

Collaborative Governance-Based MSME Institutional Model Towards Local Economic Autonomy

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ABSTRACT: SMEs play a vital role as providers of goods and services, absorbing labour, ensuring income equality, adding value to regional products, and improving the standard of living. The SME development program supporting local economic independence requires an institution that collaboratively involves multiple stakeholders. This research focused on the Collaborative Governance-Based MSME Institutional Model to enhance Local Economic Autonomy. The research aims to get a description of SME institutional models by considering collaborative governance among stakeholders. The research used a qualitative method. The findings of the research are that each stakeholder participates and intervenes in the development of SME based on their respective roles, functions, competencies, and core businesses in a collaborative and integrated manner through interaction and coordination. The Creative and innovative communities process natural products into processed products to become more economically valuable and useful. Academicians conduct research, training, and development. Business people develop the economy; Financial institutions provide funding, and other supporting institutions support innovation, certification, quality assurance, and legal aid. The Model of SME institutions to enhance the community economy should involve multiple stakeholders interacting, coordinating, and collaborating, Governance based on their role, function, competence, and core business under the coordination of the government. This funding is to provide input to the government and SME actors in designing SME institutional models by considering collaborative governance.

KEYWORDS: Collaborative; Governance; Institution; SME; and Local Economy

INTRODUCTION

Small and medium-sized enterprises (SMEs) play a crucial role in contributing to the regional economy and are key to sustainable regional development (Chaichana et al., 2024). SMEs play a vital role as providers of goods and services, absorbing labor, ensuring income equality, adding value to regional products, and improving the standard of living (Moazzeni et al., 2024) ((Rahmawati, 2019.)) SMEs remain an alternative driver of the people's economy by applying appropriate technology to produce goods and services to meet community needs, utilizing local resources (Nurlinda & Sinuraya, 2020). To improve and develop the economy, institutions capable of contributing based on business units are needed (Ida Nurnida Relawan, 2014). Maintaining sustainability and strengthening the competitiveness of MSMEs requires institutional training, human resources, effective governance, and collaborative development strategies that involve various networks (Bianchi et al., 2021). SMEs must strengthen relationships between stakeholders to increase social capital and generate collaborative knowledge, and to improve business performance (Siti Aisyah et al., 2023).

Girikerto is a region with ample resources that has been developed through SMEs. Previous research explained that Girikerto has abundant potential and natural resources to be developed through SMEs to meet the Community's needs and improve the economy. However, it still lacks support from programs and institutions with the involvement of various creative and innovative stakeholders (Suyatno & Suryani, 2022). Further research has found that the development, utilization, and empowerment of local resources requires interventions in the form of programs and policies, as well as training, mentoring, and coaching activities involving various stakeholders, including the government and relevant agencies, academician, innovators, and business people through the MSME forum (Suyatno & Suryani, 2023). Other research suggests that the institutional capacity of the SME Forum in Girikerto Village should be strengthened and developed. The institution still lacks a comprehensive and coordinated approach; interaction and synergy between stakeholders are needed to enhance competitiveness and contribute through the SME forum (Suyatno & Suryani, 2024b) (Wa Ode Zusnita, Afif Syawala, Anggi Dian, Gery Alfiano, Hendrian Bayu Wibowo, 2023). This

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research shows that the communities in Girikerto have utilized their local resources with the intervention of various stakeholders. Each stakeholder supports the achievement of economic improvement based on their function and program. Institutionalized, coordinated, and collaborative governance is needed.

Several studies related to SME institutions have been carried out. The research of Institutional and Organizational Aspects in SME Development conducted by Wa Ode Zusnita et.al. explained that institutions and organizations play an important role in SME development (Wa Ode Zusnita, Afif Syawala, Anggi Dian, Gery Alfiano, Hendrian Bayu Wibowo, 2023). Ida Nurnida, Relawan, in their study on "The Role of SME Institutions on the Rate of Economic Growth in West Java, found that West Java SME Institutions contribute significantly to labor absorption and the Economic Growth Rate. However, most SME institutions face obstacles. The best way to build institutions is to combine expertise, strategy, and coordination (Ida Nurnida Relawan, 2014). Furthermore, Hilmi Rahman Ibrahim (2022) in his research found that the SME empowerment movement can be carried out by awakening and bringing together the potential and social innovation movement through strengthening and utilizing information technology, collaboration of economic actors, expanding social media-based information, strengthened through collaboration of organizations with institutional formats at the central and regional government policy levels through the development of collaborative models. (Rahman Ibrahim, 2022). Marc Journeault et.al in their study on collaborative roles of stakeholders in supporting the adoption of sustainability in SMEs found that stakeholders play five different collaborative roles in supporting sustainability practices within SMEs, namely that of trainer, analyst, coordinator, specialist, and financial provider. A wide range of local stakeholders can fulfill the five roles and contribute to overcoming various barriers to integrating sustainability practices within SMEs. (Marc Journeault, et.al, 2021,).

The description above shows that the involvement of various stakeholders in stronger and more competitive MSME institutions with coordinated and structured MSME programs is needed. Interventions from multiple stakeholders, in the form of programs and policies involving individuals, organizations, and the environment, are essential. Interacting, coordinating, and synergizing among stakeholders are crucial for effective and competitive MSME institutions, which are necessary for achieving economic independence. An integrated and collaborative institutional model among stakeholders in governance and involvement in MSME development is essential (Ansell & Gash, 2008). Institutional factors relate to formal structures and norms derived from the regulatory framework, government institutions, and prevailing cultural and social practices (Sendra-Pons et al., 2022). One of the most significant sources of competitive advantage for small and medium-sized enterprises (SMEs) is membership in a collaborative ecosystem. A collaborative ecosystem represents an association of organizations and individual partners that have the will to collaborate through the establishment of a "base" long-term collaborative agreement (Abreu & Calado, 2017). Collaborative governance in the MSME Forum is essential to increasing economic independence.

Based on the background and previous studies, researchers aim to build upon existing research. Studies on the utilization of local potential (Suyatno & Suryani, 2022), stakeholder intervention (Suyatno & Suryani, 2023), development of SME institutional capacity and institutional aspects (Wa Ode Zusnita, Afif Syawala, Anggi Dian, Gery Alfiano, Hendrian Bayu Wibowo, 2023), the role of institutions in MSMEs (Ida Nurnida Relawan, 2014), empowering SMEs through innovation (Rahman Ibrahim, 2022), and the role of stakeholders in encouraging the sustainability of SMEs have been explored. Based on the above description, research on SME institutional models is still limited (Marc Journeault, Alexandre Perron, 2021). Problems in SME development through the utilization of local resources to increase economic independence and achieve community welfare have not been supported by institutions with well-integrated and collaborative governance (Suyatno & Suryani, 2024a). Based on this reason, researchers conducted research on SME institutional models based on collaborative governance towards economic independence. The research aims to get a description of SME institutional models by considering collaborative governance among stakeholders based on roles, functions, coordination, interaction, and synergy. The purpose of this study is to provide input to the government and SME actors in designing SME institutional models by considering collaborative governance. What kind of institutional design can be developed to increase economic independence through SMEs with the collaborative involvement, interaction, and intervention of various stakeholders?

