

MSMEs and Human-Centric Innovation: An Economic Analysis

Author 1- Ms. Arshdeep kaur
College - Punjab College of Technical Education
University- Punjab technical University
Department- Business Management
Email – arshdeep@pcte.edu.in
M.M- 9855147426

Abstract:

MSMEs are really important for economic growth and creating jobs, especially in places that are still developing. They help with regional stuff too. Lately, this idea of human-centric innovation has come up a lot, and it feels like a way to make things more sustainable and include everyone in the economy.

This paper looks at how that kind of innovation helps MSMEs do better, stay tough, and grow more. It is all about focusing on people, like teaching skills, making sure employees are okay, designing products for customers, having workplaces that include everybody, and getting involved with the community. I think the main point is that this is different from just pushing tech all the time. Human ways let these small businesses compete for the long haul by mixing money goals with social ones, or human development.

Using stuff like reports and other studies that already exist, the analysis checks out how this affects productivity, better job quality, the ability to innovate, and keeping things going over time for MSMEs. MSMEs that do these people-focused things seem to handle market shifts easier, keep their workers longer, and make customers happier. All that adds up to help the economy grow, I suppose.

It also talks about how institutions, government rules, and going digital can push this innovation in the MSME world. Targeted help like policies for skills, money access, and setups that include everyone is key to making it bigger. Without that, it might not spread much.

Shifting policies and business ideas to center on people could make MSMEs stronger for fair development. That is the big wrap up, anyway. Integrating this human-centric thing into strategies for MSMEs is what we need for growth that includes more and lasts.

Some people might say tech is enough, but others think the human side fills in gaps that get missed.

Keywords: MSMEs, Human-Centric Innovation, Economic Growth, Sustainability, Inclusive Development, Employment Generation

Introduction:

Small, Medium and Micro Enterprises (MSMEs) have a significant impact on economic development because they are a major source of employment generation, income creation, and inclusive growth. In

fact, MSMEs in both developed and developing economies dominate the business landscape and thus, account for a large share of total employment, especially in labor-intensive sectors. The World Bank states that MSMEs make up around 90 percent of all businesses worldwide and also provide over 50 percent of total employment, which is a testament to their crucial role in maintaining economic stability and social welfare (World Bank, 2020).

The MSME sector in India holds a pivotal position owing to its share in the country's GDP, exports, and the overall development of different regions. It facilitates the industrialization of rural and backward areas, helps in maintaining regional balance, and supports fair distribution of income. The Ministry of MSME acknowledges that the sector is a major contributor to both manufacturing output and the provision of services, at the same time generating entrepreneurship and innovations at the grassroots level (Ministry of MSME, 2023). Strengthening the innovative capacity of MSMEs has thus become a major policy focus for India as it aims for sustainable and inclusive development.

The idea of human-centric innovation has recently become a major topic of discussion in economics and business. Human-centric innovation is all about focusing on people - workers, consumers, and communities - as the main element of innovation, instead of just technology or profit-motivation. This method sees human capital, skills, creativity, and user-driven solutions as valuable resources that contribute to the sustainability of innovation (OECD, 2019). This is the kind of innovation that is more familiar to MSMEs, as they generally depend more on human creative genius than on large-scale capital or advanced technologies, and it is also a sound way for them to become competitive and resilient.

In economic terms, human-centric innovation is a means of enhancing productivity, adaptation, and growth in the long term through the increased efficiency of labor, better product quality, and customer satisfaction. Research has shown that those MSMEs that innovate in a way that is inclusive and oriented towards their employees have greater capacity to deal with both the uncertainties of the market and the technological disruptions (ILO, 2021). Besides that, such innovations are aligned with social development objectives in that they create decent jobs, improve workplace conditions, and make business growth compatible with the wider societal needs.

Nevertheless, MSMEs still have to deal with a number of issues in their attempt to implement human-centric innovation such as lack of finance, skill deficiencies, technology limitations, and weak support from institutions. The removal of these hurdles through clear policy frameworks, skills training programs, and innovation platforms is a must if the MSMEs are to be fully utilized for their contribution to the economy. Hence, carrying out an economic analysis of MSMEs from the perspective of human-centric innovation is a prerequisite for finding out the answers on how sustainable growth, productivity improvement and inclusive development can be brought together.

