HUMAN RESOURCE DEVELOPMENT STRATEGIES  
TO ENHANCE SMALL BUSINESS ECONOMIC GROWTH
IN COMMUNITY SETTINGS

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Abstract. Human resource development (HRD) is a key factor in driving economic growth, particularly among small businesses. Skilled and competent human resources can enhance productivity and efficiency, thereby fostering faster economic growth. This research aims to identify and analyze effective HRD strategies in boosting the economic growth of small businesses within community settings. This study employs a literature review method with a qualitative approach and descriptive analysis. Data sourced from Google Scholar span publications between 2001 and 2024. Findings indicate that HRD plays a crucial role in enhancing the economic growth of small businesses within communities. Skilled and trained human resources can elevate productivity, efficiency, and innovation, thus enhancing the quality of products and services offered and business competitiveness. Including access to education, financial limitations, and inadequate infrastructure. Effective HRD strategies should address these challenges through educational and training programs, improving working conditions, leadership development, and collaboration among stakeholders.

Keywords: Human Resources, Economy, Business, Community


Kata Kunci: Sumber Daya Manusia, Ekonomi, Bisnis, Komunitas Masyarakat

INTRODUCTION

Human resource development (HRD) plays a crucial role in driving economic growth, especially in the small business sector. Highly skilled and adequately competent human resources have significant potential to boost productivity and operational efficiency (Diawati et al., 2023). This improvement ultimately accelerates the pace of economic growth, making it more rapid and sustainable. Small businesses have a significant role in local community economies, contributing through job creation, local economic stimulation, and enhanced community welfare (Subagja et al., 2022). These small enterprises often serve as the backbone of local economies, aiding in creating economic stability and reducing unemployment rates in the area. The presence of small businesses also strengthens the competitiveness of the local economy through product and service innovation and diversification offered to consumers (Widjajanti et al., 2023). Thus, the importance of small business development is evident at both the micro and macroeconomic scales.

Many small businesses within community settings often face significant constraints in accessing adequate human resource training and development (Ausat & Suherlan, 2021). These constraints typically arise due to financial limitations, hindering them from participating in quality training programs or conducting effective internal training. Additionally, limited access to relevant and up-to-date information is a significant barrier for small businesses to continue growing and adapting to market and technological changes. The lack of support from government and related institutions exacerbates this situation, as they often lack the networks or sufficient resources to seek the necessary assistance (Ausat, Siti Astuti, et al., 2022). This condition creates a gap in abilities and knowledge that can limit the potential growth and competitiveness of small businesses.

Globalization and technological advancements have brought about significant changes affecting all aspects of the business world, including the small business sector. This phenomenon demands that small businesses not only recognize but also respond quickly and appropriately to the evolving market dynamics. Adaptation is key for small businesses to maintain their competitiveness in an increasingly globally integrated environment (Thomran et al., 2022). One vital strategy to achieve this adaptation is through enhancing the skills and knowledge of human resources.

Developing effective strategies to improve the quality of human resources in small businesses requires a comprehensive and structured approach, involving several complementary methods. One crucial method is skill-based training designed to enhance employees' technical and practical abilities, enabling them to work more efficiently and
productively (Rodriguez & Walters, 2017). Moreover, mentoring programs play a crucial role, where experienced individuals mentor and share practical knowledge and skills with newer or less experienced employees, expediting the learning and adaptation process (Lisa, 2011). Collaboration with educational institutions is also a significant strategic component, allowing small businesses to access academic resources, latest research, and internship programs beneficial to both parties (Evans et al., 2023). Continuous learning programs, involving regular education and training, help ensure that employees stay up-to-date with the latest developments in the industry and technology (Purwanto, 2023). This holistic approach is expected to strengthen individual competencies within the organization, fostering a culture of innovation and adaptation essential for the long-term sustainability and growth of small businesses.

Governments and non-profit organizations play an essential role in supporting human resource development in the small business sector through various initiatives designed to enhance their capacity and competitiveness (Gilmer & Hughes, 2013). Supportive policies, such as tax incentives, subsidies, and flexible regulations, provide a stable foundation for small businesses to operate and grow. Additionally, assistance programs covering funding, training, and business consulting are key elements in ensuring that small businesses have access to the resources they need to enhance their human resource skills and competencies (A. Sharma & Meet, 2023). Providing necessary resources for training and development, whether in the form of educational materials, technology, or access to professional training, enables small businesses to keep up with industry developments and innovate according to market demands. Non-profit organizations also serve as strategic partners in this process, offering programs focused on human resource development through various initiatives such as workshops, mentoring, and cross-sector collaborations (Pandey & Risal, 2022).

