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SOI: [1.1/TAS](#) DOI: [10.15863/TAS](#)

## International Scientific Journal Theoretical & Applied Science

p-ISSN: 2308-4944 (print) e-ISSN: 2409-0085 (online)

Year: 2024 Issue: 06 Volume: 134

Published: 18.06.2024 <http://T-Science.org>

Issue

Article



**Sri Indarti**

University of Riau  
Faculty of Economics and Business  
Pekanbaru Riau, Indonesia  
[sri.indarti@lecturer.unri.ac.id](mailto:sri.indarti@lecturer.unri.ac.id)

**Rendra Wasnury**

University of Riau  
Faculty of Economics and Business  
Pekanbaru Riau, Indonesia

**Rio J. M. Marpaung**

University of Riau  
Faculty of Economics and Business  
Pekanbaru Riau, Indonesia

## EMPOWERING HR: HOW MICRO AND SMALL ENTERPRISE FINANCING TRANSFORMS SIAK DISTRICT'S WETLAND AREAS

**Abstract:** The research aims to assess the human resource development of Micro and Small Enterprises (MSEs) in the wetland area of Siak Regency. The study uses a qualitative method with 50 samples spread across four sub-districts. The results reveal a relatively good level of education, but many MSE workers lack work experience. There are weaknesses in product development, innovation, market understanding, and information technology use. The lack of optimal training and monitoring of HR development complicates the situation. MSEs consider financing crucial for business development but face obstacles in access and high interest rates. There is a lack of special financial products for HR development and minimal role of financial institutions in providing information and consultation. To address these issues, eight HR development strategies are proposed, including partnerships with educational institutions, regional governments, and Village-Owned Enterprises (BUMDes), special financing programs, regional superior local products, diversification, product innovation, and CSR partnerships.

**Key words:** Perception; Financing; MSEs; HR; Wetland; Siak.

**Language:** English

**Citation:** Indarti, S., Wasnury, R., & Marpaung, R.J.M. (2024). Empowering HR: how micro and small enterprise financing transforms siak district's wetland areas. *ISJ Theoretical & Applied Science*, 06 (134), 250-260.

**Soi:** <http://s-o-i.org/1.1/TAS-06-134-24> **Doi:**  <https://dx.doi.org/10.15863/TAS.2024.06.134.24>

**Scopus ASCC:** 2000.

### Introduction

The dualism of rural and urban development has long been a problem in Indonesia. Rural areas tend to be marginalized in economic development, making rural areas tend to be left behind and become areas familiar with poverty. This can be seen from the poverty rate in rural areas in Riau Province in September 2022, which was 7.07 % higher than the poverty rate in urban areas, namely 6.49% (BPS Riau, 2022).

The underdevelopment of rural areas is related to urban bias in rural development. The decline in rural development is caused by rural areas always losing out to the political, social and economic forces of urban areas. Where development capital is used more intensively and focuses on urban development. This causes rural areas to become underdeveloped and highly dependent on urban development multipliers (Pasaribu, 2012). The lagging behind in rural development becomes more obvious in wetlands

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areas, especially peatlands, as areas that tend to be marginalized from infrastructure development and an economy that tends to be monotonous on small farms (Najiyati, 2005). Dominant control of capital and land by large companies and city residents has exacerbated poverty in rural peatland areas.

To catch up with rural development, especially in wetland areas, improving the people's economy is the main way to improve community welfare (Pasaribu, 2012). The existence of micro, small and medium enterprises as a form of people's economy is an effort to catch up with rural development and reduce poverty levels in rural areas (Pasaribu, 2012).

Micro and Small Enterprises (UMK) are one of the economic sectors that have an important role in economic development in Indonesia, namely creating jobs, increasing people's income, and improving the welfare of society as a whole. Data from the Ministry of Cooperatives and MSMEs since 2017, the contribution of MSMEs to Indonesia's GDP is above 60% until 2021.

