



# Financing, Productivity and Global Market Participation

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**2025** KDI-LPEM 2nd Joint Seminar

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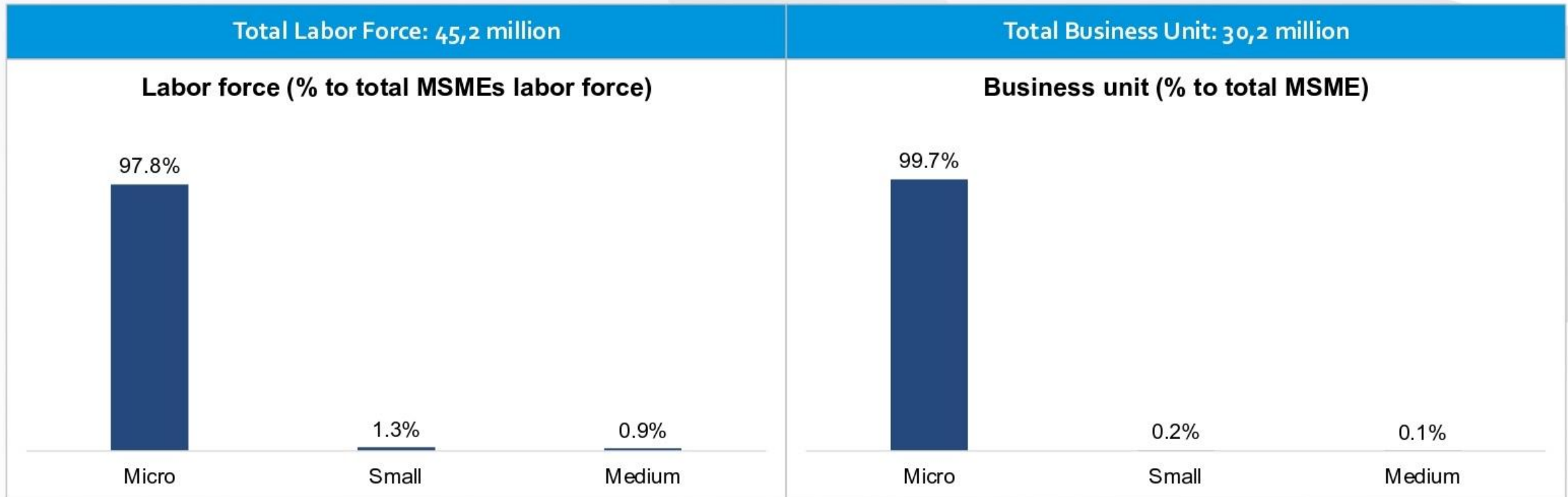
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Titik Anas, Svara Institute  
December 2025

# MSMEs dominate Indonesia's economic landscape

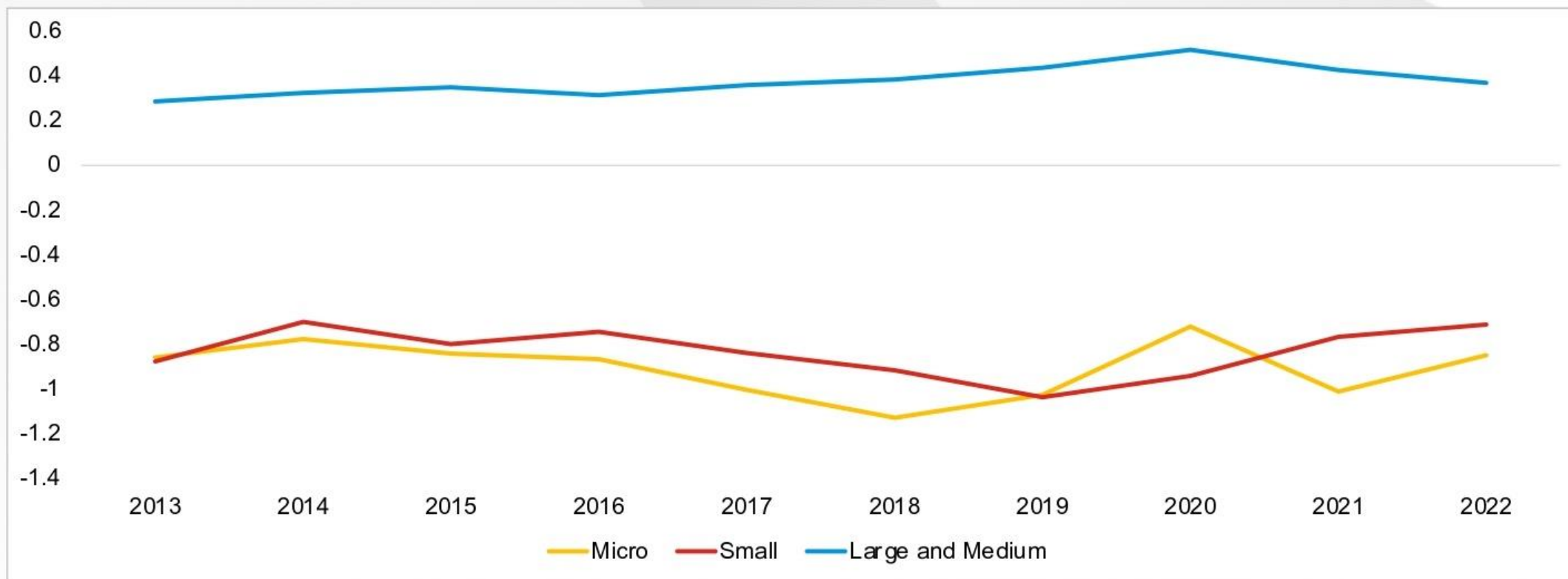
Micro, Small, and Medium Enterprises (MSMEs) segment contribute **61%** to the country's GDP, employ **97%** of the labor force, and represent **99%** of all business unit (Ministry of MSMEs, 2025).



