Sustainable HR Practices in Indonesian MSMEs from a Social Entrepreneurship Perspective: Training, Recruitment, Employee Engagement, Social Impact of Local Communities

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ABSTRACT
This study looks into the complex interactions that exist between Indonesian Micro, Small, and Medium-Sized Enterprises (MSMEs) and training, hiring, employee engagement, social entrepreneurship performance, sustainable business practices, and the social impact on local communities. The study employs Structural Equation Modeling (SEM-PLS) through a quantitative analysis encompassing 487 MSMEs to explore a broad range of hypotheses. The findings highlight the paradoxical relationship that exists between sustainability and training, underscoring the necessity for HR procedures to be approached with delicacy. High employee engagement and successful hiring emerge as key factors that influence the performance of social entrepreneurship and sustainable business practices. Moreover, the research highlights the positive effects of MSMEs involved in social entrepreneurship on sustainable practices and the larger community, underscoring the connection between sustainability and social entrepreneurship. While the practical consequences direct strategic HR planning and the reform of training programs, the theoretical implications cover the advancement of Sustainable Human Resource Management (SHRM) and the enrichment of social entrepreneurship theory. The research offers significant perspectives for MSMEs aiming to harmonize HR procedures with sustainability goals and promote constructive societal influence.

Keywords: Sustainable HR; Social Entrepreneurship; Training; Recruitment; Employee Engagement.

INTRODUCTION
The convergence of social entrepreneurship, sustainable HR practices, and the micro, small, and medium-sized firm (MSME) sector presents an intriguing terrain for investigation in the fast-paced corporate world of today. MSMEs are essential to the Indonesian economy because they play a significant role in reducing poverty, fostering job creation, and fostering economic progress in both developed and developing nations (Kadarisman, 2019; D. Sari et al., 2023). Even while MSMEs have a big economic impact, it's becoming more widely acknowledged that their influence goes beyond financial indicators (Koeswahyono et al., 2022; Kurniawan et al., 2023). MSMEs are crucial for environmental and social responsibility. The emphasis of attention is on the intricate interactions that occur between sustainable human resource practices in Indonesian MSMEs and their effects on social entrepreneurship performance, business sustainability, and community well-being (Iskandar & Kaltum, 2022b; N. T. P. Sari & Kusumawati, 2022).

Due to its sociocultural variety, Indonesia has particular potential and problems in the MSME sector. MSMEs can be major forces in economic growth, but it's critical that their operations reflect the values of social responsibility and sustainability (Glänzel & Scheuerle, 2016; Wardhani et al., 2023). MSME businesses are seen as significant contributors to societal well-being in addition to being economic engines (Castellas et al., 2018; Eikenberry & Kluver, 2004; Mia et al.,

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The Indonesian government has been pushing for sustainable development programs in recent years, emphasizing companies that share their social and environmental objectives (Kadarisman, 2019; N. T. P. Sari & Kusumawati, 2022; Tria Wahyuningtihas et al., 2021). The MSME sector, as the backbone of the economy, plays a unique role in determining the sustainable destiny of the country (Febrian & Maulina, 2018).

This study intends to investigate how social entrepreneurship success, business sustainability, and wider social effect on local communities are impacted by employee recruitment, training, and engagement. Employee training has a significant role in raising the caliber of human resources, which benefits organizational performance (K. Nkundabanyanga et al., 2014). Training initiatives can boost staff members’ energy and inventiveness, improving their capacity for original thought and self-renewing behavior (Tabasum & Shaikh, 2022). This is especially crucial for social entrepreneurs, as they frequently need to come up with creative solutions to pressing societal issues (Rahmi et al., 2022; N. T. P. Sari & Kusumawati, 2022).

The sustainability of a company can be significantly impacted through recruitment, particularly green recruitment (Kumar et al., 2022). Hiring people that are devoted to sustainable practices and are environmentally concerned is known as "green recruitment." This can improve the company's standing, draw in like-minded clients, and support the long-term viability of the enterprise (Mathis & Jackson, 2016; Ozkazanc-Pan & Clark Muntean, 2018). Employee performance and engagement are directly correlated, which aids in the organization's achievement of its objectives (Abolnasser et al., 2023; Ahmed et al., 2020). The strong emotional bond that staff members have with their company motivates them to work harder at their jobs (Tabasum & Shaikh, 2022). Employee retention, a critical component of organizational performance, is boosted by engaged workers' propensity to stick with the company (Alhmoud & Rjoub, 2019; Awolusi & Jayakody, 2021).

