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Study on the Integration of Physical and Non-Physical Special Allocation Funds for the Empowerment of Micro, Small, and Medium Enterprises in Sulawesi Utara

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Abstract

This study is motivated by the phenomenon of Micro, Small, and Medium Enterprises (MSMEs) serving as the backbone of Indonesia's economy, contributing more than 60 percent to GDP and absorbing 97 percent of the national workforce. However, in the post-pandemic period, most MSMEs face persistent challenges related to market access, financing, and managerial capacity. To address these issues, the government introduced the Special Allocation Fund (DAK) — both physical and non-physical schemes — to strengthen regional entrepreneurship ecosystems. This research aims to assess the contribution of DAK to enhancing production capacity, managerial competence, and institutional strengthening of MSME actors in Sulawesi Utara Province, particularly in Bitung City and Minahasa Utara Regency. A qualitative descriptive approach was employed through Focus Group Discussions (FGDs) and policy document reviews. The findings reveal that DAK has improved production efficiency, financial literacy, and cooperative integration through the development of PLUT (Integrated Business Service Centers) and digital entrepreneurship training. Nevertheless, implementation remains hindered by delayed fund disbursement, weak inter-agency coordination, and limited post-training mentoring. The study recommends strengthening governance, accelerating fund transfers, and adopting results-based evaluation to ensure DAK functions effectively as a catalyst for inclusive and sustainable local economic growth.

Keywords: *Special Allocation Fund, MSMEs, PLUT, Economic Recovery.*

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1. Introduction

National development is a continuous process aimed at improving public welfare through inclusive, equitable, and sustainable economic growth (Suhardi & Panjaitan, 2025). In the macroeconomic framework, economic growth is commonly used as a primary indicator because it reflects an increase in per capita income as well as the production capacity of the economy. Such progress is expected to expand employment opportunities, raise household incomes, and strengthen socio-economic resilience. In Indonesia, the structure and dynamics of growth are largely supported by Micro, Small, and Medium Enterprises (MSMEs), which serve as the backbone of the people's economy, both in terms of their contribution to the Gross Domestic Product (GDP) and employment absorption. Various recent studies consistently show that MSMEs contribute more than 60 percent to GDP and over 95 percent to national employment, although the figures fluctuate with economic cycles and shocks (Novitasari, 2022; Ardiansyah, 2024; Ulani, 2025; Purwanda, 2021). These cross-source quantitative findings reinforce the strategic position of MSMEs as the driver of people-based growth and as a stabilizing anchor during economic contractions.

At the regional level, MSMEs function as the catalyst of local economic activities through business diversification, utilization of region-based resources, and expansion of market networks. This leverage is particularly relevant in areas whose economies rely on primary sectors and services based on tourism and trade, such as Sulawesi Utara Province. Empirical findings on regional growth performance and recent sectoral structures highlight the importance of strengthening micro–small enterprises to ensure that regional economic transformation becomes more inclusive and resilient to external shocks. Meanwhile, literature on MSMEs in Sulawesi Utara indicates a shift toward the digitalization of business and marketing processes, while also noting uneven capacity, technological access, and digital literacy among actors (Silaban et al., 2025). This situation signals the need for policies that not only provide physical inputs but also enhance managerial capability, digital marketing, and ecosystem integration.

The COVID-19 pandemic served as the most tangible test of MSME resilience. Mobility restrictions and supply chain disruptions suppressed demand, severed market access, and significantly reduced turnover. Although Indonesia's economic recovery began strengthening after 2021—driven by the relaxation of public health measures and the rebound of trade—literature suggests that the recovery has been uneven across sectors and business scales (Gunadi, 2022; Ulani, 2025). In this context, more precise fiscal and institutional interventions for MSMEs are crucial to ensure that the recovery does not leave lasting structural scars, particularly among enterprises outside major growth centers.

One relevant policy instrument is the Special Allocation Fund (DAK), both Physical and Non-Physical (Pambudi, 2025; Sulaeman & Andriyanto, 2021). The Physical DAK is directed toward the provision and improvement of business-supporting infrastructure such as Integrated Business Service Centers (PLUT), production facilities, and promotion spaces; while the Non-Physical DAK focuses on strengthening the capacity of cooperatives and MSMEs (PK2UKM) through training, mentoring, and institutional development. Legal–policy studies and recent empirical evidence indicate that DAK can contribute to equity and capacity-building objectives, though its effectiveness depends on design, governance, and integration with regional policies

(Sari, 2025; Hambani & Putra, 2024). In practice, the effectiveness of PLUT as a business service hub also depends on the quality of managerial consulting services, legal facilitation, financing access, digital marketing support, and its ability to align with the real needs of MSME actors (Prahsetyo et al., 2018; Putri & Fitri, 2025). These findings suggest that the synergy between Physical and Non-Physical DAK, combined with the strengthening of PLUT, presents a promising policy pathway, yet requires performance-based evaluation to ensure the achievement of both output and outcome.