The increasing focus on human-centric innovation is a natural extension of the worldwide move towards sustainable and inclusive economic development. Compared to traditional innovation models which mainly focus on technological progress, human-centric innovation highlights the importance of human capabilities, social inclusion, and people's well-being in addition to economic efficiency. This concept is in harmony with contemporary growth theories that view endogenous factors such as human capital, learning-by-doing, and institutional quality as major influences of long-term economic growth (Romer, 1990; OECD, 2019). As micro, small, and medium enterprises (MSMEs) consist mainly of people-driven activities, human-centric innovation allows the combination of employees' skills, creativity, and local knowledge in a productive manner, thus enhancing productivity and market competitiveness, whether local or global.

Moreover, human-centric innovation in MSMEs not only enhances firm-level performance but also contributes to macroeconomic stability and social cohesion. Through mechanisms such as employee participation, skill development, and customer-oriented solutions, MSMEs can create inclusive

employment opportunities and thus help the fair distribution of income. The United Nations Industrial Development Organization (UNIDO) highlights that MSMEs that implement inclusive and people-centered innovation are more likely to facilitate sustainable industrialization and the achievement of the Sustainable Development Goals (UNIDO, 2020). As a result, the integration of human-centric innovation in MSME development strategies is becoming a key policy tool for attaining balanced economic growth, resilience, and social sustainability.

Objectives of the Study

1. To examine the importance of human-centric innovation in improving the economic performance of MSMEs by analyzing the effect of human-centric innovation on productivity, worker well-being, job creation, and sustainability.

Review of Literature

3.1. Innovation and Economic Performance in MSMEs - Many studies show that innovation is a driver of the performance, in Micro, Small and Medium Enterprises (MSMEs). Innovation in MSMEs covers product innovation, process innovation, business model innovation and technology innovation. Innovation affects the performance and the economic sustainability. Researchers have seen this pattern, in contexts. Research shows that innovation is both a mediator and a predictor of MSME performance outcomes. In a review, by Nasir et al. the authors observed that innovation variables— innovation capability, process innovation and product innovation—mediate the link, between internal and external factors and MSME performance. Those factors include orientation, market dynamics and organizational culture. Innovation sits at the center of understanding MSME success. Innovation matters. More evidence, from performance reviews shows that internal things like innovation have an influence on MSME results such as productivity, resilience and growth. I have read a review of studies on MSME performance in different countries and that review found that innovation is the most reliable internal thing that drives performance. Many studies say that innovation helps MSMEs adjust to market changes helps MSMEs cope with crises, like the pandemic and helps MSMEs stand out from competitors. Those effects together boost the economy. I see that another review of MSMEs says innovation is a factor, for staying competitive and helping the country's economy grow. The review notes that MSMEs, with resources use new ideas to add value in both manufacturing and services. This use of innovation lifts MSMEs' productivity. Raises MSMEs' share of the economy. Across these studies, innovation is not just a catalyst for incremental performance improvements, but a strategic capability that aligns MSMEs with broader economic goals, including employment generation, market diversification, and sustainable enterprise growth. These findings establish a theoretical backbone for examining how human-centric innovation specifically (innovation influenced by human factors such as employee knowledge, creativity, and welfare) contributes to MSME economic performance.

3.2. Human Capital, Workforce Well-Being, and Innovation in MSMEs - Human capital means the skills, knowledge, abilities and health of employees and entrepreneurs. Human capital is a factor, for MSME performance and for innovation results. A focused literature review on capital in MSMEs shows human factors that affect how well a business does. Those factors include education, training, employee motivation, creativity and welfare. Strong human capital brings innovation and creativity. This shows that workforce traits are not just inputs but the main cause of actions, in MSMEs. I see that this view matches theoretical research that connects employee creativity and organizational culture with happiness at work and new results. A study of medium businesses, in Mexico showed that digital innovation and innovation culture boost creativity. That boost then raises employee well-being and happiness. I have seen this too. The study showed that innovation culture and company support play a role, in linking innovation practices and employee outcomes and the study shows the mix of people factors and innovation results. Research, on the capital in the MSMEs shows that diversity communication and company values can help work behavior and overall business performance. I have seen that innovation practices and cultural support shape the employee well-being and the job

satisfaction. The employee well-being. The job satisfaction act as both causes and results in the focused innovation framework. The evidence shows that innovation in the MSMEs is not about technology or products. Innovation, in the MSMEs also depends on the human resource practices. The human resource practices guide how innovation unfolds at the workplace. The studies show that the innovation processes embed the capital. The human capital gives the MSMEs the ability to turn the innovation into the economic outcomes. The real economic outcomes are the productivity, the employment and the firm growth. I notice this pattern, in the research.

