

## Agile Governance in Optimizing Digital Literacy for Micro, Small and Medium Enterprises (MSMe) in Kulon Progo Regency

Muhammad Eko Atmojo<sup>1\*</sup>, Awang Darumurti<sup>2</sup>, Nita Aribah Hanif<sup>3</sup>

<sup>1,2,3</sup>Department of Government Affairs and Administration, Faculty of Social and Political Sciences, Universitas Muhammadiyah Yogyakarta, Indonesia

\*Corresponding author: [muhammadekoatmojo@fisipol.umy.ac.id](mailto:muhammadekoatmojo@fisipol.umy.ac.id)

### ABSTRACT

The COVID-19 pandemic has had an impact on all sectors, especially the economy in Indonesia and the regions, one of which includes Micro, Small and Medium Enterprises (MSMEs). Data from the DIY Cooperatives and UMKM Service shows that 59% of MSMEs have experienced the direct impact of the COVID-19 pandemic, on the other hand MSMEs have a very strategic role in improving the Indonesian economy. Kulon Progo Regency is one of the districts that has a solution to overcome the problem of marketing MSME products, one of which is [belabeliku.com](http://belabeliku.com). Having this solution does not mean there are no problems, because there are many MSMEs in Kulon Progo Regency who do not understand digital literacy well. The method used in this study is a qualitative method, one of the techniques is interviews and documentation, besides that this research also utilizes the artificial intelligent Nvivo 12 plus as an analytical tool. Based on the results of the research, it can be concluded that the government has made a special policy by providing training for MSME actors, collaborating with the Yogyakarta Regional Development Bank (BPD) in providing electronic payment services, and creating a marketplace platform. With the policies that have been made, it will be very helpful for MSME actors, especially the platform creation policy in marketing MSME products. However, the platform created is not adequate and optimal, besides that the platform created is still unable to compete with other marketplace applications.

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### INTRODUCTION

The development of the Internet of Things (IoT) has had a significant impact on science, management and has potential value in public services which are commonly called smart government (Wirtz et al., 2019; Kankanhalli et al., 2019). Smart governance itself is defined as the use of digital technology by the government to improve its relations with the community (Al-Obthani, Ameen, Nusari, & Alrajawy, 2018). Even Ameen et al.

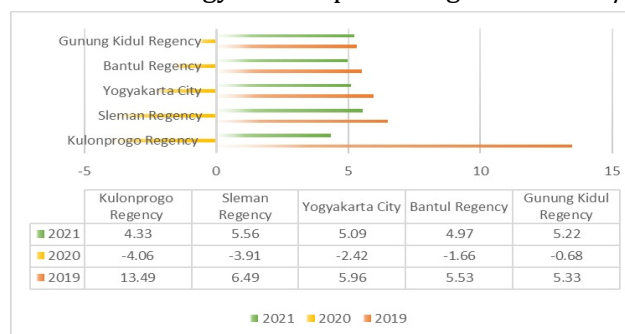
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(2020) in his research found that the implementation of smart government can increase community satisfaction as users. According to Cedillo-Elias et al (2019) the implementation of smart governance is also part of the smart city indicator because of the effectiveness of the service transactions presented therein. In addition, the involvement of technology in the economy has also been proven to be able to increase regional and global economic productivity, where digitalization has the potential to maintain economic sustainability from disruptive technological challenges (Linkov, Trump, Poinsette-Jones, & Florin, 2018).

Tosheva (2020) added that the digital economy provides opportunities to achieve inclusivity and economic sustainability from various sectors to make it more competitive. Even in the last decade, digital technology has been used as the main investment in marketing transformation strategies (Peter & Dalla Vecchia, 2021). Meanwhile, according to Bala & Verma (2018) it also strengthens this statement that businesses really benefit from optimizing digital marketing. Digital technology can create new networks that continue to grow in the world of marketing (Zahay, 2021). Julita & Arianty's research (2019) found the fact that digital technology provides opportunities for MSMEs to attract new customers with more efficient steps. Therefore, governments in various parts of the world are competing to provide marketplace platforms as local product stalls such as MSMEs (Serafica & Oren, 2020).

