

MEASURING THE POTENTIAL INVOLVEMENT OF CONVENTIONAL COMMERCIAL BANKS WITH FOREIGN OWNERSHIP IN INCREASING THE CAPITAL CAPACITY OF MSMEs

Sri Hartati Rahayu, Satrio Alif Febriyanto, Feymi Angelina;

Faculty of Law, Universitas Indonesia;

E-mail: rahayu.srihartati@gmail.com, satrio.alif@ui.ac.id, feymi.angelina@ui.ac.id

Abstrak

Eksistensi bank umum konvensional dengan kepemilikan asing di Indonesia menghadirkan dinamika baru dalam struktur perbankan nasional, dengan implikasi signifikan terhadap pembiayaan Usaha Mikro, Kecil, dan Menengah (UMKM). Penelitian ini mengeksplorasi potensi keterlibatan bank-bank tersebut dalam meningkatkan kapasitas permodalan UMKM, yang selama ini didominasi oleh Bank Himbara. Menggunakan metode penelitian hukum normatif dengan pendekatan doktrinal dan komparatif, studi ini bertujuan mengidentifikasi urgensi dan prosedur keterlibatan bank umum konvensional dengan kepemilikan asing dalam pembiayaan UMKM. Temuan penelitian menunjukkan bahwa keterlibatan bank dengan kepemilikan asing dalam pembiayaan UMKM dapat menciptakan simbiosis mutualisme, di mana UMKM memperoleh lebih banyak opsi permodalan, sementara bank-bank tersebut memperluas jangkauan nasabah mereka. Implikasi ini menunjukkan potensi penguatan struktur permodalan UMKM dan kontribusi positif bagi perekonomian nasional.

Kata Kunci: Bank Umum Konvensional, Kepemilikan Asing, UMKM, Permodalan.

Abstract

The presence of conventional commercial banks with foreign ownership in Indonesia introduces a new dynamic in the national banking structure, with significant implications for the financing of Micro, Small, and Medium Enterprises (MSMEs). This study explores the potential involvement of these banks in enhancing the capital capacity of MSMEs, a sector traditionally dominated by the Himbara banks. Using normative legal research methods with doctrinal and comparative approaches, this study aims to identify the urgency and procedures for the involvement of conventional commercial banks with foreign ownership in MSME financing. The findings reveal that such involvement could create a mutually beneficial relationship, where MSMEs gain access to more diverse funding options, while these banks expand their customer base. These implications highlight the potential for strengthening MSME capital structures and contributing positively to the national economy.

Keywords: Conventional Commercial Banks, Foreign Ownership, MSMEs, Capital Capacity.

INTRODUCTION

In early 2023, the Indonesian government consolidated and revised regulations concerning the financial sector into a comprehensive law¹, Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (UU P2SK). The P2SK Law marks a significant milestone in Indonesia's financial sector regulatory reform, aiming to foster a more developed, inclusive, and stable financial sector. It is crucial for the author to review the P2SK Law to gain a clearer understanding of the OJK's policy on foreign ownership of

¹ Indonesia, Law on the Development and Strengthening of the Financial Sector (Law on P2SK), Law No. 4 of 2023, State Gazette of the Republic of Indonesia No. 4 of 2023, Supplement to the State Gazette of the Republic of Indonesia No. 6845, Considerations section.

commercial banks², especially conventional ones³, and its impact on the national banking industry's development and strengthening.

The number of commercial banks and their branches from 2019 to December 2022 is presented below:⁴

Bank Group	2020	2021	2022
State Banks			
Total Banks	4	4	4
Total Branches	17.307	18.182	13.023
Regional Development Banks			
Total Banks	27	27	27
Total Branches	4.421	5.127	4.038
Domestic Private Banks			
Total Banks	70	68	68
Total Branches	8.969	9.030	8.293
Branches of Foreign Banks			
Total Banks	8	8	7
Total Branches	36	27	23
Total Banks	109	107	106
Total Branches	30.733	32.366	25.377

Table 1. Grouping of Banks by Number of Branches

Indonesia's economic growth, based on gross domestic product (GDP), was 5.17% in the second quarter of 2023, with financial services, business services, and leasing growing

² Foreign ownership in this case refers to capital investment by foreign investors, which can include foreign citizens, foreign companies, and/or foreign governments, in the form of share ownership in a commercial bank established as a limited liability company within the territory of the Republic of Indonesia.

³ According to Article 1(1) of the Regulation of the Financial Services Authority of the Republic of Indonesia No. 12/POJK.03/2021, dated July 30, 2021, on Commercial Banks, State Gazette of the Republic of Indonesia 2021 No. 163 (POJK 12/2021), a conventional commercial bank is a bank that conducts conventional business activities and provides payment services. The author intentionally includes the phrase "conventional commercial bank" to emphasize the focus of the research, ensuring it is not interpreted to include Islamic banking activities.

⁴ The distribution of bank branches from Jawa Barat to Irian Jaya Barat and other regions can be found in Table 2 in the appendix of this dissertation.

by 7.7% and 14.7% year-on-year (yoy), respectively. The ratio of liquid assets to third-party funds (AL/TPF) remained high at 31.2% until December 2022, supporting credit and financing distribution through available bank funds. The resilience of the financial system, particularly the banking sector, remains stable and strong. This is indicated by a high capital adequacy ratio (CAR) of 25.45% in November 2022. Additionally, credit risk is under control, as reflected by the non-performing loans (NPL) ratio of 2.65% (gross) and 0.75% (net) ⁵ in November 2022. The value of electronic money (EU) transactions grew by 36.0% yoy to IDR 399.6 trillion in 2022 and is projected to increase by 23.9% to IDR 495.2 trillion.

With the percentage increase described in the previous paragraph, economic growth should improve community welfare. However, so far, economic growth alone has not been enough to ensure that the poor, as a marginalized group, benefit from it. This is because the poor, not being directly involved in the growth, cannot directly feel its benefits.

This condition has led to the idea of creating economic growth that benefits all levels of society, known as inclusive growth⁶. This underscores the importance of government efforts to design and implement a broader concept of economic growth that allows all segments of society to benefit. One way to achieve this is by developing the financial sector as a core part of the development agenda.⁷

In developing the financial sector, Anung Herlianto, the Executive Director of Banking Writing and Regulation of OJK, stated that the Indonesian banking industry still needs capital from foreign investors to enhance its performance.⁸ The involvement of foreign investors is seen as a commitment to support Indonesia's banking industry and contribute to the economy.⁹ Based on ownership, the Indonesian banking industry is divided into two categories: domestic banks and foreign banks, each with different levels of market control.

No.	Types of Banks	Total
	Domestic Banks (73% Market Share)	

⁵ *Ibid.*

⁶ Ali, I. (2007), *Pro-Poor to Inclusive Growth: Asian Prescriptions*, ERD Policy Brief, No.48 dan Ali, I. and J. Zhuang. (2007). *Inclusive Growth toward a Prosperous Asia: Policy Implications*, ERD Working Paper Series, No. 97.

⁷ Bank Indonesia, *Booklet of Financial Inclusion*. (Jakarta: Bank Indonesia, 2014),

⁸ Anung Herlianto, Executive Director of Banking Writing and Regulation of the Financial Services Authority, "Regulators Open the Door to Foreigners in the Banking Sector, Here's Why", *Finansial.bisnis.com*, 26 August 2020, available at <https://finansial.bisnis.com/read/20200826/90/1283248/regulator-buka-pintu-untuk-asing-di-sektor-perbankan-ini-alasannya>.

