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COLLABORATIVE STRATEGIES BETWEEN GOVERNMENT AND SMES IN THE NORTHERN COASTAL REGION: INTEGRATING ENTREPRENEURSHIP EDUCATION TO SUPPORT SDGS.

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Abstract

Global challenges such as economic inequality and environmental degradation have heightened the urgency of implementing sustainable business practices, particularly in the Micro, Small, and Medium Enterprises (MSMEs) sector. In the North Coast region of East Java, MSMEs face unique challenges, including limited access to entrepreneurship education and insufficient government support. This study examines strategies for collaboration between the government and MSMEs, integrating entrepreneurship education to support sustainable development, aligned with SDG 8 and SDG 12. The novelty of this research lies in the integration of entrepreneurship education within public-private partnerships to enhance MSME sustainability while addressing local socio-economic issues. Using a qualitative research methodology, this study involves in-depth interviews, field observations, and document analysis to explore the experiences of MSME entrepreneurs, government officials, and educators in the region. The findings indicate that effective collaboration among stakeholders fosters innovation, strengthens MSME resilience, and promotes environmentallyfriendly business practices. However, challenges remain in policy implementation and resource distribution. The implications of this research highlight the importance of institutionalizing entrepreneurship education within government programs and strengthening public-private collaboration. These steps can serve as a model for other regions to simultaneously drive economic growth and sustainability, contributing to the achievement of the SDGs by 2030.

Keywords: Entrepreneurial Education; Government Support; MSMEs Performance; SDGs.

1. INTRODUCTION

In recent decades, sustainable development has become a major concern in global efforts to reduce the negative impact of economic activities on the environment and society. According to a United Nations report (2023), more than 60 million people in the world still live below the poverty line, while 70% of global jobs are generated by the Micro, Small and Medium Enterprises (MSMEs) sector. However, the majority of MSMEs in developing countries face major challenges in adopting sustainable business practices due to limited resources, innovation capacity, and access to entrepreneurship education. This affects the achievement of SDG 8 (Decent Work and Economic

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Growth) and SDG 12 (Responsible Consumption and Production)(Astadi et al., 2022; Maliva et al., 2018; Sulistyowati et al., 2024).

In addition, increasingly intensifying climate change has also had a significant impact on the MSME sector, especially those in coastal areas. World Bank data (2022) shows that more than 20% of MSMEs in global coastal areas have lost productivity due to the increasing frequency of natural disasters such as floods and sea level rise. In this context, collaboration between the government, the private sector, and educational institutions is considered key to creating a resilient and sustainable business ecosystem(Akenji & Bengtsson, 2014; Arner et al., 2020; Ferreira et al., 2021). This involves increasing entrepreneurial literacy directed to support innovation, resource efficiency, and strengthening local and global supply chains(Dana et al., 2021; Galvão et al., 2020; Hernández-Sánchez et al., 2019).

Ideally, MSME actors are able to survive (*survive*) and developed significantly. MSMEs should not only become an economic sector that supports the lives of local communities, but also transform into a driving force for inclusive and sustainable economic growth (Fani & Subriadi, 2019; Ferro et al., 2019; Orobia et al., 2020; Suresh et al., 2020). This is in line with SDG 8's goals, which are to create decent jobs and support economic growth, as well as SDG 12, which emphasizes responsible consumption and production. Research Othman et al., (2020) shows that the ability of MSMEs to adopt innovations, such as digital technology and sustainable business practices, can increase their competitiveness in local and global markets.

Indirectly, MSME Performance is a key indicator that reflects the sector's ability to contribute to economic growth, create jobs, and support business sustainability (Corrales-Estrada et al., 2021; Durst & Zieba, 2020; Tilt et al., 2021). The performance of MSMEs includes various aspects, such as increased productivity, turnover growth, market expansion, and the ability to innovate. According to (Niemimaa et al., 2019) MSMEs that have good performance tend to be better able to survive in the midst of global economic pressures, such as pandemics or financial crises(Moşteanu, 2020; Schmid et al., 2021). The good performance also contributes to local social and economic stability, especially in regions that depend on this sector, such as the North Coast region of East Java.

