

## Optimization of Empowerment of Local Micro, Small, and Medium Enterprises (MSMES) Sector Based on Tourism

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**Abstract:** This study aims to analyse the empowerment of local micro, small, and medium enterprises (MSMEs) in Wasur Village through tourism development. This research is a field study using a qualitative approach and was conducted in Wasur Village with 12 informants. Data were collected through interviews and field observations and analysed using an interactive model comprising data reduction, data display, and conclusion drawing. The findings indicate that the empowerment of local tourism-based MSMEs in Wasur Village has not been optimally implemented. This condition is influenced by the low capacity and competitiveness of local MSME actors, as well as the limited integration between local economic actors and the tourism activities developing in the area. Additionally, inconsistent assistance and a lack of program sustainability have constrained marketing processes and hindered product innovation. The absence of digital promotion and limited partnership networks with travel agents and tourism marketing platforms has further weakened the position of local MSMEs. Therefore, strengthening market access through digital marketing strategies and integrating MSME products into local tourism packages is urgently needed.

**Keywords:** Field Observations; Medium Enterprises; Sustainable Tourism; Digital Innovation; Digital Marketing; National Park; Tourism Sector; Local Economy.

**Cite as:** H. Oja and Y. E. Teturan, "Optimization of Empowerment of Local Micro, Small, and Medium Enterprises (MSMES) Sector Based on Tourism," *AVE Trends in Intelligent Social Letters*, vol. 2, no. 3, pp. 134–141, 2025.

**Journal Homepage:** <https://avepubs.com/user/journals/details/ATISL>

**Received on:** 06/11/2024, **Revised on:** 27/01/2025, **Accepted on:** 20/04/2025, **Published on:** 09/09/2025

**DOI:** <https://doi.org/10.64091/ATISL.2025.000204>

### 1. Introduction

Tourism and Small and Medium Enterprises (MSMEs) are two economic sectors that play a crucial role in a country's economic development. Tourism not only provides valuable cultural and tourist experiences for visitors but also has the potential to boost economic growth and employment. Furthermore, MSMEs often serve as the backbone of the economy, making significant contributions to local and national economies [4]. The tourism sector has significant potential to drive local economic growth by developing Micro, Small, and Medium Enterprises (MSMEs) [9]. The synergy between MSMEs and the tourism sector is mutually reinforcing, with both playing a crucial role in building an inclusive and sustainable regional economic system [10]. MSMEs provide creative products and services, such as culinary specialities, handicrafts, and services rooted in local wisdom, enriching the tourist experience and enhancing the region's cultural identity. Conversely, the tourism sector provides broader market access, increases demand for local products, and opens up new business opportunities for MSMEs [15]. According to

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the World Tourism Organisation [28], inclusive tourism development can create a local economic value chain by empowering MSMEs, thereby more evenly distributing economic benefits across the community. This aligns with Tambunan's [24] view, which emphasises that MSMEs play a strategic role in regional economic development by creating jobs, increasing community income, and preserving local cultural values. Thus, the synergy between MSMEs and the tourism sector not only strengthens regional economic competitiveness but also supports the realisation of sustainable development oriented towards community welfare and cultural preservation [12].

**Sustainability:** The MSME program in the tourism sector means MSMEs' ability to survive, operate, and develop in the long term despite external changes or pressures (such as pandemics, competition, and shifts in tourist preferences). The sustainability of MSMEs in the tourism sector can be interpreted as the ability of small and medium enterprises operating in the tourism services, tourism-supporting crafts, culinary tourism, or accommodation/lodging providers to survive, develop, and provide economic (and social/environmental) benefits in the long term, especially in overcoming shocks such as pandemics, changes in tourist demand, and competition. Referring to the issues mentioned above, relevant to various studies cited in different journals on this research problem, including the need to improve and optimise the potential of existing human resources to enhance product quality and the economic stability of the community [22].

Regarding business opportunities in the MSME sector, Putri et al. [14] emphasise that MSME actors can start businesses based on their abilities and skills to develop the economy, increase capacity, and improve community welfare. Efforts are made by the Government, Regional Governments, the Business World, and the community to empower Micro, Small, and Medium Enterprises through the provision of facilities, guidance, mentoring, and strengthening assistance to foster and increase the capacity and competitiveness of MSMEs. Merauke Regency boasts diverse natural resource potential for tourism development, including coastal, swamp, riverine, and other tourism destinations. These diverse tourist attractions are popular holiday destinations for residents of Merauke Regency. The growing number of tourism attractions can create opportunities for entrepreneurs, particularly local MSMEs, to develop business opportunities and market their products.