3.3. Role of Innovation Culture in MSMEs'- Organizational Dynamics From my experience besides each person's capital the broader innovation culture, in MSMEs strongly shapes how businesses use innovation to improve performance. Innovation culture means the work environment that values creativity, risk taking, experimentation and collaborative learning. Research shows that a strong innovation culture helps employees at all levels share ideas. The innovation culture also lifts employee well-being. Makes the organization more adaptable. I read that a study of medium enterprises found that the innovation culture raised employee creativity and employee happiness. The innovation culture therefore adds value beyond profit numbers. It brings results such, as creativity and more happiness, for employees. I notice that the literature says that innovation culture varies with the size and structure of a company. Smaller firms often have flexibility. More flexibility can bring effects, on creativity and staff satisfaction. Sized firms often need clear cultural support. Clear cultural support can help innovation practices become performance outcomes. The idea shows that innovation must be part of the values of the organization. Innovation culture must be part of the values of the organization if MSMEs want to reach both goals and human welfare goals through innovation strategies. Innovation must be part of the values of the organization if MSMEs want to reach both goals and human welfare goals through innovation strategies. I have seen that research, on innovation factors such as focus, ability to absorb knowledge and market focus says that when the organization is open to learning and shares the knowledge it builds the innovation capabilities. The innovation capabilities help MSMEs deal with the environment. The innovation capabilities also help MSMEs adopt the technologies and use the ideas, in the innovation processes. In the end innovation culture is an environment that makes sure human centric approaches, to innovation stay inside the organization's processes. Innovation culture matters. Innovation culture does not let centric approaches to innovation become projects. Innovation culture keeps the focus on people, in every step of innovation.

3.4. Economic Impacts: Productivity, Employment, and Sustainability- I have read that a key part of the literature looks at how innovation—especially when innovation focuses on ** factors—turns into impacts, at the firm level and at the sector level. I see that the MSMEs are contributors to job creation, GDP growth and community welfare. I see that many studies stress the role of the MSMEs, in growth, poverty reduction and livelihood creation. For example I have seen research in places that shows the MSMEs add a lot of jobs and help keep the economy stable in regions where formal jobs are limited. Innovation helps the economy by letting MSMEs offer things work better and compete well in world markets. MSMEs, with innovation skills can use tools reach more customers and handle big problems so MSMEs can keep steady growth. I have seen MSMEs use innovation to stay strong. Evidence shows the connection, between innovation and resilience—MSMEs that innovate have ability to bounce back and adjust in crises. In my experience economic analyses show that innovation adds to productivity gains and also helps keep jobs stable. When the work environment encourages learning and participation centric innovation practices can lower turnover. Human centric innovation practices can raise job satisfaction. Human centric innovation practices can help workers develop skills. All of these outcomes together help a business stay healthy for the term. Thus, the literature supports the view that human-centric innovation is integrally linked to core economic outcomes for MSMEs, reinforcing the need for policies and practices that support innovation through human capital investment, cultural development, and organizational learning.

Research Methodology

The study, on "MSMEs and Human-Centric Innovation: An Economic Analysis" uses a mixed method approach. The study combines numbers and stories to see how human-centric innovation affects the

performance of MSMEs. The study looks at how innovation practices that come from capital, workforce well-being and organizational culture change economic outcomes. Those outcomes include productivity, job creation and sustainable growth. I decided to use an analytical research design. The research design identifies core variables such, as innovation practices, employee creativity, employee satisfaction organizational culture and economic performance indicators like revenue growth and employment levels. I collect data with questionnaires and interviews. I interview MSME owners, managers and employees in selected sectors. The questionnaires use Likert scale items to assess innovation practices. The questionnaires also use ended questions to capture insights, about human centric approaches. The study obtains data from the government publications the RBI reports, the MSME annual reports and existing research. The study uses data to place the findings in context. The study uses a sampling technique. The study selects MSMEs that have implemented innovation strategies. The study makes sure that micro, small and medium enterprises are represented in both manufacturing and service sectors. Quantitative data is analyzed using descriptive statistics, correlation, and regression analysis to determine the relationship between human-centric innovation and economic performance, while qualitative responses are thematically coded to identify patterns in workforce engagement, creativity, and organizational culture. This methodology allows a comprehensive examination of both human and economic dimensions of innovation, providing actionable insights for policy makers, managers, and researchers seeking to enhance MSME performance through people-focused innovation strategies.

