

**LOCAL GOVERNMENT'S ROLE IN
DEVELOPING CHIP (KERIPIK) MSMEs
THROUGH THE COOPERATIVE AND
VILLAGE OFFICE IN BANDAR LAMPUNG: A
QUALITATIVE POLICY ANALYSIS**

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Abstract: Micro, Small, and Medium Enterprises (MSMEs) constitute a foundational pillar of Indonesia's national economy, contributing substantially to employment generation, income distribution, and regional economic resilience. This study investigates the multidimensional role of local government in developing chip (keripik) MSMEs in Bandar Lampung City, with particular attention to the institutional mechanisms through which the Office of Cooperatives and SMEs (Dinas Koperasi dan UKM) operationalizes its developmental mandate. Situated within a qualitative research design employing descriptive-interpretive analysis, the study draws upon in-depth interviews, direct field observation, and triangulated documentation from key informants including MSME officers, enterprise owners, and employees. Findings reveal that local government functions across four institutional roles regulator, facilitator, motivator, and catalyst implemented through entrepreneurship training, zero-interest capital assistance, product marketing facilitation, and business mentoring. However, significant structural barriers persist: bureaucratic complexity in export licensing, limited digital technology adoption, low product innovation capacity, and the absence of sustained mentoring continuity. The study theorizes these gaps through a Governance-Capability-Digitalization (GCD) framework and proposes a Strategic MSME Development Model integrating digital transformation, institutional accessibility, and

continuous capacity-building. Implications extend to policy reform, MSME governance design, and sustainable local economic empowerment aligned with Islamic economic principles of *maslahah* and social justice.

Keywords: Local Government Role; MSME Development; Chip Industry; Digital Governance; Bandar Lampung; Islamic Economic Empowerment; Policy Analysis

1. INTRODUCTION

The transformative potential of Micro, Small, and Medium Enterprises (MSMEs) in shaping Indonesia's socioeconomic landscape has been substantiated by decades of empirical evidence. According to the Ministry of Cooperatives and SMEs of the Republic of Indonesia, MSMEs account for more than 60 million business units and absorb approximately 97% of the national workforce, representing an indispensable engine of inclusive economic growth (Ministry of Cooperatives and SMEs RI, 2022). This aggregate contribution becomes particularly pronounced at subnational levels, where local economic ecosystems depend heavily on the vibrancy and resilience of informal and semi-formal enterprises. Scholars such as Suci (2017) have observed that MSME development trajectories in Indonesia reflect a complex interplay of institutional support, market access, and human capital formation, underscoring the need for holistic policy interventions rather than isolated programmatic approaches (Suci, 2017; Tambunan, 2012).

At the normative level, Indonesia's commitment to MSME empowerment is codified in Law No. 20 of 2008 on Micro, Small, and Medium Enterprises, which mandates both central and local governments to cultivate an enabling business environment through capacity-building, access to capital, and market expansion facilitation (Indonesian Government, 2008). This legislative framework establishes a relational obligation between the state and entrepreneurs, situating MSME development within a broader governance architecture that spans regulatory, facilitative, and motivational dimensions (Siagian, 2005; Jaelani & Fidarisi, 2024). The decentralization agenda reinforced by Law No. 23 of 2014 on Regional Government further amplifies local government authority to operationalize context-sensitive MSME policies aligned with territorial economic potentials (Indonesian Government, 2014).

The province of Lampung, and specifically its capital Bandar Lampung, occupies a strategically significant position within Indonesia's MSME geography. The city is renowned as a regional center for chip (keripik) production, particularly banana chips

(keripik pisang), which serve as both a primary commercial commodity and a cultural marker of Lampungese identity. This agri-food processing cluster demonstrates high economic multiplier effects providing livelihoods for thousands of households while anchoring rural-urban supply chains (Nugroho, 2018; Saputra & Wijaya, 2023). Yet despite this embedded market position, empirical observations indicate persistent structural vulnerabilities within the sector, including limited access to institutionalized capital, low export licensing uptake, inadequate product differentiation strategies, and marginal integration into digital commerce platforms (Rahman, 2021; Heryanto, 2023).

