

# Improving The Competitiveness Of SMEs through the Capital Market: Literature Review and Discourse Network Analysis

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## Abstract

This article examines the prevailing conditions of Small, and Medium Enterprises (SMEs) in Indonesia, assessing their potential access to the capital market as an alternative financing for SMEs. It also investigates the required criteria for SMEs to fulfill, the potential benefits of their participation in the capital market, the challenges for them to enter the capital market, and what strategies are available for SMEs to access the capital market. The methodology in this research involves secondary data, specifically a compilation of Scopus indexed journal articles and news sourced from various sources on online platforms. Using specific keywords related to SMEs accessing the capital market during 2010-2024. The data analysis process uses the Systematic Literature Review (SLR) method and Discourse Network Analysis (DNA) software. DNA analysis to produce a visual representation of a discourse network, with a focus on interactions between actors, concepts (such as agreement or disagreement regarding SMEs entering the capital market), and their interconnections. From the results of the analysis, it is known that there are SMEs in Indonesia that have entered the stock exchange, but their numbers are decreasing. By entering the stock exchange, SMEs are expected to increase capital, performance, business scale, competition and public trust. However, there are obstacles and prerequisites for SMEs to enter the stock exchange. Capital market conditions in other countries are similar to conditions in Indonesia. This can be overcome with several strategies and synergy between all stakeholders related to creating and protecting an investment ecosystem that is friendly for SMEs.

**Keyword:** alternative financing; capital market; DNA; SMEs; stock exchange

## 1. Introduction

Small, and Medium Enterprises (SMEs) have a strategic role in the Indonesian economy, considering their significant contribution to labor absorption and Gross Domestic Product (GDP). The obstacle that is still often faced by SMEs is financing constraints. SME financing mostly comes from traditional financial institutions such as cooperatives and loan sharks. In 2023, the amount of general bank credit disbursement to SMEs amounted to IDR 1,457 trillion (OJK, 2024). However, SME access to obtain financing from bank financial institutions is generally constrained by legality, asset, and management issues. According to Kleih, et al (2013) various challenges for SMEs engaged in agriculture and aquaculture in several other countries with high risk profiles, inadequate guarantees, information gaps, unstandardized skills, and bad reputations when SMEs access microfinance institutions. The

capital market can be alternative financing to overcome SME capital constraints and efforts to support the growth and development of the SME sector. Various financing mechanisms in the capital market can be accessed by SMEs such as stocks and bonds. By accessing the capital market, SMEs can also obtain long-term capital at more competitive costs and can improve the company's profile through better transparency and governance. However, there are still challenges and obstacles such as low financial literacy among SMEs and regulations that still need to be adjusted to facilitate SME participation in the capital market. Therefore, there needs to be synergy between the government, capital market regulators, and the private sector to create a supportive ecosystem for SMEs. SMEs in several countries have obtained capital from stock exchanges such as in China, Pakistan, Korea, Vietnam, and others. In Indonesia, the number of SMEs entering the stock exchange through Securities Crowdfunding continues to increase from 14 issuers in 2018 to 237 issuers in 2022 (Databoks, 2022). Securities Crowdfunding is an alternative source of funding for MSMEs with a digital platform-based crowdfunding scheme issued by the Financial Services Authority (OJK) with the concept of offering securities. The large opportunity for SMEs to enter the stock exchange can be an alternative for SMEs financing in Indonesia. There is also little literature related to SMEs financing through the capital market that has studied it. Therefore, the purpose of this study is to determine the condition of SMEs financing from the capital market, to determine the potential, criteria, and challenges faced by SMEs with financing from the capital market, and to develop an SMEs acceleration strategy in the capital market to support the growth and development of SMEs. However, the number of SMEs listed is still small, namely 42 small and medium companies in 2024, a decrease from 48 listed companies in 2019 (IDX, 2024). The decrease in the number may have occurred because there were companies that were removed from the listing or had moved up to the development board. The small number of SMEs that have accessed the capital market can be caused by various factors, both internal and external. Despite facing challenges and limited access, various efforts have been made to improve the integration of Small, and Medium Enterprises in Indonesia into the capital market. These efforts include initiatives to increase financial literacy among SME owners, develop special funds and investment schemes tailored to the needs of SMEs, and increase access to information and resources for SMEs who are interested in accessing the capital market. Therefore, it is very important to understand the obstacles that hinder the integration of SMEs in Indonesia into the capital market and identify stakeholders that can facilitate the process of SMEs entering the stock exchange.