Organizational sustainability is greatly impacted by green human resource management (GHRM) techniques, such as green HR planning, green job design and analysis, green recruiting and selection, green employee relations, and green training methods (Akhtar et al., 2023; Bahuguna et al., 2023; Gharbi et al., 2022; Yong et al., 2020). These procedures support the sustainability of the business as a whole, preserve organizational capabilities, boost profitability, and enhance employee and customer satisfaction (Kumar et al., 2022).

Government support, community/local population engagement, employee engagement, and organizational contribution are some of the factors that impact social entrepreneurship performance (Hidzir et al., 2021). These factors are interrelated and form a model that can be used to understand and improve social entrepreneurship performance. Local communities can be greatly impacted through social entrepreneurship. It can support regional economic growth, generate employment, and offer services (Reyes & Campo, 2020). Furthermore, the social impact of social entrepreneurship efforts can be amplified by enlisting the participation of local residents (Iskandar et al., 2021; Iskandar & Kaltum, 2022a).

The necessity for businesses to include sustainable practices into their core values is becoming more and more obvious given the complexity of today's business environment. Human resource (HR) practices play a significant role in this scenario (Gulzar, 2017; Mathis & Jackson, 2016). These days, hiring tactics, training plans, and employee engagement projects are viewed as strategic tools that can be used to
advance social impact and sustainability rather than as merely functional requirements (Amah & Oyetuunde, 2020; Antony, 2018; Malik et al., 2022). Nonetheless, there is still much to learn about the complex interaction dynamics in the unique setting of Indonesian MSMEs.

The intricate relationship between sustainable human resource practices and the socioeconomic impact of MSMEs in Indonesia is not well understood, which is a major problem (Kourlisky & Esfandiari, 1997; Lin-Lian et al., 2022; Nafukho & Helen Muyia, 2010). The disregard for human resource procedures in MSMEs, which more frequently concentrate on daily operational concerns, is one facet of this issue (Hermawati, 2020; Nurani et al., 2020). The fundamental problem is the underappreciation of human resources’ strategic importance as an internal organization driver and its larger social influence. MSMEs face particular issues because they operate in different industries, thus a general approach to sustainable HR practices might not work. It is troublesome because there aren't any particular solutions that consider the characteristics of MSMEs in Indonesia. MSMEs have a lot of potential to positively impact society; the trick is to make the most of it.

It is necessary to conduct further research on how human resource practices might be adjusted to get the best possible results for businesses and the communities that MSMEs serve (Omar, 2020; Tabatabaei et al., 2017; Zhao & Huang, 2022). The issue is knowledge gaps that make it difficult to develop appropriate practices, policies, and interventions to improve MSMEs’ social impact and sustainability. It is imperative that this gap be closed if Indonesia’s MSME sector is to grow overall.

The significance of Micro, Small, and Medium-Sized Enterprises (MSMEs) in Indonesia’s socio-economic structure makes this research imperative. Even while these businesses undoubtedly contribute financially, it is critical that they adopt sustainable and socially conscious business methods (Febrian & Maulina, 2018). This is highlighted by multiple elements: The foundation of the Indonesian economy, MSMEs significantly boost employment and GDP. However, research into sustainable methods is desperately needed because humans are susceptible to both environmental changes and economic shocks. For these businesses to be resilient and sustainable, these principles must be included.

MSMEs have the ability to be effective change agents since they are significant members of the local community. Employing sustainable Human Resource (HR) practices can augment their influence on social entrepreneurship, thereby aiding in the development of communities (Campos, 2021). The need to maximize this potential for societal well-being gives rise to urgency. Aligning MSMEs with sustainable HR practices is not only a local requirement but also a global one in an era where global sustainability is the primary focus. MSMEs must adapt to be relevant in the global market as investors and customers prioritize socially conscious businesses more and more.

The paucity of studies especially examining the impact of HR practices on social entrepreneurship in Indonesian MSMEs underscores the urgency of this matter. It is essential to comprehend and modify HR strategies in light of the changing socioeconomic environment in order to address current issues. Although sustainable HR practices are important, there is a clear knowledge gap about their particular consequences when it comes to MSMEs in Indonesia. The difficulty is in realizing how HR procedures, especially those pertaining to hiring, training, and
employee engagement, can be used to boost community development and social entrepreneurship in addition to enhancing corporate performance. By investigating the connection between these HR practices and their effects on the social well-being of the larger local community, this study aims to close this gap.

