

THE IMPLEMENTATION OF GREEN FINANCING AS AN ALTERNATIVE SUSTAINABLE FINANCING FOR MSMEs IN GORONTALO

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Abstract: *Green financing is a type of capital assistance program or funding scheme that is available to environmentally conscious business owners. Borrowers or business owners must meet the 3R criteria in order to be eligible for funding assistance under the green finance plan, according to government regulations (reduce, reuse, recycle). The Gorontalo Province is utilizing green funding to assist MSMEs in raising awareness of the importance of environmental protection. The purpose of this study is to determine the outcomes of using green financing as a different idea of sustainable funding for businesspeople in the province of Gorontalo, specifically MSME actors. It is also to learn more about what needs to be done as a first step toward future improvements. The methodology used in the study is qualitative. Secondary data is data obtained from a secondary source after primary research data has been sourced. When conducting research, researchers use websites (Websites) associated with research in addition to secondary sources. The study's findings indicate that using green financing in place of sustainable financing falls under the unfavorable category. Due to the fact that many MSME owners are unaware of the Green Funding scheme, its application for financing in the UMKM Gorontalo province is currently ineffective.*

Keywords: *Green Financing, Financing, and MSMEs*

1. Introduction

As humanity enters the third millennium, or the 21st century, changes often, especially in the environment. A paradigm shift results from this change in the surrounding context. Real-world instances of the revolution phase phenomenon brought on by a lack of green space include global warming and environmental harm in every region of the world. Even if globalization is advancing quickly to fulfill the requirements of the entire world, it also brings with it a number of issues. Concerns about the environment are among the items that require attention (Park 2018).

MSMEs are crucial to the growth of local communities' economies and to the community's overall well-being. One of the numerous Indonesian provinces witnessing a surprisingly strong increase in MSMEs is Gorontalo Province. The information below provides a basic overview of the number of MSMEs in Gorontalo Province between 2019 and 2021.

Table 1
MSME Development Data for 2019-2021

Wilayah	2019				2020				2021			
	Mikro	Small	Intermediate	Amount	Mikro	Small	Intermediate	Amount	Mikro	Small	Intermediate	Amount
Kab. Gorontalo	33158	382	8	33548	33202	422	13	33637	43124	422	13	43559
Kota Gorontalo	8598	2642	400	11640	8770	2692	400	11862	11415	2692	400	14507
Kab. Gorontalo Utara	3447	213	13	3673	3492	213	15	3720	5475	213	15	5703
Kab. Pohuwato	6390	240	107	6737	6600	240	104	6944	10684	240	104	11028
Kab. Boalemo	5718	142	85	5945	6368	103	99	6570	10227	1499	202	11928
Kab. Bone Bolango	2776	11	5	2792	4698	112	5	4806	7862	205	37	8104
Amount	6087	3630	618	64335	63121	3782	636	67539	88787	5271	771	94829

Source: Diskumperindag Provinsi Gorontalo, 2019 - 2021

It is very obvious from the evidence above that UMKM in Gorontalo Province are continually making progress. There are 94,829 MSME business actors as of right now. With the help of this information, the province of Gorontalo is once more examining the number of MSMEs there in an effort to be more responsive and help these MSMEs create MSMEs.

2. Literature Review

2.1 Green Financing

The government is attempting to establish a green financing policy as an option for company financing in Indonesia in order to develop a sustainable development program. One way to make an impact is through green finance, also known as green financing or green finance, which is a concept in banking that aims to collaborate with different nations and the financial industry to direct capital allocation for sustainable development, which will have an effect on future production and consumption patterns.

All investments or loans that consider environmental factors in an effort to increase environmental sustainability are referred to as "green financing." Businesses run by debtors in the context of environmental preservation activities and where the debtor is required to carry out environmental management efforts based on applicable law are eligible for financing using a green financing scheme. apply. Green financing is a general word that can be used to describe financial investments that go into projects and initiatives for sustainable development, environmental goods, and regulations that support sustainable economic development (Hasanah and Hariyono 2022).

2.2 Financing

Financial assistance for planned investments, whether made by an individual or an organisation, is supplied by one party to another. pertaining to finance in Islamic banking, or technically, "productive assets." Earning assets include investments made by Islamic Banks in financing, receivables, qardh, Islamic securities, capital placements, temporary equity participation, commitments and contingencies in administrative accounts, and wadiah certificates.

These investments can be made in both rupiah and foreign currency. Another interpretation holds that financing is the provision of money or bills comparable to that, based on an agreement or agreement between the bank and another party that requires the party being financed to return the money or bill in exchange for a profit-sharing arrangement after a predetermined amount of time (Malang Branch, n.d.).