Prior scholarship has examined government-MSME relationships through various conceptual lenses. Lestari and Hidayat (2020) identified the regulator-facilitator-motivator typology as a productive analytical frame for mapping local government roles in MSME ecosystems, while Nugroho (2018) found that sustained governmental commitment measured through program continuity and resource allocation significantly predicted MSME growth outcomes in Indonesian contexts. Jaelani and Fidaris (2024) extended this framework by adding the catalyst dimension, arguing that government must actively accelerate market formation processes rather than merely regulating them. These theoretical contributions collectively establish a four-role governance model that this study employs as its primary analytical scaffold.

However, a salient gap in existing scholarship concerns the dynamic intersection between governance quality, enterprise capability, and digital transformation what this paper conceptualizes as the Governance-Capability-Digitalization (GCD) nexus. While studies have separately examined each dimension, their interactive effects on MSME outcomes in Indonesian secondary cities remain underexplored (Andini et al., 2024; Fauziah, 2023; Pratiwi & Saputra, 2024). The GCD framework proposed in this study addresses this theoretical lacuna by providing an integrative model that accounts for simultaneous institutional, organizational, and technological determinants of MSME performance.

Empirical observations of chip MSMEs in Bandar Lampung specifically Toko Oleh-Oleh Bintang Buah and Keripik Pisang Kepok SA JA YA reveal nuanced patterns of governmental engagement that neither conform to the ideal-type facilitating state nor the wholly interventionist model. These enterprises operate within a complex ecology of formal policy support and informal adaptive strategies, raising important questions about the sufficiency of current governance mechanisms and the institutional conditions required for MSME scaling (Widyastuti et al., 2024; Rahmawati & Haryanto, 2020).

From an Islamic economic perspective, the developmental responsibilities of government are not merely technical or administrative they carry a moral imperative rooted in the concept of *maslahah* (public welfare) and the distributive justice principles embedded in *Al-Qur'an* and *Sunnah*. As articulated by Chapra (2001) and Mardani (2015), an Islamic governance paradigm mandates equitable economic management, active protection of socioeconomically vulnerable actors, and the promotion of *halal* enterprise as both a spiritual duty and a socioeconomic development strategy. This normative foundation aligns with *Surah Al-Jumu'ah* [62:10], which calls believers to pursue economic activity as an extension of their devotional practice framing enterprise development as an act of collective and individual fulfillment (Maulana & Fitriani, 2024; Ibnu Katsir, 2004).

Against this multidimensional backdrop, the present study formulates two interrelated research questions: (1) How does the local government of Bandar Lampung operationalize its developmental roles in supporting chip MSME growth through the Office of Cooperatives and SMEs? (2) What structural barriers impede the optimization of governmental MSME support, and how can these barriers be addressed through evidence-based policy interventions? These questions anchor the study's contribution at the intersection of governance studies, development economics, and Islamic public administration, with implications for both scholarly

discourse and applied policy reform (Arto & Hutomo, 2013; Hadi et al., 2025).

The remainder of this paper proceeds as follows: Section 2 presents the Theoretical Framework underpinning the study. Section 3 outlines the Methodology. Section 4 reports the Results through multi-layered analytical lenses. Section 5 engages in Discussion with broader theoretical and policy implications. Section 6 concludes by addressing the study's original research questions and proposing directions for future inquiry.

2. THEORETICAL FRAMEWORK

a. The Governance Capability Digitalization (GCD) Framework

This study proposes the Governance Capability Digitalization (GCD) Framework as its primary theoretical contribution an integrative analytical architecture that synthesizes three bodies of scholarship: institutional governance theory, organizational capability theory, and digital transformation studies. The framework contends that MSME development outcomes are not unidimensionally determined but emerge from the simultaneous and interactive quality of governance structures, enterprise-level capability formation, and digital ecosystem integration.

