

Research Article

Institutional Capacity of Msme Based on Local Potential: A Case Study in Girikerto, Turi, Sleman

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Abstract

The research is focused on the institutional capacity of MSME based on local potential. The research problem are how is institutional capacity of MSME in Girikerto? do they have sufficient, strong, effective, and efficient institutional capacity? How to strengthen the institutional capacity of MSMEs so that they are able to drive the community's economy by utilizing and empowering local potential? The aim of the research is to examine how to strengthen the institutional capacity of MSMEs based on local potentials in Girikerto, Turi, Sleman. The research used qualitative descriptive method, The data were collected through observation, documentation, and interview to the informants. This research emphasize on the Model Business CANVAS approach. The result of the research showed that strengthening and developing institutional capacity in Girikerto Village requires a comprehensive and coordinated approach. Through the implementation of the Canvas Business Model and increased interaction, coordination, and synergy among stakeholders. In order to improve the effectiveness of the MSME Forum, it is necessary to strengthen and develop institutional capacity. This includes the optimization of all elements of the Canvas Business Model so that local potentials can be exploited in an innovative way, thereby having a positive impact on the well-being of the community. The theoretical implications of this study offer an analysis of institutional capacity to improve understanding and implementation of the Canvas Business Model to be more structured and planned through interaction, coordination, and synergy between stakeholders.

Keywords

The Institutional Capacity, MSME, Local Potentials

1. Introduction

The potential of human resources supported by the skills, knowledge and expertise of the community in managing local potential can improve the community's economy [4]. Innovative and creative human resources in an institution are needed to manage and utilize the local potential into goods and services of economic value and use value that can improve the community's economy. The Special Region of Yogyakarta has quite a variety of local potential managed by MSME

groups. Based on data from the Central Statistics Agency (BPS) in 2022, the number of MSME players in Yogyakarta reached around 324,000 units spread across various districts and cities with different characteristics. Girikerto, one of the villages in Kapanewonan Turi, Sleman Regency, Yogyakarta has a variety of potential and diverse business products including processed products from salak and Etawa goat milk. To manage the potential of diverse resources and make them

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economically valuable and useful, strong and adequate institutions are needed [3]. Strong MSME institutions require adequate capacity in terms of systems, institutions, and individual human resources. Capacity development is carried out at several levels, they are the system level, institutional level and individual level. At the institutional level, this is done by developing organizational rules, leadership systems, management systems, human resource development and organizational networks [2].

The concept of institutional capacity of MSMEs is a target that moves from an initial focus on building and strengthening organizations which often implies a broader focus on empowerment, social capital, and the enabling environment, as well as culture, values and influencing power relations [13]. Effective and strong MSME capacity needs to consider the elements of activities, partnerships and networks, resources, customers, business value, customer relationships, channels, cost structures, and revenue flows. [16] MSME institutions that have a strong, efficient, and effective capacity will be able to move MSME actors to produce and run businesses by utilizing local resources to have more added value, economic value and competitiveness.

Research on Micro Small and Medium Enterprises has previously been conducted by Suyatno & Suryani [3] on developing the potential of local-based micro, small and medium enterprises (MSMEs) in encouraging the communities economy in the Village of Girikerto. Local potential is developed and used in order to meet the needs of the peoples and improve economic activities for the welfare of the community [3]. Research on MSME's human resource development based on local potential in Yogyakarta [4]. Programs and policies have been made by the government to prepare quality and innovative human resources in order to utilize local potential to produce qualified, competitive and value-added products. Research on the development of production of micro, small and medium enterprises (MSMEs) in the agricultural sector based on local potential was conducted by Darwanto [5]. It showed that several districts / cities in Central Java Province have food crop commodities as a base commodity. The mapping can be used as a benchmark in efforts to increase MSMEs in the agricultural sector, especially the food crop sub-sector through institutional patterns of distribution of food commodity products. [5] Other research related to institutions has also been conducted by Irawan & Suryani, namely Institutional Capacity Development on Micro, Small and Medium Enterprises through Business Development Service in Banten Province, Indonesia, this research discusses MSME institutions from 3 MSME capacities, namely financial capacity, entrepreneurial capacity and marketing. The results of the research is that institutional capacity can develop and adjust organizational conditions, especially those that run business processes in the economy [6]. Research on the Canvas model has been conducted by Hafiz et al. on Canvas Business Model Analysis in MSMEs (Case Study: Kak Yunie Fruit Salad, Tanjung pinang City). The results of

the study showed that there is a deficiency in one of the elements, namely the Value Proposition. Kak Yunie Fruit Salad does not have the latest and unique innovations or modifications from most similar businesses [7].