METHOD

a. Design & Sample

In order to fulfill the objectives of this study, self-reported surveys as well as online and offline data search strategies were employed to gather the primary data for the research design. The Google digital platform was used to conduct the study’s online survey. The author and the enumerators—students—were also helped in the process of going straight to the object to discover possible respondents for this research in order to avoid bias or confusion among potential respondents when answering the questionnaire. But before counting, the enumerators received instruction that helped them comprehend the goal of the study. The study ran from March 5, 2023, until June 5, 2023, or roughly five months. Thanks to the efforts of the authors and enumerators, 487 data points were gathered from social company owners in Indonesia, despite the fact that the study instrument was constructed in Indonesian.

In this study, the nonprobability method of purposeful sampling was employed to generate and gather data. Purposeful sampling can only include specific categories of individuals who meet the researcher's criteria or are the only ones with the information in question (Sekaran & Bougie, 2016). The people in the sample that was chosen are social entrepreneurs.

The majority of respondents to the offline survey were from the provinces of DKI Jakarta, Banten, West Java, East Java, Central Java, West Sumatra, South Sulawesi, and Bali, as well as their cities and regencies. In the meantime, the authors responded to the online poll in this study using the currently popular social media platforms, including Facebook, Instagram, Linkedin, and WhatsApp. Demographics collected from the offline research sites, however, were left out. Maintaining research ethics requires protecting respondents’ identity, including pseudonyms and abbreviations. Table 1 provides an overview of the respondents’ demographics from this study.

<table>
<thead>
<tr>
<th>Table 1 Demographics of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
</tr>
<tr>
<td>18-25 Years</td>
</tr>
<tr>
<td>25-35 Years</td>
</tr>
<tr>
<td>36-45 Years</td>
</tr>
<tr>
<td>46-55 Years</td>
</tr>
<tr>
<td>&gt;55 Years</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Senior High Schools</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
</tr>
<tr>
<td>Master’s Degree</td>
</tr>
<tr>
<td>Doctoral Degree</td>
</tr>
<tr>
<td>Business Experience</td>
</tr>
<tr>
<td>&lt;5 Years</td>
</tr>
<tr>
<td>5-10 Years</td>
</tr>
<tr>
<td>11-15 Years</td>
</tr>
</tbody>
</table>
Based results Table 1, the age distribution of the respondents reveals a notable presence of people in their mid-career phase, with 36.06% of the sample falling into the 26–35 age group. A thorough investigation of viewpoints on sustainable HR practices in Indonesian MSMEs is ensured by this age distribution. A cohort of professionals with a moderate degree of experience is suggested by the majority of respondents (36.17%), who have 5–10 years of experience. This variation in experience levels helps to provide a more nuanced view of how sustainable HR practices are implemented at various phases of a career.

The large number of responders (38.20%) with master's degrees is noteworthy. This educated population offers a good starting point for discussions about the integration of sustainable HR practices and may be a reflection of the importance that the Indonesian MSME sector places on knowledge and skills. It is important to investigate sustainable HR practices in the setting of smaller organizations, as evidenced by the preponderance of micro (36.50%) and small businesses (37.77%). But the inclusion of large businesses (10.89%) and medium-sized businesses (14.78%) guarantees a comprehensive analysis of these practices across a range of company sizes.

b. Data Analysis

The partial least squares approach and structural equation modeling (PLS-SEM) were utilized in SMARTPLS version 4 to examine the study data. Based on the previously developed theoretical framework, we utilized the Confirmatory Composite Analysis (CCA) method to support this research. The robustness of the model architecture and the latent variable indicators is therefore guaranteed. The PLS-SEM methodology evaluates the outer and inner models through two stages of analysis. The construct validity and coherence of the survey instrument indicators are evaluated using a variety of statistical methods.

Two different metrics were employed to evaluate the instruments' validity: convergent and discriminant validity. Instrument dependability is measured using metrics such as Composite dependability (CR) and Cronbach's alpha (CA). Latent variables are considered dependable in accordance with the CCA approach if the combined CR and CA values exceed 0.70. Convergent validity is assessed using the CCA Method using the Average Variance Extracted (AVE) measure. According to criteria (Hair et al., 2019), convergent validity is deemed adequate when the value is more than 0.50.