This study addresses several key research questions to explain the current state and future directions of improving the competitiveness of SMEs through the Capital Market:

- a. Research Question (RQ) 1: What is the existing condition of SMEs in Indonesia and lessons learned from other countries?
- b. Research Question (RQ) 2: Who are the stakeholders who agree and support SMEs to access the capital market?
- c. Research Question (RQ) 3: What are the challenges and constraints if SMEs can access the capital market?
- d. Research Question (RQ) 4: What are the benefits if SMEs can access the capital market?
- e. Research Question (RQ) 5: What strategies are suggested by stakeholders so that SMEs can access the capital market?

## **2. Literature Review**

Small and Medium Enterprises (SMEs) often face challenges when accessing capital markets due to various factors such as limited financial resources, lack of track record, and regulatory requirements. Some theories and perspectives exist on how SMEs can access capital markets. Market-based theories contain the Efficient Market Hypothesis (EMH) and Pecking Order Theory. First, the EMH by Fama (1965) is divided into three markets: weak, semi-strong, and strong. The market will be efficient if it reflects all of the information. Therefore, SMEs who have much information also read the market situation, they can prove their capacity for growth and success can access the capital market. Second, the Pecking Order Theory by Myers (1984), companies prefer using their retained earnings over debt or equity. However, when the companies are insufficient, they may need external fund resources such as capital markets. So SMEs need another capital to operate their business.

The other theory is the Information Asymmetry Theory by Arkelof (1970) The faith-based economic model is significant. Recognized, informal promises are necessary for commerce and manufacturing. Investors may be hesitant to fund SMEs because of worries about the accuracy of the information these companies give and the agency fees involved in keeping an eye on and reining in management behavior. Deepened by Ketprapakorn & Kantabutra (2019) Top SME managers must always act in a way that aligns with the company's values to inspire their staff. Top managers' conduct is a reflection of their integrity as leaders. To maintain their corporate culture, SMEs would also rather develop managers within their ranks who already adhere to the company's mission and core values. SME leaders create a variety of communication channels to highlight fundamental values among staff members to make sure that everyone agrees. To make sure that new hires have attitudes in line with core values, sustainable SME leaders use these values as hiring criteria. This will be in line with the signaling theory by Spence (1973). Providing investors with reliable indications about company quality and prospects, SMEs can get around the information asymmetry problem. This could entail working with trustworthy consultants, increasing financial transparency, and cultivating connections with important stakeholders.

### **Regulation**

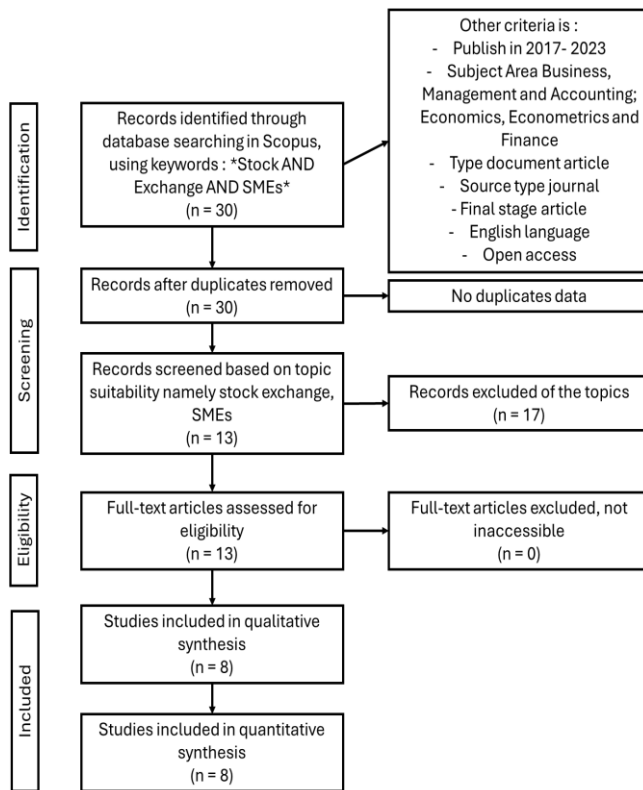
In Indonesia, MSMEs' capital market regulations are regulated in the Financial Services Authority Regulation Number 53/POJK.04/2017 Concerning Registration Statements in the Framework of Public Offerings and Capital Increases by Granting Preemptive Rights to Issuers with Small-Scale Assets or Issuers with Medium-Scale Assets. The regulation states that businesses that are legal entities with assets of less than IDR 50 billion can follow small-scale issuers and total assets of IDR 50 billion to IDR 250 billion can carry out medium-scale issuers. The requirements that need to be completed include financial statements that are audited by public accountant, a clear organizational structure, and other documents. According to UU No.4 Tahun 2023, Part II of the Development and Deepening of the Financial Sector and Its Supporting Infrastructure, expands the options for participation in exchange ownership to increase competitiveness, strengthens the standardization of regulation and supervision of financial instruments, strengthens securities crowdfunding as an alternative source of financing, supports the implementation of carbon exchanges, strengthens the legal basis for

