

Sustainable Finance Strategy for Msmes Toward A Fair And Inclusive Green Economy

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Abstract

In this era of globalization, economic sustainability has become a significant highlight in sustainable development. Micro, Small, and Medium Enterprises (MSMEs) are essential in strengthening a country's economy. However, to achieve sustainable economic growth, it is essential to develop a financial strategy that supports MSMEs by considering the principles of sustainability and inclusivity. This article examines sustainable finance strategies for MSMEs that can guide the journey towards a fair and inclusive green economy. This type of research is qualitative research with data sources in this study manuscript bibliographic data obtained from Google Scholar, which is analyzed using Literature Review or literature review. Sustainable finance strategy research results provide financial benefits for MSMEs and contribute to sustainable and fair economic development. MSMEs can improve their operational efficiency through smart financial management and support sustainable business growth. The use of environmentally friendly resources not only reduces the negative impact on the environment and creates new business opportunities in the green economy sector. In addition, financial inclusion ensures that MSMEs from various backgrounds can access financing and get support to grow their businesses. Therefore, governments, financial institutions, and communities need to support and strengthen the implementation of sustainable finance strategies in MSMEs, ensuring economic growth based on the principles of sustainability and justice.

Keywords: MSMEs, Green Economy, Sustainable Finance, Inclusivity.

INTRODUCTION

In recent years, issues of economic sustainability and environmental protection have gained global attention. As climate change becomes more evident and the environmental crisis develops, it is important for the international community to seek sustainable solutions (Ziolo et al., 2017). Economic activities are increasingly carried out in modern conditions, circumstances that are often associated with negative impacts on the environment have now reached a certain level so that they can be considered as real factors in the formation and modeling of climate so that many initiatives and strategies are aimed at green economic development (Dogaru, 2021).

In this context, Micro, Small and Medium Enterprises (MSMEs) have an important role. MSMEs are not only the backbone of the economy in many countries, but can also be the driving force towards a fair and inclusive green economy. Inclusive growth needs to be

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accompanied by environmentally friendly and sustainable growth. Environmentally friendly and sustainable growth is defined as a growth strategy that pays attention to the balance of the environment and ecosystem in the long term.

However, MSMEs often face a number of significant challenges in their efforts towards sustainability and inclusiveness of the green economy. MSMEs often face difficulties in accessing financial resources that support sustainable business practices. The lack of understanding about sustainable finance and the lack of support from conventional financial institutions make it difficult for MSMEs to adopt environmentally and socially friendly financial strategies. According to (Purwanti, 2018) explained that MSMEs are individual businesses or companies that are closed, so relying on capital from limited owners, can hinder business operations.

Furthermore, MSMEs, especially those based in conventional industries, often do not pay attention to the environmental impact of their activities. Unsustainable waste, pollution, and resource consumption are common problems that must be addressed to ensure a green economy that is in line with sustainability principles. Even in many countries, MSMEs owned by minority groups, women, and marginalized communities often face difficulties in accessing green economic opportunities. This creates a significant inclusivity gap, hampering the true green economic potential of these underrepresented communities. Inclusive economic development is an economic growth scheme that is able to provide benefits of equity and welfare to the entire population (Sitorus & Arsani, 2018).

Coupled with uncertainty in policies and regulations related to the green economy and sustainable finance often makes MSMEs hesitant to take innovative steps. Inconsistent or unclear policies can be a major obstacle in adopting sustainable business practices. Another major challenge is understanding and developing innovative business models that enable MSMEs to operate sustainably. Innovation in financial technology, crowdfunding approaches, and cooperation between industry players are needed to create business models that support the green economy. Digital fintech/finance still raises relevant technical and legal issues that need to be addressed to fulfill its promise and potential in the sustainable finance sector (Macchiavello & Siri, 2022).

By understanding and addressing these challenges, sustainable finance strategies for MSMEs can guide the journey towards a fair and inclusive green economy. Therefore, research and implementation of sustainable finance strategies for MSMEs is essential in creating a sustainable and inclusive economic future. So this study aims to examine sustainable finance strategies for MSMEs towards a fair and inclusive green economy.

METHODS

This type of research is qualitative research with the aim of explaining phenomena. The source of data in this study is manuscript bibliographic data obtained from Google Scholar analyzed using a Literature Review or literature review (also known as critical review essay) is a literature review method that summarizes and evaluates a collection of writings on a particular topic (Knopf, 2006). Literature review, or literature review, is a process that involves collecting, evaluating, interpreting, and synthesizing information contained in previous literature or research relevant to a particular research topic or study. The purpose of the literature review is to understand the development of existing knowledge in a particular field, identify gaps or gaps in knowledge, and build a theoretical basis for research to be carried out.

