



# Empowerment of Micro, Small, and Medium Enterprises (MSMES) on Access to Capital Related to Ecotourism Development (Case Study in Penglipuran Village, Bangli Regency)

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**Abstract.** The goal of this research is to examine the empowerment of Micro, Small, and Medium Enterprises (MSMES) in terms of access to financing for ecotourism growth in light of Tourism Law Number 10 of 2009. The research method employed is normative legal research with a statutory approach. The primary, secondary, and tertiary legal resources utilized in this research were obtained through library research. Statutory techniques as clarity to categorise and methodical and uniform preparation to allow analysis are examples of fundamental legal documents. Secondary legal documents were retrieved from the literature and meticulously collected in order to be utilized as references for analysis. Finally, legal materials were collected through library research using descriptive analysis techniques that are presented quantitatively. The problem discussed in this study is the limited access to capital in empowering MSMEs in Penglipuran Village, Bangli Regency, especially MSMEs engaged in the tourism business. They considered that MSMEs have a significant influence on national development, especially in villages that are places for ecotourism development, such as Penglipuran Village. Given that MSMEs have a significant impact on national development, particularly in villages where ecotourism is developing, such as Penglipuran Village.

**Keywords:** Access to Capital · MSMEs · Ecotourism

## 1 Introduction

As an agricultural country, until now, most Indonesian people have utilized natural resources to meet their needs. This condition can be said to be in synergy with sustainable development. Sustainable development can be described as improving the quality of life and economic growth that is adjusted to the carrying capacity of the environment and its natural potential. The basis of the country's economic system is regulated in Article 33 and Article 34 of the 1945 Constitution of the Republic of Indonesia, regulating the responsibilities imposed on the country to improve the people's welfare.

In the process of economic development, business actors who are members of micro, small, and medium enterprise organizations play a critical role. Because micro, small and medium enterprises (MSMEs) are one great potential in national development for

the sake of creating people's welfare. This is indicated by the existence of MSMEs, which have reflected the actual embodiment of the social and economic life of the Indonesian people. The significant role of MSMEs is shown by their contribution to national production, the number of business units and entrepreneurs, and employment.

However, Indonesian MSMEs' obstacles are tied to their limited access to financing. MSMEs in the tourist business are facing the same challenges. Because tourism activities have had a long-term favorable influence on the economy, particularly in tourist-friendly countries. Tourism is an activity that offers lodging, transportation, food, recreation, and other services. Tourism, as a service trade, is a service trade system that includes various service trade components such as actors, forms of services, service consumers, and service transactions that connect service suppliers and service consumers [1], as is the case in Indonesia, particularly on the island of Bali, which is a tourist object or destination for both domestic and international tourists.

The island of Bali has a wide range of tourism potentials, including natural and cultural tourism, as well as the hospitality of its people, making it a popular tourist destination in Indonesia. As a result, tourists from both inside and outside the nation flow smoothly. Bali's success in attracting tourists has benefited the community, especially the Balinese people, in several ways, including by generating jobs, promoting the export of goods from the handicraft industry, and serving as a source of regional foreign exchange, even for several decades the tourism sector has been able to become a driving sector for the Balinese economy.

An example of a traditional village in Bali is Penglipuran Village, located in Bangli Regency. Penglipuran Village, located in Bangli Regency, is famous for its local wisdom in natural resources such as bamboo forests and Kecencem plants. Penglipuran village is the third cleanest village in the world. This clean village is also known for its extraordinary beauty. This village has long been a tourist area that is well known to many tourists because Penglipuran Village still maintains its traditional side and environmental sustainability. Starting from the arrangement of the village and its traditional buildings as well as the use of natural products that are used as special drinks and some handicraft products are kept remarkably intact. In addition, Penglipuran Village has the potential for a bamboo forest of around 75 hectares and 10 hectares of well-maintained vegetation, which is very appropriate to be developed as a creative industry with local potential raw materials.