2.3 MSMEs

MSMEs are cash-related industries that affect a large number of people's presence and serve as the skeleton of the environment. MSMEs are the main source of revenue in the Indonesian economy and have demonstrated that doing so is a strategy to safeguard the economy of the general populace in times of economic hardship and circumstances like post-emergency monetary finance development decimators (Fadilah et al. 2021).

A productive economic business that satisfies the micro business characteristics and is owned by people or legal entities is what is meant by the term. In contrast, according to laws and regulations, medium-sized enterprises are defined as establishments in a productive economy that are neither branch or subsidiaries of the parent company and that are either directly or indirectly a part of small or large establishments with a total net worth. Micro, Small, and Medium-Sized Enterprises (MSMEs) are businesses that can offer benefits and are governed by Law Number 20 of 2008. Small businesses are owned by people or legal entities that meet the requirements for small businesses, as well as legal entities that are not subsidiaries or branches of companies that are owned, controlled, or integrated directly or indirectly into a medium-sized business or a large business and that meet the requirements for small businesses. in accordance with current government regulations. 2019 (Prihatin and Maruf).

3. Research Method

In order to define how to implement green financing as an alternative to sustainable financing for MSMEs in the province of Gorontalo, this research was undertaken utilizing a qualitative approach and descriptive data. Thus, written words, text, images, and tabular data were the types of information employed and gathered in this study. Secondary data were employed by the authors of this study as a source of data collecting.

Data collected from a second source after the initial source is known as secondary data. Based on the data sources, it is possible to categorize extra information that was acquired from textual sources into sources from scientific publications and magazines, sources from archives, personal records, and official documents. Data from published and unpublished documents about the implementation of green financing as an alternative sustainable financing for MSMEs make up the secondary data used in this study (Idawati and Pratama 2020).

Researchers access websites (Websites), specifically data collection techniques that offer a variety of data and information related to research, both regarding research journals and other websites that can be used as a fundamental source or reference for understanding different theories, in addition to using secondary data in their research. Using the website (Website) makes it easier for researchers to find information to help with this research (Mufid 2020).

4. Result and Discussion

4.1 Results of the Discussion of the Implementation of Green Financing in 3R in MSMEs

According to Indonesian definitions, sustainable finance refers to all-encompassing support from the financial services sector for sustainable growth that results from balancing the needs of the economy, society, and the environment. To assist in the realization of long-term and mid-term

development strategies. A plan for sustainable finance has been released by the financial sector. A work schedule for the sustainable finance program for the capital's financial services sector is included in the roadmap. Additionally, its implementation intends to broaden the financial services industry's portfolio in the environmental home economic sector, particularly in the areas of new, renewable energy and energy conservation. The goals of Indonesia's sustainable finance program are to make financial services institutions (LJK) more resilient and competitive, offer sources of funding for society, and support the country's commitment to combating global warming through commercial activities that promote climate change adaptation and mitigation in order to create a competitive low carbon economy. The solution to how all parties in the financial services sector or LJK express pledges and practical activities in an effort to promote the implementation of sustainable development in Indonesia is through sustainable finance legislation.

There are various conceptualizations of sustainable finance, including the first, which calls for extensive assistance from the financial services industry to foster sustainable economic growth through the balancing of economic, social, and environmental interests. The second is the supply of funds for investments that include governance, social, and environmental factors. Third, a financial system that promotes the attainment of sustainable development goals by taking into consideration all risks and returning in a manner that is balanced from a financial, economic, social, and environmental point of view. A financial system that supports economic growth while lowering environmental impact and taking into account social and corporate governance factors like inequality, human rights, management structures, and executive compensation is known as sustainable finance. It offers numerous examples of environmental factors, such as biodiversity preservation, climate mitigation, and the circular economy.

Funding under the green financing scheme, which encourages business owners to incorporate green industry indicators in their operations, specifically satisfying the reduce, reuse, and recycle indicators, is one of the funding sources envisioned to support the goals of the sustainable finance program. The implementation of Law No. 32 of 2009 concerning environmental protection and management to develop and implement environmental economic instruments including environmentally friendly policies in banking, capital markets, and the non-bank financial industry is the application of sustainable finance principles in the Indonesian financial institution system.

Based on the MSME data in the introduction above, that MSME owners are experiencing rapid progress, but the government is trying to provide assistance as a funding source opportunity that is planned to support the objectives of the sustainable finance program, namely funding with a green financing scheme, where this funding scheme motivates entrepreneurs or MSME owners to implementing indicators in their business, namely fulfilling the indicators of reduce, reuse, and recycle.

1. Reduce

Reduce is an activity that loves the environment, which is often called the 3R. This activity is an activity that is supported by a definite movement from the community to love the environment around them. In short, reduce is one way to reduce the use or purchase of materials that have the potential to become waste. While reuse is the reuse of B3 waste, and recycle is recycling useful components. Thus, reduce is reducing the use of goods. The word reduce is usually found in waste management and also an environmentally friendly lifestyle or go green. Reduce itself also means reducing the use of goods as well as reducing something that can cause waste to accumulate. (Nurlela 2017). With this reduction, MSME owners can reduce electricity consumption, save water, and avoid buying products that generate large amounts of waste.