Based on the description above, to utilize local resources to be more value-added, economic value, and competitive, it is necessary to have a strong, effective, and efficient MSME group institution with adequate capacity. From the various studies presented above, researchers argue that there is a need for a study related to the institutional capacity of locally based MSME. In this study, researchers want to emphasize the Model Business CANVAS approach. This is based on the problems that must be resolved, namely: How is institutional capacity of MSME in Girikerto ? do they have sufficient, strong, effective, and efficient institutional capacity? How to strengthen the institutional capacity of MSMEs so that they are able to drive the community's economy by utilizing and empowering local potential? To solve this problem, the researcher wants to conduct further research on the Institutional Capacity of MSMEs Based on Local Potential using the Canvas model. The Canvas model consists of 9 indicator elements that need to be analyzed, namely value proposition, customer segment, customer relationship, channel, key activities, key resources, key partners, revenue stream and cost structure. [16] Based on the results of the BMC analysis, The institutional strengthening which consists of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life should be carried out' [24].

This research aims to examine how to strengthen the institutional capacity of MSMEs based on local potentials in Girikerto, Turi, Sleman by considering the elements in the Canvas Model so as to make MSME institutions strong, competitive, and effective in improving the economy and community welfare. This research was conducted using a descriptive qualitative method with the object of research being MSME groups in the Girikerto sub-district, Kapanewonan Turi.

2. Literature Review

2.1. Institutionalization of MSME

MSME institutions encourage innovation, culture, and locally-based resource empowerment and utilization activities. MSME products are largely linked to local resources and culture, as well as knowledge, hand skills and work patterns that have been passed down through generations [4]. Institutions has an integrated mechanism between formal and informal relationships at each micro (individual), meso (group or organization), and macro level in the form of a policy environment.

According to Nee, Institutions are "A system of interconnected informal and formal elements-such as customs, shared beliefs, conventions, norms, and rules-regulating social rela-

tions in which individuals pursue and establish the boundaries of legitimate interests" [24]. Nugroho defines institutions as rules, norms, prohibitions, contracts, policies and regulations that govern and control the behaviour of individuals, groups, communities and organizations. While Uphoff states that "Institutions are systems of norms and behaviors that persist over time by fulfilling collectively valued social goals" [24]. Scott describes institutions as social structures consisting of normative, cultural-cognitive, and regulatory components. These elements are along with their associated activities and resources, bring stability and meaning to social life [24].

2.2. Institutional Capacity

Institutional capacity is the ability of an institution to use available resources optimally in achieving the vision, mission, goals, objectives, outputs, outcomes, and impacts as determined in the business. [25]

The level of institutional capacity in an organization is related to a set of institutional arrangements and procedures to improve interaction, coordination, and synergy between individuals and units involved in an integrated design. Core of this dimension is clearly defined and complementary roles and functions, and a dedicated management and coordination framework [22].

Institutional capacity can be classified into 3 levels, namely Micro, Mezo and Macro levels [23]

- 1) The micro level considers all the quantitative and qualitative variables that determine the performance of staff in the organization such as skills and talents, level of motivation, level of training, presence of incentives, required staffing levels, etc. At this level, it is the administrative capacity that is more present.
- 2) The meso level centers on the organization and therefore, its management capacity. This will relate directly to the existence of a clear and appropriate mission, provision of necessary material resources, development of appropriate management techniques to achieve goals, leadership, organizational culture, communication and coordination systems, managerial structure, etc. At this level both dimensions are present, but administrative capacity is more relevant.
- 3) At the macro level, political capacity is primary, but administrative capacity is also present, although less relevant, as human and organizational resources are embedded in a broader institutional context. [23]

2.3. Institutional Capacity Building and Strengthening

Capacity strengthening is a process of improving or changing the behavior of individuals, organizations and community systems in achieving predetermined goals effectively and efficiently. Referring to the opinion of Sumpeno (2002), capacity strengthening means a change in behavior to:

- 1). Improve individual capabilities in knowledge, skills and attitudes; 2). Improving institutional capacity in organization and management, finance and culture; 3). Increase the ability of the community in independence, self-reliance and anticipate changes. [24]

Strengthening the capacity of local economic institutions through community empowerment is one model of increasing community participation in activities designed to emphasize the learning process and empower the community through local economic institutions to sustain the community's own economy. [8]

Rubin & Rubin suggest that capacity building is how to create the ability to find the shortcomings that exist in themselves and there are efforts to improve these shortcomings. [16] Strengthening the capacity of the institution can be achieved through the components of trust, cooperation and partnership so that through the empowerment of members and institutions will be able to increase the ability of knowledge, skills and attitudes in addition to increasing the ability of the institution and the ability of the community as its members.