One form of support for sustainable development, as well as a form of preservation of the potential of local natural wealth (local wisdom), is by increasing the empowerment of Micro, Small, and Medium Enterprises (MSMEs), such as the efforts being carried out in Penglipuran Village related to the development of ecotourism through understanding and implementing the use of local natural resources to improve the quality of life of the community. Through these initiatives, it is hoped that sustainable agriculture will gain more attention and support and that farmers will no longer be associated with poverty.

As we know, Micro, Small, and Medium Enterprises (MSMEs), besides playing a role in economic growth, also have a significant role in overcoming unemployment. Expanding small and medium-sized businesses increases employment possibilities and benefits the local community. For this reason, we must carry out initiatives to support

MSMEs in Penglipuran Village to promote ecotourism, hasten regional and national economic growth, and boost the MSMEs' product competitiveness.

In this regard, the classic problem often faced by Micro, Small, and Medium Enterprises (MSMEs) in Penglipuran Village is access to capital. Because many MSMEs still do not have permits, this is even more so for home-based businesses such as in Penglipuran Village. Problems that arise due to lack of access to capital are that the means of production still use simple tools, difficulties in marketing, lack of technical production and expertise, and lack of managerial and financial skills. Therefore, it is challenging for people to increase production and implement market-driven innovations.

Because the key to the success of an MSME is being able to innovate, which is adjusted to market demand and creative in increasing productivity, this is also inextricably linked to technological advancements that must be followed, as well as to be willing to work hard, resilient to setbacks, and consistently upholding corporate principles. So that Penglipuran Village may effectively promote economic growth as a tourist village because Tourism Villages are the fastest industry that can move the economy, especially after the COVID-19 pandemic, which has paralyzed all tourism activities that support the economy. Also, renovating a tourist village, mainly in the open nature, does not take long. It requires extensive social media promotion.

## 2 Method

The success of research depends on the methodology used. A method is selected based on consideration of the suitability of the object, the object's method objectives, goals, objectives, variables, and the problems to be studied. The research method attempts to find, develop and test the truth of science, with the effort carried out using the scientific methods. [2] The goal of employing research methodologies is to ensure that research meets the standards of scientific activity. From a research standpoint, legal research is separated into two categories: normative research and empirical research. [3] This study employed normative juridical legal research, or the study and analysis of legal sources and concerns. This research was carried out to solve legal problems that arise, with the desired outcomes being prescriptions about what should be (normative level) [4].

This study relied on three (three) sources of legal resources: primary legal documents, secondary legal materials, and tertiary legal materials obtained through library research. Legal principles and norms are included in primary legal sources, which might take the form of fundamental laws, unwritten legal legislation, court judgements, and state administrative decisions. At the same time, secondary legal materials included legal books, legal periodicals, legal expert opinions in the news, dictionaries, and legal encyclopedias. The collection of legal materials began with the collection and organization of legal documents into an information system, which made tracing back legal items easier. Then, legal materials were gathered through a documentation study, which involved recording the sources of primary and secondary legal resources, followed by a quotation inventory of pertinent legal publications. Thus, two major activities are carried out in this research, namely library research, which is obtained through the literature by reviewing, analyzing, and processing literature, legislation, and articles or writings related to the problem to be studied, and writings or articles related to the problem to be studied.

### 3 Result and Discussion

#### 3.1 Penglipuran Village as a Tourism Village and Tourism Industry

In the history of development in many countries, the tourism sector has played an essential role in contributing to its development, especially in the last two decades, which is indicated by the increasing level of the economic welfare of nations that make tourism their downstream industry [5]. Therefore, all levels must support tourism development, both the government, officials, and the community. They were considering the slumping conditions experienced by world tourism, especially in Indonesia, since the Covid-19 Pandemic.