As this was done by the Government of Kulonprogo which launched the "Bela Beli Kulon Progo" Program in 2013. This program is intended to accommodate the superior local products of Kulon Progo. This program is also a manifestation of the integration of modern and traditional markets as a medium for the development of Kulon Progo MSMEs. Moreover, MSMEs are one of the sectors that contribute to maintaining the economic stability of Kulonprogo Regency amid competitive market dynamics. This dynamic is also related to the presence of the VUCA Era (Volatility, Uncertainly, Complexity and Ambiguity) which has an impact on the existence of MSMEs. The Covid-19 pandemic is one of the phenomena of the VUCA Era which has an impact on the degradation of economic growth, even Kulonprogo Regency occupied the first position in Yogyakarta Special Region when the Covid-19 pandemic attacked.

**Figure 1.** Economic Growth in Yogyakarta Special Region Districts/Cities (2019-2021)



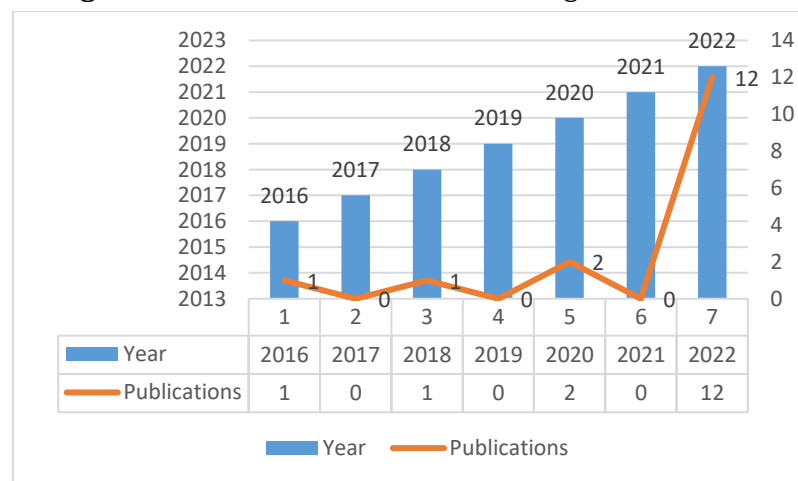
Source: Desembriarto, D. et al (2022)

The picture above shows that 5 regencies/cities in Yogyakarta Special Region experienced a degradation in economic growth during the first year of the COVID-19 pandemic. Kulonprogo Regency became the first region with a drastic decline in economic growth in 2020 reaching -4.06, while Sleman Regency -3.91, Yogyakarta City -

2.42, Bantul Regency -1.66, and Gunungkidul Regency -0.68. This condition is inversely proportional to 2019 where Kulonprogo Regency actually had the highest increase in economic growth compared to other districts / cities in Yogyakarta Special Region up to 13.49%. The covid-19 pandemic infection that had spread in Kulonprogo Regency became an issue that must be considered by the government, especially triggering the competitiveness of MSMEs through the use of digital marketing. However, so far the implementation of the Bela Beli Kulon Progo digital marketing platform has not been running properly as seen from the minimal number of transactions in it. Even though the Bela Beli Kulon Progo Program has been integrated into various commercial marketplaces such as Bukalapak and the like, this digital marketing function has not been optimal.

On the other hand, application support and digitalization launched by the government will not run optimally if people's participation in them is still low. As this is stated (Guenduez, Mettler, & Schedler, 2020) that digital involvement in services relies on active participation from the community to increase service value and public trust. Meanwhile, until now not all of the people of Kulonprogo are literate in digital technology which does not allow them to access Bela Beli Kulonprogo as a transaction medium for MSME products. Seeing this phenomenon, it is interesting for researchers to discuss the Kulonprogo government's efforts to optimize digital literacy for Kulonprogo MSMEs as one of the manifestations of Agile Government.

**Figure 2.** Publication trends related to Agile Government



Source: Scopus Database, 2022

The concept of agile government is currently receiving a lot of attention from academics because the context for this has not been clearly resolved (Hong & Kim, 2020). As this can be seen in the image above. The picture above shows that there has been a lack of publications discussing agile government in the last 5 years. In 2016 there was only 1 Scopus indexed article that discussed agile government, in 2018 1 article was found, then in 2020 there were 2 articles, and in 2022 the number of publications related to agile government increased to 12 articles. The trend of this publication shows that topics related to agile government are still a hot topic and attract researchers to discuss it in this study.