This study discusses: How is the SME Institutional Model with a Collaborative Governance approach based on local potential? Which stakeholders are involved in the development of SMEs based on local potential? What are the roles and functions of each stakeholder? How are the ties, interactions, coordination, and synergy of each stakeholder in achieving economic independence towards community welfare? The results of this study are expected to provide input for stakeholders, especially the government, in making policies and programs for SME institutional governance. SME actors to participate in SME forums with collaborative governance to increase economic activities by utilizing the available potential in achieving community prosperity.

LITERATURE REVIEW

Institutions

Institutions are social structures that offer various courses of action for organizations and individuals, while simultaneously controlling them. Thus, institutions constrain social interactions while enabling new types of activities, relationships, and practices (Eriksson et al., 2025). Institutions are, more generally, interconnected organizations that have a set of rules, processes, or practices that define behavioural roles for actors, constrain activities, and shape expectations (Keohane 1988; Stéphane Willems and Kevin Baumert, 2003). Theory states that institutions comprise the regulatory, social, and cultural aspects that influence organizations and promote their survival and legitimacy (Sendra-Pons et al., 2022).

SME institutions should encourage more activities, innovation, culture, empowerment, and the utilization of locally based resources. Kaufmann, Kraay, and Mastruzzi (2011) identified six dimensions of institutional quality: (1) accountability, (2) political stability, (3) government effectiveness, as measured by the quality of public services, (4) regulatory quality, (5) rule of law, and (6) control of corruption. (Sendra-Pons et al., 2022). Meanwhile, the problem based on institutional theory in creating homogeneity or isomorphism in organizational processes, structures, and strategies is that there are three dimensions of pressure, namely: coercive pressure (CP) is pressure from the government or authority, either formal power (for example, government regulations) or informal (for example, industry persuasion); (mimetic pressure (MP), which arises from the process of imitating others in the same industry (e.g., leading companies or competitors) to overcome environmental uncertainty, arises from the organization's environment and shapes its behaviour; and normative pressure (NP), which arises from social forces and its membership, leading to adaptation to certain norms (Lutfi.A, 2020).

SMEs will produce quality products if supported by institutions that have competent, innovative human resources, good management skills, and adequate funding, enabling them to survive and compete at the national and global levels (Endris & Kassegn, 2022). SME institutions based on local resources need to involve creative and innovative local communities as key actors, the government to facilitate and formulate policies, academics to provide guidance and development, and technology extension workers to improve product quality and competitiveness according to business standards to boost the Community's economy (Suyatno, 2019). SME institutions must be able to encourage activities, innovation, culture, empowerment, and the utilization of locally based resources (Endris & Kassegn, 2022). SME products are generally related to local resources, culture, and knowledge, utilizing manual skills and work patterns passed down from generation to generation, and are not dependent on imported raw materials (Nurlinda & Sinuraya, 2020). Institutions are the orderliness of sustainable human actions in situations structured by shared rules, norms, and strategies formed by human interactions in frequently occurring or recurring situations (Elinor, 2013).

The success of community economic programs can increase if they have effective and efficient institutions supported by a strong network system (Kurniasih, 2017). Strengthening SME institutional development requires collaborative stakeholder involvement from various individuals or government organizations, authorities, business actors, supporters, and academics to overcome pressures and problems, thereby increasing economic independence by utilizing available resources to achieve community welfare (Suyatno & Suryani, 2022). The participation of the Community, both as individuals and groups, in institutions to manage resources is essential. The Community acts as the manager of the institution. It is necessary to interact and collaborate to produce the desired output. (Marc Journeault, Alexandre Perron, 2021).

SMEs' Stakeholders

A stakeholder is any group or individual who is affected by or can affect the achievement of an organization's objectives. (Freeman & McVea, 2005). According to Stakeholder theory (ST), organizations aim to generate multiple benefits for different stakeholders, including groups and individuals who can affect or be affected by the organization, such as civil societies, communities, customers, employees, governments, shareholders, and suppliers. (Mahajan et al., 2023). SMEs, as business organizations, focus on stakeholder interests in making strategic decisions (Freeman & McVea, 2005). The relationship between businesses and communities, groups, and individuals that share common goals and mutual influence involves collaboration to create, enhance value, and innovate sustainably, playing an important role in SMEs (Oruc & Sarikaya, 2011). Interaction with various stakeholders of SME, particularly internal ones, such as employees and managers, takes place. SMEs are organizations that continuously improve, including knowledge collaboration and technology adoption capabilities (Vu & Nguyen, 2022).

Developing SMEs through various initiatives is very important, as it can drive them towards greater sustainability. Stakeholders involved are key to creating a strong sustainability culture in the SME sector as the economy shifts. A stakeholder can be defined as an identifiable group or individual who might influence the realization of an organization's aims or can be influenced by the organization (Mahajan et al., 2023). The collaboration must also account for the barriers and motivations that influence stakeholders' willingness to participate in the economic initiatives of SME. Thus, engaging stakeholders through participation,

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dialogue, and meeting expectations is crucial for the success of SME. The role of the stakeholders in the development of SME is crucial. (Tleuken et al., 2025).

To evaluate stakeholder influence, Mitchell et al. (1997) proposed the attributes of power, legitimacy, and urgency, which, when considered together, can serve as useful indicators for determining the level of management attention needed for any stakeholder. (Mahajan et al., 2023). Stakeholders play five distinct and complementary roles in supporting sustainability practices within SMEs: trainer, analyst, coordinator, specialist, and financial provider. The study shows that these five roles can be fulfilled by a variety of local stakeholders, helping to overcome different barriers to integrating sustainability practices within SMEs. (Marc Journeault, Alexandre Perron, 2021). The role of stakeholders in SME development is to promote a productive economy. Stakeholder involvement in SME institutions is crucial for creating activities that meet community empowerment needs, which should be tailored to the local wisdom of the community. The role of stakeholders in building effective institutions can also be used as a strategy to facilitate dialogue and communication forums, aligning the functions and interests of stakeholders based on their competencies. (Harrison et al., 2015).

Various stakeholders are involved in managing and integrating the relationships and interests of business actors, employees, customers, suppliers, communities, and other groups of SMEs in a way that ensures the institution's success. (Marc Journeault, Alexandre Perron, 2021). The stakeholder approach emphasizes active management of the business environment, relationships, and the promotion of mutual interests. (Harrison et al., 2015). SME development requires an empowerment strategy that involves the role of the government, universities, the business world, and other stakeholders in developing SMEs to enhance a productive economy. Synergy between stakeholders can increase SME competitiveness. (Suyatno & Suryani, 2024b).

