



# Collaborative Governance in Empowerment of Small and Medium Micro Businesses (MSMEs) in the Era of Modern Retail Business Development (Case Study of MSME Grocery Stores in Pangkal Pinang City)

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## ABSTRACT

Minimarket growth is above 15% per year. The growth of modern retail, such as Indomart and Alfamart, has expanded from cities to villages in the Province of the Bangka Belitung Islands, raising concerns about the existence of MSME actors, especially traditional stores such as grocery stores. So that to be able to compete with modern retail, support and the role of synergy between the government, private and community sectors are needed. The purpose of this study is to find out and examine how collaborative governance in empowering MSMEs in the era of modern retail business development in Pangkal Pinang City, Bangka Belitung Islands Province. The research method used is qualitative research with a descriptive approach. Data collection techniques used are observation, interview and documentation techniques. The results show that collaborative governance in empowering MSMEs in the era of modern retail business development has been going well. However, based on the indicators of collaborative governance, indicators that are still weak are found, namely the commitment of stakeholders. This is the lack of mutual trust between stakeholders related to collaboration. In addition, there is no budget and infrastructure to support the MSME empowerment program. Trust between stakeholders so that collaboration in empowering MSMEs can run well. Because trust is the main capital in building collaboration between the government and other stakeholders.

Keywords: Collaborative, Governance, Empowerment, UMKM and Retail

## 1. BACKGROUND OF THE PROBLEM

Nowadays, the development of modern retail business in Indonesia is growing rapidly. In Indonesia, the development of modern retail businesses is not only targeting urban areas but is able to spread to areas throughout Indonesia. This modern retail business is a business activity that involves selling goods and services directly to final consumers [5]. In its development, the modern retail business is able to present new concepts in its business, in the form of a sense of security, comfort and ease of obtaining goods according to consumer needs. The business is a representation of changes in lifestyle in human characters which are currently able to change the style and character of consumers in obtaining daily necessities. The use of credit cards, debit cards, self-service principles, promotions and gifts are important elements in attracting consumers in the modern retail business.

The development of the retail industry is clearly demonstrated by a number of significant additions to outlets from two major minimarket players, namely Alfamart and Indomaret. As quoted from Bisnis, the number of outlets for both Alfamart and Indomaret continues to increase. The number of Alfamart outlets throughout Indonesia in December 2020 was recorded at 15,102 units, an increase compared to January 2020 of 14,430 units. Meanwhile, Indomaret outlets have reached 18,113 units in December 2020 from the initial 17,499 units in January 2020.

Shows that the modern minimarket retail business will continue to grow and expand their network throughout Indonesia. Sure enough, the Indomaret and Alfamart mini market retail businesses have been present in the Bangka Belitung Islands Province. They started to develop their business massively for the first time in Pangkalpinang city in 2019, and currently the number has reached 20 outlets. However, this number has not been added to local mini markets such as Acing

and Family Mart. So that when totaled, the number reaches 30 mini market outlets in Pangkal Pinang City.

The massive development of mini markets such as Alfamart and Indomart in Pangkalpinang turned out to be a concern for MSME actors, especially MSME Grocery Stores. This concern is because these two stores both sell the same products, but modern mini markets offer convenience and modernity in shopping. So changing the shopping style trend of people who usually shop in small and traditional shops that turn on each other, are now switching and choosing to shop at modern retail, as a result, MSME actors, especially traditional stores such as grocery stores, complain that their turnover has dropped drastically. .

In the end, there is competition between grocery stores and minimarkets because they both have something in common, both of them sell daily necessities. The services, completeness of goods, and convenience provided make consumers more interested in shopping at Indomaret and Alfamart. In the end, this makes the traditional small traders and grocery traders sluggish, and even shuts down their business because their turnover continues to experience a significant decline.

There have been many previous studies that have analyzed the impact of the existence of mini markets on grocery traders, both qualitative and quantitative research. As research conducted by Muhammad Shaf (2018). The results of the research show that there is a significant impact, namely changes in the level of turnover, profits, and the number of shop visitors as a result of the emergence of minimarkets around the location of the grocery store. These changes are in the form of a decrease turnover, profits, and the number of shop visitors. In addition, a research conducted by Sarmila (2021) with the research title "Impact of Alfamart on the Revenue of Grocery Stores in the vicinity (a case study of a Grocery Store in Malangke District). This study shows that the existence of Alfamart in Patimang Village on the income of the grocery stores.