## METHOD

This research uses a qualitative method with a case study approach in Kulon Progo. The Qualitative Method is a collection of expansive investigative techniques to access meaning that is oriented towards the actors involved (Paul Lichterman, 2021). Qualitative methods are also interpreted (Aspers & Corte, 2019) as an iterative process to achieve a better understanding of researchers through an approach to the phenomenon under study. Based on this definition, the authors decided that the qualitative method was the most appropriate method for this study in accordance with the original objective of the researcher, namely to investigate and understand the phenomena that occur which are oriented towards the actors who are the objects of this research.

This research is based on two sources of data, namely primary and secondary data taken by interview and documentation techniques. Then the data analysis technique in this study uses the interactive model technique developed by (Miles, Huberman, & Saldaña, 2018) which includes three stages, namely data reduction, data display and drawing conclusions.

**Figure 3.** Data Analysis Stage



Source: Miles and Huberman (2018)

Data reduction is the stage of sorting data according to indicators and parameters in the theory used in this study. Data display is the stage of presenting data as findings in research. while drawing conclusions is the stage in taking common threads based on the data found as a result of the research conducted. In its analysis, this research also uses Qualitative Data Analysis Software (Q-DAS) with the help of Nvivo12 Plus tools.

The data analysis process through Nvivo12 Plus begins with data collection, data coding, data analysis and drawing conclusions. Data was collected through interview techniques conducted with the Kulonprogo UKM and Cooperative Office including the Head of Empowerment and Cooperative Institutional Policy Managers in the Institutional and Oversight Sector of the Kulonprogo Cooperative and UKM Office. Interviews were also conducted with the Head of Service and the Secretary of the Kulonprogo Communication and Informatics Office. While documentation techniques are carried out to deepen findings taken from previous research, news information and official government websites. Then the data was coded based on the variables used in this study and analyzed using the analysis features provided by Nvivo12 Plus. The results of the analysis will be visualized to facilitate understanding of the data and drawing conclusions.

## RESULTS AND DISCUSSION

The Industrial Revolution 4.0 as one of the phases in the development of computerized and digital-based human civilization can open opportunities as well as challenges for those who have not been able to adapt. The rapid development of digitalization has penetrated various human fields which urges various sectors to transform with digital assistance, one of which is the government sector. This condition

is the background for the formation of a new paradigm, namely Agile Governance or an agile government. Agile governance is defined as the ability of government institutions to coordinate effective and efficient organizations in solving problems and anticipating them (World Economic Forum, 2023). Agile governance is the government's ability to adapt quickly, precisely, effectively and efficiently as this principle is carried out by the private sector (A. J. H. D. O. Luna, 2015).

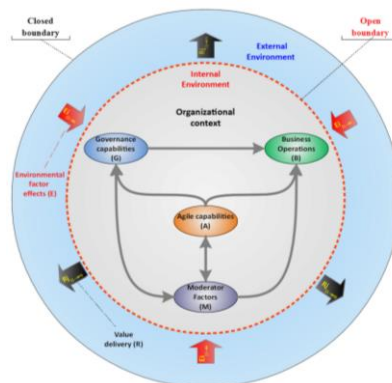
**Tabel 1.** Mapping the Values Contained in Agile Governance

Agile Governance	Conventional Government
Focus on attitude and practice	Process and procedure
competitive	Audit and complaint
Transparent and involving the public	Monitoring and controlling
Adaptif and responsif	Just racing on planning

Source: Beck et al. (2001)

Agile governance is a paradigm born with a combination of government and business disciplines. The private/business world is known for its speed in adapting to changes that produce innovations to retain its customers. Researchers in the 20th century tried to apply this concept in government in order to provide services that are adaptive, innovative and responsive to changes that occur in serving the community. As in this study, the author will measure the Agile governance application by the Government of Kulonprogo in digitizing MSMEs in their area to be able to compete amid the current rapid economic digitalization. The author adopts the Agile Governance theory developed by Luna et al. (2020) to analyze the affordability of implementing Agile governance by the Government of Kulonprogo in digitizing MSMEs in their region. The following is a picture of the concept of agile governance theory used by the author as a research reference, including the following:

**Figure 4.** Agile Government Framework



Based on the picture above, it shows that there are five (5) indicators of agile governance theory that will be used to measure the optimization of agile governance theory in digital literacy for MSME actors in Kulon Progo Regency. The five indicators include government capabilities, business operation, moderator factor, value delivery, environmental factor effect. Of the five indicators, researchers try to clarify the scope and parameters of the study. The following is a table of the scope and parameters of the research to be used, including the following:

**Table 2.** Indicators of Agile Governance

Indicator	Scope	Parameter
Government Capabilities (G)	Organizational ability to accommodate strategy and action through its policies and program implementation	- Policies related to MSMEs and digitalization of MSMEs - program launched
Business Operation (B)	The ability of the organization to develop business management in its system	- the government develops digital platforms to speed up services
Moderator Factor (M)	The ability of SD organizations in realizing agile	- leader support -HR -financial resources - infrastructure resources
Value Delivery (R)	Products or services that the organization can provide	- digitalization training and assistance
Environmental Factor Effect (E)	External factors for the success of agile governance	- supporting factors -obstacle factor

Source: Luna et al. (2020)

The explanation of the indicators above is more about government policies in the MSME digitalization program, besides that it will also discuss related to organizational capabilities and human resources. Considering that organization and human resources are the most important part in the success of digital literacy programs for MSME actors in Kulon Progo Regency. Digital literacy is very important for MSME players, because there are so many MSME players who do not understand the importance of literacy and the use of technology. In addition, this lack of understanding of digital literacy has caused many MSME players to not utilize digital resources as product business development (Atmojo, Mahendra, & Perdana, 2023). This lack of digital literacy has also resulted in MSME players experiencing many obstacles in the marketing process during the Covid-19 pandemic (DetikNews, 2021).

**Government Capabilities**

This indicator is related to the government's ability to facilitate the empowerment of MSMEs through the establishment of policies and programs it has launched. This indicator is intended to see how the government is prepared to facilitate digitalization of MSMEs, both through regulations and programs that are implemented.

**Table 3.** Regulations Related to MSME Empowerment in Kulonprogo

Regulation	Regarding
Regional Regulation of Kulon Progo Regency Number 7 of 2009	Regional Government Equity Participation in the “Pinunjul” Credit Cooperative, the Kub Kud Se Kulon Progo Cooperative, and the Village Unit Cooperative “Sedyo Rahayu”

Regional Regulation Number 16 of 2021	Protection and Empowerment of Traditional Markets and Arrangement of Shopping Centers and Modern Stores
Regulation of the Regent of Kulon Progo Number 63 of 2010	Empowerment of Cooperatives and Micro, Small and Medium Enterprises

*Source:* Data processed by the author (2023)

Some of the regulations above show that the Government of Kulonprogo has made several regulations related to empowering MSMEs in their region, although there have not been specific regulations that discuss digitalization of MSMEs. The capability of the Kulonprogo Government in digitizing MSMEs can also be seen from the efforts of the Kulonprogo Cooperative and UKM Office through innovation in making programs that support digitalization. The innovation that was carried out was the creation of the Kulonprogo Marketing Ambassador (Taringku) program which involved SMK students majoring in marketing (Aditya, 2022). This innovation has been carried out since 2020 until now to help MSME players market their products through digital media.

The Taringku program is the result of a collaboration carried out by the Kulonprogo Cooperative and UKM Office and the Kulonprogo Youth Education and Sports Office. MSME products in Kulonprogo are a practical medium for SMK students related to product marketing techniques. Through this collaboration a mutual relationship will be formed from both parties, namely maximizing product promotion for MSME actors and training marketing skills for SMK students ([koperasi.kulonprogokab.go.id](http://koperasi.kulonprogokab.go.id), 2022a). This innovation also collaborates with the Regional Development Bank (BPD) Yogyakarta Special Region to facilitate payment for MSME products through the Quick Response Code Indonesian Standard (QRIS), as explained by the Head of the Empowerment Division of the Kulonprogo Cooperative and UKM Office.

This collaboration aims to provide supporting facilities for digitizing MSMEs through the provision of electronic money (e-money) payments to facilitate transactions for Kulonprogo MSME products. QRIS is the result of electronic-based payment innovations that began to be intensified in the 21st century. Payments via QRIS have also succeeded in forming a positive response from various groups, both buyers and business owners who claim that QRIS facilitates the payment process (Khameswara, Pratama, Mulyadi, & Chandra, 2023). This convenience is realized with a payment system that is integrated on several platforms such as Dana, OVO, Sakuku, Go-Pay, LinkAja, ShopeePay and the like (Susanti & Kresnha Reza, 2022). In addition, QRIS is also able to provide a sense of security and comfort for users with a minimal level of risk in the payment process (Pangastuti, Efery, & Yap, 2023). The advantages of digital payments are also a strategy in developing MSMEs and the sustainability of efforts to digitize the marketing of MSME products (Darma, 2020).

