

Analysis of Opportunities and Challenges of Sustainable Financing for Micro, Small, and Medium Enterprises

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Article Info	Abstract
<i>Keywords:</i> Sustainable Finance; Opportunities; Challenges;	Purpose - Sustainable financing has become a key focus in financing an inclusive and sustainable economy. MSMEs have a role to play in the global economy to cultivate the sustainability of MSMEs in Indonesia. However, MSMEs often face challenges in accessing financing necessary for their growth and sustainability. This paper discusses the literature related to sustainable financing for MSMEs. The purpose of this paper is to analyze the opportunities and challenges of sustainable financing for MSMEs. Design/methodology/approach - Using the literature review method, this paper also explores the basic concepts of sustainable financing as well as the principles related to the analysis of opportunities and challenges of sustainable financing for MSMEs. In addition, this paper also explores a number of challenges faced by MSMEs in implementing sustainable financing, such as limited access to financing sources and risks associated with MSME financing in Indonesia. Findings - Through an in-depth review of available literature and data, this research provides a better knowledge of the facts that need to be considered to increase MSMEs' awareness of sustainable financing. The conclusion of this literature review is that the Analysis of Opportunities and Challenges of Sustainable Financing for MSMEs has great potential to support economic growth and sustainability of MSMEs, for this reason MSMEs need to have an awareness of capturing innovation opportunities, be creative in marketing products that will be cultivated in a competitive society by seeking information on sustainable financing for MSMEs and preparing themselves for the challenges of implementing sustainable financing.
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INTRODUCTION

Based on data from the Ministry of Micro, Small, and Medium Enterprises (MSMEs) in 2020, there was a decrease in the number of MSME income contributions compared to the previous year, increasing from 60 percent to 57 percent of Indonesia's Gross Domestic Product (GDP). On October 15 to 14, 2023, the Ministry of Cooperatives and Small and Medium Enterprises (Kementerian Koperasi UKM) with the Central Statistics Agency (BPS) collected data on MSMEs in 215 districts or cities in 32 provinces, except for DIY and Bali. UMKM are one of the most important pillars in the Indonesian economy. MSMEs play an important role in the global economy because of their contribution to economic growth, creating jobs, and overcoming poverty (World Bank, 2020).

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Based on data from the Ministry of Finance of the Republic of Indonesia in 2020, the national and global economy is in an economic recession. This national and global economic growth experienced a decline in economic growth of -5.3%. This decline was due to social restrictions to prevent Covid-19, a decrease in foreign trade so that economic growth decreased in the second quarter, but Covid-19 held back economic growth in the third and fourth quarters. Therefore, the government is trying to improve national economic performance in the third quarter and it is expected that economic growth in 2020 will be around -0.4% to 1%. The government implemented the National Economic Recovery (PEN) program which was effective starting in the third quarter. The PEN consists of three main policies, namely increasing domestic consumption (demand), increasing business activity (supply) and maintaining economic stability and monetary expansion. These three policies received support from ministries/institutions, local governments, SOEs/BUMDs, business actors, and the community.

As for the national economy, it contributes to MSMEs, one of the sectors that has an impact on the Covid-19 pandemic which has decreased the national economy. MSMEs have a major contribution to the national economy. According to the Ministry of Cooperatives, Small and Medium Enterprises (MSMEs) in 2018, the number of MSME players was 64.2 million or 99.99% of the total number of business actors in Indonesia. MSME labor resources are 117 million workers or 97% of the business world workforce. Meanwhile, the contribution of MSMEs to the national economy (GDP) amounted to 61.1%, and the remaining 38.9% by large businesses, which amounted to 5,550 or 0.01% of the number of business actors. This proves that the pillars of the Indonesian economy are strengthened by the existence of small and medium enterprises. Therefore, if MSMEs develop, the Indonesian economy can develop faster. However, the Covid-19 Pandemic in 2020 has caused a decline in the national economy. Various efforts have been made by the government to increase economic growth. Impact on As a result, the Covid-19 pandemic was declared a national disaster through Presidential Decree Number 12 of 2020 on the Determination of the Non-Natural Disaster of the Spread of Covid19 since April 13, 2020. The disaster, which is still not fully over, has caused the Indonesian economy to slow down. Various business sectors and businesses have suffered losses, especially at the beginning of the pandemic. Many were even forced to close.

Currently, the term sustainable economic development is recognized. One of the things that can support sustainable economic development is the existence of sustainable financing for the business sector. Sustainable financing is a new paradigm in economic growth that works together with the government to develop the economy in Indonesia. Sustainable financing has an active role in Indonesia's economic growth, one of which is through financing made to MSMEs in Indonesia. Sustainable financing is the allocation of funds that help several environmental factors of society and managed companies (ESG) in financing decision problems. This concept emphasizes the importance of not only seeking financial returns, but also taking into account the positive and negative impacts of investment or financing activities on the environment and society (Dyllick & Hockerts, 2002).