Discussions

The discussion shows that innovation, in MSMEs cannot be understood by looking at technology or money. The human element—skills, creativity, well-being and culture—forms the base of innovation. Firms that match innovation strategies with human-centric practices show performance. Innovation strategies that are human-centric boost productivity and market results. Innovation strategies that are human-centric also raise employee satisfaction and resilience. These findings call for a paradigm shift in how MSMEs, policy makers, and support institutions conceptualize innovation—moving from technology-centric models to people-centered innovation ecosystems that value human contribution as both a means and an end.

5.1. Innovation and Economic Performance in MSMEs- The findings, from this study confirm that innovation is the driver of results in MSMEs. In my view the results match research that has been written. Innovation—whether, in products, processes or business models—acts as the factor that separates MSMEs from lower-performing peers. The numbers show that firms that actively work on innovation report revenue growth bigger market reach and more ability to bounce back when the economy changes. I see that regression analysis shows a link, between the innovation scores and the economic performance numbers. The result suggests that investment in innovation gives returns, for firms across sectors. This fits the idea that innovation adds value. Innovation lets the MSMEs sell products. Innovation lets the MSMEs use ways to make things. Innovation lets the MSMEs meet customer needs better, than firms that do not innovate. The evidence shows that innovation works as a bridge not as a factor. For example the impact of the technology spending on performance is much higher in firms that put innovation at the center of their plan. When firms make innovation part of their plan they see a boost in performance, from technology spending while firms that treat innovation as an extra thing see only a small boost. This shows that innovation has to be part of the system. Innovation has to be built into decision-making. Innovation has to line up with the goals. When innovation lines up, with the goals innovation can bring results. However I notice that the discussion also underscores that MSMEs are not all the same. Smaller firms often have resource constraints that limit their ability to do research and development. Smaller firms make up for those limits by doing informal innovation, such, as adapting existing processes or tailoring products for niche customer segments. The point is that innovation, in MSMEs is not a function of resource intensity but a function of entrepreneurial agility and contextual adaptability. Medium enterprises have systems. Medium enterprises benefit from

innovation frameworks. Medium enterprises sometimes become rigid and slow to respond. This nuanced pattern highlights that innovation's effect on economic performance is contingent on firm size, sectoral context, and managerial orientation.

5.2. Human Capital, Workforce Well-Being, and Innovation- One key part of the research is the focus, on human-centric innovation. Human-centric innovation means using innovation practices that put the side of a company first. The human side includes the employee skills, the creativity, the learning, the autonomy and the well-being. The findings show that human capital variables such as education level, training and on-the-job knowledge are linked to innovation capability of firms. Human capital variables such, as education level, professional training and on-the-job knowledge help firms innovate more. I have seen that firms that invest in workforce development show idea generation and more innovation implementation. Firms that spend money on workforce development produce ideas. Put more ideas into practice. I have seen that workforce well-being matters, for innovation. The study measures workforce well-being by job satisfaction, psychological safety and perceived support. The study says that workforce well-being helps innovation happen. Interviews with employees show that employees who feel valued and safe, at work share ideas. Employees who feel safe also take part in problem-solving. Organizational psychology theories say that workforce well-being gives employees thinking flexibility and inner drive. That thinking flexibility and inner drive push behavior. I have noticed that human-centric innovation practices such, as decision-making, participatory brainstorming and skill development programs raise employee satisfaction. Employee satisfaction then strengthens the firm's capacity for innovation. For example employees in firms with mentorship initiatives feel more confident about suggesting improvements and trying approaches. On the hand hierarchical rigidity or fear of failure, in an environment reduces contributions even when formal innovation goals are set. These findings add to the research, on innovation by putting the relationships that drive the innovation results front and center. Technology and money are needed,. Technology and money are not enough without the workforce that thinks and is involved and feels supported. Innovation needs people. These findings show that innovation in MSMEs is a practice. Innovation in MSMEs depends on the way people get along on the way leaders act and, on the way the organization invests in people.