The urgency of this research lies in the need to comprehensively assess how the implementation of the Physical DAK for MSME Development and the Non-Physical DAK for Cooperative and MSME Capacity Building in the 2022 fiscal year contributed to regional economic recovery, particularly in Sulawesi Utara Province. First, there is a literature gap: most DAK studies focus on macro public infrastructure (roads, irrigation, education, health), whereas studies examining DAK specifically for MSME empowerment—especially the integration of Physical and Non-Physical DAK and their influence on growth indicators—remain limited. Second, from a policy standpoint, there is a need for evidence-based evaluation to ensure that DAK allocation does not stop at budget absorption and physical output but translates into economic outcomes such as improved production capacity, market expansion, job creation, and higher productivity. Third, from an institutional perspective, mapping the implementation barriers—such as inter-agency coordination, institutional readiness, fund disbursement timeliness, mentoring quality, and service sustainability—is essential, as these often contribute to program performance deviations.

This study aims to examine the contribution of the Physical DAK for MSME Development and the Non-Physical DAK for Cooperative and MSME Capacity Building to the enhancement of MSME production of goods and services in Sulawesi Utara Province; to assess the degree of policy integration in achieving regional economic growth indicators; and to identify implementation issues hindering program effectiveness, with Bitung City and Minahasa Utara Regency as case study locations. The choice of study areas considers national policy direction, regional planning updates, and the scale and focus of DAK allocation received by these regions in the 2022 fiscal year. Thus, the research not only captures short-term achievements but also provides an evaluative foundation for improving program design and implementation governance.

Theoretically, this study is expected to enrich the discourse on the relationship between fiscal decentralization—particularly conditional transfers through DAK—and MSME-based local economic strengthening. Its theoretical contribution lies in proposing an evaluation framework that integrates performance indicators of output, economic–social outcomes, and institutional enablers such as PLUT service quality and mentoring intensity. Practically, the findings are expected to serve as references for national and regional policymakers to refine the design of Physical–Non-Physical DAK in the MSME sector, making it more performance-oriented, while fostering product digitalization, downstream innovation, and market partnership networks. Another strategic implication is the identification of best practices that can be replicated across regions, along with technical recommendations to improve cross-sectoral coordination, accelerate fund disbursement, and ensure post-project service sustainability. Therefore, this study contributes to Indonesia’s broader national development agenda of achieving

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inclusive and sustainable growth through MSME strengthening, while reaffirming the importance of measurable fiscal transfer instruments that directly impact welfare.

2. Research Methods

This study employs a descriptive qualitative approach aimed at gaining an in-depth understanding of the implementation of the Physical Special Allocation Fund (DAK Fisik) for the MSME sector and the Non-Physical Special Allocation Fund (DAK Nonfisik) for Capacity Building of Cooperatives and Micro, Small, and Medium Enterprises (KUKM) in supporting regional economic recovery. The qualitative approach was chosen as it is suitable for examining complex and contextual social phenomena, particularly in understanding the interactions among policy actors and the dynamics of development program implementation that cannot be fully explained quantitatively. As stated by Creswell (2018), qualitative research allows researchers to interpret the meaning of social experiences through detailed descriptions and contextual interpretations.

The research was conducted in Sulawesi Utara Province, focusing on Bitung City and Minahasa Utara Regency, which were purposively selected because both received significant allocations of Physical and Non-Physical DAK for the MSME sector in Fiscal Year 2022. Bitung City has an economy based on marine processing industries, while Minahasa Utara Regency has developed as a center for agribusiness and creative industries based on local resources. These two regions serve as important representations for assessing the effectiveness of MSME-based fiscal policy implementation at the regional level. Research participants included representatives from the Ministry of Cooperatives and MSMEs, the Regional Development Planning Agency (Bappeda) of Sulawesi Utara Province, the Cooperatives and MSME Offices of Bitung City and Minahasa Utara Regency, as well as representatives of MSME actors supported by PLUT as key informants.