The Governance dimension draws primarily on Siagian's (2005) developmental state typology, which characterizes government as fulfilling regulator, facilitator, motivator, and catalyst roles. This is complemented by Rasyid's (2005) decentralization theory, which emphasizes local government's advantage in understanding proximate socioeconomic conditions, and Ryaas Rasyid's argument that decentralized governance enhances institutional responsiveness and developmental effectiveness (Rasyid, 2005; Hadi et al., 2025). Governance quality is operationalized through four indicators: regulatory coherence, program accessibility, institutional coordination, and accountability mechanisms.

The Capability dimension is grounded in resource-based theory and human capital development frameworks. Tambunan (2012) established that MSME competitive advantage is fundamentally determined by the quality of human capital, innovation orientation, and managerial sophistication. Hasibuan's (2016) conceptualization of development as multidimensional capacity enhancement encompassing technical, theoretical, and moral competencies extends this perspective to include the role of training, mentoring, and organizational learning in enterprise capability formation (Pratiwi & Saputra, 2024; Andini et al., 2024).

The Digitalization dimension responds to the growing scholarly consensus that technology adoption is no longer optional but structurally determinative for MSME survival and scaling in contemporary market environments (Rahman, 2021; Fauziah, 2023). Drawing on digital transformation theory and e-commerce adoption frameworks, this dimension examines the extent to which government-supported digitalization initiatives including digital marketing training, e-commerce platform integration, and technology infrastructure provision translate into measurable market expansion for MSMEs (Rahmawati & Haryanto, 2020).

Table 1. The GCD Framework: Dimensions, Components, and Policy Implications

Dimension	Key Components	Policy Implications
Governance (G)	Regulatory framework, institutional capacity, policy coherence, bureaucratic efficiency	Streamline export licensing; integrate OSS digital platform; establish MSME one-stop service
Capability (C)	Human capital development, innovation capacity, product quality, managerial skills	Continuous training programs; product R&D support; quality certification assistance
Digitalization (D)	Digital marketing adoption, e-commerce integration, technology literacy, data-	Digital onboarding programs; marketplace partnerships; ICT infrastructure provision

Dimension	Key Components	Policy Implications
	driven decision making	

Source: Researchers' Construct (2025), adapted from Siagian (2005), Tambunan (2012), and Rahman (2021)

b. Local Government Roles in MSME Development

The theoretical delineation of local government roles in MSME development has evolved from simple service delivery models to complex multi-stakeholder governance frameworks. Lestari and Hidayat (2020) demonstrated that local governments operating as pure regulators generate suboptimal MSME outcomes compared to those adopting hybrid roles combining regulation with active facilitation. Jaelani and Fidaris (2024) further argued that catalyst-role government characterized by proactive market creation, cross-sectoral partnership orchestration, and innovation ecosystem management produces the most robust MSME developmental outcomes.

Within the Indonesian constitutional framework, Law No. 23 of 2014 (Indonesian Government, 2014) mandates local governments to design and implement context-sensitive economic development strategies, giving local executives both the authority and the responsibility for MSME empowerment. This legal architecture creates what Hadi et al. (2025) describe as a 'developmental obligation' a governance commitment that extends beyond passive regulation to active resource mobilization on behalf of vulnerable economic actors.

c. Islamic Economic Perspective on Government and Enterprise Development

Islamic economic theory provides a distinctive normative foundation for understanding the state's obligations toward MSME development. Mardani's (2015) synthesis of Quranic and Sunnah-based economic principles identifies distributive justice, protection of the economically weak (*mas'u'd faqir*), and collective welfare (*maslahah*) as the fundamental imperatives guiding state economic management. Chapra (2001) extends this

framework to argue that the Islamic state must actively counteract market failures that systematically disadvantage small producers and artisan communities a role directly relevant to chip MSME development in Bandar Lampung.

