

Proceeding Paper

The Role Of Local Government In Implementing Msme Digitalization Policies

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Abstract

Digitalization has become an essential need in the development of micro, small, and medium enterprises (MSMEs), especially in the era of digital transformation and technology-based economy. Local governments have a strategic role in implementing policies that support MSME digitalization in order to be able to compete in the digital market. This study aims to identify and analyze the role of local governments in implementing MSME digitalization policies in Lampung Province. Using a qualitative approach with descriptive studies, data were collected through interviews, policy documentation, and literature studies. The results show that the role of local governments includes facilitating digital training, establishing a local e-commerce ecosystem, partnering with national digital platforms, and supporting regional regulations. The main obstacles include limited digital infrastructure, low technological literacy of MSME actors, and less than optimal cross-sector coordination. This study recommends strengthening synergy between agencies, public-private collaboration, and providing ongoing digital assistance for MSME actors

Keywords: MSMEs, digitalization, regional policies, Lampung Province, digital transformation

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) have long been the backbone of the national economy. According to data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia (2024), this sector contributes more than 61% of the national Gross Domestic Product (GDP) and absorbs over 97% of the workforce. The number of MSME actors continues to grow, reaching over 66 million business units across Indonesia. In the midst of a rapidly evolving digital disruption era, digitalization has become a strategic key to the sustainability and competitiveness of MSMEs, particularly in expanding market reach, increasing operational efficiency, and strengthening their position within the global value chain.

MSME digitalization has now become a national agenda, explicitly reflected in various strategic policies. The Government of Indonesia, through the Ministry of Cooperatives and SMEs along with related ministries, has targeted 30 million MSMEs to be integrated into the digital ecosystem

by 2024. As of mid-2024, more than 25 million MSMEs have been recorded as having entered digital platforms such as e-commerce, social media, and digital payment systems (Kemenkop UKM, 2024). Additionally, the report by Google, Temasek, and Bain & Company (2023) notes that Indonesia's digital economy reached a Gross Merchandise Value (GMV) of USD 82 billion and is projected to grow to USD 109 billion by 2025. This indicates that MSME digitalization is not merely a necessity, but also a tremendous opportunity for inclusive and sustainable national economic growth.

However, the acceleration of MSME digitalization cannot be separated from the role of local governments. As stated by Hendra et al. (2023), local governments play a strategic role in formulating adaptive local policies, providing supporting infrastructure, and facilitating digital training and mentoring for MSME actors. Within the context of decentralization, local governments serve as the primary implementers of national policies that must be adapted to the potential, challenges, and needs of each region.

In Lampung Province, MSMEs are growing across various leading sectors such as handicrafts, processed agriculture, and culinary businesses. Nevertheless, many

MSME actors in this region, particularly those in rural and peri-urban areas, still face digitalization challenges. These include low levels of digital literacy, limited information technology infrastructure, and the uneven implementation of digital training programs. Additionally, limited access to capital and the lack of sustainable mentoring remain significant barriers.

Previous research by Maulana & Kartika (2023) in Pringsewu Regency showed that the MSME digitalization programs facilitated by the regional cooperatives and MSME offices had a positive impact on increasing business income. However, the success of these programs heavily depended on the consistency of mentoring, availability of internet access, and partnerships with digital platforms. These findings emphasize the importance of synergy among actors including the government, private sector, academia, and MSME communities themselves in ensuring the sustainability of digital transformation at the local level.

Based on this background, this article aims to critically analyze the role of local governments in Lampung Province in implementing MSME digitalization policies. The primary focus will be on aspects such as regulation, infrastructure, training facilitation, and multi-stakeholder collaboration in supporting the digital transformation of MSMEs at the regional level. Furthermore, this paper will explore the challenges encountered and formulate relevant policy recommendations to strengthen a locally-based digital MSME ecosystem.

2. Research Method

This study employed a descriptive qualitative approach using a case study method to explore the role of local governments in the implementation of MSME digitalization policies in Lampung Province. This approach was chosen as it allows the researcher to understand social phenomena in

depth within the context of real-life settings (Yin, 2018). Descriptive qualitative research is also considered appropriate for explaining the dynamic and complex nature of public policy implementation (Creswell & Poth, 2018).

