

CROSS-SECTOR NETWORKS AND SOCIAL CAPITAL IN MSME DEVELOPMENT: AN URBAN SOCIOLOGY STUDY IN SITUBONDO

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ABSTRACT

This study analyzes the role of social capital in strengthening networks and cross-sector collaboration among Micro, Small, and Medium Enterprises (MSMEs) in urban Situbondo using the framework of Pierre Bourdieu, particularly bonding, bridging, and linking social capital. A qualitative case study approach was employed, with data collected through in-depth interviews, observations, and documentation involving MSME actors and stakeholders. The findings show that MSMEs primarily rely on bonding social capital rooted in family, community, and religious ties, which supports business continuity but limits access to broader markets and resources. Bridging social capital, reflected in cross-sector collaboration, expands networks, enhances information exchange, and creates wider market opportunities. Linking social capital plays a strategic role in connecting MSMEs with formal institutions such as government and financial sectors. The novelty of this study lies in its integrative analysis of the transformation from bonding-based survival strategies to bridging and linking-oriented expansion strategies in an urban MSME context. Theoretically, this study extends Bourdieu's concept by demonstrating the dynamic interaction of social capital forms in shaping network expansion and economic mobility.

Keywords: Social Capital, MSME, Collaboration, Networks, Bourdieu

ABSTRAK

Studi ini menganalisis peran modal sosial dalam memperkuat jejaring dan kolaborasi lintas sektor antar Usaha Mikro, Kecil, dan Menengah (UMKM) di Situbondo perkotaan dengan menggunakan kerangka kerja Pierre Bourdieu, khususnya bonding, bridging, dan linking social capital. Pendekatan studi kasus kualitatif digunakan, dengan data yang dikumpulkan melalui wawancara mendalam, observasi, dan dokumentasi yang melibatkan pelaku UMKM dan pemangku kepentingan. Temuan menunjukkan bahwa UMKM terutama mengandalkan ikatan modal sosial yang berakar pada ikatan keluarga, komunitas, dan agama, yang mendukung kelangsungan bisnis tetapi membatasi akses ke pasar dan sumber daya yang lebih luas. Menjembatani modal sosial, tercermin dalam kolaborasi lintas sektor, memperluas jaringan, meningkatkan pertukaran informasi, dan menciptakan peluang pasar yang lebih luas. Menghubungkan modal sosial memainkan peran strategis dalam menghubungkan UMKM dengan lembaga formal seperti sektor pemerintah dan keuangan. Kebaruan dari penelitian ini terletak pada analisis integratif transformasi dari strategi bertahan hidup berbasis ikatan menjadi strategi ekspansi berorientasi jembatan dan menghubungkan dalam konteks UMKM perkotaan. Secara teoritis, penelitian ini memperluas konsep Bourdieu dengan menunjukkan interaksi dinamis bentuk modal sosial dalam membentuk perluasan jaringan dan mobilitas ekonomi.

Keywords: Modal Sosial, UMKM, Kolaborasi, Jaringan, Bourdieu

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INTRODUCTION

Micro, small, and medium enterprises (MSMEs) contribute significantly to Indonesia's GDP and employment, with an estimated 56–66 million units nationwide (ANTARA, 2025; Widi, 2025). However, MSME development is not merely a matter of internal capacity building or government policy. Persistent challenges include limited access to human resources, digitalization, shifting consumption patterns, and restricted market networks (Rosyady et al., 2024). In this context, cross-sector collaboration and social capital have become strategic keys. One region reflecting these dynamics is Situbondo Regency, which has approximately 36,073 MSME units of 2024 in 17 district (Statistik, 2025; Wahyuni et al., 2024). MSMEs in Situbondo are dominated by the food and culinary sector, but in rural areas such as Olean and Klampokan, they remain micro-scale, family-managed, and have limited competitiveness (Jannah et al., 2025; Rosyady et al., 2024). Previous studies (Iqromi et al., 2025; Pradani et al., 2023) have identified multidimensional problems: low digital literacy, limited business legality, weak management capacity, and minimal innovation. Nevertheless, these studies have not specifically examined the role of social capital in shaping cross-sector collaboration networks in medium-sized urban areas such as Situbondo.

The research gap lies in the fact that existing studies on MSME collaboration and social capital have focused either on large metropolitan cities such as Surabaya or Makassar (Rahmawati & Samini, 2019; Utami et al., 2024), where institutional structures are well-established, or on rural contexts (Rosyady et al., 2024) without an explicit analysis of urban social characteristics. Medium-sized cities like Situbondo possess unique features: closer interpersonal relationships among actors, strong community bases, but limited institutional capacity and restricted access to formal economic networks. Consequently, the patterns of collaboration and the effectiveness of social capital in medium-sized cities remain empirically unmapped.

