

Strategy for the Development of Micro, Small and Medium-sized Enterprises (MSMEs) Based on Collaborative Governance in South Tapanuli

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Abstract : This study aims to analyze the development strategy of Micro, Small, and Medium Enterprises (MSMEs) based on collaborative governance in South Tapanuli Regency. The study employed a qualitative approach, with data collected through observations, interviews, and documentation. The research informants consisted of MSME owners, PT Agincourt Resources, Bagas Silua, the Department of Trade and Cooperatives for MSMEs, and the Department of Investment and One-Stop Integrated Services. The findings indicate that MSME development is significantly influenced by collaboration among the government, the private sector, and MSME actors. The government plays a vital role in facilitating business legalization, providing guidance, training, and mentoring, while the private sector contributes to capacity building and product marketing. Internal factors, such as managerial capability, creativity, and entrepreneurial independence, as well as external factors, including policy support, training programs, and strategic partnerships, also affect the success of MSMEs. The collaborative governance model, implemented through cross-sectoral coordination and the active involvement of MSME stakeholders, has proven effective in enhancing business capacity, improving competitiveness, and increasing the contribution of MSMEs to local economic growth in South Tapanuli Regency.

Keywords: *Collaborative Governance; MSME Development; Stakeholder Collaboration; Local Economic Development; Regional Government*

INTRODUCTION

Islam Economic development can be achieved through the strengthening of Micro, Small, and Medium Enterprises (MSMEs), as they serve as one of the key drivers of economic growth. MSMEs contribute significantly to job creation and income generation for the community. The establishment and development of MSMEs are aimed not only at increasing income but also at promoting a more equitable distribution of wealth and improving the overall welfare of society.¹ MSMEs are micro, small and medium enterprises, which are businesses or enterprises carried out by individuals, groups, small business entities or even as home businesses.²

¹ Nina Widowati Definta Aliffiana, "Upaya Pemerintah Daerah Dalam Pemberdayaan Usaha Mikro, Kecil Dan Menengah (Umkh) Sentra Industri Konveksi Dan Bordir Di Desa Padurenan, Kecamatan Gebog, Kabupaten Kudus," *Journal of Chemical Information and Modeling* 53 No 9 (2019).

² Siti Anugrahini Irawati, *Ekonomi Kreatif dan UMKM Kuliner Pendongkrak Ekonomi Rakyat* (Malang: MNC Publishing, 2023).

Medium Enterprises are independent productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or are part of either directly or indirectly with Small Enterprises or Large Enterprises with the amount of net assets or annual sales results as regulated in this Law. Based on the definition above, in essence Micro, Small, and Medium Enterprises are a form of productive economic enterprise carried out by individuals or individual business entities that meet the criteria of Micro, Small, and Medium Enterprises.³

Micro, Small, and Medium Enterprises (MSMEs) represent a business sector that has been strongly promoted by the government due to their significant potential to support economic development. The greater the number of individuals engaged in entrepreneurship, the stronger and more resilient the regional economy becomes, as local resources, local labor, and local financing can be utilized more effectively and efficiently. Although MSMEs possess several advantages that enable them to grow and remain resilient during times of economic crisis, empirical evidence indicates that not all small businesses are able to survive and sustain their operations when confronted with economic downturns.⁴

The purpose of Micro, Small, and Medium Enterprises (MSMEs) is to improve public welfare through economic development and enhanced public services, enabling communities to overcome poverty. MSMEs play a strategic role in contributing to national income and reducing unemployment. According to Law of the Republic of Indonesia No. 20 of 2008, Chapter III, Article 5, the objectives of MSME development are to strengthen the role of Micro, Small, and Medium Enterprises in regional development, create employment opportunities, promote equitable income distribution, stimulate economic growth, and alleviate poverty.⁵

In addition, Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in national economic development. Beyond contributing to economic growth and employment generation, MSMEs also support the equitable distribution of development outcomes. They are expected to make effective use of national resources, including the optimal utilization of labor in accordance with the interests of the community, thereby promoting sustainable and inclusive economic growth.⁶

³ Akmal Fadilah, ““Pengembangan Usaha Mikro, Kecil, Dan Menengah Melalui Fasilitasi Pihak Eksternal Dan Potensi Internal,” *BERNAS: Jurnal Pengabdian Kepada Masyarakat* 2 no 4 (2021).

⁴ Eka Fatmawati, *Potensi Dan Kontribusi UMKM*, ed. Zaenal Abidin (Jambi: Zabags Qu Publish, 2022).

⁵ UU Republik Indonesia Nomor 20 Tahun 2008 Bab III Pasal 5

⁶ Indah Mulia Sari dan Dkk, *Mudah Memahami Usaha Mikro Kecil Dan Menengan (UMKM)* (Uwais Inspirasi Indonesia, 2020).

The importance of MSMEs in Indonesia's economic development. The growth of micro, small, and medium enterprises (MSMEs) in North Sumatra plays a strategic role in the Indonesian economy. According to information from the Ministry of Cooperatives and SMEs, MSMEs play a significant role, contributing 60.5% to Indonesia's Gross Domestic Product (GDP) and creating more than 97% of job opportunities. In North Sumatra, MSMEs play a vital role in driving the regional economy through diverse sectors, such as agriculture, trade, crafts, and culinary arts.⁷

In South Tapanuli Regency, the development of MSMEs is still beset by various obstacles and challenges in facing an increasingly competitive business environment. However, despite these limitations, MSMEs are still expected to become a mainstay of the Indonesian economy. Micro, Small, and Medium Enterprises (MSMEs) are expected to play a vital role in increasing income and expanding employment opportunities for the community. This is because MSMEs are more numerous than large-scale industrial enterprises and have the advantage of absorbing more labor and accelerating the process of equity as part of development.⁸