Improving the performance of MSMEs is very important in supporting sustainable development goals. MSMEs that have optimal performance can take advantage of wider market opportunities, both at the local and international levels, and become more adaptive to changing consumer needs and market dynamics. Research by (W. Lee & Kim, 2019; Margherita & Heikkilä, 2021)emphasized that the good performance of MSMEs not only increases their contribution to GDP, but also encourages economic equity through the creation of more inclusive jobs. In addition,



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MSMEs are able to contribute directly to the achievement of the SDGs by adopting environmentally friendly and inclusive business practices. Through technology support, sustainability training, and strategic partnerships, MSMEs can transform into business actors that are not only profit-oriented but also social and environmental sustainability. Research by (Schätter et al., 2019; Sivarajah et al., 2020) shows that MSMEs that integrate social and environmental goals in their business strategies not only improve business reputation but also gain greater profits in the long run. With this vision, MSMEs on the North Coast of East Java can become a model of sustainable economic development that is able to encourage growth at the local and national levels.

In fact, MSME actors in the North Coast of East Java are still facing various problems that hinder their business development. One of the main challenges is the lack of entrepreneurial literacy, which makes it difficult for MSME actors to manage their businesses professionally, especially in the aspects of strategic planning, financial management, and innovation. (W. S. Lee & Kim, 2019) shows that the lack of understanding of entrepreneurial literacy results in the low ability of MSMEs to compete in an increasingly competitive market. In addition, government support that is not optimal, both in the form of policies, funding, and assistance, is also a significant obstacle. According to data from BPS East Java (2022), more than 60% of MSMEs in coastal areas have not received adequate access to training or technical assistance from the government. Other challenges include limited access to technology, lack of collaboration with the private sector, and the growing threat of climate change(Abed, 2021; Lin & Chang, 2019). This condition reflects the need for a more integrated and strategic approach to address MSME problems, so that this sector can grow and support sustainable development goals.

To overcome the problems faced by MSMEs in the North Coast of East Java, the government needs to implement a strategy that focuses on providing capital assistance, access to cooperation, and simplifying bureaucracy(Fan et al., 2021; Kim, 2019). Capital assistance, both through low-interest loan schemes and grants, will provide space for MSMEs to increase business capacity. (Detlor & Julien, 2020; Ritz et al., 2019; Shaheer & Li, 2020) shows that more inclusive access to funding can increase the productivity of MSMEs by up to 35%. In addition, the government needs to facilitate collaboration between MSMEs and strategic partners, such as large companies and local cooperatives, in order to expand marketing networks and strengthen supply chains. Efficient bureaucracy is also needed, including simplifying the licensing process and support in managing business administration, according to Saura, (2021), can reduce operational expenses by up to 20%.

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The government can also create special programs for tourist areas, such as providing training on environmentally friendly tourism-based business management(Nur Asni Aulia, M Hasan, M Dinar, M Ihsan Said Ad & Supatminingsih, 2020; Zhu, 2019). With a focus on sustainability, the program can include training on waste management, the use of green technology, and product diversification based on local wisdom. This strategy not only helps MSMEs in improving their competitiveness but also supports the achievement of SDG 8 and SDG 12 through responsible business practices. The government must play an active role as a facilitator, regulator, and catalyst in creating a business ecosystem that is conducive to the sustainability of MSMEs in the North Coast region.

In addition to the role of the government, involving academics in providing entrepreneurship training to MSME actors is also an important strategy(Bazkiaei et al., 2020; Shepherd et al., 2020). Academics can provide research-based assistance to help MSMEs understand and implement innovative business practices. Research by Ratten (2020) highlights that practice-based training and academic research are able to improve managerial skills and creativity of business actors(Hägg & Gabrielsson, 2020; Machali et al., 2021). Academics can design training modules that include product innovation, digital marketing, and risk management, so that MSME actors have a more mature strategy in dealing with market dynamics.