Siak Regency is a wetland area and has the potential to develop local regional potential. The number of MSEs in Siak Regency was recorded as continuing to grow in the 2015-2018 period. In 2015 and 2016 the number of MSEs in Siak Regency amounted to 2,606 units, then experienced an increase of 15.8% to 3,018 MSE units in 2017. In 2018 the number of MSEs again increased by 3.25 % to 3,116. In 2019 the number of MSEs increased to 3,214. Meanwhile, in 2020 the number of MSEs experienced a very drastic increase to 13,597 MSEs. This increase shows that MSEs are a source of economic strength for the community in Siak Regency, especially during the crisis due to this pandemic (Siak Regency Cooperative and MSME Service, 2022).

MSMEs as a national and regional economic force have absorbed 199.57 million workers in Indonesia (Lakip Kemenkopukm, 2021), but are still experiencing various obstacles in their development. The development of MSEs is still hampered by traditional business management, inadequate quality of human resources, production scale and techniques, low innovation capabilities and limited access to financial institutions, especially banking (Sarwido, 2014).

The development of MSMEs in Indonesia, especially in rural areas, is still hampered by at least two factors. First, internal factors, namely weak capital, financing (credit), production, production, marketing and human resources. Second, external factors, namely support for guidance, policy and development of MSMEs (Irnawati, 2013).

The government has made various efforts to increase MSE financing, such as the People's Business Credit (KUR) program and Micro, Small and Medium Enterprises (MSME) financing through national banks. Figure 3 shows data on MSME credit towards total banking credit.

Based on data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia, from 2014-2021, MSME Credit to Total Banking Credit has increased every year. In 2021, MSME Credit to Total Banking Credit will increase by 21.02 % .

In the Wetland area of Siak Regency, MSEs play an important role in driving the wheels of the local economy. However, the big challenge faced by MSEs in this region is limited access to financing. This is an obstacle in the development of MSEs, including in the development of human resources. MSE financing in the Wetland area of Siak Regency can take the form of loans, capital assistance and access to markets. This financing can help MSEs to improve the quality of human resources and competitiveness, so that they can more effectively utilize the economic potential that exists in this region.

Several previous studies have discussed the contribution of MSE financing to MSE human resource development. According to other research conducted by Sulaiman and Wardhani (2017) shows that MSME financing has a significant impact on the development of SME human resources. This research also shows that financing provided by microfinance institutions can improve the quality of SME human resources and make a positive contribution to local economic growth. Other research conducted by Kusnadi, Hidayat, and Sari (2019) also shows that SME financing can help SMEs to develop human resource capacity, improving product quality, and expanding access to markets. The same thing was also done by Alfi et al. (2020), shows that MSE financing can help MSE owners to improve skills and knowledge through increasing access to technology that can increase productivity and quality of their products. Strengthened by research conducted by Nuryanah et al. (2020) found that MSE financing can also help MSE owners to improve their skills and knowledge through training and guidance.

Based on the description above, we can see that the problem of financing and credit for MSEs is still a major problem nationally and regionally. Improving financing problems in MSEs is important because it has been proven to encourage improvements in the quality of MSEs' human resources. Increasing the quality of human resources will further encourage increased business productivity, improved product quality and increased business competitiveness. For this reason, the research objectives are (1) to determine the condition of human resources and human resource development for MSEs in the wetland area of Siak Regency; (2) To find out how MSEs perceive financing and the role of financial institutions in developing human resources for MSEs in the wetland area of Siak Regency; (3) To find out the strategy for developing MSE human resources in the wetland area of Siak Regency.