Based on this gap, the novelty of this study is threefold. First, theoretically, it integrates an urban sociology perspective on social capital (Bourdieu, 1986) with the collaborative governance framework (Bryson et al., 2015) to explain how relational networks and trust shape collaboration success in medium-sized cities a context largely overlooked. Second, methodologically, the study does not merely declare the role of social capital but empirically maps the configuration of actor networks (local government, universities, local communities, private sector) within the Situbondo MSME ecosystem. Third, practically, it formulates contextual strategies for strengthening collaboration, rather than simply replicating models from large cities.

In this study, social capital is understood in two main forms: bonding social capital (internal solidarity among MSME actors) and bridging social capital (cross-sector linkages with government, business, and educational institutions) grounded in Bourdieu's (1986) concept of non-material resources embedded in institutionalized networks of relations. To analyze cross-sector collaboration dynamics, we employ the collaborative governance framework by Bryson et al. (2015), which includes five dimensions: stakeholder

involvement, trust, shared understanding, leadership, and resource allocation. These five dimensions will guide the analysis of primary data (interviews and network mapping) and secondary data. They are directed toward building academic urgency by answering the question: Why does the social configuration of Situbondo require a different collaborative approach from that of large cities? The preliminary proposition is that social capital in medium-sized cities relies more on personal and community-based ties (bonding), while bridging remains weak due to the absence of facilitators or business incubators. Accordingly, this study aims to: (1) map the actor networks and forms of cross-sector collaboration in MSME development in Situbondo Regency; (2) analyze the role of social capital (trust, norms, networks) in shaping inter-actor relationships; and (3) identify strategies for strengthening networks and cross-sector collaboration that are contextual to the urban social characteristics of Situbondo Regency. The findings are expected to contribute theoretically to urban sociology and social capital studies, as well as practically to more collaborative, inclusive, and sustainable MSME development policies.

RESEARCH METHODOLOGY

This study uses a qualitative approach with a single case study design, aiming to gain an in-depth understanding of network strengthening and cross-sector collaboration in the development of Micro, Small, and Medium Enterprises (MSMEs) in Situbondo City. A qualitative approach was chosen because it enables the exploration of meanings, social processes, and inter-actor relationships that cannot be adequately explained quantitatively, particularly in the context of complex urban social dynamics (John W. Creswell, 2014). The case study design allows for a comprehensive examination of a phenomenon within its specific social, economic, and institutional context (Yin, 2018). The research was conducted in Situbondo City, a developing urban area with an MSME-based local economy involving multiple actors, including government institutions, business actors, and supporting organizations.

Informants were selected using purposive sampling, with a total of 10 informants consisting of MSME actors and regional stakeholders, including policymakers, business actors, and related institutions. The criteria for informants included individuals who own or manage MSMEs and those directly involved in policymaking or MSME development programs. Snowball sampling was also applied to identify additional relevant informants (Moleong, 2019). Data collection techniques included in-depth interviews, participatory observation, small-scale Focus Group Discussions (FGDs), and documentation studies. The researcher was actively involved by observing the MSME environment and facilitating FGDs to capture collective perspectives and interaction dynamics among actors.

Data analysis followed the interactive model of Miles and Huberman, including data reduction, data display, and conclusion drawing (Miles et al., 2014). To ensure validity, this study applied source triangulation, by comparing information across different informants, and method triangulation, by integrating interviews, observations, FGDs, and documentation. Additionally, researcher reflexivity was maintained by critically reflecting on the researcher's role, assumptions, and potential biases throughout the research process. Member checks were also conducted to enhance the credibility and trustworthiness

of the findings (Lincoln & Guba, 1985).

THEORETICAL FRAMEWORK/CONCEPT

In the urban economic setting of Situbondo, UMKM actors primarily depend on bonding social capital embedded in close, homogeneous networks such as family ties, neighborhood relations, and religious communities. These strong internal connections foster trust and mutual support, helping small businesses sustain operations amid economic uncertainty. Nevertheless, an overreliance on bonding ties often results in inward-oriented networks that restrict access to new information, broader markets, and opportunities for business expansion. In contrast, bridging social capital consists of more open and cross-cutting connections that link UMKM actors with individuals and groups from different social and sectoral backgrounds. Bourdieou emphasizes that such horizontal ties are essential for expanding social horizons and facilitating access to diverse resources. Within the proposed conceptual framework, bridging social capital is manifested through cross-sector collaboration and inter-organizational networking, which enable UMKM actors to overcome limited marketing reach, enhance knowledge exchange, and strengthen collective economic capacity in urban contexts.

Beyond horizontal relations, linking social capital refers to vertical connections between UMKM actors and institutions with formal authority and control over resources, including government bodies, financial institutions, and development agencies (Szreter & Woolcock, 2004; Woolcock, 2001). These relationships are crucial for gaining access to policy support, financial assistance, and institutional recognition that cannot be secured through community-based networks alone. The interaction of bonding, bridging, and linking social capital therefore provides a comprehensive mechanism for transforming UMKM practices and reinforcing urban economic networks, as illustrated in the conceptual framework.