Israel defined institutional development is a process to improve the ability of institutions to effectively use human resources with available finances. The concept of capacity building is defined as the process of building the capacity of individuals, groups or organizations. Capacity building is carried out in an effort to strengthen the capacity of individuals, groups or organizations that are reflected through the development of abilities, skills, potential and talents and mastery of competencies so that individuals, groups or organizations can survive and be able to overcome the challenges of changes that occur quickly and unexpectedly [26].

Capacity building is a process of strengthening and developing the capacity of individuals and organizations through institutions so that individuals, groups or organizations can survive and be able to overcome the challenges of change by enhancing interaction, coordination and synergies between individuals and units involved in the forum of SMEs based on six dimensions to assess the quality of institutions: (1) accountability, (2) political stability and absence of violence or terrorism; (3) government effectiveness, (4) regulatory quality, (5) the rule of law, (6) and the control. [20]

2.4. Business Model Canvas (BMC) Approach

Business Model Canvas (BMC) can help companies determine innovative business strategies to achieve company goals. The business model canvas is one of the developments that can be implemented, the analysis using the canvas model is simpler and explains in detail the needs that must be completed to support business development. [14, 15].

The BMC offers a structured framework consisting of nine key building blocks, including value proposition, customer segments, channels, customer relationships, revenue streams, key activities, resources, partnerships, and cost structure. The BMC was developed as a response to the limitations of tradi-

tional business planning models such as the business plan and SWOT analysis. [17] Business Model Canvas is a simple framework for creating, evaluating, and modifying business models [16].

The 9 key elements in the Business Model Canvas can be described as follows:

- 1) Customer Segment describes a group of people or organizations to reach or achieve company's target. Companies can group customers into different segments with common needs, common behaviors, or other attributes.
- 2) Value proposition, is the added value offered by the organization that is attractive to consumers. One of the main activities of the company is to provide added value so that according to [16] it can be concluded that a good company is a company that is able to provide added value to its customers [15].
- 3) Customer relationship, basically describes how to build relationships between organizations or companies that do business with consumers. The company must explain the type of relationship that each customer segment wants to build. Customer Relationship describes how to interact with customers.
- 4) Channels are how MSMEs reach their customer segments and market their products. Channels are the media for companies to communicate with their customers to convey value propositions.
- 5) Revenue streams, Revenue Streams are sources that contribute to the cash flow of a business or organization, either directly or indirectly. Revenue streams are income or revenue received by a company from its customers for the value proposition provided by the company to customers.
- 6) Key resources, which are used to achieve the value proposition can be referred to as key resources, which refer to the main resources needed or required by the business to function properly. Key resources include local raw materials, competent human resources, and simple technology for production and marketing.
- 7) Key activities, are various actions related to business activities that MSMEs need to carry out in order to operate properly and create value propositions. Key activities describe the most important things a company needs to do for its business model to function.
- 8) Key partnerships, describe a group of people involved and needed in running the MSME operational process. Key partnership basically describes the partnership for implementing the business model.
- 9) Cost structure, describes the components of operational costs incurred to carry out activities to realize the value delivered to customers. An effective and functional cost structure supports the achievement of the highest profit of the organization or company. Creating and delivering value, maintaining customer relationships, and generating revenue all incur costs [16].

3. Methodology

This study is an exploratory qualitative study intended to explore in depth the institutional capacity of MSMEs based on Local Potential from the elements of the Canvas Business Model in Girikerto Village, Turi District, Sleman Regency. The study used an exploratory approach (qualitative): 'Explore a new topic, describe a social phenomenon, [11] and explain why something occurs. The research goal was formulated more precise questions that future research can answer' [12].

3.1. Object of Research

Institutional capacity of the MSME Forum based on local potential from the elements of the Canvas Business Model in Girikerto Village, Turi District, Sleman.

3.2. Data Collection

The researcher collected primary data by conducting observations through direct observation in the field, followed by interviews with participants to listen and hear what the informants said to obtain objective, factual and in-depth data. Secondary data collection was collected through written documents from the Girikerto Village Profile, the Department of Agriculture, Industry, Cooperatives, Food Security and SMEs of Giri Kerto Village, Sleman Regency, Special Region of Yogyakarta and institutions involved with UMKM and various literature such as books, articles, and homepages to access the latest data and information related to the potential of UMKM in Sleman Regency, Special Region of Yogyakarta.

