to expand their markets but also directly contributes to improving community welfare by creating new jobs, increasing productivity, and enhancing household income (Prasetyo & Kistanti, 2020).



Jumlah UMKM yang Masuk ke Ekosistem Digital di Indonesia (2020-2024*)

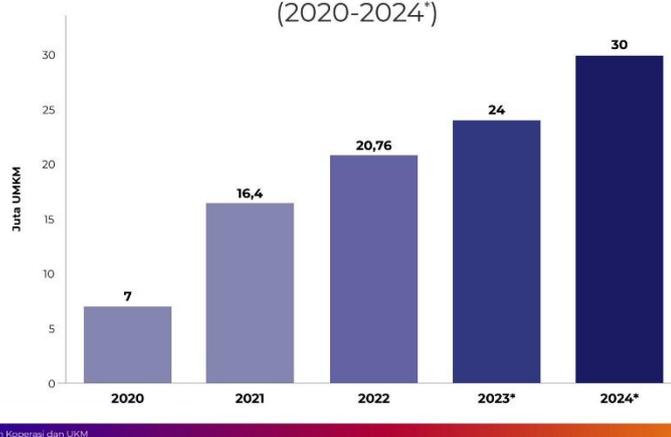


Figure 1. The Number of MSMEs Entering The Digital Ecosystem In Indonesia

Source: Ministry of Cooperatives and SMEs & Statistics Indonesia (BPS), as cited in Kadin Indonesia website (kadin.id)

The urgency of HRD arises from the fact that many MSMEs are run by individuals with limited digital skills and managerial capacity. Strengthening HRD through training, digital literacy, and entrepreneurial mentoring is thus crucial to ensure that MSMEs benefit fully from digital transformation. At the same time, MSME digitalization reflects a form of economic nationalism by promoting local products and cultural heritage on global platforms (Putra & Santoso, 2023). The government, in collaboration with the Indonesian Chamber of Commerce and Industry (Kadin), continues to encourage micro, small, and medium enterprises (MSMEs) to enter the digital ecosystem. The Ministry of Cooperatives and SMEs has set a target of increasing the number of MSMEs engaged in digital markets to 24 million units by 2023 and further expanding to 30 million units by 2024 (figure 1). To achieve this goal, the government’s initiatives by promoting digital transformation among MSMEs through various programs, including the *Wikiwirausaha* platform, in line with the Ministry’s efforts to establish integrated business service centers.

LITERATURE REVIEW

Human Resource Development (HRD) is the systematic development of human capital to improve both organizational performance and societal welfare (Swanson & Holton, 2019). In the MSME context, HRD involves building capacities in digital literacy, leadership, innovation, and problem-solving (Garavan et al., 2019). HRD also emphasizes lifelong learning and adaptability, which are crucial for MSMEs to sustain growth in volatile digital environments. Digitalization refers to adopting digital technologies in business processes such as production, marketing, finance, and customer service. Studies demonstrate that digital tools significantly increase MSME competitiveness while also improving efficiency and access to broader markets (Alvarez-Risco et al., 2021; Kraus et al., 2021). Digital transformation enhances SMEs’ ability to innovate, respond quickly to consumer demands, and create new business



models that are more sustainable in the long term. Digitalization improves living standards by enabling MSMEs to reach new consumers, optimize costs, and create employment opportunities. For instance, during the COVID-19 pandemic, many MSMEs that adopted digital platforms managed to sustain operations and safeguard household incomes (Bai et al., 2021). These outcomes reflect the vital link between MSME digitalization and broader social welfare. MSMEs embody local culture, traditions, and creativity. By promoting local products through digital platforms, MSMEs reinforce economic nationalism and contribute to strengthening collective identity and pride (Purnomo, 2022).

RESEARCH METHODS

This study employs a qualitative descriptive research design using secondary data sources. The data were collected from:

1. Academic literature (Scopus, Web of Science, Google Scholar).
2. Government reports and policy documents on MSME development.
3. Mass media (online news portals, business magazines).
4. Official websites of MSME associations and digital platforms.

The analysis was conducted through thematic analysis, identifying recurring themes related to (1) HRD strategies in digital transformation, (2) MSME digitalization and its impact on living standards, and (3) nationalism as a guiding principle in MSME empowerment. The triangulation of multiple secondary data sources enhances the credibility of the findings.

RESULTS AND DISCUSSION

Findings show that HRD plays a central role in enabling MSMEs to navigate the digital economy. Training and mentoring programs in digital literacy, online marketing, and financial management empower entrepreneurs to integrate technology into their operations (Sung & Choi, 2021). Digitalization allows MSMEs to expand their markets beyond local boundaries, reduce transaction costs, and gain access to e-commerce ecosystems. Traditional craft businesses in rural areas that adopted online sales platforms have increased their revenues and improved household welfare (Nguyen et al., 2015; Bai et al., 2021). Moreover, digitalization creates employment opportunities by supporting ancillary services such as digital logistics, fintech, and content creation (Al-Omouh et al., 2021). This demonstrates the broader social impact of MSME digitalization in raising living standards. Digitalized MSMEs contribute to economic nationalism by promoting local products globally, such as batik, coffee, and handicrafts. This not only strengthens local economies but also fosters national pride (Putra & Santoso, 2023). By integrating HRD into digitalization policies, governments can ensure that MSMEs become agents of both economic independence and cultural preservation. Despite these benefits, challenges persist: limited internet infrastructure in rural areas, digital divides between urban and rural entrepreneurs, and insufficient government support (World Bank, 2020). These challenges underscore the need for comprehensive policies combining HRD programs, infrastructure development, and financial inclusion.

CONCLUSION

This study highlights that HRD is a key enabler of MSME digitalization, which in turn significantly improves living standards and strengthens the spirit of nationalism. By equipping entrepreneurs with digital competencies, MSMEs can expand markets, increase income, and generate employment, contributing to sustainable economic development. Digitalization, when framed within the spirit of nationalism, ensures that local products and culture gain international recognition while fostering self-reliance and national pride. Future research should explore region-specific HRD models for MSMEs and assess the long-term social impacts of digitalization on community welfare.

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