## METHODS, DATA, AND ANALYSIS

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This research uses qualitative methods supported by primary data obtained from interviews with informants. The method used in determining informants uses the purposive sampling method using certain criteria. According to Bungin (2011), purposive sampling is determining the group of participants who will become informants according to selected criteria that are relevant to the research problem. The criteria used in determining informants are Micro and Small Business (UMK) actors in accordance with the criteria of the Republic of Indonesia Government Regulation Number 7 of 2021 concerning Facilitation, Protection and Empowerment of Cooperatives and Micro, Small and Medium Enterprises, according to business capital criteria:

1) Micro Businesses have business capital up to a maximum of IDR 1,000,000,000.00 (one billion rupiah) excluding land and buildings where the business is located;

2) Small businesses have business capital of more than IDR 1,000,000,000.00 (one billion rupiah) up to a maximum of IDR 5,000,000,000.00 (five billion rupiah) excluding land and buildings where the business is located;

3) Medium Enterprises have business capital of more than IDR 5,000,000,000.00 (five billion rupiah) up to a maximum of IDR 10,000,000,000.00 (ten billion rupiah) excluding land and buildings where the business is located.

Meanwhile, according to the criteria, annual sales results are:

1) Micro Businesses have annual sales of up to a maximum of IDR 2,000,000,000.00 (two billion rupiah);

2) Small Businesses have annual sales of more than IDR 2,000,000,000.00 (two billion rupiah) up to a maximum of IDR 15,000,000,000.00 (fifteen billion rupiah);

3) Medium Enterprises have annual sales of more than IDR 15,000,000,000.00 (fifteen billion rupiah) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiah).

The number of informants in the research was 50 people spread across four sub-districts within the wetland area of Siak Regency, namely Sungai Apit District, Sabak Auh District, Bunga Raya District and Dayun District.

To develop a strategy for developing human resources for MSEs in the wetland area of Siak Regency, SWOT analysis was used, namely comparing internal factors consisting of strengths and weaknesses with external factors consisting of opportunities and threats (Rangkuti, 2013).

Wheelen (2003) states that SWOT analysis is a situation analysis in the strategy formulation process. In this analysis, strategic factors will be identified by combining IFE (Internal Factor Evaluation) with EFE (External Factor Evaluation) into the SWOT (Strengths, Opportunities, Weakness, and Threats) matrix. The results of the SWOT matrix analysis are useful for planning strategies for developing human resources for MSEs in the wetland area of Siak Regency.

According to Rangkuti (2013) in SWOT analysis, IFE (Internal Factor Evaluation) matrix analysis is a strategy formulation tool for summarizing and evaluating the main strengths and weaknesses in the variable area under study and also provides a basis for identifying and evaluating the relationship between the variables that are the object. With the IFE Matrix, it is possible to determine the potential of MSE human resources in the wetland area of Siak Regency in dealing with their internal environment and to understand the factors that are important in developing human resources.

## RESULTS AND DISCUSSION

Human Resources (HR) development strategy in the wetland area of Siak Regency as an important ecosystem and has a crucial role in maintaining environmental balance and supporting various forms of Small and Medium Enterprises (UKM) activities. Human resource development in the Wetland area of Siak Regency is very important to maintain and preserve the ecosystem of existing business units. The HR (Human Resources) development model for micro and small businesses is an approach specifically designed to help micro and small business owners develop the skills, knowledge and abilities of their employees. Human resource development is very important for micro and small businesses because quality human resources can be a key factor in the success and growth of the business.

To develop a strategy for developing human resources for MSEs, it is first necessary to identify the internal conditions of MSEs in the wetland area of Siak Regency. Identification of internal strategic factors for MSEs is formulated in the Internal Factors Evaluation (IFE) Table. The results of identifying internal strategic factors obtained 3 strength factors and 4 weakness factors. These strength and weakness factors are then given weights and ratings. The results of weighting and rating can be seen in the following table:

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**Table 1. Internal Factors Evaluation (IFE) of MSEs in the Wetland Area of Siak Regency**

No	Key Internal Factors	Weight	Ratings	Weighted Score
A	Strengths			
1	UMK human resources have a fairly good level of education	0.16	4	0.64
2	The production aspect is quite efficient	0.15	3	0.45
3	Has local regional potential	0.14	3	0.42
	Total Strengths Value	0.45		1.51
B	Weaknesses			
4	Weak conditions of business management and financial management of MSEs	0.14	2	0.28
5	Weak MSE marketing strategy	0.14	2	0.28
6	The development of local regional potential is still weak	0.14	2	0.28
7	Accessibility to financial institutions is still quite difficult	0.13	2	0.26
	Total Value of Weaknesses	0.55		1.10
	Total IFE Value	100		2.61