One of the sectors expected to grow within MSMEs is job creation, particularly in home-based businesses. Micro, Small, and Medium Enterprises (MSMEs) differ across regions, influenced by the varying characteristics of the resources available in each region. MSMEs build rural economies through locally sourced businesses and local consumption. As one employee at Bagas Silua stated in an interview: Therefore, a strategy is needed in its development, namely a strategy that is structured and implemented to achieve various objectives that have been set, while maintaining and expanding organizational activities in new areas in order to balance the environment (such as changes in demand, changes in supply sources, changes in economic conditions, technological developments, and the activities of competitors).⁹

"Currently, there are 35 small businesses in Bagas Silua actively running their businesses. Of these, the most dominant sector is food vendors, with a total of 26 people engaged in the culinary business. In addition, there are 8 businesses operating in the fashion sector, such as selling clothing and similar products. Meanwhile, in the crafts sector, the number of entrepreneurs is still very limited, namely only one person. This data shows that the culinary business remains the fastest

⁷ evi Nadya Dea dan Dkk, "Peningkatan Pertumbuhan Ekonomi Sumatera Utara Melalui Pengembangan UMKM," *Jurnal Educo* 5 no 2 (2022).

⁸ Dewi Anggraini and syahrir hakim Nasution, "PERANAN KREDIT USAHA RAKYAT (KUR) BAGI PENGEMBANGAN UMKM DI KOTA MEDAN (STUDI KASUS BANK BRI)," *Jurnal ekonomi dan pengembangan* 1 no 3 (2013).

⁹ Mela Julia dan Alifah Jiddal Masyruroh, "Literature Review Determinasi Struktur Organisasi: Teknologi, Lingkungan Dan Strategi Organisasi," *Jurnal Ekonomi Manajemen Sistem Informasi* 3, no. 4 (2022): 383–95, <https://doi.org/10.31933/jemsi.v3i4.895>.

growing sector in Bagas Silua, while other sectors still need guidance and support to develop optimally."

This situation reflects the significant potential of small businesses in South Tapanuli Regency, yet they still face various limitations, including capital, skills, and access to markets and technology. Therefore, to develop the small business sector more equitably and sustainably, small business owners in this region urgently need assistance in the form of mentoring, training, access to capital, and support from both the government and the private sector to increase their business capacity and contribute more significantly to regional economic development.

The reason is that the potential for small businesses in South Tapanuli Regency is quite significant due to the high level of public interest and participation in business activities, particularly in the food sales sector, which has stable market demand and promising profit opportunities. Furthermore, the presence of entrepreneurs in the fashion and crafts sectors indicates that the community is beginning to explore various types of businesses according to their capabilities and resources. This situation illustrates the strong entrepreneurial spirit and the potential for local economic development that can be continuously developed. With support in the form of training, access to capital, and mentoring from the government and the private sector, the potential for small businesses in South Tapanuli Regency can grow optimally and have a positive impact on the local economy.

As in the study entitled *Collaborative Governance in the Development of Micro, Small, and Medium Enterprises (MSMEs) in Kedungbanteng District, Banyumas Regency*. The research results in the article show that the implementation of Collaborative Governance plays a crucial role in MSME development. Collaboration between the government, the private sector, financial institutions, and MSME associations has been proven to increase the capacity of business actors through training, mentoring, access to financing, and market expansion. Support from various parties, such as the Department of Manpower, Cooperatives and SMEs, and Bank Indonesia, has been proven to improve the managerial and digital capabilities of MSMEs, making them more competitive. The conclusion of the study is that multi-stakeholder collaboration creates a stronger, more effective, and more sustainable business ecosystem.

Based on previous research entitled *Collaborative Governance in the Development of Micro, Small, and Medium Enterprises (MSMEs) in Kedungbanteng District, Banyumas Regency*, it was found that the implementation of collaborative governance plays a significant role in the development of MSMEs through cooperation among the government, the private sector, financial institutions, and MSME associations. The findings indicate that such collaboration enhances the capacity of MSME actors

by providing training, mentoring, access to financing, and expanded market opportunities, thereby improving the competitiveness of MSMEs.¹⁰ This study still has limitations because it only examines the implementation of Collaborative Governance in the development of MSMEs in Kedungbanteng District, Banyumas Regency. The study has not examined the application of Collaborative Governance strategies in MSMEs that have different characteristics, especially in South Tapanuli Regency which faces various problems, such as limited business capital, lack of labor in production houses, and the low ability of business actors to market and promote their products. In addition, previous research has not discussed collaboration between MSMEs and private companies through community development and economic empowerment programs.

However, no study has yet analyzed the collaborative governance-based MSME development strategy of Bagas Silua MSME in South Tapanuli Regency, involving the government, MSME players, and the private sector, namely PT Agincourt Resources. However, based on initial interviews, this collaboration has been ongoing for approximately two years through coaching programs, business mentoring, product quality improvement, marketing access assistance, and capacity building for MSME players. However, the effectiveness of this collaborative strategy in overcoming various obstacles to MSME development has never been scientifically analyzed.

This research focuses on a study that analyzes the development strategy of MSMEs based on Collaborative Governance through collaboration between the government, MSME actors, and PT Agincourt Resources at the Bagas Silua MSME in South Tapanuli Regency. Unlike previous studies that only explain the role of collaboration in MSME development in general, this study specifically examines the collaboration strategy implemented to overcome the limitations of capital, labor, and marketing faced by MSME actors. Thus, this research is expected to provide scientific contributions in the form of enrichment of studies on the implementation of Collaborative Governance in MSME development in the regional context, as well as being a reference for local governments and the private sector in building a more effective collaboration model to support community economic development.

