Developing a Governance Model for Souvenir MSMEs and Souvenir Centers

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ABSTRACT

This study explores the relationship between MSME souvenir governance and souvenir center governance in the context of supporting regional tourism in Jambi Province, Indonesia. The research addresses the challenges faced by MSME operators in accessing souvenir centers, such as limited skills, high raw material costs, and insufficient marketing knowledge, which hinder the overall tourism experience. To address these issues, this study develops a governance model based on key indicators that influence the efficiency and effectiveness of both MSME vendors and souvenir centers. The study employs a quantitative research approach, using purposive sampling to gather data from 100 MSME operators and souvenir center managers. The data is analyzed using Structural Equation Modeling (SEM) with SmartPLS software to evaluate the relationship between governance variables. The findings reveal that Product Quantity is the most influential factor in MSME souvenir governance, indicating that business actors must focus on maintaining consistent product supply. Meanwhile, Distance is the most significant indicator for souvenir center governance, highlighting the importance of strategic locations to attract customers. The study concludes that the governance practices of MSME souvenir vendors positively impact the governance of souvenir centers. This research provides valuable insights into improving governance structures in the souvenir industry, promoting better collaboration between MSME vendors and souvenir centers to support sustainable business growth.

Keywords: *Business Model, Local Economy, MSME Governance, Souvenir Centers*

INTRODUCTION

The growth of tourism in Jambi Province has shown a significant increase over the years. According to the latest data from the Department of Culture and Tourism (DISBUDPAR) of Jambi Province, the number of international and local tourist visits reached 2,399,560 people in 2018, marking an 11 percent increase compared to the previous year. This upward trend highlights the need for improving the local tourism ecosystem to ensure sustainable economic growth. One of the essential elements in tourism is the availability of souvenirs, which play a critical role in enhancing tourists' experiences. A survey conducted in 2016 revealed that around 98 percent of tourists, both local and international, purchase souvenirs during their trips, choosing items based on their functional, emotional, novelty, price, and social values (Wang, Yaoyuneyong, Sullivan, & Burgess, 2018). In many countries, souvenirs have become significant export commodities, contributing to the local economy alongside other major products such as oil and raw materials (Putri & Prihadi, 2020).

In Jambi, souvenirs are typically sold in designated souvenir centers, which serve as marketplaces for local micro, small, and medium enterprises (MSMEs) to showcase and sell their products. However, not all MSME operators can access these centers due to various challenges such as limited skills, high raw material taxes, lack of marketing knowledge, and insufficient capital (Teo, Geat, Ho, Jang, & Li, 2020). These barriers prevent MSMEs from fully utilizing the potential of souvenir centers to expand their market reach and improve business performance. As a result, there is a need to establish a governance model that strengthens the relationship between MSME operators and souvenir centers to optimize their roles in supporting local tourism.

Despite the vital role of souvenir centers in supporting local businesses and enhancing the tourism sector, there has been limited research on governance models that specifically integrate MSME operators with these centers. Previous studies, such as those by Dhodho (2018) in Zimbabwe, explored the challenges local craftsmen face in accessing markets due to inadequate governance structures. However, there has been little focus on the souvenir industry in developing regions like Jambi Province, particularly regarding governance practices that address the unique challenges of MSME operators. The lack of integration between MSMEs and souvenir centers leads to inefficiencies in product distribution, reduced sales opportunities, and a diminished overall tourism experience. Addressing these challenges requires a comprehensive governance framework that aligns the objectives of both MSME operators and souvenir centers to achieve mutual benefits.

Given this gap, this research aims to propose a governance model that integrates MSME operators with souvenir centers to improve their collaboration and operational efficiency. The study focuses on identifying key governance

indicators that influence the success of both MSMEs and souvenir centers, such as product quality, product quantity, and market accessibility. By addressing these indicators, the proposed model seeks to improve product distribution, enhance market access, and increase customer satisfaction, ultimately promoting the sustainability and competitiveness of local businesses in Jambi Province.

The research findings are expected to contribute to the development of practical governance frameworks that support regional tourism development. In particular, the study highlights the importance of strengthening the governance practices of both MSME operators and souvenir centers to ensure that local products are effectively marketed and distributed. By improving governance structures, MSME operators can overcome existing barriers, such as insufficient capital and limited marketing knowledge, while souvenir centers can enhance their roles as strategic business hubs that attract tourists and promote local culture. Furthermore, this study aims to provide policymakers and business practitioners with actionable recommendations to improve the competitiveness of the souvenir industry and boost the local tourism economy.

