

Analysis Of Implementation Of Innovation In Cooperation Between Government, Banks And Business In Developing Msmes In Central Maluku Regency

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Abstract

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Micro, Small, and Medium Enterprises (MSMEs) play a vital role in the regional economy, yet they still face limitations in access to financing and business capacity. The Central Maluku Regency Government has developed policy innovations through Government, Bank, and Business Cooperation in the development of MSMEs. This study aims to analyze the implementation of these collaborative innovations and their impact on MSME development in Central Maluku Regency. The study employed a mixed methods approach, with qualitative analysis to examine the policy implementation process and quantitative analysis through regression to examine the program's impact on MSME performance. Data were obtained through interviews, questionnaires, observations, and documentation studies. The results indicate that the implementation of collaborative innovations has progressed through the stages of socialization, data collection, financing distribution, mentoring, and monitoring and evaluation. The regression analysis indicates that the implementation of collaborative innovations between the government, banks, and businesses has a positive and significant impact on MSME development.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a key pillar of regional and national economies due to their significant role in employment, income generation, and economic equality. In developing countries, MSMEs often serve as the backbone of local economies due to their ability to absorb large numbers of workers and their relative resilience to economic shocks (Tambunan, 2002; Beck & Demirgüt-Kunt, 2006). In Indonesia, the contribution of MSMEs to gross domestic product (GDP) and employment continues to increase, making this sector a primary focus of inclusive economic development policies (Central Bureau of Statistics, 2023).

Despite their strategic role, the development of MSMEs still faces various structural challenges, particularly limited access to financing from formal financial institutions. Information asymmetry between MSMEs and banks, limited collateral, and high business risks cause many MSMEs to be classified as unbankable and difficult to obtain bank credit (Stiglitz & Weiss, 1981; Beck et al., 2018). This situation results in low production capacity, limited business innovation, and slow MSME growth.

The issue of MSME financing also poses a challenge at the regional level, including in Central Maluku Regency. The island-based nature of the region, limited infrastructure, and the widespread distribution of MSMEs further exacerbate barriers to accessing financing and

business mentoring. Therefore, local government policy intervention is crucial to address MSME financing market failures and foster sustainable local economic growth.

In this context, the Central Maluku Regency Government is developing policy innovations through Government, Bank, and Business Cooperation in the development of MSMEs. This innovation is designed as a form of cross-sector collaboration involving local governments as policy facilitators, banks as financing providers, and MSMEs as the primary subjects of economic development. This collaborative approach aligns with the concept of collaborative governance, which emphasizes the importance of synergy between public and non-public actors in solving complex development problems (Ansell & Gash, 2008; Emerson et al., 2012).

Several previous studies have shown that the role of government and banking is crucial in the development of MSMEs, particularly through financing facilitation and business mentoring (Anggraeni et al., 2013; Susilo, 2010). Other studies also emphasize that effective MSME financing policies require institutional support and policy innovations that are adaptive to local conditions (OECD, 2019; World Bank, 2020). However, most of these studies still focus on the role of a single actor, either the government or the banking sector, and have not examined in-depth collaborative models that simultaneously involve the government, banks, and businesses.

The research gap in this study lies in the limited empirical studies analyzing the implementation of collaborative policy innovations between the government, banks, and businesses at the regional level, particularly in the context of an island region like Central Maluku Regency. Furthermore, previous studies generally assess the success of MSME development programs descriptively, without quantitatively examining the impact of policy implementation on MSME performance.

Based on this gap, the novelty of this research lies in its comprehensive analysis of the implementation of innovations in government, bank, and business collaborations using a mixed methods approach. This research not only analyzes the policy implementation process qualitatively but also empirically tests the impact of policy innovation implementation on MSME development through regression analysis. Thus, this research provides a new contribution to the study of public policy and regional economics, particularly in developing cross-sector collaboration models to strengthen MSMEs.

Based on this background, this study aims to analyze the implementation of innovative government, bank, and business collaborations in MSME development in Central Maluku Regency and examine its impact on MSME development. The results of this study are expected to provide academic contributions to the development of literature related to policy innovation and MSMEs, as well as practical contributions to local governments in formulating more effective and sustainable MSME development policies.