Data collection techniques consisted of Focus Group Discussions (FGDs) and policy document reviews. FGDs were used to explore the experiences and perceptions of stakeholders regarding the implementation of DAK, the challenges encountered, and its impact on enhancing the capacity and performance of MSME actors. FGDs were conducted in two stages: at the national level with the Ministry of Cooperatives and MSMEs, and at the regional level with local governments and business actors. Discussions were semi-structured to allow participants to express their views openly while maintaining focus on the research topic. FGD results were recorded, transcribed, and thematically analyzed to identify patterns and meanings within the data. The document review was conducted on national regulations, implementation reports, and secondary data such as DAK technical guidelines, PK2UKM reports, and MSME statistics to enrich and verify field findings.

Data analysis was carried out descriptively through the processes of reduction, presentation, and conclusion drawing, as described by Miles, Huberman, and Saldaña (2019). Data obtained from FGDs and documents were interpreted according to the main themes of the study: the contribution of DAK to MSME capacity building, the level of policy integration with regional economic development strategies, and the inhibiting factors in program implementation. Data validity was ensured through source and method triangulation, while verification was performed by confirming findings with

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key informants. This approach enabled the study to produce a comprehensive picture of the effectiveness of Physical and Non-Physical DAK implementation for the MSME sector in supporting economic recovery in Sulawesi Utara Province..

3. Results

General Overview of the Implementation of Physical and Non-Physical Special Allocation Funds in the MSME Sector in Sulawesi Utara

The policy on the Physical Special Allocation Fund (DAK Fisik) for the MSME sector is aimed at accelerating productivity improvement, enhancing product quality, expanding market reach and partnerships of cooperatives, micro and small enterprises, entrepreneurs, and small and medium industries to support value-added enhancement in industry, strengthening supply chains in priority industrial zones, and promoting local economic development in 19 Priority Tourism Destinations in accordance with the 2020–2024 National Medium-Term Development Plan (RPJMN), as well as supporting regional economic recovery from the impacts of COVID-19.

The objectives of the 2022 Physical Special Allocation Fund for the MSME sector include: (1) increasing productivity, added value, capacity, work quality, competitiveness, and business recovery of cooperatives, micro and small enterprises, and entrepreneurs; (2) expanding the reach and improving the quality of mentoring services for cooperatives, micro and small enterprises, and entrepreneurs; (3) increasing the number of assisted cooperatives, micro and small enterprises, and entrepreneurs; (4) accelerating digitalization among cooperatives, micro and small enterprises, and entrepreneurs; (5) fostering entrepreneurship development; and (6) promoting the participation of cooperatives, micro and small enterprises, and entrepreneurs in the development of Priority Tourism Destinations (Government of the Republic of Indonesia, 2022a).

Meanwhile, the use of the Non-Physical Special Allocation Fund (DAK Nonfisik PK2UMK) is directed to: (1) encourage the transformation of informal to formal businesses among micro and small enterprises; (2) accelerate the digitalization of cooperatives, micro and small enterprises; (3) increase access to formal financial institutions for cooperatives, micro and small enterprises; and (4) nurture new entrepreneurs. The 2022 Non-Physical Special Allocation Fund (PK2UMK) specifically finances activities such as training, mentoring for training participants, and legal aid and assistance services (Government of the Republic of Indonesia, 2022b).

Table 1. Output and Outcome of the Physical Special Allocation Fund for the MSME Sector FY 2022

Output	***Immediate Outcome***	***Outcome***
1. Number of Integrated Business Service Centers (PLUT) completed construction 2. Number of Integrated	1. Increased productivity, added value, work quality, and competitiveness of cooperatives and micro	1. Increased productivity, product quality, market reach, and partnerships of Small and Medium Industries in supporting

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Output	***Immediate Outcome***	***Outcome***
Business Service Centers (PLUT) completed revitalization	and small enterprises. 2. Improved quality of mentoring services. 3. Increased number of cooperatives and micro and small enterprises receiving assistance.	value-added enhancement, strengthening supply chains in priority industrial zones, and promoting local economic development. 2. Supporting quality and sustainable tourism in 19 Tourism Destination Areas in accordance with the RPJMN 2020–2024.

The development of the Integrated Business Service Center (PLUT) has been implemented in various regions since 2010 through the *Tugas Pembantuan* (Assistance Task) mechanism. However, in 2022, the development of PLUT was carried out through the Special Allocation Fund mechanism (Physical Assignment DAK for the MSME sector). The PLUT development program is aligned with the 2020–2024 National Medium-Term Development Plan (RPJMN) and is directed toward Tourism Destination Areas (DTW). The government plans to establish 93 PLUTs in DTWs as priority locations, consisting of 78 new constructions and 15 revitalizations in regencies/municipalities during the 2022–2024 period. In the 2022 fiscal year, the government built 14 PLUTs and revitalized 7 PLUTs across several regencies and cities, including those in Sulawesi Utara Province.