Source: Processed Data (2023)

Based on Table 1, it can be seen that the total score for internal strategy factors is 2.61. The IFE table above also shows that the main strengths of MSEs in the wetland area of Siak Regency include (1) MSE human resources have a fairly good level of education; (2) The production aspect is quite efficient; and (3) Has local regional potential. The weak factors that hinder the development of MSEs in the wetland area of Siak Regency include (1) Weak conditions of business management and financial management of MSEs; (2) Weak MSE marketing strategy; (3) The

development of local regional potential is still weak; and (4) Accessibility to financial institutions is still quite difficult.

The identification of external strategic factors for MSEs is formulated in the External Factors Evaluation (EFE) Table. The results of identifying external strategic factors obtained 3 opportunity factors and 3 threat factors. These opportunity and threat factors are then given weights and ratings. The results of weighting and rating can be seen in the following table:

**Table 2. External Factors Evaluation (EFE) of MSEs in the Wetland Area of Siak Regency**

No	Key External Factors	Weight	Ratings	Weighted Score
A	Opportunities			
1	Political and legal conditions support the development of MSEs	0.17	4	0.68
2	There are still wide market opportunities open	0.18	4	0.72
3	Technological development	0.17	3	0.51
	Total Value of Opportunities	0.52	11.00	1.91
B	Threats			
4	Bigger competitors	0.17	3	0.51
5	Financing administration is quite complicated	0.16	4	0.64
6	There are no special financing products for MSE HR development	0.15	3	0.45
	Total Threats Value	0.48	10.00	1.60
	Total EFE Value	1.00		3.51

Source: Processed Data (2023)

Based on Table 2, it can be seen that the total score for external strategy factors is 3.51. The EFE table above also shows that the main opportunities for MSEs in the wetland area of Siak Regency include (1) Political and legal conditions supporting the development of MSEs; (2) Wide market opportunities are still open; and (3) Technological developments. The threat factors that can hinder MSEs from

maximizing existing opportunities include (1) Larger competitors; (2) Financing administration is quite complicated; and (3) There is no special financing product for developing MSE human resources.

Based on the weighting and grouping of internal factors and external factors for the condition of MSEs in the wetland area of Siak Regency, the position of MSEs in the space matrix can be determined. In

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general, the potential for MSEs in the wetland area of Siak Regency has internal strengths, but is faced with external threats which make the business development

process still not optimal. To obtain the space matrix, calculations are carried out on the coordinate points in the space matrix, namely:

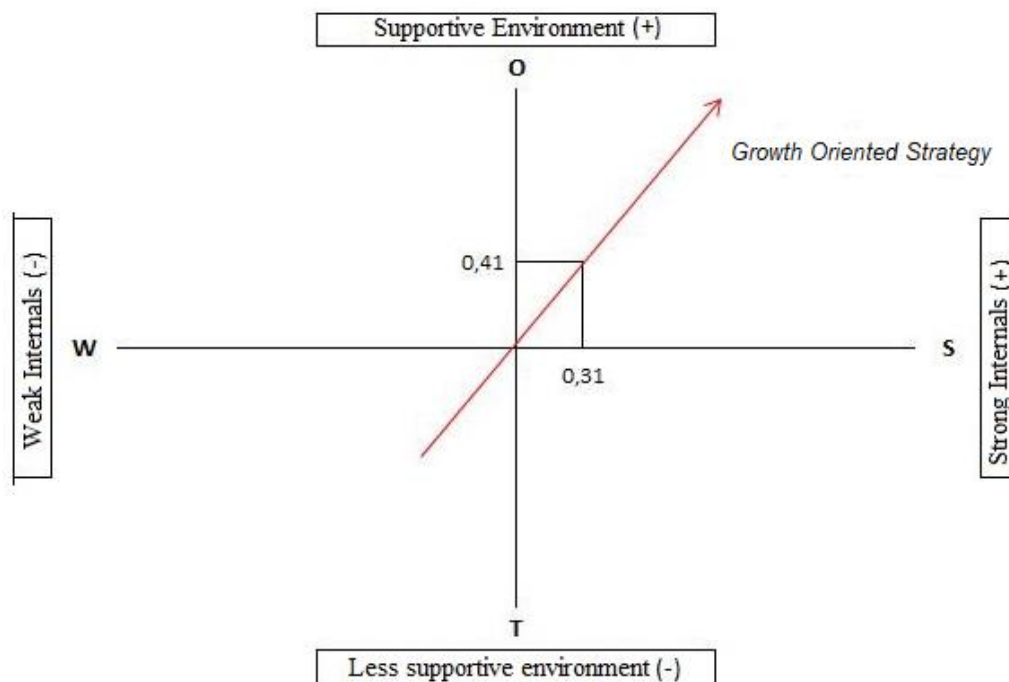
**Table 3. Space Matrix Coordinate Points**