Before it was completed, a preliminary version of the questionnaire was distributed to entrepreneurial PhD holders who had published high-caliber papers in Scopus. Following that, thirty ad hoc examples of the query words were selected. In this study, three independent factors and three dependent variables are present.
### Table 2: Validity and Reliability of Quisioner

<table>
<thead>
<tr>
<th>Variable</th>
<th>Items</th>
<th>Code</th>
<th>Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Training (TRA)</strong></td>
<td>CA = 0.846, CR = 0.896, AVE = 0.684</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. The training program implemented has been effective in improving employee skills.</td>
<td>TRA.1</td>
<td>0.794</td>
</tr>
<tr>
<td></td>
<td>2. The training role has increased my team’s capacity to achieve my business's social goals.</td>
<td>TRA.2</td>
<td>0.868</td>
</tr>
<tr>
<td></td>
<td>3. I am satisfied with the effectiveness of the training program.</td>
<td>TRA.3</td>
<td>0.873</td>
</tr>
<tr>
<td></td>
<td>4. We routinely conduct training to employees.</td>
<td>TRA.4</td>
<td>0.767</td>
</tr>
<tr>
<td><strong>Recruitment (RET)</strong></td>
<td>CA = 0.810, CR = 0.887, AVE = 0.724</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. The recruitment process is very helpful in getting individuals who are committed to the business goals.</td>
<td>RET.1</td>
<td>0.871</td>
</tr>
<tr>
<td></td>
<td>2. The recruitment process emphasizes the social and sustainability values adopted by the company.</td>
<td>RET.2</td>
<td>0.858</td>
</tr>
<tr>
<td></td>
<td>3. My business supports team diversification in the context of social purpose</td>
<td>RET.3</td>
<td>0.824</td>
</tr>
<tr>
<td><strong>Employee Engagement (EET)</strong></td>
<td>CA = 0.907, CR = 0.935, AVE = 0.782</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Employees engage in activities or initiatives that support the company's social goals</td>
<td>EET.1</td>
<td>0.884</td>
</tr>
<tr>
<td></td>
<td>2. Satisfaction level with communication between management and employees about my business's social initiatives</td>
<td>EET.2</td>
<td>0.860</td>
</tr>
<tr>
<td></td>
<td>3. Employees interact with coworkers to complete shared tasks that support the social goals of the business</td>
<td>EET.3</td>
<td>0.927</td>
</tr>
<tr>
<td></td>
<td>4. Employees take responsibility for their work and contribute to the achievement of the business's social goals.</td>
<td>EET.4</td>
<td>0.863</td>
</tr>
<tr>
<td><strong>Social Entrepreneurship Performance (SEP)</strong></td>
<td>CA = 0.893, CR = 0.918, AVE = 0.651.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. I believe that this company is successfully achieving its social goals.</td>
<td>SEP.1</td>
<td>0.824</td>
</tr>
<tr>
<td></td>
<td>2. I value the positive impact generated by the company in supporting social or environmental issues.</td>
<td>SEP.2</td>
<td>0.781</td>
</tr>
<tr>
<td></td>
<td>3. I see the positive impact that the company has on the community or environment.</td>
<td>SEP.3</td>
<td>0.852</td>
</tr>
<tr>
<td></td>
<td>4. I feel that the company's efforts in achieving its social mission.</td>
<td>SEP.4</td>
<td>0.762</td>
</tr>
<tr>
<td></td>
<td>5. How often the company involves employees in activities or projects that support social causes.</td>
<td>SEP.5</td>
<td>0.777</td>
</tr>
</tbody>
</table>
A list of the criteria for validity and reliability is given in Table 3 above. A total of twenty-eight questionnaire questions were employed in this study. Convergent validity—a measure of the questionnaire’s validity—was determined by using the partial least squares approach to the calculation. The degree to which an indicator accurately reflects a dimension is the gauge of convergent validity. As per (Hair et al., 2019), an evaluation tool is deemed to possess convergent validity if the Average Variance Extracted, or AVE, value is more than 0.5. Factor loadings are shown for each item in the table, and they are all greater than 0.70. As predicted, every construct composite reliabilities and AVE value exceed 0.50 and 0.70, respectively.
Statistically, the Heterotrait-Monotrait Coefficient (HTMT) can be used to evaluate the discriminant validity of research instruments. To assess discriminant validity in PLS-SEM study, keep in mind that (Ringle et al., 2012) recommended the HTMT ratio as a more accurate statistic. It is crucial to verify that the HTMT ratio does not exceed 0.90 in order to determine the instrument's legitimacy. The validity of the research instrument used to evaluate the model it contains is indicated by Table 4, where the HTMT ratio values for each latent variable are all less than 0.90.

The structural or internal assessment's goal is to put a number on how well the conceptual model predicts the variance of the independent variable. Figure 2 depicts the internal model and the construction process. The four measurement experiments that were conducted are included as well.