Source: Satu Data of Ministry of MSMEs  
Note: Data as of December 31, 2024

# Productivity of micro and small firms is much lower than medium and large firms

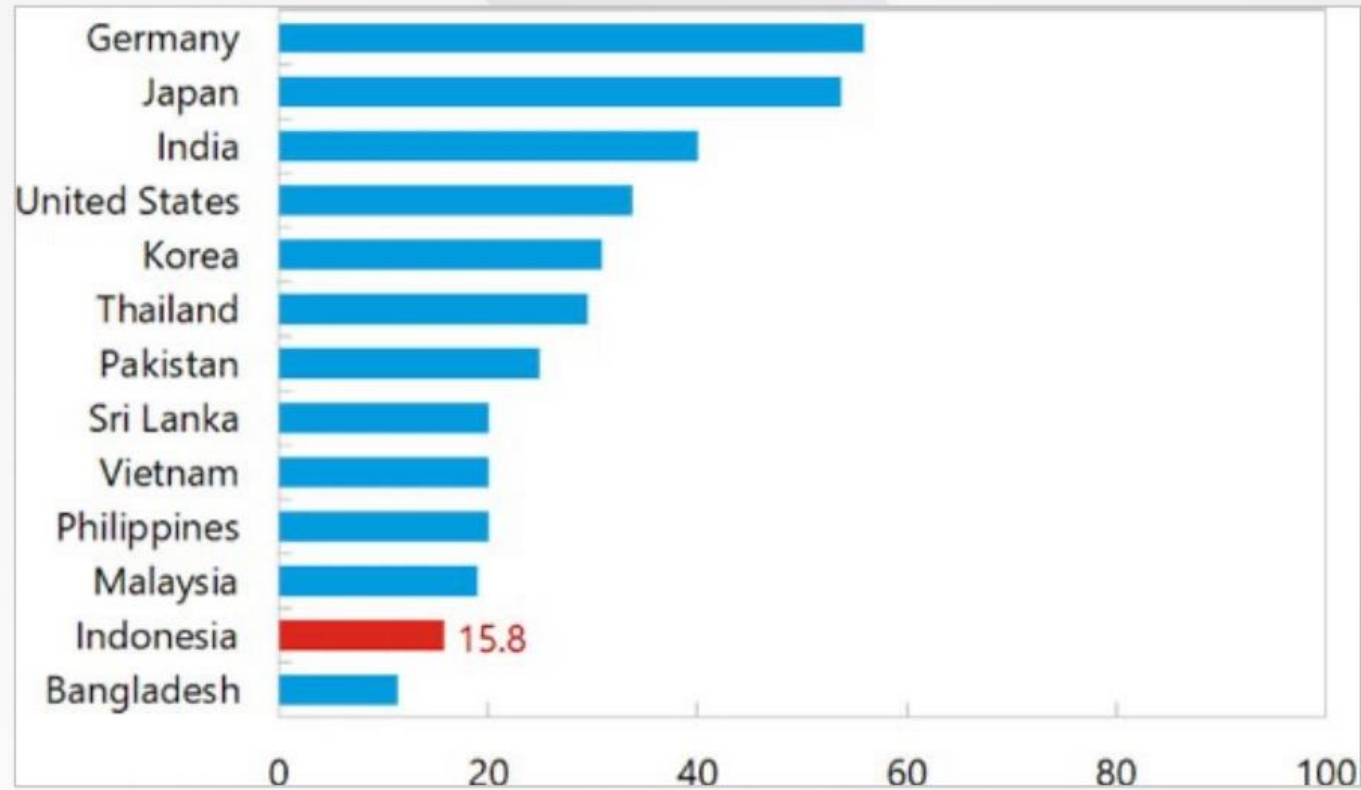
Total factor productivity (TFP) growth by firm size, Indonesia (%) – Relative Level Model Estimation