This study began with preparation, compiling interview guidelines, conducting field observations, and interviews with informants, collecting secondary data, analyzing data; and compiling reports and formulating and formulating steps for developing potential. [11]

3.3. Data Analysis

Data was analyzed descriptively exploratively. Data were analyzed from field notes. Data from interviews, observations and FGDs on the institutional capacity of UMKM based on local potential in Girikerto Village, Turi Sub-district, Sleman Regency were analyzed using the Canvas Business Model to see the institutional capacity of UMKM in Girikerto Turi Village, Sleman. Business Model Canvas is a simple framework for creating, evaluating, and modifying business models [9, 10, 16] consisting of 9 key elements that have been adjusted to the UMKM model in Girikerto Village. The analysis process is carried out simultaneously through three lines, namely reduction, testing information and drawing conclusions. The process of qualitative analysis consisted of three lines of activities occurring simultaneously, namely the re-

duction, testing information and conclusion. [12] From the results of this analysis, it will be described and then formulated to compile steps for developing the institutional capacity of the SME Forum based on local potential in encouraging the Sleman Community Economy, DI Yogyakarta.

4. Result and Discussion

4.1. SME's Forum Institution

The SME Forum in Giriketro is mostly managed by women who routinely hold meetings and continue to carry out various activities. SME in Girikerto has 50 members consisting of 4 clusters, namely processed food, goat milk processing, batik, and craft industry. The SME Forum is a forum for micro, small and medium enterprises in Girikerto which has carried out many coordination activities, promotional training, and facilitation for members. The existence of this SME forum is hoped that the economy in Girikerto village can develop and continue to increase. Every month a meeting is held for coordination and socialization of activity plans and program evaluation. Members of the SME forum carry out business activities by utilizing and empowering the potential in their area for economic activities.

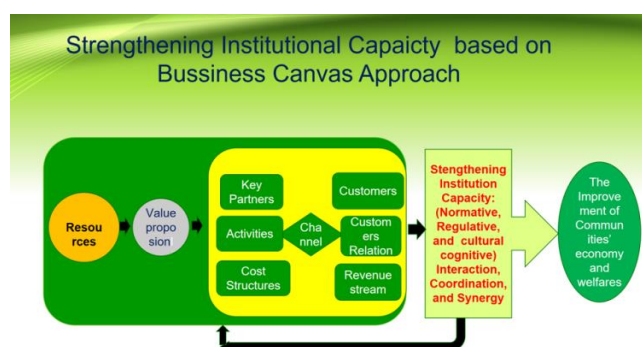


Figure 1. Process of Strengthening Institutional Capacity based on Business Canvas Approach.

4.2. Business Model Canvas Analysis

An analysis was conducted by using the Business Model Canvas approach. The study was conducted on 9 elements of the Business Model Canvas [9, 10, 16] consisting of:

4.2.1. Customer Segment

Customer Segment describes a group of people or organizations that MSMEs want to reach or achieve. Companies can group customers into different segments with general needs, general behavior, or other attributes [16].

The customer segment of processed food business consists of suppliers who provide raw materials and services, users who use products and services, and market targets for distri-

bution and marketing. Based on the results of an interview with one of the SME business actors, that to expand their customer segment, they took the initiative to socialize and introduce their friends, entrusted to hotels, and YAI Airport.

Meanwhile, the customers of the goat milk processing business, are the local community and people from outside who understand the benefits of goat milk. There are more customers from outside compared to the local community. Based on the results of interviews with milk business actors, it was stated that there were no partners as customers with written contracts, however, informal cooperation has been carried out.

The customers segment of the batik business are the local community, tourists, ASN, and lovers of regional batik. Based on the results of an interview with one of the SME business actors, he said that to expand the customer segment, they took the initiative and socialized through friends, and social media. Some of the customers come from outside the region and outside Java such as Kalimantan. To maintain customers (customers) to remain loyal using the product, it is necessary to carry out promotional channels through associations.

4.2.2. Value Proposition

Value proposition is the added value provided by the company. A. Osterwalder and Y. V. Pigneur [16] stated that a good company is a company that is able to provide added value to its customers. [15]

MSMEs in Girikerto have products that offer Value proposition: utilizing local wisdom in products and services; using raw materials from local sources; creating products with unique regional characteristics; and integrating ecotourism elements in products and services in all business fields.

The value proposition in the processed food product business is using local raw materials from salak and produced traditionally based on local culture and knowledge. Based on an interview with one of the processed food business actors, it was explained that various processed food products in Girikerto are mostly made from salak which is a typical Girikerto product, including pia products, egg rolls, wajik made from salak raw materials.

Girikerto is famous as a goat's milk producing area, many of products have been developed with various mixture flavors. Based on the explanation from one of the milk entrepreneurs, it is explained that goat milk from Girkerto maintains its authenticity. Some milk products utilize salak extract which is typical of Girikerto.