The distance between minimarkets and grocery stores that are close to each other triggers competition from income to the number of consumers. As stated by Wahyu, the owner of a grocery store, "the existence of a minimarket adjacent to a grocery store makes it possible for consumers to choose to shop at the minimarket because the place is nice and bright and holds discounts every month". In addition, the problem is that there is no restriction on the number of modern retailers, of course this will have the potential to kill the SMEs in the grocery store, even though prioritizing regional MSMEs is the main thing, so of course this problem does not become a axis towards the community, but also the

government. private and others. As it is known that in Pangkalpinang city there are many micro-enterprises (grocery shop MSMEs) as shown in the following table:

**Table 1.** Type Micro, Small and Medium Enterprises (MSMEs) in Pangkalpinang City (Unit) 2020

Type of Business	Type Micro and Medium (MSMEs) by type in Pangkalpinang City (Unit) in 2020
Micro	16,428
Small	11,051
Medium	719
<b>Total</b>	<b>28,198</b>

Source: Processed by Researchers, 2020

Based on data from the Office of Cooperatives, Small and Medium Enterprises Pangkalpinang City In 2020 there were 28,198 SMEs scattered throughout the city of Pangkalpinang. Where among them are Micro Business Scale from all areas of Pangkalpinang City amounting to 16,428 units, Small Business Scale 11,051 units, Medium Business Scale 719 units. So the total number of MSMEs in Pangkalpinang City is 28,198 units.

In overcoming this, it is necessary to have the participation of the government in creating healthy competition through the empowerment of MSMEs, one of which is MSMEs in grocery stores. MSME empowerment is a productive activity in helping to create MSMEs that can compete from all aspects. This empowerment would also be better done by the largest number in the micro sector. This group has proven to be resistant to various shocks from the economic crisis. So it has become imperative to strengthen MSMEs that involve many groups, especially MSMEs that have been regulated under the legal umbrella based on Law number 20 of 2008 concerning Micro, Small and Medium Enterprises.

The empowerment that involves many parties such as the government, the private sector and the community collaborative governance. Collaborative Governance is a collaborative process and the private sector in managing and planning public matters. Therefore, based on this background, this study focuses on the role played by collaborators to assist the SMEs in grocery stores in dealing with the development of modern retail, especially in Pangkalpinang City.

## 2. PROBLEM FORMULATION

Based on the background that has been described previously, several problems can be drawn which at this time will be used as problem formulations which will later be discussed in this thesis. The formulation of the problem to be discussed is How Collaborative

Governance in Empowering Micro, Small and Medium Enterprises (MSME) in the era of modern retail business development in Pangkalpinang City?

### 3. RESEARCH OBJECTIVES

The research objectives are in accordance with the formulation of the problem, namely Knowing How Collaborative Governance in Business Empowerment Micro, Small and Medium Enterprises (MSME) in the era of modern retail business development in Pangkalpinang City?

### 4. THEORETICAL BASIS

The concepts used in this study are:

#### 1. The concept of Collaborative Governance

According to Purnomo, et.al. [8] explains that Collaborative Governance is a concept in government management as a process of facilitation and implementation by various institutions, both government, community, and NGOs (Non Governmental Organizations) which aims to solve common problems that cannot be solved by one government institution alone

According to Sudarmo [9] collaboration is seen as an organizational response to changes or shifts in the policy environment. Shifts can be in the form of an increasing number of policy actors, issues are expanding beyond normal limits, capacities outside the regional or city government and the central government are generally increasing, and spontaneous community initiatives are expanding

According to La Ode Islamy [10] collaborative governance is a model of collaborative governance. balance of power and resources between government, stakeholders, and other public institutions with a commitment to empowering weaker stakeholders so that they depend on each other in overcoming complex problems through collective decision-making and consensus-oriented implementation.

Referring to some of the concepts above, in order to overcome problems related to the empowerment of MSME grocery stores in Pangkal Pinang City, in its implementation it must involve various stakeholders, both government, community and private parties. This is of course to solve problems that cannot be solved by only one side of the government.

#### 2. Empowerment Concept Empowerment

According to Law no. 20 of 2008 is an effort made by the government, local government, the business world, and the community in a synergistic manner in the form of climate growth and business development for

micro, small and medium enterprises so that they are able to develop into strong and independent businesses

Empowerment is defined as an effort made so that the object becomes empowered or has power/strength.

According to Robbins in Abadi and Chegini [1], suggests that: "Empowerment is belief that thinks it as a unite structure and simple while it is a continuous process that occurs in dynamic environments an contains many elements that can be analyzed in different levels"

Empowerment is a belief that considers it a simple unity of structure as a continuous, dynamic process that occurs in a dynamic environment that synergistically encourages the involvement of all existing potentials in an evolutionary manner with the involvement of all potentials

Based on the above concept, MSME empowerment should be the main priority for local governments. In this context, is one of the strategic rarities in regional economic development.

