

Management of MSME Development in Goa Lawah Tourism Area through Sustainable Local Wisdom-Based Strategies

I Nyoman Pande Suyasa^{1*}, Ni Nyoman Diah Utari Dewi², Mazlina Mahdzar³

Universitas Ngurah Rai, Bali, Indonesia^{1,2,3}

pandesuyasa@gmail.com^{1*}, diah.utari@unr.ac.id²,



Article History

Received on 26 January 2026

1st Revision on 02 February 2026

2nd Revision on 17 February 2026

3rd Revision on 01 March 2026

Accepted on 05 March 2026

Abstract

Purpose: This study analyzes MSME development in the Goa Lawah tourism area, Klungkung, Bali, and formulates sustainable tourism management strategies based on local knowledge. It examines policy, governance, economic, social, environmental, and destination development aspects.

Methodology: This study employs a descriptive qualitative case study approach. Data were collected through interviews, observations, and document analysis involving key stakeholders. Data validity was ensured through source and method triangulation, while analysis followed the Miles, Huberman, and Saldaña interactive model.

Results: The findings show that MSME management in Goa Lawah is strengthened through collaboration between local government and traditional institutions, integrating formal regulations with local values. Tri-Mandala zoning balances commerce and sacred protection, while local supply chains and digital payments enhance resilience despite environmental, digital adaptation, and waste management challenges.

Conclusions: The sustainable development of SMEs in Goa Lawah requires an adaptive management model that integrates administrative collaboration, cultural preservation, economic empowerment, and environmental protection based on the Tri-Hita-Karana philosophy.

Limitations: This study has limitations because it employs a qualitative approach and is based on a single case study, which may limit broader generalizability.

Contributions: This study presents an integrated management model for SMEs in religious travel destinations that combines the principles of sustainable tourism, cooperative management, and strategies based on local knowledge.

Keywords: *Local Wisdom, MSME Development, Sustainable Tourism, Tri Hita Karana, Tourism Governance*

How to Cite: Suyasa, I. N. P., Dewi, N. N. D. U., & Mahdzar, M. (2026). Management of MSME Development in Goa Lawah Tourism Area through Sustainable Local Wisdom-Based Strategies. *Jurnal Studi Perhotelan dan Pariwisata*, 4(2), 43-56.

1. Introduction

Modern tourism development has shifted its focus from the mere quantity of tourist arrivals (mass tourism) toward the paradigm of sustainable tourism (Dewi, Trisyani, Yuliani, Pramita, & Jayamahe, 2025; Mihalic, 2024). This concept demands a harmonious balance between economic growth,

socio-cultural preservation, and ecological protection ([Murahman, Rizqi, Oriena, & Azaahra, 2025](#)). The sector that is most vulnerable yet serves as the primary driver for this community-based tourism is the Micro, Small, and Medium Enterprises (MSMEs). In tourism destinations rooted in culture and nature, MSMEs function not only as providers of economic commodities but also as reflections of local identity that interact directly with tourists ([Giampiccoli & Saayman, 2018](#); [Rasoolimanesh, Jaafar, Ahmad, & Barghi, 2017](#)).

In the Province of Bali, the integration of spiritual values, environmental preservation, and local economic activity is clearly evident in the Goa Lawah Tourism Area, located in Pesinggahan Village, Dawan District, Klungkung Regency. This area possesses complex intrinsic uniqueness. On one hand, Goa Lawah is a sensitive ecological site consisting of a natural cave inhabited by millions of bats. On the other hand, it is a Pura Sad Kahyangan (a highly sacred temple) revered by Balinese Hindus as the *stana* (abode) of Lord Maheswara, who maintains the balance between the sea (*segara*) and the mountains. The influx of domestic and international tourists, mingling with *pamedek* (worshippers), creates massive economic opportunities for the local community, which in turn has triggered rapid MSME growth around the temple's outer area.

Micro, Small, and Medium-sized Enterprises (MSMEs) in Bali are not only an important economic force but also play a crucial role in preserving local knowledge and cultural identity. Many Balinese MSMEs are closely linked to local traditions, religious practices, craftsmanship, culinary heritage, and community-based economic activities that reflect Bali cultural values. Integrating local knowledge into the development of MSMEs provides a unique competitive advantage by creating authentic products that represent cultural values while also promoting the development of sustainable tourism. Previous research has shown that strengthening SMEs in Bali requires incorporating cultural sustainability, community empowerment, and the preservation of local distinctiveness as part of tourism competitiveness ([Girinatha, 2023](#); [Suarnatha & Putra, 2020](#)). Furthermore, SMEs that draw on local knowledge can strengthen their entrepreneurial focus by promoting innovation while preserving cultural authenticity, particularly in tourist destinations where visitors seek unique cultural experiences ([Carina, Mentari, Putra, Sari, & Dewi, 2023](#)). Therefore, the development of SMEs in regions with strong cultural appeal, must focus on striking a balance between economic growth and the preservation of Bali cultural values through sustainable and community-oriented business practices ([Kartika, Amrita, Sedana, & Handayani, 2025](#)).