The Quranic mandate in Surah Al-Jumu'ah [62:10] to “spread through the earth and seek the bounty of Allah” has been interpreted by Ibnu Katsir (2004) as a divine sanction for lawful economic enterprise following worship obligations legitimizing not only individual entrepreneurship but also state support for enterprise development as a form of collective *ijtihad*. This perspective, elaborated by Maulana and Fitriani (2024), situates local government MSME support within a broader Islamic governance ethic that prioritizes substantive welfare outcomes over procedural compliance.

3. METHOD

a. Research Worldview and Paradigmatic Positioning

This study is anchored in an interpretive-constructivist worldview (Creswell & Poth, 2018), which holds that social realities including governance practices, institutional behaviors, and entrepreneurial experiences are meaningfully constituted through human interpretation and social interaction rather than existing as objective, measurement-ready phenomena (Guba & Lincoln, 1994). This paradigmatic choice is epistemologically appropriate for the research problem at hand: understanding how local government roles are experienced, negotiated, and evaluated by MSME actors requires interpretive sensitivity to context, actor perspective, and institutional nuance that quantitative measurement instruments cannot adequately capture (Moleong, 2018).

b. Research Design: Qualitative Descriptive-Interpretive

A qualitative descriptive-interpretive research design was employed, which Sugiyono (2019) defines as a methodology

oriented toward producing rich, contextually grounded descriptions of social phenomena as experienced by participants in their natural settings. This approach enables the research to capture the complexity of government-MSME interactions as embedded in institutional, historical, and cultural contexts a depth of understanding that surveys or administrative data analysis would not yield (Moleong, 2018; Miles & Huberman, 2014).

c. Research Site and Sampling

The study was conducted at Toko Oleh-oleh Bintang Buah and Keripik Pisang Kepok SA JA YA in Bandar Lampung City, two strategically selected chip MSME enterprises representing the spectrum of enterprise scale and development stage within the local chip industry cluster. Both enterprises maintain active engagement with the Office of Cooperatives and SMEs (Dinas Koperasi dan UKM), ensuring informant access to institutional knowledge about government programs.

Purposive sampling (Arikunto, 2017) was employed to identify information-rich informants with direct knowledge of the research phenomenon. Informants included: Rafi Satya Andika (MSME Development Officer, Dinas Koperasi dan UKM Bandar Lampung), Erma Syahfitri (Owner, Toko Oleh-Oleh Bintang Buah), and three employees (Dewi Yulia, Komala Hermansyah, and Elpiyana). Data saturation was assessed through iterative interview cycles until theoretical redundancy was achieved (Creswell & Poth, 2018).

d. Data Collection Techniques

Three complementary data collection methods were employed to enable triangulation. Semi-structured in-depth interviews were conducted using a thematically organized interview guide with probes for governance experiences, program accessibility, barriers, and recommendations. Systematic direct observation was conducted at enterprise sites to document production processes,

workspace conditions, marketing materials, and visible signs of governmental support. Documentary analysis encompassed government policy documents, training records, cooperation agreements, and published statistical data from Dinas Koperasi dan UKM (Sugiyono, 2019; Moleong, 2018).

e. Analytical Strategy

Data analysis followed the Miles and Huberman (2014) interactive model comprising three concurrent processes: (1) data condensation through open and axial coding; (2) data display through narrative matrices and cross-case thematic tables; and (3) conclusion drawing through ongoing verification. The GCD Framework provided the a priori theoretical template against which empirical themes were systematically mapped, while deductive-abductive logic was employed to identify both confirmatory and disconfirmatory evidence.