Collaborative Governance

Collaborative governance is a governing arrangement in which one or more public agencies directly engage non-state stakeholders, a consensus-oriented, and deliberative collective decision-making process aimed at making or implementing public policy, managing public programs, or managing public assets (Ansell & Gash, 2008). In collaborative governance, stakeholders often have an adversarial relationship with one another, but the goal is to transform these relationships into more cooperative ones. However, this cooperation is ad hoc, and adversarial relations do not explicitly seek to transform conflict into cooperation. (Ansell & Gash, 2008). Most studies in the collaborative governance literature evaluate "process outcomes" rather than policy or management outcomes. (Marc Journeault, Alexandre Perron, 2021).

The model of collaborative governance has four broad variables: starting conditions, institutional design, leadership, and collaborative process. Collaborative process variables are treated as the core of four models represented as either critical contributions to or contexts for the collaborative process. Starting conditions set the basic level of trust, conflict, and social capital that become resources or liabilities during collaboration. Institutional design establishes the fundamental ground rules under which collaboration occurs, and leadership provides essential mediation and facilitation for the collaborative process. The collaborative process itself is highly iterative and nonlinear, and thus, we represent it with considerable simplification as a cycle. (Ansell & Gash, 2008). Each SME can select collaborators based on the required resources. One potential collaborator for SMEs can be their customers, who can be located in the area. There is a tendency for customers to provide greater support to small and medium-sized enterprises than to their counterparts. SMEs can also foster collaboration with other businesses within their local Community (Moazzeni et al., 2024). These joint efforts can lead to cost reductions and sales improvements, thereby aiding in defeating financial resource restrictions and sales barriers that originate from isolation.

Collaborative governance is a government strategy model that involves various stakeholders simultaneously to resolve problems that cannot be addressed alone (Prabowo et al., 2021). The government, as a facilitator and policymaker, must be able to understand the problems occurring in the Community, working with other parties with similar interests in economic development efforts in their regions. SME institutional governance must be carried out collaboratively among stakeholders involved in achieving goals (Rahman Ibrahim, 2022). The management and development of SMEs in Girikerto Village implement a collaborative system with various parties, including government officials, academics, businesspeople, supporting institutions, and SME forums. (Suyatno & Suryani, 2022). The concept of the Collaborative Governance model, according to Ansell and Gash, is that the initial conditions for collaboration are influenced by several phenomena, namely the existence of shared interests and visions that stakeholders want to achieve, and a history of past collaboration. (Ansell & Gash, 2008).

RESEARCH METHODS

This study applies exploratory qualitative methods to in-depth explore the Collaborative Governance-Based on SME Institutional Model To enhance Local Economic Independence in Girikerto Village, Turi Subdistrict, Sleman Regency. An exploratory (qualitative) approach aims to explore a new topic, describe a social phenomenon, and explain why something is accurate. The

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research goal was to formulate more precise questions that future research can answer (Hancock et al., 2001). The researcher conducted direct field observations, followed by interviews with informants to obtain objective, factual, and in-depth data. To strengthen the findings and gain a deeper understanding, a focus group discussion was conducted.

This research initiated a review of previous studies on SME development in Girikerto. The research included a survey of the development of locally based SME potential to stimulate the economy in Girikerto, Turi, Sleman; interventions for developing SME human resource competencies; and the institutional capacity of SMEs based on local potential. The interview guidelines were developed, and then interviews and field observations were conducted. This was followed by secondary data collection, data analysis, and report preparation. This study used an exploratory approach.

Primary data was collected through field observations, interviews with informants, and a focus group discussion (FGD) with stakeholders involved in the development. Interviews were conducted with village administrators, the head of the SME forum, and MSMEs operating in the goat milk processing industry, snake fruit processing, dry cake processing, wet cake processing, crafts, and organic snake fruit processing industries. The FGD was attended by representatives of all business groups, village administrators, farmer groups, and SME forum administrators.

Secondary data was obtained from the Girikerto Village Profile, the Department of Agriculture, Industry, Cooperatives, Food Security, and SMEs of Giri Kerto Village, Sleman Regency, Yogyakarta Special Region, and institutions involved with MSMEs. Furthermore, various literature sources, such as books, articles, and homepages, provided access to the latest data and information related to SME institutions in Sleman Regency, Yogyakarta Special Region.

Data obtained from field observation notes, interviews, observations, and focus group discussions (FGDs), were identified and classified based on stakeholders. The analysis of the collaborative governance-based institutional model was conducted simultaneously through three channels: reduction, information testing, and conclusion drawing, in line with the steps taken by Miles et al. (Miles, Matthew B., and Huberman, A. Michael, 2009). Based on the analysis, a report was compiled to provide input in developing a collaborative governance-based SME institutional model for economic independence.

RESULTS AND DISCUSSION

Based on the study, it was concluded that SME institutions involve many stakeholders with their competencies, roles, and functions respectively (Suyatno & Suryani, 2023). Each stakeholder has distinct relationships and roles in program management, including those that create rules and programs, as well as structural facilitation. They support each other, some providing one-way support, and others providing reciprocal support in achieving the goal established by SME institutions for driving community economic independence (Ansell & Gash, 2008; Oruc & Sarikaya, 2011). This can be seen more clearly in Figure 1:

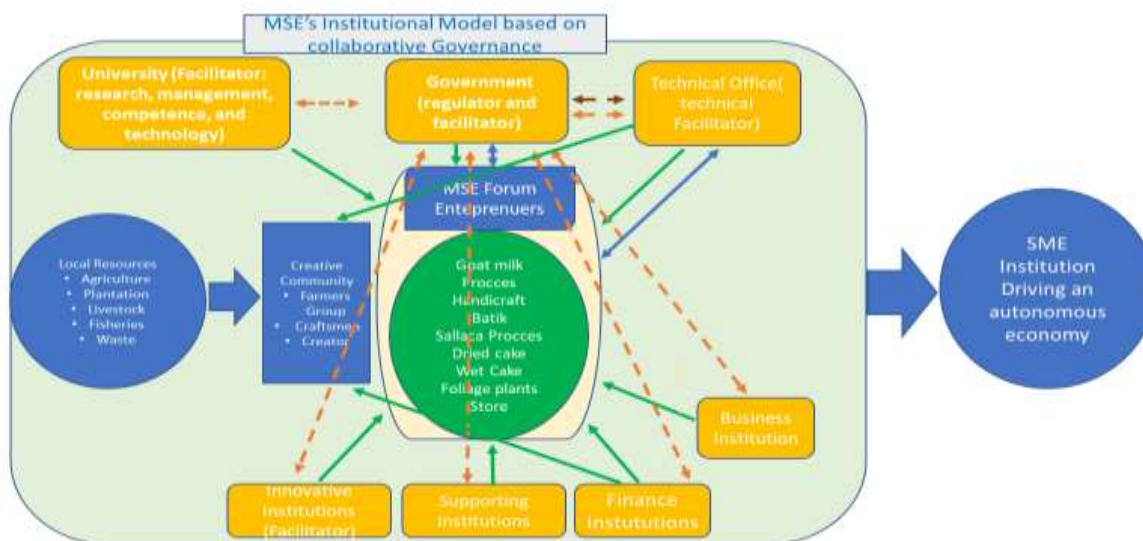


Figure 1: Design Institutional Model of SME based on Collaborative Governance

The Collaborative Governance-based SME Institutional Model is an institutional model that involves various stakeholders who collaborate based on their respective roles, functions, and competencies that are interconnected, both structurally, vertically, horizontally, and reciprocally. This collaborative SME institutional model can realize economic independence and achieve increased community welfare (Harrison et al., 2015).