Sulawesi Utara Province is one of the locations designated for a national strategic program (*Major Project*). Several national strategic project themes are implemented here, including the development of the Likupang super-priority tourism destination located in Minahasa Utara Regency. In line with the policy direction of the Special Allocation Fund, one of the priority locations for the development of the Integrated Business Service Center (PLUT) through the Physical Assignment DAK for the MSME sector is within the Tourism Destination Area (DTW). In the 2022 fiscal year, the Government of Sulawesi Utara Province received allocations of the Physical Assignment DAK for MSMEs and the Non-Physical DAK for Cooperative and MSME Capacity Building (PK2UKM), amounting to IDR 15.2 billion and IDR 4.4 billion respectively. These funds were distributed to two regency/municipal governments for the Physical Assignment DAK and six provincial/regency/municipal governments for the Non-Physical PK2UKM DAK. Bitung City and Minahasa Utara Regency were designated as Tourism Destination Areas (DTW). Therefore, the government allocated Physical Assignment DAK for MSMEs amounting to IDR 7.8 billion and IDR 7.4 billion respectively (Government of the Republic of Indonesia, 2021). This initiative aims to strengthen MSMEs through PLUT facilities in both regions to enhance the production of goods and services that support the regional tourism sector.

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Table 2. Allocation of Physical/Non-Physical Special Allocation Funds for the MSME Sector Fiscal Year 2022 in Sulawesi Utara Province

No	Province/ Regency/ City	Allocation of the Physical Special Allocation Fund for the MSME Sector FY 2022 (IDR)	Allocation of Non-Physical Special Allocation Fund for Cooperative and SME Capacity Building FY 2022 (IDR)
1	Province of Sulawesi Utara	-	2.416.564.000
2	Regency of Bolaang Mongondow	-	-
3	Regency of Minahasa	-	-
4	Regency of Kepulauan Sangihe	-	-
5	City of Bitung	7.848.919.000	404.200.000
6	City of Manado	-	404.200.000
7	Regency of Kepulauan Talaud	-	-
8	Regency of Minahasa Selatan	-	400.800.000
9	City of Tomohon	-	404.200.000
10	Regency of Minahasa Utara	7.436.557.000	-
11	City of Kotamobagu	-	404.200.000
12	Regency of Bolaang Mongondaw Utara	-	-
13	Regency of Kep. Siau Tagulandang Biaro	-	-
14	Regency of Minahasa Tenggara	-	-
15	Regency of Bolaang Mongondow Timur	-	-
16	Regency of Bolaang	-	-

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No	Province/ Regency/ City	Allocation of the Physical Special Allocation Fund for the MSME Sector FY 2022 (IDR)	Allocation of Non-Physical Special Allocation Fund for Cooperative and SME Capacity Building FY 2022 (IDR)
	Mongondow Selatan		
		15.285.476.000	4.434.164.000

Source: Pemerintah RI, 2022c, 2021

The implementation of the Physical Special Allocation Fund (DAK) for the Micro, Small, and Medium Enterprises (MSMEs) sector and the Non-Physical DAK for Capacity Building of Cooperatives and MSMEs (KUKM) in Sulawesi Utara Province in 2022 focused on two main agendas: developing business-supporting infrastructure and strengthening the institutional capacity of MSME actors. Based on the results of Focus Group Discussions (FGDs) with local governments, it was found that Bitung City and Minahasa Utara Regency received allocations of Physical DAK for the construction of *Integrated Business Service Centers* (PLUT) facilities and the procurement of shared production tools (workshops, promotion rooms, and product processing equipment). Meanwhile, the Non-Physical DAK was directed toward improving business management capacity, financial literacy, digital entrepreneurship training, and strengthening cooperative institutions.

The Head of the Cooperative and MSME Office of Bitung City stated that the PLUT facility built through the 2022 Physical DAK has become a crucial point in developing the MSME ecosystem. Before this facility existed, entrepreneurs in Bitung found it difficult to access integrated assistance services such as management consulting, halal certification, and OSS licensing. With the establishment of PLUT, various services are now accessible under one roof, although its operational capacity remains limited. In contrast, in Minahasa Utara Regency, the Physical DAK allocation was used to revitalize shared production spaces for processed food industries and to support product packaging and branding facilities. Field observations show that these physical interventions have begun to yield positive impacts on local business productivity, especially among groups engaged in agricultural and fishery processing.