This approach is able to overcome MSME limitations, strengthen competitiveness, and significantly encourage local economic growth. These findings can form the basis for developing similar partnership patterns in other regions, including MSMEs like Bagas Silua. This requires research into how collaborative governance can develop small businesses in South Tapanuli

¹⁰ Journal Of, Community Development, dan Disaster Management, “Collaborative Governance dalam Pengembangan Usaha Mikro Kecil Menengah (UMKM) di Kecamatan Kedungbanteng Kabupaten Banyumas” 7, no. 1 (2025): 77–95, <https://doi.org/10.37680/jcd.v7i1.6821>.

Regency, thereby ensuring the well-being of the community and the economy. Furthermore, community businesses have significant potential for development due to their diverse resource base. This phenomenon motivated researchers to conduct a scientific study entitled "Strategy for the Development of Micro, Small and Medium-sized Enterprises (MSMEs) Based on Collaborative Governance in South Tapanuli."

METHOD

The research approach used is qualitative research with a descriptive method. Qualitative research is a new method due to its recent popularity. Qualitative research methods are research methods based on the philosophy of post-positivism, used in natural object conditions (as opposed to experiments) where the researcher is the key instrument, data source sampling is carried out purposively or snowball, data collection techniques are triangulation (combined), data analysis is inductive or qualitative, and the results of qualitative research emphasize meaning more than generalization.¹¹ Therefore, it can be concluded that qualitative research aims to understand phenomena experienced by research subjects, such as behavior, perception, motivation, and actions, through descriptive words and language. This study aims to examine the development strategy of Micro, Small, and Medium Enterprises (MSMEs) based on collaborative governance in South Tapanuli.

Primary data is the primary source of information collected directly by researchers during the research process. This data is obtained from original sources, namely respondents or informants related to the research variables. Primary data can be the results of observations, interviews, or data collection through questionnaires.¹² The informants were 5 MSME owners, 2 PT Agincourt Resources employees, 1 Bagas Silua employee, 1 UKM Trade and Cooperatives Service and 1 Investment and One-Stop Integrated Services Service.

The qualitative analysis section of this study is designed to reinforce, clarify, and enrich the findings of the previously conducted quantitative analysis. The analysis employs a thematic approach facilitated by Computer-Assisted Qualitative Data Analysis Software (CAQDAS) specifically NVivo 14 enabling the researcher to systematically and transparently carry out coding,

¹¹ Muhajirin, dkk, "Pendekatan Penelitian Kuantitatif Dan Kualitatif Serta Tahapan Penelitian" 15, no. 1 (2024): 82–92.

¹² Undari Sulung dan Mohamad Mospawi, "Jurnal Edu Research Indonesian Institute For Corporate Learning And Studies (IICLS) Page 110" 5, no. September (2024): 110–16.

Based on the NVivo Word Frequency output presented in Figure, the word "business" appears as the most dominant term, indicating that the primary focus of the interviews and documents is the development of Micro, Small, and Medium Enterprises (MSMEs). This finding is supported by interview results showing that the government facilitates business licensing and provides training and business assistance to support MSME development.

The words "development," "program," and "government" also appear with high frequency, indicating that MSME development is strongly supported by government programs, including business mentoring, capacity building, and access to capital. These findings demonstrate the government's strategic role in promoting sustainable MSME growth.

Furthermore, the frequent occurrence of the words "cooperation," "partnership," and "private" reflects collaboration between the government and the private sector, which is consistent with the principles of *collaborative governance*. Likewise, the words "entrepreneurs," "community," "training," "mentoring," and "capital" highlight that MSME development focuses on empowering local business actors through capacity building, business assistance, and financial support.

Overall, the Word Frequency analysis indicates that MSME development in the study area is implemented through collaboration among the government, the private sector, and the community, with a strong emphasis on development programs, partnerships, and the empowerment of MSME actors.

MSME Role Diagram



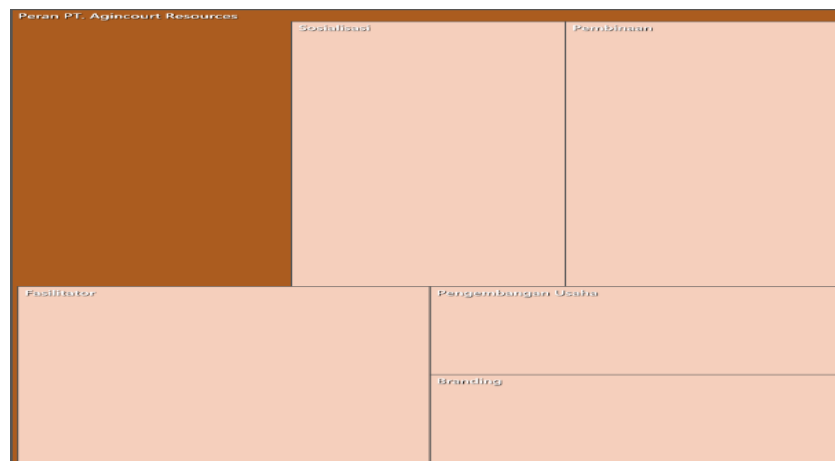
Based on the NVivo 12 Plus output (MSME Roles Diagram), the roles of MSMEs are categorized into three main aspects: economic growth, income generation, and employment creation. The varying sizes of the diagram indicate the relative prominence of each role in the research data.

Economic growth is the most dominant aspect, indicating that MSMEs are viewed as a key driver of regional economic development by stimulating local economic activities and strengthening community resilience. This finding is supported by interview results stating that MSMEs play an important role in increasing local economic circulation.