II. LITERATURE REVIEW

The development of Micro, Small, and Medium Enterprises (MSMEs) is a crucial component of regional economic development policies, particularly in developing countries. From an economic perspective, MSMEs are viewed as productive economic units that play a role in output creation, employment absorption, and income distribution (Tambunan, 2002).

However, limited access to production factors, particularly financing, remains a major obstacle to MSME development.

Market failure theory explains that credit markets often do not function optimally for small businesses due to information asymmetry between lenders and borrowers. This condition leads to credit rationing, where economically viable MSMEs are excluded from obtaining financing from formal financial institutions (Stiglitz & Weiss, 1981). Therefore, government policy intervention is needed to correct market failures and create more inclusive access to financing.

In the context of public policy, the success of a program is largely determined by its implementation process. Grindle (1980) emphasized that policy implementation is influenced by both the policy's content and the context in which it is implemented, while Edward III (1980) highlighted the role of communication, resources, implementer disposition, and bureaucratic structure. This framework is relevant for analyzing the implementation of MSME development programs that involve multiple actors and interests.

MSME development through cross-sector collaboration can also be understood through the concept of collaborative governance. Ansell and Gash (2008) explain that collaboration between government and non-government actors is necessary to address complex public issues that cannot be resolved by a single actor. In the context of MSME development, collaboration between local governments, banks, and businesses is crucial for expanding access to financing, reducing business risks, and increasing MSME economic capacity.

Regional public policy innovation is seen as a government effort to design policy instruments that are more adaptive to local conditions. Policy innovation relates not only to administrative innovation but also to institutional changes that can create more efficient economic incentives for businesses (North, 1990; Mazzucato, 2018). In developing MSMEs, innovation in financing, mentoring, and business facilitation policies is a crucial instrument for driving inclusive regional economic growth.

Based on this theoretical study, the innovation of Government, Bank, and Business Cooperation is understood as a regional economic policy instrument aimed at addressing the failure of the MSME financing market through a collaborative approach. Effective policy implementation is expected to increase access to financing and positively impact MSME development, as reflected in increased business turnover, workforce growth, and market expansion. This theoretical framework serves as the basis for analysis in research to assess the effectiveness of the implementation of MSME development policy innovations in Central Maluku Regency.

METHODS

This study uses a mixed methods approach, combining qualitative and quantitative approaches. The qualitative approach was used to analyze the implementation process of the Government, Banks, and Business (PBB) Cooperation innovation in MSME development, while the quantitative approach was used to examine the impact of this innovation implementation on MSME development in Central Maluku Regency.

The research location was Central Maluku Regency, considering that this region has implemented the Government, Bank, and Business Cooperation Program as an innovative policy for MSME development. The research was conducted in 2024-2025.

The research data consists of primary and secondary data. Primary data were obtained through interviews with key informants including local government, banking, and MSME stakeholders, as well as through the distribution of questionnaires to MSME program participants. Secondary data were obtained from local government policy documents, program implementation reports, banking data, and publications from the Central Statistics Agency and related agencies.

Qualitative analysis was conducted through data reduction, data presentation, and conclusion drawing to illustrate the policy implementation mechanisms, the roles of actors, and the supporting and inhibiting factors in the implementation of the PBB Program. Quantitative analysis was conducted using linear regression to examine the impact of the implementation of innovations in government, bank, and business collaboration on MSME development.

The independent variable in this study is the implementation of innovations in government, bank, and business collaboration, as measured by indicators of program access, coverage, service frequency, bias, targeting accuracy, service quality, accountability, and program suitability to MSME needs. The dependent variable is MSME development, as measured by indicators of increased business turnover, workforce growth, and customer growth.

The general equation model is:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \epsilon$$

Where:

Y_i = Turnover, Labor and or Customers

X_1 = Access

X_2 = Coverage

X_3 = Frequency

X_4 = Bias

X_5 = Service accuracy

X_6 = Accountability

X_7 = Suitability of the program to the needs $\beta_0, \beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ = Regression coefficient

ϵ = Standard error

The results of the quantitative analysis are then interpreted by considering the findings of the qualitative analysis to obtain a comprehensive understanding of the effectiveness of the implementation of MSME development policy innovations in Central Maluku Regency.