Source: Indonesia's National Productivity Master Plan 2025 – 2029

# Indonesian MSMEs' contribution to the global market is relatively low.

MSMEs contribution to exports (%), 2023

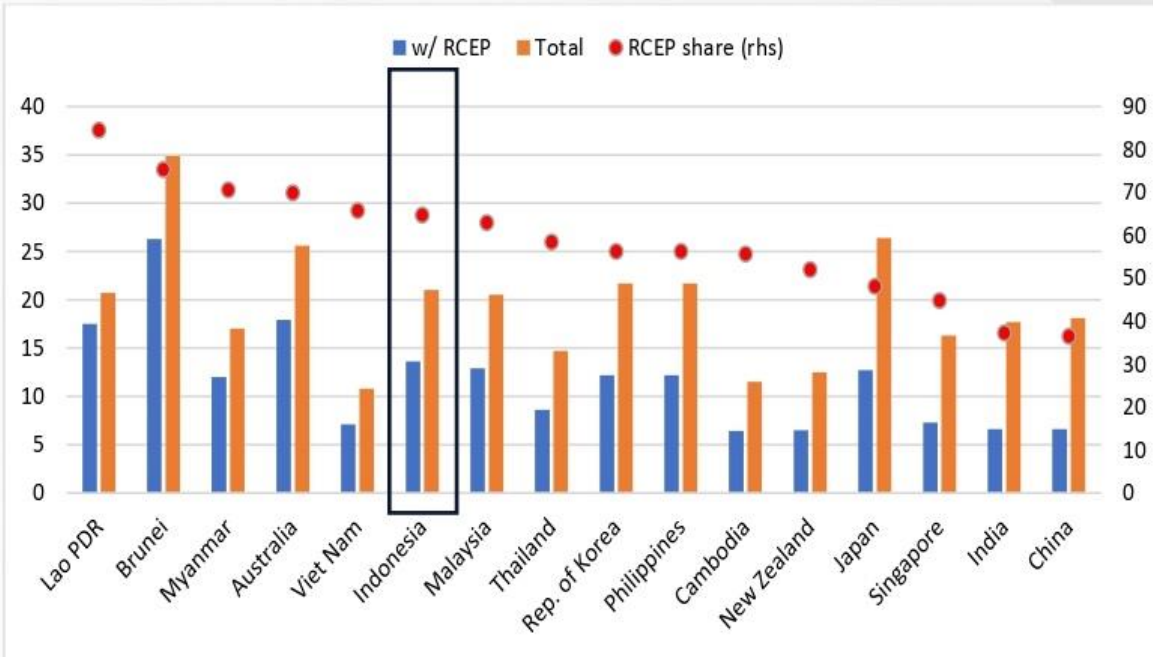


Source: IMF (2024) based on Ministry of Cooperatives and SMEs, CEIC Data, and IMF staff calculations.