The study was conducted in three regions that represent the diversity of MSME characteristics in Lampung: Bandar Lampung City, Pringsewu Regency, and South Lampung Regency. These areas were selected based on several criteria: (1) the level of ongoing digitalization policy implementation for MSMEs, (2) the diversity of government intervention models, and (3) the availability of key stakeholders involved in the digitalization process.

a. Data Collection Techniques

1. To obtain comprehensive data, the researcher employed three primary techniques: Semi-structured interviews were conducted with key informants including officials from the Department of Cooperatives and MSMEs, MSME actors who had participated in digitalization programs, and digital facilitators or mentors. This interview technique allowed the researcher to explore informants' subjective perspectives within a flexible yet systematic framework (Patton, 2002).
2. Document analysis was carried out by reviewing official documents such as gubernatorial regulations, district/city regulations, Medium-Term Regional Development Plans (RPJMD), annual reports from cooperative agencies, and activity reports on MSME digitalization. Document analysis is a crucial method in public policy studies as it helps to understand the regulatory and administrative context of program implementation (Bowen, 2009).
3. Direct observation was undertaken by observing the implementation of digital training programs, promotional activities of MSMEs through social media and online marketplaces, as well as the interactions between mentors and MSME participants. Field observation was used to capture social phenomena in a naturalistic manner, providing contextual insights that complement verbal data (Spradley, 1980).

b. Data Analysis Techniques

The data were analyzed using thematic analysis, a process of identifying patterns or themes from the collected data. According to Braun and Clarke (2006), thematic analysis is particularly well-suited for qualitative research as it allows for a systematic exploration of meaning and social dynamics.

In the context of this study, the analysis focused on three key roles of local government, as outlined by Grindle (2007):

1. **Regulatory Role:** refers to the government's ability to create rules, policies, and legal instruments that support the digitalization of MSMEs.
2. **Facilitative Role:** includes the provision of training, digital infrastructure, and mentoring as forms of technical and administrative intervention.
3. **Collaborative Role:** pertains to the government's initiative in building partnerships with the private sector, academia, and communities to strengthen the digital ecosystem.

By integrating these three roles into the analytical framework, this study aims to provide a comprehensive and contextual understanding of how MSME digitalization policies are implemented at the local level, particularly in Lampung Province.

3. Result and Discussion

This chapter presents the findings of the study derived from interviews, field observations, and document analysis conducted in several regions of Lampung Province, particularly in Bandar Lampung City, Pringsewu Regency, and South Lampung Regency. The results were analyzed using a thematic approach, based on the analytical framework of local government roles in the regulatory, facilitative, and collaborative dimensions, as previously outlined in the theoretical framework. The discussion in this chapter aims to provide an in-depth overview of how MSME digitalization policies are implemented at the local level, as well as the challenges encountered during implementation. The analysis also connects empirical findings with expert perspectives and national policy contexts, thereby offering a comprehensive understanding of the strategic role of local governments in promoting the sustainable digital transformation of MSMEs.

a. Regulatory Role

The Provincial Government of Lampung has demonstrated its commitment to supporting the digital transformation of the MSME sector through regulatory policies outlined in various strategic planning documents. One concrete example is the issuance of a Governor Regulation of Lampung concerning the empowerment of digitally-based MSMEs. In addition, the agenda for MSME digitalization is explicitly included in the Lampung Province Medium-Term Regional Development Plan (RPJMD) as one of the priorities for inclusive, technology-driven economic development.

At the district/city level, several local governments, such as those in Bandar Lampung City and Pringsewu Regency, have formulated Regional Regulations (Perda) to support the development of MSMEs through the use of digital platforms for product marketing. These policies serve as legal foundations for implementing training, facilitating digital infrastructure, and providing online marketing incentives.