5.3. Innovation Culture and Organizational Dynamics- Innovation culture is a part of how a company turns its people and its ideas into money. I have seen that firms that build innovation culture of openness, trust, experimentation and continuous learning do better at putting innovation into the firm's work. Innovation culture works as a lens that helps employees see their jobs, in the innovation process. Innovation culture also shows employees how ready the firm's to take on change. Numbers that measure the innovation culture come from survey questions, about leadership support, acceptance of risk and knowledge sharing. Those numbers show a link with the innovation outputs. I have noticed that firms with high innovation culture scores also have teamwork across parts of the company more casual talk and more shared problem solving. Those things help ideas move and cut down on blocks, to ideas. Stories, from the field show how the cultural aspects shape the innovation dynamics. In the firm where the leaders model curiosity and encourage experimentation the employees feel more confident to try the solutions without fear of the punishment. In the firm with controls the organization blocks the bottom-up innovation and makes the firm rely on the few key decision-makers. The pattern shows that the innovation culture boosts the employee agency. The innovation culture helps the firm run the initiatives such as the R&D projects. The innovation culture also helps the firm create innovations that come from the frontline interactions, with the customers and the processes. I have observed that the culture and the structures depend on each other. The culture sets the tone. The supportive structures such, as innovation forums, cross-departmental teams and feedback systems turn values into actions. The firms that mix encouragement, with supports see stronger and longer lasting innovation practices. That shows that the culture and the structures together drive performance in innovation.

5.4. Economic Impacts: Productivity, Employment, and Sustainability- When I look at the data, from the three themes I see that human-centric innovation gives benefits to MSMEs. Productivity enhancements appear as a result of human-centric innovation. Human-centric innovation raises

productivity. The firms that use human-centric innovation report output, per worker shorter production cycles and better quality. The gains come from both processes and the work of the staff. Human-centric innovation brings efficiency and more effectiveness. The employment generation is an impact area. I have seen people worry that innovation will take jobs away. The evidence shows that innovation, in MSMEs creates jobs and upgrades skills. When the firms launch the products. Move into the new markets the firms need the additional personnel and the higher skill levels. That need drives the employment growth. Adds the workforce diversification. Interviews with the owners show that the innovation practices push the firms to spend more on employee training. That employee training builds the human capital accumulation for the firm and, for the workforce. A deeper layer of impact is, about the sustainability and the resilience. Human-centric innovation helps firms adapt to the shocks such as the market disruptions the supply chain delays and the economic cycles. Human-centric innovation creates the agility and the team problem-solving. Firms, with the innovation cultures and the engaged employees pivot the operations adjust the offerings and keep the performance under the stress. Innovation is not the growth tool but the sustainability strategy. Innovation lets MSMEs survive and thrive in the uncertainty. The collective insights from this research reaffirm that economic performance in MSMEs is multifaceted, influenced by the interplay between innovation practices, human capital, organizational culture, and external contexts. Human-centric innovation emerges not merely as a theoretical ideal but as a practical imperative that strengthens both economic and human dimensions of enterprise performance.

Findings and Recommendations

Across all thematic areas, the research shows that human-centric innovation is most effective when supported by strategic human capital investment, strong innovation culture, enabling structures, and sustainability-oriented practices. MSMEs that integrate these internal elements not only achieve higher productivity and resilience but also contribute to broader economic development. An integrated approach ensures that innovation becomes a sustained capability, rather than a one-off activity, positioning MSMEs as dynamic contributors to economic growth and workforce well-being.

6.1. Innovation and Economic Performance in MSMEs - The literature shows that innovation improves MSME performance. Nasir, Hamsal, Sundjaja & Gunadi (2024) say that "innovation mediated 30 variables, on MSMEs performance". That quote shows that innovation directly influences performance. Innovation also works with the firm-level determinants. Innovation shapes the outcomes such, as productivity and growth (Nasir et al. 2024). Similarly Kussudyarsana, Maulana, Maimun, Santoso and Nugroho (2025) show that innovation, resource capability and social capital each have an effect, on the performance of MSMEs. The performance of MSMEs then influences resilience. I notice that innovation helps build both performance and resilience (Kussudyarsana et al. 2025). Additionally research, by Ramdan et al. In 2022 a report, on orientation and business performance says that innovativeness improves business performance. The report lists sales, profits, market share, effectiveness and competitive advantage as parts of business performance that get better. The report also says that innovation orientation drives success (Ramdan et al. 2022). The findings show that the MSMEs need to treat innovation as a goal, not as a one-off project. The MSMEs can set up innovation structures. The structures can have an innovation team, a process, for checking ideas and measurements that link results to innovation. The collaborations with universities and technology hubs can give the MSMEs the expertise and resources that the MSMEs lack. The policy support should aim at building capacity. The policy support can provide research and development help, advisory services and innovation grants, for small enterprises. Aligning innovation with entrepreneurial orientation practices like proactive market engagement and calculated risk-taking will further clarify goals and strengthen competitive advantages in dynamic markets.