In terms of electricity usage, some MSME actors agree to use LED lights as electricity savings, but some MSME actors still want ordinary lamps as lighting because the price of LED lights is relatively expensive. Then saving water, MSME players who are engaged in the business of refilling gallons of water always try to maintain the affordability of saving power in using this water.

That way, green financing or green financing from reduce can be said to be applicable by looking at the opinions of MSME actors in the province of Gorontalo even though MSME actors don't know much about green financing itself.

2. Reuse

To reuse is to put to new use. Reusing previously used products is encouraged at this stage. Reusing them helps cut down on the waste produced by these products (Surjamanto 2012).

MSMEs in the province of Gorontalo can thus recycle discarded goods, for instance by giving a product some originality so that it might offer selling points and spur its own economic growth. With the expansion of the economy, green finance has been used to the reuse of goods by MSME players in the province of Gorontalo.

3. Recycle

Recycle is synonymous with recycling. Given that there is already a lot of garbage dispersed in numerous places, including the sea, land, and air, this phase is the most frequently employed. The items themselves are actually more adaptable and frequently even have value. The amount of plastic waste generated can be significantly reduced by using discarded materials in productive ways that don't harm the environment (Nurlela 2017).

The Gorontalo province is currently working hard to encourage MSME owners to come up with their own innovative methods for recycling items that may be sold. Some MSME owners dispute the idea that they will produce recyclable goods, nevertheless. This is due to the fact that recyclable materials are more expensive than standard materials, and consumers lack the expertise to choose recyclable or not.

4.2 Results of the Discussion of the Implementation of Green Finance Financing for MSMEs

According to information from the Annual Report, the idea of implementing green finance financing from banks has really been around since 2015 and aims to increase awareness of the value of protecting the environment. Because so many individuals in the Gorontalo community are unaware of what green financing is, there are still few applications to UMKM.

The following is data on optimizing the implementation of green financing for MSMEs:

Table 2

Internal factors and external factors optimize the application of green financing for MSMEs

Internal factors	External Factors
a. Green Finance balances the aspects of people (society), planet (environment), and profit (economy).	a. The majority of Gorontalo people are Muslim.
b. Green Finance at every bank, especially Islamic banks in Gorontalo, are very strict in allowing financing for MSME customers.	b. Cooperate with related parties.
	c. Economic and trade mobility in terms of agriculture and plantations is quite high owned by every MSME actor in Gorontalo Province.

<ul style="list-style-type: none">c. Marketing Account Officer in Green Finance Financing who is observant in seeing the actual condition of a customer who is an MSME actor.d. Convenience to customers or MSME actors in terms of returning Green Finance financing so that customers continue to make loans to the bank.e. Providing a sense of responsibility to customers or MSME actors in Gorontalo Province in order to reduce the risk of default	<ul style="list-style-type: none">d. The mindset of MSME actors towards banking from an emotional perspective is that conventional banks use interest (usury) and Islamic banks use profit sharing, thereby encouraging prospective customers or MSME actors in Gorontalo Province to entrust their fund management to Islamic banks.e. There is still a need for commodity goods that use Green Finance financing.
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From the data above, it can be concluded that the scope of green financing is still not broad and there is also a lack of understanding of the people of Gorontalo Province about the products, systems and mechanisms of green financing for MSME actors. In addition, there is an assumption that financing Green Finance and dealing with banks is quite complicated. Finally, that the benefits of green financing are still not being felt by the people of Gorontalo, especially MSME actors, causing a lack of support for the program.

5. Conclusion

5.1 Conclusion

The implementation of green financing as a substitute for sustainable financing falls under the unfavorable category, according to the findings of the debate above. Due to the fact that many MSME owners are unaware of the Green Funding scheme, its application for financing in the UMKM Gorontalo province is currently ineffective. The fundamental cause of this is a lack of socializing.

In line with the AMDAL, Gorontalo Province's implementation of green finance for MSMEs emphasizes social awareness and environmental analysis in addition to improving customers' economic standing. Finance is more concerned with providing Green Finance financing through a musyarakah contract for the processing of commodity items than it is with purchasing land, with the goal of increasing economic level while caring about the environment and social issues. to all aspects and establish criteria for clients who are eligible for funding.

However, the reason why MSME owners aren't interested in this Green Financing financing scheme is because they find the requirements to apply for financing under this scheme to be quite difficult. For example, one requirement set by the government so that business actors can receive financing assistance under this scheme is where their business must meet indicators of environmentally sound business by implementing a reduce, reuse, and recycle system.

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