LOCAL RESOURCES

Girikerto Village has various potential resources that can be developed and utilized to meet the needs and improve the Community's economy. Based on a focus group discussion (FGD) involving the Village Head, Village Officials, SME Managers, SME Players, and SME members in Girikerto Village, it can be concluded that Girikerto Village possesses several potentials that can be developed and utilized, including in agriculture and plantations, fisheries, livestock and dairy products, processed products, crafts, tourism, and culture through SMEs. According to information from the Village Head, the number of SMEs in Girikerto Village is estimated at 60 business groups.

The Girikerto community has utilized various local resources, including natural resources, human resources, and knowledge, to meet their needs and develop the economy by transforming them into products that have economic value. It is conducted by an active, creative, and innovative community supported by various stakeholders collaboratively (Suyatno & Suryani, 2023). Various small businesses in Girikerto have developed locally-based resources and capabilities, such as snake fruit (salaak), goat's milk, processed cakes, dry cakes, handicrafts, waste processing, and batik (Nurlinda & Sinuraya, 2020). MSMEs have been able to absorb labour by applying locally-based knowledge, wisdom, and innovation, providing added value (Moazzeni et al., 2024; Rachmawati, 2019).

Girikerto Village's abundant natural resource potential is supported by human resources possessing the skills, expertise, and knowledge to utilize and process the potential into products of economic value, although still in a traditional and suboptimal manner (Suyatno & Suryani, 2022). Available resource potential includes agricultural/plantation products, livestock, fisheries, and other natural resources. The Community has utilized and processed the fruit into useful and economically valuable products, including processed food businesses using snake fruit as the main ingredient, dry cakes, wet cakes, goat milk products, crafts, batik, ornamental plants, and tourism. (Nurlinda & Sinuraya, 2020).

An interview with a representative of the Snake Fruit Farmers Group in Girikerto Village revealed that the Snake Fruit Farmers Group is developing organic snake fruit cultivation in collaboration with an association of businessmen that can export the products. The head of the farmer group (Gapoktan) reported that there was a challenge in implementing the organic system of collaboration with the association due to uncertain sales. On the other hand, one of the snake fruit farmers who is not a member of the group stated that he faces challenges with sales during the harvest. The price is very low despite abundant production. The creative Community has tried to process and utilize snake fruit into processed food products. These processed products include Snake Fruit Chips, Strudel, Sweet Snake Fruit, and Snake Fruit Dodol. The processed products have more economic value; however, they cannot be routinely produced in large quantities due to limited capacity and market (Ansell & Gash, 2008; Nurlinda & Sinuraya, 2020).

Girikerto Village is a centre for Etawa goat farming, producing milk and meat. Goat farming generates revenue from the sale of goat kids (cempe), meat and milk products, and manure is used as organic fertilizer. An interview with a goat farmer representative revealed that the farmers gained knowledge from their parents and also from a training facilitated by the Special Office (Dinas) and the village government (Suyatno & Suryani, 2023). The government also provides training, mentoring, and facilities for feedlots and manure storage for fermented fertilizer. The regional government guided how to process milk into processed products such as soap and hand lotion, how to utilize manure into fertilizer through fermentation, and other activities related to livestock product utilization.

Based on the interview with one of the fish farmer activists, the residents of Girikerto Village raised many fish at home and in the rice fields because of the abundant water sources that reached almost half of the Girikerto Village area. Meanwhile, the results of an interview with another fish farmer who was also a fish seller said that the fish farmers were running a fishery business starting from breeding, fish farming, and processing ready-to-cook fish sent to restaurants. The fish farmers in Girikerto had received training, mentoring, and outreach from the Fisheries Office and the village government. The fish farmers had received guidance and training on selecting good fish seeds, partnerships with feed suppliers, and assistance on accessing capital, marketing, and care, as well as how to increase income and reduce feed costs. (Moazzeni et al., 2024; Rachmawati, 2019).

To harness the potential of natural resources and transform them into economic value, the Communities of Girikerto have utilized various products to develop and improve their economy. Raw materials from agriculture, forestry, livestock, and fisheries, as well as available natural resources, have been processed into goods with greater economic value. These activities have involved various stakeholders with varying roles, functions, and competencies. The various stakeholders, including the government, academics, businesspeople, and related institutions, have been involved. (Suyatno & Suryani, 2024a). The government, together with relevant stakeholders, has conducted training in processing available raw materials and also provided equipment for manufacturing and processing into processed food products with greater economic value. These products are registered under the Indonesian Ulema Council (MUI)'s Halal Certification Program (IPRT) and are being further developed to obtain halal patents. Innovative and creative human resources (Siddiq, 2020; Susana, 2021; Tambunan et al., 2021; Hariri et al., n.d.) are essential for

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processing and utilizing the fruit into food products with greater economic value. Fresh snake fruit processing is carried out conventionally with guidance from the Food Security Agency, the Industry Agency, the Agriculture Agency, and universities (Hidayat et al., 2020; Darden, 2019; Suyatno, 2022).

Girikerto has many craft products. One of the craft products in Girikerto is batik. Girikerto's distinctive batik features images of snake fruit (snake fruit), birds, and goats, a regional specialty known as "semar dhalil," and is the result of the artisans' creativity and innovation. The artisans market their batik products through orders, national exhibitions, exhibitions, and collaborations with the Sekar Giri Association and Group. The Indonesian Traditional GKBI (Indonesian Traditional Gathering), Village-Owned Enterprises (BUMDES), and SMEs (Small and Micro Enterprises) serve as marketing channels. Waste management and utilization are carried out through recycling. Products from the management and utilization of recycled waste include woven crafts, flowers, wallets, Bible cases, Quran cases, pencil cases, and various other souvenirs and art products. All of these are produced at the "crista cristy" recycling facility (Suyatno & Suryani, 2022).

To develop and utilize local resources in Girikerto, an SME Forum has been established, involving various business groups: goat milk processing businesses, snake fruit processing businesses, dry cake businesses, wet cake/restaurant businesses, craft/batik businesses, ornamental plant businesses, and grocery stores.