The objective of the internal or structural assessment is to ascertain how well the conceptual model predicts the variance of the independent variables. Four measurement analyses are conducted in order to achieve this. The combined
influence of the exogenous and endogenous components was assessed for significance using the R-square (R2) value, also known as the coefficient of determination. Additionally, using a subsample of 5000, the bootstrap technique was used to evaluate the statistical significance of the direct and indirect path coefficients. In order to show that there is a statistically significant association between latent variables, this evaluation uses the t-statistic, also known as the p-value, which requires a value of less than 0.1. At this point, the research approach described by (Hair et al., 2019) was used to test the study’s hypotheses. The measurement and overall effectiveness of the structural model were then assessed, and the robustness of the model was verified using a Goodness of Fit study. The Chi-Square ratio, NFI, and SRMR values are evaluated for strength in the analysis. In addition to the predictive relevance analysis discussed above, another method employed in this work is the blindfolding methodology, which is based on cross-validated redundancy and was fully explained by Sarstedt, Straub, and Hair in 2012. Examining and analyzing partial least squares structural equation modeling (PLS-SEM) in relation to structural equation modeling is one of the main goals of this work.

RESULTS AND DISCUSSION

Researchers (Hair et al., 2019) especially advise that before performing a more thorough analysis, make sure there are no missing outlier data from distributing questionnaires to research participants. 500 surveys were initially sent out; however, it was discovered that some outliers were missing or respondents had not filled out the form after the author, the enumerator, entered the data. 487 questionnaires were judged suitable and accurate after the missing outlier data was eliminated. The research should multiply five to ten times more than the entire number of research indicators if SEM-PLS is used as the data analysis method (Hair et al., 2019). This study presents the least number of samples needed to test the sample requirements in PLS-SEM, which is 28 indicators in total. Based on this, 487 samples are found to be eligible.

In the PLS-SEM test series, the second need is to confirm that no multicollinearity assumption is present in any of the variables that are used to generate a construct. As stated by (Hair et al., 2017), one must not use this assumption if the VIF value is less than 3,000. The findings are displayed in the table below, which was produced by conducting this study without depending on the multicollinearity hypothesis.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Sustainable Business</th>
<th>Social Entrepreneurship Performance</th>
<th>Social Impact of Local Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training</td>
<td>1,421</td>
<td>2,481</td>
<td></td>
</tr>
<tr>
<td>Recruitment</td>
<td>2,432</td>
<td>1,982</td>
<td></td>
</tr>
<tr>
<td>Employee Engagement</td>
<td>1,822</td>
<td>2,321</td>
<td></td>
</tr>
<tr>
<td>Social Entrepreneurship Performance</td>
<td>2,129</td>
<td>2,102</td>
<td></td>
</tr>
<tr>
<td>Sustainable Business</td>
<td>2,332</td>
<td>1,762</td>
<td></td>
</tr>
</tbody>
</table>
The study's multicollinearity assumption criteria have satisfied all pertinent requirements, as per (Hair et al., 2017). Every one of the resultant structures has an inner VIF value less than 3,000, as Table 4 above illustrates. According to the VIF values of the network variables in these topics, the training, hiring, and employee engagement variables' VIF values on the performance of social entrepreneurship and sustainable business are less than 3,000. It is indicated by this value that these variables are acceptable. Furthermore, for the constructs associated with the dependent variable, values fewer than three thousand were also discovered.

The GoF in the study model will also be examined as a proposed criterion. Model fit evaluation can be done with the use of the SMARTPLS website, according to Hair et al., 2017 and 2019. The assessment of model fit is essential for determining the overall utility of the structural, internal, and external models. The theta root mean square (RMS) and the standardized root mean square (SRMR) should therefore be less than 0.02, 0.10, or 0.08. In addition, there must be a minimum of 0.9 in the numerical fit index (NFI).

Table 5 Research on GOF

<table>
<thead>
<tr>
<th></th>
<th>Saturated Model</th>
<th>Estimated Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRMR</td>
<td>0,076</td>
<td>0,085</td>
</tr>
<tr>
<td>d ULS</td>
<td>0,804</td>
<td>0,841</td>
</tr>
<tr>
<td>d G</td>
<td>0,623</td>
<td>0,601</td>
</tr>
<tr>
<td>Chi-Square</td>
<td>1730,282</td>
<td>1762,492</td>
</tr>
<tr>
<td>NFI</td>
<td>0,832</td>
<td>0,832</td>
</tr>
</tbody>
</table>

The calculated model's NFI value of 0.842, indicating a great degree of fit, and SRMR value of 0.085, below the recommended threshold of 0.10, are displayed in Table 5. Given the study's findings, the model satisfies the Goodness of Fit presumptions.

a. Interior Model Architecture

By applying the coefficient of determination (R-square), one can determine the extent to which other factors impact the dependent variable. The dependent latent variable of the structural model with an R2 value of 0.67 or higher, as per (Chin, 1998; Hair et al., 2019), suggests that the influencing independent factors have a positive impact on the dependent variable under influence. Results fall into two categories: weak and moderate. If they fall between 0.19 and 0.33 and between 0.33-0.67, they are classified as weak.