In the states Law Number 10 of 2009 concerning Tourism, it regulates the involvement of stakeholders in the preparation of the master plan for tourism development. Article 9, paragraph 4 of the Tourism Law states that the preparation master plan of the national, provincial, and district/city tourism development is carried out by involving stakeholders. Then in Article 57 of the Tourism Law, tourism funding is a shared responsibility between the Government, Regional Governments, entrepreneurs, and the community.

The current condition of tourism, especially in Bali, is at its lowest point along its journey. Since the end of 2019, all tourism business activities have slowly experienced a very drastic decline. Those who rely on tourism in Bali are now shifting to traders or farmers. This automatically has a tremendous impact on the development of ecotourism in Bali, which is hampered because most of the income streams are no longer functioning.

However, in the current condition, the Balinese people have begun to organize their lives, especially those engaged in tourism slowly. It can be seen that hotels, restaurants, and tourist attractions have started to open, although not significantly. The government and the community should use the current situation to build and revitalize tourism development in Bali to restore the community's economy. Including the development of Tourism Villages in Bali, one of which is Penglipuran Village, located in Bangli Regency.

The following requirements must be met in order for a village to be established as a tourist village:

- a) The accessibility is good, allowing travelers to visit using numerous modes of transportation.
- b) Have attractive items such as nature, cultural arts, legends, local food, and so on produced as tourist attractions.
- c) The community and village officials receive and provide high support for tourist villages and tourists who come to their villages;
- d) Security in the village is guaranteed;
- e) Adequate accommodation, telecommunications, and manpower are available;
- f) The climate is cool or cold and;
- g) Connect with other tourist attractions that are already well-known in the community.

In addition to this, there are 2 (two) important concepts in the tourism village component, namely:

- a. Accommodation: as a place to live for local residents and or units that develop on the concept of a resident's residence; and
- b. Attractions: all aspects of local residents' everyday life, as well as the physical setting of the village location, which allows tourists to integrate as active participants in activities such as dance, language, batik, and other more particular courses.

These various requirements are one of the challenges for places that are starting to develop the concept of a tourist village in their area because it requires a strategy in managing tourist villages to survive and thrive in today's modern world [6].

The tourist attraction in Penglipuran Village consists of natural tourist attractions in the form of wood forests and bamboo forests where the existence of wood forests and bamboo forests can provide excellent and fresh rural air. Then there are the cultural tourist attractions such as village spatial patterns with different architecture, historical monuments, and community life with unique norms such as the prohibition on polygamy. Therefore Penglipuran Village is called a Tourism Village because it has a variety of attractions for tourists. Penglipuran traditional village received several prestigious awards such as:

1. ISTA (Indonesia Sustainable Tourism Award) in 2017
2. Sustainable Destinations Top 100 Green Destinations Foundation version.

In addition, Penglipuran Village, one of the Tourism Villages in Bali, also has a unique cuisine. One of them is a typical drink in the form of herbal medicine or loloh, which has high properties for maintaining health. The drink in the form of herbal medicine or loloh comes from the kecemcem plant. Natural conditions with a cool climate are one of the factors that support kecemcem leaf plants that are very easy to grow in Penglipuran Village. In general, kecemcem plants are widely used as fences by the community. Along with its development, the people of Penglipuran Village currently use kecemcem leaf plants as processed drinks of economic value known as "Loloh Cemcem." Because basically, Balinese people have the belief that loloh is efficacious from generation to generation and uses plants as an alternative to natural medicine.

Many villagers who seek to establish their small businesses face challenges in raising manufacturing output. This is due to the limited capital owned by the village community. Furthermore, during the COVID-19 pandemic, which caused their economy to collapse, people lacked the capital to develop or expand their enterprises. Therefore, there are various factors that, among other things, become an attraction or magnet for travelers to visit Penglipuran Village:

1. Named the Cleanest Village in the World
2. Village Spatial Planning with Tri Mandala concept
3. The Bamboo Forest which is the Protector of the Village
4. Have religious rituals that continue to be carried out at Pura Luhur Penglipuran
5. Culinary serving of processed Loloh drinks and food from purple sweet potatoes.
6. Unique rules or customs (prohibition of polygamy)
7. As well as handicrafts from bamboo.