⁹ Syahrizal Sidik, "Foreigners can control 99% of Indonesian bank shares, but this is a condition from the Financial Services Authority (OJK)," *CNBC Indonesia*, 24 Agustus 2021, available at <https://www.cnbcindonesia.com/market/20210824101831-17-270722/asing-bisa-kuasai-99-saham-bank-ri-tapi-ini-syarat-dari-ojk>, accessed on 23 February 2024.

1	Government Banks	4
2	Regional Development Banks	26
3	Domestic Private Banks	40
Foreign Banks (27% Market Share)		
1	Banks with Foreign Branches	8
2	Banks with Majority Foreign Ownership	32

Table 2. Distribution of the Number of Banks by Ownership.¹⁰

Referring to the Regulation of the Financial Services Authority No. 12/POJK.03/2021 on Commercial Banks, the term "foreign bank" is not separately defined, as it is included within the definition of a commercial bank. A commercial bank is a bank that conducts conventional business activities and provides payment services as part of its operations. A commercial bank can be established as an Indonesian legal entity in the form of a limited liability company by Indonesian citizens and/or Indonesian legal entities, or by Indonesian citizens and/or Indonesian legal entities in partnership with foreign citizens and/or foreign legal entities, with foreign ownership limited to a maximum of 99%.¹¹ However, POJK 12/2021 explicitly states that a bank that is a legal entity with its head office abroad and operates in Indonesia shall only have a Foreign Branch Bank Office (KBCLN) and a Foreign Bank Representative Office (KPBLN).¹²

In the context of this research, and with reference to POJK 12/2021, the author deems it necessary to provide an operational definition for conventional commercial banks with foreign ownership. These are banks established as Indonesian legal entities in the form of limited liability companies (PT), with the majority of their capital consisting of shares owned by foreign citizens and/or foreign legal entities. These banks conduct conventional business activities and provide payment transaction services.

Broadly speaking, there are two main issues related to foreign ownership in Indonesian banking: the provision of credit that benefits only certain parties and the repatriation of dividends. Regarding the first issue, foreign ownership does not necessarily result in credit being distributed to non-Indonesian citizens,¹³ as Indonesian

¹⁰ Ni Putu Eka Waratmini, "Regulators Open the Door to Foreigners in the Banking Sector, Here's Why," *Finansial.bisnis.com*, 26 August 2020, available at <https://finansial.bisnis.com/read/20200826/90/1283248/regulator-buka-pintu-untuk-asing-di-sektor-perbankan-ini-alasannya>, accessed on 23 February 2024.

¹¹ Regulation of the Financial Services Authority No. 12/POJK.03/2021 on Commercial Banks, POJK 12/2021, LN. 2021/NO. 163, TLN No. 6700, Article 1 No. 1 and No. 2 in conjunction with Article 3 and Article 13.

¹² *Ibid.*, Article 4.

¹³ Ni Putu Eka Waratmini, "What's in it for foreign investors in the banking sector," *Finansial.bisnis.com*, 09 July 2020, available at

regulations prohibit the distribution of credit to foreign citizens.¹⁴ On the second issue, foreign investors typically reinvest their dividends to strengthen their capital rather than repatriating them.¹⁵ For both foreign and local investors, the key parameter is the ability to provide adequate capital. In the banking industry, strong capital is crucial for a bank's growth. Therefore, the capacity of bank investors determines whether the bank will develop, stagnate, or regress.

To strengthen their capital structure, banks often use foreign funding sources. Foreign banks typically have the following characteristics: (i) generate profits from money market and non-interest income, (ii) maintain strong capital, and (iii) avoid branch expansion to improve cost efficiency.¹⁶ These characteristics allow foreign banks to strengthen the capital structure of domestic banks. However, this potential is not fully realized because most foreign banks focus on corporate rather than individual or retail financing. The individual customers targeted by foreign banks usually have average savings of Rp500,000,000 or more.

On the other hand, foreign bank customers are not diversified across many segments, which makes them vulnerable to risks. To mitigate these risks, many foreign banks have begun to adjust their business strategies in Indonesia.¹⁷ However, their contribution to the distribution of banking services remains limited. Data from 2015 to 2020 show that bank distribution is still concentrated in large provinces such as Riau, Jambi, Sumatera Selatan, DKI Jakarta, Jawa Tengah, DI Yogyakarta, and Bali.

In the banking sector, legal issues often arise from the discrepancy between what is (*das sein*) and what should be (*das sollen*). The author aims to bridge this gap and provide solutions to related problems.¹⁸ It is crucial to address how Indonesia's banking legal policy should be designed for the future. If foreign ownership is to be restricted, policymakers need to develop an ideal legal framework that is adaptable to various

<https://finansial.bisnis.com/read/20200709/90/1263916/investor-asing-banyak-masuk-ke-sektor-perbankan-apa-untungnya>, accessed on 23 February 2024.

¹⁴ See Article 17 Section (1) (d) of Regulation of Bank Indonesia No. 24/7/PBI/2022 on Foreign Exchange Market Transactions ("PBI 24/7/2022"), which prohibits banks from engaging in transactions, one of which is "*d. Providing overdraft and credit and/or financing in rupiah or foreign currency to non-residents*".

¹⁵ Martha Herlinawati Simanjuntak, "Financial Services Authority: Investment climate in Indonesian banking attractive to investors," Antara News, available at <https://www.antaraneews.com/berita/3976980/ojk-iklim-investasi-di-perbankan-indonesia-menarik-bagi-investor>, accessed on 28 June 2024.

¹⁶ Muhammad Khadafi dan Ipak Ayu, "This is what makes foreign banks unable to compete with local banks," *Finansial.bisnis.com*, 28 January 2019, available at: <https://finansial.bisnis.com/read/20190128/90/883326/ini-yang-membuat-bank-asing-kalah-bersaing-dengan-bank-lokal>, accessed on 30 June 2024.

¹⁷ Elisa Valenta Sari, "Measuring the Business Competition Map of Foreign Banks in Indonesia", CNN Indonesia, 7 March 2017, available at <https://www.cnnindonesia.com/ekonomi/20170307164631-78-198482/menakar-peta-persaingan-bisnis-bank-asing-di-indonesia>, accessed 15 March 2020.

¹⁸ Agus Brotosusilo, *et.al.*, *Legal Writing: Lecturer's Handbook* (Jakarta: Asia Foundation: Konsorsium Ilmu Hukum, Dep. PDK, 2nd Edition, 1994), p. 6.

conditions, such as economic crises, and includes provisions for sanctions against foreigners who exceed ownership limits to ensure effective compliance. Conversely, if foreign ownership of bank shares remains unrestricted for economic reasons, there is an urgent need to establish robust regulations for foreign-owned banks. These regulations should ensure that such banks are optimally beneficial and contribute both to strengthening the banking industry and to supporting sustainable national economic development.

RESEARCH METHODS

This research uses normative legal research methods which focus on the analysis of relevant laws and regulations, legal doctrine and legal theory¹⁹ with the involvement of conventional commercial banks with foreign ownership in financing Micro, Small and Medium Enterprises (MSMEs). This approach was chosen because it allows an in-depth analysis of the legal framework that regulates national banking, including how these regulations accommodate banking entities with foreign ownership.²⁰

The first stage of the research involved collecting primary legal materials,²¹ such as laws, government regulations and Bank Indonesia regulations relating to banking capital structure and MSME financing. In addition, secondary legal materials, including books, journals, and scientific articles discussing related concepts and theories, are also analyzed to provide a comprehensive understanding of the issues under study.²²

The results of the analysis are then interpreted to determine legal implications²³ from the involvement of conventional commercial banks with foreign ownership in MSME financing. This research concludes with recommendations aimed at policy makers to strengthen the role of foreign-owned banks in supporting the MSME sector and the national economy as a whole.