However, the rapid growth of MSMEs in this sacred area has raised a dilemmatic management challenge. Without structured governance, commercial activities risk creating frictions or spatial conflicts that could compromise the sanctity (*kesucian*) of the Pura Goa Lawah. Issues such as aggressive street vendors, aesthetically unpleasing stall layouts, suboptimal plastic waste management, and smoke pollution from traditional culinary vendors (such as those selling fish *sate lilit*) pose real threats to both tourist comfort and the cave's bat ecosystem. Simultaneously, in the post-pandemic era and the face of digitalization, MSME actors are also challenged to adapt to technologies, such as the implementation of cashless payment systems such as QRIS and compliance with product hygiene standards to improve competitiveness ([Iswati, Budiman, & Sakum, 2026](#); [Putra et al., 2024](#)).

To address these dynamics, tourism development policy in Klungkung requires an integrative MSME management model. Governance cannot be approached solely through a top-down model from regional government regulations; it must synergize the role of customary village institutions (*Prapenjuru Adat*) through customary law (*awig-awig*) based on the Tri Hita Karana philosophy (harmony between humans and God, among humans, and with the natural environment). To date, studies specifically examining MSME management in religious-ecological tourism destinations like Goa Lawah using a multi-pillar analysis including policy, regulation, governance, economics, social aspects, the environment, and destination strategy remain very limited. Most previous research has tended to focus either on cultural tourism in a macro context or on the financial performance of MSMEs in isolation.

Therefore, this article aims to fill this research gap by conducting an in-depth analysis of MSME management in the Goa Lawah Tourism Area, Klungkung. It is expected that the findings of this study will formulate adaptive strategic recommendations for policymakers to realize tourism that is economically independent, socially equitable, and both spiritually and environmentally sustainable. This study contributes by providing an integrated analysis of MSME management in a religious-ecological tourism destination through the perspectives of policy, governance, economic, social, environmental, and destination management. Furthermore, this study extends the discussion on sustainable tourism by highlighting the role of local wisdom, customary institutions, and community-based practices in creating adaptive and culturally grounded MSME development strategies.

2. Literature Review

2.1 Sustainable Tourism Development Policy

Sustainable tourism is tourism that takes full account of its current and future economic, social, and environmental impacts, addressing the needs of visitors, the industry, the environment, and host communities ([Amalia & Lubis, 2024](#); [Karjaya, Putri, Khuzaima, Rahmi, & Ningrat, 2026](#)). According to [Saarinen \(2014\)](#), sustainable tourism should not be viewed as a niche form of tourism, but rather as a systemic approach that must be applied to all types of tourism activities. The implementation of sustainable tourism in cultural heritage sites and sacred areas requires strict carrying capacity management. This balance is illustrated through the three pillars of sustainability ([Fatina, Soesilo, & Tambunan, 2023](#)):

1. Economic Sustainability: Ensuring long-term economic vitality and providing socio-economic benefits that are fairly distributed to all stakeholders, including stable employment and income-generating opportunities for local communities.
2. Socio-Cultural Sustainability: Respecting the socio-cultural authenticity of local communities, conserving their living cultural heritage and traditional values, and contributing to intercultural understanding and tolerance.
3. Environmental Sustainability: Making optimal use of environmental resources that constitute a key element in tourism development, maintaining essential ecological processes, and helping to conserve natural heritage and biodiversity.

For religious-cultural heritage sites, the challenges of sustainable tourism are compounded. Destination managers are required to implement limits of acceptable change, ensuring that the modernization of tourism facilities does not erode the spiritual atmosphere and ecological integrity that serve as the primary attractions of the area ([Donaire, Galí, & Coromina, 2024](#)). Therefore, the development of sustainable tourism provides the fundamental framework for analyzing the management of SMEs in Goa Lawah, since economic activities are inextricably linked to the preservation of sociocultural heritage and environmental protection. In this study, the perspective of sustainability serves as the basis for assessing the extent to which the activities of SMEs can bring economic benefits to the local population while preserving the destination's spiritual and ecological values.