### **Business Operation**

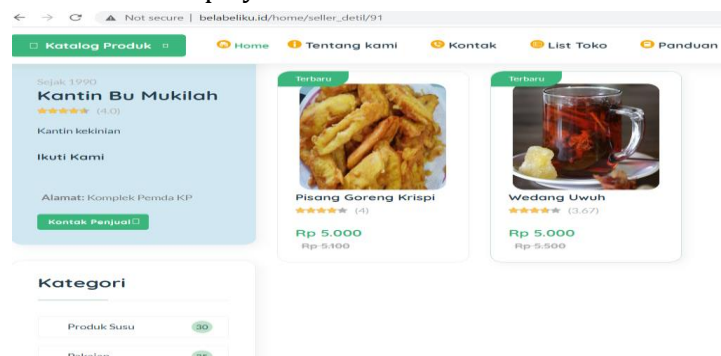
The business operation indicator discusses the government's efforts to act like a private party which is manifested through the establishment of a platform to improve the quality of its services to customers or the public. In this case the platform refers to the provision of media to accommodate the marketing of digital technology-based MSME products. The transformation of digital-based marketing techniques is claimed to be able to increase the effectiveness of selling MSME products because it facilitates promotional

efforts (Redjeki & Affandi, 2021). The effectiveness of promotion through digital can also cut a business organization's expenses for marketing operations so that it is more efficient (Melović, Jocović, Dabić, Vulić, & Dudic, 2020).

Establishment of a platform to market MSME products by the government as one of the embodiments of the Agility concept within the government environment. The government is considered able to keep up with the dynamic times to meet consumer needs as this concept comes from private business principles. The Kulonprogo Regency Government through the Office of Cooperatives and SMEs and the Office of Communication and Information of Kulonprogo has also formed a platform to help market MSME products in their area. This was acknowledged by sources from the two agencies which implied that it was related to the provision of platforms as stalls for MSME products.

Statements from sources quoted indicate that the Kulonprogo Cooperative and UKM Office collaborated with the Kulonprogo Communication and Informatics Office, especially in establishing the BelaBeliku Platform as a medium for marketing MSME products through digital. This collaboration is motivated by the limited human resource capacity and organizational capabilities faced by the two OPDs in digital operations. As for the division of authority in implementing the Belabeliku.com Platform, namely the Office of Cooperatives and SMEs as the operator, while the Office of Communication and Information is the developer or authorized to develop the platform. This effort is a form of adaptation by the Kulonprogo Government in the 4.0 era through digitizing MSMEs despite having limited resources.

**Figure 5.** Showcase Display of MSME Products on the BelaBeliku Platform



Source: Website of BelaBeliku.com (2023)

The picture above is a showcase for MSME products on the BelaBeliku.com Platform which indicates that the BelaBeliku.com Platform has been formed and operated as a marketing medium for Kulonprogo MSME products. However, the website is not managed properly because there are still several MSME product showcases that are not accompanied by product photos and product descriptions as information for consumers. Even the accessibility to conduct transactions digitally is also hampered by the inadequate condition of the website. This condition shows that even though the Government of Kulonprogo has established an innovation in the form of a digital marketing platform for MSMEs in its area, implementation in the field has not been optimal because the website is not yet adequate. Periodic website management is needed to support transactions as well as attract consumers to transact on it. There are several

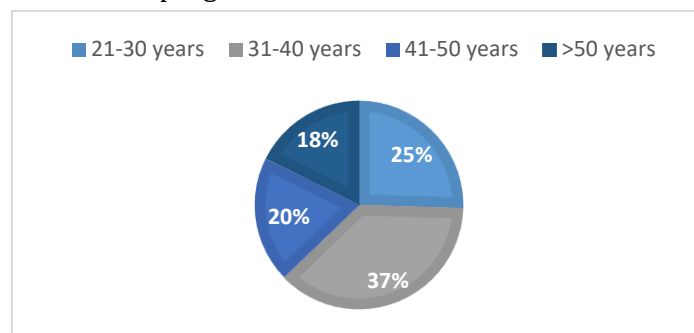


evaluations that must be carried out by the Office of Cooperatives and UKM as well as the Kulonprogo Communication and Informatics Office, especially in website management which is more intense in terms of appearance, integrated system, embedding product photos and product descriptions. This indicates that the Government of Kulonprogo has not fully complied with the business operation indicators because the platform provided has not met consumer needs.