Challenge and Gap

Table 1. Challenge and Gap

Can advanced society 5.0 technology create economic and social value for millennial and generation Z MSMEs in Surabaya, Indonesia? An economic resilience perspective Palupi	(Lindiasari & Alfarizi, 2025)	Social media, the Internet of Things (IoT), and big data influence the capabilities of millennial and Gen Z SMEs. Technology enhances entrepreneurial orientation and makes SMEs more daring in identifying the future, which ultimately increases economic and social value.
Post-crisis growth: Resource orchestration, innovation, and diversification in MSMEs	(Yunus et al., 2025)	Effective resource management is key to increasing innovation and diversification.
Integrating cultural adaptation in digital marketing strategies: Enhancing competitiveness and sustainability in MSMEs of Java, Indonesia	(Rizkita et al., 2025)	Language, norms, traditional symbols, and cultural messages significantly increase loyalty and market penetration among MSMEs.
Strategies for enhancements of MSME resilience and sustainability in the post-COVID-19 era	(Mohanty et al., 2025)	Sustainability and resilience are enhanced by utilizing technology, implementing a circular economy, and expanding the availability of loans.

Digital market adoption by underserved MSMEs in developing countries: Mediation and moderation by self-efficacy and trust	(Juita et al., 2026)	Psychological readiness determines how MSMEs interpret and act on external support.
Digital competitive advantages of MSMEs and the antecedents factor (digital creativity and digital culture)	(Rahman et al., 2025)	Digital culture plays an important role in improving the digitalization capabilities of MSMEs in the context of enhancing digital creativity to help MSMEs gain a digital advantage.
Scope of E-Commerce use, innovation capability, and performance: Food sector MSMEs in Indonesia	(Wijaya et al., 2025)	Cost and technological readiness influence the extent to which MSMEs can utilize e-commerce. Government support, autonomy, and the courage to take risks also increase the capacity of MSMEs to innovate and adapt to create added value in a competitive market.

Source: (Researcher, 2026)

The use of digital technology plays an important role in increasing the competitiveness and economic and social resilience of MSMEs. The Internet of Things (IoT), social media, and big data can strengthen the entrepreneurial orientation of MSMEs among Gen Z and millennials, thereby promoting social and economic value creation. This finding is reinforced by the finding that digital creativity, digital culture, and technological readiness and costs in building MSME competencies through e-commerce and digitalization (Rahman et al., 2025). This study does not only view innovation and technology as technical instruments but also as social practices shaped by capital distribution, urban economic arenas, and the habitus of MSME actors.