The batik product is a typical product that remains exist including Parijotho. Typical batik that depicts the potential of Girikerto with pictures of salak, semar, birds, goats and the icon is "Semar ndalil" and Samalor. "Samalor" is salak, semar, and punglor birds. Based on the statement from one of the batik entrepreneurs, the typical Batik product in Girikerto "Semar ndalil" must continue to be socialized so that it is known by the public.

4.2.3. Customer Relationship

Customer relationship describes how to build relationships between organizations or companies that do business with consumers. According to A. Osterwalder and Y. V. Pigneur customer relationship describes how companies interact with customers. To maintain customer relationships, offering products at affordable prices, guaranteed quality, services and product delivery on time, friendly service, providing clear product information, and continuing to establish long-term relationships with all customers are provided. The continuity relationship between business actors and customers should be maintained through forums or institutions [16].

From the explanation from one of the forum SME administrators, it was conveyed that Girikerto his very well known as producer of Goat Milk and Salak. Forum SME always helps the members to maintain continuity and relationships among customers through coordination and collaboration. To establish and maintain relationships between customers, and business actors, it should be maintained the quality and product availability.

4.2.4. Channels

Channels are an important element for companies or organizations to achieve a larger market share and potential buyers. Channels are how SMEs reach their customer segments and market their products. A. Osterwalder and Y. V. Pigneur, [16] stated that channels are a company's media to communicate with its customers to convey value propositions.

The channels used include: Networks and relationships in the form of networking; Partnerships: in the form of cooperation with strategic partners. Markets which are product distribution platforms; Associations that can be used in collaboration with related organizations; Communication channels: which can be used as effective communication channels; and the need for coordination between business actors in managing relationships between elements.

Based on an explanation from one of the administrators of the MSME's forum who is also an MSME actor, it was stated that associations, government institutions and forum are forums for communicating with customers, in addition to utilizing information technology, forums, and socialization to villages through cadres and Women Group members.

4.2.5. Revenue Streams

According to A. Osterwalder and Y. V. Pigneur [16], revenue streams are income or revenue received by a company from its customers for the value proposition provided by the company to customers.

The revenue streams in the Girikerto SME institutional forum include: income from product sales (Sales Results), Financial support from the village government (Village Government Assistance), Funding from partner institutions (Assistance from Related Institutions), Financing from financial institutions (Loans from Financial Institutions). Based

on information from one of the administrators of the MSME forum, it was stated that in meeting capital needs, MSME actors utilize independent funds and get loans from partner institutions and BPD Banks through associations.

4.2.6. Key Resources

Key resources are the main resources needed or required by a business to function properly. Key resources are the main resources in SMEs consisting of: Materials for production (Raw Materials); Skills and labor (Human Resources); Access to financial resources (Financial Competence); Tools and systems that support operations (Technology); Market and customer networks (Market); and support from related institutions (Institutions).

In processed food production activities, utilizing the main resource of materials that are widely available is *salak*, which is very cheap during the peak harvest season. Competent, creative and innovative human resources play a role in creating quality and innovative products. Technological resources are strategies, methods and equipment to produce products faster with better quality. Improving the quality of human resources has been carried out, namely digital marketing training. Previously, production training had been carried out. Technological resources used in distribution or sales via WA.

The primary resource in the production of goat milk is quality milk produced from goats. To obtain quality Milk requires the ability of a farmer to keep cattle professionally, and a competent, and professional processor of the product.

The main resource in batik enterprise is raw materials for the production of batik, technology, and innovative and creative human resources. In the production process is still using traditional technology, as explained by the respondents in the interview that is *canting*, there. The stoves, the electric stoves and the oil stoves are actually there.

4.2.7. Key Activities

Key Activities are various actions related to business activities that SME needs to operate and create a value proposition. Key activities are the most important things that companies need to do to keep their business running and functioning optimally [16] MSME initiatives start with planning what will be produced, holding training skills and competencies necessary, then preparing the main resources of materials, Human Resources, and technology used, followed by producing products. Based on the explanation of one of the MSME managers that in the production process must stick to the standard operating procedure, ensure effective and efficient operations (Management); develop marketing strategies and activities (Marketing); distribute products to markets (Distribution).

The processed food business, products that are ready to be socialized and tried out to the people around them are then widely marketed to people outside the region. Products are sold online using social media and offline in the stores, exhi-

bitions, and tourist venues. In order to maintain the quality of products, Halal certification is registered in cooperation with the Office of Industry and Trade Service and the Cooperative Service.

The process of producing goat's milk, the raw material is obtained from the farmers. Products that have been processed with innovation sell to the customers. The sales process is done through online and offline media, Dairy products have been much marketed out of town.