**Moderator Factor**

This indicator examines the internal resources of an organization that can influence its success in realizing Agile Governance. The moderator factor in this study presents 3 (three) influential factors in supporting the implementation of Agile Governance in the digitalization of MSMEs in Kulonprogo, namely human resources, financial resources and the availability of adequate infrastructure.

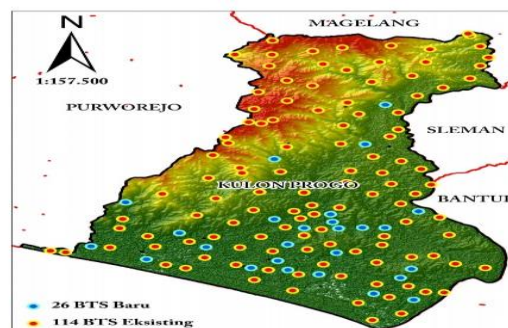
**Figure 6.** Composition of Kulonprogo Communication and Informatics Office Employees by Age



Source: Official Data from Kulonprogo Communication and Informatics Service (2023)

The figure above shows that the Kulonprogo Communication and Informatics Office has varied human resources consisting of 3 (three) generations, namely Generation X (babyboomers), Generation Y and Generation X. Employees from generations Y and Z dominate, namely 37% and 25% while generation X as much as 38%. This composition indicates that the Kulonprogo Communication and Informatics Office has sufficient human resources to be at the forefront of digitizing the Kulonprogo Regency Government service system, including managing the BelaBeliku.com Platform as an online space for MSME players in Kulonprogo. Despite the fact that the BelaBeliku.com Platform still has low competitiveness compared to other privately owned marketplace platforms due to limited knowledge of the platform's operations.

**Figure 7.** Internet Network Penetration in Kulonprogo



Source: [gatotkaca.kulonprogokab.go.id](http://gatotkaca.kulonprogokab.go.id) (2023) design by ArcGis

In terms of the availability of digital supporting infrastructure in the form of internet network penetration, it can be seen in the figure above that most of Kulonprogo Regency has developed an internet network, although it is not evenly distributed. There is a red dot that represents the Existing Tower Zone and a blue dot that describes the distribution of the New Tower Zone. Existing Tower Zone is defined as a zone capable of receiving services from operators. While the New Tower Zone is defined as a new internet network tower built by the government due to increased network needs and the Existing Tower Zone cannot accommodate this need. Even though the construction of the Existing Tower Zone has reached the Kulonprogo area, this distribution has not been evenly distributed. Even the construction of the New Tower Zone is clustered in the southern part of the Kulonprogo Region which can indicate an imbalance in population intensity, regional development and the number of internet needs to support the economy in it. This can be used as an evaluation for the Government of Kulonprogo to reassess regarding the spread of the internet in their area because network availability greatly influences the success of the digitization process.

Meanwhile, in terms of the availability of financial resources, the Government of Kulonprogo through the Office of Cooperatives and SMEs has provided assistance to MSME players to help transform digital marketing. In 2022 the Kulonprogo Cooperative and UKM Service is targeting digital marketing training for 50 MSME actors in Kulonprogo which can be realized well. The high number of MSME actors in Kulonprogo is the background for the Kulonprogo Government to provide regular training with targets that have been adjusted to the available budget capabilities. Meanwhile, digitalization training provided by the Kulonprogo Communication and Informatics Service is more targeted at digital training for village apparatus to stimulate the operation of the Village Information System (SID). Based on this phenomenon, it is important for the Government of Kulonprogo to give priority to efforts to digitize MSMEs as an Agile government, moreover MSMEs are one of the economic boosters for Kulonprogo based on the populist economy.