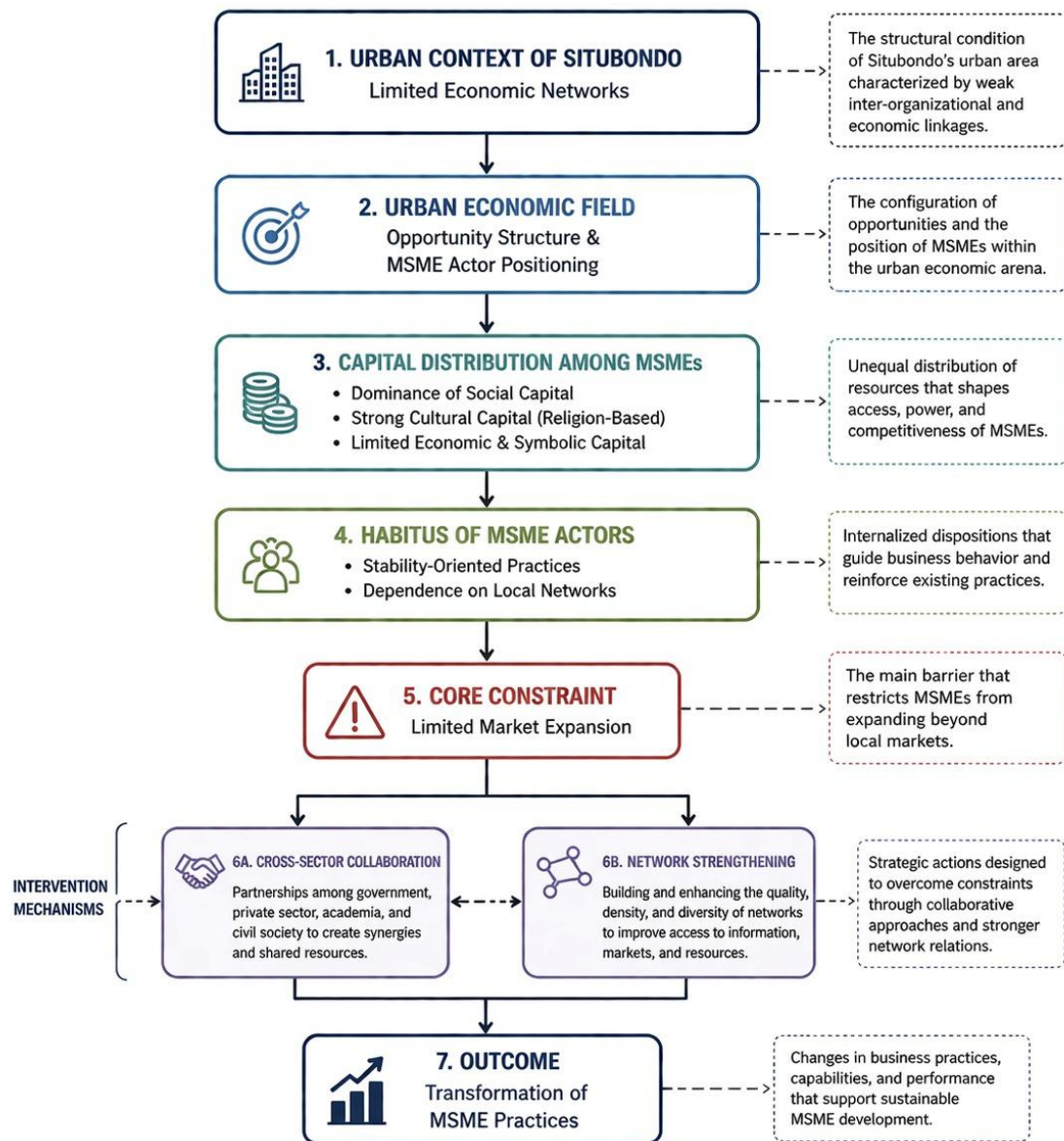


Figure 1. Conceptual Framework of MSME Development through Cross-Sector Networks in the Urban Context of Situbondo

Source: Developed by the authors (2026)

Figure 1: Concept Map

Source: (Compiled by researchers in 2026)

The figure above illustrates that the development of MSMEs in Situbondo City is a social practice shaped by the relationship between urban spatial structures, capital distribution, and actor dispositions as described in Pierre Bourdieu's framework. Situbondo, as a city with a limited economic network, forms an urban economic arena that provides opportunities and limitations for MSMEs. The position of actors is largely determined by capital ownership. Social and cultural capital strengthen the cohesion and sustainability of businesses, but limitations in symbolic and economic capital restrict the ability of MSMEs to penetrate broader marketing networks. The distribution of capital shapes the habitus of MSME actors,

who are oriented towards stability that depends on local networks. Thus, strengthening cross-sector collaboration and networking is a strategic solution for the advancement of MSMEs.

RESULTS AND DISCUSSION

A. Research Location Profile

Situbondo Regency is one of the districts in East Java that holds strategic potential for the development of micro, small, and medium-sized enterprises (MSMEs). According to regional statistical data, the population of Situbondo Regency stands at 700,720 people, with a population growth rate of 0.53%. The region covers an area of 1,638.50 km² with a population density of 428 people per square kilometer. Administratively, it is divided into 17 subdistricts, 132 villages, and 4 urban villages. Situbondo Regency is a coastal region on the northern part of Java Island that directly borders the Madura Strait to the north, the Bali Strait to the east, Probolinggo Regency to the west, and Bondowoso Regency to the south (D. P. K. Situbondo, 2026). These demographic conditions indicate the availability of a human resource base as well as a potential local market for the growth of community-based economic activities. In terms of human resources, Situbondo Regency still faces challenges regarding the educational level of its population. The illiteracy rate stands at 14.57 percent. In terms of educational attainment, Situbondo Regency is highly diverse: 24.71% of the population did not complete elementary school, 28.04% graduated from elementary school or equivalent, 17.79% graduated from junior high school or equivalent, 21.03% graduated from senior high school or equivalent, and 8.43% graduated from college (B. P. S. K. Situbondo, 2024). This analysis indicates that the development of MSMEs in Situbondo needs to be supported by strengthening human resource capacity, particularly in the areas of business literacy, innovation, and adaptation to technological advancements.

Digital transformation in Situbondo Regency has shown significant progress. A total of 62.15% of households own and use a mobile phone, and 8.49% own a computer or laptop. The availability of these communication and information devices is a key asset in supporting the digitalization of MSMEs, particularly in terms of marketing, expanding business networks, and accessing market information. The use of digital platforms by local businesses is beginning to grow through online product marketing, thereby opening up opportunities for SMEs to compete at both the regional and national levels (B. P. S. K. Situbondo, 2024). The potential for SME development in Situbondo Regency is also reflected in the substantial number of business units. Data from the Situbondo Regency government indicates there are 13,818 SMEs spread across various sectors, including beverages, food, handicrafts, and several other small industries (P. K. Situbondo, 2026). The presence of these SMEs serves as a vital pillar in supporting the local economy through job creation, increased community income, and the strengthening of an economy based on local potential.

With favorable demographics, growing technology adoption, and high levels of entrepreneurial activity

among the population, Situbondo Regency has a significant opportunity to strengthen an adaptive and sustainable MSME ecosystem. However, optimizing MSME development requires strengthening social networks, enhancing the capacity of business operators, and providing institutional support capable of fostering innovation and business competitiveness in a sustainable manner.