# Indonesia's participation in GVC

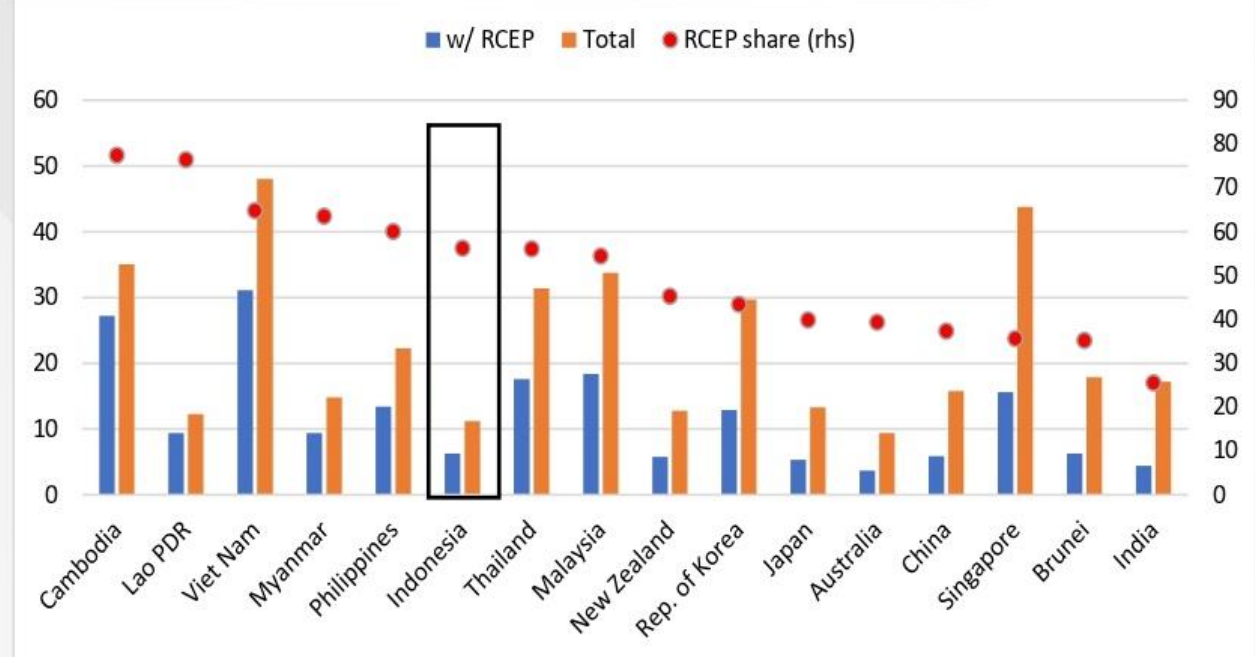
Indonesia's participate more in the forward chain than in the backward chain reflecting Indonesia's comparative advantage in natural resources based exports. Compared to other Asian peers, Indonesia's backward participation in GVC is relatively limited. **Indonesia's SMEs rely heavily on indirect linkages, not direct exporting or importing Supplying domestic firms that export**, rather than exporting directly. **Buying imported inputs indirectly** through local intermediaries rather than importing themselves (ERIA, ASEAN, 2022)

## Forward Participation



RCEP = Regional Comprehensive Economic Partnership, rhs = right-hand side axis.  
Sources: Natixis; and Organisation for Economic Co-operation and Development (n.d.), Trade in Value Added (TiVA) Database. <https://www.oecd.org/en/topics/sub-issues/trade-in-value-added.html> (accessed 23 July 2024).

## Backward Participation



RCEP = Regional Comprehensive Economic Partnership, rhs = right-hand side axis.  
Sources: Natixis; and Organisation for Economic Co-operation and Development (n.d.), Trade in Value Added (TiVA) Database. <https://www.oecd.org/en/topics/sub-issues/trade-in-value-added.html> (accessed 23 July 2024).



