Collaborative Governance in Integrated MSME Management

Tiara Retno Wulan Reswari
tiara.retno.wulan2020@fisip.unair.ac.id
Universitas Airlangga

ABSTRACT

Export is part of economic activities that plays an important role in a nation since it can increase the country’s foreign exchange. The large value of exports is able to overcome the deficit in trade and payment balance. Micro, Small and Medium Enterprises (MSMEs) are one of the pillars in nation economic that contributing in export value in Indonesia. Along with the huge potential of MSMEs, the government has formed a policy to increase the capacity of micro and small businesses that they can upgrade to become medium-sized businesses. This research emphasizes the obstacles in increasing export capacity by MSMEs during economic recovery and increasing the contribution of MSMEs to Indonesia’s GDP. This research uses the qualitative data analysis procedure. The data were analyzed descriptively based on obtained data through observation and reading materials consisting of various literatures to obtain relevant secondary data. Based on the findings of the research, it can be said that integrated management of MSMEs is still biased when it comes to the process of creating collaborative governance. The changes in agreements and disparities in stakeholders’ interests are two additional factors that make collaboration collapsed due to the divergent interests among stakeholders and a change in the agreement that was made before.

Keywords: Collaborative Governance, Export, MSMEs.
INTRODUCTION

Export is part of economic activities that plays an important role in a nation since it can increase the country's foreign exchange (Alfulailah & Prasetiya, 2019). The large value of exports is able to overcome the deficit in trade and payment balance (Majid et al., 2018). The Minister of Finance of Republic Indonesia emphasized that it is necessary to increase the value of exports in developing the value of economic growth in Indonesia (Situmorang et al., 2019). However, based on data compiled by Central Statistics Agency (BPS), Indonesia's export value as of August 2020 only reached US$ 13.07 billion or experienced a decrease in value of 4.62% when compared to previous month and decreased by 8.36% when compared to the same month in previous year. The descent in export value was due to weak demand and economic activities that were not running normally yet since the conditions of COVID-19 Pandemic.

Micro, Small and Medium Enterprises (MSMEs) are one of the pillars in nation economic that contributing in export value in Indonesia. The export contribution value of MSMEs has increased in third quarter of 2021 with 22.71% compared to the third quarter of 2020 of 17.24%, and increased from 14.37% to 15.69% in 2020. According to Expert Staff of Minister of Cooperatives and SMEs for Productivity and Competitiveness, this development is still far away when compared to several other countries, such as Singapore 41%, Thailand 29%, and China that reaching 60%. The export contribution target expected by Government for MSMEs is to increase to 17% in 2024.

Along with the huge potential of MSMEs, the government has formed a policy to increase the capacity of micro and small businesses that they can upgrade to become medium-sized businesses. This effort is also included in one of National Economic Recovery Programs (PEN). According to Government Regulation Number 23 of 2020, it explains that National Economic Recovery Program (PEN) is one series of activities to reduce the impact of Covid-19 on national economy. In dealing with health crisis, the Government is regulated the PEN program as a response to the decrease in community economic activity which has had an impact on the economic sector, especially the informal sector or MSMEs. The purpose of PEN program for MSMEs is expected to be able to maintain and improve the performance of MSMEs that contribute to Indonesian economy. The assistance provided by Government for MSMEs is in the form of interest subsidies IDR 34.15 T, IDR 28.06 T for tax incentives, and loans for new MSME working capital loans of IDR 6 T.

Nonetheless, there are still a number of problems faced by MSMEs, such as management, organization, technology, capital, operational and technical in the field, limited market access, licensing constraints, and non-technical costs in the field that are difficult to avoid. According to the identification results of the Ministry of Cooperatives and SMEs, there are several problems and difficulties faced by
SMEs, including capital, 51.09%, marketing, 34.72%, raw materials 8.59%, employment, 1.09%, transportation distribution, 0.22%; and others of 3.93%.