This means that a tourist attraction serves not only as a recreational space for visitors but also as an economic hub for the community through MSMEs. Therefore, empowering local MSMEs should not only focus on stimulation but also empower them to seize every opportunity. This aligns with the views of Ningrum and Purwanto [7], who emphasised that the growth of the tourism sector can be optimised. That innovation must be continuous to create tourist villages that can attract tourists and compete globally, thus optimistically boosting the economy in the future. They further emphasised that tourism sector development aims to increase economic growth, reduce poverty, and improve community well-being.

Local MSMEs, particularly those of indigenous Papuans, are a priority in every government policy and program for community economic empowerment. Ironically, these MSMEs have not fully developed and are generally unable to compete with other MSMEs. This is because their businesses lack the skills and capabilities to develop offerings aligned with societal trends. They lack the capacity to capitalise on every opportunity within the tourism sector. This research focuses on the location of tourism objects in Wasur Village, Merauke Regency. It features a variety of tourist attractions, with most residents being local people, and, in terms of tourist visits, it offers its own appeal as a holiday destination. However, the existence of this tourist attraction does not have a direct impact on the local community's economy through MSMEs, as it provides a separate space for the local MSME sector. Wasur Village is located in Merauke Regency. In terms of natural potential, Wasur Village boasts a variety of natural attractions that can attract tourists.

The community widely knows Wasur Village as Wasur National Park [26]. The existence of Wasur National Park should have a significant impact on local MSMEs. The increasing number of attractions across various tourist areas will stimulate the development of MSMEs in those areas. However, ironically, the presence of Wasur National Park and several other tourist attractions in Wasur Village has not had a direct impact on local MSMEs. The lack of visitors to a tourist destination will impact the community's economy. Therefore, strengthening tourism attractions is a strategy to advance the tourism sector and boost the local economy through MSMEs. Local MSMEs in Wasur Village are a vital part of the community-based economic structure in the Merauke border region of South Papua. Most community-managed micro and small businesses remain traditional and use local natural resources as their primary raw materials.

MSMEs in Wasur Village thrive on local wisdom, traditions passed down through generations, and the use of abundant natural resources, such as forest products, fisheries, agriculture, and Marind cultural crafts. Despite their small scale, MSMEs in Wasur Village have unique characteristics that distinguish them from other areas, namely the Malind cultural values inherent in their products, such as carving patterns, local fauna symbols, and traditional motifs that reflect the identity of the indigenous community. In addition, Wasur National Park's status as a tourist destination and conservation area offers significant opportunities for local MSMEs to develop an economic model based on tourism and environmental sustainability. Based on the explanation above, this research aims to analyse the optimisation of empowerment for the local tourism-based micro, small, and medium enterprises (MSMEs) sector in Wasur Village.

## **2. Research Methods**

This research employs a qualitative case study method [5]. This approach is descriptive, aiming to understand and describe a specific case in depth. The case studied can be a single entity, such as an individual, or more complex, such as a group or organisation [17]. This research is expected to provide understanding for the local community of Wasur Village and the Merauke Regency Government to optimise local community capacity through MSME empowerment programs centred on the tourism sector in Wasur Village. In addition, this research uses field research, an approach that involves asking questions and implementing procedures to collect specific data from participants [30]. The data obtained are analysed inductively, starting with the identification of specific themes and progressing to general themes, which are then interpreted to understand their meaning [23].

## **3. Results and Discussion**

Wasur Village, as a tourism destination, is one of the local villages in Merauke Regency with various attractions, both flora and fauna, making it one of the ten tourist villages in Merauke Regency and a pioneering village with diverse tourist attractions. With the wealth of diverse tourist objects being an entry point in encouraging the local community's economy through the MSME sector, However, in reality the local MSMEs of the Wasur Village community themselves have not experienced independence and even progress so it is important to optimize existing tourist objects to become a space for local MSME actors to develop which is seen from various aspects including:

### **3.1. Access to Tourism Market**

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the ecosystem. Tourism, which offers a range of products and services such as accommodation, culinary delights, souvenirs, and transportation, contributes significantly to the local economy and job creation. MSMEs' access to the tourism market can be improved through various strategies, including digitalisation, capital support, and enhanced product quality and competitiveness. Access to the tourism market refers to MSMEs' ability to effectively market their products or services to tourists, both domestic and international, through various distribution and promotional channels. Based on research into indicators of MSME access to the tourism market, local MSME actors have been given space to participate in all tourism activities, including tourism exhibitions.