¹⁹ A. Rifa'i, I. J., Purwoto, A., Ramadhani, M., Rusydi, M. T., Harahap, N. K., Mardiyanto, I., ... & Surasa, *Metodologi Penelitian Hukum.* ., ed. Anik. Iftitah (Sada Kurnia Pustaka, 2023), https://books.google.com/books?hl=id&lr=&id=6OO8EAAAQBAJ&oi=fnd&pg=PA1&ots=7EWB_lj1pv8&sig=pqXgs0C4RPxpr44W_HTuGuUC7FU.

²⁰ & Anni Nur Rohmah. Dian Dewi Khasanah, Anik Iftitah, Kasiani, Muhamad Abas, Baren Sipayung, Arvita Hastarini, Qadriani Arifuddin, Sari Ratna Dewi, Avisena Aulia Anita, Nourma Dewi, Saptono Jenar, Indira Swasti Gama Bhakti, Femmy Silaswaty Faried, Rasyid Tarmizi, Mega Ayu Ni, *Hukum Perdata* (Sada Kurnia Pustaka, 2023), <https://repository.sadapenerbit.com/index.php/books/catalog/book/114>.

²¹ Hari Sutra Disemadi, "Lensa Penelitian Hukum: Esai Deskriptif Tentang Metodologi Penelitian Hukum," *Journal of Judicial Review (JJR)* 24, no. 2 (2022): 289-304, <https://doi.org/10.37253/jjr.v24i2.7280>.

²² I. G. A. Kurniawan, "Social Justice's Manifestation: The Relation Between Limited Companies and Small and Medium Enterprises," *Jurnal Supremasi* 13, no. 2 (2023), <https://doi.org/https://doi.org/10.35457/supremasi.v13i2.2333>.

²³ P. Pasaribu, A., & Agung Purnomo, "Foreign Investment Policy in Renewable Energy Post Job Creation Law," *Jurnal Supremasi* 13, no. 2 (2023), <https://doi.org/https://doi.org/10.35457/supremasi.v13i2.2428>.

ANALYSIS AND DISCUSSION

A. Understanding the MSME Business Concept

MSMEs are the largest contributors to employment and play a significant role in GDP in many countries.²⁴ Their agility and adaptability allow them to respond quickly to changing market conditions, while their entrepreneurial spirit drives innovation and fosters a dynamic business environment.²⁵

Unlike large corporations, small businesses are deeply embedded in their local communities. They provide essential goods and services, create jobs, and support local initiatives.²⁶ Small businesses such as mom-and-pop shops, family-owned restaurants, independent bookstores, and neighborhood workshops add uniqueness and vibrancy to our communities.

In addition, MSMEs play a critical role in promoting diversity and inclusion in the economy. They provide opportunities for women, minorities, and other underrepresented groups to start and grow businesses, contributing to a more equitable and prosperous society.²⁷

Although MSMEs face challenges such as limited access to finance, regulatory burdens, and competition from larger corporations, their resilience and determination are undeniable.²⁸ They are the risk-takers, innovators and dreamers who drive economic growth and social progress.

Therefore, MSMEs are not just small businesses; they are the engines of economic activity, the champions of local communities, and the drivers of innovation and entrepreneurship. Their contribution to the global economy is immeasurable, and their continued success is critical to a prosperous and inclusive future.²⁹ Supporting and

²⁴ The contribution of MSMEs to Indonesia's GDP is 61.07%, see Ministry of Finance of the Republic of Indonesia, "*Optimizing the Potential of MSMEs to Indonesia's GDP through MSME Auctions*". <https://www.djkn.kemenkeu.go.id/kpknl-semarang/baca-artikel/15395/Optimalkan-Potensi-UMKM-terhadap-PDB-Indonesia-melalui-Lelang-UMKM.html#:~:text=Berdasarkan%20data%20dari%20Kementerian%20Koperasi,Rp8.573%2C89%20triliun>, accessed on 7 June 2024.

²⁵ Hendry John Saputra and Ahmad Soleh, "MSMEs in the Era of Industrial Revolution 4.0: Implications for the Development of MSMEs in Indonesia," *Seminar Nasional Ekonomi Manajemen, Bisnis dan Akuntansi*, (2022): 57.

²⁶ Vinatra, Satriaji. "The Role of Micro, Small, and Medium Enterprises (MSMEs) in the Economic Prosperity of the State and Society." *Jurnal Akuntan Publik* 1, No. 3 (2023): 2.

²⁷ Satriaji Vinatra, "The Role Of," 2

²⁸ Mirza Adityaswara, "MSMEs and Financing Constraints," <https://www.kompas.id/baca/ekonomi/2021/11/16/umkm-dan-kendala-pembiayaan>, accessed on 7 June 2024.

²⁹ Ministry of Education, Culture, Research and Technology of the Republic of Indonesia, "Supporting the Future Transformation of MSMEs, Ministry of Education, Culture, Research and Technology Participates in MSME National Expo 2023," <https://www.kemdikbud.go.id/main/blog/2023/08/dukung-transformasi-umkm-masa-depan-kemendikbudristek-berpartisipasi-dalam-umkm-nasional-expo-2023>, accessed on 7 June 2024.

empowering MSMEs is not only an economic imperative; it is also a moral imperative for a society that values opportunity, diversity and innovation.

In addition, MSMEs must meet certain criteria to be classified as such, with the number of employees being a common benchmark. For example, some countries set the threshold at 250 employees, while others use lower thresholds such as 50 or even 10.³⁰ Critics argue that relying solely on the number of employees can be misleading because some industries are inherently more labor-intensive than others.³¹ For example, a small manufacturing company might employ hundreds of workers, while a high-tech startup might generate significant income with far fewer employees.

Another criterion is annual income or turnover, which can more accurately reflect the size of a company. However, this raises questions about how to account for income fluctuations and industry-specific norms.³² Some suggest adjusting a company's income for inflation and comparing it to industry averages to better determine its true size relative to its peers.

In addition, some countries use asset size as a criterion, which can be problematic for industries that rely on intangible assets such as intellectual property or brand equity. Critics argue that focusing only on tangible assets can undervalue innovative and knowledge-based companies that may have significant growth potential.³³

These criteria should be used to create a more nuanced and accurate definition of MSMEs. They suggest using a weighted average of number of employees, income, and asset size, with different weights for each criterion based on specific industries.³⁴

However, the criteria for qualifying as an MSME are still unclear, and debates about the most appropriate standards continue. The lack of a universal definition can lead to inconsistencies and confusion, making it difficult to compare MSMEs across countries and industries. Nevertheless, the importance of MSMEs to the global economy is undeniable, and the development of a more precise and comprehensive definition is critical to supporting their growth and development.

Indonesia is also experiencing this dynamic condition, with changes in the criteria for defining MSMEs. This change was brought about by the issuance of Law No. 11 of 2020 on Job Creation, which was replaced by Law No. 6 of 2023 on Job Creation.

The regulation stipulates that changes in MSMEs are based on the amount of capital an enterprise possesses, which determines its classification. In Law No. 20 of 2008 on

³⁰ Meghana Ayyagari, Thorsten Beck, dan Aslu Demirgüç-Kunt, *Small and Medium Enterprises Across the Globe: A New Database*, (Washington DC: World Bank Database, 2003), p5.

³¹*Ibid.*

³²Meghana Ayyagari, Thorsten Beck, dan Asli Demirgüç-Kunt. "Small and Medium Enterprises Across the Globe," *Small Business Economic* 29 (2007), hlm. 433.

³³Johan Wiklund and Dean Shepherd, "Research Notes And Commentaries: Knowledge-Based Resources, Entrepreneurial Orientation, And The Performance Of Small And Medium-Sized Businesses," *Strategic Management Journal* 24 (2003), p1308.