Meanwhile, the implementation of the Non-Physical DAK for Capacity Building of Cooperatives and MSMEs in both regions focused on technical training, strengthening financial management, and promoting digital marketing. Data from the PK2UKM report indicated that around 220 MSME actors in Bitung City and 190 in Minahasa Utara Regency participated in entrepreneurship training funded by the Non-Physical DAK in the 2022 fiscal year. The FGD results revealed that most participants found the training beneficial in enhancing their basic financial management skills and understanding online marketing strategies through social media and local e-commerce platforms. However, they also pointed out the short duration of the training and the lack of follow-up in the form of post-training mentoring.

Contribution of the Special Allocation Fund to Enhancing MSME Capacity and Products

The development program of the Integrated Business Service Center (PLUT) through the Physical Special Allocation Fund (DAK Fisik) and entrepreneurship training and business mentoring through the Non-Physical Special Allocation Fund (DAK Nonfisik PK2UKM) has proven effective in improving the capacity and performance of Micro, Small, and Medium Enterprises (MSMEs) in the regions. In Bitung City and Minahasa Utara Regency, both programs successfully provided integrated facilities and services for cooperative development while enhancing local entrepreneurs' skills in business management, licensing, and product marketing. The economic impact is evident through increased production activities, job creation, and local economic circulation during the construction and training phases. Beyond strengthening MSME competitiveness, the implementation of DAK also fostered new entrepreneurial initiatives and expanded business networks through digitalization. Training activities integrated with mentoring further accelerated the transformation of micro enterprises from the informal to the formal sector, while improving MSME access to financial institutions, People's Business Credit (KUR) programs, and e-commerce platforms. Thus, both Physical and Non-Physical DAK in the MSME sector function not only as instruments for developing economic infrastructure but also as catalysts for regional economic growth based on inclusion, self-reliance, and local business innovation.

The results of the FGD analysis show that the contribution of Physical and Non-Physical DAK to improving MSME performance covers three key dimensions: production, managerial, and institutional. In terms of production, the establishment of PLUT and shared production facilities enhanced efficiency and product quality, as indicated by the 20–30 percent increase in MSME production volume in Bitung City after utilizing modern packaging equipment. From the managerial perspective, training financed by Non-Physical DAK improved entrepreneurs' abilities in bookkeeping and digital marketing through online platforms, while encouraging the emergence of young innovative entrepreneurs in North Minahasa. Institutionally, PLUT and cooperative training fostered the formation of joint business groups and new cooperatives that strengthened MSME bargaining power within the supply chain and expanded access to financing and formal markets. Overall, the synergy between Physical and Non-Physical DAK has strengthened the MSME ecosystem and become a key driver of local economic recovery, although its impact still needs to be expanded to ensure that the program's benefits reach a wider range of business actors across various sectors and regions.

Integration of Special Allocation Funds (DAK) with Regional Economic Growth

The integration between the implementation of Physical and Non-Physical Special Allocation Funds (DAK) and regional economic development policies in Sulawesi Utara shows moderate progress. The results of the FGD with the Regional Development Planning Agency (Bappeda) of Sulawesi Utara Province indicate that the direction of the DAK policy for the MSME sector has been aligned with the *Regional Medium-Term Development Plan (RPJMD) 2021–2026*, particularly in the mission to enhance economic competitiveness based on local resources. The local government seeks to

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integrate DAK outputs into flagship programs such as *Gerakan Bangga Buatan Sulut* (Proudly Made in Sulawesi Utara Movement) and *One Village One Product*.

However, this integration is not yet fully optimal. There is still an overlap between DAK-funded activities and other programs financed through regional budgets (APBD) or by ministries/agencies. In Bitung City, for example, the construction of the PLUT facility funded by DAK was not followed by the strengthening of business incubation programs previously managed by the Department of Industry and Trade. As a result, PLUT has not yet functioned optimally as a hub of the local business ecosystem. In Minahasa Utara Regency, entrepreneurship training funded by DAK was conducted separately from the *young farmer capacity-building program* managed by the agricultural office, resulting in untapped cross-sectoral synergies.

Nevertheless, macroeconomic analysis shows a positive correlation between the increase in DAK spending for the MSME sector and improvements in regional economic indicators. Data from BPS Sulawesi Utara show that in 2022, the province's economic growth rate reached 5.36 percent, an increase from 4.22 percent in 2021. Bitung City recorded economic growth of 5.4 percent and North Minahasa 5.1 percent, with the trade and manufacturing industries as the main contributors. Although DAK cannot be claimed as the sole driver, its contribution to MSME sector recovery forms an integral part of this positive trend.