Table 6 R Square Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>R²</th>
<th>R² Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Business</td>
<td>0,534</td>
<td>0,085</td>
</tr>
<tr>
<td>Social Entrepreneurship</td>
<td>0,613</td>
<td>0,841</td>
</tr>
<tr>
<td>Performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Impact of Local</td>
<td>0,643</td>
<td>0,601</td>
</tr>
<tr>
<td>Communities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Strong explanatory power is indicated by the high R2 values for social entrepreneurship performance (0.613), social impact of local communities (0.643), and sustainable business (0.534) in their respective models. Furthermore, the corresponding R2 adjusted values (0.602, 0.652, 0.694) imply that the models successfully take into account the quantity of predictors, hence enhancing the resilience of the associations investigated in the research. These results confirm that, in the context of the study, the variables selected to explain variations in social entrepreneurship performance, sustainable business practices, and the social impact on local communities are reliable.

b. Forecasting Model's Applicability

Based on recommendations from (Hair et al., 2017, 2019), this study evaluated the model using the Q2 redundancy measure while accounting for the reflecting component of the metric. How well the model predicts outcomes outside of a sample is indicated by Hair's Q2 value. For a given dependent construct reflecting endogenous variables in structural equation models, a Q2 value larger than zero indicates the route model's predictive usefulness. Given the data, Table 7 demonstrates the predictive power of the model.

<table>
<thead>
<tr>
<th>Variable</th>
<th>SSO</th>
<th>SSE</th>
<th>Q2 (1-SSE/SSO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Business</td>
<td>3349</td>
<td>3521.039</td>
<td>0.050</td>
</tr>
<tr>
<td>Social Entrepreneurship Performance</td>
<td>3349</td>
<td>3119.072</td>
<td>0.067</td>
</tr>
<tr>
<td>Social Impact of Local Communities</td>
<td>3349</td>
<td>3220.030</td>
<td>0.038</td>
</tr>
</tbody>
</table>

Table 7 Blindfolding Test Result

c. Exam Bootstrapping

When the t-statistic value at the 95% confidence level is greater than the t-statistic (>1.96), the hypothesis is considered significant. The software SmartPLS bootstrap was used to achieve the findings seen here. Together with the beta value, mean, standard deviation, t-value, and p-value, the construct hypotheses analysis is displayed in Table 8. The 0.05 p-value was therefore used to make the decision.

<table>
<thead>
<tr>
<th>Hypotesis</th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>T-Statistic</th>
<th>P-Values</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRA -&gt; SBS</td>
<td>-0.419</td>
<td>-0.394</td>
<td>0.162</td>
<td>2.592</td>
<td>0.010</td>
<td>Supported</td>
</tr>
<tr>
<td>TRA -&gt; SEP</td>
<td>-0.352</td>
<td>-0.355</td>
<td>0.146</td>
<td>2.521</td>
<td>0.015</td>
<td>Supported</td>
</tr>
<tr>
<td>RET -&gt; SBS</td>
<td>0.403</td>
<td>0.406</td>
<td>0.077</td>
<td>5.253</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>RET -&gt; SEP</td>
<td>0.559</td>
<td>0.541</td>
<td>0.101</td>
<td>5.559</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>EET -&gt; SBS</td>
<td>0.688</td>
<td>0.673</td>
<td>0.086</td>
<td>7.812</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>EET -&gt; SEP</td>
<td>0.492</td>
<td>0.461</td>
<td>0.152</td>
<td>3.231</td>
<td>0.001</td>
<td>Supported</td>
</tr>
<tr>
<td>SEP -&gt; SBS</td>
<td>0.467</td>
<td>0.468</td>
<td>0.078</td>
<td>5.969</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>SBS -&gt; SIL</td>
<td>0.351</td>
<td>0.375</td>
<td>0.107</td>
<td>3.275</td>
<td>0.001</td>
<td>Supported</td>
</tr>
<tr>
<td>SEP &gt; SIL</td>
<td>0.504</td>
<td>0.504</td>
<td>0.081</td>
<td>6.192</td>
<td>0.000</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Table 8 Hypothesis Test

Table 8, which presents the bootstrap results, demonstrates this. According to the negative coefficient, business sustainability (SBS) tends to decline as training (TRA) grows. At the 0.05 level, the t-statistic of 2.592 is significant, indicating that the
hypothesis is supported. This suggests that there is a statistically significant inverse link between organizational sustainability and training. Like H1, the negative coefficient suggests that social enterprise performance (SEP) tends to decline as training (TRA) increases. At the 0.05 level, the t-statistic of 2.521 is significant, indicating that the hypothesis is supported. This suggests that there is a statistically significant inverse link between social enterprise performance and training. The approval of H1 and H2 is the conclusion.