Special Purpose Vehicles to encourage securitization, the legal basis for the management of trust funds, and strengthens guarantees completion of transactions, increasing the effectiveness of capital market law enforcement through the implementation. MSME criteria from the information that is regulated in the information read from the change in MSME criteria (from Law No. 20 of 2008 to PP N0. 7 of 2021) causes a number of MSMEs to be downgraded, not due to a decrease in capital and turnover, but due to a change in the size of capital and turnover that is between layers or categories of MSMEs. The current definition of 'MSMEs' (as regulated in Law No. 20 of 2008 and Government Regulation No. 7 of 2021) does not describe the actual characteristics of MSMEs, both in terms of MSME criteria and parameters or measures in each layer or category of MSMEs. The current limitations of MSME criteria are also limited to financial parameters such as assets, capital, and turnover.

### **3. Material and Method**

#### **3.1 Data Collection**

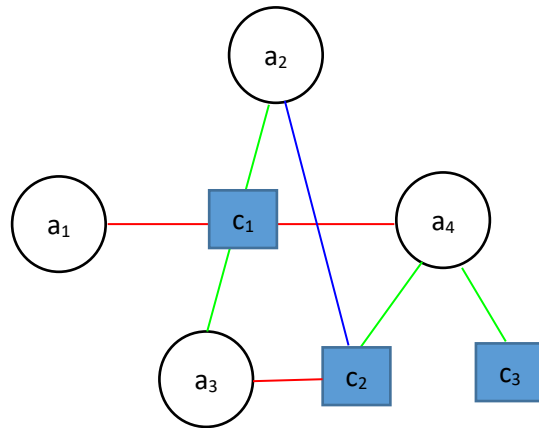
There are 2 approaches used in this study, namely the Systematic Literature Review (SLR) method with the Preferred Reporting Items for Systematic Reviews and Meta-analyses (PRISMA) approach and the network analysis approach for discourse analysis. Both are qualitative approaches derived from content analysis based on categories (Steinfeld, 2016). There are 5 stages used to conduct a literature review using the PRISMA approach, namely defining eligibility criteria, defining information sources, selecting literature, collecting data, and selecting data items. Article search via Scopus with the keyword \*Stock AND Exchange AND SMEs\* and 30 documents were found. The search results were filtered with 3 criteria, namely the type of document selected was only an article published in 2017-2023, the subject area of Business, Management and Accounting and Economics, Econometrics and Finance, the type of article document, the language used in English, the type of journal search, the publication stage is final, and open access. At this filtering stage, 30 documents were obtained. Furthermore, data cleaning was carried out based on the suitability of the topic to be discussed. In this study, the suitability of the topic was seen from the title, abstract, and keywords based on the keywords, namely stock exchange and SMEs. From the results of the selection of data that match the keywords, 13 documents were obtained. The next stage is that the 13 documents are further reviewed based on the documents that can be downloaded and the contents of the discussion of the articles that are suitable for use in this study amount to 8 articles.



**Figure 1.** Step of Systematic Literature Review






Meanwhile, Discourse Network Analysis is a new approach to measure and visualize the discourse of the Islamic capital market as alternative financing for MSMEs (Leifeld, 2010). Discourse Network Analysis (DNA) is a combination of category-based content analysis of discourse data and social network analysis (Wasserman & Faust, 1994). Discourse network analysis to analyze discourse in a dynamic perspective. The basic form of discourse networks is affiliate networks. From this affiliate network, we can build a network of actors congruence, a network of conflicts, and a network of concepts/statements and versions of their dynamic networks. For starters, there is a set of actors,  $A = \{a_1, a_2... a_m\}$ , and a set of concepts,  $C = \{c_1, c_2... c_n\}$ . An actor can agree or disagree with a concept. Thus, there are two binary relationships between actors and concepts, one for agreement and one for disagreement:  $R = \{r_1, r_2. . . r_l\}$  with  $l = 2$ . There is also a discrete set of timepoints  $T = \{t_1, t_2... t_k\}$  because the discourse network can be repeatedly observed (Leifeld & Haunss, 2012)

Moreover, Discourse Network Analysis is a method or way to map and visualize a discourse, be it economic, political, social, cultural, and other discourses into a network. The components of this analysis consist of: Actor Concept / statement Relationship The data is processed using DNA software and generated an affiliate network of actors and concepts. Where an actor is connected to a concept in the affiliate network if he makes a statement that uses the concept. Figure 1 gives an overview of the affiliate network. This can simultaneously show the actor and the concept and its relatedness.