From the various problems mentioned above, the government has determined the Integrated Management of MSMEs as one of the 2022 Major Projects (MP) as stated in the 2022 Government Work Plan. This stipulation is part of Indonesia's 2022 economic policy direction which focuses on economic recovery and structural reforms through economic diversification, purchasing restoration and business power supported by social protection reforms, improving human resources quality, investment climate changes, as well as institutional and governance improvement. As an operational step from policy direction, the Government has prepared ten development strategies, one of which is to increase the role of MSMEs in the national economy.

In order to assist the accomplishment of development objectives, policy orientations, and strategies, the integrated management of MSMEs is a tangible effort to be made in 2022. MSME Integrated Management is the Government's effort to integrate cross-sectoral or regional policies that expected to produce outcomes, such as increasing the contribution of MSMEs to GDP from 61.07% in 2021 to 63% in 2022; increasing the contribution of MSMEs to non-oil and gas exports from 15.65% in 2019 to 30% in 2022; increasing the contribution of MSME loan ratio to bank credit from 19.67% to 20.9% in 2022; and increasing the entrepreneurial growth from 1.71% to 3% in 2022. In order to achieve these outcomes, the government divides MSME Integrated Management into several Sub Major Projects consisting of Provision of Access to Finance; Provision of Access to Raw Materials and Shared Production Equipment; Product Curation and Standardization; Market Expansion and Entrepreneurship, MSME HR Assistance; Regulation and Data Collection of MSME.

One of the challenges faced by MSMEs is the production capability to produce competitive products, especially to increase the export contribution of MSME products which are still at 13.7 percent. Therefore, the government is trying to increase the role of MSMEs through developing regional centers and integrating the MSME data. In developing regional centers based on its potential for fulfilling the supply chain, the government established a joint production house as a forum for integrated management of MSMEs. This joint production house is intended for MSMEs that need modern equipment but cannot afford to buy it. Furthermore, the management of SME products in one MSME center area that is integrated is expected to develop added value and product competitiveness. These MSMEs can use this joint production house in order to improve the quality of their production and assist them in marketing their product. The establishment of joint production house is a follow-up to MSME Integrated Management Major Project with Regional Government, related Ministries/Agencies, BUMN, BUMD, and private off takers with the Ministry of Cooperatives and SMEs as the leading sector.
The Ministry of Cooperatives and SMEs and the Ministry of Industry will map SME centers for exported in the early stages of establishing a joint production house. Furthermore, the Ministry of Cooperatives and SMEs through synergy with the Regional Government and related Ministries/Agencies will examine the business potential, the availability of raw materials, technology, supporting facilities and infrastructure from each SME center. After mapping, it will be clear which types of support are required and how to face it. For example, in terms of providing land for co-production houses, licensing support, facilitation and assistance as well as the availability of supporting facilities and infrastructure (road infrastructure, electricity, water, etc.) will be conducted by the local government. Then, the raw materials will supported by the Ministry of Agriculture and the Ministry of Environment and Forestry.

Furthermore, the technology and digitization section will become the domain of Communication and Information Ministry. After that, on the institutional aspect, MSME actors who are in clusters or UKM centers who are ready from the aspect of business potential, availability of raw materials, facilities and infrastructure will be encouraged to form the cooperatives. With cooperatives, it is hoped that MSME actors can have strong management and be managed professionally. MSMEs and Cooperatives that utilize production houses will receive assistance and be facilitated both in terms of investment financing, management, digitization, product standardization, production technology and marketing. After that, it is anticipated that BUMN, BUMD, and the private sector will consume the goods created at the joint production facility in order to export them abroad and supply the home market through offline shops and marketplaces supported by the Ministry of Trade. Thus, having a production house with MSME actors will gain the protection, convenience, empowerment and partnership. This research emphasizes the obstacles in increasing export capacity by MSMEs during economic recovery and increasing the contribution of MSMEs to Indonesia's GDP. The tactical steps are required through collaboration between interested parties for the MSMEs are remain to survive and develop their capacity to contribute in Indonesia's economic recovery.

LITERATURE REVIEW

Sun (2017) states that collaborative governance is both an innovation and a development in research related to theory paradigm of public management. In collaborative governance, the government does not only rely on internal capabilities but also external parties in implementing policies and program implementation (Mukhlis, 2017). Therefore, collaborative governance can be described as a process that involves interaction between actors in collective decision-making for problem solving and value creation (Douglas et al., 2020).

