

STRENGTHENING INSTITUTIONAL CAPACITY OF WOMEN'S MSMEs FOR COMMUNITY WELFARE IN KONAWE REGENCY

FORTALECIMENTO DA CAPACIDADE INSTITUCIONAL DE MICRO, PEQUENAS E MÉDIAS EMPRESAS (MPMES) LIDERADAS POR MULHERES PARA O BEM- ESTAR DA COMUNIDADE NA REGÊNCIA DE KONAWE

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Abstract

This study examines the institutional capacity development of women's micro, small, and medium enterprises (MSMEs) in Konawe Regency, Indonesia, and their role in improving community welfare. Despite government initiatives, women's MSMEs still face major challenges in rural areas. Using a descriptive qualitative approach, the study involved five informants—government officials and women entrepreneurs—through interviews, focus group discussions, observations, and document analysis. The findings indicate that institutional capacity is hindered by structural, socio-cultural, and economic barriers such as domestic role burdens, limited credit access, low business literacy, and poor digital infrastructure. Although some local initiatives exist, they are often unsustainable due to weak institutional support and a lack of stakeholder collaboration. The study proposes a community-based, collaborative model involving village-level women's business groups, context-specific training, and gender-sensitive financial access. This model is expected to strengthen women's institutional capacity, improve household welfare, and promote local economic resilience. The study contributes to gender-responsive institutional development discourse and offers

Resumo

Este estudo examina o desenvolvimento da capacidade institucional de micro, pequenas e médias empresas (MPMEs) lideradas por mulheres no distrito de Konawe, Indonésia, e seu papel na melhoria do bem-estar da comunidade. Apesar das iniciativas governamentais, as MPMEs lideradas por mulheres ainda enfrentam grandes desafios em áreas rurais. Utilizando uma abordagem qualitativa descritiva, o estudo envolveu cinco informantes — funcionários do governo e mulheres empreendedoras — por meio de entrevistas, discussões em grupo focal, observações e análise documental. Os resultados indicam que a capacidade institucional é prejudicada por barreiras estruturais, socioculturais e econômicas, como sobrecarga de tarefas domésticas, acesso limitado ao crédito, baixo nível de conhecimento em negócios e infraestrutura digital precária. Embora existam algumas iniciativas locais, elas são frequentemente insustentáveis devido ao fraco apoio institucional e à falta de colaboração entre as partes interessadas. O estudo propõe um modelo colaborativo baseado na comunidade, envolvendo grupos empresariais de mulheres em nível de aldeia, treinamento específico para



practical recommendations for inclusive rural economic growth.

Keywords: Institutional Capacity. Women's MSMEs. Gender-Responsive Governance. Community Welfare. Inclusive Local Development. Konawe Regency.

o contexto e acesso financeiro com perspectiva de gênero. Espera-se que esse modelo fortaleça a capacidade institucional das mulheres, melhore o bem-estar familiar e promova a resiliência econômica local. O estudo contribui para o discurso sobre desenvolvimento institucional com perspectiva de gênero e oferece recomendações práticas para o crescimento econômico rural inclusivo.

Palavras-chave: Capacidade Institucional. Micro, Pequenas e Médias Empresas (MPMEs) Lideradas por Mulheres. Governança com Perspectiva de Gênero. Bem-estar Comunitário. Desenvolvimento Local Inclusivo. Regência de Konawe.

1 INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in fostering both national and regional economic development, including in Konawe Regency, where women-led MSMEs significantly contribute to enhancing household income, expanding employment opportunities, and advancing women's empowerment within local communities (BPS, 2022). Recent studies have shown that women's MSMEs significantly contribute to rural resilience and poverty alleviation in developing countries, underscoring their essential role in grassroots economic sustainability (Nursini, 2020; Osei, 2020; UN Women, 2023). The active participation of women in these enterprises not only reflects their economic resilience but also highlights their transformative capacity in promoting gender-equitable growth at the local level.

In Konawe, women are actively involved across various MSME sectors, including traditional culinary enterprises, handicrafts, and service industries, underscoring their position as key economic agents and catalysts for local development. This is in line with the findings of Defitriyani et al. (2022), which show that women's involvement in small businesses contributes to the diversification of household economies and strengthens local economic stability. However, despite their substantial contributions, women-led MSMEs continue to encounter critical challenges, particularly concerning institutional capacity. Many MSMEs remain insufficiently embedded within formal and informal institutional frameworks, which constrain their access to financial systems, market networks, and local governance mechanisms (Balzano et al., 2025; International

Monetary Fund (IMF), 2024). Access to finance and markets remains a primary challenge for women-led MSMEs globally, as found in recent studies focusing on institutional bottlenecks in women entrepreneurship (Alam et al., 2022; Majumdar, 2025). This institutional inadequacy hampers their potential to serve as pillars of community-based economic development and sustainable welfare enhancement. Consequently, such structural limitations reinforce gender-based economic disparities and impede the scalability of women-led enterprises, particularly in rural areas.