**Figure 2.** Illustration of Affiliate Networks

Figure Description:

-  : actor
-  : concept
-  : agreement
-  : un-agreement
-  : un-consistency

The analysis is carried out qualitatively by developing ideas by discourses and their actors in a systematic network. The study was carried out using DNA software. The 140 articles on SMEs accessing the capital market were published from June 6, 2010, to May 24, 2024. The selected articles are deliberately designed to answer the research questions in this study. So it is expected to be able to answer research questions, namely related to the existing conditions of SMEs in Indonesia and lessons learned from other countries in which SMEs can access the capital market; the relevant stakeholders who agree and support SMEs to enter the capital market; what are the challenges and obstacles for SMEs to be able to access the capital market; what are the benefits of SMEs can access the capital market; and what strategies are suggested by stakeholders so that SMEs can access the capital market.

### 3.2. Aspects, Variables, and Actors/Explanations

	Aspects	Variabels	Actors/Explanations
1	The existing conditions of SMEs in Indonesia and lessons learned from other countries in which SMEs can access the capital market	1. The number of SMEs who accessed the capital market.	Explanations from secondary data from the Indonesian Capital Market (IDX).
		2. The capital market for SMEs in other countries.	Explanations from Scopus journal are filtered by Systematic Literature Review

2	The relevant stakeholders who agree and support SMEs to enter the capital market	The names of the stakeholders in Indonesia	<ol style="list-style-type: none"> <li>1. The Ministry of Cooperatives and SMEs.</li> <li>2. The Indonesia Stock Exchange.</li> <li>3. The Financial Services Authority.</li> <li>4. The Ministry of Finance.</li> <li>5. Coordinating Ministry for Economic Affairs.</li> <li>6. Ministry of Investment/ Indonesia Investment Coordinating Board.</li> <li>7. Indonesian Employers Association (APINDO).</li> <li>8. Indonesian Chamber of Commerce and Industry (KADIN).</li> <li>9. Indonesia Capital Market Community.</li> <li>10. Securities companies.</li> </ol>
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3	The challenges and obstacles for SMEs to be able to access the capital market	<ol style="list-style-type: none"> <li>1. Limited capability of human resources.</li> <li>2. Limited assets.</li> <li>3. Limited capital</li> <li>4. Lack of ability to pay fees to IPO.</li> <li>5. Unpredictable can sustain in the capital market.</li> <li>6. Unfamiliar names or brands to attract the investor.</li> </ol>	<ol style="list-style-type: none"> <li>1. Chief executive of OJK capital market supervisor.</li> <li>2. Analyst of the Indonesian stock exchange.</li> <li>3. Vice President Research Artha Sekuritas.</li> <li>4. IDX Development Director.</li> <li>5. Chairman of the Indonesian Capital Market Community.</li> <li>6. Capital market observer.</li> <li>7. IDX President Director.</li> <li>8. Vice chairman of the Chamber of Commerce for MSMEs.</li> <li>9. Head of research for Universal Brokers Indonesia.</li> <li>10. Chairman of APINDO for MSMEs.</li> <li>11. Director of Avere Invertama Company, an investment firm.</li> </ol>