Participation in tourism events provides MSME actors with access to market products from local MSMEs, including culinary specialties and other handicrafts. Still, for local MSME actors to be involved in tourism activities organised by the Merauke Regency government through related agencies, various requirements must be met, including the type of product marketed in the tourism area, which relates to product feasibility, packaging, and product name labelling. This aims to ensure that products from local MSMEs are suitable for consumption by visiting tourists. Still, not all local MSMEs meet the requirements for tourism exhibitions; only a small number are involved in tourism activities, including MSMEs producing tea dye from ant nests, Ant Nests, Honey, Orchids, Pottery, Wooden Batik, and others.

For this reason, it is important to strengthen the capacity of local MSMEs in production, marketing, and packaging rights to enable the marketing of MSME products, make them suitable for consumption by visitors or tourists, and support the sustainability of local MSMEs. The Department of Tourism and Creative Economy has made various breakthroughs in Tourism programs by involving MSMEs, including MSME exhibitions in tourist areas and tourism promotions. Still, there has been no sustainability of programs to encourage the growth of local MSMEs in the tourism sector; therefore, empowering local MSMEs in the tourism sector is not only to encourage their growth but also to sustain them so they continue to grow, develop, and remain competitive. The sustainability of the local MSME program in Wasur Village's tourism sector is crucial because it plays a major role in local economic growth, employment generation, and sustainable tourism development. Wasur Village has diverse tourism potential. The involvement of local MSMEs in the tourism sector of Wasur Village not only encourages local economic growth through the MSME sector but the presence of local MSMEs in the tourism sector will increase the attraction of tourists to visit tourism centers, therefore the sustainability of the local MSME empowerment program in the tourism sector aims to ensure that local MSMEs can survive and develop because local MSMEs are always given space to market and exhibit their business products. This aligns with the views of Juwita et al. [13], who emphasised that the MSME and Tourism sectors have benefited from leniency provided through various policies. The policies given to the MSME sector are more about helping ease their burden so they can survive.

### **3.2. Tourism-Based MSME Marketing Products**

Tourism-based MSME products are goods or services produced by micro, small, and medium enterprises (MSMEs) that leverage the potential of tourist destinations as sources of ideas, raw materials, or main attractions. These products often reflect the region's, culture's, or tourist experience's uniqueness, making them part of the destination's appeal. Meanwhile, tourism-

based MSME marketing is the process of promoting, distributing, and selling MSME products to tourists and the wider market by leveraging tourism as a promotional medium and market reach, in line with the opinion of Kotler and Keller [8], who emphasised that effective marketing requires a deep understanding of consumer needs. In the context of tourism, MSMEs are not only looking for products but also for the experience and story behind them. Also emphasised by Cooper [2] in *Tourism: Principles and Practice*, that tourism and the local economy strengthen each other through a multiplier effect, where tourist spending in the MSME sector increases community income. The results of the study related to product marketing in the tourism sector show that the marketing process of local MSME products around the tourist area of Kampung Wasur is not yet in accordance with market trends or needs, and the products managed by local MSME actors are less in accordance with the potential of the tourism market as an important part of MSME product development. This occurs because local MSME actors have not fully recognised the tourism sector as a market for their products, even though Kampung Wasur offers a diverse range of tourist attractions, including flora and fauna, making it a Tourism Village. On the other hand, the marketing of local community MSME products remains conventional and has not used digital media to expand access to information about these products, resulting in lower demand from visitors or tourists. Meanwhile, local community MSME products in Wasur Village include handicrafts (wooden batik, Berabak, and other eye-catching materials), ant nest tea, eucalyptus oil, and other handicrafts such as meajuk products and headdresses for important guests, as well as other typical foods (Figure 1).