The issue of program integration has become a priority for the government to enhance implementation effectiveness, including in the MSME sector. The integration of Physical and Non-Physical DAK for MSMEs is crucial to optimize outcomes. The activities under the *DAK Physical Assignment for MSMEs FY 2022* include: (1) PLUT construction; and (2) PLUT revitalization. Meanwhile, the *DAK Non-Physical Program for Capacity Building of Cooperatives and MSMEs (PK2UKM) FY 2022* includes: (1) training; (2) mentoring; and (3) legal consultation/outreach, among others. The concept of integrating Physical and Non-Physical DAK for MSMEs aims to enhance budget utilization outcomes that support national economic recovery, as illustrated in Figure 1, which shows that these DAK activities are designed to support the productivity of goods and services, create broader employment opportunities, and increase value-added contributions to regional Gross Domestic Product (GRDP).

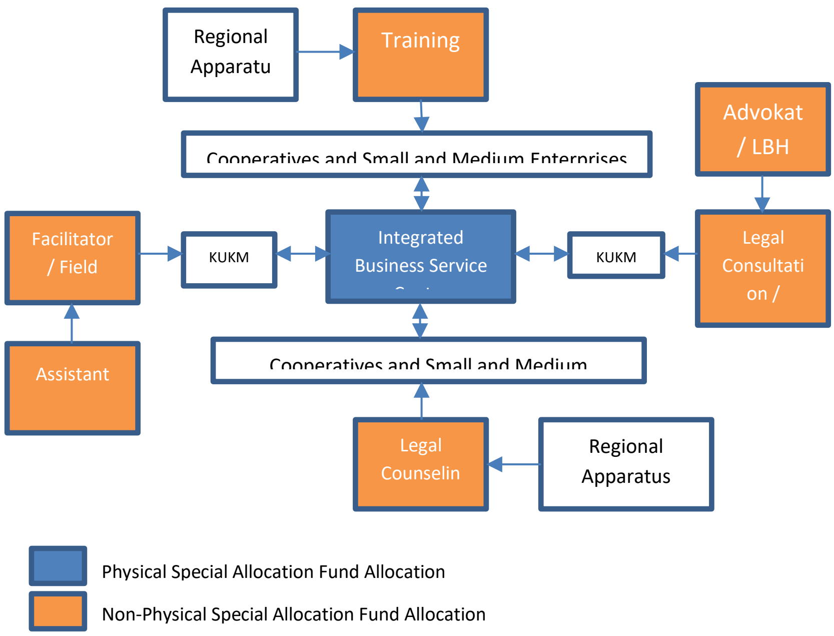

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Figure 1. Concept of Integration of Physical and Non-Physical Special Allocation Funds in the Cooperative and MSME Sector for National Economic Recovery
Source: Analysis Result, 2025

Problems and Challenges in the Implementation of DAK

The results of the FGD in Bitung City and Minahasa Utara Regency revealed that the implementation of the Special Allocation Fund (DAK) in the MSME sector still faces several interrelated challenges. The untimely disbursement of funds from the central government caused physical activities, such as the construction of PLUT facilities and the procurement of production equipment, to begin only in the middle of the fiscal year. This situation was exacerbated by the limited capacity of local human resources, particularly in administrative reporting and performance monitoring. The post-training mentoring mechanism for MSME actors has also not been running effectively, making it difficult for participants to consistently apply the knowledge gained. In addition, coordination among local government agencies remains weak, and the evaluation system tends to focus on budget realization rather than tangible outcomes such as increased turnover, employment, or market expansion.

Table 3. Comparison of the Implementation and Impact of Physical and Non-Physical Special Allocation Funds in the MSME Sector for Fiscal Year 2022 in Bitung City and Minahasa Utara Regency

Aspect	City of Bitung	Regency of Minahasa Utara
Legal Basis and Regional Context	Designated as a Special Economic Zone (SEZ) through Government Regulation No. 32 of 2014 concerning the Bitung SEZ. It functions as a gateway for Asia-Pacific trade and as a logistics hub for Eastern Indonesia. The development focus lies in downstreaming the fisheries, agro-industry, and creative industry sectors.	Designated as the Likupang Special Economic Zone (SEZ) through Government Regulation No. 84 of 2019. Included as a National Super Priority Destination with the theme of resort and cultural tourism. Its main potential lies in tourism and the creative economy based on coconut and derivative agribusiness products.
Allocation of DAK (Special Allocation Fund) for the Year 2022	Physical DAK for MSMEs: IDR 7.8 billion; Non-Physical DAK for PK2UKM: IDR 404 million.	Physical DAK for MSMEs: IDR 7.4 billion; did not receive Non-Physical DAK PK2UKM, but obtained Non-Physical DAK for Strengthening Institutional Capacity of Small and Medium Industry Centers amounting to IDR 1.39 billion.
Type of Physical Special	Construction and revitalization of the Integrated Business Service Center (PLUT) building are	Construction of production facilities and revitalization of small industrial centers based on