Business sustainability (SBS) tends to rise as recruitment (RET) increases, according to the positive coefficient. The hypothesis is supported by the extremely significant (p<0.001) t-statistic of 5.253. This suggests that recruiting and organizational sustainability have a statistically significant positive link. According to the positive coefficient, social enterprise performance (SEP) tends to climb when recruitment (RET) does. The hypothesis is supported by the t-statistic of 5.559, which is very significant (p<0.001). This suggests that recruitment and social enterprise performance have a statistically significant beneficial association. H3 and H4 are deemed authorized in the end.

Business sustainability (SBS) tends to rise as employee engagement (EET) does, according to the positive coefficient. The hypothesis is supported by the extremely significant (p<0.001) t-statistic of 7.812. This suggests that employee engagement and organizational sustainability have a statistically significant positive link. Social entrepreneurship performance (SEP) tends to rise as employee engagement (EET) does, according to the positive coefficient. At the 0.001 level, the t-statistic of 3.231 is significant, indicating that the hypothesis is supported. This suggests that employee engagement and social entrepreneurship performance are positively correlated in a statistically meaningful way. H5 and H6 are deemed authorized in the end.

The positive correlation shows that business sustainability (SBS) tends to rise in tandem with social enterprise performance (SEP). The idea is supported by the extremely significant (p<0.001) T-statistic of 5.969. This suggests that social entrepreneurial success and organizational sustainability have a statistically significant positive link. The positive correlation suggests that social impact on local communities (SIL) tends to improve as social entrepreneurial performance (SEP) does. Supporting the hypothesis, the t-statistic of 3.275 is significant at the 0.001 level. This suggests a statistically significant positive correlation between social impact on local communities and the performance of social entrepreneurs. H7 and H8 are deemed authorized in the end.

The positive correlation suggests that social impact on local communities (SIL) tends to improve as social entrepreneurial performance (SEP) does. The hypothesis is supported by the extremely significant (p<0.001) t-statistic of 6.192. This suggests a statistically significant positive correlation between social impact on local communities and the performance of social entrepreneurs. We conclude that H9 is authorized.

To sum up, the statistical analysis provided support for every hypothesis. The results show a strong correlation between social entrepreneurship performance, employee engagement, training, and recruitment, as well as how these factors affect organizational sustainability and the social impact on nearby communities. The study’s findings advance knowledge of sustainable HR practices in MSMEs in Indonesia from the standpoint of social entrepreneurship.
Discussion

The study’s conclusions offer a sophisticated understanding of the connections among Indonesian MSMEs’ social impact on local communities, performance in social entrepreneurship, hiring practices, employee engagement, and training. In this section, we examine how to interpret these findings, connect them to earlier studies, and talk about the theoretical ramifications.

An intriguing finding is the inverse association between social entrepreneurship performance and training and sustainable business practices. Training has historically been linked to successful organizational outcomes (Lumunon et al., 2021; Oloan, 2022). This finding, however, raises the possibility that not all training programs will support the objectives of social entrepreneurship and sustainability. This makes it necessary to examine training programs’ orientation and substance more closely. Do these programs focus on teaching about sustainability, or are they lacking this crucial element? Consideration must be given serious thought to the paradoxical negative link regarding training identified in H1 and H2. Training has long been thought to be an effective means of improving organizational performance. Nonetheless, it seems that not all training programs make an equal contribution when it comes to sustainability and social entrepreneurship. It is necessary to investigate how training programs relate to sustainability goals in terms of content, orientation, and alignment. To make sure that their training initiatives encourage employees to think sustainably, organizations might need to review and rethink their curricula.

The literature on the significance of human resource practices in fostering organizational sustainability is consistent with the favorable effects of recruitment practices on social entrepreneurship and sustainable company performance (Mathis & Jackson, 2016; Sutanto & Kurniawan, 2016). Broader organizational goals are aided by efficient recruitment techniques that take into account a candidate’s commitment to sustainability goals in addition to talents. The positive correlations found in H2 and H43 demonstrate how strategically important recruitment is to the advancement of social entrepreneurship and sustainable business practices. Organizational goals are greatly aided by efficient hiring procedures that take into account candidates’ beliefs and commitment to sustainability (Baten, 2017; Chandani et al., 2016). This is consistent with the claim that a company’s early personnel lifecycle has a significant impact on how things turn out in the long run (Chandani et al., 2016; Sendawula et al., 2018; Yuswardi & Suryanto, 2021).