In addition, innovation in entrepreneurship learning is one of the keys to accelerating the adaptation of MSME actors to economic changes(Gianiodis & Meek, 2020; Nuseir et al., 2020; Sang & Lin, 2019). Academics can introduce interactive learning methods, such as business simulations, individual mentoring, and local case studies, which have proven to be effective in increasing entrepreneurial literacy. Mutanda & Moyo, (2021) said that the innovation-based learning approach is able to increase the innovative ability of business actors by up to 40%. With the involvement of academics, MSME actors in the North Coast of East Java can be better prepared to manage their businesses creatively and sustainably, thereby contributing to the achievement of SDG 8 and SDG 12.

Although many studies have discussed the role of MSMEs in supporting economic development, studies that integrate entrepreneurial learning, government support, and business sustainability, especially in the tourist area of the North Coast of East Java, are still limited. Previous research such as Gairola, (2019); and Lynch et al., (2021) It focuses more on aspects of access to capital or government policies in general, but has not specifically examined the relationship between innovative entrepreneurship learning, government synergy, and its impact on the achievement of SDG 8 (decent work and economic growth) and SDG 12 (responsible consumption and production).





This research fills the gap with a holistic approach involving the government, academics, and micro and small MSME actors in the North Coast area of East Java.

The novelty of this research lies in a collaborative approach that integrates entrepreneurial learning with government support to improve the sustainability of micro and small MSME businesses. In addition, this study provides a specific focus on the tourist area of the North Coast of East Java, which has high economic potential but still faces challenges in terms of innovation and sustainability. By aligning entrepreneurial practices with SDG 8 and SDG 12, this research offers a new perspective on how collaborative strategies can drive business sustainability in the MSME sector.

This urgency is important considering the strategic role of MSMEs as the backbone of the national economy, especially in the North Coast area of East Java, which is a tourism and cultural center. In an increasingly competitive global context, micro and small MSMEs in the region need innovative strategies to survive and thrive. In addition, the lack of entrepreneurial literacy and suboptimal government support can hinder their potential to contribute to sustainable development. This research is urgent to be carried out in order to provide evidence-based recommendations that are relevant to local needs while supporting the SDGs agenda.

So this research aims to analyze the role of the government in supporting the sustainability of micro and small MSME businesses in the North Coast area of East Java, Explore the role of innovative entrepreneurship learning in improving MSME performance, Identify effective collaborative strategies between the government and academics to support the sustainability of MSMEs, Provide recommendations to improve the competitiveness and sustainability of MSME businesses, in accordance with SDG 8 and SDG 12.

The implications of this research include two main aspects, namely practical and theoretical. Practically, the results of this study can be the basis for the government to design more targeted policies in supporting micro and small MSMEs, especially in the North Coast area of East Java. For academics, this research provides a foundation for developing more innovative and relevant entrepreneurship learning programs. Theoretically, this study enriches the literature on the synergy between the government, academics, and business actors in supporting business sustainability in accordance with sustainable development goals.

2. RESEARCH METHOD

This study employs a qualitative approach with a case study design, aiming to understand the collaboration strategies between the government and MSMEs in supporting business sustainability

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through the integration of entrepreneurship education in the North Coast region of East Java. A case study design was chosen as it allows for an in-depth exploration of the experiences, challenges, and strategies relevant to the specific context of this region. The focus of the research covers three primary locations: Karang Kering Beach in Gresik, Kenjeran Beach in Surabaya, and Kutang Beach in the Rungkut area. The initial phase of the study involved a literature review to understand the theoretical framework, the development of relevant interview guidelines, and technical preparation for conducting interviews, observations, and documentation. Primary data was collected through semi-structured interviews, which allowed for flexible and in-depth exploration of the experiences and perspectives of the informants. Secondary data, such as policy documents and records related to MSMEs, further supported the analysis.