ROLES, FUNCTIONS, AND COMPETENCIES OF STAKEHOLDERS

The role of stakeholders in developing SME institutions is to encourage SMEs a productive economy. The role of stakeholders in SME development will bring about changes in product competitiveness, expand market share, increase income, and create new jobs (Moazzeni et al., 2024; Rachmawati, 2019).. The role of stakeholders in building productive economic enterprises can be facilitated through dialogue forums to synergize roles and functions based on competencies among stakeholders (Freeman & McVea, 2005). Interactions among stakeholders, namely among business actors and groups or individuals within SMEs, can influence and be influenced by each other, interacting to achieve better and more effective opportunities. Stakeholder theory (Freeman & McVea, 2005). presents three interrelated issues: businesses, groups, and individuals, which influence each other. It suggests that if we adopt the relationships between a company and the groups and individuals who can affect or are affected by it as a unit of analysis, then we have a better chance of dealing effectively with these three problems.

First, from the stakeholder perspective, business can be understood as a set of relationships among groups that have a stake in the activities that make up the business (Freeman, 1984; Jones, 1995; Walsh, 2005). Based on field observations, Girikerto SMEs utilize resources involving raw material producers such as snake fruit farmers, goat milk producers, fish producers, cake and cake processing businesses, milk processors, village governments, relevant agencies, academics, business associations, and cooperatives, all of which interact with each other in producing processed products with greater economic value.

Second, effective management of stakeholder relationships helps businesses survive and thrive in capitalist systems. It is also a moral endeavour because it concerns questions of values, choice, and potential harms and benefits for a large group of groups and individuals (Phillips, 2003). Girikerto SMEs collaborate with the village government to facilitate engagement among various stakeholders, including relevant agencies, universities, research and development institutions, innovation institutions, and other supporting entities. This collaboration aims to connect small and medium-sized businesses under the auspices of the SME Forum.

Third, a description of management that focuses attention on the creation, maintenance, and alignment of stakeholder relationships better equips practitioners to create value and avoid moral failures (Post, Preston, & Sachs, 2002; Sisodia, Wolfe, & Sheth, 2007). For SMEs in Girikerto, the Village Government, in collaboration with the SME and Cooperative Offices, and related agencies, has coordinated and managed activities to implement training, mentoring, and facilitation for various stakeholders through mentoring and coaching from the village government.

Stakeholders Involved in SME Institutions. These stakeholders include: business actors, the MSME Forum, the government, government agencies, academics, businesses, innovation institutions, financial institutions, and other supporting institutions. They have roles, functions, and inter-institutional relationships based on their competencies. Each stakeholder collaborates in governance, interacting with one another based on their roles and functions, which encompass policy programs, facilitation, innovation, training, mentoring, development, and coaching in the development of small and medium enterprises (SMEs) towards community welfare.(Freeman & McVea, 2005; Moazzeni et al., 2024 ; Ansell & Gash, 2008; Rachmawati, 2019).

The SME Forum facilitates regular meetings to establish strong synergies between SMEs and foster healthy business competition. It also provides support to SMEs to continue creating innovative products in line with market trends, conducts training, and seeks assistance from other institutions, such as UNISA, and related agencies/offices. In the innovation sector, the SME Forum Girikerto plays a role in fostering good relationships between business actors and supporting their collaboration; creating a link for SME data collection in GIRIKERTO and encouraging data collection in One SME Data; and creating an online

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marketing website through Instagram, Facebook, and others. The SME Forum in the information technology sector began collecting data through the integrated SME GIRIKERTO link and created an online sales platform.

Farmer Groups

Farmer groups act as raw material providers, which consist of the Salak farmer group, the fish farmer group, and the Etawa goat farmer group. The Salak farmer group carries out agricultural cultivation activities, from seeding, planting, maintenance, and harvesting to processing and selling the product. (Suyatno & Suryani, 2023). In Girikerta Village, a salak-producing area, farmers cultivate salak. Farmers have acquired experience and skills in salak cultivation from childhood, having learned from their parents, who have passed it down through generations. Agricultural and plantation products are then processed and refined by the creative and innovative Community into products with added economic and utility value. (Mahajan et al., 2023).

Fish farmer groups engage in fish farming and cultivation activities to produce fish, providing a forum for discussion and improvisation mentored by the Fisheries Extension Workers (PPL). The fish farmer groups interact and communicate informally during fisheries activities. The interviews with fish farmers who also operate as fish sellers revealed that fish farmers operate in the fisheries sector, from breeding and rearing fish to processing ready-to-cook fish for delivery to restaurants. He added that fish farmers in Girikerto have received training, mentoring, and outreach from the Fisheries Service and village government. Mentoring and outreach were conducted on selecting good seeds, partnerships with feed suppliers, and assistance in accessing capital funding. The training provided by the Fisheries Service and the government is similar to the mentoring activities for fish, covering everything from marketing and care to increase income and reducing feed costs. (Suyatno & Suryani, 2022).

Goat farmers are responsible for raising and cultivating goats, from selecting breeding stock and raising high-quality goats to produce high-quality meat and milk with high economic value. Dairy goat farmers are responsible for growing, milking, and processing the milk into frozen milk and powdered milk. They process the milk into powdered milk ready for packaging by the factory. They also process milk into dairy products, including ice cream, soap, butter, and body lotion. The products produced by this farming group are transformed into products with added economic and utility value through innovation and technology by a collaborative, creative community (Ansell & Gash, 2008).

SME Forum

The Girikerto Village Micro, Small, Enterprises Communication Forum (Forkom UMKM) was established to improve and develop small and micro businesses. The SME Forum is an institution established to facilitate communication among SMEs in Girikerto, conducting discussions, coordination, and consultations among SME actors. (Suyatno & Suryani, 2023). The Forum serves as a platform for resolving business issues under the guidance, assistance, and protection of the Village Government and the Cooperatives and SME Office, and enabling business actors to develop their businesses.