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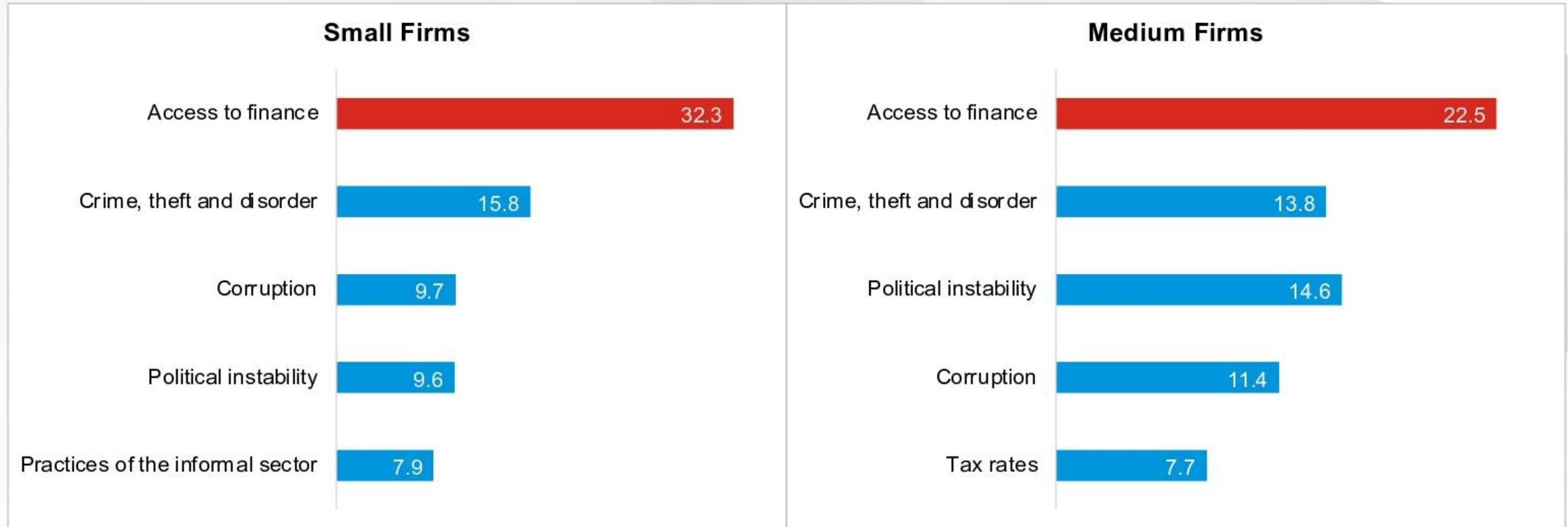
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# Access to Finance

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# Access to finance remains the biggest obstacle for Indonesia's MSMEs.

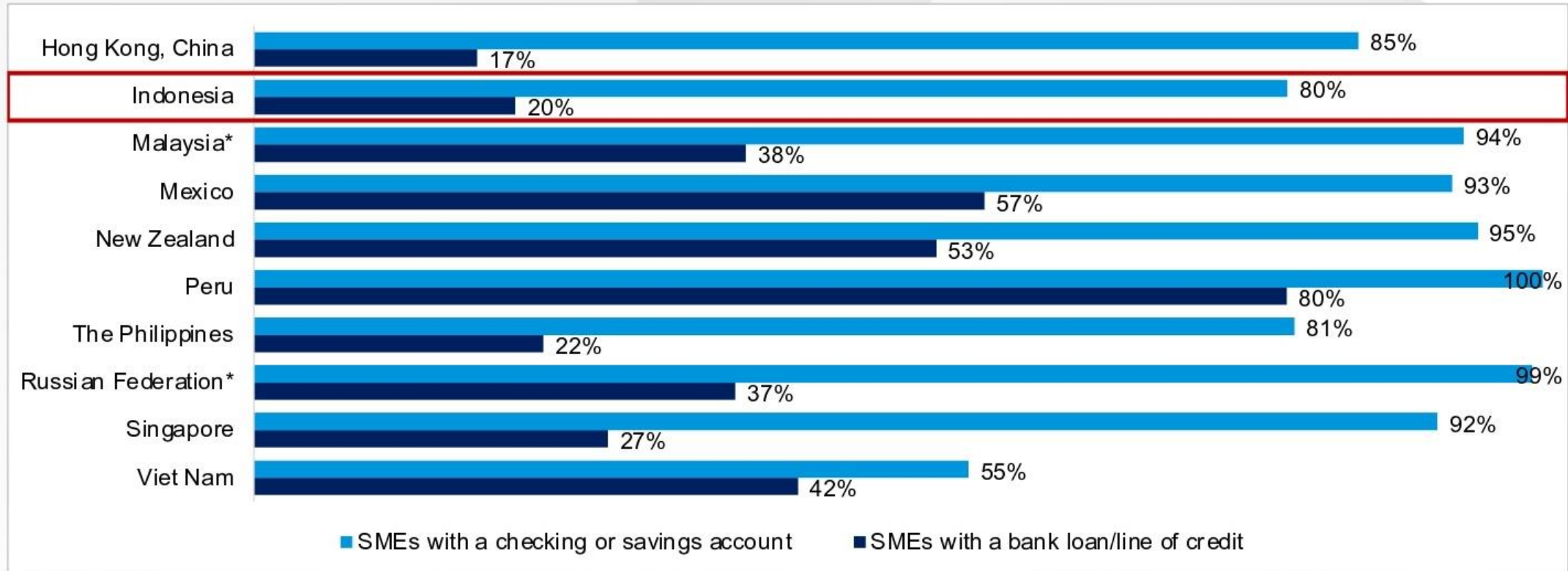
Top 5 obstacles for MSMEs in Indonesia (% to total firms), 2023