2.2 Tourism Regulation and Zoning of Sacred Areas in Bali

In the Province of Bali, tourism regulation possesses unique characteristics because state law must coexist with customary law (*awig-awig* and *dresta*). The core issue in regulating tourism based on Pura (Hindu sacred sites) is the protection of the sanctity radius of the temples or spatial planning. Based on the Bhisama Kesucian Pura (Decree on Temple Sanctity) issued by the Parisada Hindu Dharma Indonesia (PHDI), sacred areas have specific radius boundaries (*Apeneleng* or *Apenyengker*) that must be free from profane commercial activities. In terms of spatial planning, the area surrounding a temple is divided into three zones (Tri Mandala) ([Aryani & Tanuwidjaja, 2013](#)):

1. *Utama Mandala*: The innermost and most sacred zone, reserved exclusively for pure worship activities. Tourism and commercial activities are strictly prohibited in this zone.
2. *Madya Mandala*: The middle zone, which serves as a buffer. Tourists are permitted to enter provided they wear proper Balinese traditional attire and are not in a state of ritual impurity (*cuntaka*). Commercial activities are prohibited in this area.
3. *Nista Mandala*: The outer zone, serving as a public space and transition area. It is in this zone that local regulations and customary laws permit land use for tourism supporting facilities, including UMKM (MSME) kiosks, parking areas, and public toilets. The alignment of regulations between the Local Government (via the Regional Spatial Planning/RTRW) and the *Desa Adat* (Customary Village) is the key to preventing illegal land occupation by street vendors.

Research by [Indrayana, Handoko, and Wirata \(2025\)](#), asserts that failure to enforce Tri Mandala regulations often leads to illegal occupation by street vendors, which visually damages architectural aesthetics and triggers a degradation of the spiritual value of the sacred area. Therefore, the harmonization between Regional Regulations on Spatial Planning (RTRW) and the *Awig-awig* of the *Desa Adat* is a fundamental legal prerequisite for destination management. The concept of spatial planning and zoning based on the Tri-Mandala principle illustrates that the development of SMEs in sacred tourism areas requires a clear distinction between economic use and cultural preservation. Therefore, the harmonization of formal government policy with traditional regulations represents a key analytical dimension for the study of SME governance in Goa Lawah.

2.3 Collaborative Governance and the Pentahelix Model

Modern tourism destination management no longer relies on single governance but has shifted toward collaborative governance ([Bichler & Lösch, 2019](#)). [Ansell and Gash \(2008\)](#) state that collaborative governance is a forum where one or more public agencies directly engage non-state stakeholders in a collective, formal, consensus-oriented, and deliberative decision-making process. In the context of tourism, this governance is transformed into the Pentahelix Model, which involves five stakeholder elements ([Maturbongs & Lekatompessy, 2025](#)):

1. Government: As regulators and providers of macro-infrastructure (Tourism Office, Cooperatives & MSME Office).
2. Community: Local residents and customary institutions (*Desa Adat*, *Prapenjuru Pura*, *Pecalang*) as the owners of the territory and guardians of cultural values.
3. Academic: As conceptualizers providing research assistance, skills training, and periodic evaluation.
4. Business: Merchant associations, culinary stall owners, and travel agencies that drive the market economy.
5. Media: As a catalyst for destination promotion and a shaper of the region's positive image.

[Budhi, Lestari, and Suasih \(2022\)](#) suggest that in Bali's tourism destinations, the effectiveness of the Pentahelix model is determined by the strength of the relationship between the Government and Community pillars. Asymmetric relationships or unilateral dominance by the government often trigger resistance from the local community. Conversely, equal collaboration fosters a co-management model that ensures social sustainability and high legal compliance at the grassroots level ([Indratno, Verdiana, & Purawinata, 2024](#); [Nunkoo, 2017](#)). In Bali, the synergy between the Regional Government and the *Desa Adat* creates a dual governance system that complements each

other, where formal regional law synergizes with moral/customary sanctions to regulate business actors. The collaborative governance approach emphasizes that effective management of SMEs in tourism destinations requires interaction among various stakeholders and cannot rely solely on government measures. This study uses the Pentahelix model to analyze the roles and relationships among government institutions, indigenous communities, businesses, academics, and the media in establishing sustainable governance for SMEs.

2.4 The Role of MSMEs in Local Supply Chain Management

According to [Suherna and Nasiatin \(2023\)](#), Micro, Small, and Medium Enterprises (MSMEs) possess high flexibility toward market changes and labor-intensive local employment compared to large-scale industries. In the tourism ecosystem, MSME performance is determined by the efficiency of Local Supply Chain Management ([Suteja, Sugandini, & Istanto, 2020](#)). The integration of local supply chains ensures that tourist spending does not suffer from economic leakage to outside the region but circulates within the local community. MSME tourism supply chains include:

1. Upstream (Supply): Raw material supplies sourced from the local primary sector (agriculture, livestock, fisheries).
2. Internal Process: The processing of raw materials by local artisans or culinary actors into value-added products.
3. Downstream (Distribution): Direct product sales to tourists at the destination through face-to-face interaction or digital platforms.