The Government of Indonesia acknowledges the strategic importance of MSMEs through Law No. 20 of 2008 and aligns MSME empowerment with the Sustainable Development Goals (SDGs), particularly emphasizing gender equality and inclusive economic growth (Bappenas, 2019). Nevertheless, persistent issues—such as limited access to capital, market constraints, and insufficient capacity-building opportunities—continue to hinder the expansion and effectiveness of MSMEs in contributing to local development (BPS, 2024). Additionally, an international study by Mwesigwa et al. (2024) and Ogundana et al. (2021) found that gender-responsive institutional support and policy consistency are essential to reduce systemic constraints on women's MSME growth in developing economies.

Institutional capacity, as conceptualized by Healey (1998), encompasses the enhancement of knowledge resources, social networks, and mobilization capabilities that enable stakeholders to collectively address localized development challenges. In the MSME context, institutional capacity building is essential for cultivating a supportive ecosystem that facilitates access to financial services, skills training, and market opportunities (Digdowiseiso & Sugiyanto, 2021; Tresnasari & Zulganef, 2023). This aligns with findings by Siba (2019), who emphasized the necessity of strengthening networks and capacity development for women entrepreneurs in Africa to overcome sociocultural and financial barriers. Complementarily, Moser's (2012) Gender and Development (GAD) framework advocates for the integration of gender-sensitive approaches into development planning, emphasizing the importance of addressing both practical and strategic needs of women in economic activities.

Empirical data reveal that approximately 13.25% of Konawe's population lives below the poverty line, with a relatively low per capita monthly expenditure of IDR 1,010,959 and an unemployment rate of 5.42%, surpassing the provincial average (BPS, 2024). Women constitute nearly 50.82% of the workforce in the MSME sector, indicating

their vital role in sustaining local economic resilience. Nonetheless, structural constraints continue to hinder their full potential, with approximately 70.75% of female workers receiving no remuneration—an indication of enduring gender-based disparities in economic participation and recognition.

The urgency of empowering women-led MSMEs is inextricably linked to their capacity to drive community welfare through poverty alleviation, job creation, and the reinforcement of local economic resilience. Prior research has shown that when women entrepreneurs are empowered, they tend to reinvest their earnings into their families and communities, resulting in improved educational outcomes, better healthcare access, and broader community development (Chakrabarty, 2024; Kabeer, 1999). This multiplier effect underscores the imperative for institutional support structures that enable women entrepreneurs to serve as agents of transformative change within their communities.

In the Konawe context, women are not only economic actors but also serve as custodians of social cohesion and local cultural values. Their participation in MSMEs serves as a platform to strengthen women's leadership, build confidence, and enhance their bargaining power within households and community decision-making structures (Moser, 2012). However, prevailing gender norms and sociocultural barriers continue to constrain women's entrepreneurial mobility, thereby necessitating gender-responsive institutional frameworks capable of addressing these multifaceted challenges effectively.

Collaborative approaches involving local governments, civil society organizations, and private sector stakeholders are critical to fostering an enabling environment for women-led MSMEs (Healey, 1998). Such collaboration can facilitate the development of inclusive policies, targeted capacity-building programs, and market access initiatives tailored to the specific needs of women entrepreneurs in Konawe Regency. By leveraging local partnerships and resources, institutional capacity can be enhanced to establish sustainable support systems that contribute to inclusive and gender-equitable local economic development.

Recent scholarship emphasizes the transformative role of women-led MSMEs in reducing poverty and enhancing community well-being in Indonesia, while calling attention to the persistent institutional barriers—particularly in terms of financing and market integration—that limit their scalability (Nursini, 2020; Ramdlaningrum et al., 2020; Tubastuvi & Purwidiyanti, 2023). Strengthening institutional capacity, therefore, requires a concerted effort between local authorities and community stakeholders to

formulate policies and programs aligned with the specific needs of women entrepreneurs, ensuring sustainability and inclusivity in local economic development (Andriana et al., 2025). Moreover, recent studies have underscored the importance of adopting localized institutional strategies that reflect sociocultural dynamics and gender norms specific to rural Indonesia (Mulyani & Ahsani, 2025). Integrating these perspectives into the planning and implementation of MSME development programs can enhance the effectiveness of women's economic participation while advancing broader objectives of community welfare. Such integration must be grounded in empirical evidence, participatory planning, and continuous stakeholder engagement to ensure alignment with local values and gender realities.

2 OBJECTIVES

In light of these considerations, this study seeks to formulate a gender-responsive institutional capacity-building framework that is contextually adapted to the socio-economic and cultural conditions of Konawe Regency. The primary objective is to support the growth and sustainability of women-led MSMEs by addressing systemic constraints and enabling their active participation in inclusive and sustainable local economic development.