The income generation aspect is also prominent, showing that MSMEs provide income opportunities for business owners and employees, thereby improving community welfare. In addition, employment creation highlights the significant contribution of MSMEs in generating job opportunities, particularly for local communities with limited access to formal employment.

Overall, the NVivo analysis demonstrates that MSMEs play a strategic role in regional development by promoting economic growth, increasing community income, and creating employment opportunities. These findings emphasize the importance of continuous support through government policies and collaboration among stakeholders to ensure sustainable MSME development.

PT Role Diagram. Agincourt Resources



Based on the NVivo 12 Plus output presented (PT Agincourt Resources Role Diagram), the company plays several key roles in supporting MSME development and community empowerment. The diagram shows that socialization is the most dominant role, indicating the company's active efforts to disseminate information about MSME empowerment programs and encourage community participation.

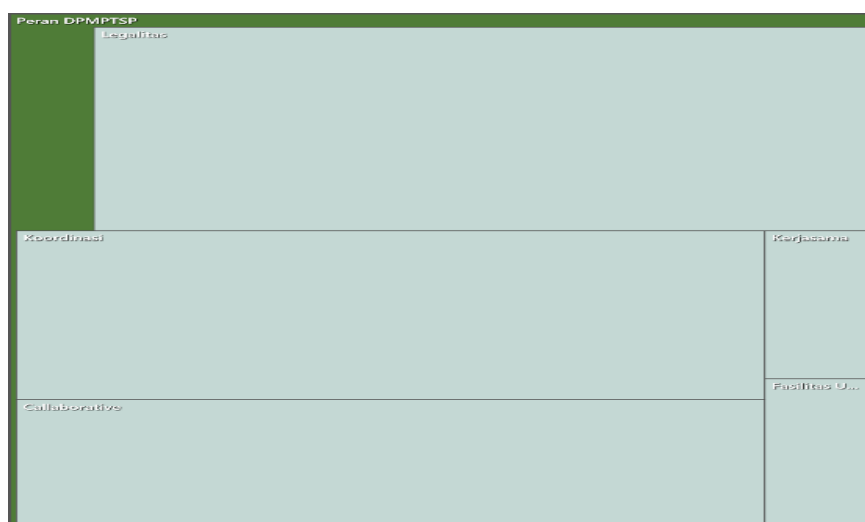
Another prominent role is capacity building, which is implemented through training, mentoring, and skills development to enhance the knowledge and capabilities of MSME owners. In addition, PT Agincourt Resources acts as a facilitator by connecting MSMEs with resources such as financing opportunities, marketing networks, and partnerships with relevant stakeholders.

This finding is supported by interview results stating that the company facilitates MSME development through collaboration with various parties.

The analysis also highlights the company's contribution to business development by supporting product innovation, improving production quality, and promoting business sustainability. Although branding appears less frequently, it remains an important role through product packaging, promotion, and market expansion.

Overall, the NVivo findings demonstrate that PT Agincourt Resources plays a comprehensive role in MSME development through socialization, capacity building, facilitation, business development, and branding, thereby contributing to sustainable community economic empowerment.

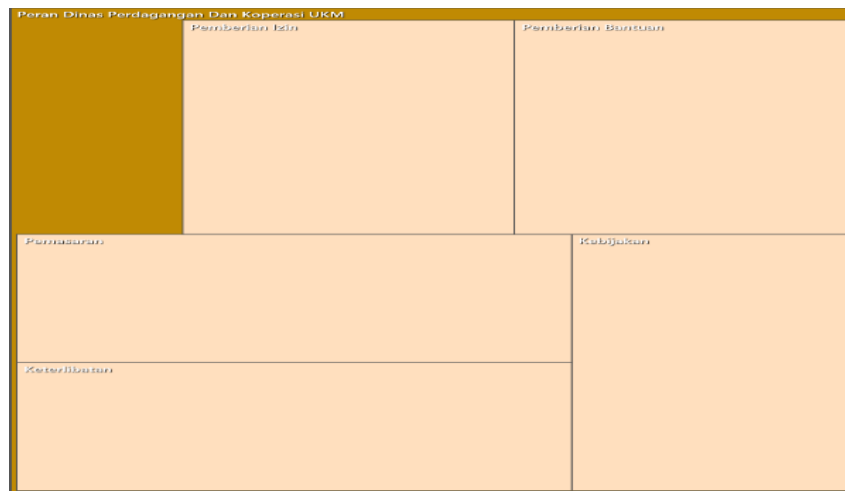
Diagram of the Role of the Investment and One-Stop Integrated Services Agency



Based on the NVivo 12 Plus output in Figure IV.4, the Investment and One-Stop Integrated Service Office (DPMPSTSP) plays a strategic role in MSME development through business legality, coordination, collaboration, partnerships, and business facilitation. Business legality is the most dominant aspect, highlighting DPMPSTSP's role in providing fast, transparent, and integrated licensing services that support the sustainability and credibility of MSMEs.

In addition, DPMPSTSP strengthens MSME development by coordinating with government agencies, the private sector, and other stakeholders, while also facilitating access to business services and investment opportunities. Overall, the findings indicate that DPMPSTSP contributes significantly to creating a supportive business environment and strengthening the implementation of *collaborative governance*.