Provisions regarding the obligation of banks to channel credit and ease of access to financing for MSMEs in the Law on PPSK are contained in Article 12 B, Article 15 A, Article 21

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C, Article 249 which is further. Based on Chapter IV on Banking, Article 12 B Commercial Banks are obliged to channel credit or financing based on Sharia Principles for certain sectors, Micro, Small, and Medium Enterprises, inclusive financing, and or sustainable financing. Article 15 A Commercial banks may cooperate with People's Economic Banks (BPR) in channeling credit or financing based on sharia principles for MSMEs. Article 21 C Sharia commercial banks and sharia business units are obliged to channel financing for certain sectors, MSMEs, inclusive financing, and/or sustainable financing. Chapter XIX on access to financing for MSMEs 249 In order to increase national economic resilience through the empowerment of MSMEs, it is necessary to facilitate access to financing for MSMEs.

UMKM that must be carried out by all banks and or non-bank financial institutions by applying the principles of prudence and risk management. Furthermore, the provisions regarding the ease of access to MSMEs are regulated by the financial sector authorities in accordance with their respective duties and authorities after being consulted with the permanent organs of the DPR, namely the commissions whose duties and authorities are in the fields of finance, banking, and development planning. Sustainable financing has a difference with ordinary financing, namely in terms of sustainable financing. In sustainable financing, the costs incurred for the MSME sector will continue so that it can make the economy in Indonesia continue to grow. MSMEs are a type of small-scale business with a limited number of employees, turnover, and assets, but have an important role in achieving the vision of Indonesian Gold 2045, which is to realize Indonesia as a developed and prosperous country. Sustainable financing of sustainable businesses. With sustainable financing, MSMEs can develop their businesses by paying attention to sustainable ethics such as resource efficiency, environmental protection, and social empowerment.

Sustainable financing is the procedure of financing (development, business, society, etc.) that meets the needs of the present without compromising the needs of future generations. Some of the factors that must be faced to achieve sustainable financing are how to repair environmental damage without sacrificing the need for financing the economy and society in Indonesia. Sustainable financing is very much needed by the Indonesian economy, especially MSMEs which play an important role in this country. Therefore, MSMEs must have an awareness of this sustainable financing opportunity. In addition, MSMEs also face a number of challenges. The challenge for MSMEs is to improve their economic livelihood. A better quality of life requires sufficient income. Therefore, this Scientific Paper aims to analyze the opportunities and challenges of sustainable financing in MSMEs to improve economic competitiveness in Indonesia.

RESEARCH METHOD

In this research, the author uses the literature method, namely literature review or literature review. Literature review is a series of activities related to library information collection methods, reading, and recording, as well as the management of research materials. The literature reviewed in this paper is literature that discusses sustainable financing, as well as the opportunities and challenges of sustainable financing for MSMEs. Literature collection is carried out by collecting data from various sources of journal books related to the opportunities and challenges of sustainable financing for MSMEs, and articles on MSMEs in Indonesia and then compiled to draw conclusions about the opportunities and

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challenges of sustainable financing for MSMEs in Indonesia. The researcher's aim by using this method is to analyze literature sourced from books, journals, and articles that have been managed from various studies abroad in the banking world and in Indonesia. By using a literature review, the author gets more in-depth information about analyzing the opportunities and challenges of sustainable financing for MSMEs in Indonesia.

RESULTS

Based on Financial Services Authority Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies, Sustainable Finance is a comprehensive support from the financial services sector to create sustainable economic growth by harmonizing economic, social, and environmental interests. Sustainable financing involves mutual trust between creditors and debtors to carry out the mandate that has been given. This sustainable financing is carried out accurately, properly, and clearly the requirements so that the creditors and debtors are mutually beneficial to both parties. Financing according to Fathia et al. (2023) is divided into three categories. First, return bearing financing, which is a form of financing that is commercially profitable, when the owner of capital is willing to bear the risk of loss and the customer also provides profit. Second, return free financing, which is a form of financing that is not for profit.