3 LITERATURE REVIEW

3.1 Institutional capacity: conceptual foundations and strategic relevance

Institutional capacity is a multidimensional concept that reflects an institution's ability to effectively manage knowledge, mobilize resources, and leverage social relationships to achieve development objectives (Healey, 1998). It encompasses three core dimensions: knowledge resources, relational resources, and mobilization capacity. These dimensions are interdependent and foundational to building institutional structures that are both adaptive and resilient amid evolving socio-economic dynamics.

In the context of women-led MSMEs, institutional capacity plays a crucial role in ensuring systemic support, policy sustainability, and cross-actor collaboration. It is not limited to formal institutions alone but also includes informal norms, social values, and

community-based interactions that shape collective behaviour (North, 1990). Therefore, the enhancement of institutional capacity must address both structural components—such as policies, training programs, and legal frameworks—and informal dimensions, such as community solidarity, trust networks, and local cultural norms.

Research by Tresnasari and Zulganef (2023) emphasizes that responsive institutional capacity can significantly improve market access, production efficiency, and business sustainability for women entrepreneurs. Conversely, weak institutional frameworks, especially in rural areas, have been identified as critical barriers to developing a supportive entrepreneurial ecosystem. Digdowiseiso & Sugiyanto (2021) argue that strengthening institutional infrastructure can enhance MSMEs' competitiveness and resilience, which are essential for local economic advancement and social equity.

3.2 Gender and development framework

The Gender and Development (GAD) approach, introduced by Moser (2012), has shifted the paradigm of development planning by embedding gender as a central analytical lens. This framework distinguishes between practical gender needs—related to women's immediate and day-to-day necessities such as income, shelter, and health—and strategic gender interests, which aim to transform gendered power relations and promote long-term structural change. The integration of both dimensions is critical to achieving inclusive and equitable development.

In women-led MSMEs, practical needs often involve access to financial capital, entrepreneurial training, and market connectivity, while strategic interests encompass improved bargaining power in households and communities, active participation in decision-making, and societal recognition of women's economic roles. Kabeer (1999) conceptualizes empowerment as a multidimensional process comprising access to resources, agency, and achievements—highlighting that empowerment cannot be reduced to economic metrics alone.

Empirical studies support this multidimensional view. For example, Chakrabarty (2024) found that economically empowered women often invest in their children's education, family health, and community well-being, generating a multiplier effect on local development. However, structural gender disparities—such as patriarchal norms,

double burdens, and mobility restrictions—continue to impede women’s full participation in economic spaces.

3.3 Community-based entrepreneurship and the role of women’s MSMEs

Women-led MSMEs have become critical pillars in driving local economic development, particularly in rural settings. According to BPS Konawe (2024), over 50% of MSME actors in Konawe Regency are women. Despite their numerical dominance, most of these entrepreneurs operate within the informal sector and face persistent challenges, including limited access to institutional support, financial services, and capacity-building programs.

Community-based entrepreneurship offers a promising avenue for integrating women more fully into economic development frameworks. Peredo and Chrisman (2006) define community-based entrepreneurship as the collective creation and management of business ventures by local actors to address shared challenges, sustain cultural identity, and foster economic inclusion. Women’s participation in such initiatives enhances leadership, builds confidence, and strengthens social cohesion (Chakrabarty, 2024).

Nonetheless, institutional barriers remain. Tubastuvi & Purwidiyanti (2023) emphasize that many development programs are not gender-sensitive, often overlooking the specific needs and conditions faced by women entrepreneurs. This misalignment leads to fragmented and ineffective interventions, which fail to address the root causes of inequality in economic participation. Furthermore, entrenched socio-cultural norms—such as the perception that women should prioritize domestic duties—restrict women’s mobility and limit their access to public and entrepreneurial spaces (Moser, 2012).

3.4 Institutional challenges and local dynamics

Strengthening institutional capacity for women’s MSMEs requires context-specific approaches that take into account the unique social, cultural, and economic dynamics of rural areas. Song et al., (2024) identify a triad of constraints—financial exclusion, limited entrepreneurial education, and weak market integration—as core barriers in developing economies. In Konawe Regency, empirical data shows that 90.7%

of MSMEs rely exclusively on personal capital, and only 7.51% have received any form of formal training (BPS, 2024), reflecting a critical institutional gap.

Mulyani and Ahsani (2025) advocate for localized institutional capacity-building frameworks that incorporate community voices, cultural sensitivity, and gender inclusivity. Such frameworks must involve not only governmental actors but also community leaders, cooperatives, and civil society organizations to ensure that interventions resonate with local realities and are sustained over time. Moreover, institutions should promote participatory planning processes that enable women to voice their needs, contribute to policy formulation, and gain recognition as legitimate economic agents.

3.5 Empirical foundations and research gap

A growing body of empirical literature supports the positive impact of institutional capacity on MSME performance and women's empowerment. Ramdlaningrum et al. (2020) find that gender-responsive institutions significantly improve entrepreneurial outcomes and community well-being. Similarly, Andriana et al. (2025) underscore the importance of local governments in fostering enabling environments through inclusive policies and multi-stakeholder collaboration.