LITERATURE REVIEW

The governance of micro, small, and medium enterprises (MSMEs) plays a critical role in ensuring the success and sustainability of businesses, particularly in the tourism sector. Governance frameworks ensure that businesses can maintain accountability, transparency, and efficiency in their operations (Ghazali, Ahmed, & Nasir, 2023). Recent studies have highlighted the importance of governance structures in improving business performance, resilience, and competitiveness in a dynamic market (Rahman et al., 2022). Effective governance frameworks in the souvenir industry can address various challenges faced by MSMEs, such as limited access to capital, fluctuating demand, and the need for continuous innovation (Putri et al., 2021).

The Resource-Based View (RBV) theory posits that organizations achieve a competitive advantage by utilizing their unique internal resources effectively (Haryono et al., 2021). In the context of MSMEs and souvenir centers, this theory emphasizes the importance of optimizing production processes, enhancing product quality, and developing effective marketing strategies to improve market competitiveness. Governance structures that align with RBV principles can help MSMEs overcome operational inefficiencies and improve overall business outcomes (Anggraeni & Setyawan, 2023).

Additionally, the Stakeholder Theory highlights the importance of involving various stakeholders in business governance, including MSME operators, customers, and local communities (Putri & Hidayat, 2022). Research by Yusuf and Widjaja (2021) shows that stakeholder engagement is critical to ensuring that governance practices align with community values and customer expectations. By

incorporating feedback from stakeholders, MSMEs and souvenir centers can develop governance frameworks that are both efficient and socially responsible.

Souvenir purchasing behavior is influenced by several factors, including functional value, emotional value, novelty, price, and social value (Sari et al., 2021). Souvenir centers that align their offerings with these factors are more likely to succeed in attracting tourists and generating sales. However, many MSMEs face challenges in accessing these centers due to high raw material costs, limited marketing skills, and insufficient capital (Teo et al., 2020). Governance frameworks can play a critical role in overcoming these barriers by providing clear policies and procedures that improve coordination between MSMEs and souvenir centers (Firdaus et al., 2023).

The souvenir industry also faces challenges related to market competition and sustainability. Purnomo et al. (2021) emphasize the importance of integrating local cultural elements into souvenir production to enhance product uniqueness and attractiveness. This aligns with the findings of Anggraeni and Setyawan (2023), who highlight that governance practices focusing on product differentiation, innovation, and stakeholder engagement are key to achieving long-term sustainability in the tourism sector.

Digital transformation is another critical aspect of modern governance practices. According to Prasetyo and Handayani (2022), adopting digital tools such as e-commerce platforms and digital marketing can significantly improve the operational efficiency and market reach of MSMEs. For souvenir centers, integrating digital governance practices can enhance customer engagement, streamline product distribution, and improve overall business performance (Firdaus et al., 2023).

Several studies have examined the role of governance frameworks in enhancing business performance in the tourism sector. Rahman and Zulkifli (2023) found that MSMEs with clear governance structures focusing on product quality, marketing strategies, and customer engagement achieved better business outcomes. Similarly, a study by Lubis and Firmansyah (2020) highlighted that governance practices that promote efficiency, innovation, and partnerships are essential for improving the competitiveness of MSMEs in the Jambi region.

The literature reviewed in this study indicates that effective governance frameworks are crucial for improving the relationship between MSME operators and souvenir centers. Previous studies have demonstrated the importance of governance in enhancing product quality, marketing strategies, and business sustainability. However, there is a need for further research that specifically addresses governance models connecting MSMEs with souvenir centers in developing regions like Jambi Province. This study aims to fill this gap by proposing a governance model that integrates MSME operators with souvenir centers to improve product distribution, customer satisfaction, and overall business performance.

RESEARCH METHODOLOGY

This study employs a quantitative approach to analyze the governance model connecting MSME operators with souvenir centers. The research focuses on identifying key governance indicators that influence the relationship between MSMEs and souvenir centers in Jambi Province. The study is designed to provide empirical evidence through statistical analysis using a structured and systematic methodology.

The population of this study consists of MSME operators and souvenir center managers in Jambi Province. A total of 100 respondents were selected as the sample using a purposive sampling method. This method ensures that the sample includes individuals with relevant experience and knowledge in the governance of MSMEs and souvenir centers. The selection criteria focus on those actively involved in producing, managing, or marketing local handicrafts.