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Aspect	City of Bitung	Regency of Minahasa Utara
Allocation Fund Activities	equipped with a training hall, business literacy room, culinary incubator, agribusiness, handicraft, digital product photo studio, display area, prayer room, and restrooms. This also includes the procurement of computers, cameras, LCD projectors, furniture, and production equipment.	coconut derivative products in Likupang District. The Special Allocation Fund was utilized to improve processing and packaging facilities for coir handicraft products, as well as to enhance supporting production infrastructure.
Type of Non-Physical Special Allocation Fund Activities	Training for MSMEs to Go Digital, cooperative accounting training, packaging, branding and marketing training, as well as cooperative institutional strengthening training.	Did not receive the Non-Physical Special Allocation Fund for Capacity Building of Cooperatives and MSMEs (PK2UKM), but implemented nine small business training themes through the Non-Physical Special Allocation Fund for Strengthening Industrial Center Capacity (IKM), including training on production, business management, and marketing.
Main Output	The construction of the Bitung City PLUT functions as a center for providingassistance services to cooperatives and micro, small, and medium enterprises (MSMEs); the implementation of various training programs in digitalization, accounting, and product development; and the establishment of 90 actively mentored MSMEs.	The implementation of training for small industries in the coconut sector and strengthening institutional capacity of small business actors; improvement of technical skills and product quality of small industries; and the formation of an East Likupang business network based on local commodities.
Achieved Outcomes	Increased productivity and added value of MSMEs; an increase in the number of cooperative mentoring activities; enhanced competitiveness and market access through the P3DN e-catalog; and the establishment of 30 MSMEs ready for export.	Increase in production capacity and quality of coconut derivative products; improved ability to meet domestic and international market demands; and increased income for MSME actors in the agribusiness and handicraft sectors.
Integration of Physical and	Implemented effectively: participants of the Non-Physical	Integration has not occurred because the region did not receive

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Aspect	City of Bitung	Regency of Minahasa Utara
Non-Physical Special Allocation Funds	DAK training were directed to utilize the PLUT facilities funded through the Physical DAK. However, the participant coverage remains limited due to the large number of micro, small, and medium enterprises.	the Non-Physical Special Allocation Fund for the Cooperative and SME Capacity Building Program (PK2UKM). Synergy was instead established through the Non-Physical Special Allocation Fund for the Industrial Small and Medium Enterprise (IKM) Centers to fill the gap in business capacity development.
Sustainability Strategy	The Bitung City Government is committed to establishing a Technical Implementation Unit (UPT) for the Integrated Business Service Center (PLUT) to ensure that management, funding, and continuous mentoring services are sustainably supported by the Regional Revenue and Expenditure Budget (APBD).	The Government of Minahasa Utara Regency plans to continue training programs for small and medium industry centers to strengthen the economic value chain of coconut and tourism sectors through cross-sectoral support.
Main Problems	The training capacity is limited; not all MSME actors can participate; a performance-based monitoring system is not yet available; cross-sectoral integration needs improvement.	The absence of the Non-Physical Special Allocation Fund for Cooperative and MSME Capacity Development (PK2UKM) limited cooperative training activities; cross-departmental coordination remained weak; and there was a need for a dedicated institutional body to manage the Integrated Business Service Center (PLUT) and develop small and medium industries (IKM).
Impact on Regional Economy	The MSME sector's Special Allocation Fund strengthens the entrepreneurial ecosystem within the Bitung Special Economic Zone, supports downstream processing in fisheries and agroindustry, and enhances the contribution of the MSME sector to the city's economic growth.	The Special Allocation Fund (DAK) has strengthened the handicraft and small industry sectors in East Likupang, increased trade activities, and supported the tourism economy of the national super-priority area.

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Critical Discussion and Policy Implications

The findings of this study indicate that the implementation of the Special Allocation Fund (DAK) for the MSME sector in Sulawesi Utara has had a positive impact on improving business capacity and regional economic recovery, although it still faces institutional and implementation challenges. Theoretically, these results support the view that fiscal decentralization through conditional transfers can strengthen local economic development if accompanied by effective accountability mechanisms and coordination (Sari, 2025). However, without institutional reinforcement and performance-based evaluation, its potential impact will be diminished.