DISCUSSION

Sustainable finance strategy is an important approach for MSMEs (Micro, Small, and Medium Enterprises) in managing their finances responsibly towards the environment

and society. Sustainable finance strategies for micro, small, and medium enterprises (MSMEs) play a key role in advancing a fair and inclusive green economy. Sustainable finance is geared towards delivering benefits to clients and society by integrating environmental, social, and governance criteria, whether in business practices or in investment decisions. Investing in MSME lending companies has an element of impact investment and is best done through sustainable funds and not commercial funds. Impact investing, sustainable funds, and microfinance are some of the common activities included in sustainable finance (Aggarwal & Elembilassery, 2018).

First of all, it is important for MSMEs to manage their finances wisely, including the management of income, expenditure, and investment. This involves wise budgeting and the use of the latest financial technology to monitor and control finances efficiently. Financial records are needed by a business unit as a reference in seeing the condition of the business being run. Furthermore, the importance of financial records for MSMEs as a decision-making tool. The results of financial recording in the form of simple financial statements can be used to make decisions for the next business strategy. Any profits or losses generated by MSMEs can be used by stakeholders as consideration for market expansion or other strategic decisions.

So financial education is key, and MSME owners need to understand the importance of sustainable financial management. It involves learning about careful budgeting, efficient cash management, and good risk management to maintain financial stability in the long run. In building awareness and understanding among MSMEs about the importance of sustainable finance strategies. Training and mentoring that focuses on financial and environmental aspects can help MSMEs understand the long-term benefits of these practices.

By adopting sustainable finance strategies, MSMEs can not only improve their own financial well-being but also contribute to the development of an inclusive and equitable green economy for society as a whole. Based on a previous theoretical study (Alinsari, 2020), explaining the results of training and assistance in making simple bookkeeping and preparing financial statements increases MSME awareness of the importance of information produced by financial statements as a basis for decision-making and business strategy preparation to achieve a sustainable business.

The importance of increasing knowledge carried out will make MSME entrepreneurs familiar with formal financial access such as banking. Similarly, (Herdjiono & Damanik, 2016) revealed that financial knowledge theory is closely related to financial literacy because it can be taught and understood through financial education. So that the provision of financial education can increase financial knowledge, and can reduce the occurrence of financial problems in the future, and increasing financial knowledge will also increase the ability of entrepreneurs to use financial services at existing financial institutions.

Fair and affordable financial access allows MSMEs to get capital on reasonable terms. This can be achieved by encouraging financial institutions to provide MSME-friendly financial products, with competitive interest rates and non-burdensome terms. The use of financial technology, such as financial applications and financial management software, also plays an important role in facilitating financial transactions and payments, improving the operational efficiency of MSMEs. Digital finance and renewable energy technology innovation are essential to ensure green growth (Razzaq et al., 2023).

The relationship between green economy, technology, and finance has recently become a popular topic for analyzing economic and policy issues. Financial technology not only provides opportunities to leverage new sources of private capital to finance environmentally friendly and sustainable projects through innovative financial instruments but also provides support for green technologies through the voluntary implementation of sustainability codes of conduct (Metawa et al., 2022). The Sustainable

Development Goals improve the performance of green economy recovery (Zhang et al., 2023).

MSME players certainly need greater additional capital in order to expand their product marketing. So that MSME players rotate funds from products that have been sold to obtain additional capital. Caring institutions can sustain rapid and inclusive economic growth so as to alleviate extreme poverty and hunger. Policymakers must build efficient, robust, and well-functioning financial market systems that provide affordable and sustainable financial services to MSMEs (Oshora et al., 2021).

The importance of strategic partnerships should not be overlooked. MSMEs can build partnerships with financial institutions, governments, and non-profit organizations to get financial support and training. In addition, education on sustainable investment allows MSMEs to seek funding from investors who share a vision of sustainability and aim to support responsible businesses. External funding assistance plays an important role in MSMEs' ability to survive and succeed through technological novelty (Du et al., 2023).

Green finance has the potential to make a significant difference to the environment, society, and climate change mitigation, but there are still many challenges faced such as lack of awareness about green finance, inconsistent definitions of green finance, lack of policy coordination for green finance, inconsistent policies, and lack of profitable incentives for investors and financial institutions that want to invest in climate change mitigation (Ozili, 2022).

Easy and fair financial access is key in providing opportunities for MSMEs to grow and develop. Financial institutions need to support MSMEs with financial products that have reasonable interest rates and reasonable terms, ensuring that capital is obtained without burden. In this regard, financial technology plays an important role, in facilitating efficient transactions, easy payments, and accurate financial monitoring through digital platforms. Financial protection is also important. MSMEs must have appropriate insurance, including property, health, and business protection insurance, to protect themselves from unexpected financial risks. Transparency in financial reporting is also key, ensuring that MSMEs have accurate and transparent financial data for smart decision-making.