In the modern era, the efficiency of this downstream supply chain is greatly accelerated by the adoption of financial technology. Based on the Technology Acceptance Model (TAM) developed by Davis, the adoption of digital payment systems such as the Quick Response Code Indonesian Standard (QRIS) is determined by two main factors: perceived ease of use and perceived usefulness ([Ilyas, Pulungan, Denopan, & Rinaldi, 2026](#)). [Kencanawati, Jaya, Masih, and Supiatni \(2025\)](#) state that financial digitalization in tourism MSMEs not only accelerates the velocity of money but also creates bookkeeping transparency, reduces transaction costs, and builds financial databases essential for credit scoring by banks. From a supply chain perspective, SMEs are not only economic actors but also an important component of the local tourism ecosystem. The interdependence among local suppliers, production processes, and distribution channels determines the extent to which tourism spending generates economic benefits for the local population. Therefore, supply chain management serves as an analytical approach for assessing the economic sustainability of SMEs in Goa Lawah.

2.5 Integration of the Tri Hita Karana Philosophy in Tourism Environmental Management

Environmental management in Balinese tourism destinations must adopt local wisdom to gain social legitimacy from the community. The primary philosophy underlying the life of Balinese society is Tri Hita Karana, which means the three causes of happiness and well-being. This philosophy divides life relationships into three parts ([Wiwin, 2021](#)):

1. *Parhyangan*: Harmonious relationship between humans and God. In MSME management, this is manifested through the compliance of merchants in maintaining the sanctity of temple areas and allocating a portion of profits (*dana punia*) for religious ceremonies.
2. *Pawongan*: Harmonious relationship among humans. Implemented through the concept of *menyama braya* (brotherhood), fair business competition, fair pricing, and the prevention of monopolies among local MSMEs.

3. *Palemahan*: Harmonious relationship between humans and the natural environment. This pillar is the foundation for MSME ecological management, such as the obligation to manage domestic waste, limit the use of single-use plastics (in accordance with local regulations), and maintain quiet surroundings to mitigate disturbances to sensitive ecosystems (such as the bat fauna at Goa Lawah).

The integration of the Tri Hita Karana philosophy transforms the management orientation of MSMEs from being purely capitalistic (single bottom line: profit) to being holistic (quadruple bottom line: profit, people, planet, and spirituality). By internalizing these local values, business actors no longer position themselves as exploiters of the destination, but as stewards responsible for safeguarding cultural and natural heritage for future generations ([Kusuma & Deriani, 2022](#)). The Tri-Hita Karana philosophy provides a culturally grounded framework that integrates economic activities with spiritual, social, and environmental responsibility. Consequently, this perspective enriches the analysis by illustrating how local knowledge can serve as a guiding mechanism to ensure that the development of SMEs remains in harmony with Bali cultural values and environmental sustainability.

3. Research Methodology

3.1 Research Approach and Case Study Design

This study employs a qualitative research approach using a case study design. The selection of a qualitative method is based on the need to explore, understand, and interpret the management of MSMEs (Micro, Small, and Medium Enterprises) in a tourism area imbued with spiritual and ecological values ([Creswell & Creswell, 2017](#)). The case study approach is considered the most adaptive as it focuses on the contemporary contextual boundaries of the Goa Lawah Tourism Area, Klungkung Regency, where the researcher examines the complex dynamic relationships between local government policies, customary law (*adat*), and the operational realities of micro-entrepreneurs in the field.

3.2 Research Subjects and Informant Selection

The research subjects or informants were selected using non-probability sampling through a purposive sampling technique. The selection criteria were based on the principles of authoritative representation, competence, and direct involvement in the management ecosystem of the Goa Lawah Tourism Area. Informants were classified into three main stakeholder clusters:

1. Regulator Cluster (Local Government): The Head of Destination Development at the Klungkung Regency Tourism Office and representatives from the Klungkung Regency Office of Cooperatives, SMEs, and Trade, to obtain macro data regarding regulations, legality (Business Identification Number/NIB), and area management policies.
2. Local Management Cluster (Customary Institution): The *Prapenjuru* (Management) of the Sad Kahyangan Goa Lawah Temple and the *Bendesa Adat* (Customary Chief) of Pesinggahan, to extract data regarding the implementation of *Tri Mandala* zoning, the management of micro-donation funds (*punia*), and the enforcement of customary law (*awig-awig*).
3. Economic Actor Cluster (Primary Actors): The Head of the Goa Lawah Area Traders Association and MSME actors selected proportionally from various types of businesses (fish *sate lilit* vendors, ceremonial offering/ *canang* vendors, and textile/souvenir vendors).