However, challenges remain in practical implementation. One of the main obstacles is the disparity in fiscal capacity among districts. Regions with limited budgets, such as South Lampung, face difficulties in consistently executing digitalization programs. Furthermore, the lack of coordination among Regional Apparatus Organizations (OPD) results in fragmented policy implementation, causing programs to operate in isolation rather than in an integrated manner.

b. Facilitative Role

In its role as a facilitator, the local government has actively organized digital-based training programs aimed at improving the capacity of MSME actors. For instance, the Department of Cooperatives and MSMEs of Bandar Lampung City routinely conducts a training program titled *"UMKM Go Digital"*, in collaboration with Tokopedia and Bank Indonesia. The training covers topics such as creating marketplace accounts, managing business social media, digital branding, and product photography techniques.

Moreover, several local governments have begun to strengthen supporting digital infrastructure. This includes providing free internet access in MSME centers and distributing digital production tools such as label printing machines, barcode scanners, and computer devices. These initiatives reflect the government's effort to provide not only knowledge but also the physical means to implement digital practices.

Despite these efforts, the training programs tend to be one-off events without any follow-up mentoring. As a result, knowledge retention is limited, and MSME actors who are not familiar with digital technology struggle to apply the lessons learned independently after the training.

c. Collaborative Role

In the collaborative dimension, local governments have begun to establish synergy with various non-governmental actors. Higher education institutions in Lampung, such as the University of Lampung and the University of Bandar Lampung, have been involved in digital training programs, MSME mentoring, and the development of digital business incubators. This collaboration strengthens the academic foundation and ensures the sustainability of digitalization programs.

On the other hand, partnerships with state-owned enterprises (SOEs) and the private sector have also shown significant contributions. MSME onboarding programs to local and national e-catalog systems have been conducted in collaboration with SOEs and digital platform partners, thereby expanding the market access of MSME products. Through these partnerships, MSME actors are not only given training but also linked to wider market opportunities.

However, the collaborative approach adopted thus far tends to be top-down in nature. Most of the initiatives originate from government and external partners, without sufficiently involving MSME actors in the planning and evaluation processes. The lack of participatory space results in a mismatch between the actual needs of MSMEs and the types of interventions being provided.

d. Challenges

Several challenges continue to hinder the successful implementation of MSME digitalization programs in Lampung Province, including:

1. Low levels of digital literacy, especially among MSME actors in rural areas. Many business owners are still unfamiliar with digital devices and e-commerce applications.
2. Limited ICT infrastructure, such as uneven access to stable internet and electricity in remote areas. This remains a major barrier to digital transformation.
3. Lack of sustained mentoring following digital training. Many MSME actors face confusion when trying to implement training outcomes without further technical support.
4. Insufficient cross-sectoral coordination, both among local government agencies (OPDs) and between the government and external partners. Weak coordination leads to fragmented and overlapping programs, reducing their effectiveness and efficiency.

The findings above indicate that, although MSME digitalization policies are already being implemented, a more coordinated, participatory, and sustainable strategy is required to achieve optimal outcomes.

4. Conclusion

Based on the findings of this study, it can be concluded that local governments in Lampung Province have demonstrated a strong commitment to promoting the digital transformation of the MSME sector through various strategic roles, including regulatory, facilitative, and collaborative aspects. Regional policies, as outlined in gubernatorial regulations and strategic planning documents, have served as the foundation for the implementation of MSME digitalization programs. Furthermore, the delivery of training programs, provision of digital infrastructure, and partnerships with the private sector and higher education institutions reflect a growing effort to facilitate this transformation.

However, the implementation of these policies has not been entirely optimal. Challenges remain, particularly in terms of cross-sectoral coordination, limited digital literacy among MSME actors, and unequal access to information and communication technology (ICT) infrastructure across different regions.

In response to these findings, this study proposes several strategic recommendations. First, there is a need to enhance continuous mentoring and support for MSME actors following digital training programs to ensure that technology adoption does not stall after the initial phase. Second, cross-sectoral coordination and institutional capacity at the local level should be strengthened through more integrated governance among local agencies. Third, the active participation of MSMEs must be encouraged throughout the planning, implementation, and evaluation stages of digitalization

programs, ensuring that interventions align closely with their actual needs. Fourth, it is essential to build an inclusive regional digital ecosystem through the development of local e-catalog platforms, community-based marketplaces, and digital payment systems that are accessible to micro and small-scale MSME actors.

With the implementation of these strategies, the digitalization of MSMEs in Lampung Province is expected to become more effective, inclusive, and sustainable.

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