No	Internal Factors	Total Score
1	(+) Strengths	1.51
2	(-) Weaknesses	1.10
Total IFE Score		0.41
No	External Factors	Total Score
1	(+) Opportunities	1.91
2	(-) Threats	1.60
EFE Total Score		0.31

Source: Processed Data (2023)

Calculating the coordinate points in the space matrix is by adding up the score values resulting from the IFE and EFE analysis. So we found a strategy

space matrix for developing MSE human resources in the wetland area of Siak Regency, namely:



Source: Processed Data (2023)

**Figure 1. MSE HR Development Space Matrix**

The results of the MSE HR development space matrix in the wetland area of Siak Regency are in quadrant position one. This is a very profitable situation, the position of MSEs provides opportunities and internal strengths in developing human resources, so that with the strengths they have, the usefulness of

existing opportunities becomes an advantage for MSEs in carrying out human resource development. The strategy that must be implemented in this condition is the development of MSE human resources in an inclusive, collaborative and aggressive manner (growth oriented strategy).

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From the space matrix model for developing human resources for MSEs in the wetland area of Siak Regency, a strategy for developing human resources for MSEs in the wetland area of Siak Regency was prepared. The strategy for developing MSE human resources in the wetland area of Siak Regency consists of 4 strategies, namely Strength and Opportunity (SO), Weakness and Opportunity (WO), Strength and Threat (ST) and Weakness and Threat (WT).

The SO (Strength and Opportunity) strategy is used to capture and exploit the opportunities possessed by MSEs in the wetland area of Siak Regency by maximizing their internal strengths. The following are SO strategies in HR development, namely:

### ***1. Partnership Strategy with Educational Institutions in Carrying out Human Resource Development and Product Innovation***

The Human Resource Development program in the wetland area of Siak Regency aims to improve the performance of small and medium enterprises (MSEs) through partnerships with educational institutions. The program involves training, research, facility and infrastructure development, and product development. Training activities include seminars, workshops, and other training programs to support MSEs in various aspects of human resource management, agricultural product management skills training, and leadership management. Research activities focus on improving production facilities and infrastructure, aiming to increase efficiency, productivity, quality, and sustainability. Product development research activities focus on creating regional specialty products, attractive packaging, certification assistance, and clinical trials. Research shows that partnership programs have a positive impact on business performance and can create product innovation for MSEs based on regional commodities. Overall, these partnerships contribute to the growth and competitiveness of MSEs in the wetland area of Siak Regency.

### ***2. Partnership Strategy with Regional Government in Promoting MSE Products***

The Human Resource Development (HRD) program in the wetland area of Siak Regency aims to improve the performance of Micro, Small and Medium Enterprises (MSEs) through partnerships with educational institutions. These partnerships involve long-term relationships, multi-level cooperation, and mutual trust to achieve business goals. HRD activities include seminars, workshops, and other training activities that support the development of human resources for MSEs, such as agricultural product management skills training and leadership management.