The research informants consisted of five individuals. Three key informants are MSME owners in the study areas: Ibu Solihah Nur Aini (owner of a shell souvenir business at Karang Kering Beach, Gresik), Kaji Dola Ashari (owner of a grilled fish business at Kenjeran Beach, Surabaya), and Pak Samsul (owner of a young coconut ice business at Kutang Beach, Rungkut). The two additional informants are Bapak Rudi Ali (Chairman of Pokdarwis at the Surabaya beach area) and Bapak Jainullo Arifin (a government employee at the Karang Kering Beach area in Gresik). The selection of informants was based on their direct involvement in MSME activities and the management of the beach areas, as well as their experiences in interacting with government entities and academics. Data collection used a triangulation technique, including in-depth interviews, participatory observations at MSME sites, and document analysis. Observations were conducted during MSME activities to gain a comprehensive view of the dynamics occurring. The researcher served as the primary instrument in data collection, maintaining empathetic interactions to obtain valid and in-depth data. The data was analyzed using the Miles and Huberman model, which includes data reduction, data presentation, and drawing conclusions. Data validity was ensured through credibility, transferability, dependability, and confirmability tests to ensure the research findings accurately reflect the real conditions and experiences of the informants.

3. RESULTS AND DISCUSSION 3.1 RESULTS

The results of interviews and observations show that the collaboration between the government and MSMEs in the North Coast region of East Java, including Karang Kering Beach (Gresik), Kenjeran Beach (Surabaya), and Kutang Beach (Lamongan), has not been fully optimized. The government's programs tend to be general and lack specificity in addressing the local needs of MSME owners. Ibu Solihah Nur Aini (owner of a shell souvenir business at Karang Kering Beach, Gresik) stated: "This collaboration often stops at training programs without follow-up implementation. The financial assistance we expect is often difficult to access due to complicated



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administrative processes and limited outreach. Additionally, we feel we have not received enough support to expand market access through digital technology. W/01/001/SNA/IK." Kaji Dola Ashari (owner of a grilled fish business at Kenjeran Beach, Surabaya) added: "The government seems to focus more on larger MSMEs, while we, the smaller ones, often get left out. The training programs are usually one-time seminars, while what we need is direct mentoring, especially in managing our businesses and utilizing digital platforms for marketing. W/01/002/DA/IK." Mr. Jainullo Arifin (government employee at Karang Kering Beach, Gresik) remarked: "As local government, we try to facilitate MSME assistance applications, but coordination with higher authorities is often a challenge. Many MSME owners in this area are not even aware of government programs due to the lack of outreach. W/02/004/JA/IT." The field observations support these statements. While government programs such as entrepreneurship training, cooperative formation, and subsidies exist, these programs are not holistically integrated. Long-term mentoring is also nearly nonexistent, leaving MSME owners to repeatedly face the same challenges.

3.1.2 The Role of Integrated Entrepreneurship Education in Enhancing Entrepreneurial Literacy and MSME Performance

Integrated entrepreneurship education, combined with digital literacy, has become a key requirement to help MSMEs in this area compete in the digital era. Mrs. Solihah Nur Aini commented: "The training I participated in from the university was interesting, but it was purely theoretical. What we need are practical training sessions, such as how to set up an online store or manage marketing through social media. Without that, we struggle to grow. W/04/001/SNA/IK." Kaji Dola Ashari said: "Our entrepreneurial literacy is still low. I don't even know how to make proper financial reports, let alone access business credit. The government or academia should offer on-the-ground training. W/04/002/DA/IK." Mr. Rudi Ali (Chairman of Pokdarwis in the Kenjeran Surabaya area) noted: "As a tourism community, we see a lot of potential in MSMEs here. Unfortunately, product innovation and marketing are still weak. Training involving academics is crucial to providing new ideas and innovative strategies. W/04/005/RA/IT." The interviews reveal that the entrepreneurial literacy of MSME owners is still low, particularly in areas like financial management, product innovation, and digital marketing.