3.3 Data Collection Techniques

To ensure data validity, data collection was conducted using a combination of three primary techniques (multimethod data collection):

1. **Structured Observation:** The researcher conducted direct non-participant observation using an observation checklist. The focus was directed at mapping the physical layout of MSME stalls based on the temple zoning radius, the dynamics of daily operational activities when serving tourists or pilgrims (*pamedek*), the adequacy of sanitation facilities, and waste management patterns for culinary leftovers and plastic waste around the *Nista Mandala* area.
2. **In-Depth Interview:** Interviews were conducted using a semi-structured approach guided by a flexible interview guide. This step was taken to explore the informants' deep perspectives regarding spatial conflicts, supply chain efficiency with Kusamba fishermen, obstacles in adopting financial technology (QRIS), and their perceptions toward the conservation of the bat habitat. The entire interview process was digitally recorded with the informants' consent to produce verbatim transcripts.
3. **Documentary Research:** This technique involved reviewing relevant scientific and legal secondary documents. The analyzed documents included the Klungkung Regency Regional Spatial Plan (RTRW) Regulation, the Regent Regulation (Perbup) on MSME management in tourism destinations, the administrative documents of the Pesinggahan Customary Village *awig-awig*, and statistical data on the number of MSME actors from the Klungkung Cooperative Office.

3.4 Data Validity Technique (Triangulation)

To ensure the validity and reliability of this qualitative research, the researcher applied a triangulation technique, divided into two types:

1. **Source Triangulation:** Comparing and cross-checking the level of credibility of information obtained through different sources. In this study, the researcher cross-referenced information provided by the Tourism Office (as the regulator) with testimonies from the *Bendesa Adat* (as the customary manager) and the real accounts of MSME actors in the field.
2. **Method Triangulation:** Checking the consistency of the research data using multiple data collection techniques. The researcher examined the consistency of data between what informants said during in-depth interviews, what was written in official regulatory documents, and what was actually observed during physical field observations.

3.5 Data Analysis Technique

The data analysis process in this qualitative research was conducted interactively and continuously before, during, and after field data collection referring to the Miles, Huberman, and Saldaña (2014) qualitative data analysis model. The analytical steps include:

1. **Data Reduction:** This process involves selecting, focusing, simplifying, and transforming the raw data obtained from field notes, interview transcripts, and documents. The researchers conducted an initial coding exercise by identifying key concepts and recurring patterns, such as zone management, stakeholder collaboration, local supply chains, the implementation of QRIS, and environmental challenges. These codes were then grouped into overarching themes relevant to the six analytical dimensions of SME management in Goa Lawah.
2. **Data Display:** Organizing the reduced information into relationship matrices, MSME descriptive tables, Pentahelix governance flowcharts, and structured qualitative narratives. This data display is designed to be scannable, enabling the researcher to identify patterns of relationships between macro and micro variables in the Goa Lawah area.

3. Conclusion Drawing & Verification: Since the beginning of data collection, the researcher began to search for the meaning of objects, noting regularities, patterns, explanations, and cause-effect flows. Initial conclusions that were still vague were rigorously verified through focus group discussions or re-checking triangulated data until valid, robust conclusions were reached, capable of comprehensively answering the research questions.

4. Results and Discussions

4.1 Analysis Report: Goa Lawah Tourism Area

4.1.1 General Overview and Profile

The Goa Lawah Tourism Area is administratively located in Pesinggahan Village, Dawan District, Klungkung Regency, Bali Province. This destination is situated on a strategic national route connecting Klungkung Regency with Karangasem Regency, approximately 40 kilometers east of Denpasar city center. Geographically, the region features a unique landscape that blends a black sand coastal area (Goa Lawah/Kusamba Beach) in the south with limestone hills in the north, creating a *Nyegara-Gunung* visual character (the theological and ecological bond between the sea and the mountain). Functionally and culturally, the Goa Lawah Tourism Area consists of three primary, interacting components:

1. Spiritual Component (Pura Sad Kahyangan Goa Lawah): According to archaeological records and ancient manuscripts (*Lontar Padma Bhuana*), Goa Lawah Temple was founded in the 11th century by Mpu Kuturan and expanded in the 14th century by Dang Hyang Nirartha. The temple occupies a central position as one of the six main temples (*Sad Kahyangan*) in Bali, serving as a place of worship for Lord Maheswara and Sang Hyang Basuki (a symbol of the dragon guarding the earth's balance). It is the primary destination for *Nyekah* or *Memukur* ceremonies (purification of the soul after *ngaben*) for Hindus across Bali, ensuring a constant stream of pilgrims (*pamedek*) throughout the year.
2. Ecological Component (Natural Cave Site and Fauna): The main natural attraction is the natural rock cave located at the foot of the hills within the temple grounds. The cave features a mapped tunnel inhabited endemically by millions of bats (*Tadarida plicata* and *Rousettus amplexicaudatus*). These bats are not merely a tourist attraction; they are a vital part of the local ecosystem, controlling insect populations and aiding pollination in the surrounding Dawan hills.
3. People's Economy Component (MSME Zoning): The convergence of religious pilgrims and international/domestic tourists has created a profane economic space outside the temple (*Nista Mandala*). Based on regional spatial planning data, this economic zone is organized into a complex of permanent kiosks managed jointly by the Regional Tourism Office and the Pesinggahan Traditional Village. Businesses are categorized into three main clusters: ritual supplies (offerings, incense, traditional cloth), local souvenir crafts (Endek woven fabric, local snacks), and traditional coastal culinary outlets known for *sate lilit* (minced fish satay) and traditional Balinese fish soup (*pesneng*).

4.1.2 Policy and Regulation

The management of MSMEs (Micro, Small, and Medium Enterprises) in Goa Lawah is based on the Klungkung Regency Regional Regulation (*Perda*) regarding the Regional Tourism Development Master Plan. This regulation mandates the protection of the temple's sacred zoning:

1. Sacred Zoning: MSMEs are strictly prohibited from operating in the *Utama Mandala* (inner temple area) and *Madya Mandala* (middle area). All MSMEs are centralized in the *Nista Mandala* (outer zone/parking area).
2. Business Legality: The regional government encourages business formalization by facilitating free Business Identification Numbers (NIB) for local traders to improve access to banking capital.

4.1.3 Governance Synergy

Governance in Goa Lawah utilizes a Pentahelix model based on collaboration between the Klungkung Regency Government and the Pesinggahan Traditional Village. The collaborative governance roles of the government and the traditional village in managing the Goa Lawah Tourism Area are presented in Table 1.

Table 1. Collaborative governance roles of government and traditional village in managing Goa Lawah Tourism Area

Governance Aspect	Role of Tourism Office / Regency Government	Role of Pesinggahan Traditional Village
Legality & Levy	Collects official tourism entrance fees and issues business permits.	Manages traders' voluntary contributions (dana punia) for traditional temple maintenance.
Trader Regulation	Provides physical kiosk facilities and macro parking areas.	Conducts daily supervision via the Pecalang (Traditional Security Task Force) to ensure order.

4.1.4 Economic Impact

This tourism area generates a significant multiplier effect for the Klungkung economy. Goa Lawah MSMEs are the primary absorbers of the local supply chain:

- Seafood commodities are supplied directly by traditional fishermen from Kusamba Beach.
- Culinary products utilize local Kusamba Salt, which possesses a Geographical Indication (GI).
- Economic Digitalization: Most eateries and souvenir shops have adopted non-cash payment systems (QRIS) to increase transaction efficiency, particularly for domestic and international tourists.

4.1.5 Social and Cultural Awareness

Socially, the management of MSMEs minimizes gender inequality, as most culinary and ritual supply businesses are led by local women (gender empowerment). Furthermore, there is an unwritten customary agreement (*awig-awig*) that prohibits price monopolies or aggressive hawking to maintain the comfort of both pilgrims and tourists.

4.1.6 Environmental Sustainability

The environmental pillar is the most critical issue in Goa Lawah, given the sensitivity of the bat habitat within the cave to noise and odor pollution.

- Waste Management: Culinary MSMEs are required to have simple waste treatment systems (grease traps) to prevent cooking oil residue from contaminating the coastal soil.
- Plastic Policy: In alignment with Bali Governor Regulation No. 97/2018, MSMEs are gradually replacing plastic bags with eco-friendly alternatives and using *tekor* (banana leaves) as food containers.

4.1.7 Destination Development Strategy

To enhance the competitiveness of MSMEs in the future, a destination viability matrix has been formulated covering three aspects such as physical strategy standardization of kiosk architecture based on Balinese culture, HR strategy training in food hygiene and basic foreign language skills, market

strategy bundling tourism entrance tickets with MSME shopping vouchers.

4.2 Discussion

4.2.1 Paradox: The Duality of Space Functions (Sacred vs. Profane)

Research findings indicate that the management of MSMEs (Micro, Small, and Medium Enterprises) in the Goa Lawah Tourism Area has successfully mitigated friction between profane (commercial) activities and sacred (spiritual) values through the implementation of zoning based on the local wisdom of *Tri Mandala*. This phenomenon reinforces the cultural tourism theory of [Kadota \(2016\)](#), which states that the sustainability of cultural heritage-based tourist destinations depends heavily on the strict spatial boundaries between prayer zones and tourism zones. In Goa Lawah, the localization of MSMEs in the *Nista Mandala* area (the outer zone) is not merely a matter of physical layout, but a form of cultural negotiation. MSME actors act as a "protective shield," absorbing mass tourist movement before it reaches the boundaries of the temple's sanctity (*Madya Mandala*).