The collaborative governance was also used by several previous studies that discussed collaborative governance in government programs to solve the public problems. The research conducted by Faidati and Mutmainah (2019) with the title
Collaborative Governance in MSME Development in Industrial Revolution Era aims to examine the scope of collaboration in strengthening the position of small and medium enterprises in facing the industrial revolution 4.0 in Yogyakarta. In this research, the results showed that the development of MSMEs in Yogyakarta in industrial revolution 4.0 had not been optimally implemented since there were still overlapping programs and target groups due to the lack of adequate data managed by each stakeholder or by the government itself. Then, that there are MSME communities that receive many programs and activities from certain stakeholders, but there are also MSME communities that have not been informed by programs and activities related to technology use. Another obstacle in collaborative governance that still not optimal is the absence of a coordination forum between stakeholders who has the same concern. In terms of commitment, the commitment among the parties involved has been going well that each stakeholder has consciously conducted their duties and responsibilities. However, the collaboration process among the stakeholders has not implemented well.

Second, the research conducted by Alif and Saraswati (2021) aims to describe the processes and forms of collaboration through a collaborative governance approach in the JakPreneur program and provide the recommendations for program improvement. The results of this research shows that the collaboration process is effective among the stakeholders because all collaborative actors complement each other and are responsible for their commitment to empower MSMEs in DKI Jakarta for become more competitive. The collaboration formed in this research is represented through the implementation of several activities from P1-P7 stages of JakPreneur Program. The community's intense eagerness for taking part in JakPreneur activities served as evidence of the partnership process's successful outcomes. Third, the research conducted by Luciana and Yan (2021) used systematic review to find out the cooperation between small and medium entrepreneurs for they could expand their market abroad. This research aims to analyze the collaborative process of MSME actors and government's contribution in supporting this collaboration. In contrast to previous research, instead of using a perspective on collaborative governance, this research employs the idea of networks to examine the process of collaboration. This research provides a view that collaboration is an effort in expanding the market.

Fourth, the research conducted by Liliek (2022) intends to find out how the stakeholders are solving their problems and analyze the collaborative governance conducted by Maron Village Government with Wonosobo Social Service, Temanggung Social Service, Tali Kasih KSM and the private sector, called the local community in empowering people with disabilities. The results of this research indicates that collaborative governance in empowering people with disabilities has not implemented well based on collaborative governance indicators according to DeSeve which have not been achieved, that there is no strong commitment among stakeholders, the absence of official regulations related to collaboration in
empowering people with disabilities and the limit of resources access, especially for budgets and infrastructure.

Moreover, the last research is conducted by Adella and Awang (2021) shows that the collaboration between stakeholders in SiBakul Jogja Free-Shipment program is successful. The sustainability of MSME empowerment cooperation in SiBakul Jogja Free-Shipment program is influenced by various factors, supporting factors and inhibiting factors. The supporting factors are a good network structure involving actors who are competent in their fields, adequate sources of funds, and authorities in accordance with procedures. This research focuses on the challenges faced by MSMEs that prevent them from growing their export capacities and their GDP contributions.

Referring to some research above, it can be understood that collaboration is an activity that fundamentally placed in social networks management. The social network is the communication among the stakeholders. Based on this understanding, it can be concluded that collaboration theory is an analysis of the governance process from the point of view of social networks. A technique and structure known as "collaborative governance" includes parties from outside of an organization. Collaborative governance developen as the response to failed implementations, exorbitant costs, and the politicization of public sector laws. Every level of public policy is the main focus (Nasrulhaq, 2020). According to Lini (2022), in order to develop or conduct the public policies, manage programs, or oversee public assets, a government may regulate one or more non-government stakeholder public institutions through a formal, consensus-driven, and deliberate collective decision-making process. Meanwhile, according to Edward DeSeve, collaborative governance is an integrated system that is managed across official and informal organizational borders with rethought organizational principles and a distinct definition of success.