Research activities focus on improving production facilities and infrastructure in the wetland area of Siak Regency, aiming to increase efficiency, productivity, quality, and sustainability of production.

This includes creating appropriate production equipment for MSEs that can support their productivity. Product development research activities are also conducted to improve the ability of MSEs to compete in the business world.

The partnership program has a positive impact on business performance, as research shows that HRD with partnership training programs significantly impacts business performance. Collaboration between business actors and the government is essential for enhancing the community's economy, starting from small to medium businesses. Promotions of MSE products are carried out through product exhibitions, government websites, regional government banners, and billboards, supported by the government's commitment to using local products made by MSEs.

The local government's commitment to using local products is the biggest contribution made by the government in supporting MSEs. Research shows that government collaboration with MSEs in marketing activities has a positive effect on consumers, with aesthetics, uniqueness, and taste. Online media and banners have been found to be effective in promoting products produced by MSEs, with better visual attention attracting the location/product of the MSEs.

In conclusion, the HRD program in the wetland area of Siak Regency has a significant impact on the growth and competitiveness of MSEs.

The WO (Weakness and Opportunity) strategy is used to improve or fix the weaknesses of MSEs in the wetland area of Siak Regency in order to maximize existing opportunities. The following are WO's strategies in HR development, namely:

### ***1. HR Development Strategy in the Context of Strengthening Digital-Based Businesses***

The Siak Regency government is implementing a strategy to strengthen digital-based businesses through HR development activities. These include training in business management, financial management, and marketing management. The Siak Sustainable Business Inkusi (Siak Sustainable Business Inkusi) is a business mentoring program for selected MSMEs with innovative ideas that positively impact social and environmental aspects. The program aims to increase economic growth and support the Green Siak vision and the target of 1000 MSMEs/year.

Financial management training is also being provided to help MSEs make wiser financial decisions and reduce risks. The Siak Regency government also offers digital marketing programs, such as using social media as a business center and other platforms for MSEs to promote their products. Research shows that training in small businesses positively impacts organizational performance, productivity, and employee satisfaction. Additionally, financial management training and assistance have helped

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MSEs organize their finances better and promote their products more effectively.

### **2. HR Development Strategy that focuses on the Development of Regional Superior Local Products**

Siak Regency, particularly in the Wetland area, is focusing on developing superior regional products through local community efforts. These products, mainly from rice, corn, cassava, shallots, and chilies, are being developed through empowerment programs by the regional government, Civil Society Organizations, and NGOs. Other products include food and textile businesses. Human resource development, including brand creation, packaging training, and branding, is being done to enhance the local economy. Research shows that product branding significantly impacts business efforts and improves MSEs' performance and competitiveness.

The ST (Strength and Threat) strategy is used to reduce or minimize threats to MSEs in the wetland area of Siak Regency by utilizing internal strengths. The following is ST's strategy in developing MSE human resources, namely:

#### **1. Financing Program from the Government Specifically for MSEs in Collaboration with Financial Institutions**

The government in Siak Regency is implementing a financing program to support the growth of Micro, Small, and Medium Enterprises (MSEs) through credit interest subsidies and collateral. This program aims to provide lower interest rates for MSEs, enabling them to develop, invest, and create jobs. The government also encourages MSEs through collateral guarantees and People's Business Credit distribution. Additionally, the government collaborates with cooperatives and MSMEs in the form of Corporate Social Responsibility (CSR) to improve the economy. The government also provides direct assistance to MSEs, such as business capital and production equipment grants, to support their growth and contribute to community welfare.

#### **2. HR Development Strategy that Focuses on Product Diversification and Innovation Development**

HR development focuses on product diversification and innovation for multinational enterprises (MSEs). This involves education, training, mentoring, market research, and product development. The Siak Regency Government, in collaboration with PT. Riau Andalan Pulp and Paper, PT. Research shows that product diversification increases competitive advantage for businesses, especially in developed areas with less funding constraints. Expanding HR development programs in the wetland area of Siak Regency is necessary for optimizing local economic potential.