However, a crucial challenge identified in this discussion is the phenomenon of overcrowding during major Balinese Hindu religious holidays (such as *Galungan*, *Kuningan*, or *Nyekah Massal*). During these moments, the expansion of seasonal, non-kiosk street vendors often spills into transition areas. It is here that the effectiveness of formal regional regulations is tested. These findings confirm that top-down interventions from the Klungkung Regency Government are often too slow to respond to field dynamics if not supported by customary law (*awig-awig*). Therefore, integrated supervision by the *Pecalang* (customary security task force) has proven to be a much more persuasive and effective instrument for maintaining order than formal legal approaches.

4.2.2 Analysis of Pentahelix Strategic Alliance in MSME Governance

The Collaborative Governance model operating in Goa Lawah shows a strong partnership pattern between the government element (local government) and the community (Pesinggahan Customary Village). This relationship creates a unique dualistic governance model: the local government manages macro tourism levies and physical infrastructure, while the customary village retains control over social-spiritual relations and micro levies (*dana punia usaha*). This is consistent with the framework of [Sofyan, Fauziyah, and Rahardian \(2024\)](#) regarding the importance of face-to-face dialogue and shared understanding among stakeholders to achieve consensus. Nevertheless, when analyzed using the full pentahelix lens, the academic and business (retail associations/banking) elements remain at a level of sporadic participation. Academic mentoring from local universities is generally limited to short-term Community Service programs (*KKN*) and has not touched upon long-term business incubation. Consequently, there is a capacity gap among MSME actors, particularly regarding basic foreign language communication skills and global food hygiene standards.

4.2.3 Local Economic Multiplier Effects and Digital Financial Transformation

From an economic perspective, the integration of the local supply chain in Goa Lawah operates organically yet strongly. The reliance of culinary MSMEs on fresh fish supplies from Kusamba Beach fishermen and the utilization of local *Kusamba* salt creates a local circular economic resilience. This validates [Arkananta and McGuinness \(2024\)](#) that the micro-business sector possesses high resilience due to the flexibility of using local raw materials without dependence on global supply chains. The economic leakage often considered a negative specter in mass tourism industries can be significantly minimized in this ecosystem. New challenges have emerged with the adoption of the Quick Response Code Indonesian Standard (QRIS). Based on the Technology Acceptance Model (TAM), adoption has been successful among established culinary businesses and modern souvenir shops but faces resistance from elderly street vendors (senior entrepreneurs). Psychological barriers (fear of digital systems) and technical constraints (lack of adequate smartphones) trigger digital inequality within the tourist area. Therefore, digitalization cannot be enforced uniformly without inclusive digital financial literacy programs.

4.2.4 The Dilemma of Sensitive Environmental Management

The most critical discussion stems from the *Palemahan* pillar (the relationship between humans and nature). The Goa Lawah Tourism Area is a site with high ecological vulnerability due to the presence

of a habitat for millions of bats. Air pollution from traditional fish *sate lilit* stalls operating around the outer radius of the temple has been identified as a trigger for the accumulation of micro-emissions which, if left unchecked in the long term, could disrupt the biosphere cycle of the bats inside the cave.

Beyond air pollution, plastic waste management remains an unresolved issue. Although Bali Governor Regulation No. 97/2018 has restricted the use of single-use plastics, field reality shows that consumer (tourist) behavior, which demands practicality, forces MSMEs to continue providing plastic bags covertly. This demonstrates that ecological awareness cannot be burdened solely on the supply side (MSME actors) but must be driven through environmental awareness campaigns on the demand side (tourists). A transformation of MSME stalls toward a green-cultural architectural concept is urgently needed to align with the image of eco-cultural tourism.

4.2.5 Local Wisdom-Based MSME Governance: Insights from Goa Lawah Tourism Area

The “Goa Lawah” case makes a significant contribution to the literature on sustainable tourism and SME management, as it represents a unique connection between sacred cultural heritage, ecological conservation, and community-based economic activities. Unlike earlier studies, which generally addressed the development of SMEs in conventional tourism destinations or focused separately on economic performance, this study demonstrates how the governance of SMEs functions in the context of religious-ecological tourism, where commercial activities must constantly adapt to spiritual and ecological constraints. The research findings show that the effectiveness of SME governance in Goa Lawah depends not only on formal tourism policy but also on the integration of government regulations, traditional authorities, and Balinese local knowledge through the principles of Tri Mandala and Tri Hita Karana. This mechanism of dual governance is a defining characteristic of Goa Lawah, where traditional institutions function not only as guardians of culture but also as active agents of governance, ensuring economic order and environmental responsibility. Therefore, this study expands upon previous research on tourism governance by demonstrating how institutional arrangements based on local wisdom can serve as an adaptive strategy for managing SMEs in sacred tourism destinations.