Table 2. Research Process Flowchart: From Data Collection to Policy Recommendation

Research Phase	Analytical Process	Output
Phase 1: Data Collection	Observations, in-depth interviews, archival documentation	Primary & secondary data matrix
Phase 2: Data Reduction	Open coding, axial coding, thematic clustering, triangulation	Core themes & sub-themes
Phase 3: Data Display	Narrative matrices, role-function cross-tabulation, GCD mapping	Analytical framework visualization
Phase 4: Conclusion Drawing	Member checking, negative case analysis, transferability assessment	Verified findings & theoretical model
Phase 5:	Policy synthesis, strategic	Evidence-based policy

Research Phase	Analytical Process	Output
Recommendation	MSME model formulation, stakeholder mapping	framework

Source: Researchers' construct adapted from Miles & Huberman (2014) and Creswell & Poth (2018)

f. Validity and Trustworthiness

Trustworthiness was established through four criteria from Lincoln and Guba (1985): (1) credibility, ensured through prolonged engagement, member checking with key informants, and source triangulation; (2) transferability, addressed through thick description of the research context; (3) dependability, maintained through an audit trail of all analytical decisions; and (4) confirmability, ensured through reflexive documentation of researcher positionality and interpretive choices.

4. RESULTS

a. MSME Growth Trajectory in Bandar Lampung (2020–2024)

Data obtained from the Office of Cooperatives and SMEs (Dinas Koperasi dan UKM) Bandar Lampung reveals a dramatic expansion in registered MSME units over the 2020–2024 period. As shown in Table 3, total MSME numbers increased from 2,296 units in 2020 to 30,940 units in 2023–2024, representing a 1,247% growth rate driven primarily by micro-enterprise registration expansion following the national SIDT (Integrated SME Data System) implementation by the Ministry of Cooperatives and SMEs RI. Researcher notes that this statistical surge must be interpreted cautiously: increased registration reflects improved data capture rather than necessarily equivalent new enterprise formation, though both phenomena likely contribute.

Table 3. MSME Development in Bandar Lampung City (2020–2024)

Year	Micro	Small	Medium	Total	Growth (%)
2020	2,243	41	12	2,296	-
2021	4,407	41	12	4,460	+94.3%
2022	4,407	41	12	4,460	0.0%
2023	30,934	2	4	30,940	+593.5%
2024	30,934	2	4	30,940	0.0%

Source: Dinas Koperasi dan UKM Bandar Lampung (2024); data 2020 - 2022 from kabupaten/kota reconciliation; 2023–2024 from SIDT Ministry of Cooperatives and SMEs RI

Key MSME Statistics at a Glance:

30,940 Total MSMEs (2024)	99.9% Micro Enterprises	1,247% 5-Year Growth	4 Roles Government Functions
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b. Analytical Matrix: Government Roles, Instruments, and Outcomes

Building on systematic coding of interview transcripts, observational notes, and documentary sources, the following multi-dimensional role matrix synthesizes the key findings across all four government roles as operationalized in the Bandar Lampung chip MSME context.

Table 4. Government Role Analysis Matrix: Instruments, Mechanisms, Gaps, and Recommendations

Role	Policy Instruments	Implementation Mechanism	Observed Gaps	Recommended Actions
Regulator	UU No. 20/2008; Regional MSME ordinances; Zero-interest credit policy	Dinas Koperasi & UKM policy enforcement; export licensing facilitation	Uneven information dissemination; bureaucratic complexity in export permits; low accessibility for micro-enterprises	Simplify OSS-based licensing; conduct MSME policy socialization campaigns; establish regulatory hotline

Role	Policy Instruments	Implementation Mechanism	Observed Gaps	Recommended Actions
Facilitator	Entrepreneurship training programs; KUR & capital grants; product exhibition platforms	Training workshops; Car Free Day expo; Bank Waway credit linkage	Limited training frequency; no digital literacy modules; geographic concentration of programs	Expand training to all sub-districts; integrate digital marketing curriculum; partner with tech ecosystem
Motivator	Motivational coaching; recognition programs; community empowerment events	MSME mentoring sessions; award programs; enterprise community building	No post-training follow-up; limited mentoring continuity; insufficient innovation incentives	Implement MSME mentoring cadre; establish peer-learning networks; create innovation grants
Catalyst	HKI registration support; MSME-bank partnership programs; CSR linkage	IPR facilitation; cross-sector collaboration; public-private partnerships	Weak inter-institutional coordination; low product innovation uptake; underdeveloped digital market channels	Strengthen multi-stakeholder governance; support e-commerce onboarding; scale incubation programs