³⁴*Ibid.*

MSMEs, the criteria for classifying enterprises by amount of capital are shown in the following table:³⁵

No.	Types of Enterprises	Income (Rp)
1	Micro	≤50 Million
2	Small	> 50 Million ≤ 500 Million
3	Medium	> 500 Million ≤ 10 Billion
4	Large	≥ 10 Billion

The figures in the table show that the income differences between types of enterprises are significant. For example, medium-sized enterprises have income ranging from over 500 million Rupiah to less than 10 billion Rupiah. In contrast, micro-enterprises have much smaller income ranges.

This condition illustrates the existence of a disproportionate income range and the tendency to operate as a medium enterprise. In fact, the income of an enterprise classified as a medium enterprise may not be large in nominal value, making it too risky to be included in this category. Therefore, the Job Creation Law updates the income ranges used to categorize types of enterprises and mandates changes to these figures in government regulations. This is regulated in Government Regulation No. 7 of 2021 on the Facilitation, Protection and Empowerment of Cooperatives and Micro, Small and Medium Enterprises. Article 35 of this regulation changes the classification of MSMEs, including:³⁶

No.	Type of Enterprise	Income (Rp)
1	Micro	≤1 Billion
2	Small	> 1 Billion ≤ 5 Billion
3	Medium	> 5 Billion ≤ 10 Billion
4	Large	≥ 10 Billion

³⁵Indonesia, Law on Micro, Small, Medium Enterprises, Law No. 20 of 2008, LN No. 93 of 2008, TLN No. 4866, Art. 6.

³⁶Indonesia, Government Regulation on Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises, Government Regulation Number 7 Year 2021, Article 35 section (3).

The latest regulation in the Job Creation Law indicates a synchronization of income levels within a narrow range. This is evident as the income for each type of enterprise is measured in billions of Rupiah. Additionally, the regulation shows the state's support for micro and small enterprises by raising their income limits. The previous income thresholds set by Law 20/2008 were too low given the fluctuating conditions for micro enterprises. Therefore, the adjustment of MSME income levels by the Job Creation Law is necessary.

B. Potential of MSMEs as Target Market for Conventional Commercial Banks with Foreign Ownership

The largest market for low-capital customers in Indonesia is micro, small, and medium enterprises (MSMEs). By 2023, the number of MSMEs in Indonesia is expected to reach 65.5 million,³⁷ representing about a quarter of the Indonesian population. This shows the significant size of this market.

The large number of MSMEs directly contributes to the Indonesian economy in various ways. For instance, by November 2023,³⁸ the total value of transactions carried out by MSMEs reached Rp 40 trillion. This substantial figure demonstrates that the collective economic activities of MSMEs significantly impact the development of the national economy.

Beyond transaction values, the impact of MSMEs on the national economy is evident in their contribution to key economic indicators like Gross Domestic Product (GDP). According to the Coordinating Ministry for Economic Affairs, MSMEs contribute 61% to GDP, amounting to Rp 9,580 trillion.³⁹

Due to their business scale and reach into households, MSMEs significantly impact economic growth through the household consumption component. In 2023, household consumption grew by 5.23% from the previous year,⁴⁰ surpassing the national economic growth rate of 5.07%.⁴¹

The increase in nominal and percentage terms highlights the significant impact and role of MSMEs in national economic growth. In addition, the importance of MSMEs is

³⁷ Coordinating Ministry for Economic Affairs of the Republic of Indonesia, "Encouraging MSMEs to Upgrade and Go Export, the Government Prepares an Integrated Financing Ecosystem," <https://www.ekon.go.id/publikasi/detail/5318/dorong-umkm-naik-kelas-dan-go-export-pemerintah-siapkan-ekosistem-pembiayaan-yang-terintegrasi>, diakses 25 April 2024.

³⁸ Republika, "PaDi UMKM Records Transactions of IDR 40.8 Trillion as of November 2023," <https://ekonomi.republika.co.id/berita/s5ndw3457/padi-umkm-catat-transaksi-rp-408-triliun-per-november-2023>, diakses 25 April 2024.

³⁹ Coordinating Ministry for Economic Affairs of the Republic of Indonesia, "Encouraging MSMEs."

⁴⁰ People's Consultative Assembly, "Continue to Increase the Role of MSMEs in Supporting National Economic Growth," <https://www.mpr.go.id/berita/Terus-Tingkatkan-Peran-UMKM-dalam-Menopang-Pertumbuhan-Ekonomi-Nasional>, diakses 25 April 2024.

⁴¹ Kontan, "Indonesia's Economy Is Believed to Grow 5.07% in the Second Quarter of 2023, Here Are the Drivers," <https://nasional.kontan.co.id/news/ekonomi-indonesia-diyakini-mampu-tumbuh-507-di-kuartal-ii-2023-ini-pendorongnya>, diakses 25 April 2024.

evident from two other indicators: business institutions and employment absorption. These indicators show that the size of MSMEs in Indonesia contributes to the overall development of the country beyond macroeconomic indicators.

In terms of business institutions, MSMEs, which number 65.5 million as mentioned earlier, dominate almost all business institutions in Indonesia.⁴² This figure represents 99% of all business institutions,⁴³ indicating that MSMEs are a crucial backbone of the country's business landscape.

The almost total dominance of MSMEs is also evident in labor absorption. According to the Coordinating Ministry for Economic Affairs, MSMEs employ 97% of the labor force.⁴⁴ This underscores their importance not only to the entrepreneurs themselves, but also to the broader household economy, as MSMEs support the livelihoods of a large number of workers.

The information discussed above indicates that MSMEs collectively have significant financial strength and are valuable potential customers for the banking industry, including conventional foreign-owned commercial banks. This strength comes from the combined economic capacity of all MSMEs, each with relatively small individual financial capacity.⁴⁵ As a result, MSMEs tend to be responsible users of banking products.⁴⁶

MSMEs, especially those with ongoing businesses, use banking products for additional capital prudently and responsibly. They tailor their use of banking products to their ability to repay, as the assets they use as collateral are vital to their livelihoods.⁴⁷

Given this behavior, it is appropriate for conventional foreign-owned commercial banks to view MSMEs as a primary target market that should be encouraged to become their customers. This can be achieved by developing specialized banking products aimed at strengthening MSME capital. To attract MSMEs, these products can include a strategy of offering low interest rates from conventional foreign-owned commercial banks.

⁴² Coordinating Ministry for Economic Affairs of the Republic of Indonesia, "Encouraging MSMEs."

⁴³ Coordinating Ministry for Economic Affairs of the Republic of Indonesia, "Encouraging MSMEs."

⁴⁴ Coordinating Ministry for Economic Affairs of the Republic of Indonesia, "Encouraging MSMEs."

⁴⁵ MSMEs use banking services for capitalization as a tactic for their economic capabilities, "almost 30% of MSME businesses use operational capital from banks," see Suci, Yuli Rahmini. "Development of MSMEs (micro, small and medium enterprises) in Indonesia." *Scientific Journal of Cano Ekonomos* 6 no. 1 (2017): 378.

⁴⁶ In general, the ratio of non-performing loans is still at a safe level, see Rahmadiansyah Putra, Amzul Rifin, and Imam Teguh Saptano. "Factors Affecting the Smooth Return of People's Business Credit (KUR) Distributed by PT Bank Negara Indonesia (Persero) Tbk.," *Journal of Business and Management Applications (JABM)* 9, no. 2 (2023): 548-549; Kontan, "Despite the rise in NPLs for MSME loans, the following banks managed to maintain their ratios," <https://keuangan.kontan.co.id/news/meski-npl-kredit-umkm-naik-sejumlah-bank-berikut-berhasil-menjaga-rasio>, diakses 25 April 2024.