B. Capital Distribution and the Position of MSME Actors in the Situbondo Urban Economy

The economic arena in Situbondo is shaped by a relatively limited structure of opportunities, with a low level of competition. The position of MSME actors is not entirely determined by the amount of economic capital, but by their ability to mobilize and access the social and cultural capital available in the environment. The concept of arena refers to a structured social space where groups and individuals can interact to obtain certain positions and capital (Ritzer, 2012). The development of MSMEs in Situbondo Regency shows significant dynamics that reflect the urban economy. MSMEs demonstrate their ability to survive and adapt through the utilization of local social networks. However, on the other hand, these economic practices are not yet fully integrated into the broader urban economic structure. This phenomenon indicates that the main problem facing MSMEs does not lie in limited economic capital or production capacity, but rather in the relational configuration of capital in a more specific urban arena. In this study, urban space is not understood as a passive backdrop, but rather as a social structure that actively shapes the distribution and opportunities of resources. The city of Situbondo has produced an urban economic arena with a relatively low level of actor differentiation and high levels of social interaction. This spatial character strengthens proximity-based economic networks, but it can also limit the formation of cross-sectoral and cross-spatial economic relations. Thus, the urban spatial structure directly contributes to the distribution patterns of capital and the position of MSME actors in the urban economic arena.

When analyzed using the social practice theory framework, MSMEs can be positioned as agents operating in the urban economic arena with uneven capital. Social capital becomes the most dominant form of capital compared to economic capital or formal cultural capital. The dominance of social capital is manifested in local communities, family-based networks, and religious institutions. Religion-based social capital functions as a mechanism for social legitimacy and trust building, which enables stable economic practices within the local sphere. The dominance of social capital over other forms of capital, especially economic capital, causes MSMEs to remain relatively stagnant within the arena structure.

The relationship between habitus, capital, and arena in this case can be understood through Bourdieu's formula (Habitus x Capital) + Arena = Practice (Ritzer, 2012). The urban economic arena in Situbondo still has limitations, especially in terms of symbolic capital and large-scale economic capital. When the habitus of locally oriented MSME actors interacts with the dominance of community-based social capital, the resulting economic practices tend to be less responsive to the logic of regionally integrated and

competitive urban economies. The limitations of cross-sectoral networks are a manifestation of the structural mismatch between habitus and arena, not merely a result of weak individual capacity. As stated in the following excerpt:

"Our mindset must change: the larger the group, the more we can achieve. Inject fund materials are not a problem as long as we can utilize local potential. Change in mindset leads to collaboration and the emergence of new communities in micro spaces and creative economy spaces. This is about mentorship, not just theory. We have incubation programs, festivals, arts and ceremonial events. Regarding networks and collaboration: our fellow business actors already understand very well. We can produce, but without networks, products cannot be marketed widely, operating in agriculture, both upstream and downstream), PT Jaya market (quality and quantity), market routes and business opportunities we must be able to read the market and see what opportunities exist. We need to understand what exporters want: they don't want large volumes that are inconsistent; they want sustainability. The weakness of Situbondo is that we still operate individually, not moving together as a group. For horticulture: chili, melon, etc. The farmers' cooperative is the *prima donna*." MSME and Creative Economy Actor (Interview, September 10, 2025)

Thus, it can be seen that the distribution of MSME capital in Situbondo City shows the dominance of local social and cultural capital, which is useful as a buffer for business sustainability in an urban economy characterized by small cities. Social capital based on religious and kinship communities strengthens social legitimacy, but the limitations of symbolic and economic capital are also factors that limit the bargaining position of MSMEs in broader marketing networks. This condition opens up opportunities for exchange through tiered support and formal policies, yet also poses the risk of MSMEs falling behind if the arena structure continues to produce closed local networks.

C. The Habitus of MSME Actors and Social Network Patterns

The habitus of MSMEs is formed from the context of a small urban space where the role of religion and local social relations in economic practices is still quite strong. The concept of habitus is an internalized internal structure of life experiences, social interactions, and social positions that can shape behavior and understanding in a social environment (Ritzer, 2012). Habitus does not stand alone but is internalized through the process of capital distribution that is dominant in the city of Situbondo. Social capital based on kinship or religious networks is the main source that supports MSME economic activities. Bonding social relations strengthen loyalty and solidarity, but also limit the expansion of networks outside the community. The strong influence of religious institutions in people's lives contributes to the formation of a work ethic, patterns of trust, and preferences for cooperation that tend to be exclusive and favor familiar actors.

Research findings indicate that business networks are recognized by MSME players as crucial social capital for business sustainability. However, this study reveals that MSME activities in Situbondo still operate largely on an individual basis, thereby hindering their ability to collectively meet large-scale market demand. As stated by one MSME actor:

"In building a business, we cannot do it alone; we must find the uniqueness of the region, such

as tourist icons that can be promoted together with MSMEs.” - Tourism Business Operator (Interview, September 10, 2025)

These statements confirm that collective social capital has not yet been optimally developed, resulting in business networks that tend to be personal and not yet institutionalized. Consequently, the outcomes achieved in the distribution of MSME products and the income of business actors are perceived as not yet optimal.