One of Batik's entrepreneurs explained that in order to obtain a good quality product it needs good materials, then produce through the Standard Operational Procedures (SOPs) that have been made so that the product is in a according to the order. As large we produce on order, while for stock usually only for samples. The next activity is marketing and distribution of products.. As for the garbage exploitation craft, the activity begins with an understanding related to the notion of trash, the danger of garbage to the community. The community is taught to manage the trash like sewing, sewing materials that can be used like from a coffee pack and producing a bag, packing pop ice as a brose, and sedation made as a table tapestry.

4.2.8. Key Partnerships

Key partnerships describes a group of people who are involved and needed in running the operational processes of SME. Key partnership is a partner that can establish cooperation in developing institutional capacity in business. Key partnership relates to the provision of raw materials, production processes, management, marketing and distribution.

The main partners of the SME forum in Girikerto include: Rural Governments: participating in local policy and administrative support; Related Service Offices: providing technical and specialized policy assistance; Colleges: provision of research, training, and innovation; Supporting Institutions: offering technical support and facilitation; Financing Institutions: provide financial access; Business institutions; Building partnerships for market development; Communities: Provide social support and local networking.

The institutions that are partners in the development of institutional capacity of SME are the Government of the Village, Farm Service, Industrial and Trade Service, Cooperation Service and SME, schools, universities, and related business institutions. Activities with this partnership include training and facilitation.

In order to obtain raw materials in the form of salak as processed foodstuffs, cooperation is carried out with collectors. Training is carried out in cooperation with National Zakat and Infaq Agency, Ministries, Offices Services and related parties. To obtain a halal certificate is facilitated by the Office of Trade and Industry and the Cooperation Services. Marketing of products was carried out in cooperation with stores, tourist sites, and hotels. Partners for developing competence development, facilitation, and financing, the key partnerships are the village government, related services,

universities, entrepreneurs, training institutions, innovation institutions and financial institutions such as banks.

Milk processing activities and derivatives have been carried out in cooperation with the related agency. Milk processing training activities were conducted several times at the Faculty of Farming University of Gadjah Mada. The training are making candy, shrimp, and cheese. Based on information from batik craftsmen, it was stated that the partners of batik business activities are material supplier stores, Indonesian Batik Cooperative Association (GKBI), and designers group, in addition to the supplier partnership there are several agencies and associations.

In the business of handicrafts, the use of recycled waste materials has been trained and constructed prior to the creation of the garbage gray. In this activity the partner is the government in the activities there is socialization of the distribution related to the understanding of garbage, the danger of waste, to the mothers who are in custody; Environmental Services Life does the development of waste houses through the race by utilizing the waste into a product that has useful value and economic value.

4.2.9. Cost Structure

Cost structure describes the component of the operational cost required to carry out the activity to realize the value delivered to the customer. An effective and functional cost structure will benefit the organization or company to create and provide value, and generate more revenue. [16] The main cost structure of this activity includes: the purchase of materials for raw materials; the production cost is the expenditure cost for the production process of the product; the operational cost which is the cost of daily expenditures outside the process of production; the management cost is the expense spent for management and administration; and the training cost which is spent as an investment in training and development of capabilities and products.

The financing structure issued in the processed food business consists of the financing of raw materials, production processes, operating costs and management costs. One of the members of the processed food business group explained that in the production of cakes required costs for raw materials, costs for packaging, and labour.

To produce ready-to-consume milk products required material procurement costs, process costs, and operating costs. One of the goat milk entrepreneurs explained, they only take into account the financing structure of the product only from the amount of costs spent on raw materials that are capital costs. Operational financing, development and construction of the SME group are obtained funding assistance from the village government and membership.

In the production and operational process of batik business there are cost components that should be taken into account, namely the cost of procurement of raw materials, production process, and other operational costs. The cost of raw materials must be provided to accommodate the necessary materi-

als such as fabrics, embossing materials, dyes and other raw materials; the cost of the production process, i.e. the cost necessary for printing, polishing, lining, dyeing; labour; and design costs; and the operational cost of business processes ranging from management, marketing to cost allocated. To meet the cost of capital, businessmen can take advantage of soft pipes with a suspension system. It was presented in an

interview with the respondents that in the production of batik required costs for the provision of raw materials in the form of fabrics, folding materials. For small crafts, especially the use of raw materials and garbage structures, the necessary cost components are not much different from other types of enterprise, but these enterprises require more capacity for creativity and innovation.



Figure 2. Element of Canvas Business Model in MSME's Forum.

Using the Canvas Business Model approach, MSME in Girikerto can optimize their local potential and increase competitiveness through appropriate marketing strategies and good relationships with customers and other stakeholders.