⁴⁷ Collateral has a significant role for banks to provide loans to MSMEs, see Joan Marta and Doni Satria. "The impact of collateral on credit opportunities for MSMEs in West Sumatra," *Jurnal Ekonomi dan Pembangunan Indonesia* 16, no. 1 (2015): 1-15.

C. Reality of Financing MSMEs by Conventional Commercial Banks with Foreign Ownership

Based on the data collected in the Indonesian Banking Statistics as of February 2024, there is information on the provision of credit to micro, small and medium enterprises (MSMEs). In presenting this data, the author will use information from domestic private banks and branches of foreign banks (KCBLN). This approach aims to provide an overview of the impact of foreign banks on MSMEs.

The inclusion of domestic private banks in the data reflects the fact that some of these banks have foreign shareholders. Records show that at least 31 domestic private banks are partly owned by foreigners.⁴⁸ Therefore, in assessing the impact of foreign banks in Indonesia, the presence of these domestic private banks must be taken into account.

Moreover, the data collected by the author include both annual figures from 2020-2022 and monthly figures from 2023-2024. Annual figures from 2020-2023 are used to analyze the continuous trend of loans granted by foreign banks. The annual figures for 2023 are derived from the average loan amounts reported by the source. In addition, data on the amount of credit provided can be found in the following table:

Table 3. Debit Balance Data for Domestic Private Banks

Type of Enterprise	2020	2021	2022	2023
Micro	Rp41.235 Billion	Rp43.934 Billion	Rp53.916 Billion	Rp106.220 Billion
Small	Rp69.294 Billion	Rp89.334 Billion	Rp110.901 Billion	Rp93.982 Billion
Medium	Rp269.816 Billion	Rp257.195 Billion	Rp242.901 Billion	Rp216.665 Billion

Source: Indonesian Banking Statistics as of February 2024. Edited by the author

Table 4. Non-Performing Loan (NPL) Data for Domestic Private Banks

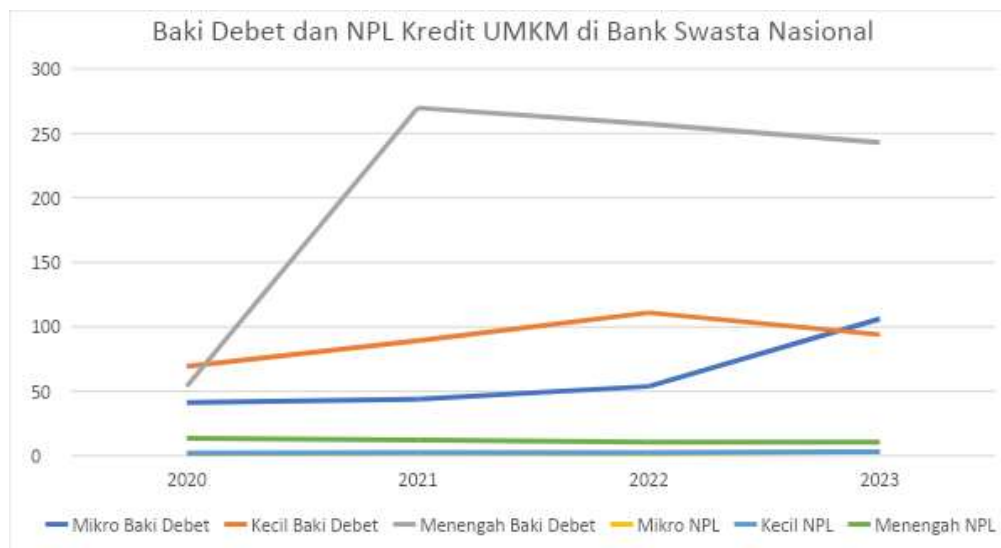
Type of Enterprise	2020	2021	2022	2023
Micro	Rp1.631 Billion	Rp2.262 Billion	Rp1.912 Billion	Rp3.315 Billion
Small	Rp2.218 Billion	Rp2.436 Billion	Rp2.442 Billion	Rp3.207 Billion
Medium	Rp13.478 Billion	Rp12.315 Billion	Rp10.656 Billion	Rp10.629 Billion

⁴⁸Dina Mirayanti Hutaauruk, "31 National Private Banks are Foreign-Owned, Here's the List," <https://keuangan.kontan.co.id/news/31-bank-swasta-nasional-dimiliki-asing-ini-daftarnya>, accessed on 20 May 2024.

Source: Indonesian Banking Statistics as of February 2024. Edited by the author

In simple terms, the data is shown in the following graph:

Graph 1. Comparison of Debit Balance and NPL of MSME Credit in Domestic Private Banks



In the table, medium enterprises generally receive a larger debit balance. This is evident in the graph, which shows that since 2021, the debit balance for medium enterprises has consistently been in the highest range. However, in 2022 and 2023, this trend stagnated and even began to slowly decline.

Similarly, the debit balance for small enterprises was highest in 2020. However, it dropped to second place in 2021, despite an increase. Although this increase continued in 2022, it could not be sustained in 2023, with a significant decline resulting in small enterprises being surpassed by microenterprises in terms of credit figures.

Unlike the other two types of enterprises, the number of loans granted to microenterprises has shown a steady upward trend. In contrast, the other two types of enterprises experienced a decline. By 2023, microenterprises received more loans than small enterprises.

This condition illustrates a shift in the way domestic private banks perceive lending. They no longer underestimate microenterprises, as evidenced by the significant increase in credit to these enterprises. In contrast, credit to small and medium-sized enterprises has tended to stagnate or decline.

The high level of confidence in the data presented can be attributed to the low NPLs of microenterprises, as shown in the table and graph above. Compared to small and medium enterprises, the NPL of microenterprises is significantly lower. This can justify why banks are more interested in lending to microenterprises, since the return is higher than that of other types of enterprises. Furthermore, this data strengthens the argument that MSMEs, especially microenterprises, have a higher level of compliance in loan repayment. This is because the borrowed funds are intended as business capital and are

used prudently, considering that the collateral provided to the bank is a business tool essential for production, which directly affects their livelihood.

This condition should encourage other types of foreign banks, particularly KCBLN, to promote investment in the form of loans to MSMEs. Unfortunately, KCBLN's lending to MSMEs has not been optimal, as reflected in the low loan disbursements shown in the attached table and graph below.

Table 5. Debit Balance Data of KCBLN

Type of Enterprise	2020	2021	2022	2023
Micro	0	0	0	0
Small	Rp69 Billion	Rp27 Billion	Rp40 Billion	Rp14,583 Billion
Medium	Rp130 Billion	Rp88 Billion	Rp57 Billion	Rp54,917 Billion

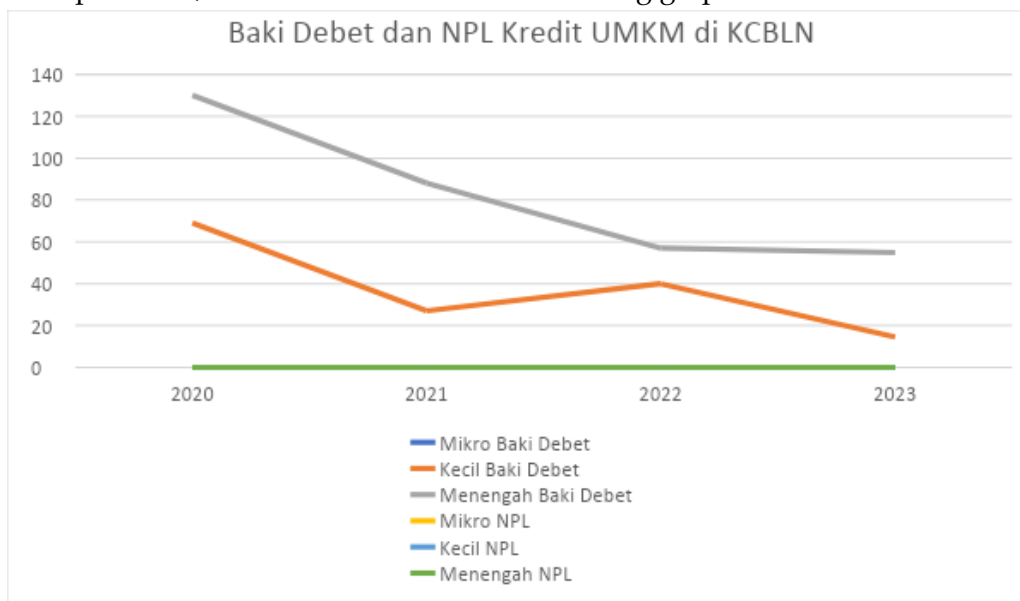
Source: Indonesian Banking Statistics as of February 2024. Edited by the author