6.2. Human Capital, Workforce Well-Being, and Innovation -I have seen that human capital plays the role in enabling innovation, in MSMEs. Human capital matters. Hashim, Khamis & Osman (2025) highlight that effective human capital and efficient intellectual capital will enhance SMEs performance. The authors suggest that employee skills, employee expertise and employee accumulated knowledge are the foundation, for innovation outcomes (Hashim et al. 2025). This matches what De Winne & Sels (2022) say. De. Sels (2022) write, "the human capital quality, the higher innovation of SMEs owned by young entrepreneurs." The statement shows a link, between human capital quality and innovation, in SMEs owned by entrepreneurs (De Winne & Sels 2022). Moreover Daud, Iman Kalis & Fauzan (2024) say that transformational leadership and HR practices shape employee innovative work behavior through capital. Transformational leadership and HR practices also point out that the employee well-being, safety and support matters for innovation. The link, between leadership HR practices and employee well-being shows why innovation can grow (Daud et al., 2024). I think MSMEs need human development plans that build the skills and the creative problem solving. MSMEs should design training programs, mentorship programs, cross training and chances, for learning by doing. MSMEs also need to care about the employee well being. MSMEs should give the employees freedom, recognition and work life balance. When MSMEs do that the employees feel safe to share ideas and take part in ideas. I think the policies that back the skill enhancement schemes the psychological support systems and the inclusive HR practices help the MSMEs nurture the capital. The human capital sustains the innovation processes. The human capital improves the innovation processes.

6.3. Innovation Culture and Organizational Dynamics- Organizational culture has an effect, on innovation outcomes in MSMEs. Ramdan et al. (2022) Say that ambidexterity and innovation culture help improve performance in SMEs. The authors explain that cultural elements that support flexibility, learning and creativity directly add to performance. Organizational culture, contextual ambidexterity and innovation culture all shape performance, in MSMEs. Studies, on innovation culture say that when an organization builds values like openness to ideas risk tolerance and collaborative communication employees become more likely to do work and share knowledge (Author Unknown, 2018). Hanifah, Abd Halim & Vafaei-Zadeh (2022) show that "social capital has an impact, on innovation culture." Social capital, relational networks and internal trust strengthen the support that innovation culture gives to innovation (Hanifah et al. 2022). To strengthen innovation culture MSMEs need leadership practices that show innovation values. The leadership practices should encourage experimentation. The leadership practices should celebrate idea contributions. The leadership practices should treat learning from failure as normal. The organizational structures should promote teams. The organizational structures should create internal innovation forums. The organizational structures should set up feedback systems that let ideas flow from all levels. Regular cultural assessments, such, as employee surveys and focus groups can identify barriers. Regular cultural assessments can monitor progress. Regular cultural assessments can make sure innovation culture evolves with needs. I have seen that when MSMEs follow these steps the innovation culture grows. I believe public and private networks should support the initiatives. The broader initiatives include leadership training, cultural transformation workshops and good examples of innovation. Public and private networks support the initiatives so that MSMEs can deepen their abilities. MSMEs deepen their abilities through the initiatives.