In addition, MSMEs must also consider environmentally friendly resources in their operations. The use of renewable energy, recycled materials, and environmentally oriented production processes are important steps in achieving a green economy. MSMEs can also consider efficient waste management strategies to reduce negative impacts on the environment. Through green growth, it is hoped that all sectors can be integrated to realize the use of natural resources, avoid pollution, and create community welfare. Efficient waste and natural resource management helps MSMEs reduce waste and minimize negative impacts on the environment. This involves the use of recycled raw materials and environmentally friendly business practices (Du et al., 2023).

As responsibility and commitment to the environment are key components of sustainable development, small and medium-sized enterprises (MSMEs) should devote more time and resources towards this goal during the pandemic by adopting recruitment strategies based on environmental standards, such as being environmentally responsible and committed. MSMEs are better equipped to overcome economic downturns and continue to reduce hazardous waste, increase the use of environmentally friendly materials, improve environmental compliance, and emphasize environmentally friendly human resource management and environmentally friendly innovation because of these efforts

Financial policies allow fair and equitable access to financing and other resources. Microfinance and environmentally friendly credit should be encouraged to help MSMEs that focus on sustainable products and services. By optimizing the use of their financial resources, increasing the visibility of products or services through digital marketing, and

achieving sustainable business growth (Chandra et al., 2023). Line (Jayanti & Karnowati, 2023) explained that the digitalization of MSMEs and Financial Literacy has a partial and simultaneous effect on MSME Sustainability.

The implementation of this MSME digitalization policy is expected to make business actors more adapted to the competitive market or even become primary actors in the digital economy. This policy also makes the MSME sector in Indonesia transform into Indonesia 4.0. And at an even greater level, in the midst of this free competition market, Indonesian MSMEs can expand their regional market reach. The drivers of sustainability development in MSMEs consider the fact that these companies are adequate in terms of resources and structure and easy to implement. Therefore, these driving factors guide MSME owners and managers in taking actions that make them more prosperous, fair, and environmentally friendly, making them more competitive (Campos et al., 2023).

MSMEs can achieve long-term financial stability, support inclusive business growth, and contribute to sustainable and resilient economic development. Inclusive green growth (IGG) supports the transformation of society towards a better quality of life and well-being, as well as environmental protection (Liu et al., 2022). Construction of the Environmentally Inclusive Economic Development Index (IPEIBL) is formed by five factors, namely the level of economic development and infrastructure, the level of employment opportunities, the level of environmental quality, the level of accessibility of basic infrastructure, and the level of poverty alleviation and human capability (Gede, 2022).

These findings make three main contributions to the literature, confirming that environmental commitments and green economy incentives have a significant positive impact on supply chain relationship management and sustainable supply chain design to improve the circular economy capabilities of MSMEs, which has a positive impact on social pressure on environmental commitments and green economy incentives (Centobelli et al., 2021). Sustainable development in the concept of green economy must be carried out because it prioritizes welfare for the entire population (Vargas-Hernández & López, 2021).

The social, economic, and formal dimensions of sustainability positively impact competitive advantage, mediated by corporate reputation, customer satisfaction, and organizational commitment. Competitive advantage as a mediator contributes positively to financial performance (Cantele & Zardini, 2018). The impact of Digital Finance promotion on inclusive green growth is only seen in cities that have a better comparative advantage, so we may see a growing digital divide due to the "Matthew effect" on regional inequality in the absence of timely policy interventions (Fan et al., 2023).

CONCLUSION

In order to achieve a fair and inclusive green economy, sustainable finance strategies for micro, small, and medium enterprises (MSMEs) have a significant role. In conclusion, sustainable financial practices, including wise financial management, utilization of environmentally friendly resources, and financial inclusion, provide financial benefits for MSMEs and contribute to sustainable and equitable economic development.

MSMEs can improve their operational efficiency through smart financial management and support sustainable business growth. The use of environmentally friendly resources not only reduces the negative impact on the environment and creates new business opportunities in the green economy sector. In addition, financial inclusion ensures that MSMEs from various backgrounds can access financing and get support to grow their businesses.

With increased awareness and proper guidance, MSMEs can adopt this sustainable finance strategy to drive a fair, inclusive, and sustainable green economy. Therefore, governments, financial institutions, and communities need to support and strengthen the implementation of sustainable finance strategies in MSMEs, ensuring economic growth based on the principles of sustainability and justice.

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