Primary data was collected through a structured questionnaire distributed to the respondents. The questionnaire consists of closed-ended questions designed to capture quantitative data related to governance practices, product quality, accessibility, and promotional activities. The data collection process was carried out over a specified period to ensure the accuracy and reliability of the responses.

The collected data was analyzed using descriptive and inferential statistical methods. Descriptive analysis was conducted to summarize the demographic characteristics of the respondents and provide an overview of governance practices. Inferential analysis was performed using Structural Equation Modeling (SEM) with SmartPLS software to test the proposed governance model. The analysis included evaluating the validity, reliability, and path coefficients to determine the significance of the relationships between governance indicators and their impact on business performance.

This quantitative approach ensures that the study provides objective and measurable insights into the governance practices of MSME operators and souvenir centers. The findings are expected to contribute to the development of effective governance models that enhance the competitiveness and sustainability of the local souvenir industry in Jambi Province.

RESULT AND DISCUSSION

Model of Business Governance Linkages Between MSME Actors and Souvenir Centers

Below are the output results from the Smart-PLS software:

Figure 1. Initial Research Model
Source: PLS Output

The study involves two variables: Governance of MSME Souvenir Actors and Governance of Souvenir Centers. The variable Governance of MSME Souvenir Actors includes three indicators, namely: KLP (Product Quality), KNP (Product Quantity), and KPP (Order Fulfillment Speed). The variable Governance of Souvenir Centers consists of four indicators, namely: DIS (Display), JAR (Distance), LOK (Location), and PRO (Promotion). Next, the initial research model was calculated, and the results are shown in the following figure.
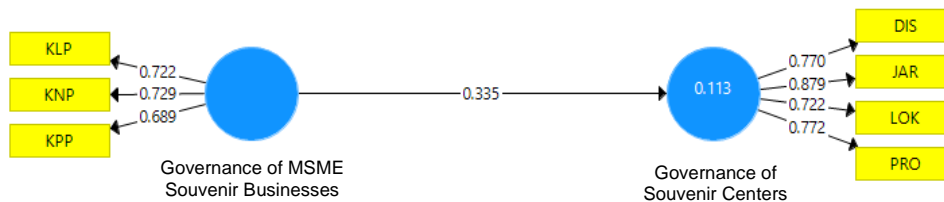

Figure 2. Initial Research Model Calculation
Source: PLS Output

According to Ghozali (2006), the convergent validity of a research model can be observed from the correlation between the item/indicator score and the construct score. An indicator is considered reliable if it has a correlation value above 0.70.

Based on Figure 2, it can be seen that there is one indicator, KPP (Order Fulfillment Speed), under the variable Governance of MSME Souvenir Actors, which still has a value below 0.7. Indicators with a loading factor value below 0.7 will be removed from the research model.

The second research model is shown as follows:

Figure 3. Second Research Model
Source: PLS Output

The calculation results for the second research model can be seen in the following figure:
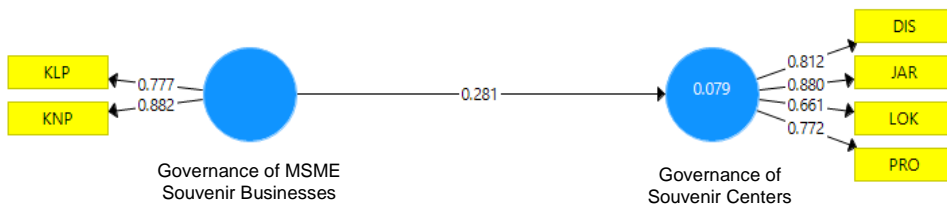

Figure 4. Second Research Model Calculation
Source: PLS Output

Based on Figure 4, it can be observed that there is still an indicator with an outer loading value below 0.7, namely the LOK (Location) indicator under the Governance of Souvenir Centers variable.

Indicators with a loading factor value below 0.7 will be removed, and the third research model will be created as follows:

Figure 5. Third Research Model
Source: PLS Output

The calculation results for the third research model can be seen in the following figure:
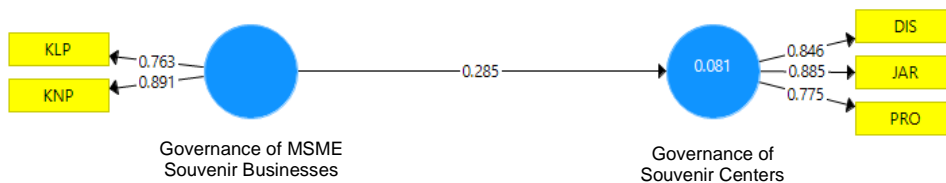