The arena that has been formed has led MSME actors to focus on security and business sustainability rather than aggressive expansion. The weak role of intermediary actors such as business incubators, business associations, and professional networks has caused MSME actors to rely more on social relations as a survival strategy. In this context, the locally-oriented habitus is not a cultural choice but a rational adaptation to the lack of institutional channels capable of bridging MSMEs with cross-city markets and external resources. Thus, the habitus of MSME actors formed in small urban spaces tends to be risk-averse and stability-oriented. However, this can also limit their response to network expansion and innovation, as dense and homogeneous social relations can hinder the entry of new opportunities and information. Changes in the structure of the arena through interactions with external and collective actors open up opportunities for habitus transformation.

D. Strengthening Levels and Cross-Sector Collaboration as a Strategy for MSME Development

Cross-sector collaboration and network strengthening are important strategies in developing MSMEs in Situbondo. These actions can be efforts to convert and expand local social capital into bridging and linking social capital, enabling MSME actors to access resources outside their communities. In the economic arena of Situbondo, institutional actors such as financial institutions, local governments, digital platforms, and business communities have a strategic position as intermediaries in forming cross-sector networks. These actors can change the structure of the arena by providing a more formal and inclusive space for MSME players to interact. Through such collaboration, social capital can be transformed into symbolic and economic capital, achieved through increased production capacity, stronger branding, and broader legal and administrative recognition.

Based on further research results, local governments have basically made efforts to encourage cross-sector collaboration through a pentahelix approach, by providing creative hubs as a collaborative space. However, researchers also found that the utilization of creative hub spaces is not yet optimal due to limited funds and sectoral egos. As stated by a local MSME's that,

"This creative hub was initially designed as a gathering place for creative economy actors and MSMEs so that they can collaborate, not just showcase their products. The space is there, but not everything can run because coordination and budget are still limited" (Interview, September 10, 2025).

Furthermore, legal aspects and product standardization such as halal certification, BPOM, SNI,

and health certificates emerged as structural barriers. A fisheries MSME actor explained:

"Fisheries sector segmentation, halal and BPOM certification, BEP and ISC standards are needed to enter the national market. The fisheries potential is enormous. But we face branding issues: low fish consumption, and fish prices are more expensive than meat. We need to map regional potential, especially for food security: what we can help or supply. There is no business service center yet; that's the starting point for building networks. There are expos where we can share and see potential buyers. Associations are expected to have members who can attend. The cost of capture fisheries production is cheaper than aquaculture, so the alternative is to export. Before Covid, we were able to export to America, but after that it was cut off because the health certificate and legality requirements became stricter" Fisheries SME Actor (Interview, September 10, 2025).

From the perspective of Pierre Bourdieu, the strengthening of networks and cross-sector collaboration in MSME development in Situbondo can be understood as a process of contestation and accumulation of various forms of capital within the economic arena (field). Bourdieu explains that social actors compete within a social field using economic, social, cultural, and symbolic capital to maintain or improve their position (Bourdieu, 1986). In the context of Situbondo MSMEs, local governments, financial institutions, associations, digital platforms, and business communities occupy strategic positions as dominant institutional actors that possess greater access to resources and legitimacy. Meanwhile, MSME actors, especially in the fisheries and creative sectors, often occupy weaker positions due to limited access to certification systems, market information, financing, and institutional networks.

The pentahelix collaboration initiated through the establishment of creative hubs reflects an attempt to create a collective arena where different actors can exchange resources and build social capital. However, the findings that creative hubs are still constrained by sectoral ego and budget limitations indicate unequal power relations within the collaborative field. In Bourdieu's framework, the social arena is characterized by struggles among actors seeking to preserve or transform the distribution of capital and power (Bourdieu, 1990). This condition illustrates how dominant actors tend to preserve their institutional interests, causing collaboration to remain symbolic rather than transformative. As a result, the conversion of social capital into economic and symbolic capital for MSMEs has not been fully achieved.

Furthermore, legal requirements and product standardization such as halal certification, BPOM permits, SNI standards, and export legality can be interpreted as forms of symbolic capital. Certification functions not only as administrative legitimacy but also as a marker of credibility and recognition within broader economic fields. MSMEs lacking such symbolic legitimacy face structural exclusion from national and global markets. This demonstrates that market competition is not merely economic but also social and institutional, where access to legitimacy determines participation in wider production and distribution networks. This argument is consistent with Mark Granovetter's concept of embeddedness, which explains that economic activities are strongly embedded in social relations and institutional networks (Granovetter, 1985). In addition, the findings can also be analyzed through the perspective of Collaborative Governance proposed by Chris Ansell and Alison Gash. Collaborative governance refers to governing arrangements where public institutions directly engage non-state stakeholders in collective decision-making processes

that are formal, consensus-oriented, and deliberative (Ansell & Gash, 2008). The Situbondo government's effort to involve academia, MSMEs, communities, and business actors through the pentahelix model reflects an initial form of collaborative governance in local economic development.