However, many of these studies focus primarily on formal institutions or technical aspects such as business training and financial literacy, with limited attention to informal structures, gender dynamics, and rural complexities. Moreover, there is a lack of comprehensive models that integrate institutional strengthening with the gendered experiences of women entrepreneurs in specific localities.

This study aims to fill that gap by developing a structured and gender-responsive institutional capacity model tailored to the socio-cultural context of Konawe Regency. By synthesizing theoretical insights from GAD, collaborative planning Healey (1998), and community-based entrepreneurship, the research seeks to offer a framework that not only empowers women entrepreneurs but also contributes to sustainable local economic development and community resilience.

4 MATERIALS AND METHOD

This study employed a qualitative descriptive approach to explore the strengthening of institutional capacity of women's MSMEs in Konawe Regency and its contribution to community welfare. A qualitative descriptive method was chosen as it allows an in-depth understanding of social phenomena within their natural settings, capturing the perspectives and lived experiences of women entrepreneurs while aligning with the study's objective of formulating an adaptive capacity-building model (Creswell & Poth, 2018; Yin, 2018). This approach enables the researcher to analyze complex institutional processes that influence MSME development in rural Indonesia, ensuring the collection of rich and contextualized data relevant to the study's aims. This approach also offers methodological flexibility in selecting appropriate analytical techniques to explore the complexity of institutional issues and the lived experiences of women entrepreneurs at the local level.

The research was conducted in Konawe Regency, Southeast Sulawesi, a region where women's MSMEs play a critical role in local economic development through their active involvement in traditional culinary businesses, crafts, and local services. Participants were selected using purposive sampling, focusing on women MSME owners with extensive experience and active participation in community economic activities, as well as key stakeholders such as cooperative leaders and local government officials. This sampling approach ensured the inclusion of information-rich participants whose experiences provided valuable insights into the institutional challenges and capacity-building needs of women's MSMEs (Creswell & Poth, 2018).

Data collection utilized a triangulation of methods, including semi-structured in-depth interviews, focus group discussions (FGDs), direct observations, and document analysis to enhance the credibility of findings (Miles et al., 2014). In-depth interviews were conducted with women MSME owners to explore their challenges in accessing institutional support, participation in capacity-building initiatives, and contributions to family and community welfare. FGDs were conducted with groups of MSME actors and cooperative members to validate individual findings and gather diverse collective perspectives regarding the institutional mechanisms that support women entrepreneurs. Direct field observations provided context to participant narratives by capturing environmental and operational practices within women's MSMEs, while document

analysis of government policies, cooperative regulations, and MSME development reports contextualized primary data within institutional frameworks (Yin, 2018).

The data collection process involved several steps, including preliminary mapping to identify relevant MSMEs and institutional stakeholders, securing informed consent while ensuring participant confidentiality, and scheduling interviews and FGDs flexibly to accommodate participants' time constraints. All interviews and discussions were audio-recorded with participants' consent to facilitate accurate transcription and analysis, ensuring data reliability. Document analysis involved reviewing official reports and regulations to triangulate findings and support the interpretation of field data within existing policy frameworks. The combination of these methods ensured a comprehensive understanding of the institutional landscape and capacity-building needs of women's MSMEs.

Data analysis in this study primarily employed the interactive model proposed by Miles et al. (2014), which includes three main steps: data condensation, data display, and conclusion drawing with verification. During data condensation, data from interviews, FGDs, and documents were coded and categorized to identify themes related to institutional capacity building, gender-responsive support, and MSME contributions to community welfare. The data were then displayed using thematic charts and matrices to facilitate pattern recognition and comparison across data sources. The final step involved drawing conclusions from identified patterns while ensuring verification through triangulation and member checking with participants to validate interpretations and enhance credibility.

To strengthen the thematic depth of the findings, this study also utilized selected principles from Braun & Clarke (2019) thematic analysis—specifically, for identifying recurring and emerging themes within the condensed data. These principles were integrated within the interactive model to ensure thematic coherence, without functioning as a separate or overlapping analysis method.

To maintain validity and reliability, the study applied methodological triangulation, using multiple data sources and methods to ensure consistency and depth in findings. Member checking was conducted by sharing preliminary interpretations with participants to confirm the accuracy of the researcher's analysis and interpretations, thereby enhancing the study's credibility (Mckim, 2023). Transferability was addressed by providing detailed contextual descriptions of Konawe Regency and the socio-

economic environment of women's MSMEs, allowing readers to assess the applicability of findings to other similar contexts (Creswell & Poth, 2018). Dependability and confirmability were ensured through systematic documentation of research procedures and reflective journaling during data collection and analysis.