Source: Primary research findings (2025); analytical framework adapted from Siagian (2005) and Jaelani & Fidarlis (2024)

c. Regulator Role: Policy Architecture and Institutional Access

The regulator role is operationalized through the legislative framework of Law No. 20/2008 and local implementing ordinances, translated into concrete interventions by Dinas Koperasi dan UKM. The study found that zero-interest capital assistance programs (kredit bunga 0%) represent the primary regulatory instrument with Bank Waway Bandar Lampung as the institutional delivery partner. However, field data revealed significant access inequalities: administrative requirements for capital assistance applications were characterized by informants as “berbelit-belit” (convoluted), creating de facto

barriers that systematically disadvantaged micro-enterprises with lower documentation capacity.

A critical regulatory gap identified concerns export licensing complexity. While Bandar Lampung's chip products have documented export potential to ASEAN and Middle Eastern markets, none of the studied MSMEs had successfully completed export certification processes. Informants cited multi-agency procedural requirements, high compliance costs, and absence of dedicated export facilitation officers as primary barriers. Researcher observes that this institutional gap represents a significant opportunity cost for the regional economy a structural impediment to MSME internationalization that regulatory reform could directly address.

d. Facilitator Role: Capacity Development and Market Linkage

The facilitator role manifests through two principal intervention categories: capacity development programs (entrepreneurship training, product quality workshops, managerial skills courses) and market linkage activities (Car Free Day participation, Expo exhibitions, cooperative marketing platforms). Field observations confirmed active program implementation: entrepreneurship training sessions were documented, and multiple informants reported participation in at least one government-organized business development event within the past three years.

However, qualitative evidence consistently indicated three facilitation deficiencies: geographic concentration (most programs delivered at Dinas offices rather than at enterprise sites), temporal discontinuity (one-off training events without follow-up coaching), and digital technology exclusion (zero dedicated digital marketing training modules identified across all documented programs). As enterprise owner Erma Syahfitri stated: "Pelatihan ada, tapi setelah selesai tidak ada pendampingan lanjutan" (Training exists, but after completion there is no continued

mentoring). This testimony captures a systemic facilitation gap confirmed across multiple informants, constituting what researcher identifies as a ‘post-training abandonment’ phenomenon.

e. Motivator Role: Incentivizing Innovation and Resilience

The motivator role is operationalized through recognition mechanisms, community building initiatives, and coaching activities. Informants reported that government participation in business motivation events generated positive psychological effects, increasing informants’ confidence in business sustainability. The provision of capital access and market promotion platforms was also perceived as motivating signaling institutional recognition of MSME contributions to regional economic life.

However, the motivational impact was constrained by the absence of sustained post-program engagement. Motivation effects measured through informant self-reporting of enterprise confidence and expansion intent showed temporal decay patterns: initial enthusiasm following training events was not maintained without ongoing mentoring relationships. This finding aligns with Siagian’s (2003) argument that motivational interventions require systemic reinforcement through accountability structures and progress monitoring to generate durable behavioral change.

f. Catalyst Role: Ecosystem Acceleration and Innovation Support

The catalyst role, as the most ambitious governance function, showed the most significant performance gap between institutional intent and operational reality. While government programs for Intellectual Property Rights (HKI) registration support and bank-enterprise linkage exist, their uptake among studied MSMEs was minimal. Neither enterprise had registered

products under IP protection, limiting their brand development potential and premium market access.

Multi-stakeholder partnership coordination identified by Jaelani and Fidaris (2024) as a defining feature of effective catalyst governance was assessed as underdeveloped. The relationship between Dinas Koperasi dan UKM and private sector actors, academic institutions, and fintech platforms was largely informal and episodic rather than structurally embedded. Researcher contends that this coordination deficit represents the most consequential governance gap for long-term MSME scaling: without a structured ecosystem, government catalytic interventions produce isolated rather than compounding effects.