Seeing from the 9 elements of the Canvas Business Model [9, 10, 16] there are some elements related to the institutional framework of the MSME forum in Girikerto that need to be empowered and strengthened. The role and function of this forum can improve the performance of MSME in utilizing existing resources to be useful, economically valuable, and able to improve the economy of the community. MSME products are largely strongly linked to local resources and culture, as well as knowledge, hands-on skills and patterns of work inherited from time to time [4]. The use of local resources reduces dependence on imported goods. [1]

4.3. Strengthening and Developing Institutional Capacity

Girikerto Village has institutional forum of MSME that is moving to develop and empower local potential to improve the economy so that a prosperous society is realized. The MSME forum is composed of groups of people who carry out certain activities such as processed food, goat milk pro-

cessing, Batik handicrafts industry. Strengthening the role and function of the MSME institutions requires strengthening and developing capacity.

Based on the analysis of 9 (nine) elements of the Canvas Business Model, to improve the performance of MSME in Girikerto, it is necessary to strengthen institutional capacity to be more effective and robust. The institutional capacity of the MSME forum in Girikerto still needs to be strengthened and developed especially the ability in achieving vision, mission, goal based on value proposition. The resources available in Girikerto are human resources, materials, financial, competence, technology, market, and institutions. The adequate institutional capacity should engender efficiency and effectiveness in the economic space, allowing all agents to maximize benefits, which ultimately impact productivity, price stability, income redistribution, poverty alleviation and employment improvement. [13].

The organizational level of institutional capacity is associated with a set of institutional arrangements and procedures, which enhance interaction, coordination and synergies between individuals and units involved in the element of activities. Clearly defined and complementary roles and functions, dedicated management and coordination schemes are at the core of business dimension. [21, 22] Networking, information, and regulation are essential as an element of institu-

tional capacity in MSME to improve the economy so that the well-being of the community is achieved. Strengthening and developing capacity of individuals and organizations through institutions is needed, so that individuals, groups or organizations can survive and be able to cope with the challenges of change by which enhance interaction, coordination and synergies between individuals and units involved in the forum of MSME based on 9 elements Business Model Canvas. The elements are Customer Segment, Value Proposition, Customer Relationship, Channel, Revenue Streams, Key Resources, Key Activities, Key partnership, and Cost Structure. [18, 19]

Strengthening and mining institutional capacity will be seen from the aspects of normative, cultural-cognitive, and regulative elements.

The aim of developing MSME is to improve the well-being of the community through small and medium-sized micro-economic enterprises using existing sub-facilities. From the analysis based on Canvas Business Model it is necessarily to strengthen and develop their institutional capacity in the business of processed food, goat milk, and batik industry and crafts industry [18, 19]. Strengthening the institutional capacity is carried out through improvement and enlightenment through interaction, coordination and synergy between business actors individually and in groups.

4.3.1. The Interaction

The forum members of MSME in Girikerto conduct a meeting each month, so that interaction among the members occurs. They discuss and talk to each other about the problems they are facing. During the meeting, the forum carry out training and discussion facilitated by the relevant parties such as the Government of the Village, the Office of Service, Academician and related entrepreneurs. The nine elements of MBC that include in the interaction process are: Key partners consisting of stakes holders of business comprising of: Village Governments, Related Service Offices, Colleges, Supporting Institutions, Financing institutions, Business Institution, and communities. They interact one another based on their capacity and role as partners; Customer segment, there is interaction among actors, supplier, user, and market; Key resources, there is an interaction among stakeholders in fulfilling the need to achieve the target of business; Key activities, there is an interaction among stakeholders in the context of activities; and Customer relationship, the stakeholders interaction among them to maintain their role.

4.3.2. Coordination

In the implementation of the MSME development program, the entrepreneurs coordinate with the fellow actors in the forum of MSME. Coordination between the actors, and the enterprise group is carried out in order to improve product quality, fulfillment of raw materials, coordination in the development of marketing, cooperation, expansion of the network, and training in the improvement of the quality of human

resources. The Canvas elements that are coordinated are related to the resources, financing structure, activities, market segments; products, channels, and markets as a source of income. The coordination was carried out in order to enhance the 9 elements of the Business Model Canvas mainly key activities, Key partners, Key resources, and costumers segments.

4.3.3. Synergy

Synergy is carried out in coordinating programme and efforts between entrepreneurs, government agencies, business institutions, and supporting agencies in improving the quality of enterprise. In strengthening institutional capacity related to the development of 9 elements based on the Business Canvas model [9-11] it is necessary to conduct a synergy so that the activities are interacting mutually supporting with others. With the ultimate goal of providing satisfaction to the costumers based on the value given by using local resources synergy among stakeholders in the activities, cost, and program should be managed. The Stake holders involve in synergy are the element of key activities, key partners, key resources, costumers segments, costumer relationship, cost structure, and revenue stream.