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4	The benefits of SMEs can access the capital market	<ol style="list-style-type: none"> <li>1. <i>Fresh Money</i></li> <li>2. <i>Cost of Fund</i></li> <li>3. Company Image/Familiar Brand</li> <li>4. <i>Increasing Public Trust</i></li> <li>5. Improved corporate management</li> </ol>	<ol style="list-style-type: none"> <li>1. Chairman of the Chamber of Commerce (KADIN) Bali.</li> <li>2. MNC securities analyst.</li> <li>3. Senior manager State-owned &amp; Regional, Startup, SME, and Foreign Listing IDX.</li> <li>4. President Director of BCA sekuritas.</li> <li>5. Economist.</li> <li>6. Director of IDX Corporate Valuation.</li> <li>7. Head of research at Recapital Securities.</li> <li>8. IDX Chief Director.</li> <li>9. Chairman of the Indonesian Employers Association.</li> <li>10. Minister of the Ministry of Cooperatives and MSMEs.</li> <li>11. President Director of Pratama Abadi Nusa Industri.</li> <li>12. Senior Advisor Infinitum Advisory.</li> <li>13. Deputy Commissioner of Capital Market Supervision and OJK</li> <li>14. Chairman of the Indonesian Chamber of Commerce.</li> <li>15. CEO PT. Bhinneka Mentari Dimensi.</li> <li>16. Deputy for Production and Marketing of the Ministry Cooperative and MSMEs</li> <li>17. Minister of the Ministry of Finance.</li> <li>18. Executive vice president of IDX.</li> </ol>
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		<p>19. Head of Capital Market and Ministry of SMEs.</p> <p>20. Economist, University of Indonesia.</p> <p>21. IDX DIY representative office.</p> <p>22. Director of Dun and Bradstreet Indonesia.</p> <p>23. Chairman of the National Entrepreneurs Network Association (JAPNAS).</p> <p>24. President Director of Hensel Davest Indonesia.</p> <p>25. Assistant Deputy for Improving the Competitiveness of MSME Cooperatives, Coordinating Ministry for Economic Affairs.</p> <p>26. Director of financing access of the Ministry of Tourism and Creative Economy.</p> <p>27. Vice chairman of the Chamber of Commerce for MSMEs.</p>
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5	The suggested strategy by stakeholders for SMEs to access the capital market	<ol style="list-style-type: none"> <li>1. Have a strong synergy between stakeholders</li> <li>2. Assisting SMEs, preparing infrastructure and regulations that make it easier for SMEs to be listed on the stock exchange</li> </ol>	<ol style="list-style-type: none"> <li>1. Direktur Utama BEI.</li> <li>2. Corporate Action Arranger ICAF.</li> <li>3. CEO of KGI Sekuritas Indonesia.</li> <li>4. Deputy for Macroeconomics and Finance of the Coordinating Ministry for Economics.</li> <li>5. Senior adviser of Infinitum Advisory.</li> <li>6. Chairman of the OJK Board of Commissioners.</li> <li>7. Vice President of the Republic of Indonesia.</li> <li>8. President Director of PT. Pefindo Research and Consulting.</li> <li>9. Director executive of Center for Indonesian Taxation Analysis (CITA).</li> <li>10. IDX analyst.</li> <li>11. Chairman of Indonesian Capital Market Community.</li> <li>12. Director of Capital Market Regulation of OJK.</li> <li>13. Chief executive supervisor of capital market regulation of OJK.</li> <li>14. Director of Investa Sarana Mandiri.</li> <li>15. Minister of the Ministry of Cooperatives and MSMEs.</li> <li>16. Chairman of the Chamber of Commerce.</li> <li>17. Chief Executive Officer of the Capital Market, Derivatives Finance, and Carbon Exchange Supervisory Board of OJK.</li> </ol>
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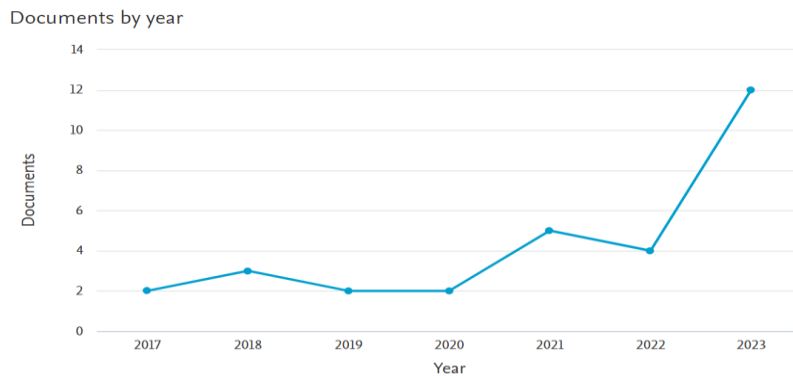
		<p>18. Head of IDX Makassar representative.</p> <p>19. Senior Manager State Owned &amp; Regional, Startup, SME &amp; Foreign Listing IDX.</p> <p>20. IDX representative office of DIY.</p> <p>21. Vice President of Artha Sekuritas.</p> <p>22. Director of IDX Transaction Supervision and Compliance.</p> <p>23. Director of Financing Access of the Ministry of Tourism and Creative Economy</p> <p>24. Director of IDX Corporate Valuation.</p> <p>25. Director of Dun and Bradstreet Indonesia.</p> <p>26. IDX Development Director.</p> <p>27. General Treasurer of KAHMI Entrepreneurs Association (HIPKA). Head of Cooperation and Promotion of BKPM Surabaya.</p> <p>28. Chairman of the Indonesian Entrepreneurs Association for MSMEs.</p>
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## 4. Results