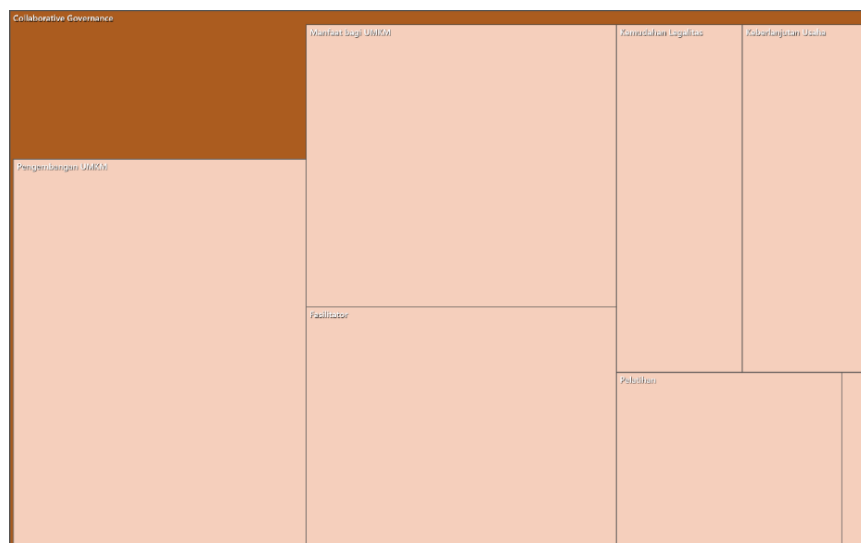
Diagram of the Role of the Trade and Cooperatives and SMEs Service of South Tapanuli Regency



Based on the NVivo 12 Plus output, the Department of Trade and Cooperatives for MSMEs plays an important role in MSME development through business licensing, financial assistance, marketing support, policy implementation, and stakeholder engagement. Business licensing and financial assistance are the most dominant roles, reflecting the department's efforts to provide legal status, business support, and resources to strengthen MSMEs.

The department also supports MSMEs by expanding market access, implementing development policies, and maintaining active engagement through mentoring and regular communication with business owners. Overall, the findings indicate that the department plays a vital role in empowering MSMEs and strengthening the implementation of *collaborative governance* in the study area.

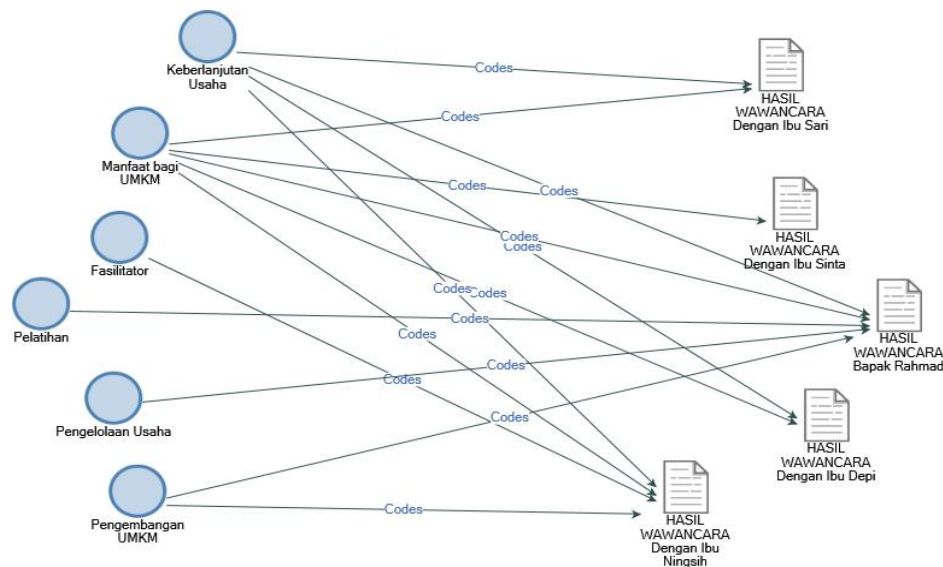
Collaborative Governance Diagram



Based on the NVivo 12 Plus output, collaborative governance in MSME development consists of several key themes, including MSME development, benefits for MSMEs, facilitation, business legality, training, and business sustainability. MSME development is the most dominant theme, indicating that collaboration among government, the private sector, and the community is essential for strengthening and sustaining MSMEs.

The findings also show that collaborative governance provides significant benefits by improving access to business licensing, training, mentoring, and other support services. Government agencies and private organizations act as facilitators, helping MSMEs access resources and development opportunities. Overall, the analysis demonstrates that collaborative governance is an effective approach to promoting sustainable MSME development and strengthening community economic empowerment.

Business Actor Informant Project Map

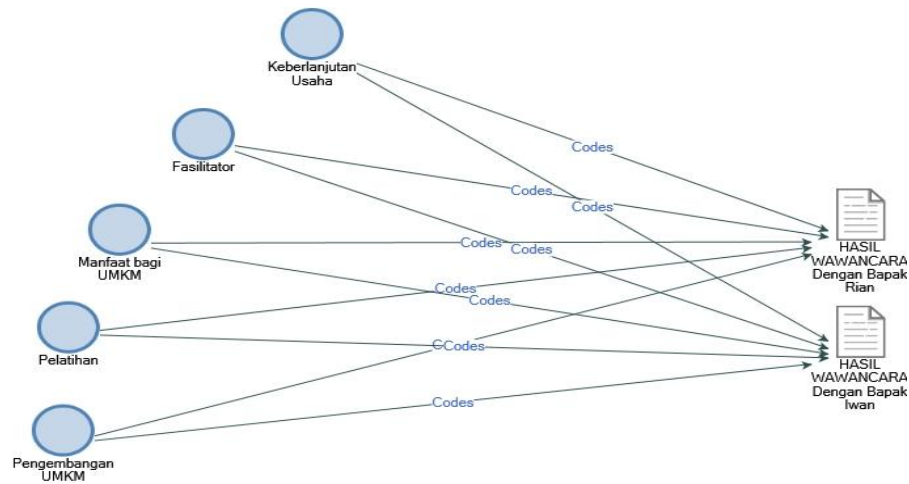


Based on the NVivo 12 Plus output (Project Map of MSME Owners), the project map illustrates the relationships between the interview themes and the responses of MSME owners. The dominant themes include business sustainability, MSME benefits, facilitation, training, business management, and MSME development.