3.1.3 Strategies to Strengthen Collaboration Between the Government and MSMEs The collaboration strategy between the government and MSMEs can be focused on two main aspects: enhancing government support and involving academia to mentor MSME owners. Ibu Solihah Nur Aini emphasized: "The government needs to better understand our specific needs. In addition to capital assistance, we also need market access and promotion through tourism events. So far, this has not been fully realized. W/05/001/SNA/IK." Kaji Dola Ashari pointed out: "We need a simpler business licensing process. Also, access to affordable raw materials is crucial, especially for small businesses like ours. W/05/002/DA/IK." Mr. Jainullo Arifin suggested: "The best strategy would be to create locally-based assistance programs. The government should also form special teams dedicated to handling MSMEs in each tourist area to provide regular mentorship. W/02/004/JA/IT." Regarding the second strategy, involving academia, Bapak Rudi Ali remarked: "We hope universities can be more active in mentoring MSMEs. For example, by holding workshops on product innovation, business management, and marketing strategies that are relevant to our local context. W/05/005/RA/IT." Kaji Dola Ashari added: "Training from academics should involve hands-on practice. Also, we want to learn how to use e-commerce platforms to expand our market reach. W/06/002/DA/IK." Involvement from academia in experiential learning can boost creativity and innovation among MSME owners. Academia can serve as a strategic partner by providing research-based solutions and practices tailored to local needs. This cross-sector collaboration has the

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potential to accelerate the achievement of SDG 8 (Decent Work and Economic Growth) and SDG 12 (Responsible Consumption and Production).

3.2 DISCUSSION

3.2.1 Conditions of Collaboration between the Government and MSMEs in the North Coast Region of East Java in Supporting Business Sustainability

Collaboration between the government and MSMEs in the North Coast of East Java is currently still facing various obstacles, especially in terms of synergy between programs designed by the government and the specific needs of MSME actors. Based on interviews with several MSME actors, there are complaints about the lack of relevance of the training and assistance provided. Most entrepreneurship training programs tend to be general in nature without adjusting to the local business context, such as the need to manage beach-based businesses. Administrative requirements to access assistance are also considered burdensome, especially by micro business actors who do not have adequate human resources or administrative capacity. Observations on the ground show that supporting infrastructure, such as marketing locations, logistics access, and promotional facilities, is still far from optimal. For example, the tourist areas of Kenjeran Beach and Karang Kering Beach do not yet have integrated facilities that allow MSME actors to market their products directly to tourists. This causes MSMEs to rely on third parties who often take larger profit margins, thereby reducing the net income of business actors. From the government's side, there are efforts to provide training and access to capital. However, these programs have not been implemented holistically and sustainably. For example, entrepreneurship training organized by related agencies usually only lasts for a short period of time without any further assistance. This has resulted in MSME actors having difficulty implementing training materials effectively in their businesses.

This situation reflects the results of the research Kim, (2019); and Shaheer & Li, (2020) who stated that collaboration between the government and MSMEs in the tourism sector is often hampered by a top-down approach that does not consider local needs. In the context of the North Coast of East Java, this can be seen in the lack of dialogue between the government and MSMEs regarding priority needs. A bottom-up approach, in which MSME actors are involved in program planning, needs to be implemented to make collaboration more effective. In addition, the sustainability of MSME businesses is also influenced by the lack of awareness of business actors on the importance of cooperation in the community. Observations show that most MSMEs in this region operate individually without coordinating with other business groups or tourism communities. This weakens their competitiveness, especially in the face of competition with more standardized products outside the region.





In order to increase collaboration, a more adaptive strategy is needed. The government needs to pay attention to the local context in designing assistance programs, such as facilitating access to capital through an unsecured people's business credit mechanism or providing hands-on, practice-based training. On the other hand, MSMEs need to be encouraged to form joint working groups so that they can take advantage of economies of scale, share knowledge, and create synergies in marketing local products.

3.2.2 The Role of Integrated Entrepreneurship Learning in Improving MSME Literacy and Performance

Integrated entrepreneurship learning plays an important role in improving entrepreneurial literacy and MSME performance in the North Coast region of East Java. However, based on the results of interviews, the training provided by the government and private institutions tends to focus on theory and less emphasis on direct practice that can be applied in the context of daily business. Most of the MSME actors interviewed admitted that it was difficult to implement training materials, especially related to digital marketing and business financial management. The observation results support this finding, where most MSMEs in the North Coast area have not utilized technology optimally to increase product marketing. For example, only a few businesses use e-commerce platforms to reach a wider market. This shows that there is a digital literacy gap that can hinder business growth, especially in the era of digital transformation like today.