The Girikerto SME Forum has a vision: to enhance the welfare of the Girikerto community by strengthening the Community's economy through the support of an independent, innovative, and competitive business sector. The Forum's mission is: To foster the entrepreneurial spirit and comprehensive excellence of business actors; To increase the competitiveness of businesses and superior products based on local resources; To develop market access through product promotion and marketing; Improving the development and guidance of trade facilities and effective distribution systems; establishing partnerships with various parties; and expanding offline and online marketing networks. Activities include coordination, exhibitions, capacity building, seminars, training, licensing, workshops, peer review, and competency development. This Forum is guided and coached by the village government, relevant agencies, and academics, involving supporting stakeholders and other relevant parties, as well as businesspeople. Businesses participating in the SME forum include goat milk processing businesses, snake fruit processing businesses, dry cake businesses, wet cake/restaurant businesses, craft/batik businesses, ornamental plant businesses, and grocery stores. (ADART Girisembada SME Forum)

The SME Forum engages multiple stakeholders collaboratively and integratively, through their respective roles, functions, and competencies. Business actors as members of this MSME forum are users of products from farmer groups and natural resource producers by creating processed products as a result of innovation into products that have more economic value, such as processed food, craft products, restaurants, grocery businesses, and so on (Freeman & McVea, 2005; Moazzeni et al., 2024 ; Ansell & Gash, 2008; Rachmawati, 2019).. The SME Forum was strengthened by working partners, including village governments, businesspeople, academics, research and development agencies, innovators, and related institutions, working collaboratively to realize the vision and mission. (Marc Journeault, Alexandre Perron, 2021; Tleuken et al., 2025)

The members of the SME Forum meet monthly to discuss various issues and share information, facilitated by village staff under the supervision of the Cooperatives and SMEs Office. This Forum develops programs aligned with village programs. The SME Forum is authorized to propose program plans, coordinate, and discuss with all business groups. The SME Forum is a forum for communication, coordination, discussion, and interaction in developing activities and resolving business problems for its members.

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The SME Forum's activities adhere to government policies and programs. The government also facilitates the Forum, providing training, mentoring, and protection. The SME Forum serves as an institutional center for SMEs. The SME Forum includes goat milk processing businesses, snake fruit processing businesses, dry cake businesses, wet cake/restaurant businesses, craft/batik businesses, ornamental plant businesses, and grocery stores (Freeman & McVea, 2005; Mahajan et al., 2023).

Processed food entrepreneurs include catering businesses, snack or cake makers made from snake fruit, and other ingredients. They creatively utilize existing raw materials to create attractive and marketable processed foods. They actively participate in forum meetings and market their products to members. They also receive guidance from relevant stakeholders. Batik and fashion artisans, as well as artisans, utilize used materials through waste processing. These artisans creatively create attractive and functional batik, fashion, and other handicrafts from waste. They communicate, discuss, and share information through SME forums to develop their products, including sourcing raw materials, developing creativity, and marketing them. These cooperatives were then formed (Marc Journeault, Alexandre Perron, 2021; Tleuken et al., 2025)

Government

The government referred to here includes the central government, regional governments, and village governments. The government is the regulator, facilitator, protector, companion, and coordinator of SME activities (Wa Ode Zusnita, et al. 2023). As a regulator, the government creates policies and regulations related to development programs (Sendra-Pons et al., 2022). As a facilitator, the government supports SME actors and forums in developing their competencies, providing infrastructure, and offering funding. As a protector, the government protects SME actors from disruptions to ensure business continuity. As a companion, the regional government, through the Cooperatives and SMEs Office, and the village government, through its respective apparatus, assist in the development and implementation of activities, including training, production, marketing, and other activities, to ensure their smooth operation. The government coordinates with relevant businesspeople, innovators, universities/academics, financial institutions, and other supporting institutions to develop and implement activities. (Marc Journeault, Alexandre Perron, 2021; Rahman Ibrahim, 2022).

The Government as Regulator and Facilitator.

The government plays a role as regulator and facilitator. The central government issues regulations, policies, and guidelines related to SMEs at the national level as a reference for local governments. Then the regional and village government translated into operational (Sendra-Pons et al., 2022). The government provides facilities, infrastructure, funding, and licensing for SME development (Rahman Ibrahim, 2022). In addition to creating regulations and facilitation, the government intervenes to develop the competencies and capitalization of SMEs, enabling them to utilize and empower available resources. Regional governments develop programs and provide funding to support the successful implementation of these regulations and policies. The programs are designed to facilitate and support SMEs in their regions, to stimulate the local economy. The government provides protection and guidance to MSMEs through the MSME Forum, which coordinates, facilitates, collaborates, and synergizes with institutions that have programs for MSME development based on their competencies, roles, and functions. (Marc Journeault, Alexandre Perron, 2021; Suyatno & Suryani, 2024a).

The Village Government acts as a facilitator and policymaker in the development of MSMEs in the Village. The government provides policy, guidance, coaching, and facilitation to the Community. The Village Government plans program activities and funding within the Village Budget (APBDes) annually for the development, coaching, and facilitation of small and medium enterprises (SMEs) to foster local economic growth and achieve community prosperity. The Village Government coordinates activities through the SME forum (Rahman Ibrahim, 2022; Suyatno & Suryani, 2024b). The Village Government facilitates collaboration and networking with external institutions, including government agencies, universities, and related institutions with small and micro enterprises (SMEs) (Marc Journeault, Alexandre Perron, 2021). The Head of Girikerto Village explained that "The Village Forum facilitates collaboration with external parties. Usually, when the village receives a guest, they don't go directly to the business community, but to the village forum. The Village Government collaborates with relevant parties to develop and prepare potential human resources to be creative, innovative, and have a strong spirit." The Head of Girikerto Village stated that his Office adopts strategic policies in this area, selecting priorities based on local potential and proposing them to receive Special Funds (Dana). (Moazzeni et al., 2024; Rahman Ibrahim, 2022).

The governments of the District and the province implement programs in small and medium enterprise (SME) activities through the relevant Agency/office. Each Agency makes policies and programs based on its respective competencies and functions. The Agency, as a representative of the Regional government, plays a role in implementing policies from the Central or regional government according to its field and competence and provides facilitation, training, coaching, and mentoring to SME actors in coordination with the Village Government (Ida Nurnida Relawan, 2014; Moazzeni et al., 2024). In implementing the activities, each Agency coordinates with the Village Government. The agencies that work on SME activities are the Cooperative and SME Agency,

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the Trade and Industry Agency, the Agriculture, Fisheries and Plantations Agency, the Animal Husbandry Agency, and the Food Security Agency (Marc Journeault, Alexandre Perron, 2021). The Cooperatives and SMEs Office plays a role in formulating policies and programs for Cooperatives and SMEs based on the programs and policies of the regional government and the central government. The Cooperatives and SMEs Office is the Office responsible for implementing regulations and policies related to SMEs and Cooperatives. The Cooperatives and MSMEs Office provides counseling, technical guidance, facilitates, and assists the licensing and administrative processes related to SMEs, including the establishment of cooperatives and how to obtain facilitation. The Cooperatives and SMEs Office coordinates and communicates with other technical agencies to synchronize program activities related to SMEs. An example of an activity by the DIY Cooperatives and SMEs Office is holding a Village Preneur Training Program Model K45PAK (*Kiblat 4-5 Pancer Adiluhung Kawentar*) in Tegal Loegood Sukorejo, Girikerto, Turi, which was attended by members of the Giri Sembada Small and Medium Enterprises (SMEs) of Girikerto Village. The training, funded by the Special Fund (Danais) of the Special Region of Yogyakarta (DIY), promotes the concept of growing, developing, and advancing entrepreneurial villages. (Ida Nurnida Relawan, 2014; Rahman Ibrahim, 2022) (Moazzeni et al., 2024).