Table 6. Non-Performing Loan (NPL) Data of KCBLN

Type of Enterprise	2020	2021	2022	2023
Micro	0	0	0	0
Small	0	0	0	0
Medium	0	0	0	0

Source: Indonesian Banking Statistics as of February 2024. Edited by the author

In simple terms, the data is shown in the following graph:



Based on the data in the table and graph, there are no NPLs from MSME transactions at KCBLN. The absence of NPLs is consistent with the relatively small amount of loans disbursed. In addition, the data shows that no microenterprises have received loans from KCBLN. This is certainly a concern and needs to be evaluated.

On the other hand, KCBLN tends to lend to small and medium enterprises. Unfortunately, the amount of credit continues to decline over time. Only once, in 2022, did a rebound occur for credit to small enterprises. Otherwise, the overall amount of credit given to MSMEs continues to decrease.

This illustrates that KCBLN's confidence in MSMEs in Indonesia is still low. In fact, MSMEs contribute significantly to Indonesia's economy, as explained earlier. Furthermore, another reason for KCBLN to consider lending to MSMEs is their ability to repay loans, as evidenced by the low NPL in domestic private banks. This condition should be a trigger for KCBLN to expand MSME lending in the future.

D. Predicting the Lack of MSME Customers in Financing Provided by Conventional Commercial Banks with Foreign Ownership

The low number of MSMEs using foreign-owned conventional commercial banks reflects the persistent perception that these banks are only accessible to high-capacity customers. This perception limits the banking options available to MSMEs to support their business activities. In addition, this perception is reinforced by the fact that foreign-owned conventional commercial banks have relatively few branches, which are mainly located in urban areas.⁴⁹ As a result, these banks are less accessible than domestic banks, particularly Bank Himbara (the Association of State Banks).

With its strong capital and state-supported networks, Himbara can open offices throughout Indonesia, including in remote areas.⁵⁰ This widespread presence makes it easier for the public to access Himbara banks, which indirectly creates a hidden monopoly.⁵¹ As a result, the public often has no option but to use banking products offered by Himbara Bank, limiting access to alternative banking services.⁵²

This reality means that foreign-owned conventional commercial banks should strive to catch up with Bank Himbara by focusing on MSME customers through specialized banking products, as mentioned above. They should also strengthen their presence by opening branches in regional areas to improve accessibility to local communities. Establishing these regional branches will expand the reach of their banking products and could potentially increase the profits of foreign-owned conventional commercial banks. This profit growth, in turn, will have a positive impact on the national economy through

⁴⁹ Waliyunisa, "The Position of Foreign Banks in Indonesian Banking in Relation to Law No. 10 of 1998 Concerning the Amendment to Law No. 7 of 1992 Concerning Banking," *Aktualita: Jurnal Hukum* (2020): 273.

⁵⁰ Financing as a form of MSME support policy by the Government is channeled by the State Bank Association, see Zakiah Nur Aziz Br Tarigan, Fadilah Novita Dewi, dan Yanuar Pribadi, "The sustainability of micro, small and medium enterprises during the pandemic: Government policy support," *Jurnal BPPK: Badan Pendidikan Dan Pelatihan Keuangan* 15, no. 1 (2022): 16.

⁵¹ Sri Sulastris dan Sapto Wahyono, "The Impact of Covid-19 Pandemic on Micro, Small, and Medium Enterprises (MSMEs)," *Jurnal Yustitia* 22, no. 2 (2021): 191.

⁵² As a form of stimulus for MSMEs, the Government channeled funds through a set of state banks and Regional Development Banks, see Sri Sulastris and Sapto Wahyono, "Pandemic Effects," 191.

corporate taxes paid by the banks and value-added and income taxes paid by their customers.

Under these conditions, the presence of foreign-owned conventional commercial banks will expand the financial options available to MSMEs. Such a wide range of choices is essential because the products offered by foreign-owned conventional banks are often more profitable than those offered by domestic banks. The increased variety of options will encourage competition among banks to provide the best services to the public.

The competition resulting from the entry of foreign-owned conventional commercial banks will prompt Himbara Bank to improve the quality of service for each transaction and expand its reach by opening branches or representative offices in various remote areas. In addition, Himbara Bank will need to improve the quality of its banking products to remain competitive with those offered by foreign-owned conventional banks and to retain its customer base.

E. Comparison of the Role of Conventional Commercial Banks with Foreign Ownership towards MSMEs in India

Foreign banks can set up wholly owned subsidiaries in India under the Reserve Bank of India (RBI) Scheme for Establishment of Wholly Owned Subsidiaries by Foreign Banks in India. The minimum paid-up capital required for such a subsidiary is Rp5 billion. A newly incorporated wholly-owned subsidiary is required to pay the entire initial capital amount upfront, which is to be funded by free remittance of foreign exchange from the parent company. In addition, the Consolidated Foreign Direct Investment Policy Circular (dated October 15, 2020) allows foreign banks to acquire up to 74 percent of the paid-up capital of a private bank. However, except for wholly owned subsidiaries of foreign banks, at least 26 percent of the paid-up capital of a private bank must be held by Indian residents.⁵³

The RBI scheme allows foreign banks to reduce their shareholding to 74% or less in wholly owned subsidiaries under the Foreign Investment Policy in Banking. They can also merge with or acquire local banks as long as their shareholding does not exceed 74%. In other words, a foreign bank can acquire a local bank and retain majority ownership. Since the RBI scheme grants "near-national" status to wholly owned subsidiaries, foreign promoters may benefit from an enhanced perception of ownership as compared to Indian promoters.⁵⁴

In this context, the involvement of foreign banks in India extends beyond the financial services sector to offer particular benefits to the SME sector. Special emphasis is placed on SMEs because the government recognizes their critical role in fostering new

⁵³ Shardul Amarchand Mangaldas and co, "In Brief: Ownership and acquisition of banks in India," <https://www.lexology.com/library/detail.aspx?g=668d46b8-948e-47d2-b7e8-80296c2bf287>, accessed on 20 May 2024.

⁵⁴ The Times of India, "Foreign banks must hold 51% in fully owned Indian arms," <https://timesofindia.indiatimes.com/business/india-business/foreign-banks-must-hold-51-in-fully-owned-indian-arms/articleshow/67136262.cms>, accessed on 20 May 2024.

businesses and generating employment for a significant portion of the population. In addition, the policy of supporting SME development is motivated by the sector's significant potential to build a strong foundation for entrepreneurship and innovation within the Indian economy.

Banks play a critical role in the development of the SME sector as they are the primary source of financing for the industry. The introduction of credit scores for SMEs in India will improve the quality and reliability of financial information, making it easier to extend credit to the sector. As a result, the government has taken several steps to increase the flow of credit to SMEs.