### **Value Delivery**

Value delivery discusses the values that can be given by the Government of Kulonprogo Regency to MSMEs in their area, especially through the Kulonprogo Cooperative and UKM Office, which nomenclature is the main figure in protecting the interests of MSME players. In dealing with competition in the midst of digitalization, the Kulonprogo Cooperative and UKM Office has formed a digital marketing platform aimed at accommodating the marketing of MSME products in their area, BelaBeli.com. However, the limited platform development that made him lose the competition with other marketplaces, is the background for the Kulonprogo Regency Government to find a middle way in dealing with this digitalization cessation. Therefore the Kulonprogo Cooperative and UKM Service provides digital-related training and empowerment for MSME actors.

The digitalization training provided is in the form of assistance in operating digital devices as the main step for implementing digital marketing on private marketplace platforms such as Tokopedia, Shopee, and other social media. Digital marketing training is really needed because the marketplace can provide efficiencies in the business industry

(Fachriyan et al., 2021). Digital marketing training provided as a follow-up to the marketing ambassador innovation formed by the Kulonporogo Cooperative and UKM Service since 2020. To support the success of this innovation the Kulonprogo Cooperative and UKM Office organizes training consisting of theory and practice. The Kulonprogo Cooperative and UKM Office also facilitates internet vouchers as a digital facility support for MSME players.

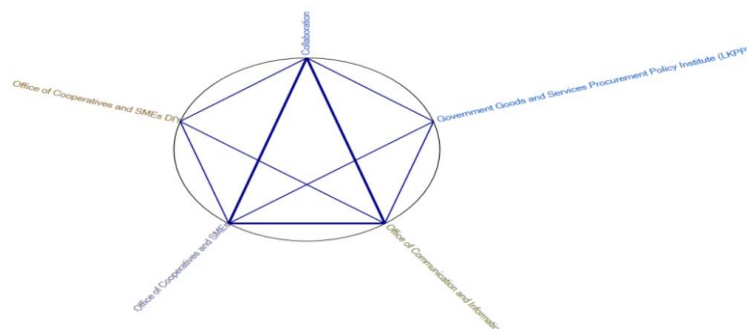
Assistance in theory and practice of digitization is carried out for 3 (three) days, followed by monitoring and assistance for 4 (four) months to find out the progress of MSME actors. MSMEs are also required to make a report on the results of digitization training as an evaluation material for the training provided and the resulting impact. This study also validates data on several MSME actors in Kulonprogo to find out the implementation of digital marketing training in the field from the perspective of MSME actors.

Based on the acknowledgment of MSME actors in Kulonprogo who have participated in digital marketing training under the auspices of the Kulonprogo Cooperative and UKM Service, it can be seen that the training had a positive impact on MSME players in their area. MSME actors consider that the digital marketing training that has been held so far requires system improvements, especially data collection on the classification of MSMEs based on their abilities. This is intended so that the provision of training can be adapted to the needs of each MSME actor. Training based on the ability of MSMEs can also help with appropriate and on-target training. This can be input for all Regional Apparatus Organizations in the Kulonprogo Regency Government Area because training for MSMEs can also be carried out by other agencies engaged in certain fields.

**Environmental Factor Effect**

This indicator is related to environmental factors that can have an impact on the implementation of Agile Governance. Environmental or external organizational factors can be both inhibiting and supporting aspects of government programs in realizing Agile Governance.

**Figure 7.** Supporting Factors for the Digitalization of MSMEs in Kulonprogo



Source: Data processed by the author (2023)

The synergy that exists between Regional Organizations (OPD) in the Kulonprogo Region is a supporting factor for the implementation of Agile Governance in digitizing MSMEs. This collaborative network tries to fill the deficiencies and limitations of the resources possessed by each OPD in digitizing MSMEs, especially the Cooperative and UKM Office and the Kulonprogo Communication and Informatics Office.

There are also several forms of collaboration with other government agencies in digitizing MSMEs, such as the establishment of the Bela Procurement Platform. Bela procurement is a platform aimed at accommodating the marketing of SME products on the government market with a nominal transaction of up to Rp. 50 million per package ([kominform.go.id](http://kominform.go.id), 2020). The platform, which was released on 17 August 2020, is operated by the Government Goods/Services Procurement Policy Institute (LKPP) as a digital economy-based solution for SMEs in the midst of the COVID-19 pandemic. This initiative is motivated by economic dynamics that threaten the existence of SMEs due to a decrease in demand for goods/services by consumers. Therefore government spending opens up great opportunities for SMEs to supply the needs for government operations as well as drive the economy in the SME sector. This platform is provided for SMEs from various regions by collaborating with the government in each region to mobilize SMEs to join them. The Kulonprogo government is one of the local governments that is intensifying this platform to digitize SMEs in their area, especially amid the co-19 pandemic.