Figure 6. Third Research Model Calculation
Source: PLS Output

Based on Figure 6, it can be seen that all indicators in each variable now have a loading factor above 0.7. This indicates that these are the indicators that reflect each variable in this study. The bootstrapping results for the third model are presented as follows:
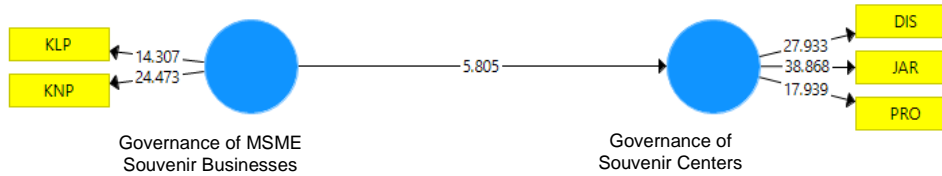

Figure 7. Bootstrapping Results
Source: PLS Output

The path coefficient table from the research is also presented as follows:

Tabel 1. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Governance of Souvenir MSME Businesess → Governance of Souvenir Centers	0,285	0,293	0,049	5,805	**0,000**

Source: PLS Output

Based on Figure 7, it can be concluded that for the Governance of MSME Souvenir Actors variable, the most dominant indicator is KNP (Product Quantity) with a value of 24.473. This indicates that the governance of MSME actors is strongly influenced by the quantity of their products. Meanwhile, for the Governance of Souvenir Centers variable, the most influential indicator is JAR (Distance) with a value of 38.868. This means that distance is a key consideration for souvenir centers in marketing their products, which directly impacts tourist satisfaction and sales performance (Anggraeni & Setyawan, 2023).

Additionally, the influence relationship can be seen in Table 7. Based on the results, it can be concluded that the Governance of MSME Souvenir Actors has a positive impact on the Governance of Souvenir Centers, with an original sample value of 0.285, a t-statistic value of 5.805 (greater than 1.96), and a p-value of 0.000 (less than 5%). These t-statistic results indicate a significant effect. Therefore, it can be concluded that the governance of MSME souvenir actors has a positive and significant influence on the governance of souvenir centers. This means that the better the governance of MSME businesses, the greater the improvement in the governance of souvenir centers (Ghazali et al., 2023).

The results of this study reveal significant insights into the governance model connecting MSME operators with souvenir centers. The findings indicate

that effective governance practices among MSMEs positively influence the governance of souvenir centers. The key indicators identified in this study—product quality, quantity, and market accessibility—highlight the critical components that contribute to the successful integration of MSMEs into the local tourism economy (Putri et al., 2022). These findings are consistent with the principles of Resource-Based View (RBV) theory, which emphasizes the need to optimize internal resources to achieve a competitive advantage (Haryono et al., 2021).

The path coefficient analysis shows that the relationship between the governance of MSME operators and the governance of souvenir centers is both positive and significant. This indicates that improvements in the governance practices of MSME operators directly enhance the operational efficiency and competitiveness of souvenir centers. For MSMEs, this means optimizing their production processes, ensuring consistent product supply, and improving market reach through better governance practices (Rahman & Zulkifli, 2023).

The most dominant indicator for the governance of MSMEs is product quantity (KNP), which implies that MSME operators must prioritize ensuring a steady supply of products to meet market demands (Sari et al., 2021). Meanwhile, for the governance of souvenir centers, distance (JAR) is the most influential indicator. This highlights the importance of geographical proximity and accessibility in improving product distribution and enhancing the overall tourist experience (Purnomo et al., 2021).

These results are consistent with previous research by Firdaus et al. (2023), who found that accessibility and display are critical components in improving tourist satisfaction at souvenir centers. Moreover, governance practices that address product quantity and distance help ensure that MSME products are readily available in strategic locations, which enhances customer engagement and sales performance (Anggraeni & Setyawan, 2023).

The study also highlights the importance of removing ineffective indicators from the governance model to improve its validity and reliability. In the initial model, the indicator KPP (Order Fulfillment Speed) was removed due to its low loading factor. Similarly, the indicator LOK (Location) was removed from the souvenir center governance model for the same reason. These adjustments helped refine the model, resulting in a more robust and applicable governance framework for MSMEs and souvenir centers (Yusuf & Widjaja, 2021).