A key measure to ensure sufficient flow of funds to the SME sector is the requirement that banks allocate at least 40% of their loans to target areas, which include micro, small, and medium enterprises.⁵⁵ Both domestic and foreign banks are required to meet this target, which promotes equity and encourages all banks to actively contribute to the development of the SME sector in India. This approach ensures that the liberalization of the financial sector, particularly the banking sector, not only increases the overall credit available to private enterprises, but also improves access to external finance for the financially constrained SME sector. While it is premature to conclude that SMEs in India are no longer financially constrained, financial sector reforms and improvements in credit infrastructure have significantly improved access to finance for small businesses.

Following the enactment of the P2SK Law in Indonesia, new regulations are also introduced to mandate the provision of credit to MSMEs, as outlined in Article 12B of the Law. This provision is in line with the objectives of the P2SK Law, which aims to enhance national economic resilience by ensuring that MSMEs have greater access to finance and legal certainty, thereby strengthening their empowerment. In addition, this provision supports the government's strategy to achieve the MSME credit penetration target of 22% by 2024, as set out in the National Medium-Term Development Plan 2020-2024 (RPJMN), by closing the gap in credit penetration and interest rates compared to other Asian countries.

In this case, foreign-owned banks are also required to distribute credit to MSMEs as their business type is classified as commercial banks. This provision is not new as there is Bank Indonesia Regulation No. 14/22/PBI/2012 on the Provision of Credit or Financing by Commercial Banks and Technical Assistance for the Development of Micro, Small, and Medium Enterprises. In addition, technical regulations have been issued through Bank Indonesia Circular No. 15/35/DPAU on the Provision of Credit or Financing by Commercial Banks and Technical Assistance for the Development of Micro, Small, and Medium Enterprises. Therefore, the provisions in Article 12B of the P2SK Law, which

⁵⁵Reserve Bank of India, "Priority Sector Lending-Targets And Classification," <https://www.rbi.org.in/commonperson/English/Scripts/Notification.aspx?Id=2570#:~:text=Foreign%20banks%20with%20less%20than,Amount%20of%20Off%2DBalance%20Sheet>, accessed on 24 July 2024.

impose obligations on commercial banks, including foreign-owned banks, to provide credit to MSMEs, reinforce the previously existing regulations.

The obligation to provide credit also extends to foreign banks, including conventional commercial banks with foreign ownership. The purpose of this obligation is to support and contribute to the Indonesian economy, particularly through the development of MSMEs. The regulation of this obligation in the P2SK Law has significant implications as it requires foreign banks to actively contribute to the national economy. Consequently, the expansion of opportunities for foreign banks to grow in Indonesia comes with a responsibility to contribute to the economic well-being of the Indonesian people.

Based on the above, both Indonesia and India impose obligations on foreign banks operating in their countries to provide credit to MSMEs. However, India's obligation is more concrete in ensuring the distribution of credit from foreign banks to MSMEs. This is because India explicitly regulates a specific percentage for the provision of credit to MSMEs, which is not stipulated in Indonesia's regulations.

CONCLUSION

Given their capital strength, conventional foreign-owned commercial banks should be directed to help the Indonesian people, and one of the most effective ways is to provide credit to MSMEs. The P2SK law requires commercial banks to distribute MSME loans in Indonesia. Unfortunately, foreign-owned commercial banks tend to lend primarily to companies related to their country of origin. Credit distribution for productive and strategic sectors such as infrastructure, MSMEs and agriculture is mostly done by domestic banks.

Therefore, it is necessary to have a clear segmentation of banking products and obligations to ensure that the products of foreign banks and joint venture banks are also aimed at productive credit distribution to improve the welfare of the people as a whole. Effective regulation is needed for banks that are majority-owned by foreigners so that these banks contribute positively to development and public welfare. In addition, clear law enforcement is essential to ensure that the banking products provided by conventional foreign-owned commercial banks actually contribute to the national economy.

REFERENCES

- Adityaswara, Mirza. "MSMEs and Financing Constraints," <https://www.kompas.id/baca/ekonomi/2021/11/16/umkm-dan-kendala-pembiayaan>, accessed on 7 June 2024.
- Ali, I. *Pro-Poor to Inclusive Growth: Asian Prescriptions*, ERD Policy Brief, 2007.
- Ali, I. and J. Zhuang. *Inclusive Growth toward a Prosperous Asia: Policy Implications*, ERD Working Paper Series, 2007.
- Ayyagari, Meghana, Thorsten Beck, dan Aslu Demirgüç-Kunt. *Small and Medium Enterprises Across the Globe: A New Database*. Washington DC: World Bank Database, 2003.

- Bank Indonesia. *Booklet of Financial Inclusion*. Jakarta: Bank Indonesia, 2014.
- Br Tarigan, Zakiah, Fadilah Dewi, dan Yanuar Pribadi, " The sustainability of micro, small and medium enterprises during the pandemic: Government policy support," *Jurnal BPPK: Badan Pendidikan Dan Pelatihan Keuangan* 15, No. 1 (2022).
- Brotosusilo, Agus. *et.al. Legal Writing: Lecturer's Handbook*. Jakarta: Asia Foundation: Konsorsium Ilmu Hukum, Dep. PDK, Edisi ke-2 1994.
- Coordinating Ministry for Economic Affairs of the Republic of Indonesia, "Encouraging MSMEs to Upgrade and Go Export, the Government Prepares an Integrated Financing Ecosystem," Available at <https://www.ekon.go.id/publikasi/detail/5318/dorong-umkm-naik-kelas-dan-go-export-pemerintah-siapkan-ekosistem-pembiayaan-yang-terintegrasi>. Accessed on 25 April 2024.
- Dian Dewi Khasanah, Anik Iftitah, Kasiani, Muhamad Abas, Baren Sipayung, Arvita Hastarini, Qadriani Arifuddin, Sari Ratna Dewi, Avisena Aulia Anita, Nourma Dewi, Saptono Jenar, Indira Swasti Gama Bhakti, Femmy Silaswaty Faried, Rasyid Tarmizi, Mega Ayu Ni, & Anni Nur Rohmah. *Hukum Perdata*. Sada Kurnia Pustaka, 2023. <https://repository.sadapenerbit.com/index.php/books/catalog/book/114>.
- Disemadi, Hari Sutra. "Lensa Penelitian Hukum: Esai Deskriptif Tentang Metodologi Penelitian Hukum." *Journal of Judicial Review (JJR)* 24, no. 2 (2022): 289-304. <https://doi.org/10.37253/jjr.v24i2.7280>.
- Financial Sector Development and Strengthening Act (P2SK Act), Act No. 4 of 2023, LN No. 4 Year 2023, TLN No. 6845.
- Government Regulation on Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises, Government Regulation Number 7 Year 2021, LN No. 17 Tahun 2021 TLN No. 6619.
- Herlianto, Anung. " Regulators Open the Door to Foreigners in the Banking Sector, Here's Why ", *Finansial.bisnis.com*, 26 Agustus 2020, available at <https://finansial.bisnis.com/read/20200826/90/1283248/regulator-buka-pintu-untuk-asing-di-sektor-perbankan-ini-alasannya>. Accessed on 20 Maret 2024.
- Hutauruk, Dina Mirayanti. "31 National Private Banks are Foreign-Owned, Here's the List,"_available at <https://keuangan.kontan.co.id/news/31-bank-swasta-nasional-dimiliki-asing-ini-daftarnya>. Accessed on 20 May 2024.
- John Saputra, Hendry dan Ahmad Soleh, " MSMEs in the Era of Industrial Revolution 4.0: Implications for the Development of MSMEs in Indonesia." *Seminar Nasional Ekonomi Manajemen, Bisnis dan Akuntansi*, (2022).
- Khadafi, Muhammad, dan Ipak Ayu, "This is what makes foreign banks unable to compete with local banks," *Finansial.bisnis.com*,, 28 January 2019, available at: <https://finansial.bisnis.com/read/20190128/90/883326/ini-yang-membuat-bank-asing-kalah-bersaing-dengan-bank-lokal>. Accessed on 30 June 2024.
- Kontan, "Despite the rise in NPLs for MSME loans, the following banks managed to maintain their ratios,"_available at <https://keuangan.kontan.co.id/news/meski-npl-kredit-umkm-naik-sejumlah-bank-berikut-berhasil-menjaga-rasio>. Accessed on 25 April 2024.
- Kontan. "Indonesia's Economy Is Believed to Grow 5.07% in the Second Quarter of 2023, Here Are the Drivers." available at <https://nasional.kontan.co.id/news/ekonomi>