Source: World Bank Enterprise Survey

# In Indonesia, around 80% of SMEs hold bank accounts, but only 20% had access to bank loans.

SMEs with a checking or savings account and with a bank loan/line of credit (%), 2023



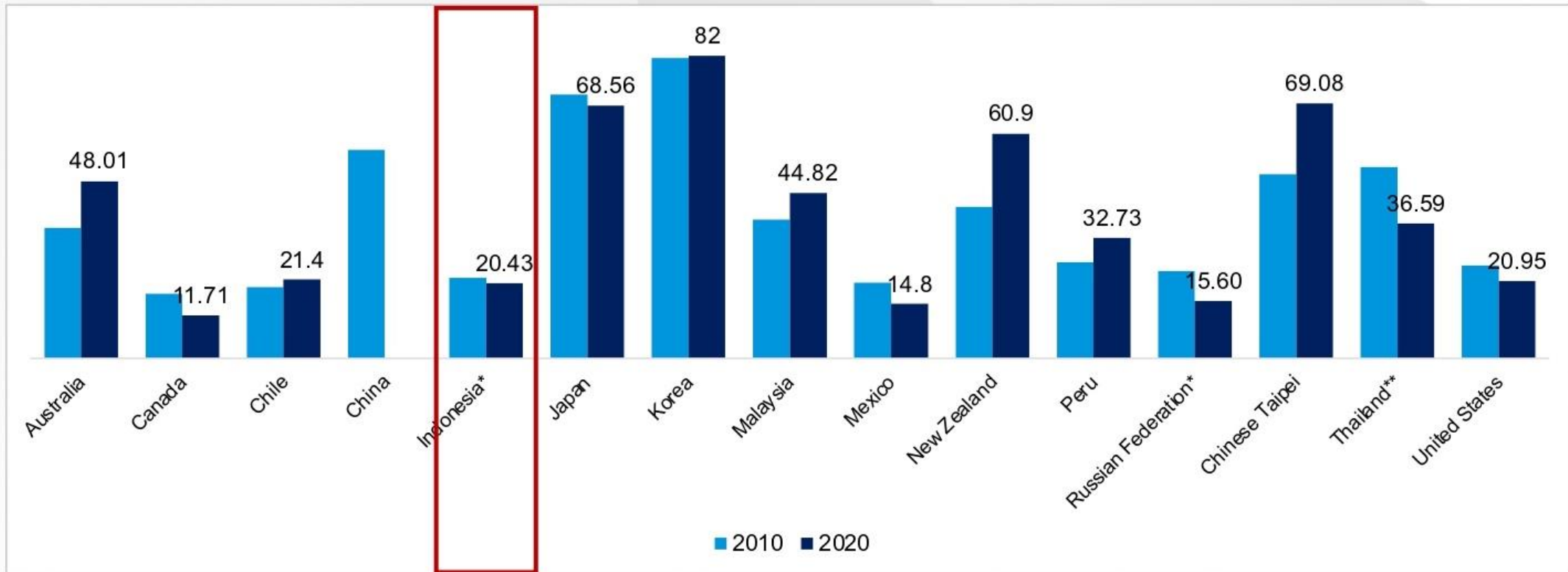
Source: APEC Economic Policy Report (AEPR) 2024 based on World Bank Enterprise Survey

Note: The figure only contains data for the countries for which it is available.

\*The latest data available for Malaysia and the Russian Federation are from 2019.

# The share of MSME outstanding loans represented only 20,4% of total business loans in Indonesia.

Share of SME outstanding loans (% of total outstanding business loans)