Ethical considerations were prioritized throughout the research process by obtaining informed consent from all participants, ensuring the confidentiality and anonymity of participant identities, and respecting participants' autonomy and right to withdraw from the study at any stage without any consequences. All data collected were used solely for research purposes, with findings presented in a manner that protects participant identities and privacy.

Anticipated challenges included difficulties in scheduling interviews due to participants' time constraints, initial hesitation among participants to share experiences, and potential researcher bias during data interpretation. These challenges were mitigated by employing flexible scheduling, building trust through community networks, and using reflexive journaling to acknowledge and minimize biases during analysis (Braun & Clarke, 2019). These measures ensured that the challenges encountered did not significantly affect the validity and reliability of the findings, maintaining the integrity of the research process.

Through this methodology, the study ensures rigorous and systematic data collection and analysis procedures, enabling the exploration of the institutional capacity development of women's MSMEs in Konawe Regency while contributing to a broader understanding of their role in enhancing community welfare.

5 RESULTS

This study aims to provide an in-depth exploration of the institutional capacity of women-led Micro, Small, and Medium Enterprises (MSMEs) in Konawe Regency and their relevance to improving community welfare. Data were obtained through in-depth interviews, focus group discussions (FGDs), field observations, and document analysis of local development policies. The findings indicate that although women's MSMEs at the village level exhibit considerable potential, their institutional capacity remains suboptimal in catalyzing inclusive and sustainable economic development. These findings are structured to address the three core research questions: (1) the current status

and effectiveness of institutional capacity in enhancing community welfare, (2) potential strategies for institutional strengthening, and (3) a locally grounded model for institutional development suited to the socio-economic and cultural context of Konawe.

To provide a quantitative perspective that complements the qualitative insights, **Table 1** summarizes the institutional conditions of women's MSMEs across five key indicators.

Table 1

Summary of Institutional Conditions of Women's MSMEs in Konawe Regency

Indicator	Percentage (%)
Active members in women's business groups	60
Women-led MSMEs with formal legal status	25–30
Women-led MSMEs attempting to access credit	9.3
MSMEs relying on self-financing	>80
MSMEs participating in training or follow-up sessions	<20

These quantitative findings reveal structural and functional gaps in the institutional landscape of women-led MSMEs in Konawe. While approximately 60% of women are actively involved in business groups, the degree of institutional formalization remains low—only 25–30% of MSMEs possess formal legal status, such as a Business Identification Number (NIB) or product certification. This legal deficiency severely restricts access to financial services, government assistance, and formal market integration (OECD, 2023).

Moreover, the data underscore a heavy reliance on personal financing, with over 80% of MSMEs operating through self-funding mechanisms. Such dependence not only reflects limited financial literacy but also exposes women entrepreneurs to heightened vulnerability during economic shocks.

The low percentage (9.3%) of women entrepreneurs who have attempted to access credit facilities further illustrates the institutional and procedural barriers embedded in the financial ecosystem. Inadequate collateral, lack of awareness of available credit programs, and procedural complexity were identified as key impediments during interviews and FGDs.

Additionally, participation in institutional development programs remains critically low, with less than 20% of women-led MSMEs involved in structured training

or post-training mentorship. This indicates a pressing need for sustainable, gender-responsive capacity-building frameworks integrated into regional development planning (Eger et al., 2018; UNDP, 2022). The limited involvement of women-led MSMEs in capacity-building initiatives suggests that existing institutional frameworks do not adequately address gender-based barriers, especially in rural areas.

5.1 Institutional capacity development of women's MSMEs in Konawe regency remains suboptimal in enhancing community welfare

The study reveals that the presence of women's business groups or cooperatives at the village level is relatively significant, with an average of 60% active members. This figure underscores the latent potential for strengthening institutional frameworks at the grassroots level, particularly in advancing community-based economic empowerment. However, the current institutional capacity is still well below optimal levels. Participation in decision-making processes and inter-member collaboration within cooperatives is notably low. Most existing business institutions lack robust management systems, formal legal recognition, and accountable organizational structures.

Most women's business groups operate without a clear organizational structure and without optimally functioning management. This leads to weak joint decision-making processes and difficulties in implementing training and capacity-building agendas.

Field evidence highlights that the majority of women entrepreneurs in Konawe operate on a micro and informal scale, relying heavily on personal savings without the support of cooperatives or professional associations.

As **one respondent** noted, *“We rely on our savings to run the business, and it is difficult to get loans from banks because we lack collateral.”*

Document analysis supports this statement, indicating that only about 9.3% of women-led MSMEs have attempted to access microcredit, with only a small fraction achieving success.

Institutional illiteracy is a major constraint. Most women entrepreneurs are unaware of the importance of business legality, such as acquiring a Business Identification Number (NIB), product certification, or distribution permits. In the absence of such legal instruments, access to government programs, training facilities, and formal

market networks remains highly restricted. These findings align with field survey data showing that only 25–30% of women-led MSMEs in Konawe have formal business legality.