In response to this, it is time for the government and the community to take a stand to improve the economic conditions of the people in Penglipuran Village considering that Penglipuran Village has many opportunities including:

1. Environment (Potential in developing new ecosystems) With the natural and beautiful Bamboo Forest in Penglipuran, it can be a potential in developing new ecosystems considering that this forest is still natural, flora and fauna can live by relying on this forest as their environment such as insects, grass, other small animals.
2. Economy (Creating job opportunities, Increasing the country's foreign exchange and the diversity of Indonesia's tourist destinations) With this tourism village, various promotional media, both from the government through Wonderful Indonesia and from the private sector, such as offering tour packages to this hamlet, can be used to attract tourists to visit. It would be a shame to waste this opportunity.
3. Socio-Cultural (Improved education for local residents and local community development).

Considering that this village is a tourist village, of course, its Human Resources (HR) need to be competent and certainly, workers such as local tour guides need good knowledge in dealing with tourists and are also equipped with good English to avoid miscommunication.

### **3.2 Empowerment of Micro, Small and Medium Enterprises on Access to Capital Related to Ecotourism Development (Case Study in Penglipuran Village, Bangli Regency)**

Currently, the central and regional governments are trying to continue developing MSMEs as part of the people's economy while still relying on their potential and strategic value. However, developing MSMEs based on ecotourism is not as simple as turning the palm of one's hand. This is due to MSMEs' limitations and low competitiveness when interacting with prominent business actors, particularly in an era of competitive global trade.

For MSMEs that are just starting their business, the problem of financing (capital) is a significant obstacle. Capital is the main factor needed to develop a business unit. The lack of MSME capital is because micro, small, and medium enterprises are private businesses or closed companies that rely on minimal capital from the owner. In contrast, loan capital from banks or other financial institutions is difficult to obtain.

This is also experienced by the community in Penglipuran Village, a Micro, Small, and Medium Enterprises group. In terms of running the business they are involved in (making lolo drinks, handicrafts, or purple sweet potato specialties), it is not uncommon for people to experience the same problems as other MSMEs, such as limited access to capital. The difficulty of obtaining capital is felt even more so in the current state of the COVID-19 pandemic. At the same time, capital is needed to increase the production and marketing of the products they produce.

Another obstacle faced by Micro, Small, and Medium Enterprises in Penglipuran Village is the lack of technical experts and the lack of quality human resources (HR). For example, human resources are less able to operate the facilities and infrastructure

optimally, and the lack of communication between human resources and consumers due to limited knowledge about the products being traded. It is indisputable that technological backwardness in small and medium companies is one of the reasons for Indonesia's poor capital accumulation, which is capable of supporting the development of MSMEs in Indonesia, particularly in Bali.

An equally important obstacle that is often faced by MSMEs, in addition to access to obtaining capital and others, is the products' marketing. A typical marketing problem MSMEs face is the difficulty of their products entering the market because there are competitive pressures in both domestic and international markets. In addition, the difficulty of a product entering the market is due to the lack of cooperation factors with other parties, such as retail parties.

The existence of the capital factor is so important, and it is the initial foundation for the activity/business or business to be built. Likewise, capital is needed again to develop the business or business after the business is running. Obtaining finance is challenging; many are prevented from beginning a business because it is difficult to obtain capital. One of the sources for MSMEs to obtain capital is through credit facilities provided by banks. However, loan capital or credit from banks is difficult to obtain because banks' administrative and technical requirements cannot be met. The requirement that becomes the main obstacle for MSMEs to obtain credit from banks is the requirement for collateral.