**RESEARCH METHODOLOGY**

This research is a qualitative approach with descriptive methods that expected to produce in-depth descriptions of speech, writing or behavior that can be observed from individuals, groups, communities and certain organizations (Sugiyono, 2019). To get new insights into a particular occurrence, qualitative research involves the gathering, examination, and interpretation of extensive narrative and visual data (Bunteng, 2022). This research uses the qualitative data analysis that are conducted constantly and in an interactive manner until finished. The data were analyzed descriptively based on obtained data through observation and reading materials consisting of various literatures to obtain relevant secondary data.
RESULT AND DISCUSSION

Result

Starting Condition

There would be a number of difficulties and hurdles in implementing integrated management of MSMEs that caused the ability of MSMEs to take part in national economy cannot be maximized. This can be seen even though many MSME involved in development program, the MSME development tasks delegated to these agencies has the negative issues, such as the politicization of MSME, the provision of Social Safety Net (JPS) subsidies that are unclear and undirected. Likewise, SOEs that are not managed and implemented their profits of 1-5% properly. In addition, The complexity of the application process and the lack of collateral are obstacles for SMEs to acquire bank financing (Freeztika, 2017). Based on problems above, in general MSMEs themselves face two main problems including financial and non-financial (management organization) problems. The financial problems are:

1) The lack of compatibility (mismatch) between available and accessible funds for MSMEs
2) There is no systematic approach to MSME funding
3) High transaction costs, caused by complicated credit procedures that takes a lot of time while the amount of credit disbursed is little
4) The lack of access to formal sources of funds, both due to the absence of banks in remote areas and the unavailability of adequate information
5) The loan interest for investment and working capital is quite high
6) The large number of MSMEs are not bankable yet, either due to the lack of transparent financial management or a lack of managerial and financial capabilities.

While the problem of management organizations (non-financial) include:

a) The lack of knowledge of production technology and quality control caused by the inability of opportunity to follow technological developments, also the incompetence of education and training.
b) The lack of marketing knowledge, caused by limited information that can be reached by MSMEs regarding the market, as well as the inability of MSMEs to provide products/services based on market demands.
c) Limited human resources (HR) and a lack of resources to develop human resources
d) Lack of understanding of finance and accounting

The information above provides a general overview of initial conditions that faced by MSMEs. According to Ansell and Gash, these conditions have an impact on how well institutions and organizations cooperate with stakeholders before the collaboration process begins. There are three major variables of initial conditions,
including an imbalance between the influence of power, resources, and stakeholder knowledge. From these three variables, it can be understood that the basis for the collaboration in integrated management of MSMEs is due to financial or capital problems that have a fairly high percentage of 51.09%. The problems with this aspect of capital certainly have an impact on MSME capital sources. For example, in East Kalimantan, 77% of MSME financing still comes from its own finances, while the remaining 23% comes from other parties, including banks. Based on this, the condition of MSMEs is still bankable, or does not meet the requirements as a bank customer. While the problems in non-financial aspect are related to human resources of MSME actors, where the MSME actors have an average education level of elementary to high school. This problem is not only in one area in Indonesia, but it occurs throughout Indonesia.

Even though in Sub Major Project the government provides access to provision and payment, the problem that still occurs is the inability of information access that certainly has an impact on a lack of knowledge and understanding in accessing funding. In recent years, the government has supported by providing wider access to financing for MSMEs through People's Business Credit (KUR), Ultra Micro Credit (UMi), Civil National Capital (PNM), Fostering a Prosperous Family Economy and Micro Capital Service Unit (PNM Mekaar), and ULaMM, Revolving Fund Management Institution (LPDB). From several financing supports above, the bad credit case is the biggest possibility that will occur in providing access to finance, especially with Covid-19 pandemic. Based on OJK data since April 2020, there has been a decline in credit quality performance with an increase in Non-Performing Loans ratio. Before the pandemic, the majority of disturbance loans to MSMEs were caused by crop failures, production failures, and the debtor's inability to manage their business. The existence of a pandemic will certainly put pressure on the performance of these loans. Furthermore, according to Bank Indonesia, there are still many MSME actors who has difficulties in obtaining access to credit from banks or other financial institutions due to technical constraints, not having/insufficient collateral, or non-technical constraints and limited access to banking information. In terms of business development, MSME actors still have limited information regarding financing patterns for certain commodities.