However, the study findings reveal that the collaborative process has not yet reached an optimal level because coordination among stakeholders remains fragmented. According to Ansell and Gash (2008), successful collaborative governance requires face-to-face dialogue, trust-building, commitment to the process, shared understanding, and facilitative leadership. In Situbondo, sectoral ego and limited funding demonstrate weak collaborative capacity and insufficient institutional integration. Consequently, collaboration remains procedural rather than producing sustainable collective action. The absence of business service centers and the limited integration between MSMEs, tourism, and the creative economy further indicate weak collaborative institutionalization. In collaborative governance theory, intermediary institutions play an important role in bridging interests among stakeholders and facilitating resource exchange (Ansell & Gash, 2008; Bryson et al., 2015). Without strong intermediary institutions, MSMEs struggle to access certification assistance, export facilitation, digital marketing, and tourism-based market expansion. This condition also hinders the transformation of local cultural potential into competitive economic assets.

Moreover, from Bourdieu's perspective, the underutilization of local arts and cultural resources reflects the failure to optimally convert cultural capital into symbolic and economic capital (Bourdieu, 1986). Local culinary traditions, fisheries products, and cultural heritage potentially function as strategic assets for tourism branding and regional competitiveness. However, the lack of Intellectual Property Rights (IPR) training demonstrates weak institutional support in protecting and commercializing local creativity. As a result, local identity has not yet been fully transformed into sustainable economic value. Therefore, strengthening MSME development in Situbondo requires not only economic assistance but also the reinforcement of collaborative governance mechanisms and institutional networks. Local governments need to function as facilitative leaders capable of integrating stakeholders, reducing sectoral fragmentation, and ensuring inclusive participation. Through stronger collaboration, MSME actors can gain broader access to social, cultural, and symbolic capital, enabling them to improve competitiveness, market access, and sustainable regional economic resilience.

E. Applying Collaborative Governance Framework

To analyze these findings more systematically, collaborative governance framework provides valuable insights. According to (Bryson et al., 2015), effective cross-sector collaboration requires attention to five key dimensions: (1) initial conditions, (2) process, (3) structure and governance, (4) contingencies and constraints, and (5) outcomes and accountabilities. The collaborative process is not a static state, but rather a dynamic and mutually reinforcing cycle (virtuous cycle). There are four main elements in the

collaborative process: face-to-face dialogue, trust building, commitment to the process, and shared understanding (Ansell & Gash, 2008). Like stated MSME's that,

“A shell craft entrepreneur, who has been producing shell accessories, shells, and furniture since 2004, initially built networks through Facebook and participated in exhibitions with the Trade and Industry Office, yet the space has never been fully occupied. Although there was an exhibition building at the white market, it now lies damaged due to neglect. Coordination with the Regional Development Planning Agency has taken place, with the implementation team chaired by the regent's wife. Similarly with fishery MSME's, who processes several types of fish, faces difficulties marketing within Situbondo and therefore builds networks outside the region, such as in Jakarta. The main obstacles remain legality and BPOM certification; she admits being less aware of how crucial legality and SNI standards are. Exports were possible before the Covid-19 pandemic reaching as far as America-but were cut off afterward due to stricter health certificate requirements. She hopes for smoother facilitation, and her business, Dapur Sehati, now collaborates with many sellers on marketplaces”. -Shell Craft Entrepreneur and Fishery MSME Actor (Interview, September 10, 2025)

In the Situbondo context, initial conditions reveal a history of individualistic business patterns and weak collective action, coupled with power imbalances between MSME actors and formal institutions. While there is a shared motivation to expand market access, the lack of trust across sectors government, private sector, and creative communities undermines collaborative potential. Process elements, such as formal and informal deliberation, are present but fragile. The creative hub was designed as a forum for face-to-face dialogue, yet sectoral egos and miscommunication have hindered genuine trust-building and commitment among stakeholders.

Regarding structure and governance, Bryson emphasizes the importance of clear roles, inclusive participation, and facilitation. In Situbondo, the pentahelix approach remains aspirational rather than operational. There is no designated lead organization or shared governance mechanism to coordinate cross-sector activities. The creative hub lacks clear protocols for decision-making, resource allocation, and conflict resolution. Contingencies and constraints are evident in the form of limited budgets, regulatory barriers (e.g., certification and legality requirements), and the disruptive impact of the Covid-19 pandemic, which severed existing export networks. These constraints have amplified sectoral egos and reduced the willingness of actors to collaborate.