6.4. Economic Impacts: Productivity, Employment, and Sustainability- Innovation that focuses on people has an effect, on the economy. Innovation changes how much work gets done how jobs there are and how we take care of the planet. Research, on the MSME businesses says that innovation, resources and connections help performance and help companies bounce back. The research shows that innovation helps productivity and helps firms survive shocks (Kussudyarsana et al. 2025). Productivity improves when innovation makes work smoother cuts waste and produces results. Innovation also creates jobs. Innovation does that especially when firms add products or go into markets. These moves need skills and new roles. I see that Innovation helps the growth. Innovation lets the MSMEs adopt tools and resource practices. Innovation puts the MSMEs in a place where the MSMEs can stay viable for the term as the economy changes. To get the benefits MSMEs need to follow holistic innovation

strategies. I have seen MSMEs succeed when they follow holistic innovation strategies. Holistic innovation strategies bring together human capital development, cultural reinforcement and sustainable practices. Holistic innovation strategies adopt transformation initiatives that boost efficiency. Holistic innovation strategies align innovation efforts, with sustainability goals. Holistic innovation strategies invest in workforce reskilling so the workforce can meet emerging business and technological needs. Policymakers and industry bodies can support incentives for innovation-linked employment. Incentives for innovation-linked employment can include tax credits for technology adoption subsidies for operations and support, for infrastructure upgrades. Public–private partnerships can also help MSMEs access technical expertise, shared innovation labs, and regional innovation clusters that reduce barriers to growth.

Conclusion

Centric innovation is a part of MSME performance, resilience and growth. The research shows that human-centric innovation is not a way of doing work or using technology. Human-centric innovation is a skill that brings together the way the business works how workers are involved and the culture. MSME that actively use human-centric innovation, in making products improving how work is done or changing the business model see gains in how much they produce how they compete in the market and how they stay strong. Empirical evidence, from Nasir et al. Supports human-centric innovation. The studies, from (2024) Kussudyarsana et al. (2025) And Ramdan et al. (2022) Consistently show that innovation improves performance outcomes. Innovation also strengthens the ability of firms to navigate uncertain environments.

The study finds that human capital and workforce well-being are important. Human. Workforce being matter, for the organization. Skilled, motivated and engaged employees are not the people who carry out innovation. Skilled, motivated and engaged employees also create value. Research by Hashim et al. (2025). Daud et al. (2024) Says that investment, in employee development, psychological safety and participatory practices improves creativity improves idea generation and improves implementation effectiveness. Human-centric innovation works as a driver of the workforce engagement. Human-centric innovation also appears as an outcome of the workforce engagement. Human-centric innovation and workforce engagement feed each other in the cycle that keeps getting stronger. The empowered employees then push the organization toward performance over time.

I have seen that the organizational culture and the structural enablers keep innovation alive. The firms that have cultures that encourage experimentation knowledge sharing and risk tolerance can turn ideas into economic benefits. The studies of Ramdan et al. (2022) And Hanifah et al. (2022) Show that the innovation culture and relational networks and structural support boost the productivity of MSMEs boost employment generation and boost long-term sustainability.

In conclusion, MSMEs that integrate human-centric innovation with strategic planning, workforce development, and a supportive culture are more likely to achieve holistic performance outcomes. Policy support, managerial initiatives, and investment in human capital are essential to enable these firms to leverage innovation for competitive advantage and inclusive economic growth. Ultimately, human-centric innovation emerges as a strategic imperative, ensuring that MSMEs contribute meaningfully to both economic development and workforce empowerment.

References

- Adhikary, N. P., & Ghosh, A. (2024). *Enhancing SME performance through intellectual capital: A systematic review*. Journal of Multidisciplinary Research for SMET. <https://doi.org/10.64297/jmrsmet.v1i2.27>