Based on the above exposition, this research aims to identify and analyze effective HRD strategies in enhancing the economic growth of small businesses within community settings. The findings of this research are expected to provide practical recommendations that can be implemented by relevant stakeholders to support local economic development.

METHOD

This research employed a literature review method with a qualitative approach and descriptive analysis. Data were gathered from Google Scholar with publications ranging from 2001 to 2024. Literature search was conducted using relevant keywords such as "human resource development strategy," "economic growth," "small business," and "community settings." Initially, 63 relevant articles were obtained based on their titles and abstracts.
Subsequently, a rigorous selection process was conducted by examining the methodology, results, and discussion sections of these 63 articles to ensure their quality and relevance to the research objectives. From this selection process, 32 articles that were most relevant and of high quality were chosen for further analysis. Data from the selected articles were analyzed descriptively, focusing on identifying and interpreting effective human resource development strategies and their impact on the economic growth of small businesses in community settings. The results of this analysis were then used to formulate conclusions and practical recommendations for relevant stakeholders. Figure 1 below encapsulates the adopted research flowchart.

![Flowchart methodology](image)

**RESULTS**

Human resource development (HRD) strategy entails a series of plans and actions designed to enhance employees' competencies, skills, and productivity within an organization (Abu Bakir, 2019). It encompasses various approaches such as training and development, mentoring, continuous education programs, as well as career development and performance management. The goal is to ensure that employees possess the necessary abilities to meet the demands of their jobs, adapt to technological and market changes, and contribute maximally to the organization's objectives and growth (AL Daradkeh & AL-Zoubi, 2024). By effectively implementing HRD strategies, organizations can enhance operational efficiency, innovation, and job satisfaction, ultimately contributing to increased competitiveness and economic growth.

Economic growth refers to the increase in an economy's capacity to produce goods and services over a specific period, typically measured through the rise in gross domestic product (GDP) (Raghupathi & Raghupathi, 2020). Economic growth reflects the increase in national
income and living standards of the population, as well as advancements in infrastructure quality and public services. It can be triggered by various factors such as investment in physical and human capital, technological innovation, and effective economic policies (Ausat, 2023). Through sustainable economic growth, a nation or community can achieve improved general welfare, reduced poverty, and the creation of broader job opportunities.

Small businesses are enterprises that operate on a limited scale, in terms of the number of employees, annual revenue, and assets owned, typically defined by the thresholds set by local government authorities (Harahap et al., 2023). Small businesses are often owned and operated by individuals or families and play a significant role in the local economy by creating jobs, driving innovation, and contributing to economic diversification (Rijal et al., 2023). Although having more limited resources compared to large corporations, small businesses can be more flexible and adept at quickly adapting to market changes. The success of small businesses heavily relies on effective management, appropriate marketing strategies, and the ability to develop and maintain a loyal customer base (Ausat & Peirisal, 2021).

Community settings refer to groups of individuals residing in the same geographical area or sharing common interests, values, cultures, or specific goals (MacQueen et al., 2001). Members of community settings interact and build deep social relationships, creating a sense of ownership and solidarity among them. These communities may consist of various social, economic, and demographic groups, yet they collaborate to achieve common goals and enhance collective well-being. The presence of community settings is often marked by local institutions such as schools, health centers, places of worship, and community organizations, which play a vital role in providing support and resources to their members (King et al., 2021). With a strong community, individuals within it can experience security, social support, and better opportunities to participate in economic and social activities.

**DISCUSSION**

The Human Resource Development (HRD) strategy plays a vital role in driving the economic growth of small businesses at the community level. Fundamentally, HRD is the most valuable asset for any organization, especially for small businesses operating within a community environment. In this context, economic growth encompasses broader aspects than just increasing income and profitability. It also involves improving the overall welfare of the community, demonstrating that investment in HRD not only strengthens the capabilities of small businesses to compete but also contributes to the social and economic development that is sustainable within the community.
To understand the importance of Human Resource Development (HRD) strategy in this context, various factors influencing the economic growth of small businesses need to be considered. One key factor is access to quality HRD. Having skilled and trained workforce enables small businesses to enhance productivity, operational efficiency, and capacity for innovation (Harahap et al., 2024). This improvement subsequently impacts the quality of products and services provided, contributing to increased business competitiveness in the market. Consequently, small businesses can experience an expansion in market share and revenue. Effective HRD development also plays a role in creating a conducive work environment for the personal and professional growth of employees (Santi, 2024), thereby strengthening the economic foundation of small businesses and driving broader economic development within the community.