According to the facts, most Indonesians, even MSMEs, have difficulty obtaining loans from commercial banks. This condition is due to structural barriers in the form of requirements that debtors must meet. Ironically, these obstacles arise from the prevailing laws and regulations (Banking Law) that require banks to provide credit following the precautionary principle. This principle in the banking world is known as The Five "C" of credit, which includes; Character, Capacity, Capital, Condition of Economy (Economic Condition), and Collateral. (Munir Fuady, 1996).

Such conditions create a sense of injustice in the community, particularly for low-income groups looking to start a micro or small business, as well as for people who already have a business but lack the resources to expand it. When we analyze the rules and regulations that are enacted, we can see that they are intended to generate a feeling of fairness, clarity, and benefit for the community. The presence of legal protection for MSMEs is demonstrated by Government Regulation of the Republic of Indonesia Number 7 of 2021 about Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises. Because, in Indonesia, Pancasila describes justice as the foundation of the state, specifically social justice for all Indonesians. The ideas included in the precepts of social justice for all Indonesians are based on and inspired by Pancasila [7].

Moreover, let us look at aligning it with human rights. The state is obliged to treat citizens equally in politics and law and other fields such as economics, society, and culture. The state serves the whole people, rich or poor, young or old, male or female, employed or unemployed, and large and small entrepreneurs [8]. In this case, the businesses run by the community in Penglipuran Village, which are included in the MSME group that carry out business activities, especially in the tourism sector, are parties whose position is weak, especially weak in terms of capital. Human Rights are always in the form of

protection for the weak. Human rights are the primary means of ensuring solidarity between the strong and the weak in modern society [9].

There are several strategies or efforts that the government, traditional community leaders, and villagers can take in empowering MSMEs in Penglipuran Village, including:

1. Establish a Cooperative managed by Penglipuran Village. Cooperation in providing credit for MSME business actors with low interest.
2. Expanding the marketing network for production products, not only in local stalls or shops but also through social media (electronic media), one of which is through the Partnership Agreement.
3. Improving the quality of human resources by providing counseling or training as a form of business education. The training here is in the form of:
  - a) Financial management training to assist financial management in understanding the benefits and drawbacks of the organization.
  - b) Product marketing training
  - c) Legal counseling on prohibitions or rules related to business.
4. Applying appropriate technology in the form of tools to support and improve the production process.
5. Creating a business climate that encourages people to invest at the lowest possible cost and risk and achieve great long-term profitability.
6. Provide adequate business facilities and infrastructure in the production process.

With several efforts or strategies made for the development of MSMEs in Penglipuran Village, it is expected to be able to provide positive results in the context of empowering MSMEs. This is also expected to be the first step in improving the economic system of the people in Bali, especially in Penglipuran Village after the COVID-19 pandemic. In line with this, there is a need for central and local government support, as well as the participation of indigenous community leaders and villagers, in order to cooperatively revive tourism in Bali.

## 4 Conclusion

Based on the explanation provided above, it is possible to infer that efforts to provide Micro, Small, and Medium Enterprises with Capital Access for Ecotourism Development in Penglipuran Village, Bangli Regency may be carried out through a variety of ways, including:

1. Established a Cooperative managed by Penglipuran Village. Cooperation in providing credit for Micro, Small, and Medium Enterprises (MSMEs) with low-interest rates and expanding the marketing network for their products, not only in local shops or stalls but also through social media (electronic media), one of which is through the Partnership Agreement.
2. Improving the quality of Human Resources (HR) by providing counseling or training as a form of business education. The training here is in the form of:



- a) Financial management training to assist financial management in understanding the benefits and drawbacks of the organization.
  - b) Product marketing training
  - c) Legal counseling on prohibitions or rules related to business.
3. Applying appropriate technology in the form of tools to support and improve the production process, creates a business climate that encourages people to invest at the lowest possible cost and risk and achieve great long-term profitability, and provides adequate business facilities and infrastructure in the production process.

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