**Figure 1:** Local handicrafts in the Wasur village tourist area

To preserve local handicrafts, the community took the initiative to establish a simple museum. Strengthening products for local MSMEs in the tourism sector in Wasur Village is crucial to ensure the products marketed attract tourists. Integrating MSME products into MSME marketing management for local communities in the tourism sector encompasses aspects such as product planning, product presentation or packaging, product pricing, and product suitability for consumption or for meeting tourist needs. Marketing management is the process of planning and executing the conception, pricing, promotion, and distribution of goods, services, or ideas to create exchanges that satisfy individual and organisational goals [8]. Empowerment focused on strengthening the capacity of local community MSME products as an effort to improve the quality of marketed products to be competitive and able to compete in the global market through improving product quality, innovation, digital marketing, network expansion, access to capital, and improving human resources. This strategy includes training, mentoring, product certification, the use of appropriate technology, and collaboration with various parties to optimise product potential and improve the welfare of local communities by making the tourism sector a leading driver of community MSME actors. This aligns with the views of Ningrum and Purwanto [7] that the development of the tourism sector aims to increase economic growth, reduce poverty, and improve community welfare.

Similarly, Utami and Farida [27] emphasised that tourism has great potential to enhance the local economy's attractiveness by boosting tourist visits. Tourists often seek unique cultural experiences and local products during their travels; this is where MSMEs become particularly important. The above opinion shows that tourism development can also help increase MSME income, thereby integrating the MSME and tourism sectors to support the community and national economy. Therefore, empowering local MSMEs in Wasur Village is an effort to increase their capacity and make them more competitive in meeting

the market's increasing demand in the tourism sector. Capacity building is a systematic, ongoing process to strengthen the capabilities of individuals, groups, or organisations to perform functions, solve problems, and achieve goals effectively and sustainably. Skills are specific abilities a person possesses to perform a task or job effectively, including both technical and non-technical (soft) skills. Thus, capacity and skill building include efforts to develop capabilities through education, training, mentoring, and practical experience, enabling individuals or groups to improve their performance and competitiveness.

### **3.3. Connectivity of MSMEs with the Tourism Chain**

Connecting MSMEs with the tourism chain is crucial for local economic growth, as they play a crucial role in providing authentic tourism products and services, increasing community incomes, and creating jobs. The paper demonstrates that synergy between MSMEs and the tourism sector can create a mutually beneficial ecosystem in which MSMEs meet the needs of the tourism supply chain, and tourism serves as an economic driver for MSMEs. In its development, small businesses specifically related to local community MSMEs in Wasur Village, where Wasur Village is one of the tourist villages for the connectivity aspect between local MSME actors, more specifically in Wasur Village with the tourism sector in Wasur Village, do not show the synergy of the development of the tourism sector and the MSME sector both in terms of development and promotion [18]. In fact, these two sectors support each other, as the growing number of tourism activities, such as festivals, will serve as platforms for MSMEs to market their products, thereby encouraging community economic growth.

The involvement of local MSME actors in various tourism activities, as a trigger to attract tourists to Wasur Village's attractions, is supported by special tourism promotion facilities in the Village. The synergy between Micro, Small, and Medium Enterprises (MSMEs) and the tourism sector is mutually reinforcing. MSMEs serve as providers of creative products and services, such as culinary specialities, handicrafts, and services rooted in local wisdom, that enrich the tourist experience. Conversely, the tourism sector serves as a catalyst, expanding market access, increasing demand for local products, and opening up business development opportunities for MSMEs. According to the World Tourism Organisation [29], inclusive tourism development can create a local economic value chain by empowering MSMEs, thereby distributing economic benefits more equitably across communities. Consistent with this view, Tambunan [24] states that MSMEs play a strategic role in regional economic development by creating jobs, generating income, and preserving local culture. Therefore, the synergy between MSMEs and tourism not only enhances regional economic competitiveness but also strengthens the social and cultural sustainability of local communities.