However, in many community settings, small businesses often face various challenges in their efforts to develop their Human Resources (HR). Some key challenges include limited access to quality education and training, financial resource constraints, and inadequate supporting infrastructure (Muslimin, 2023). In addressing these conditions, it is crucial to formulate comprehensive and innovative HRD strategies capable of overcoming these various constraints. Such strategies should include efforts to enhance accessibility to relevant and sustainable education and training, more effective financial resource management, and improved supporting infrastructure. This holistic approach will ensure that small businesses can develop their HR optimally, thereby enhancing their long-term performance and competitiveness, while also contributing to community economic growth.

Furthermore, one strategy that can be implemented is the development of specialized training and education programs designed to meet the specific needs of small businesses in the community. These programs should focus on enhancing skills relevant to the local industry and market, including technical, managerial, and marketing skills. Emphasizing relevant skills will ensure that small businesses can operate more efficiently and compete effectively (Mwepu Mbuya et al., 2016). These programs should also be designed to be easily accessible and affordable for business owners and their employees, enabling them to take advantage of these opportunities without heavy financial burdens. It is important to ensure that these programs are developed based on in-depth analysis of local needs and considerations of local market dynamics. This will guarantee the relevance and effectiveness of the programs in enhancing the HR capacity of small businesses, which in turn will contribute to community economic growth.
In addition to education and training, additional aspects of HRD development that need to be considered include employee welfare and leadership development. Employee welfare encompasses not only financial aspects but also a supportive work environment, healthy work-life balance, and recognition of their contributions. Employees who feel valued and supported tend to be more committed to the company's success and demonstrate higher levels of productivity (Sadaf et al., 2022). It is important for small businesses to prioritize efforts aimed at improving working conditions and providing appropriate incentives, such as employee wellness programs, career development opportunities, and recognition of achievements. Leadership development is also a critical component in ensuring the sustainability of small businesses. Through effective leadership training and development, small businesses can produce leaders capable of inspiring, motivating, and guiding their teams towards long-term success (I. Sharma et al., 2023). Holistic and employee-oriented HRD can be the key to success for small businesses in achieving sustainable economic growth in their communities.

In the context of HRD development, attention to leadership development is also considered a crucial factor. Business owners and managers are expected not only to have expertise in business operations but also strong leadership skills to be able to direct and inspire their teams towards achieving common goals. This process involves sustained investment in various forms of leadership training, mentoring, and coaching, designed to gradually enhance the quality of their leadership. Additionally, creating an organizational culture that fosters growth and innovation is also key to successful leadership development (Ausat, Suherlan, et al., 2022). By fostering an open workplace environment for new ideas, encouraging active participation, and rewarding efforts, small businesses can create an atmosphere that allows for optimal leadership potential development (Kozioł-Nadolna, 2020). Sustainable leadership development within the organization forms a strong foundation for the long-term growth and success of small businesses within the community.

In addition to internal efforts, collaboration between small businesses, government, and non-profit organizations can also make significant contributions to HRD development. Such partnerships have the potential to provide additional resources, expand access to broader networks, and provide support in addressing various challenges faced by small businesses within the community. Through synergistic cooperation, small businesses can access a variety of programs and services that they may not be able to obtain independently, such as specialized training, financial assistance, and technical resources (Saddam et al., 2022). Such partnerships can also facilitate the exchange of knowledge and experiences among various stakeholders, strengthen local business networks, and create an environment conducive to growth and
innovation (Audretsch et al., 2023). Collaboration between small businesses, government, and non-profit organizations holds great potential for accelerating HRD development and enhancing the competitiveness of the community's economy.

Furthermore, in designing effective HRD development strategies to enhance the economic growth of small businesses within the community, it is important to consider several key factors:

- **Needs Analysis:** Before implementing strategies, it is important to conduct an in-depth analysis of the human resource needs in small businesses within the community. This includes identifying the required skills, challenges faced, and development opportunities.

- **Collaboration with Stakeholders:** Human resource development efforts should involve collaboration between small businesses, educational institutions, local governments, and non-profit organizations. By working together, they can share resources and knowledge to create more effective and relevant programs.

- **Development of Sustainable Education and Training Programs:** Education and training programs should be designed not only to meet current needs but also to prepare human resources for future challenges and opportunities. This may include training in new technologies, risk management, and sustainable skills.

- **Empowerment of Women and other Vulnerable Groups:** In many communities, women and other vulnerable groups are often overlooked in human resource development. Therefore, it is important to ensure that human resource development programs also address their specific needs and create equal opportunities.