The initial challenge MSMEs confront is to promote the development of a partnership because of the same issue. Although it is not yet obvious what role BUMN will play in resolving this financing issue, KUKM is working with BUMN to develop synergy in overcoming the issue of government financing with the leading sector. The Ministry of Cooperatives and SMEs has been implementing the Integrated Micro, Small and Medium Enterprise Cooperative Service Center (PLUT-KUMKM) since 2013 with a functional approach. In order for integrated management to have the greatest possible impact on MSMEs development in the future, integrated management of MSMEs will be conducted. Institutional structure,
including the structure inside the PLUT-KUMKM institution and hierarchical structure from the center to the regions was discussed in relation to institutional strengthening. The ability to establish an organizational structure that represents the different fundamental challenges faced by MSME operators must be enabled by the strengthening of this institutional framework. The organizational structure reflects the division of specific tasks and responsibilities related to providing access to capital, supplying raw materials, standardizing products, enhancing market access, assistance (business licensing, production, and information technology utilization), education and training in the context of upgrading human resources, fortifying partnerships, as well as gathering MSME data.

**Institutional Design**

The institutional variable refers to how the basic rules in associating since this becomes procedural legitimacy in the collaborating process. The institutional design placed a strong emphasis on how forums are formed, how to provide clear implementation standards, and how to implement collaboration in a transparent manner. Referring to this, the implementation of MSME Integrated Management does not have a clear institutional design yet. Until now, the MSME Integrated Management only refers to the Regulation of the Minister of Cooperatives and Small and Medium Enterprises Number 6 of 2022. As a result, in order to control the institutional strengthening of PLUT-KUMKM as a type of integrated MSME management institution, the government must issue the regulations, which then will be formally transmitted by regulations of the Minister of Cooperatives and SMEs. Thus, the Decree of Deputy for Business Restructuring of Ministry of Cooperatives and SMEs7 are no longer serves as the sole legal framework for PLUT-KUMKM administration. The governmental laws are required since PLUT-KUMKM institutional strengthening will involve a number of key ministries/agencies, OPDs with a variety of roles and functions, as well as sectoral egos. In order to realize cross-sectoral collaboration, synergy, and shared accountability, the rules through these government regulations are anticipated to provide a stronger and firmer legal basis.

**Facilitative Leadership**

The leadership variable states that there will likely be conflicts or disputes during collaboration and there is a high level of mistrust between stakeholders. However, on the other hand, there is a high level of stakeholder interest in participating, and the acceptable leadership is required and trusted by stakeholders as a mediator in collaboration. In order to successfully create an association that comes from the community of stakeholders, there must be strong leadership that is respected and trusted by all parties involved. The government can support the execution of leadership component in integrated management of MSMEs by providing clear technical regulations. In its implementation, it will depend on local
Governments chosen for MSME integrated management pilot project—in this case, five regions—or the local governments that collaborating in it. Since only two of five regions have formed a multilateral meeting to reaffirm their commitment and define their respective roles as stakeholders in the implementation of Major MSME Integrated Management Project in each location, the response to government’s idea regarding the integrated management of MSMEs has tended to be slow.

**Collaborative Process**

Stakeholder communication serves as the cornerstone upon which all collaborative governance is constructed. This conversation is being conducted as a process that seeks consensus or agreement. This stakeholder dialogue is typically undertaken to find opportunities by advancing a narrative that suggests there will be a situation where stakeholders may work together and obtain the benefit from it. Trust-building is an integral part of the communication process. The ability to foster trust among stakeholders is a skill that collaborative leaders must possess, and it takes effort and time to develop trust.

High stakeholder interdependence settings are likely to improve commitment to collaboration in the collaborative process. It should be highlighted that cooperating is a process of ongoing, mutually beneficial collaboration activities rather than a one-time commitment. Standard understanding Stakeholders must eventually be able to come to an agreement on what is possible. This shared knowledge can take the form of having distinct common objectives, distinct definitions of the issues the group faces, and distinct values to be realized through cooperation. When the aims and benefits of collaboration may be felt strongly even though they are still relatively tiny as an intermediate result (middle) of the collaboration process, it is more likely that the cooperation will remain associate. This modest success may serve as a catalyst for increasing stakeholder involvement and trust.