Low levels of understanding of institutional regulations and business administration are major barriers to expanding access for women MSME actors to formal assistance programmes. This creates a recurring cycle of limitations, namely limited access → limited opportunities → stagnant business growth. The cycle reflects the intersection of socio-cultural constraints and institutional barriers that women entrepreneurs continually face in rural contexts.

5.2 Institutional strategy development for women's MSMEs in Konawe can be significantly enhanced

Both internal and external factors critically shape the institutional capacity of women's MSMEs. Internally, low financial literacy, inadequate managerial knowledge, and the prioritization of domestic responsibilities are the main barriers.

As **one participant** stated, *“I cannot attend training because I have to take care of my children and manage the household.”*

Most businesses lack even basic financial bookkeeping. Many entrepreneurs intermingle business finances with household funds, hindering profit calculation and impeding informed decision-making.

Leadership within women's business groups is also underdeveloped. Organizational structures are often informal, with decision-making typically dominated by one or two active members. This centralization erodes trust among group members and weakens collective spirit, further impeding the formation of a cohesive and sustainable institutional framework.

Externally, the support ecosystem for institutional development remains fragile. While local government bodies such as the Office of Cooperatives and SMEs and the Office for Women's Empowerment and Child Protection (DP3A) have facilitated training and support programs, these initiatives are often short-term, fragmented, and not tailored to the specific needs of women entrepreneurs.

As expressed by **one FGD participant**, “*We received training once, but there was no follow-up, and we didn’t get any assistance to apply what we learned.*”

Nevertheless, substantial opportunities exist to improve institutional capacity through more structured strategies, such as an integrative model based on multi-stakeholder partnerships involving local governments, NGOs, universities, and women-led enterprises. Additionally, women’s participation in public forums—such as village development planning meetings (Musrenbangdes)—demonstrates emerging leadership potential within the local economic sphere. In this context, gender mainstreaming policies are critical to ensuring equitable access to resources and participatory decision-making for women.

5.3 A collaborative model for institutional capacity development of women’s MSMEs to improve community welfare in Konawe

A relevant institutional development model for the context of Konawe is a collaborative approach that integrates the strengthening of individual capacities, formal and informal institutions, and support from a multi-stakeholder ecosystem. Data show that approximately 65% of women entrepreneurs expressed a need for sustained and sector-specific mentoring. This indicates growing collective awareness among women entrepreneurs that capacity building goes beyond technical training, encompassing managerial capabilities, market linkages, and institutional bargaining power.

Women’s MSMEs make a significant contribution to community welfare. Most respondents indicated that business income is allocated to essential household needs, including children’s education, healthcare, and daily necessities.

As **one entrepreneur** noted, “*The income from my small business helps pay for my children’s school fees and daily needs.*”

Accordingly, women-run micro-enterprises serve as a vital economic safety net, particularly in the face of economic uncertainty.

Additionally, women’s MSMEs generate informal employment opportunities. During periods of increased demand or large orders, women entrepreneurs often engage family members or neighbours.

As **one respondent** stated, *“Sometimes, I hire neighbours to help during large orders, and it helps them earn extra income.”*

Such practices foster social cohesion and strengthen community solidarity, serving as essential forms of social capital in community-based development.

Most women-led MSMEs sell products in weekly local markets, including homemade food, traditional crafts, and household necessities. Their active participation reinforces the local economy and circulates village-level income, reducing dependence on external goods. However, many entrepreneurs have not yet penetrated modern or online markets due to limited access to digital technology. Only 35% of women-led MSMEs are able to leverage digital platforms for promotion or sales.

Therefore, an effective model for strengthening the institutional capacity of women's MSMEs must incorporate digital literacy training, the revitalization of women's cooperatives, and the development of long-term partnerships with private sector actors, government, and academic institutions. The integration of such programs into local development planning is essential to ensure they are not ad hoc but embedded in long-term, measurable, and sustainable development systems.

6 DISCUSSION

This section discusses the results of research on the institutional capacity of women's MSMEs in Konawe Regency with reference to the institutional capacity theory framework (Healey, 1998) and the Gender and Development approach (Moser, 2012). The findings indicate that limited access to capital, training, market networks, and the burden of domestic roles are the main obstacles to strengthening the institutional role of women's MSMEs.