5. Conclusions

5.1 Conclusion

Based on the multipillar analysis and discussion presented, this research concludes that MSME management in the Goa Lawah Tourism Area, Klungkung Regency, is supported by several interconnected aspects. First, the management of MSMEs has operated harmoniously due to a synergistic division of roles between the Klungkung Regency Government as the macro formal regulator and the Pesinggahan Traditional Village as the micro cultural manager. This governance duality successfully bridges the fulfillment of formal business legality aspects, such as the Business Identification Number (NIB), with the enforcement of moral-customary sanctions that maintain daily operational order in the area. This governance mechanism is further strengthened through the application of the traditional Tri Mandala zoning system, which effectively mitigates spatial conflicts between profane economic activities and the sanctity of the Pura Sad Kahyangan Goa Lawah sacred area. By placing all MSME clusters in the Nista Mandala area (outer zone), the religious-cultural value of the temple remains protected while maintaining the economic rights of the local community to earn a living.

Furthermore, the presence of MSMEs contributes to local economic resilience through the optimization of local supply chain management. The dependence of local culinary specialties, such as fish *sate lilit* and *pesneng*, on supplies from Kusamba Beach fishermen and the use of local Kusamba Salt has significantly reduced tourism economic leakage. This economic sustainability is further supported by the adoption of digital transaction technology, such as QRIS, although digital adaptation disparities remain among elderly traders. However, despite the internalization of the Tri Hita Karana philosophy, particularly the Palemahan pillar, as the moral foundation for traders, the ecologically sensitive Goa Lawah area continues to face environmental challenges. Cumulative micro-emissions from fish satay cooking smoke and continued violations of the ban on single-use plastic bags indicate that environmental management in the MSME area still requires more decisive intervention to

ensure the balance between economic development, cultural preservation, and ecological sustainability.

5.2 Research Limitations

This study has several limitations that should be taken into account. First, this research adopts a qualitative case study approach that focuses exclusively on the Goa Lawah tourism area in Klungkung, Bali. Therefore, while the findings provide an in-depth understanding of the local context, they may not be directly transferable to other tourism destinations with different cultural, social, and administrative characteristics. Second, the study relies primarily on information from selected stakeholders, including government officials, traditional institutions, tourism industry actors, and representatives of Micro, Small, and Medium-Sized Enterprises (MSMEs), which may not fully reflect the perspectives of all those involved in tourism. Third, the study does not quantitatively measure the extent to which management practices based on local knowledge, the use of digital technologies, and collaborative governance influence the performance of MSMEs and their sustainability outcomes.

5.3 Suggestions and Direction for Future Research

For further research, it is recommended that the scope of the study be expanded to include various travel destinations with similar cultural and ecological characteristics to enable a comparative analysis. Future research could also employ quantitative approaches such as structural equation modeling (SEM) or mixed methods to empirically examine the relationship between sustainable tourism practices, the application of local knowledge, digital transformation, collaborative governance, and the performance of SMEs. Future researchers are also encouraged to examine the long-term impacts of the introduction of digital financial services, environmental management strategies, and community-building programs on the sustainability and competitiveness of tourism-based SMEs. Furthermore, additional research could examine the role of the younger generation and external stakeholders such as scientists, financial institutions, and the tourism industry in strengthening a sustainable SME ecosystem.

Acknowledgement

The authors would like to express their sincere gratitude to all parties who contributed to the completion of this research. Special appreciation is extended to the Klungkung Regency Government, Pesinggahan Traditional Village, Goa Lawah Tourism Area management, tourism stakeholders, and MSME actors who provided valuable information and support during the data collection process. The authors also acknowledge the academic support and guidance provided by Ngurah Rai University Denpasar throughout the research process.

Author Contributions

INPS contributed to the conceptualization of the study, research design, data collection, field investigation, data analysis, interpretation of findings, and preparation of the initial manuscript draft. NNDUD contributed through academic supervision, methodological guidance, critical review, and refinement of the theoretical framework and manuscript structure. MM contributed to manuscript review and editing, provided intellectual input to improve the academic quality of the article, and assisted in strengthening the overall presentation of the research findings. All authors have reviewed and approved the final version of the manuscript.

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