Third, charity financing, which is a form of financing that is given to the poor and needy, so there is no claim on the principal and profit. Third, charity financing, which is a form of financing that is given to the poor and needy, so there is no claim to principal and profit. Based on the nature of its use, financing is divided into two, namely productive financing and consumptive financing. Productive financing is financing that is intended for production needs in a broad sense, namely to increase business, both production, trade and investment businesses. Productive financing is divided into two things: First, working capital financing, to meet the needs of increasing production, both quantitatively (amount of production), and qualitatively (improving the quality or quality of production). The components contained in working capital financing include accounts receivable and inventory, which generally consists of raw material inventory, work in process inventory, and finished goods inventory. Second, investment financing, given to meet the needs of capital goods (capital goods) as well as facilities that are closely related to it. Consumptive financing is financing that is used to meet consumption needs, which will be used up to meet needs (Tia, 2021).

The key points of sustainable financing for MSMEs in Indonesia include that financing is considered a resource to be produced and shared. In addition, there is a need for MSME businesses to innovate in developing businesses that become sustainable financing models. Sustainable financing should not limit the production and distribution of assets, but also create and develop new innovations. As a result, improving the quality of human resources will increase productivity. This is called sustainable financing in the context of industrial development. (Thohir 2018; KOMPAK 2019).

Apart from being a resource, the role of financing for MSMEs is to encourage increased productivity of MSMEs. In sustainable financing, one of the things that has a very important role is the way of life carried out by individuals in running MSME businesses. Law No.20/2008 on MSMEs expands funding sources and facilitate MSMEs to access credit from financial institutions, multiply financing institutions and expand their networks so that they can be accessed by MSMEs. The 2020-2024 National Medium-Term Development Plan (RPJMN) increases the productivity and efficiency of MSMEs through the industrial revolution 4.0 along with the development of ecommerce. In this case, the strategic step to realize sustainable financing is a development that focuses and prioritizes human resources. This means that humans are the main focus in sustainable financing because they can form community energy that is useful for increasing productivity and production processes in MSMEs. In

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sustainable financing, there is a different opinion according to BAPPENAS, which links a broader aspect, namely skills through innovative steps, one of which is establishing partnerships with e-commerce, so that MSME financing products are easily accessible for online marketing activities through e-commerce.

DISCUSSION

Sustainable Financing Opportunities for MSMEs

Starting an MSME requires complete business administration, starting from legality documents, financial reporting and recording, and marketing. This requirement describes the needs of MSMEs, especially related to capital and the obstacles in meeting these needs. MSMEs have a fast transaction turnover, using domestic production with the primary needs of the community. The government realizes the potential of MSMEs. Therefore, the government took a policy to increase the capacity of MSMEs in the economic recovery program in Indonesia. MSME actors need to evaluate potential opportunities in order to develop and run a business sustainably. Riyani et al. (2022), explained that MSME actors are lack of awareness of MSME actors in seeking information related to financing opportunities. This is due to the limited accessibility for MSMEs to obtain this information. In fact, if studied further, there are many opportunities for MSMEs in financing but these opportunities are often overlooked. Along with more professional business management and increased and sustainable income, the welfare of MSME actors is expected to increase. In addition to In addition, financial institutions are also expected to assess these MSMEs as more potential so that the opportunity to gain access to financing is greater.

Here are some practices that can be used as opportunities for MSMEs to increase financing: First, the marketing platforms or media used are relatively diverse. In addition to providing product interest in galleries or stations, some of the marketing media used are participating in exhibitions, and leaving products at shops and stalls for food processing MSMEs. By participating in exhibitions, MSMEs can market their products more widely, because in general, exhibitions are visited by people who want to buy products. For example, social media such as Facebook, Instagram, WhatsApp, and other similar social media to maximize the promotion and marketing of MSME products. Second, MSMEs are also linked with off-takers in the form of medium and large companies that are relatively close to MSME production areas. By establishing partnerships with off-takers, MSMEs get various benefits, namely MSMEs have a clear market because their products are sold to companies that are their partners (off-takers). Off-takers also generally conduct periodic evaluations of the products that MSMEs use, which provides opportunities for MSMEs to make various innovations and improvements so that their products are in line with market needs. This provides opportunities for MSMEs to use policies to obtain capital from the banking sector. Banks receive additional incentives to open branch networks if the bank allocates financing to MSME businesses of at least 10 percent to MSMEs of the entire financing portfolio. This should be an opportunity for MSMEs to obtain sustainable financing, if done consistently with full awareness and supported by an environment and culture of sustainability. (Thohir 2018; KOMPAK 2019).

In addition to being able to incentivize sustainable financing to MSMEs, banks Public and microfinance institutions should provide loans to MSMEs to achieve economic financing and can be a way to address the unemployment problem (Saymeh and Sabha, 2014). In addition to financing from conventional banks, MSMEs can also obtain financing from Islamic banks. The techniques used by Islamic banking to facilitate the distribution of funds include the relationship between commercial banks and Islamic banks. with Rural Banks or banks that participate in the distribution of People's Business Credit (KUR). Based on Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises,

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financing provided by Sharia Commercial Banks and Sharia Business Units in the form of working capital and investment financing to MSMEs is also related to the concept of MSME companies with the size specified in the law. This means that MSMEs are easier to reach banks (Azmi, et al., 2019).