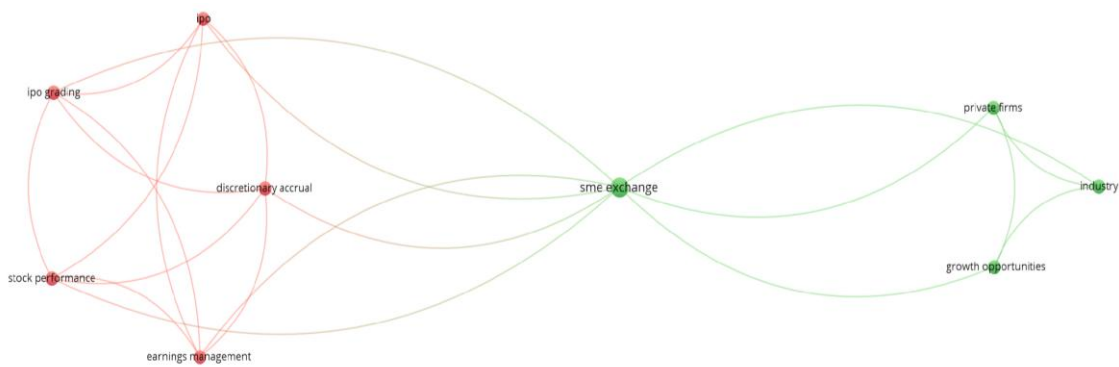
### 4.1 Result of Systematic Literature Review

We explored the conditions regarding capital markets in other countries using a systematic literature review. Article data obtained from the results of the Scopus search amounted to 30 documents. Articles related to SMEs stock exchanges have been written and published since 2017 and the number continues to increase until 2023, which shows that this topic is increasingly interesting to be studied by researchers and academics (Figure 4). Other relevant issues to SME exchanges are divided into two clusters, namely from the stock exchange and company side (Figure 5). On the stock exchange side, it consists of IPO, IPO grading, discretionary accrual, earnings management, and stock performance. While on the

company side, it consists of growth opportunities, industry, and private firms. From this data, we can see that there are still a few topics related to SMEs stock exchanges that have just been studied and become opportunities for further research.



**Figure 3.** Year of Article Publication



**Figure 4.** Clustering Issues of Article

#### 4.2 Result of Discourse Network Analysis

DNA analysis was carried out by searching for articles in online media with the keyword "MSMEs enter the capital market". Overall, after finalizing the data, the analysis resulted in 643 statements from 83 actors with a total of 728 interconnected frequencies related to research questions about MSMEs entering the capital market (Figure 5).

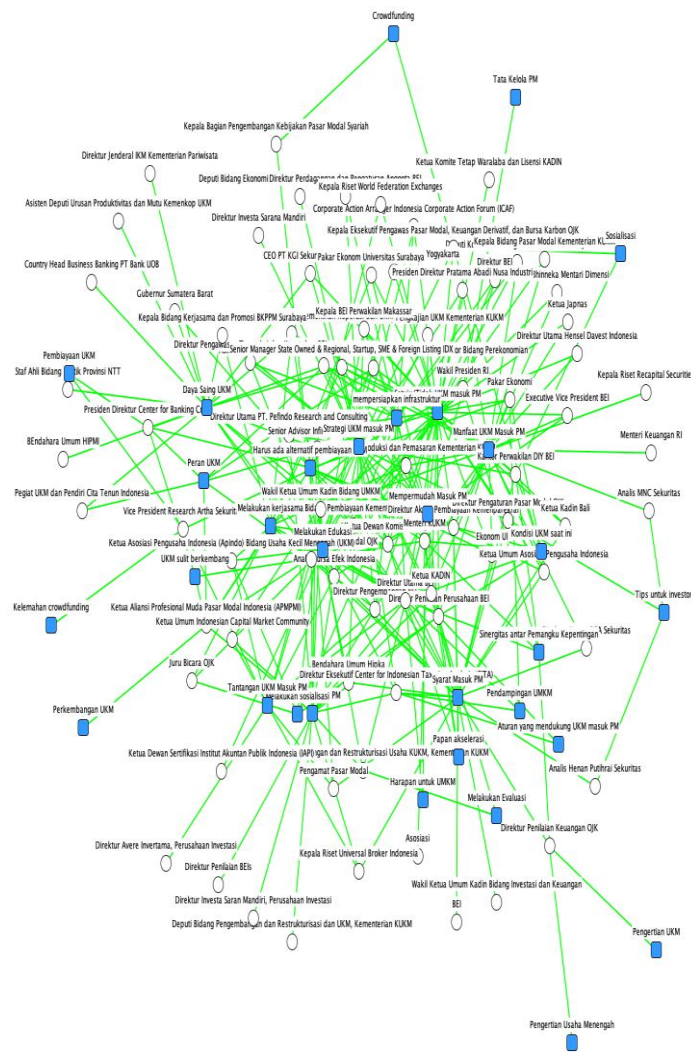


Figure 5. The Affiliate Networks between Actors and Arguments

5. Discussion

5.1 Existing Condition Capital Market SMEs in Indonesia and Learns From Other Countries

MSMEs control the majority of businesses in Indonesia. The number of micro businesses is the largest, reaching 63.3 million or 98.68%, next are small businesses amounting to 783.1 thousand or 1.22%, and medium businesses 60.6 thousand or 0.09%. And the rest are large businesses whose numbers are very small. MSMEs are the backbone of the Indonesian economy because they contribute to GDP. Apart from that, MSMEs also have stronger resilience in facing crises, both national and global. It was seen that during the crisis caused by the Covid-19 pandemic several years ago, MSMEs were able to survive when many large businesses closed their businesses.