### **3.4. Product Innovation and Diversification**

Product innovation and diversification are crucial strategies for Micro, Small, and Medium Enterprises (MSMEs) to navigate the competitive, ever-changing dynamics of the tourism market. Within the context of the creative economy, MSMEs operating in the tourism sector are required to add value by developing unique, authentic, and sustainable products and services [6]. Innovation encompasses not only new product development but also the renewal of production processes, business models, and marketing strategies to adapt to tourism trends. Products marketed in the tourism sector must be attractive to tourists, both in terms of taste and marketing. The findings of the research related to product innovation for local community MSMEs in the tourism sector of Wasur Village show that there has been no innovation as a form of adaptation to the needs and trends of tourists visiting various tourist attractions in Wasur Village, both in terms of marketed products, marketing aspects and from the form of packaging and taste value of the marketed products [3]. Most of the products produced by local community MSMEs in Wasur Village, marketed in the tourist area, are the result of community creativity and utilise the potential of existing natural resources. Still, in terms of marketing and packaging, they remain local and have not met tourists' needs. For the product diversification aspect itself, it is still minimal because the marketed products do not have product variations and are still limited to most of the marketed products in the form of handicrafts, even though related agencies have made various efforts to develop products produced by local MSMEs in Wasur village for business sustainability but have not provided significant results, this occurs because the mentoring process has not run well and the low capacity of the community in designing the businesses they run.

Product innovation and diversification are crucial elements in increasing the competitiveness of MSMEs in the tourism sector. Through innovation, local products can be developed with added value that makes them more attractive to tourists, while diversification helps maintain business continuity amid dynamic market changes [25]. Therefore, support from the government and relevant institutions should focus on increasing MSMEs' creative capacity, providing access to financing, and optimising digital-based promotions to encourage sustainable business transformation. According to Kotler and Keller [11], product innovation is a combination of processes that influence one another to produce a new product or a creative combination of existing products. Product diversification, on the other hand, is a strategic effort to expand market share and reduce dependence on a single product or tourism segment. MSMEs can diversify by developing product variants based on local cultural riches, culinary specialities, or high-value handicrafts [19]. For example, MSMEs that initially produce traditional foods can expand their business into modern packaged souvenirs, culinary tour packages, or cooking workshops for tourists. Besides serving as

adaptive strategies, innovation and diversification also help increase MSMEs' competitiveness against imported products and large-scale industries. In the tourism sector, MSME innovation can take the form of implementing digital technologies (such as e-commerce and social media), designing environmentally friendly products, and even cross-sector collaboration with tourism stakeholders and local governments [16]. A supportive ecosystem, including government policies, access to financing, skills training, and marketing networks, greatly influences the success of MSME product innovation and diversification in the tourism sector. With this synergy, MSMEs can contribute significantly to sustainable tourism development and improve the well-being of local communities [29].

### **3.5. Collaboration Between MSMEs and Tourism Actors**

Collaboration between MSMEs and the tourism sector is a strategic synergy that plays a crucial role in strengthening the local economy. The involvement of MSMEs in providing distinctive products, such as souvenirs, handicrafts, and local cuisine, can enrich the cultural value and tourism experience at a destination. Conversely, this partnership opens up opportunities for MSMEs to increase competitiveness through expanded market access, promotional support, and strengthening business networks facilitated by the tourism industry. Thus, this collaboration not only enhances the quality of the tourist experience but also improves community welfare and creates an inclusive, sustainable tourism ecosystem. Based on the results of interviews with several MSMEs with tourism object managers in Wasur Village, it was obtained information that collaboration between the two has not been optimally carried out because there are still limited tourism activities in various tourism objects in Wasur Village in the form of tourism events to stimulate tourists to visit so that it becomes an opportunity for local MSMEs in Wasur Village to market their products in tourist areas, such as regional culinary specialties, handicrafts, and souvenirs sold around tourist objects. Therefore, the Merauke Regency Government, through related agencies, increases the number of tourism events at various tourist attractions in Wasur Village to attract more visitors as a form of tourism promotion, while, on the other hand, encouraging local community economic development through MSMEs. In addition, there has been no cooperation with tourism actors, including local travel agents/travellers, restaurant operators, and others, to better promote local MSME products to tourists.