The findings indicate that MSME owners recognize the importance of sustaining and expanding their businesses through training, improved management, and support from government and other stakeholders. They also reported tangible benefits from collaborative programs, including enhanced business capacity, better access to support services, and increased business opportunities. Overall, the project map demonstrates that MSME owners actively

contribute to the key themes of the study, confirming that *collaborative governance* positively supports MSME development and long-term business sustainability.

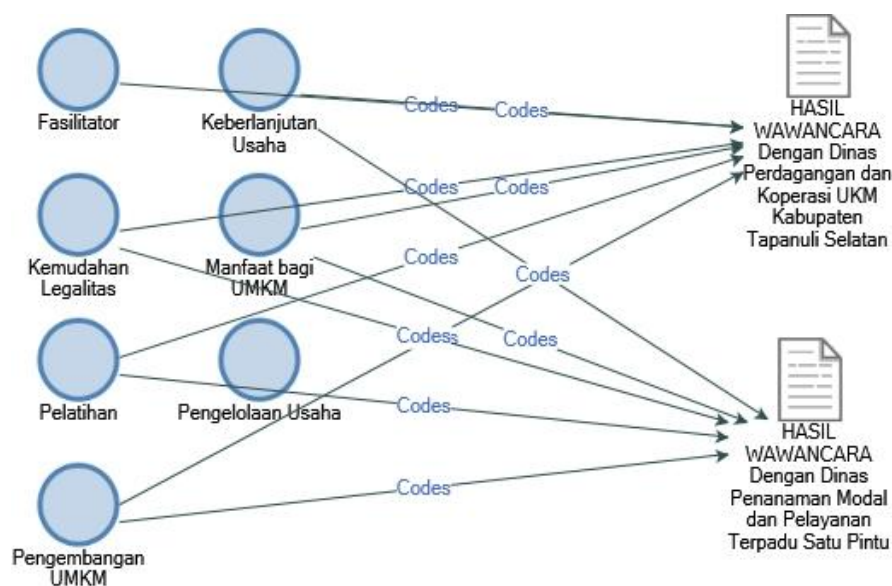
Project Map of PT. Agincourt Resources Employee Informants



Based on the NVivo 12 Plus output (Project Map of PT Agincourt Resources Employees), the project map illustrates the relationship between the interview themes and the responses of company employees. The main themes include business sustainability, facilitation, MSME benefits, training, and MSME development.

The findings indicate that PT Agincourt Resources plays an active role in supporting MSMEs through training, facilitation, and continuous assistance. Employees emphasized that the company's programs help improve business capacity, product quality, and long-term business sustainability. Overall, the project map confirms that PT Agincourt Resources serves as a strategic partner in implementing *collaborative governance* and supporting sustainable MSME development.

Government Informant Project Map



Based on the NVivo 12 Plus output (Project Map of Government Informants), the project map illustrates the relationship between the main research themes and the responses of government informants. The dominant themes include facilitation, business sustainability, business legality, MSME benefits, training, and MSME development.

The findings indicate that the government plays a key role as a facilitator and regulator by providing business licensing, training, mentoring, and access to development programs. Government informants also emphasized the importance of collaboration with the private sector and the community to support sustainable MSME growth. Overall, the project map confirms that the government is a central stakeholder in implementing *collaborative governance* and promoting sustainable MSME development.

MSME Development Mind Map

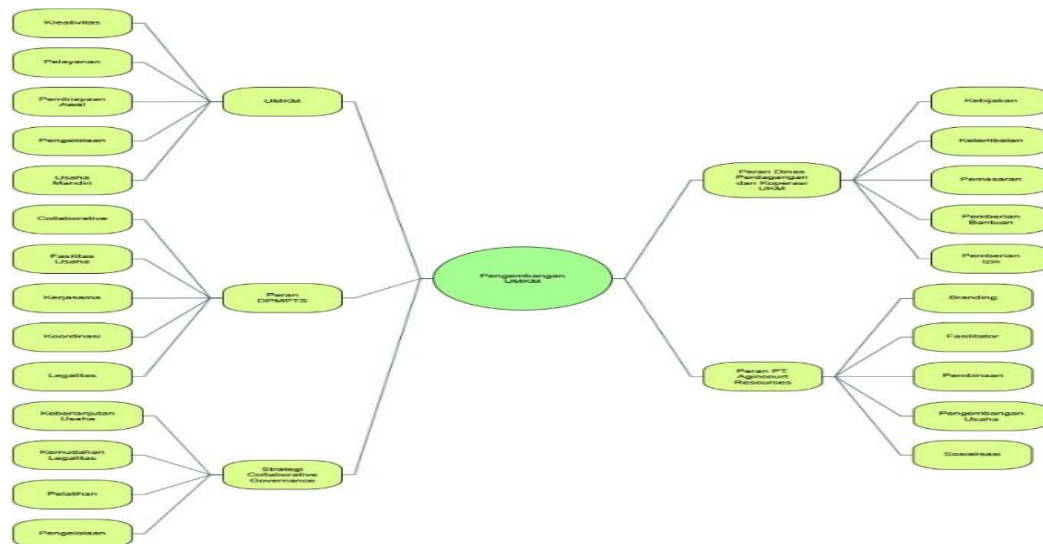


Figure presents the NVivo 12 Plus mind map illustrating the relationships among the main themes, subthemes, and stakeholders involved in MSME development. The central theme, MSME Development, is connected to five main clusters: MSMEs, the Role of DPMPPTSP, the Role of the Department of Trade and Cooperatives, the Role of PT Agincourt Resources, and Collaborative Governance.