RESULTS AND DISCUSSION

Implementation of Innovation in Collaboration between Government, Banks, and Business

The research results show that the implementation of this policy innovation has been carried out through relatively systematic stages, including program socialization, MSME data collection and verification, financing distribution through banks, business mentoring, and program monitoring and evaluation. This implementation involved active collaboration between local governments, banking institutions, and MSMEs as beneficiaries.

During the socialization phase, the local government plays a key role in conveying program information to MSMEs through technical agencies and sub-district governments. Research shows that program socialization has attracted hundreds of MSMEs, but has not yet reached all MSMEs evenly, particularly micro-scale MSMEs in remote areas. This is reflected in the fact that some

MSMEs are still unaware of the program's full mechanisms, resulting in concentrated participation in more accessible areas. This finding confirms that the reach of policy communication is a determining factor in participation levels, as proposed by Edward III (1980).

The MSME data collection and verification phase was conducted to ensure that program recipients met the established criteria. Research results indicate that this process successfully improved targeting accuracy, as reflected in the number of MSMEs that passed verification and received funding. However, some potential MSMEs were unable to access the program due to administrative limitations, such as incomplete business documents and financial records. This situation indicates that MSME institutional capacity remains a barrier to policy implementation and affects the scope of program beneficiaries.

In the financing disbursement stage, banks act as credit distributors, supported by local government policies. According to research data, as of the last year of the study, the Government, Banks, and Business Cooperation program had facilitated more than 300 MSMEs with a total financing value of approximately IDR 6 billion. This financing disbursement directly contributed to increasing MSMEs' working capital and expanding production capacity. However, the research also showed that the credit disbursement process for some MSMEs still requires a relatively long time, so banking procedures remain a limiting factor in the speed of implementation.

Furthermore, business mentoring is a crucial component in implementing this policy innovation. Mentoring aims to improve the managerial capacity and sustainability of MSMEs so that the financing received can be utilized productively. Research shows that MSMEs receiving more intensive mentoring tend to experience improved business performance, as reflected in increased turnover and business stability. However, mentoring has not been provided evenly to all participating MSMEs, resulting in differences in their ability to manage financing and develop their businesses.

In terms of the initial impact of implementation, research results indicate that participating MSMEs experienced increased business revenue after receiving financing. The increased working capital enabled MSMEs to increase production and sales volume, which in turn boosted business turnover. Furthermore, some MSMEs also increased their workforce, albeit on a limited scale, in response to increased business activity.

The monitoring and evaluation phase was conducted to monitor the development of MSME businesses and the effectiveness of program implementation. Research results indicate that monitoring has been conducted periodically, but remains administrative in nature and has not been fully utilized as a basis for program design improvements. More performance-based evaluations, such as revenue growth and employment, still need to be strengthened to ensure policy innovations are more adaptive to MSME needs.

Overall, the implementation of innovative government, bank, and business partnerships in Central Maluku Regency demonstrates that cross-sector collaboration has been effective and has provided tangible benefits for MSME development, as reflected in increased access to financing, business revenue, and employment opportunities. However, implementation effectiveness is still affected by limited outreach, MSME institutional capacity, and the quality and equity of business mentoring.

This finding aligns with Grindle's (1980) policy implementation theory, which emphasizes that policy success is strongly influenced by the alignment between policy content and the context in which it is implemented. Therefore, strengthening policy communication, increasing MSME capacity, and improving evaluation mechanisms are key factors in increasing the effectiveness of

innovation implementation through government, bank, and business collaboration in Central Maluku Regency.

The Impact of Program Implementation on MSME Development

The regression results show that the implementation of the Government, Bank and Business Collaboration Innovation Program has a significant influence on the development of MSMEs.

A. For the turnover indicator, the equation obtained is:

$Y1 = 0.179 + 0.534X1 + 0.241X2 + 0.061X3 + 0.140X4 + 0.145X5 - 0.206X6 + 0.123X7$ The F value of 42.639 ($p=0.000$) and R^2 of 0.914 indicate a very strong model. The variables of access, coverage, and service accuracy have a positive and significant effect on turnover.

B. For the labor indicator, the regression equation:

$Y2 = 0.684 - 0.077X1 + 0.535X2 + 0.472X3 - 0.360X4 - 0.140X5 + 0.456X6 - 0.159X7$ The F value of 3.322 ($p=0.011$) and R^2 of 0.454 indicate a significant simultaneous effect, but partially only the service frequency is significant.