4.4. Normative, Cultural-Cognitive, and Regulative Aspects

4.4.1. Normative Aspects

In the development of institutional capacity, the values of norms influence how relations between individuals and groups within forum MSME are embedded. Parsons and Durkheim put forward the importance of a system of norms for social integration and individual regulation [24]. Strengthening and developing institutional capacity need normative value in the interaction, coordination, and synergy among stakeholders activities, relationship, and value proposition.

4.4.2. Cultural-Cognitive Aspects

Meaning in a cultural-cognitive context affects how individuals and groups interpret social reality. The forum MSME in Girikerto interact, coordinate, and make synergy among members to strengthen institution capacity.

4.4.3. Regulative Aspects

Formal and informal rules in institutions affect the implementation of functions and arrangements in MSME. The institution capacity need regulation dan rule for managing resources, activities, value proposition, and stake holders. Binswanger & Ruttan (1978) and Portes (2006) show that effective rules help in the management and development of MSME.

From the above description to enhance the use of institutions to be more effective and efficient, it is necessary to take

several steps through the enhancement of the capacity of MSME.

- 1) Enhancement of the Capacity of the Individual: strengthening of the individual capacity includes the improvement of knowledge, skills, and attitudes. This is reflected in the training and support activities carried out by the MSME Forum, such as digital marketing training and processing of local potential-based products, like salak and Etawa goat milk. MSME actors in Girikerto showed improvements in technical and marketing skills.
- 2) Institutional Capacity Enhancement: Increased institutional capacity measured by ability in organization and management, finance, as well as work culture. [21] MSME Forum Girikerto successfully builds synergies between members, which is reflected in marketing collaboration and product development.
- 3) Enhancing environmental capacity: Increasing institutional capacity can be achieved by improving the process of interaction, coordination, and synergy of MSME stakeholders and the community individually, organizations and institutions in exploiting and utilizing local potential resources to improve the economy and well-being of the community.

5. Conclusion

Strengthening and developing institutional capacity in Girikerto Village requires a comprehensive and coordinated approach. Through the implementation of the Canvas Business Model and increased interaction, coordination, and synergy among stakeholders, it is expected that MSME in this village can be more competitive and contribute to improved community well-being. An effective institution will support the optimum and sustainable development of local potential.

In order to improve the effectiveness of the MSME Forum in Girikerto, it is necessary to strengthen and develop institutional capacity. This includes the optimization of all elements of the Canvas Business Model [9-11] so that local potential can be exploited in an innovative way, thereby having a positive impact on the well-being of the community.

The MSME Forum in Girikerto is currently unable to exploit the nine elements of Canvas business model optimally. The process to strengthen institutional capacity involving individuals and organizations to be more effective and effective is essential to include enhanced interaction, coordination, and synergies between the parties involved in the MSME forum.

6. Recommendations and Implications

Based on the results of the research, here are some recommendations for strengthening and developing institutional capacity in Girikerto Village:

- 1) Strengthening of Institutional Capacity to improve under-

standing and application of the Canvas Business Model for MSME to be more structured and planned.

- 2) Coordination and synergy are needed to encourage dialogue and cooperation between stakeholders to better coordination.
- 3) Continued training and construction to MSME actors on normative, cultural-cognitive, and regulatory aspects is essential.
- 4) A approach to integrate MSME development efforts taking into account local wisdom and the challenges of Industry 4.0 era is necessary.
- 5) All business activities need to consider more use of technology for production processes, stock management, and distribution.
- 6) Strengthening the Partnership is essential to broaden partnerships with governments, colleges, and training institutions to support the development of HR capacity and access to the necessary resources.

By implementing these recommendations, each business activity is expected to improve competitiveness, operational efficiency, and positive impact on communities and the surrounding environment.

Abbreviations

| | |
|------|-------------------------------------|
| MSME | Micro, Small and Medium Enterprises |
| SME | Small and Medium Enterprises |
| SOP | Standard Operational Procedures |
| HR | Human Resources |
| BMC | Business Model Canvas |

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Author Contributions

Suyatno: Conceptualization, Data curation, Formal Analysis, Investigation, Methodology, Resources, Supervision, Validation, Visualization, Writing – original draft, Writing – review & editing

Dewi Amanatun Suryani: Investigation, Project administration, Resources, Validation

Conflicts of Interest

The authors declare no conflicts of interest.

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