- [indonesia-diyakini-mampu-tumbuh-507-di-kuartal-ii-2023-ini-pendorongnya](#).
Accessed on 25 April 2024.
- Kurniawan, I. G. A. "Social Justice's Manifestation: The Relation Between Limited Companies and Small and Medium Enterprises." *Jurnal Supremasi* 13, no. 2 (2023).
<https://doi.org/https://doi.org/10.35457/supremasi.v13i2.2333>.
- Ministry of Education, Culture, Research and Technology of the Republic of Indonesia, "Supporting the Future Transformation of MSMEs, Ministry of Education, Culture, Research and Technology Participates in MSME National Expo 2023." Available at <https://www.kemdikbud.go.id/main/blog/2023/08/dukung-transformasi-umkm-masa-depan-kemendikbudristek-berpartisipasi-dalam-umkm-nasional-expo-2023>.
Accessed on 7 June 2024.
- Mangaldas, Shardul and co, "In Brief: Ownership and acquisition of banks in India," available at <https://www.lexology.com/library/detail.aspx?g=668d46b8-948e-47d2-b7e8-80296c2bf287>. Accessed on 20 May 2024.
- Marta, Joan dan Doni Satria. "The impact of collateral on credit opportunities for MSMEs in West Sumatra." *Jurnal Ekonomi dan Pembangunan Indonesia* 16, No. 1 (2015).
- Pasaribu, A., & Agung Purnomo, P. "Foreign Investment Policy in Renewable Energy Post Job Creation Law." *Jurnal Supremasi* 13, no. 2 (2023).
<https://doi.org/https://doi.org/10.35457/supremasi.v13i2.2428>.
- People's Consultative Assembly, "Continue to Increase the Role of MSMEs in Supporting National Economic Growth," available at <https://www.mpr.go.id/berita/Terus-Tingkatkan-Peran-UMKM-dalam-Menopang-Pertumbuhan-Ekonomi-Nasional>.
Diakses 25 April 2024.
- Rahmadiansyah Putra, Amzul Rifin, and Imam Teguh Saptono. "Factors Affecting the Smooth Return of People's Business Credit (KUR) Distributed by PT Bank Negara Indonesia (Persero) Tbk.," *Jurnal Aplikasi Bisnis dan Manajemen (JABM)* 9, No. 2 (2023).
- Regulation of Bank Indonesia No. 24/7/PBI/2022 on Foreign Exchange Market Transactions ("PBI 24/7/2022").
- Republika. "PaDi UMKM Records Transactions of IDR 40.8 Trillion as of November 2023." available at <https://ekonomi.republika.co.id/berita/s5ndw3457/padi-umkm-catat-transaksi-rp-408-triliun-per-november-2023>. Accessed on 25 April 2024.
- Reserve Bank of India. "Priority Sector Lending-Targets And Classification," Available at <https://www.rbi.org.in/commonperson/English/Scripts/Notification.aspx?Id=2570#:~:text=Foreign%20banks%20with%20less%20than,Amount%20of%20Off%20DBalance%20Sheet>. Accessed on 24 July 2024.
- Rifa'i, I. J., Purwoto, A., Ramadhani, M., Rusydi, M. T., Harahap, N. K., Mardiyanto, I., ... & Surasa, A. *Metodologi Penelitian Hukum*. . Edited by Anik. Iftitah. Sada Kurnia Pustaka, 2023.
https://books.google.com/books?hl=id&lr=&id=6OO8EAAAQBAJ&oi=fnd&pg=PA1&ots=7EWBIj1pv8&sig=pqXgs0C4RPxpr44W_HTuGuUC7FU.
- Sidik, Syahrizal. "Foreigners can control 99% of Indonesian bank shares, but this is a condition from the Financial Services Authority (OJK)," *CNBC Indonesia*, 24 Agustus 2021, available at <https://www.cnbcindonesia.com/market/20210824101831-17-270722/asing-bisa-kuasai-99-saham-bank-ri-tapi-ini-syarat-dari-ojk>. Accessed on 23 February 2024.

- Simanjuntak, Martha Herlinawati. "Financial Services Authority: Investment climate in Indonesian banking attractive to investors," Antara News, available at <https://www.antaraneews.com/berita/3976980/ojk-iklim-investasi-di-perbankan-indonesia-menarik-bagi-investor>. Accessed on 28 June 2024.
- Suci, Yuli Rahmini. "Development of MSMEs (micro, small and medium enterprises) in Indonesia." *Jurnal Ilmiah Cano Ekonomos* 6 no. 1 (2017).
- Sulastris, Sri dan Sapto Wahyono, "The Impact of Covid-19 Pandemic on Micro, Small, and Medium Enterprises (MSMEs)." *Jurnal Yustitia* 22, No. 2 (2021).
- The Financial Services Authority of the Republic of Indonesia No. 12/POJK.03/2021, dated July 30, 2021, on Commercial Banks, State Gazette of the Republic of Indonesia 2021 No. 163 (POJK 12/2021)
- The Times of India. "Foreign banks must hold 51% in fully owned Indian arms." Available at <https://timesofindia.indiatimes.com/business/india-business/foreign-banks-must-hold-51-in-fully-owned-indian-arms/articleshow/67136262.cms>. Accessed on 20 May 2024.
- Micro, Small, Medium Enterprises Act, Act No. 20 of 2008, LN No. 93 of 2008, TLN No. 4866.
- Valenta Sari, Elisa. "Measuring the Business Competition Map of Foreign Banks in Indonesia", CNN Indonesia, 7 Maret 2017, available at <https://www.cnnindonesia.com/ekonomi/20170307164631-78-198482/menakar-peta-persaingan-bisnis-bank-asing-di-indonesia>. Diakses 15 Maret 2020.
- Vinatra, Satriaji. "The Role of Micro, Small, and Medium Enterprises (MSMEs) in the Economic Prosperity of the State and Society." *Jurnal Akuntan Publik* 1, no. 3 (2023).
- Waluyunisa. "The Position of Foreign Banks in Indonesian Banking in Relation to Law No. 10 of 1998 Concerning the Amendment to Law No. 7 of 1992 Concerning Banking." *Aktualita: Jurnal Hukum* (2020).
- Waratmini, Ni Putu Eka. "Regulators Open the Door to Foreigners in the Banking Sector, Here's Why," *Finansial.bisnis.com*, 26 Agustus 2020, available at <https://finansial.bisnis.com/read/20200826/90/1283248/regulator-buka-pintu-untuk-asing-di-sektor-perbankan-ini-alasannya>. Accessed on 23 February 2024.
- Wiklund, Johan dan Dean Shepherd, "Research Notes And Commentaries: Knowledge-Based Resources, Entrepreneurial Orientation, And The Performance Of Small And Medium-Sized Businesses," *Strategic Management Journal* 24 (2003).