The Kulonprogo Cooperatives and UKM Office also cooperates with the Yogyakarta Special Region Cooperatives and UKM Office in providing online stalls for local MSME products through the Sibakul MarketHub platform. Sibakul is a platform that operates under the auspices of the Yogyakarta Special Region Cooperative and UKM Service to accommodate digital-based coaching for MSMEs from five districts in Yogyakarta Special Region ([koperasi.kulonprogokab.go.id](http://koperasi.kulonprogokab.go.id), 2022b). The Sibakul platform can be accessed via the website or application. This platform was originally formed to facilitate the SME data collection system in Yogyakarta Special Region. However, regulations limiting community activities in the midst of the Covid-19 pandemic have had an impact on the intensity of product sales and disrupted the stability of MSMEs' income. Therefore this platform is modified to add markethub features so that it can help market MSME products in Yogyakarta Special Region.

The platform that has succeeded in bringing Yogyakarta Special Region to win the Top 45 Public Service Innovation award for 2021, also facilitates MSME development based on six aspects including, HR, production, institutional, marketing, finance and digital marketing ([menpan.go.id](http://menpan.go.id), 2022). The big goal of establishing this platform is to facilitate MSMEs to upgrade ([Winduajie, 2023](#)). The Kulonprogo Cooperatives and UKM Office has encouraged MSME players in their area to join this platform through routine socialization. This collaboration is one of the efforts for the Government in Yogyakarta to facilitate digitization for MSMEs in their area as well as fill the limited resources they have to accommodate all the interests of MSMEs in it.

**Figure 8.** Factors inhibiting MSME Digitalization in Kulonprogo



Source: Data processed by the author (2023)

In addition to inter-agency collaboration as a support for digitizing MSMEs in Kulonprogo, this digitalization effort also has obstacles that come from the external environment. These inhibiting factors are summarized in the word cloud above as a visualization of the results of interviews with informants, namely the Kulonprogo Cooperative and UKM Office and the Kulonprogo Communication and Informatics Office. There are several dominant keywords in the word cloud above including "obstacles", "marketplace", "belabeli", "not yet", "store window". The dominance of these keywords shows that external factors that are still an obstacle in digitizing MSMEs in Kulonprogo are the less than optimal platform belabeliku.com. The belabeli.com platform is not optimal because it loses to similar marketplace competition and the platform development is not fast enough so that it cannot attract MSME players in Kulonprogo to join it. Optimization of product sales through the bebeliku platform has also not been carried out much so that this platform has not had a significant impact as a transaction forum and is only limited to displaying Kulonprogo MSME products.

## **CONCLUSION**

This study uses five assessment indicators in optimizing digital literacy for MSME actors, while the indicators are government capabilities, business operations, moderator factors, value delivery, environmental factor effects. Where from the five indicators it can be concluded that the government has taken several steps that can support MSME players, especially in increasing digital literacy and marketing MSME products including the following: first, collaborating with Regional Development Bank of Yogyakarta Special Region (BPD DIY) in digitizing transactions, with this collaboration it will facilitate transactions for SMEs. Second, create a platform or marketplace for MSME actors, this aims to make it easier for MSME actors to market MSME products, so that MSME products can compete nationally and globally.

Third, the government also provides training for SMEs, especially to increase knowledge and understanding of digitalization and digital literacy. Fourth, the platform that has been made is not optimal, because the development is not very good, besides that the platform has not been properly maintained so that the platform that has been created cannot compete with other platforms. Therefore, MSME actors feel more prepared to use other marketplace platforms because it is easier and can compete nationally. Based on the information above, it can be stated that the government has provided the best policies, but there are several factors that really need to be improved to support the realization of an agile government and digital literacy for MSME actors. The limitations of this study are only limited to the government, government-related parties such as banks and limited MSME actors. These MSME actors cannot be reached by all because of time constraints, so for future research suggestions, research can be carried out related to the effectiveness of digital utilization.

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