The categorization of MSMEs in the capital market is different from the general definition as stated in Law no. 20 of 2008 related to asset ownership. In this law, the criteria for small businesses in terms of asset ownership are businesses that have assets of more than IDR 50,000,000.00 up to a maximum of IDR 500,000,000.00, while for medium businesses they are those that have assets of IDR 500,000,000.00 up to IDR 10,000,000,000. This criterion

is different from the criteria set by the capital market, where the asset ownership criteria set are much larger. It is said to be a small business in the capital market if the asset value it owns is less than 50 billion, while a medium business if it has assets of 50-250 billion (including land and buildings). Based on these asset categories, the majority of companies listed on the capital market are categorized as medium-sized companies.

In 2019, there were 48 small and medium-sized companies listed on the Indonesian stock exchange. However, this number will decrease in 2024, with only 42 companies listed on the Indonesian Stock Exchange. This number indicates that there is still a low number of small and medium companies that have listed on the Indonesian stock exchange. SMEs in Indonesia face various obstacles in being able to access financing through the capital market. However, many actors also talk about the role of SMEs and the competitiveness of SMEs in the Indonesian economy.

There were 18 actors involved in discussions regarding the role and competitiveness of SMEs in mass media. SMEs can develop superior products in their region, one of which is through the One Village One Product program. With the existence of superior SME products, SMEs have the potential to increase their competitiveness in the global market, especially in facing the ASEAN Economic Community (AEC). However, additional capital is needed to increase competitiveness. BKPPM brought MSMEs into KPPMD, BKPPM made an MoU for MSMEs with Provincial and National Scale Enterprises. SMEs can synergize with the Government, Banking and principals to gain access to capital. The role of SMEs in a region's economy is by creating jobs for local communities, improving human resource skills, and expanding market access which can ultimately increase a region's income.

The condition of SMEs in other countries is not much different from that in Indonesia. Obstacles in access to capital are a challenge for SMEs in accessing capital and economic conditions, the pandemic and politics are further exacerbating the gap between SMEs in accessing capital. Solution-based innovation is needed to overcome financial problems for SMEs. Innovation in the financial sector can utilize technology and reduce marketing restrictions so that SMEs can grow and increase their profits (Mata, 2023). Limited access to credit is also felt by SMEs in Pakistan, but they rely more on financing from equity. This can be seen from the low capital structure of SMEs in Pakistan. This shareholder equity influences SMEs' decisions to use trade credit. So that shareholders have residual claims on SMEs assets and can bear additional risks by taking more trade credit to increase sales (Shah et al., 2021).

Several factors affect the performance of SMEs listed on the stock exchange, namely profitability, debt ratio, revenue growth, GDP growth, and the quality of national governance. Where the factors of profitability delay, company size, and revenue growth have a significant positive impact on SMEs performance. Meanwhile, the debt ratio has a significant negative effect on SMEs performance in Vietnam (Quoc Trung, 2021). In Korea, SMEs exchanges play a positive role in the economy by offering the type of industry growth opportunities that are not easily represented by mainboard stock prices. SME exchange prices are more informative about the economic fundamentals of these companies than mainboard stock prices. Thus, SMEs exchanges capitalize on industry-specific growth opportunities in their prices, while mainboard stock prices represent growth options across the market (Choi & Lee, 2019).

SMEs listed on the stock exchange have improved performance and increased GDP in South Africa. The continued expansion of issuers will also encourage SMEs to become larger

companies in a very short period, transcending national borders (Egu & Chiloane-Tsoka, 2023). SMEs listed on the stock exchange also have a lower probability of failure compared to unlisted SMEs. This is because SMEs have better access to external financing and reduce information asymmetry (Gupta & Gregoriou, 2018).

SMEs conducting IPOs on the SMEs exchange tend to use higher earnings management compared to companies conducting IPOs on the main board. This is because the regulatory and compliance framework is lighter on the SMEs exchange, allowing companies to manipulate their profits. Earnings management by SMEs conducting an IPO will hurt the performance of their shares after being listed, reducing investor protection, and ultimately hampering the development of the company's sustainability on the SMEs exchange (Ghalke et al., 2018). Another study conducted by (Rashed & Ghoniem, 2022) showed that cash management has a significant impact on the performance of SMEs on the Egyptian stock exchange.