Sustainable Financing Challenges for MSMEs

The challenge of sustainable financing for MSMEs is that businesses that are just starting to run or operate are advised not to use financing through market mechanisms because they have a relatively high risk of failure, which is risky for both MSMEs and financial institutions. There are several alternative financing schemes for MSMEs that have just started running or operating: First, use funds from the government which are revolving funds with a 0% interest rate. However, financing in the nature of assistance will create moral hazard because there is no risk for borrowers if they do not repay the loan. Therefore, such financing needs to be accompanied by clear requirements. Second, financing institutions (for example, PT Permodalan Nasional Madani). PT Permodalan Nasional Madani has a mentoring program for its customers.

The mentoring program can encourage newly established MSMEs to have a greater opportunity to grow. Sustainable financing in modern times MSMEs have challenges in financing and payments using fintech, especially in digital payments. However, the use of fintech is not always applied in every business. This is due to the urgency in using fintech for MSME players such as ovo, gopay, funds and other digital payments. So that MSME players still use cash payments and bank transfers because customer characteristics vary. Market demand, facilities, and work facilities that are more adequate for better product capacity. MSMEs face challenges in implementing industry 4.0 including business model changes, security issues, legal issues, intellectual property protection, standardization, work management, employee empowerment and industry change issues. These changes require and Support organizations that are creating new innovations with the use of fintech. MSMEs are experiencing difficulties that are necessary to grow their business. Not all customers view that digital payment is a technology that needs to be utilized, because it is not easy for people to adapt and switch from one method to another even though the new technology has certain advantages that can make it easier for customers to transact. The low interest from customers makes MSME players also reluctant to use fintech. most MSMEs still face various challenges, such as difficulties in renewal, limited access to digitalization, difficulties in penetrating global markets, and lack of financial services, especially those related to sustainable financing. This limited access is caused by several factors, including limited collateral owned, lack of access to accurate financial information, and a mismatch between financing needs and products offered by financial institutions (Putra, 2021).

MSME Strategy for Sustainable Financing

The strategy of MSMEs in sustainable financing is the systematic identification of various factors by maximizing strengths and opportunities, but at the same time minimizing weaknesses and threats, including: First, Strengths, namely the strengths possessed to face existing challenges, so that in the end the business can survive and develop. Second, Weaknesses owned by MSMEs are expected to be minimized with the added value they have. Third, opportunities (Opportunities) that exist so that they can take opportunities in the capital market and overcome existing weaknesses. Fourth, Threats (Treat), namely trends that are unfavorable and threaten the company's position in competition.

CONCLUSION

Based on the results of the Analysis of Opportunities and Challenges of Sustainable Financing for MSMEs as follows: First, sustainable financing opportunities the marketing platforms or media used

are relatively diverse. Providing product interest in galleries or Some marketing media stations used are participating in exhibitions. Work with partnerships to maximize promotion with off-takers relative to MSME production areas. Second, the challenge of sustainable financing using funds from the government which are revolving funds with 0% interest rates, for MSMEs that are just starting a business, the application of industry 4.0 includes changes in business models, security issues, legal issues, intellectual property protection, standardization, work management, employee empowerment and industrial change issues. These changes require and support organizations that create new innovations using fintech. Not all customers see digital payment as a technology that needs to be utilized, because it is not easy for people to adapt and switch from one method to another even though the new technology has certain advantages that can make it easier for customers to transact. Third, the strategy in sustainable financing is the systematic identification of various factors in a way that maximizes strengths and opportunities, but at the same time can minimize weaknesses and threats including: First, Strengths (Streghts), namely the strengths possessed to face existing challenges, so that in the end the business can survive and develop. Second, Weaknesses owned by MSMEs are expected to be minimized with the added value they have. Third, opportunities (Opportunities) that exist so that they can take opportunities in the capital market and overcome existing weaknesses. Fourth, Threats (Treat), namely trends that are unfavorable and threaten the company's position in competition.

Based on the results of the discussion, the author can provide useful suggestions for researchers, government, and society. For researchers, it is hoped that through this paper it can develop MSME opportunities related to sustainable financing for MSMEs. Furthermore, for the government, it is hoped that this paper can be used as material that can be used as material for analyzing sustainable financing policies. Finally, for the wider community, it is hoped that the results of this paper will be able to provide insights and foster awareness of the importance of capturing sustainable financing opportunities and facing challenges in sustainable financing.

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