Likewise, the research emphasizing the crucial role engaged employees play in organizational success is echoed by the strong positive association between employee engagement and sustainable business practices and social entrepreneurship performance (Nugroho, 2023; Tabasum & Shaikh, 2022; Winasis et al., 2020). Employee engagement increases the likelihood that they will actively engage in social entrepreneurship and take ownership of sustainability efforts (Iskandar & Kaltum, 2022b).

The idea that social entrepreneurship can act as a catalyst for positive organizational and community outcomes is reaffirmed by the positive relationship shown between social entrepreneurship performance and sustainable business practices as well as local community social impact. MSMEs that actively participate in social entrepreneurship are seen as having a good impact on the community as well as encouraging sustainable practices in their operations (Burkett, 2013;
Castellas et al., 2018; Iskandar & Kaltum, 2021; Krupa et al., 2019; McLoughlin et al., 2009; Troise et al., 2022).

a. Theoretical Contribution

This research adds empirical support to the body of knowledge on particular HR practices that have an impact on sustainability, which helps to advance the field of sustainable HRM. According to the findings, a targeted approach to HR procedures—such as hiring, training, and employee engagement—is essential to promoting long-term business strategies.

By offering empirical evidence for the favorable correlation between social entrepreneurial performance, sustainable company practices, and social effect on local communities, this research contributes to the theoretical framework of social entrepreneurship. This puts into question the conventional understanding of entrepreneurship, which primarily considers financial gains.

Given the contradictory effects of training on sustainability practices, it is necessary to reconsider the purpose and method of training within the framework of sustainable human resource management. Conventional training programs may enhance certain abilities, but they might not place as much emphasis on the attitudes and values that encourage sustainable behavior. These findings open up new avenues for future research on the subject matter and efficacy of training with a sustainability focus.

b. Practical Implications

The study's findings highlight the necessity of strategic HR planning that specifically incorporates sustainability objectives for practitioners. HR specialists should coordinate employee engagement campaigns, recruitment tactics, and training plans with the organization's sustainability goals. This entails not just seeking out people who have a strong commitment to sustainability, but also cultivating an environment that values and promotes sustainable behavior.

The contradictory training-related findings emphasize how crucial it is to review and even restructure training initiatives. Employers should make sure that training programs contain elements that help employees create a sustainable mentality in addition to skills development.

The necessity for recruitment procedures that specifically take candidates' ideals and dedication to sustainability into account is highlighted by the positive effects of hiring on social entrepreneurship and sustainable company practices. In order to guarantee that the staff is aligned with company values, HR professionals should integrate sustainability criteria into the hiring process.

The significance of employee engagement activities from a strategic perspective is underscored by the robust positive correlation observed between sustainability and social entrepreneurship performance and employee engagement. Programs that encourage employee participation and enable them to actively contribute to sustainability objectives and social entrepreneurship endeavors are something that organizations ought to invest in.

c. Limitations and Future Research Directions

There are certain limitations that should be acknowledged even if the study's findings offer insightful information. Causal inferences are limited by the data's cross-sectional character. Future studies investigating the temporal relationship between HR practices, sustainability, and social entrepreneurship may employ a longitudinal approach.
Furthermore, because the study's focus was on MSMEs in Indonesia, caution should be exercised when extrapolating the results to other settings. To evaluate the robustness of the association, future research could expand this analysis to include diverse cultural and economic contexts.

Additionally, the impact of particular HR practices on sustainable outcomes—such as employee engagement, recruiting, and training—was examined in this study. Future studies should look into other elements like leadership and organizational culture to provide a more thorough knowledge of the mechanisms influencing sustainability in MSMEs.

**CONCLUSION**

To sum up, this study offers a thorough evaluation of how HR procedures, sustainability, and social entrepreneurship relate to MSMEs in Indonesia. The necessity to reevaluate training programs to make sure they are in line with sustainability goals is highlighted by paradoxical discoveries pertaining to training. Sustainable business practices and social entrepreneurship can be fueled by strategic levers such as high employee engagement and effective recruitment practices. By highlighting the connections between social entrepreneurship and sustainable human resource management, this study enhances the theoretical frameworks in both fields. In order to improve sustainable outcomes, HR professionals can use the study's practical findings to inform their strategic planning, recruitment, and employee engagement initiatives. This research offers pertinent insights for companies seeking to traverse the challenging landscape of HR practices in the quest of sustainable and socially impacting company operations, as companies around the world struggle with the sustainability imperative.

**Reference**


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