In introducing shares to investors, SMEs need to use innovative strategies and be able to utilize digital technology. Research conducted by (Lim et al., 2023) shows that local biased investors do not provide benefits to SMEs, therefore SMEs need to provide additional information regarding the company to establish a relationship and recognition of SMEs regarding the available shares.

## **5.2 Stakeholders Who Support SMEs to Access The Capital Market**

Based on DNA analysis, there are quite a lot of actors who support capital market access for MSMEs as a new financing alternative. These actors come from the government, private sector, academics, and associations such as the Vice President, OJK, Ministries, BEI, Kadin, company CEOs, academics at universities, and business associations. The role of stakeholders in supporting the creation of this new financing alternative is essential. The government needs to make regulations related to capital markets that support SMEs, provide infrastructure, and create a conducive ecosystem for SMEs. Apart from that, the Government and BEI also need to be more intensive in providing education and outreach to SMEs so that they are interested in accessing the capital market. It is also necessary to train and develop the capacity of SME human resources in the field of management so that SMEs can meet the requirements to enter the capital market.

The government also needs to form a rating agency and the OJK needs to create a market maker. Apart from that, there is also a need for an underwriter for prospective issuer SMEs. Other prerequisites that must be met by SMEs to enter the capital market are having transparent and accountable financial management and reporting, having a company vision and mission, having a clear organizational structure, having a business license, and being in the form of a PT, having minimum assets of 5 billion, having a bank account, able to prepare costs for going public, and obedient to paying taxes.

## **5.3 Obstacles Faced by SMEs Who Want to Enter The Capital Market in Indonesia**

Obstacles that prevent SMEs from entering the capital market come from internal SMEs and external businesses. The lack of assets owned by SMEs and limited access by SMEs to sources of capital or financing makes it difficult for SMEs to expand their business. Even though the capital paid up during an IPO is large, and investors tend to be more interested in



companies with a large number of IPO shares. A small number of IPO shares indicates less liquid capital. Capital liquidity must be high so that transactions do not experience bottlenecks and business operations can run smoothly.

Apart from that, there are still very few SMEs that carry out bookkeeping management or make financial reports, which is one of the requirements for listing on the capital market. Education regarding capital markets for SMEs is also still very minimal so not many SMEs know about the potential for SME financing through the capital markets. Another obstacle faced by SMEs is that SMEs must have an underwriter and minimum requirements, as well as costs for an IPO which tend to be greater than the funds obtained by SMEs.

#### **5.4 Benefits of Capital Market for SMEs**

There are several benefits of SMEs listed in the capital market in Indonesia. 1. SMEs can get fresh funds by stock or bond issuance. 2. SMEs can be efficient in the use of funds due to the availability of long-term permanent capital 3. SMEs can improve the company's financial structure, capital structure, and leverage 4. SMEs can increase their business scale (scaling up). 5. SMEs can increase business results 6. SMEs can improve reputation and goodwill 7. The public can participate in supervising because they are investors in SME stocks. 8. SMEs can improve the performance of SME companies 9. Banking Credit Competition for the SME Sector is Increasingly Competitive 10. Opening even greater job opportunities.

#### **5.5 Strategies for SMEs to Access The Capital Market**

There are several strategies that can be implemented so that SMEs in Indonesia can enter the capital market, including:

- a. Have a strong synergy between stakeholders (the Ministry of Cooperatives and SMEs, the Indonesia Stock Exchange, the Financial Services Authority, the Ministry of Finance, etc).
- b. Assisting SMEs, preparing infrastructure and regulations that make it easier for SMEs to be listed on the stock exchange
- c. More intensive assistance (Kementerian Koperasi dan UKM/relevant stakeholders) so that SMEs can increase the accountability of the financial reports they submit to the stock exchange.
- d. SME promotion strategy in offering sustainable business to attract investors both from within and outside the country.

### **6. Conclusion, Implication, and Recommendation**

Regulatory barriers, such as strict listing requirements and disclosure obligations, may present challenges for small and medium-sized enterprises (SMEs) looking to enter capital markets. Government policies and initiatives aimed at promoting SME financing and facilitating their access to capital markets can play a crucial role. This may involve tax incentives, funding programs, and regulatory reforms specifically designed to meet the needs of SMEs. Reform of capital market in Indonesia to increase competitiveness, strengthening the standardization of regulation and supervision of financial instruments, strengthening securities crowdfunding as an alternative source of financing, legal basis for the management of trust

funds, strengthening transaction settlement guarantees, increasing the effectiveness of capital market law enforcement through the implementation of UNA Via and Disgorgement Fund.

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