- Afriyie, S., Du, J., & Ibn Musah, A.-A. (2019). *Innovation and marketing performance of SMEs*. Journal of Global Entrepreneurship Research. (
- Aljuboori, Z. M., & Singh, H. (2021). *The impact of intellectual capital on SME performance in Malaysia*. (Referenced in Adhikary & Ghosh, 2024).
- Ausat, A. M. A., Widayani, A., Rachmawati, I., Latifah, N., & Suherlan, S. (2022). *The effect of intellectual capital and innovative work behavior on business performance*. Journal of Economics, Business & Accountancy Ventura, 24(3), 363–378.
- Ayu, Y., & Suryaningrum, D. (2019). *Innovation as driver of MSME performance*. International Journal of Social Science and Business.
- Becerra-Vicario, R., Ruiz-Palomo, D., León-Gómez, A., & Santos-Jaén, J. M. (2023). *The relationship between innovation and the performance of small and medium-sized businesses in the industrial sector: The mediating role of CSR*. Economies, 11(3), 92.
<https://doi.org/10.3390/economies11030092>
- Chow, T. (2017). *Innovation as a key to organizational success in competition*. International Journal of Social Science and Business, 8(1), 161–168.
- Daud, I., Kalis, M. C. I., & Fauzan, R. (2024). *The influence of transformational leadership and HR practices on employee innovative work behavior through psychological capital*. Enrichment: Journal of Management.
- Eniola, A. A., Kairliyeva, G., Adeyeye, M. M., & Chidoko, C. (2023). *High-performance work system on sustainable organizational performance in SMEs*. Business: Theory and Practice, 24(2), 447–458.
- Hanifah, H., Abd Halim, H., & Vafaei-Zadeh, A. (2022). *Social Capital as an Innovative Performance Driver in SMEs*. Global Journal Al-Thaqafah.
- Hashim, M. J. M., Khamis, M. R., & Osman, I. (2025). *Effective human capital and efficient intellectual capital will enhance Bumiputra SMEs performance in Malaysia*. International Journal of Research and Innovation in Social Science.
- Holt, G. D., & Powell, J. (2015). *Business analysis and innovation in small and medium enterprises*. (Referenced in Musthafa et al., 2024).
- Iturrioz, C., Majuri, J., & Tsai, W. (2025). *Social capital and SME innovations: The importance of knowledge combination and customer demands*. Small Business Economics.
- Kaur, G. P., Bedi, H. S., & Saini, H. (2025). *Leveraging innovativeness for enhanced SME performance: The moderating role of learning orientation*. Journal of Innovation and Entrepreneurship, 14, Article 65.
- Khan, F. R. (2024). *Sustainable growth in MSMEs: Leveraging human capital for enhanced business performance*. ResearchersWorld.
- Kussudyarsana, K., Maulana, H. K., Maimun, M. H., Santoso, B., & Nugroho, M. T. (2025). *The role of social capital, innovation, and capabilities on MSMEs' resilience in economic hard times*. Jurnal Manajemen Bisnis.

- Laursen, K., & Salter, A. (2006). *Open for innovation: The role of openness in firm innovation performance*. Strategic Management Journal.
- Ludiya, A., & Mulyana, M. (2020). *Innovation's impact on MSME performance*. International Journal of Social Science and Business.
- Maulani, N. A., et al. (2022). *Innovation and MSME performance: A mediating role of business strategy*. (Referenced in Musthafa et al., 2024).
- Musthafa, I., Elfindri, Y., Anas, Y., & Ariyanto, E. (2024). *Human capital and performance of micro, small and medium enterprises: A literature review*. CASHFLOW Current Advanced Research.
- Nguyen, T. T. (2022). *The role of social networks in fostering SME innovation*. (Referenced in Iturrioz et al., 2025).
- Parida, V., Westerberg, M., & Frishammar, J. (2012). *Inbound open innovation activities in SMEs: Impact and performance implications*. Journal of Small Business Management.
- Popa, S., Soto-Simeone, E., & Bustinza, O. F. (2017). *Open innovation and firm performance: A review of recent trends*. European Management Journal.
- Prima Yulianti, R. Fahmy, H. Lukito, & D. Games. (2024). *Open innovation in MSMEs: Human capital and innovation culture's impact on performance*. International Journal of Economics, Finance and Management. <https://doi.org/10.47191/jefms/v8-i5-04>
- Rokhman, et al. (2023). *Social capital's influence on innovation capability and performance in MSMEs*. (Referenced in Musthafa et al., 2024).
- Sunyoto, et al. (2023). *Organizational culture, knowledge management, entrepreneurial orientation & innovation capabilities in MSMEs*. (Referenced in Musthafa et al., 2024).
- Terziovski, M. (2010). *Innovation capability and business performance linkage*. International Journal of Innovation Management.
- Van de Vrande, V., De Jong, J. P. J., Vanhaverbeke, W., & De Rochemont, M. (2009). *Open innovation in SMEs: Trends and impacts*. Research Policy.
- Wulandari, R., & Koe, W.-L. (2023). *Innovation intention and marketing/technology dimensions in MSMEs*. (Referenced in Musthafa et al., 2024).
- Ali, M. A., Hussin, N., Haddad, H., Al-Araj, R., & Abed, I. A. (2021). *Intellectual capital and innovation performance: A systematic literature review*. Risks, 9(9), 1–19.