In the context of developing local MSMEs, collaboration between MSMEs and tourism actors, including the government and tourism agents, can be realised in various forms, such as providing local products (culinary, handicrafts, and souvenirs), supporting services (homestay accommodation, local transportation), and organising cultural events involving the local community. This finding aligns with the concept of Collaborative Governance, as outlined by Ansell and Gash [1], which emphasises cooperation between actors in the public and private sectors to achieve common goals. In this context, MSMEs and tourism actors collaborate to create a mutually beneficial local economic ecosystem. Ansell and Gash's [1] theory of collaborative governance explains that successful collaboration between stakeholders in development, including tourism, relies on communication, trust, and shared commitment to achieving mutually beneficial goals. In this context, MSMEs act as drivers of the local economy, providing culturally valuable products and services, while tourism actors expand markets and promote destinations. This form of collaboration aligns with the concept of community-based tourism (CBT), which emphasises local community involvement in the management and utilisation of tourism resources to create shared prosperity [21]. This collaboration also aligns with the sustainable tourism development approach, which emphasises a balance among economic, social, and environmental aspects, and involves MSMEs and local communities as crucial elements in creating authentic, sustainable tourism experiences [31]. Furthermore, the Ministry of Tourism and Creative Economy emphasises the importance of partnerships between tourism actors and MSMEs to support community-based tourism (CBT), which centres on local communities.

Through this approach, collaboration is oriented not only towards economic benefits but also towards community empowerment, local cultural preservation, and sustainable natural resource management. In practice, this synergy also enhances tourism destination branding, as the presence of local products and services is a unique draw for tourists. A study by Rizal [20] showed that collaboration between MSMEs and tourism destination managers increases tourists' length of stay and average spending per visit. Therefore, collaboration between MSMEs and tourism operators is not merely an economic relationship. Still, an inclusive tourism development strategy that strengthens local independence, improves community welfare, and creates an adaptive and sustainable tourism ecosystem. Collaboration between MSMEs and tourism players is a strategic synergy that plays a crucial role in strengthening local economies and enriching the attractiveness of tourist destinations. By offering distinctive products such as souvenirs, traditional culinary delights, and local crafts, MSMEs help create authentic, culturally valuable tourism experiences. Furthermore, involvement in the tourism industry provides MSMEs with broader market access, as well as promotional and distribution support that can increase the competitiveness of local products in the global market. World Tourism Organization [31] emphasised that partnerships between the tourism sector and small and medium enterprises (SMEs) are a key element in realising sustainable tourism development, namely tourism development that balances economic growth, community welfare, and environmental preservation. Thus, collaboration between MSMEs and tourism actors not only boosts community income but also strengthens local identity and creates highly competitive and sustainable destinations.

#### 4. Conclusion and Suggestions

Based on field research and data analysis, it can be concluded that the empowerment of local tourism-based micro, small, and medium enterprises (MSMEs) in Wasur Village has not been optimally implemented. This condition is caused by the still low capacity and competitiveness of local MSMEs, as well as the lack of integration between local economic actors and the growing tourism activities in the region. Furthermore, mentoring and sustainability of empowerment programs have not been carried out consistently, resulting in hampered marketing processes and a lack of product innovation produced by MSMEs. The lack of digital promotion and limited partnership networks with travel agents and tourism marketing platforms also weakens the position of local MSMEs. Therefore, efforts are needed to strengthen market access through digital-based marketing strategies and the integration of MSME products into local tourism packages. Based on the research findings, it is recommended that the local tourism-based MSME empowerment program in Wasur Village focus on increasing the capacity and competitiveness of business actors through business management training, product innovation, and the use of digital technology in marketing. The local government, along with supporting institutions, needs to strengthen cross-sector collaboration with tourism actors, travel agents, and digital marketing platforms to create an integrated business ecosystem. Furthermore, consistent mentoring programs are needed to ensure effective knowledge and skills transfer and encourage sustainable innovation. Developing digital promotional strategies and integrating MSME products into local tourism packages must also be prioritised to increase the community's economic potential, in line with the development of the region's tourism sector.

**Acknowledgement:** The authors sincerely acknowledge the academic support and research facilities provided by Musamus University, which contributed significantly to the successful completion of this work.

**Data Availability Statement:** The data used to support the findings of this study are available from the corresponding authors upon reasonable request.

**Funding Statement:** The authors collectively confirm that this research and the preparation of the manuscript were carried out without any external financial support or funding.

**Conflicts of Interest Statement:** The authors declare that there are no conflicts of interest among them that could have influenced the outcomes or interpretations of this study.

**Ethics and Consent Statement:** All authors have reviewed the manuscript and unanimously consent to its publication and availability to the academic and research community for scholarly use.

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