- **Encouraging Entrepreneurship and Innovation:** Human resource development strategies should also encourage entrepreneurship and innovation among small businesses. This can be done by providing access to necessary resources and mentoring, as well as creating a supportive environment for innovation and risk-taking.

- **Monitoring and Evaluation:** It is important to continuously monitor and evaluate the effectiveness of implemented human resource development strategies. This allows for the identification of successes and weaknesses, as well as making necessary adjustments to enhance their impact.

- **Utilization of Technology and Digitalization:** In the current digital era, the use of technology can be key in human resource development. Small businesses need to leverage technology to improve operational efficiency, access new markets, and enhance the digital skills of their employees.
By implementing holistic and sustainable human resource development strategies, small businesses in the community can strengthen their foundation for sustainable economic growth. Investment in human resource development opens up opportunities for small businesses to become key drivers of local economic growth by creating jobs, increasing income, and improving the overall welfare of the community. This underscores the crucial role of human resource development in creating a balanced and sustainable economic ecosystem at the local level, which in turn can strengthen the economic and social resilience of the community. Table 1 below summarises the key findings resulting from the analysis of the research conducted.

Table 1. Summary of HR development strategies for small businesses

<table>
<thead>
<tr>
<th>No</th>
<th>Key Aspects</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Access to Quality HR</td>
<td>Skilled and trained HR can enhance productivity, efficiency, and innovation.</td>
</tr>
<tr>
<td>2</td>
<td>Challenges in HR Development</td>
<td>Challenges such as access to quality education and training, financial constraints, and lack of supportive infrastructure need to be addressed.</td>
</tr>
<tr>
<td>3</td>
<td>Development of Training and Education Programs</td>
<td>Programs should focus on enhancing skills relevant to local industries and markets and should be accessible and affordable.</td>
</tr>
<tr>
<td>4</td>
<td>Attention to Employee Welfare</td>
<td>Efforts to improve working conditions and provide appropriate incentives enhance employee productivity and loyalty.</td>
</tr>
<tr>
<td>5</td>
<td>Leadership Development</td>
<td>Investment in leadership training and coaching creates a culture of growth and innovation.</td>
</tr>
<tr>
<td>6</td>
<td>Collaboration with Stakeholders</td>
<td>Collaboration among small businesses, educational institutions, government, and non-profit organizations shares resources to create effective and relevant programs.</td>
</tr>
<tr>
<td>7</td>
<td>Empowerment of Women and Vulnerable Groups</td>
<td>HR development programs should address their specific needs and create equal opportunities.</td>
</tr>
<tr>
<td>8</td>
<td>Encouragement of Entrepreneurship and Innovation</td>
<td>Mentorship and a supportive environment drive entrepreneurship and innovation in small businesses.</td>
</tr>
<tr>
<td>9</td>
<td>Monitoring and Evaluation</td>
<td>Monitoring and evaluating strategy effectiveness allow adjustments to enhance impact.</td>
</tr>
<tr>
<td>10</td>
<td>Use of Technology and Digitalization</td>
<td>Technology improves operational efficiency and digital skills, opening access to new markets.</td>
</tr>
</tbody>
</table>

CONCLUSION

Human Resources Development (HRD) plays a crucial role in enhancing the economic growth of small businesses within community settings. Skilled and trained human capital can boost productivity, efficiency, and innovation, thereby enhancing the quality of products and services offered as well as business competitiveness. However, small businesses often face...
challenges in HRD management, including access to education, financial constraints, and inadequate infrastructure. Effective HRD strategies should consider efforts to address these challenges through education and training programs, improving working conditions, leadership development, and collaboration among relevant stakeholders.

RECOMMENDATIONS

Recommendations based on this research include: 1) Conducting in-depth analysis of HRD needs in small businesses within the community before implementing strategies. 2) Collaborating with educational institutions, local governments, and non-profit organizations to create more effective and relevant programs. 3) Designing sustainable education and training programs to prepare human capital for future challenges. 4) Addressing the specific needs of women and other vulnerable groups in HRD. 5) Encouraging entrepreneurship and innovation among small businesses through providing access and supportive environments. 6) Conducting regular monitoring and evaluation to identify successes and weaknesses and make necessary adjustments. 7) Leveraging technology and digitalization to enhance operational efficiency and employees’ digital skills. By implementing holistic and sustainable HRD strategies, small businesses in community settings can strengthen their foundation for sustainable economic growth, create employment opportunities, increase income, and improve overall community welfare.

REFERENCES