#### 3. The concept of MSMEs

According to Law No. 20 of 2008 micro-enterprises are productive businesses owned by individuals and individual business entities that meet the criteria for micro-enterprises as stipulated in the law on micro-enterprises which are the smallest business category having certain characteristics.

According to Abdurrohimi [2] MSMEs are defined as independent productive business units, which are carried out by individuals or business entities in all economic sectors, including the trade, processing, agriculture, plantation, livestock, fisheries and service sectors.

#### 4. Retail Business Concept

Retail is all business ventures that directly direct their marketing capabilities to satisfy final consumers [11]. Retail as the activity of selling merchandise to final consumers to meet their daily needs and is closely related to service, promotion and store design and prices.

According to Berman and Evans Asep [4] also define retail as "those business activities involved in the sale of goods and services to consumers for their personal, family or household use" to consumers to be used by themselves, their families or households"

From several concepts used in this study, to analyze and examine the collaborative governance process in empowering MSMEs in Grocery Stores in Pangkal Pinang City, researchers used the theory proposed by

Ansell and Gash [4] which describes the collaborative governance process as follows;

1. Face to face dialogue  
In this indicator who wants to see the meeting process where there is a discussion between the relevant parties, both the government, the private sector and the community as well as observing the opportunities and mutual benefits in the collaborative process of empowering MSME Grocery Stores in Pangka City Betel nut.
2. Trust building  
In this indicator, the researcher wants to observe the extent to which trust has been built among stakeholders. because in collaboration this is the most difficult thing because there are interests of each party.
3. Commitment to process (Commitment to process)  
The commitment indicator that researchers want to observe is whether the collaboration carried out in empowering MSMEs in Grocery Stores does not stop at ideas or ideas but there is a follow-up to what has been planned in the collaboration process. and how the roles and responsibilities of each party are
4. Share understanding  
In this indicator, the researcher wants to observe stakeholders share their understanding to achieve collaboration. This can be in the form of a vision, mission.
5. Intermediate outcomes  
In this last indicator, what results from the collaboration process even though it is still in progress. This means that the actual output or output produced. It is unlikely that success will occur in the context of empowering MSMEs in Grocery Stores in the era of giant retail in Bangka Belitung.

## 5. RESEARCH METHODS

Type of research used in this research is qualitative research. The research approach used is a phenomenological approach which through a phenomenological approach is to provide an overview of the problems studied related to Collaborative Governance in empowering MSMEs in Grocery Stores in the Modern Retail Era in Pangakal Pinang City. Sources of data obtained from primary data and secondary data. Data collection techniques obtained from the interview process, observation and documentation. The data analysis technique used is data reduction, and data study.

## 6. RESEARCH RESULTS AND DISCUSSION

Refers to the concept of collaboration which states that collaboration is an effort to combine all parties, both government, private and non-government organizations (NGOs) in solving problems that cannot only be solved by one government party. With this collaboration, important elements to eastablish collaborative governance in empowering MSMEs in grocery stores in the modern retail era, process elements in collaborative governance, namely

1. Face to face
2. Building trust
3. Commitment The process of achieving trust
4. Share understanding
5. Intermediate outcomes

The results of the collaborative governance assessment in empowering MSMEs through the five components are as follows:

1. Face to face

In collaborative governance face to face is the first step or basic level a between stakeholders as a consensus process as well as focus on the atmosphere of hospitality. To identify and determine mutual opportunities and benefits, a process of joint discussion or dialogue is needed that is carried out face to face. Dialogue activities will also certainly be a means of building the trust of each stakeholder to agree on each program to be implemented together.

Based on the findings of research related to collaborative governance in empowering MSMEs in grocery stores in Pangkal Pinang City, Bangka Belitung Province, that in this face-to-face process, the provincial government has held meetings with several related parties such as the Cooperatives and MSMEs Office, local E-Commerce and community leaders. MSME actors. The brought together stakeholders, both private and community, who were considered to be able to collaborate in reading opportunities to be used together in the context of empowering MSMEs including grocery stores. Based on research that can be utilized from the results of joint discussions between the government and other parties. Opportunities that can be exploited include opportunities to accommodate and market MSME products provide assistance and training for MSME actors. So that this collaboration will provide benefits for various parties. However, these opportunities will be exploited if the parties have an attitude of mutual trust because trust is the main capital in building collaboration.