5. DISCUSSION

a. Theoretical Implications: Validating and Extending the GCD Framework

The empirical findings comprehensively validate the GCD Framework's core proposition: MSME development outcomes are jointly determined by governance quality, capability development, and digital transformation, and these dimensions exhibit interactive rather than independent effects. The Governance dimension findings confirm Lestari and Hidayat's (2020) regulatory-facilitation thesis while extending it to reveal how bureaucratic complexity creates asymmetric access patterns disadvantaging micro-enterprises. The Capability dimension findings corroborate Tambunan's (2012) human capital emphasis but add the critical qualifier that capability development without institutional continuity produces temporal rather than structural improvement. The Digitalization dimension confirms Rahman's (2021) diagnosis of technology adoption barriers while demonstrating that these barriers are partially governance-generated: the absence of digital training in government programs reproduces the very capability gaps that limit MSME digital market participation.

The study's most significant theoretical contribution lies in identifying what researcher terms the 'governance-digitalization feedback loop': when government programs fail to incorporate digital capability development, MSMEs remain digitally excluded from expanding e-commerce markets, reducing their revenue streams and tax base contributions, which in turn constrains government capacity to fund more comprehensive MSME programs. Breaking this loop requires targeted policy investment in digital onboarding as a governance priority rather than an enterprise discretionary capacity.

b. Policy Implications and Practical Recommendations

The study generates five evidence-based recommendations derived from systematic analysis of governance gaps identified through the GCD Framework. These recommendations are structured according to implementation timeline and institutional responsibility, providing a practical policy roadmap for Bandar Lampung's MSME governance reform.

**Table 5. Strategic MSME Development Recommendations:
Evidence-Based Policy Framework**

No.	Recommendation	Lead Agency	Timeline	Key Actions
R1	Digital Transformation for MSMEs	Local Government & ICT Office	Short-term (0-12 months)	Mandatory digital literacy modules in all MSME training programs; marketplace partnership with Tokopedia, Shopee, and Instagram Business
R2	Regulatory Simplification & Accessibility	Dinas Koperasi & UKM	Short-term (0-12 months)	Digitize export licensing via OSS platform; reduce administrative steps from 7 to maximum 3 for capital assistance
R3	Continuous Mentoring System	Dinas Koperasi & UKM + Universities	Medium-term (1-2 years)	Deploy cadre mentors from local universities; implement quarterly enterprise health checks; establish MSME

No.	Recommendation	Lead Agency	Timeline	Key Actions
				innovation fund
R4	Multi-Stakeholder MSME Ecosystem	Regional Government, Banks, Private Sector	Medium-term (1-2 years)	Formalize public-private partnerships; expand Bank Waway credit programs; integrate corporate CSR into MSME development
R5	Regional Identity & Export Branding	Tourism & Trade Office + Dinas Koperasi	Long-term (2-5 years)	Build Bandar Lampung Chip Certification (BLCC); create dedicated export hub; participate in national and ASEAN MSME expos

Source: Researchers construct based on empirical findings (2025)

c. Practical Application: The Strategic MSME Development Model

Beyond individual recommendations, the study proposes a Strategic MSME Development Model (SMDM) that integrates the three GCD dimensions into a coherent institutional action framework. The SMDM operates on three sequential logic stages:

1. Foundation Stage (Governance Reform): Establish regulatory accessibility, simplify administrative processes, and digitize service delivery to create an enabling institutional environment accessible to all MSME categories.
2. Development Stage (Capability Building): Implement continuous, multi-modular training programs combining technical production skills, business management, digital marketing, and export compliance knowledge delivered at enterprise sites rather than centralized offices.
3. Scaling Stage (Ecosystem Catalysis): Orchestrate multi-stakeholder platforms connecting MSMEs with fintech lenders, digital marketplace operators, academic innovation labs, and export promotion agencies to generate compounding developmental effects.