The MSME cluster highlights internal factors such as creativity, business management, initial financing, service quality, and business independence. The DPMPPTSP cluster emphasizes business legality, coordination, collaboration, partnerships, and business facilitation. The Department of Trade and Cooperatives focuses on policy support, business assistance, licensing, marketing, and government involvement. Meanwhile, PT Agincourt Resources contributes through training, facilitation, business development, branding, and socialization as part of its CSR programs.

The Collaborative Governance cluster highlights business sustainability, business legality, training, and business management, demonstrating the synergy among government, the private sector, and MSMEs. Overall, the mind map confirms that effective MSME development in South Tapanuli Regency depends on strong collaboration among stakeholders, making *collaborative governance* a key strategy for achieving sustainable economic development.

The Development of Micro, Small, and Medium Enterprises Based on Collaborative Governance in South Tapanuli Regency

The research results show that the development of Micro, Small, and Medium Enterprises (MSMEs) in South Tapanuli Regency is inseparable from the implementation of a collaborative governance approach involving various stakeholders, namely local governments, the private sector, and MSMEs themselves. This approach emphasizes cooperation, coordination, and active involvement among actors in an effort to sustainably increase the capacity and competitiveness of MSMEs. Based on the results of qualitative data processing using NVivo 12 Plus, several main themes were found that describe the dynamics of MSME development in South Tapanuli Regency, including the role of MSME actors, the role of local government, the role of the private sector, and collaboration-based MSME development strategies.¹⁴

The findings indicate that MSME owners play a central role in business development through creativity, business management, service quality, and business independence. However, they continue to face challenges such as limited access to capital, low managerial capacity, limited product innovation, inadequate market access, and insufficient understanding of business legality.

The local government supports MSME development by providing business licensing, policy support, training, marketing assistance, and business mentoring through DPMPPTSP and the Department of Trade and Cooperatives. These efforts create a more conducive business environment and strengthen collaboration among government institutions.

The study also highlights the significant contribution of PT Agincourt Resources through its Corporate Social Responsibility (CSR) programs. The company provides training in digital marketing, photography, videography, product packaging, branding, and business mentoring, while conducting regular field visits to improve product quality and strengthen MSME competitiveness. Despite challenges such as limited program coverage and varying levels of MSME readiness, the CSR programs have positively contributed to business capacity and sustainability.

¹⁴ Hasil olahan data NVivo 12 Plus, 2026

The findings demonstrate that collaborative governance has become an effective strategy for MSME development in South Tapanuli Regency. The collaboration among government, the private sector, and MSME owners enhances business sustainability, improves legal compliance, strengthens entrepreneurial capacity, and increases the competitiveness of local MSMEs.

The findings of this study are in line with Alif Salsabila Katya's research which shows that collaborative governance is able to increase the competitiveness of MSMEs through cooperation between stakeholders.¹⁵ Thus, the collaborative governance approach is an effective strategy in encouraging inclusive and sustainable growth of MSMEs, while also contributing to improving the welfare of the people in South Tapanuli Regency.

Internal and External Conditions of Micro, Small, and Medium Enterprises Based on Collaborative Governance in South Tapanuli Regency

The research results show that the internal and external conditions of Micro, Small, and Medium Enterprises (MSMEs) in South Tapanuli Regency significantly influence the successful implementation of a collaborative governance approach to business development. Internal conditions relate to the capacity and readiness of MSMEs, while external conditions reflect environmental support, government policies, and private sector involvement in creating a conducive business ecosystem.

Based on qualitative data analysis using NVivo 12 Plus, several key themes were identified that illustrate the interrelationship between internal and external factors of MSMEs in the context of collaboration between local government, the private sector, and business actors in South Tapanuli Regency.

The findings indicate that the internal capacity of MSMEs in South Tapanuli Regency varies in terms of business management, creativity, service quality, and business independence. While some MSMEs have successfully utilized training and mentoring programs, many continue to face challenges such as limited capital, weak managerial skills, low product innovation, and limited use of digital technology. These internal conditions influence the ability of MSMEs to benefit from collaborative development programs. At the same time, the external environment is relatively supportive through the active involvement of the local government and PT Agincourt Resources. Government agencies provide business licensing, policy support, training, mentoring, and marketing assistance, while PT Agincourt Resources, through its CSR programs, contributes by

¹⁵ Alif Salsabila Katya, "Pemerintahan Kolaboratif dalam Peningkatan Daya Saing Usaha Mikro Kecil Menengah (UMKM) Melalui Program Jakpreneur," *Pascasarjana universitas indonesia*, 2021.

offering digital marketing, photography, videography, product packaging, branding, and business mentoring.

The findings further show that sustainable MSME development depends on the interaction between internal readiness and external support. Through *collaborative governance*, government institutions, the private sector, and MSMEs work together to improve business capacity, expand market opportunities, and strengthen long-term business sustainability. Although challenges such as limited resources, differences in MSME capacity, and program sustainability remain, stronger collaboration among stakeholders creates significant opportunities for sustainable MSME development in South Tapanuli Regency.

This finding is in line with Handoko Dwi Susantyo's research which states that the success of collaborative governance is influenced by communication, coordination between stakeholders, and support for community empowerment programs.¹⁶ Thus, the internal and external conditions of MSMEs that support each other through a collaborative governance approach are important factors in encouraging the growth of independent, competitive, and sustainable MSMEs, while simultaneously improving the welfare of the community in South Tapanuli Regency.