C. For the number of customers indicator, the equation:

$Y3 = 0.073 + 0.684X1 - 0.087X2 - 0.081X3 + 0.349X4 + 0.070X5 - 0.419X6 + 0.389X7$ The F value of 12.853 ($p=0.000$) and R^2 of 0.763 indicate a strong model, with access and program suitability having a significant effect.

The findings above indicate that the implementation of the Government, Bank, and Business Collaboration Innovation Program has a very strong influence on increasing MSME turnover, indicating that this policy is more effective in encouraging business intensification than expanding production factors. The increase in turnover reflects improvements in production capacity, capital turnover, and sales volume for MSMEs after gaining access to financing. This indicates that collaborative policies are capable of addressing the limited working capital that has been a major obstacle to MSME growth.

In contrast, the program's impact on employment was relatively weaker and only significant for the service frequency indicator. This finding suggests that employment growth does not occur simply through additional capital, but rather is influenced by the ongoing interaction between MSMEs and program implementers. For micro and small MSMEs, additional financing tends to be used initially to improve business efficiency and stabilize production, before ultimately driving the decision to increase employment. Thus, the policy's impact on employment is medium-term and indirect.

Regression results on the number of customers variable indicate that access and program alignment with MSME needs are the most crucial factors in expanding business markets. Good access enables MSMEs to obtain capital to improve product and service quality, while program alignment with business needs ensures that the financing and facilitation provided truly support marketing and market development strategies. These findings confirm that effective MSME development policies focus not only on financing but also on aligning program design with the real needs of business actors.

Based on the variation in the results of the impact of policy implementation on turnover, workforce, and customers, it shows that the impact of policy innovation is multidimensional. The

Government, Bank, and Business Cooperation Program proved most effective in improving the financial performance and market access of MSMEs, while its impact on workforce absorption still requires strengthening through more intensive and sustainable mentoring. These findings enrich the literature on public policy and regional economics by demonstrating that the success of collaborative policy innovation cannot be measured by a single indicator, but rather by a combination of interrelated economic outcomes.

CONCLUSION

The implementation of this collaborative policy innovation has been systematic, encompassing stages of socialization, MSME data collection and verification, financing distribution, business mentoring, and monitoring and evaluation. Cross-sector collaboration between local governments and banks has proven to be a crucial element in expanding access to MSME financing.

The results of the regression analysis show

The implementation of the Government, Bank, and Business Collaboration Innovation Program significantly impacted MSME development, particularly in terms of increased turnover and customer base. Program access, coverage, service accuracy, and program alignment with MSME needs were proven to be dominant factors in improving business performance. These findings indicate that collaborative policies are more effective in encouraging business intensification and market expansion than expansion of production factors.

The impact of program implementation on employment was relatively limited and significant only for the service frequency indicator. This indicates that the policy's impact on employment is indirect and likely emerges in the medium term, after MSMEs achieve business stability and increase production capacity.

Overall, this study shows that innovative government, bank, and business collaborations are effective regional economic policy instruments in encouraging MSME development. However, their impact is multidimensional and not uniform across all business performance indicators. The policy's success is largely determined by the quality of implementation, the suitability of the program design to MSME needs, and the sustainability of business assistance.

Suggestion

Based on the research results and conclusions obtained, several suggestions that can be recommended are as follows:

Local governmentIt is necessary to expand the reach of program socialization and strengthen sustainable business assistance, especially for micro-scale MSMEs, so that the benefits of the program can be felt more evenly and sustainably.

BankingIt is hoped that this will simplify administrative procedures and speed up the financing disbursement process without ignoring the principle of prudence, so that MSMEs can more quickly utilize business capital for developing productive activities.

Strengthening program designneeds to be directed at increasing the suitability of programs to the real needs of MSMEs, especially in supporting market expansion and increasing product competitiveness, not only in the financing aspect.

Program monitoring and evaluationIt needs to be directed at more substantive business performance indicators, such as turnover growth, number of customers, and employment absorption, so that the evaluation results can be used as a basis for improving policies in the future.

Further research It is recommended to develop an analytical model by including other variables, such as managerial capacity, financial literacy, and technology adoption, as well as using a longer observation period to capture the medium and long-term impacts of MSME development policy innovations.

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