Researcher argues that the SMDM's value lies in its sequential logic: governance foundation must precede capability

development, which must precede ecosystem scaling. Attempts to implement Stage 3 interventions (ecosystem catalysis) without Stage 1 foundations (governance accessibility) will produce the fragmented outcomes currently observed where HKI programs and banking partnerships exist institutionally but remain practically inaccessible to target beneficiaries.

d. Islamic Economic Governance: Normative Implications

From an Islamic economic governance perspective, the study's findings indicate a partial fulfillment of the *maslahah* obligation. Government programs demonstrably generate welfare benefits for MSME actors supporting the livelihoods of hundreds of households. However, the persistence of structural access barriers, digital exclusion, and post-training abandonment suggests incomplete fulfillment of the distributive justice imperative that Chapra (2001) and Mardani (2015) identify as constitutive of Islamic governance legitimacy. Researcher contends that genuine *maslahah* realization requires not merely the existence of MSME programs but their equitable accessibility and transformative impact a standard that current governance architecture does not yet meet.

e. Research Limitations

This study carries several methodological limitations that bound the generalizability of its findings. First, the study's enterprise sample (two MSMEs) reflects purposive depth rather than breadth providing rich contextual insight but precluding representative claims about the broader chip MSME population. Future research employing larger purposive or theoretical samples would strengthen transferability. Second, as an interpretive study, findings are necessarily shaped by researcher positionality and informant self-reporting, which may be subject to social desirability bias particularly regarding government program evaluations. Third, the study's cross-sectional design captures

governance dynamics at a single time point, limiting its capacity to assess program effectiveness trajectories over time. Longitudinal research designs would provide more robust evidence for causal claims about governance impacts.

6. CONCLUSION

This study set out to investigate how the local government of Bandar Lampung operationalizes its developmental roles in supporting chip MSME growth, and to identify the structural barriers impeding governance optimization. The findings provide substantive answers to both questions while generating a theoretical contribution the GCD Framework that extends beyond the empirical context to offer a generalizable analytical scaffold for MSME governance research in Indonesian and comparable developing contexts.

On the first question, evidence confirms that local government performs all four governance roles regulator, facilitator, motivator, and catalyst through a portfolio of programs including entrepreneurship training, zero-interest capital assistance, product exhibition facilitation, HKI registration support, and bank-enterprise linkage. These interventions represent a genuine institutional commitment to MSME development and have generated documented welfare benefits for enterprise owners and their employees.

On the second question, the study identifies four principal structural barriers: bureaucratic complexity in licensing and capital access; digital technology exclusion from government programs; absence of mentoring continuity generating post-training abandonment; and weak multi-stakeholder coordination limiting catalyst role effectiveness. These barriers reflect not individual program failures but systemic governance architecture limitations that require strategic rather than incremental reform.

The study's academic contribution lies in theorizing these barriers through the GCD Framework, which reveals that governance, capability, and digitalization deficiencies are mutually reinforcing rather than independent a finding with profound

implications for MSME policy design. The Strategic MSME Development Model proposed in Section 5 translates this theoretical insight into practical institutional action logic, prioritizing governance foundation before capability building, and capability building before ecosystem catalysis.

From an Islamic economic governance perspective, the study concludes that current governance practices partially fulfill but have not yet realized the *maslahah* obligation. Genuine Islamic governance of the economy requires not merely programmatic existence but substantive accessibility, equitable distribution of developmental benefits, and continuous support for enterprise sustainability. Achieving this standard demands the governance reform agenda outlined in the study's recommendations.

Future research should examine the GCD Framework's validity across different MSME sectors and Indonesian regions, employ longitudinal designs to track governance impact trajectories, and quantitatively model the interactive effects of governance, capability, and digitalization on MSME performance outcomes. Research on digital transformation barriers specific to food-processing MSMEs in secondary cities would particularly strengthen the evidence base for policy reform.

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