1. Trust Building

In the collaboration process it is not only about negotiation but how trust can be built between participants. In a collaboration, mutual trust is needed

by stakeholders because in the collaboration process between the government, the private sector and the community, they must trust each other based on professional and social relationships. In this case, it means that each party believes in all information and efforts from other parties in a component in achieving common goals. Without mutual trust, there will be no collaborative process. So trust becomes an important point in the collaboration process. Then building becomes a phrase form mutual understanding between stakeholders in order to form a commitment in a collaboration.

The community aims to accommodate everything that is a plan to build the progress of regional MSMEs, especially in Bangka Belitung. Then, efforts to build trust were also carried out by each party, such as what was done by the guardian application party that they convinced themselves with their status in the form of PT. So that mutual trust will result in a commitment in the form of a cooperation agreement or MoU. Then to help accommodate and market regional UMKM products.

## 2. Commitment to the collaboration

In the collaboration process, commitment is related to the willingness of stakeholders to carry out their responsibilities in accordance with the main tasks of their respective functions. So, the commitment of every stakeholder, especially the government, is not only limited to ideas, but the programs that have been implemented must run according to a mutual agreement. And the form of the commitment itself is that each party must carry out its duties and functions thoroughly.

Based on the results of research related to commitment in collaborative governance that is a form of the government's seriousness in empowering MSMEs. In each division according to their capabilities. The Babel Creathorium community is prepared to be a consultant, creative team and encouragement for MSME in Babel to get business solutions, both those that are already running and those who are just starting their business.

As a form of commitment, the government has also collaborated with the community and the manpower office to provide training to improve the skills of MSME actors so that they are not focused on just one business. However, there are currently no trainings specifically for MSMEs in grocery stores. This is a homework for the government to increase collaboration with other parties in providing assistance and training for SMEs in grocery stores.

## 3. Mutual understanding (Share Understanding)

The implementation of collaborative governance between the Cooperatives, SME, Community, e-Commerce and community services is carrying out strategic steps that can be implemented to achieve a common goal, namely for the development of MSMEs in the Bangka Belitung area including MSMEs in grocery stores. For this reason, mutual understanding is needed which can be realized in one vision and mission. To create a common understanding in the collaborative process carried out by the Bangka Belitung government with related parties, there is a common vision and mission, namely empowering regional MSMEs to be competitive both in quality and quantity.

## 4. Intermediate Outcomes

Medium-term outcome to be achieved as a result of this collaborative governance is the achievement of empowering MSMEs including grocery stores in the face of modern retail growth which is currently growing rapidly. The empowerment is so that regional MSMEs can increase optimally both in terms of marketing, product quality and human resources.

Which was carried out in collaboration between the government, E-Commerce Walan and the Cooperatives and MSME Service through PLUT. In collaboration, each party carries out respective duties and responsibilities. The cooperative and MSME service through PLUT is tasked with accommodating all types of MSME products, including grocery store products, which will then be distributed to consumers through goods delivery services carried out by the Walan application. So in this case, all parties move and run according to their respective roles.

## 7. Conclusion

Based on the results of the research and discussion above, it can be concluded that in the Collaborative Governance process in empowering MSME grocery stores in Pangkal Pinang City, the collaboration process has been running in accordance with the elements in the collaboration process, namely face to face, building trust, commitment, and mutual trust. Share Understanding) and Intermediate Outcomes (Provisional results). However, of the five elements that have not run optimally, it is proven that there are still indicators that have not been fully implemented, such as the commitment indicator. In this indicator, the government has not been maximally committed to providing socialization and education to grocery store owners regarding clean, healthy and safe store operating standards. The goal is to provide a sense of security and comfort for people to shop at grocery stores and shops. So that grocery stores can compete fairly with modern retailers. Government has also not collaborated with parties that can provide capital to MSME actors. In

addition, regulates the limitation of the number of retailers that enter and thrive in Pangkal Pinang City. So if it continues, it will cause the growth of modern retailers in Bangka Belitung, especially in the city of Pinnag.

## 8. SUGGESTIONS

Based on these conclusions, the researcher's suggestions that are expected to be useful for improving Collaborative Governance in the management of MSME grocery stores in Pangkal Pinang City. The suggestions are;

1. It is recommended for the government to continue to increase collaboration with other parties in providing special assistance and training for SMEs in grocery stores so that they can compete with modern retail businesses
2. It is recommended for the government to collaborate with banks and CSR in terms of capital for MSME actors. Because the limited capital owned by MSME actors is one of the constraining factors in developing MSMEs.
3. It is suggested for the government to make policies and regulations regarding the limit on the number of modern retailers entering Bangka Belitung, especially in Pangkal Pinang City. This is for the sake of the sustainability of the existence of the existing grocery store MSMEs.

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