The learning approach carried out so far is still one-way and does not involve active participation from business actors. This is contrary to the theory of active learning, where business actors should be given the opportunity to practice the knowledge they learn during training. Study Maula et al., (2023) emphasized that problem-based learning can improve the adaptability and creativity of MSME actors in facing business challenges. To improve entrepreneurial literacy, the government and academic institutions need to develop training programs that are contextual and practice-based. For example, training can include a simulation of the use of social media for product promotion or a workshop on simple financial management. Post-training assistance is also needed so that MSME actors can continue to receive guidance and feedback in developing their businesses.

In addition, entrepreneurship learning needs to be directed to increase the awareness of business actors on the importance of innovation(Rahma et al., 2022; Setyawati et al., 2024; Wardana et al., 2023, 2024). Observations show that most MSME products in this region are still traditional and less innovative, making it difficult to compete with products from outside the region. Innovation can be realized through the development of products based on local wisdom, such as special foods

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or souvenirs made from seafood. The integration of entrepreneurship learning with digital literacy and product innovation is expected to be able to improve the performance of MSMEs, both in terms of productivity and competitiveness. In the long term, this will support business sustainability and create more inclusive jobs in the North Coast region of East Java.

3.2.3 Strategies to Strengthen Collaboration between the Government and MSMEs in Support of SDG 8 and SDG 12

Collaboration strategies between the government and MSMEs in the North Coast region of East Java need to be comprehensively designed to support the achievement of SDG 8 (decent work and economic growth) and SDG 12 (responsible consumption and production). Based on the interviews, one of the main obstacles in this collaboration is the lack of coordination between various stakeholders. MSME actors often feel that government policies are not transparent and difficult to access, while the government considers MSMEs to be less proactive in utilizing the facilities that have been provided. The observation results show that the North Coast area has great potential to develop a tourism-based business ecosystem, but this potential has not been utilized optimally. The absence of strong regional branding makes MSME products from this area difficult to be known in the wider market. In addition, promotional activities such as festivals or bazaars of local products are still rarely held, so opportunities to introduce MSME products to tourists are limited. An effective collaboration strategy can start by forming a cross-sector working group involving the government, MSMEs, academics, and local communities. This group aims to formulate programs based on local needs, such as the provision of marketing infrastructure or digital marketing training. In addition, the government can initiate event-based promotional campaigns, such as seafood festivals or local product bazaars, involving MSME actors as the main participants.

Research (Maula et al., 2023; Rahma, 2023; Wardana et al., 2020) shows that multi-stakeholder-based collaboration can increase the competitiveness of MSMEs through the creation of a supportive business ecosystem. In the context of the North Coast of East Java, this strategy needs to be complemented by the provision of incentives for MSMEs that implement sustainable production practices, such as the use of environmentally friendly raw materials. To support SDG 12, the government can encourage MSMEs to apply the principles of responsible consumption and production through training and mentoring. For example, MSME actors can be taught how to reduce production waste or use more sustainable local raw materials. This will not only support the achievement of the SDGs, but also improve the image of MSME products in the eyes of consumers. With a planned collaboration strategy and consistent implementation, the government and MSMEs can create a strong synergy to support sustainable economic growth in the North Coast region of East



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Java. This will not only improve the welfare of business actors, but also make a real contribution to the achievement of SDG 8 and SDG 12.

4. CONCLUSION

Based on the research findings, collaboration between the government and MSMEs in the North Coast region of East Java faces several challenges that impact business sustainability, such as a lack of synergy in the provided programs and limited facilities to support the marketing of local products. However, there is significant potential to enhance this collaboration through a more integrated approach, involving MSME owners in program planning and facilitating their access to hands-on entrepreneurship education and technology. Strengthening entrepreneurial literacy, particularly in digital skills and product innovation, is crucial to improving the competitiveness of MSMEs in this area.

To strengthen the collaboration between the government and MSMEs in support of SDG 8 and SDG 12, a multi-stakeholder ecosystem should be established, involving academics and local communities. This can be achieved by offering relevant training, enhancing digital marketing capabilities, and promoting sustainability-based products. In this way, the government and MSMEs can create a strong synergy that not only boosts local economic performance but also supports broader sustainable development goals.

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