

Advancing green MSMEs: Insights from the talk on FinTech's role in supporting green MSMEs in Indonesia

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Micro, small, and medium enterprises (MSMEs) are the engines of growth in many economies. These enterprises drive job creation, innovation, consumption, and industry competition. In Indonesia, [MSMEs constitute more than 99% of the total number of enterprises](#) and employ most of the active workforce. However, the physical risks of climate change pose significant threats to these economic activities.

MSMEs are particularly vulnerable, as they bear the brunt of environmental shocks. Yet, their ability to grow and sustain operations could be severely compromised without adequate support to transition to more sustainable business practices and adapt to climate change. Therefore, advancing green MSMEs requires a supportive policy ecosystem, a committed private sector, and a robust support system. These are areas where Indonesia is well-positioned to make this transition happen. Policymakers have implemented guidelines and taxonomies to support sustainable business practices, and companies have been increasingly promoting financial inclusion and developing green financing programs tailored for MSMEs.

To address MSMEs' needs, stakeholders must explore how financial service providers can help MSMEs transition to greener practices. MSC recognized this need and hosted an insightful webinar on 3rd December 2024 as [AFTECH](#)'s knowledge partner. We conducted the webinar—**“Advancing Green MSMEs: The Role of Fintech and Financial Service Providers for a Sustainable Future”**—as part of the National FinTech Month 2024. The [Central Bank of Indonesia](#) delivered the keynote speech for the event.

Elsya MS Chani, Head of the Inclusive Finance and Economics Group, Department of Inclusive and Green Finance, Central Bank of Indonesia, represented the country's central bank. In the keynote speech, she noted, “Indonesia's losses due to climate change are estimated to reach more than IDR 100 trillion per year and are expected to continue to increase to 40% of the GDP in 2048. This is higher than the global average of 18% of the GDP.”

The discussion explored how FinTech can foster the transition of MSMEs toward more sustainable business practices.



**“UMKM Hijau Maju:
Peran Fintech dan Penyedia Jasa Keuangan untuk Masa Depan
Berkelanjutan”**

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Opening Speech Chrisma Albandjar Wakil Bendahara, Asosiasi Fintech Indonesia (AFTECH)	Keynote Speech Elsya MS Chani Kepala Grup Ekonomi-Keuangan Inklusif, Departemen Ekonomi-Keuangan Inklusif dan Hijau, Bank Indonesia	Closing Speech Grace Retnowati Country Director, MicroSave Consulting (MSC) Indonesia	
Speaker Katrina Inandia Head of Impact and Sustainability, Amarta	Speaker Irma Chantily Partner Konstelasi Accelerator, Supernova Ecosystem	Speaker Aarjan Dixit Specialist, Climate Change and Sustainability, MicroSave Consulting (MSC)	Moderator Kinanti Aldhia Naura Assistant Manager, MicroSave Consulting (MSC) Indonesia

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Green transition challenges that MSMEs face

Globally, governments are developing strategies to maintain economic growth while they navigate the transition to a low-carbon economy and build climate resilience. The green economy, in its various forms, has been suggested as a [catalyst that can revitalize national policy development](#) and foster business practices that prioritize environmental sustainability.

Indonesia's [National Long-Term Development Plan \(RPJPN\) 2025-2045](#) states the implementation of a green economy as a development direction for the country. In line with this, all business actors, which include MSMEs, are expected to run their businesses sustainably and create eco-friendly product innovations. The government has introduced various policy initiatives as part of this effort. These include the [Green MSME Development Guideline](#) issued by the Central Bank of Indonesia. This guideline categorizes MSMEs into different stages based on their adoption of green practices.

The panelists highlighted that many MSMEs still face significant barriers when they seek to enhance their resilience and adopt sustainable practices. These barriers include [high costs](#), [businesses not fully embracing sustainability](#), [a lack of awareness and technical capabilities](#), and [limited access to finance](#). A critical obstacle mentioned was balancing short-term profitability and long-term sustainability, which can discourage MSMEs' investments in green initiatives.

Due to these challenges, the role of FinTech companies and financial service providers has become increasingly important to support the growth of green MSMEs. Successful collaboration between FinTech companies, financial service providers, ecosystem builders, and policymakers can guide MSMEs toward greener operations, enable them to contribute meaningfully to sustainability, and remain profitable.

Bridging the gap to support the development of green MSMEs

Leading FinTech companies, such as [Amartha](#), have made significant strides to promote financial inclusion and support the development of green MSMEs. Katrina Inandia, Amartha's Head of Impact and Sustainability, elaborated on the FinTech company's initiatives to achieve this.

"We implement ESG practices in our credit scoring systems, which allows us to assess the environmental risk of businesses and their impact on climate change," she stated.

The implementation of scoring systems like these can allow FinTechs to help businesses become classified as eco-adopters, as defined in the Green MSME Development Guideline. These businesses can even get further recognition as eco-entrepreneurs or eco-innovators when they achieve more sustainable milestones. In the future, FinTech companies can further support MSMEs through the development of special financing programs tailored to their needs, such as green loans or subsidized interest rates for eco-friendly investments.

Other stakeholders, such as ecosystem builders, are also crucial in connecting green MSMEs with the right financial support. For example, [Supernova Ecosystem](#) helps MSMEs build business cases and provides venture-building initiatives through its [Konstelasi Accelerator](#) program.

"In this two-year program, we help green businesses build their cases to become sustainable and profitable. We use blended finance to help these MSMEs access finance in the hopes that they can attract more investments in the future. In this sense, creativity is key," said Irma Chantily, Partner of Konstelasi Accelerator, Supernova Ecosystem.

Aarjan Dixit, MSC's Specialist in Climate Change and Sustainability, highlighted that partnership across all sectors is another important aspect besides financing.

"We must ensure that MSMEs can respond to the climate risks they face and enable the larger community to build their resilience. Thus, regulators have a vital role. They must support MSMEs

with clear regulations for their green transition and build their resilience, define taxonomies and guidelines, and incentivize sustainable practices,” he stated.

He also emphasized the broader role of accelerators at the ecosystem level to build awareness, create business cases, and provide capacity-building programs for MSMEs to increase their resilience and adopt green practices. Finally, he emphasized the critical role of financial institutions to develop tailored financial solutions for MSMEs, especially for [those in vulnerable areas and sectors](#). [Digital tools and platforms](#) are essential in this regard, as these provide more efficient delivery of services and products to enable MSMEs to make long-term, impactful changes in their business models.

FinTech’s pivotal role in advancing green MSMEs

FinTech plays a pivotal role in advancing green MSMEs as it can foster sustainable economic growth in Indonesia. FinTech companies can empower MSMEs to contribute significantly to Indonesia’s sustainability goals through the integration of sustainability metrics into their credit assessment, provision of tailored financing solutions, and collaborations with other ecosystem stakeholders. Additionally, as these businesses transition to greener practices, the social and environmental impacts of their operations must be monitored.

FinTech platforms play a critical role in this through the implementation of systems to track and evaluate the environmental impact of businesses they work with. This ongoing monitoring ensures that businesses remain on a sustainable trajectory and continue to improve their environmental footprint. With a concerted effort, Indonesia can use the potential of green MSMEs as a key driver to achieve its ambitious sustainable development agenda.

Please see the webinar recording [here](#).