When viewed based on aspects of the collaboration process in Integrated Management of MSMEs, this process begins with face-to-face dialogue involving various stakeholders. From the potential possessed by MSMEs which are considered capable of contributing to National Economic Recovery Program, the government has made this program as the strategies for national economic recovery. In addition, the DPR RI has urged the Government to move concretely in facing various significant obstacles during Covid-19 Pandemic. This step is considered as a rescue step, considering the role of MSMEs in being able to provide employment and contribute to Gross Domestic Product (GDP), as well as being a counterbalance to economic structure amid critical and vulnerable conditions. Additionally, the government is constantly dedicated to hasten the recovery of country's economy by responding many issues that society faces, promoting price stabilization, and increasing funding for business players. These numerous initiatives were created to encourage commercial activity, which is predicted to result in economic growth.
Discussion

The government considers that Micro, Small and Medium Enterprises (MSMEs) have proven their resilience through Covid-19 Pandemic and accelerated the recovery of national economy. The development of MSMEs is inseparable from the support of various parties, both government and private sector. The collaboration between government and private sector is very beneficial for SMEs that can be conducted through coaching, training, financing, especially People's Business Credit (KUR), and support from various parties are needed for MSMEs in order to encourage the development of SMEs. The Coordinating Minister for Economy Airlangga Hartarto convened a virtual chat with MSME players in Bandung, West Java, on Tuesday (15/03), as an effort to obtain the most recent information regarding the state of MSME actors and to directly hear about the challenges faced by them. A number of other cities, including Solo, Surabaya, and Semarang, have previously hosted discussions of a similar cases. Coordinating Minister Airlangga spoke with MSME players during this interactive discourse, including individuals who are participants in Sampoerna Retail Community (SRC) program. The government's attempts to boost MSMEs under SRC program have active since 2008 from PT HM Sampoerna Tbk. By the end of 2021, SRC program has reached more than 160,000 grocery stores throughout Indonesia, including Bandung. Currently, there are approximately 21,000 grocery stores in West Java that have joined the Sampoerna Retail Community (SRC), of which around 3,000 are located in Bandung. MSME coaching provided to SRC members includes education on store management and financial management, business development, support for MSME products in surrounding community through "Local Corner", to digital literacy through AYO SRC application. With the spirit of mutual cooperation that prioritizes synergy and collaboration with various stakeholders, it is hoped that this coaching program will have a long-term impact. In that interactive discourse, it was revealed that the average monthly profit of grocery store owners was tripled after the coaching agenda. The grocery store owners also conveyed the obstacles they are currently facing to Coordinating Minister for Airlangga, including regarding the unstable sales conditions during the pandemic. On that occasion, the Coordinating Minister for Airlangga also encouraged the grocery shop owners who intend to expand their business to not hesitate to take KUR because of the interest subsidy facility.
CONCLUSION

Conclusion

Based on the findings of the research, it can be said that integrated management of MSMEs is still biased when it comes to the process of creating collaborative governance. It is unclear whether this process is the result of government commitment or whether it happens as a result of encouragement or pressure from the MSME group. The process cannot be separated from political factors, such as the DPR's demand to take quick action in order to revive the national economy. This political component might help or hinder things depending on the situation. The lack of innovation by leaders in accomplishing complex and diametrically opposed political goals may cause the collaboration to fail. This cooperation can reduce the conflict of goals, which is frequently represented as the objectives of each interest group. The changes in agreements and disparities in stakeholders’ interests are two additional factors that make collaboration collapsed due to the divergent interests among stakeholders and a change in the agreement that was made before.

Suggestion

Based on the conclusion above, there are several recommendations for the integrated management is able to have a more optimal impact on the development and progress of MSMEs in the future, namely strengthening the organizational structure must also regulate the work relations comprehensively, both vertically and horizontally, and the assistance provided by PLUT-KUMKM as a form of MSME integrated management institution must be able to be comprehensive and sustainable in overcoming various fundamental problems of MSME actors.

REFERENCES