Academics/Universities

Universities/academics develop programs and training for SME members under the coordination of SME forums (Marc Journeault, Alexandre Perron, 2021; Siti Aisjah a, I Wayan Edi Arsawan b, 2023). Activity programs include fieldwork, research, community service, implementing research findings, conducting internships for students, conducting community service programs (KKN), conducting community service for lecturers, and providing mentoring and training (Vu & Nguyen, 2022); (Nurlinda & Sinuraya, 2020; Suyatno & Suryani, 2022). The universities involved in the activities are Mada University, Aisyiah University Yogyakarta, Muhammadiyah University Yogyakarta, Ahmad Dahlan University, Amikom University, Budi Lulur University Jakarta, UII, and Janabadra University. Academics play a role in mentoring, coaching, research, training, and developing innovation and technology.

The Faculty of Economics, Social Sciences, and Humanities (FEISHum) of Aisyiah University of Yogyakarta, in collaboration with the Village Government, has provided training to SMEs, including business financial reporting training in the form of profit and loss reports, cash flow statements, balance sheets, and cost of goods manufactured reports. Aisyiah University of Yogyakarta has assisted in developing MSME competencies through its SME school. Janabadra University (UJB) assisted the Community of Sukorejo, funded by the Ministry of Education and Culture. The Faculty of Fisheries of Gadjah Mada University (UGM) has researched maggots. Universities support the program of innovation, technology, and skills in utilizing available resources (Vu & Nguyen, 2022) (Nurlinda & Sinuraya, 2020; Suyatno & Suryani, 2022). Universities collaborate with village governments to implement activity programs that support development through training and mentoring for business actors via the MSME Forum, facilitated by the Village Government. Universities provide training, mentoring, and technical guidance to help businesses manage their operations effectively. Universities, together with competent parties, conduct training to strengthen the competency of SME actors according to their business field (Siti Aisjah a, I Wayan Edi Arsawan b, 2023; Suyatno & Suryani, 2024a)

Business Institutions

The business institutions are involved in marketing and developing products. The business institutions function as raw material suppliers, marketing institutions, and other business institutions related to their respective core businesses. (Suyatno & Suryani, 2024b) Business institutions collaborate and foster mutually beneficial partnerships in developing businesses based on their respective competencies. Business institutions that have collaborated with SMEs include marketing institutions for organic snake fruit businesses, batik material suppliers, supermarkets selling their products, hotels, and travel agencies. These partnerships are carried out under the coordination of village governments and MSME forums, and some directly (Marc Journeault, Alexandre Perron, 2021; Prabowo et al., 2021) (Ansell & Gash, 2008)

Financial Institutions

Financial institutions play a role in facilitating the funding needed to develop and implement SME activities (Marc Journeault, Alexandre Perron, 2021). Financial institutions capable of encouraging SME development include banking institutions, non-bank financial institutions, and government agencies that fund MSME development. Financial institutions play a role in providing funding support to SMEs in developing their businesses (Suyatno & Suryani, 2024a). These institutions refer to government regulations and policies related to SME development. Financial institutions that provide support and SME programs are banking institutions and non-bank institutions. Banking institutions that support this program are primarily government banks and regional government banks. Non-bank institutions that support SME programs include savings and loan cooperatives.

The presence of financial institutions to assist in providing funds from both banking and non-bank financial institutions can be a solution (Marc Journeault, Alexandre Perron, 2021).. In addition to financial institutions, village governments also provide

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infrastructure and funding facilities, but these are very limited. Financial institutions assist SMEs through collaboration with village governments or SME Forum Institutions. However, some financial institutions provide direct facilities to MSME business actors with specified requirements (Harrison et al., 2015). The nature of funding is not an instructional approach, but collaborative; however, some financial institutions are facilitating this due to government policy to support SMEs.

Other Supporting Institutions

Other supporting institutions that are stakeholders in MSME development include innovation institutions, certification institutions, quality assurance institutions, legal aid institutions, and others (Freeman & McVea, 2005). These institutions play a significant role under certain circumstances. These institutions play a role in supporting and assisting in improving quality, product quality, improving MSMEs, and facilitating business licensing (Suyatno & Suryani, 2024a)

Fishery innovators play a role in innovating fishery cultivation equipment and systems in collaboration with academics, PPL (Private Workers), and the Fisheries Research and Development Agency. The government, specifically the Fisheries Service and Village Governments, provides guidance, coaching, and facilitation for aquaculture development. SME forums have not been optimally involved in fisheries activities. (Abreu & Calado, 2017; Endris & Kassegn, 2022).

BBTP offers jobs to women in the production of processed food. HIPMI DIY provides assistance related to business permits and certifications, such as halal certification, home industry product permits (PIRT), and product packaging to make them more suitable and attractive to consumers. They also hold special exhibitions for SMEs. They organize activities involving large groups of local SMEs in the hope that their superior products will become more widely known. (<https://yogyapos.com/berita-hipmi-diy-dorong-pengembangan-umkm-di-girikerto-sleman-9440>)

STAKEHOLDERS' ENGAGEMENT

The stakeholder engagement within MSME institutions involves acting as regulators, facilitators, and carrying out coordination, interaction, and synergy within SME institutions (Elinor, 2013). MSME institutions require interaction between stakeholders (Ansell & Gash, 2008). starting with raw material producers, such as farmer groups that produce and process natural resources to produce various raw materials such as agricultural products, plantations, fish, livestock, and milk. Community waste collectors utilize waste as raw material for crafts, SME Forums serve as communication platforms for SME development, and the government acts as a regulator and facilitator (Sendra-Pons et al., 2022), Academics collaborate with relevant research and development and innovation institutions to develop technology and innovation. (Oruc & Sarikaya, 2011) (Rahman Ibrahim, 2022). Businesspeople as partners in business and product marketing; financial institutions, both banking and other financial institutions, that provide funding support; and other supporting institutions (Endris & Kassegn, 2022) such as IPMI, certification bodies, and others that support the development of SMEs towards community economic independence. They are interconnected in the development and utilization of local resource-based SME products to create economic value and added value (Ida Nurnida Relawan, 2014; Marc Journeault, Alexandre Perron, 2021).