Collaborative Governance Strategy Model Implemented by Micro, Small, and Medium Enterprises in South Tapanuli Regency

The research results show that the development of Micro, Small, and Medium Enterprises (MSMEs) in South Tapanuli Regency is carried out through a collaborative governance strategy model involving local governments, the private sector, and MSMEs. This strategy aims to increase business capacity, expand market access, and create business sustainability through collaboration between stakeholders. Based on the results of data analysis using NVivo 12 Plus, there are five main strategies in implementing collaborative governance in the development of MSMEs in South Tapanuli Regency.

The findings identify several integrated strategies for strengthening MSME development through the implementation of *collaborative governance* in South Tapanuli Regency. The first strategy focuses on strengthening business legality and institutional capacity by simplifying business licensing procedures and improving MSME administration. Through the support of DPMPSTP and the Department of Trade and Cooperatives, MSMEs are encouraged to obtain legal status,

¹⁶ Handoko Dwi Susantyo, "Handoko Dwi Susantyo," *Pascasarjana Institut Pemerintahan Dalam Negeri Jakarta*, 2022.

which enhances business credibility, provides legal protection, and improves access to government assistance and business development programs.

The second strategy emphasizes human resource development and digital capacity building through continuous training and mentoring. PT Agincourt Resources, through its CSR programs, provides training in digital marketing, photography, videography, business management, product packaging, and production improvement. These programs enhance the technical and managerial skills of MSME owners, enabling them to adapt to market changes and utilize digital platforms more effectively.

Another important strategy is product innovation and branding, which aims to increase product value and market competitiveness. Government agencies and the private sector support MSMEs in improving product quality, developing attractive packaging, and building stronger product branding to expand their market reach. In addition, continuous mentoring and monitoring are carried out through regular field visits and business evaluations to ensure that MSMEs receive ongoing guidance and that development programs remain effective and sustainable.

Finally, partnership development and market expansion are promoted through collaboration among government institutions, PT Agincourt Resources, and MSME owners. This strategy includes product exhibitions, digital marketing initiatives, business networking, and partnerships that create wider market opportunities and encourage MSMEs to become more competitive and economically independent. Overall, these integrated strategies demonstrate that successful MSME development depends on sustained collaboration among stakeholders, making *collaborative governance* a key approach to achieving long-term economic growth and business sustainability.

The findings of this study are in line with Almas Grisselda's research which explains that the strategy for developing MSMEs is carried out through improving product branding, online and offline marketing, strengthening production management, and increasing business competitiveness.¹⁷

¹⁷ Almas Grisselda, “Strategi Pengembangan UMKM agar Berdaya Saing dan Meningkatkan Kinerja sebagai Pemain dalam Global Halal Industry (Studi Kasus Rura Kreatif BUMN Surabaya),” *Pascasarjana Universitas Surabaya*, 2020.

CONCLUSION

This study concludes that the development of Micro, Small, and Medium Enterprises (MSMEs) in South Tapanuli Regency is not solely determined by the capacity of MSME owners or by government intervention alone, but rather by the effective collaboration among multiple stakeholders through the implementation of collaborative governance. The findings demonstrate that sustainable MSME development is achieved when the government, the private sector, and MSME actors work together by integrating their respective roles, resources, and responsibilities to address common challenges.

The study reveals that the internal capacity of MSMEs—including business management, creativity, innovation, service quality, entrepreneurial independence, and willingness to adopt new knowledge—plays a fundamental role in determining business performance and long-term sustainability. However, many MSMEs continue to face significant constraints, such as limited access to capital, inadequate managerial skills, low levels of product innovation, and limited utilization of digital technology. These challenges indicate that strengthening internal capacity remains essential for improving the competitiveness and resilience of MSMEs.

From the external perspective, the study finds that the local government has established a supportive business environment through business legalization, policy implementation, training, mentoring, institutional strengthening, and market facilitation. In addition, PT Agincourt Resources, through its Corporate Social Responsibility (CSR) programs, has complemented government efforts by providing capacity-building initiatives, digital marketing training, product branding, packaging improvement, and continuous business mentoring. These initiatives have significantly enhanced the knowledge, skills, and competitiveness of MSME owners while expanding their access to broader market opportunities.

The findings further demonstrate that the success of collaborative governance depends on the interaction between internal readiness and external support. Government policies and private-sector programs become more effective when MSME owners actively participate in training, mentoring, and business development activities. Likewise, MSMEs with strong internal capabilities require continuous external support to sustain business growth and adapt to changing market conditions. Therefore, collaborative governance functions not only as a coordination mechanism but also as an integrated development framework that strengthens stakeholder relationships, encourages shared responsibility, and promotes sustainable economic empowerment.

Nevertheless, the study also identifies several challenges that may hinder the effectiveness of collaborative governance, including disparities in MSME readiness, limited financial and

institutional resources, uneven participation among business actors, and the need for more sustainable mentoring and evaluation mechanisms. These findings suggest that strengthening stakeholder coordination, improving program continuity, and enhancing institutional commitment are critical for maximizing the impact of collaborative governance.

Overall, this study confirms that collaborative governance is an effective and sustainable approach to MSME development in South Tapanuli Regency. By fostering strong partnerships among government institutions, the private sector, and MSME owners, collaborative governance enhances business capacity, improves competitiveness, strengthens business sustainability, and contributes to inclusive local economic development. Therefore, future MSME development policies should emphasize long-term collaboration, continuous capacity building, innovation, digital transformation, and stronger stakeholder commitment to ensure that MSMEs become more resilient, competitive, and capable of contributing to regional economic growth.

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