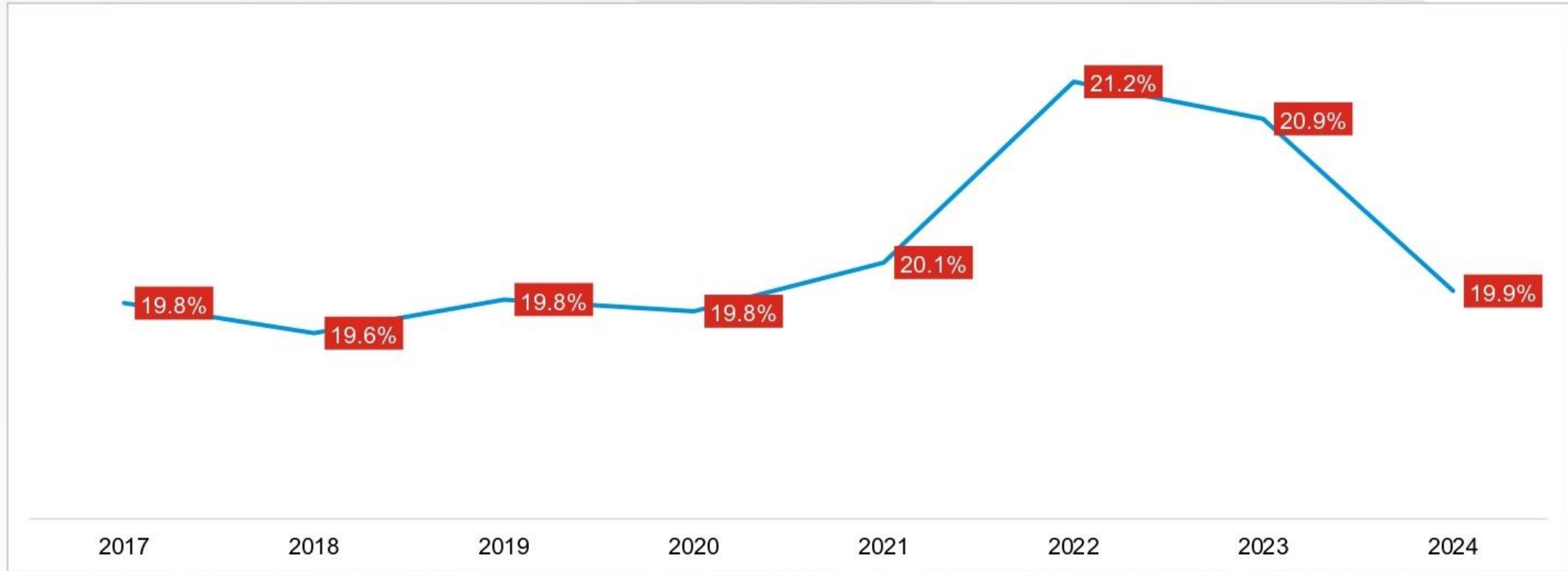


Source: APEC Economic Policy Report (AEPR) 2024 based on World Bank Enterprise Survey  
 Note: The figure only contains data for the countries for which it is available.

\*Data for Indonesia and the Russian Federation are supplemented with figures from the 2022 dataset. \*\*Thailand's outstanding loans only include Thai commercial banks, excluding specialized financial institutions.

# In 2024, MSME loan disbursements accounted for only 20% of total credit.

Credit to MSMEs to total credit (%), 2017 – 2024



Source: Author's calculation based on CEIC Data.

# Key factor behind SMEs' limited access to finance.

## Information Asymmetry

**Banks often lack sufficient information about MSMEs** compared to large firms, while **MSMEs also lack the knowledge needed to prepare financial documents** (APEC 2024 based on World Bank, 2014; Sanga & Aziakpono, 2023).