The Village Government implements programs and policies of both the regional and central governments. They are interconnected and mutually support each other in planning, implementation, and policy monitoring (Endris & Kassegn, 2022). Farmer groups and communities empower and process nature into agricultural, plantation, fishery, livestock, dairy, waste, and other products. The Community is creative and innovative by creating Processed products from these sources, which become more useful and economically valuable products (Suyatno & Suryani, 2023). The SME Forum coordinates representatives of creative and innovative community groups as business actors with the village government in training and development. The SME Forum receives support and facilitation from related institutions through coordination and mentoring from the Village Government. The village government coordinates and collaborates with relevant agencies according to their roles, functions, and competencies. Academics, innovators, financial institutions, businesspeople, and other institutions, based on their respective core businesses and competencies, interact and carry out their respective activities through facilitation by the village government and coordinated by the MSME Forum, which serves as a forum for various business sectors (Prabowo et al., 2021) (Marc Journeault, Alexandre Perron, 2021) (Ansell & Gash, 2008). They interact, coordinate, communicate, and collaborate with others to develop businesses based on their competence (Oruc & Sarikaya, 2011). Each stakeholder has a program to utilize existing resources and develop them into products with higher utility and economic value according to their respective business fields and competencies.

The provincial government, as well as the district and city governments, are responsible for small and medium enterprise (SME) activities through the relevant agencies. Each Agency develops policies and programs based on its respective competencies and functions, which are delegated to the relevant Agency. As representatives of the regional government, the Agency plays a role in implementing central or regional policies according to its field and competency. It provides facilitation, training, coaching, and mentoring to SME actors in coordination with the Village Government. (Ida Nurnida Relawan, 2014) (Moazzeni et al., 2024). In

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implementing activities, each Agency coordinates with the village government. The agencies that are most closely related to SME activities are the Cooperative and SME Agency, the Trade and Industry Agency, the Agriculture, Fisheries and Plantations Agency, the Animal Husbandry Agency, and the Food Security Agency (Marc Journeault, Alexandre Perron, 2021). The Cooperative and SME Agency plays a role in formulating policies and programs for Cooperatives and SMEs based on programs and policies from the Regional Government and the Central Government. The Cooperative and SME Agency is responsible for implementing regulations and policies related to SMEs and Cooperatives. The Cooperative and SME Agency provides counselling, technical guidance, and facilitates the licensing and administrative processes related to MSMEs, including the establishment of cooperatives and how to obtain facilitation. The Cooperative and SME Agency coordinates and communicates with other agencies. Some other technical agencies have activity programs related to SMEs. For example, the DIY Cooperative and SME Service held a Village Preneur Training program Model K45PAK (Kiblat 4-5 Pancer Adiluhung Kawentar), which was attended by members of the Giri Sembada Small and Medium Enterprises (SMEs). The training, which was funded by the DIY special funds (Danais), carried the concept of growing and developing businesses.

COLLABORATIVE GOVERNANCE-BASED INSTITUTIONS

SME institutions require interconnected governance and cannot stand alone to strengthen MSME programs. SME institutions collaborate with the government, academia, technical agencies, and businessmen to improve economic activities. SME institutions must be able to encourage activities, innovation, and culture. SME institutions require collaborative stakeholder involvement from various individuals or government organizations/authorities, business actors, supporters, and academics to overcome pressures and problems, thereby increasing economic independence by utilizing available resources to achieve community welfare. (Suyatno & Suryani, 2022). (Marc Journeault, Alexandre Perron, 2021). The institutions involved in SMEs in Girikerto are interconnected, both structurally and laterally, and interact with each other, necessitating collaborative governance among stakeholders. Collaborative governance is a governing arrangement in which one or more public agencies directly engage stakeholders in a formal and informal, consensus-oriented, and deliberative collective decision-making process aimed at making or implementing public policy, managing public programs, or managing public assets (Ansell & Gash, 2008).

The SME institutions involved in SME forums consist of business actors, farmer and artisan groups, interacting with other stakeholders: village governments, academics, businesspeople, financial institutions, innovation institutions, and other supporting institutions (Ansell & Gash, 2008). They collaborate, interact, coordinate, and cooperate in activities to utilize and empower existing resources and potential based on their roles, functions, and competencies (Marc Journeault et al. 2021). SME organizations have a set of rules, processes, or practices that define behavioural roles for actors, limit activities, and shape expectations (Willems, Stéphane and Kevin Baumert, 2004). SME institutions must be designed in a coordinated manner, bound together by institutional governance to achieve a goal, with stakeholders having different roles and competencies, such as policy and program rule makers, facilitators, mentors, trainers, initiators, and supporters. (Ansell & Gash, 2008 Harrison J.S., et al., 2015; Rahman Ibrahim Hilmi, 2022).

The institutional model of SMEs, based on the findings above, is an institution that involves multiple stakeholders, including government, academics, businesspeople, innovators, financial institutions, and supporting institutions. They interact, coordinate, and collaborate based on their roles, functions, and competencies to enhance the economy (Harrison et al., 2015; Prabowo, et al., 2021). They interact structurally, vertically, and horizontally, creating synergy. The Village Government and the Regional Government, represented by the Cooperatives and MSMEs Office, act as regulatory and facilitator institutions with a vertical structural relationship. Academics, innovators, and financial institutions act as facilitators, interacting horizontally with business actors participating in the SME Forum, coordinated through the Village Government. Business institutions interact horizontally, collaborating reciprocally. The other supports and facilitates programs and activities based on their interests and competencies.

SME activities involve various stakeholders, starting from the utilization and processing of natural resources and the production of natural products. Natural products are created by creative and innovative communities supported by government, academics, and innovators. The processed products are more useful and economically valuable, supported by financial institutions, business institutions, quality assurance, and other supporting institutions. This process requires collaborative governance among stakeholders in line with their respective roles, functions, and competencies. For this reason, there is a need for an MSME institutional model based on collaborative governance that is able to drive the economic activities of the Community independently. (Harrison et al., 2015; Ansell and Gash, 2008; Marc Journeault, et.al. 2021; Rahman Ibrahim Hilmi, 2022)

CONCLUSION

Based on the research and discussion results, it can be concluded that the SME development program towards local economic independence requires an SME institution that collaboratively involves multiple stakeholders. SMEs that utilize local resources produced from nature are processed through creativity and innovation using technology to produce processed products with higher economic and utility value. To obtain products with high economic and utility value, collaborative management is required by various stakeholders, including farmers, local communities, government, academics, businesspeople, innovators, and other supporting institutions. Each stakeholder participates and intervenes in SME development activities based on their respective roles, functions, competencies, and core businesses in a collaborative and integrated manner through interaction and coordination. Stakeholders involved in SME institutions include the government as regulator, facilitator, and mentor; communities and farmer groups as processors of natural resources into raw materials such as agricultural, fishery, and livestock products, and raw materials for industry; and the Community. Creative and innovative communities process natural products into processed products through innovation and technology to become more economically valuable and more useful so that they can improve welfare; academicians conduct research, training, and development; Business people play a role in marketing and developing the economy; Financial institutions play a role in facilitating the funding needed to develop and implement SME activities; and other supporting institutions include innovation institutions, certification institutions, quality assurance institutions, legal aid institutions and so on. They form institutions collaboratively to manage small and medium-sized economic enterprises, leveraging their respective roles, functions, competencies, and core businesses to empower and utilize local resources, thereby fostering local economic independence.

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