In the context of governance practices, this study aligns with the findings of Rahman et al. (2022), who emphasized that improving product quality, marketing strategies, and stakeholder engagement can significantly impact business sustainability. The emphasis on cultural uniqueness and local traditions in souvenir production, as discussed by Putri & Hidayat (2022), further highlights the importance of integrating cultural elements into MSME products to enhance their competitiveness.

The study's findings also have practical implications for policymakers and business practitioners. For policymakers, the development of governance frameworks that support the integration of MSMEs into souvenir centers can enhance the local tourism economy. Providing training programs, financial assistance, and marketing support can help MSMEs improve their governance practices and increase their competitiveness (Prasetyo & Handayani, 2022).

For business practitioners, the study emphasizes the importance of focusing on product quality, quantity, and accessibility to meet market demands and improve customer satisfaction. By adopting digital tools and enhancing their governance practices, MSMEs can better position themselves in the competitive souvenir market (Firdaus et al., 2023).

The proposed governance model in this study offers a comprehensive framework for improving the relationship between MSME operators and souvenir centers. By addressing key governance indicators such as product quality, product quantity, and distance, the model aims to enhance the operational efficiency and competitiveness of both MSMEs and souvenir centers. This model is particularly relevant in the context of regional tourism development, where local products play a vital role in attracting tourists and boosting the local economy (Lubis & Firmansyah, 2020).

In comparison to previous studies, this research provides new insights into the governance of souvenir centers in the Jambi region. While previous studies have focused on general governance practices in various industries, this study specifically addresses the unique challenges faced by MSMEs in the souvenir industry. By proposing a tailored governance model, this study contributes to the existing body of knowledge and provides practical recommendations for improving the integration of MSMEs into the local tourism economy.

Overall, the findings of this study emphasize the importance of governance frameworks in enhancing the relationship between MSME operators and souvenir centers. By focusing on key governance indicators such as product quality, quantity, and accessibility, both policymakers and business practitioners can improve the operational efficiency and competitiveness of the souvenir industry. This study provides a valuable contribution to the field of business governance and offers practical solutions for addressing the challenges faced by MSMEs in the souvenir industry.

CONCLUSION AND SUGGESTION

Conclusion

The findings of this study indicate that the governance of MSME operators has a significant and positive impact on the governance of souvenir centers. The most dominant indicator influencing MSME governance is the quantity of products, which highlights the importance of ensuring a steady supply to meet

market demands. For souvenir centers, the most influential factor is distance, which emphasizes the need for accessibility to improve product distribution and enhance tourist satisfaction.

This study contributes to the existing literature by providing a comprehensive governance model that integrates MSMEs with souvenir centers. The model focuses on key governance indicators such as product quality, quantity, and accessibility to enhance business performance and competitiveness. These findings underscore the importance of refining governance frameworks to ensure they address real-world challenges faced by MSMEs in the souvenir industry.

Suggestion

Based on these findings, several practical recommendations can be made to enhance the governance frameworks of MSMEs and souvenir centers, ultimately improving their overall competitiveness and supporting regional tourism development. For policymakers, it is essential to develop policies and programs that promote the integration of MSMEs into souvenir centers. This can be achieved through initiatives such as training programs to improve business skills, financial assistance to support MSME operations, and marketing support to increase the visibility of local products. Policymakers should also promote regional tourism by highlighting unique cultural and traditional elements of local souvenirs, which can attract more tourists and boost local economies.

For MSME operators, the primary focus should be on improving product quality and ensuring a steady supply of goods to meet market demands. Maintaining product consistency is crucial to building customer trust and loyalty. Additionally, MSME operators should strengthen their collaboration with souvenir centers to enhance product distribution and improve accessibility for tourists. Establishing partnerships with souvenir centers can help MSMEs reach a broader market and increase sales.

Souvenir centers, on the other hand, should implement governance practices that prioritize accessibility, product display, and promotional activities. By improving the layout and presentation of products, souvenir centers can create a more appealing shopping experience for tourists. Promotional activities, both online and offline, can help increase foot traffic and sales. Furthermore, souvenir centers should establish clear communication channels with MSME operators to address challenges related to product marketing and distribution. Effective communication can streamline operations, reduce inefficiencies, and ensure that both parties benefit from the partnership.

By implementing these recommendations, all stakeholders involved—including policymakers, MSME operators, and souvenir centers—can work together to create a more sustainable and competitive souvenir industry. This collaboration will not only improve governance practices but also contribute to the

growth of regional tourism, benefiting local communities and the broader economy.

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