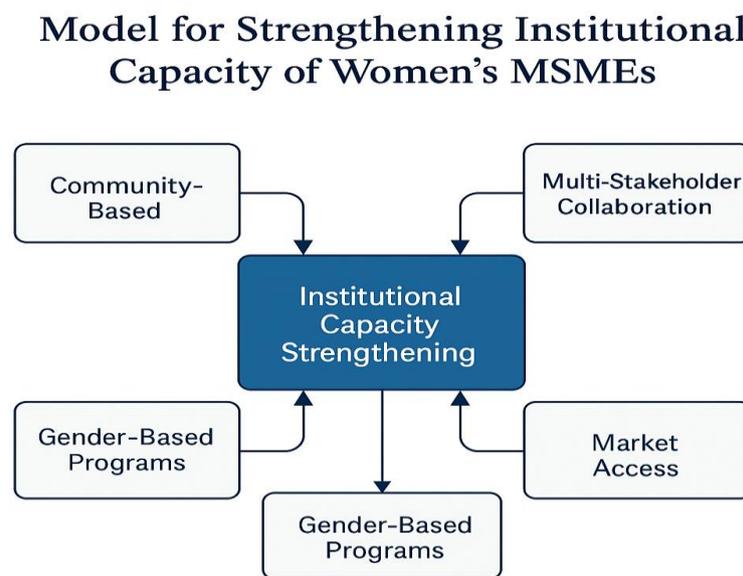
Theoretically, this condition reinforces Healey's (1998) argument that institutional capacity does not merely depend on formal structures but also on the synergy between local knowledge, social networks, and community capabilities in managing change. In the context of Konawe, these three elements remain fragmented and unorganized, resulting in weak institutional support for women's microenterprise sustainability

Based on the analysis of the findings and the theory used, **Figure 1** presents a model for strengthening the institutional capacity of women's MSMEs that is designed

contextually in accordance with the local socio-economic and cultural conditions in Konawe Regency. This model aims to provide a strategic overview of a collaborative approach involving local governments, community institutions, and SME actors themselves in creating an inclusive and sustainable institutional ecosystem for women's economic empowerment.

Figure 1

Model for Strengthening Institutional Capacity of Women's MSMEs to Improve Community Welfare in Konawe Regency (Source: Author's Analysis, 2025)



The integration of institutional strengthening with local knowledge systems is vital for ensuring that rural capacity-building models are both applicable and sustainable (Mulyani & Ahsani, 2025). Hence, this model addresses structural and cultural dimensions shaping women's entrepreneurial ecosystem in Konawe.

6.1 The suboptimal institutional capacity of women's MSMEs in enhancing community welfare

This study underscores that the institutional capacity of women's MSMEs in Konawe Regency remains suboptimal in fostering community welfare. Despite the significant role played by women-led enterprises in the local economy, female

entrepreneurs continue to face numerous constraints, both internal and external. The absence of formal business legality, dependency on personal capital, and weak financial literacy are among the primary barriers to sustainable enterprise development.

Institutionally, most women entrepreneurs are not affiliated with cooperatives or collective business entities, limiting their access to training, market networks, and formal financing. This condition aligns with Healey's (1998) assertion that institutional capacity does not rely solely on formal structures but also on the interconnectedness of local knowledge, social networks, and community capability in managing change. In the context of Konawe, these three elements remain fragmented and lack systemic organization.

Another significant internal constraint stems from the dominant domestic roles imposed on women, which restrict their ability to participate in training, group meetings, and other productive activities. As highlighted by one respondent, many women are unable to attend business development activities due to household responsibilities, particularly child-rearing. These findings resonate with the Gender and Development theory by Moser (1989), which emphasizes the need for gender-responsive policies to address structural constraints that hinder women's economic participation.

Thus, the results show coherence between empirical data and applied theory, while also offering contextual contributions through direct observations of rural women's MSME realities.

Additionally, the observed weak coordination among development actors and lack of policy continuity underline institutional fragmentation, consistent with critiques by (North, 1990) and analyses like (Defitriyani et al., 2022).

6.2 Strengthening institutional strategies for women's MSMEs in Konawe

Externally, the institutional strategies implemented by local governments and development partners are often disjointed and lack integration. Many of the programs are short-term (ad hoc), not tailored to the specific needs of each business sector, and offer minimal follow-up. Trainings are frequently provided without continued mentorship, resulting in poor implementation of acquired knowledge. This reveals a lack of institutional coherence and fails to fulfil the principles of cross-actor coordination and continuity as emphasized by North (1990) and Defitriyani et al. (2022).

Nevertheless, the findings also reveal strong potential for developing a community-based institutional model that is participatory and collaborative. Informal networks among women entrepreneurs, though not formally institutionalized, already serve as platforms for sharing market information, business strategies, and moral support. This form of social capital has considerable potential to evolve into an informal institutional strength that enhances enterprise resilience. Thus, institutional strengthening does not need to rely solely on formal structures but can also reinforce organically developed social systems within communities.

6.3 A community-based model for institutional capacity development to improve community welfare

Based on the analysis, this study proposes a five-pillar model for strengthening the institutional capacity of women's MSMEs, which includes:

- 1) the establishment of women's cooperatives or business groups at the village level;
- 2) localized training programs designed to be time-flexible and responsive to domestic responsibilities;
- 3) sustained technical mentoring by local practitioners;
- 4) inclusive and accessible financing mechanisms tailored for women micro-entrepreneurs; and
- 5) the strategic use of digital technology for business promotion and transactions.