### **3. Partnership Strategy with Village-Owned Enterprises (BUMDes)**

Village-Owned Enterprises (BUMDes) play a crucial role in improving the economy of small and medium businesses (MSEs) in Siak Regency. These businesses access capital, facilities, and infrastructure through various programs, such as traditional financial loans, government programs, and unproductive assets. The presence of BUMDes helps MSEs deal with financial problems, such as the Covid-19 pandemic, and provides an opportunity to revive their businesses. BUMDes also provides production facilities and infrastructure for MSEs, including agricultural product production and sales facilities for local products. The partnership program also involves product distribution activities, allowing MSEs to create jobs, support local community development, and sell their products to markets outside the region. Research shows that the synergy between BUMDes and MSEs provides good business space for the community's economy.

The WT (Weakness and Threat) strategy is used to improve existing weaknesses in MSEs in the wetland area of Siak Regency to minimize the threats they have. The following is WT's strategy in developing MSE human resources, namely:

#### **1. Partnership Strategy with Village-Owned Enterprises (BUMDes)**

Village-Owned Enterprises (BUMDes) play a crucial role in improving the economy of small and medium businesses (MSEs) in Siak Regency. These businesses access capital, facilities, and infrastructure through various programs, such as traditional financial loans, government programs, and unproductive assets. The presence of BUMDes helps MSEs deal with financial problems, such as the Covid-19 pandemic, and provides an opportunity to revive their businesses. BUMDes also provides production facilities and infrastructure for MSEs, including agricultural product production and sales facilities for local products. The partnership program also involves product distribution activities, allowing MSEs to create jobs, support local community development, and sell their products to markets outside the region. Research shows that the synergy between BUMDes and MSEs provides good business space for the community's economy.

#### **2. Partnership Strategy with Corporate CSR**

The Corporate Social Responsibility (CSR) program is a form of cooperation between the government and companies, aimed at increasing the scale of Small and Medium Enterprises (MSEs). This program includes equipment assistance, low interest financing, interest-free loans, and training for MSEs. Companies like PT Ivomas Tunggal and Pertamina Hulu Energi provide equipment assistance, while low interest financing programs and loans without capital help MSEs meet their financial needs. Human

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resource training activities are also part of CSR programs, aiming to improve performance for business actors. The implementation of CSR programs involves identifying MSEs' needs, program plans, facilities, evaluation, and mentoring. Research has shown the success of CSR programs in developing MSE businesses, providing loans, and increasing HR competency. However, proper government regulation is needed to ensure the implementation of CSR programs aligns with MSEs' needs and solves their problems.

### CONCLUSION

1) The educational level of MSE human resources is relatively good, but most of them lack work experience. Apart from that, most MSE human resources are still weak in product development and innovation, lack understanding of market conditions, business opportunities and the application of information technology in the marketing process is still not optimal. This condition is exacerbated by the lack of optimal training and weak monitoring and evaluation processes for human resource development.

2) MSEs' perception of the role of financing is quite good in business development and improving

production facilities and infrastructure. However, the ease of access to financing from financial institutions is still considered difficult in the administration process, apart from that the interest rates offered are relatively high. Apart from that, the role of financial institutions in developing human resources in MSEs is still weak due to the absence of special financial products for human resource development and the lack of role of financial institutions in providing information and consultation related to human resource development.

3) There are 8 HR development strategies, namely (a) Partnership strategy with educational institutions in carrying out HR development and product innovation; (b) Partnership strategy with local governments in promoting MSE products; (c) HR development strategy in the context of strengthening digital-based businesses; (d) a human resources development strategy that focuses on developing regional superior local products; (e) financing programs from the government specifically for MSEs in collaboration with financial institutions; (f) HR development strategy that focuses on developing product diversification and innovation; (g) partnership strategy with Village-Owned Enterprises (BUMDes); and (h) Partnership strategy with company CSR.

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