The case above demonstrates the existence of a shared agreement or protocol that serves as a foundation for further policy implementation. Equally important, however, are the interim outcomes that also include the social capital built during the collaborative process, such as improved working relationships, smoother communication between institutions, and increased collective capacity to resolve future problems (Ansell & Gash, 2008). Finally, outcomes and accountabilities in Situbondo's collaboration efforts remain suboptimal. While the creative hub building exists, it has not yet produced measurable improvements in MSME distribution networks, product legality, or market penetration. Accountability mechanisms such as joint monitoring, performance evaluation, and feedback loops are largely absent. Without these, collaboration risks becoming symbolic rather than transformative.

Strengthening cross-sector networks also has implications for transforming the habitus of MSME actors. Continuous interaction with external actors encourages the formation of new dispositions that are more adaptive to the use of technology, innovation, and a broader market orientation. Within the framework of $(\text{Habitus} \times \text{Capital}) + \text{Arena} = \text{Practice}$, changes in the structure of the arena through cross-sector collaboration enable MSME economic practices to move from simply reproducing local networks to more long-term and progressive business development strategies. Guided by Bryson's framework, Situbondo's stakeholders must address structural deficiencies in governance design, build formal accountability mechanisms, and manage contingencies such as budget limitations and regulatory complexity. Collaboration with financial institutions, business communities, and the government can open access to symbolic recognition, technology, and markets. However, the limited institutional capacity of MSMEs and power imbalances remain challenges that need to be managed so that collaboration does not cause dependency and continues to strengthen the position of MSMEs in a sustainable manner. Thus, collaboration and strengthening of cross-sector networks have the potential to expand the urban economic arena by enabling the exchange of local capital into linking and bridging capital. MSME development in Situbondo cannot be separated from collective efforts to construct an urban economic arena through cross-sector collaboration and network strengthening. This strategy can expand the integration of MSMEs into a broader urban economic network, not only increasing individual competitiveness. Cross-sector collaboration, when designed and implemented using Bryson (2015) and Ansell and Gash (2008), can be a strategy to overcome the structural limitations of small cities and open opportunities for sustainable economic transformation of MSMEs.

CONCLUSION

This study argues that MSME development in small urban contexts cannot be adequately understood solely through economic or managerial perspectives, but must also be analyzed through the relational structure of social capital embedded in urban space. In the case of Situbondo, the dominance of bonding social capital functions as an important mechanism for business resilience by sustaining trust, reciprocity, and continuity within family, religious, and local community networks. However, this same embeddedness simultaneously produces structural closure, limiting the expansion of business networks, institutional access, and market diversification. The main theoretical contribution of this study in Bourdieu's framework of capital, habitus, and field. This synthesis demonstrates that social capital is not merely a collective resource facilitating cooperation, but also a form of capital unequally distributed and conditioned by the urban economic field. In small-city contexts such as Situbondo, the interaction between habitus oriented toward stability, limited institutional differentiation, and the predominance of localized social ties shapes MSME practices that are adaptive yet less expansionary. Thus, this study extends urban sociology literature by showing how MSME development is co-produced through the relationship between urban spatial structure, actor position, and access to multiple forms of capital.

Despite these contributions, this study has several limitations. First, the qualitative case study

design focuses only on Situbondo, which limits broader generalization to other urban contexts with different institutional and socio-economic configurations. Second, this study primarily captures the perspectives of actors directly involved in MSME development, while consumer networks, digital platform actors, and informal labor groups remain underexplored. Third, this research has not systematically examined the long-term impact of digital transformation on the reconfiguration of social capital among MSMEs. Future studies are therefore recommended to conduct comparative research across small and medium-sized cities in Indonesia to examine whether similar patterns of localized social capital and institutional constraints are reproduced elsewhere. Longitudinal studies are also needed to investigate how digital ecosystems, platform economies, and inter-city networks reshape MSME habitus, collaboration patterns, and economic mobility over time.

The second analysis, applying from collaborative governance framework exposes critical gaps across all dimensions initial conditions, process, structure, contingencies, and accountability resulting. Without formal protocols for decision-making, resource sharing, and joint monitoring, MSME actors remain trapped in individualistic, locally oriented practices, unable to convert bonding social capital into bridging and linking capital. To achieve sustainable growth, Situbondo must move beyond symbolic gestures toward deliberately designed governance mechanisms that facilitate legal certification (halal, BPOM, SNI), integrate tourism and creative economy, and rebuild export networks disrupted by the pandemic. Only through institutionalized collaboration can MSMEs overcome structural limitations and realize competitive, market-driven development. Local government should strengthen institutional mechanisms that actively convert bonding capital into bridging and linking capital through context-specific interventions. These include: (1) optimizing creative hubs as permanent collaborative spaces connecting MSMEs, youth communities, digital workers, and tourism actors; (2) establishing integrated facilitation services for halal certification, BPOM licensing, intellectual property rights, and export readiness; (3) building sectoral coordination platforms among local government agencies, universities, financial institutions, and private actors under a pentahelix governance model; and (4) integrating MSME development with tourism branding and local cultural assets to generate stronger symbolic capital and regional competitiveness.

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