## Lack of Collateral and Creditworthiness

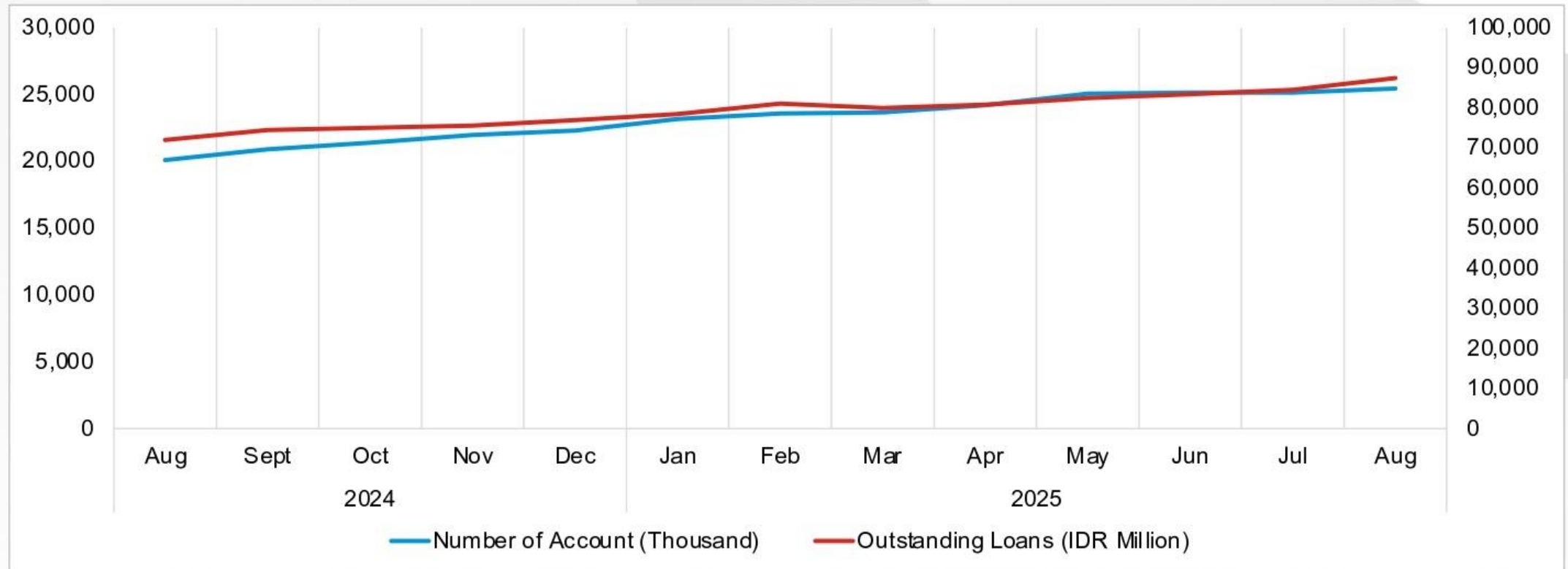
**Collateral plays a pivotal role to MSEM in accessing formal credit** (Thein et al., 2024; Sanga & Aziakpono; Berkel et al, 2018). According to Suardhini and Pramesty (2023), MSMEs face difficulties in acquiring financing, particularly for exports, due to **inadequate collateral**.

## Complex Procedures and High Cost

A study by Adhis & Rudi (2025) found that among MSMEs surveyed, about 76% facing **complicated procedures and extensive documentation requirements** when accessing financing from formal financial institution. They also experience **high transaction cost**, which often leads them to rely on alternative financing, e.g., P2P lending (Rosavina et al., 2019).

# Online lending platforms continue to rise.

Number of account and total outstanding of online lending in Indonesia, Aug 2024 – Aug 2025



Source: Indonesia Financial Services Authority

# Why access to finance important for SMEs?

## Improve Business Performance

Research indicates that MSMEs with better access to financial services exhibit improved business performance, help them in sales growth (Abor et al., 2014; Nanang et al., 2023). The ease of access to financing helps MSME actors; in this case, venture capital loans can increase their businesses' sustainability (Basri et al., 2023)

## Business Expansion and Job Creation

MSMEs are often the biggest employers in many low-income countries, but limited finance to limit their ability to grow and create jobs (World Bank, 2013). Greater financial access, combined with better financial literacy, help MSMEs to make smarter business decisions, expand operations, hire more workers, and empower woman and youth in the job market (Amelia et al., 2023; World Bank, 2025).

## Enhance Global Market Participation

Better financial access enables businesses to engage in export markets (Abor et al., 2014). However, smaller scale firms often face barriers, e.g., limited access compared to large firms, insufficient collateral, and high export transaction costs. Therefore, better financial access for MSMEs is important to support their expansion into global market (Suardhini & Pramesty, 2023).

# Providing access to financial products can help MSMEs, particularly to expand and tap into global markets.

	Small/Micro-scale Exporters	Medium-scale Exporters	Large-scale Exporters
Characteristics	<ul style="list-style-type: none"> <li>• High reliance on aggregators or third parties as intermediaries due to relatively small export volumes.</li> <li>• Financial literacy is still low.</li> <li>• Inadequate collateral.</li> </ul>	<ul style="list-style-type: none"> <li>• Have better market access and adequate certifications</li> <li>• Higher financial literacy compared to small/micro-scale businesses, and have sufficient collateral.</li> </ul>	<ul style="list-style-type: none"> <li>• Large export volume.</li> <li>• Buyers are diversified and well-established.</li> <li>• Have strong financial capacity and capability.</li> </ul>
Financial Product Needed	<b>Low-interest loan</b> , as the share of exports is still relatively small compared to total sales.	<b>Pre-shipment and post-shipment financing.</b>	<b>Export credit insurance</b> to support open account post-shipment financing.

Source: Suardhini and Pramesity (2023)