The contexts of Bitung City and Minahasa Utara Regency show that the success of DAK implementation depends heavily on synergy among stakeholders. In regions with adaptive and collaborative leadership, such as Bitung, the PLUT program progresses more rapidly due to cross-sectoral support and coordination with business actors. Conversely, in North Minahasa, horizontal coordination among local government agencies remains weak, causing some activities to run partially. This highlights that governance aspects play a crucial role in determining the effectiveness of sectoral fiscal policies.

From a development economics perspective, DAK intervention can be viewed as a policy stimulus to accelerate economic recovery driven by productive community-based sectors. Physical DAK strengthens physical and social capital, while Non-Physical DAK enhances human and institutional capital. The interaction of these two dimensions forms a more resilient MSME ecosystem. However, to achieve broader impacts, cross-sectoral program integration is necessary, particularly between DAK, regional budgets (APBD), and technical ministry programs such as those from the Ministry of Industry and the Ministry of Agriculture.

From the sustainability standpoint, the main challenge ahead is ensuring that DAK interventions do not stop at physical infrastructure or short-term training, but evolve into a long-term, data-driven mentoring system based on business needs. The one-stop service model, such as PLUT, should be further developed as a collaborative hub connecting financial, marketing, certification, and digitalization services. Additionally, a digital knowledge management platform can be utilized to document best practices from each region, serving as a learning reference for others.

Normatively, this study recommends redesigning the performance indicators for DAK in the MSME sector so that evaluations focus not only on physical and budget realization but also on competitiveness improvement, product value addition, and new job creation. The central government should strengthen results-based evaluation systems supported by integrated data across the Ministry of Cooperatives and SMEs, Bappenas, and the Ministry of Finance. At the regional level, local governments should develop a local performance dashboard to monitor MSME program achievements in real time.

Thus, the implementation of Physical and Non-Physical DAK for the MSME sector in Sulawesi Utara can be categorized as partially successful. Its achievements are evident in capacity building and supporting infrastructure, yet limited in generating a broad economic multiplier effect. To enhance effectiveness, improvements in institutional capacity, governance, and cross-sectoral policy integration are necessary. If these measures are applied consistently, DAK for the MSME sector has the potential to become a strategic instrument for driving regional economic transformation toward a more inclusive and sustainable direction.

5. Conclusion and Suggestion

The study results show that the implementation of Physical and Non-Physical Special Allocation Funds (DAK) in the MSME sector in Sulawesi Utara Province, particularly in Bitung City and Minahasa Utara Regency, has made a tangible contribution to strengthening the production, managerial, and institutional capacities of MSME actors. The establishment of the Integrated Business Service Center (PLUT) program improved production efficiency and quality, while training and mentoring activities expanded entrepreneurial literacy and the adoption of digital technologies. In Bitung, PLUT facilities boosted production volumes and encouraged the emergence of new cooperatives, whereas in North Minahasa, DAK interventions strengthened the value chain of coconut-based agribusiness and tourism products. However, the effectiveness of implementation remains constrained by delays in fund disbursement, limited administrative capacity, weak cross-sector coordination, and suboptimal post-training mentoring mechanisms. Policy integration between Physical and Non-Physical DAK has proven to enhance development synergy, though its scale remains limited and has not yet reached all MSME actors. Overall, the DAK for the MSME sector serves as an important fiscal instrument to accelerate regional economic recovery and strengthen local entrepreneurship ecosystems, although improvements in governance and program sustainability are still required to broaden and sustain its impact.

Based on the study’s findings, it is necessary to strengthen governance in the implementation of the MSME sector DAK to make it more results-oriented and impactful for regional economic growth. The central government should accelerate fund disbursement and refine performance-based evaluation mechanisms with outcome indicators that include increased turnover, product competitiveness, and employment absorption. At the regional level, building an integrated coordination system among the cooperative, industry, and tourism agencies is essential to ensure synergy between physical and non-physical programs. Local governments are also encouraged to establish PLUT Technical Implementation Units (UPT) to ensure continuous MSME management and mentoring funded by regional budgets (APBD). Furthermore, a data-driven and demand-based digital mentoring model should be developed to ensure that training goes beyond knowledge transfer and leads to real transformation in MSME business performance. Collaboration with the private sector and financial institutions is equally vital to expand access to financing and product marketing. Through these measures, the MSME sector DAK can optimally function as a catalyst for inclusive, innovative, and competitive regional economic transformation

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