This model adopts a participatory, gender-responsive, and community-based approach, making it highly relevant and applicable to the socio-economic context of Konawe. Furthermore, structural challenges such as inadequate infrastructure, poor internet connectivity in rural areas, and underdeveloped distribution and logistics systems also constitute significant external barriers that must be addressed simultaneously. Development interventions that focus solely on individual training, without reinforcing institutional ecosystems and infrastructure, will yield limited impact. Therefore, integrating this institutional model into regional development plans—such as the Medium-Term Regional Development Plan (RPJMD) or Strategic Plans (Renstra) of local agencies—is essential to ensure its sustainability and alignment with long-term development goals.

Multi-stakeholder collaboration—spanning government, academia, civil society, and private sector—is essential for knowledge transfer, innovation support, and inclusive policy design (Kristiansen & Indarti, 2004).

Overall, this study contributes a novel, contextually grounded, and gender-responsive institutional model. It highlights how institutional transformation can begin from informal social networks embedded within rural communities. This extends Healey's and Moser's theories into the Indonesian rural context with empirical backing.

Ultimately, this study has critical implications for the achievement of several Sustainable Development Goals (SDGs), particularly SDG 5 on gender equality, SDG 8 on inclusive economic growth, and SDG 1 on poverty eradication. Strengthening the institutional capacity of women's MSMEs does not merely improve household welfare but also fosters broader community economic resilience in a more sustainable direction.

7 CONCLUSION

This study demonstrates that the institutional capacity development of women's micro, small, and medium enterprises (MSMEs) in Konawe Regency remains insufficient in contributing to community welfare due to intersecting barriers, including limited access to capital, inadequate financial and managerial literacy, and the persistent domestic responsibilities that constrain women's participation in capacity-building initiatives. The findings emphasize that reinforcing institutional structures through the establishment of women-centered business groups or cooperatives, the delivery of locally relevant and continuous entrepreneurship training, gender-sensitive financing schemes, and sustained mentorship supported by multi-stakeholder collaboration can serve as effective strategies to overcome these challenges. By advancing a community-based and collaborative institutional capacity development model, this study suggests a viable pathway to empower women's MSMEs, enhance their contribution to local economic resilience, and promote inclusive community welfare in Konawe Regency. Future research may explore the longitudinal impacts of such interventions on women's economic participation and the scalability of these models in other regional contexts.

7.1 Policy implications

This study offers significant policy implications for enhancing community welfare through institutionally driven empowerment of women-owned micro, small, and medium enterprises (MSMEs) in Konawe Regency. **First**, there is a pressing need to improve the integration of data on women MSME actors to enable local governments to design more targeted, effective, and sustainable empowerment policies. **Second**, it is essential to strengthen local institutional frameworks through the establishment of women's business groups or village-level women's cooperatives as platforms for improving access to training, capital, markets, and business networks. **Third**, economic empowerment policies for women must be gender-sensitive, particularly regarding women's domestic roles, ensuring that training and mentoring programs are scheduled and designed adaptively to facilitate active participation without compromising their household responsibilities.

Furthermore, women's MSME empowerment strategies should be mainstreamed into regional development policies such as the Regional Medium-Term Development Plan (RPJMD), poverty reduction strategies, and the achievement of Sustainable Development Goals (SDGs), particularly those related to gender equality and economic inequality reduction. Cross-sectoral collaboration involving local governments, the private sector, universities, and non-governmental organizations is also crucial to building a robust, institution-based entrepreneurial ecosystem for women.

7.2 Recommendations

Based on the study's findings, the following recommendations are proposed:

1. The local government of Konawe Regency is advised to regularly update and consolidate data on women MSMEs in collaboration with village authorities, cooperative agencies, and women's organizations in order to facilitate effective training needs assessment and policy intervention mapping.
2. Encourage the formation of women's cooperatives or business groups at the village level, accompanied by institutional support in areas such as business legality, cooperative management, and market network development.

3. Conduct structured and continuous entrepreneurship and financial literacy training tailored to local business types, covering topics such as financial management, digital marketing, product innovation, and the use of appropriate production technologies.
4. Improve access to finance for women MSMEs by partnering with banks and microfinance institutions to offer inclusive financing schemes—such as unsecured loans with low interest rates and simplified, women-friendly procedures.
5. Develop community-based mentoring models by engaging successful women entrepreneurs to guide others in managing businesses and expanding market access.
6. Facilitate regular communication forums between women MSME actors, local governments, private sector players, and other stakeholders as platforms for expressing aspirations, accessing business opportunities, and expanding entrepreneurial networks.
7. Engage universities and research institutions to conduct systematic monitoring and evaluations of women's MSME empowerment programs, while also providing technological innovations and assistance to enhance product competitiveness.

Implementing these recommendations is expected to systematically boost the institutional capacity of women's MSMEs and improve their contribution to community welfare and sustainable regional economic growth.

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All authors contributed equally to the development of this article.

Data availability

All datasets relevant to this study's findings are fully available within the article.

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