

STRENGTHENING THE MSME FINANCING ECOSYSTEM THROUGH SUSTAINABLE FUNDING ACCESS STRATEGIES IN SOUTH KONAWE REGENCY

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ABSTRACT

This study aims to analyze strategies for strengthening the financing ecosystem of Micro, Small, and Medium Enterprises (MSMEs) through sustainable financing access in Konawe Selatan Regency. The primary issue addressed is the limited accessibility of formal financing faced by rural entrepreneurs amid the demands of Indonesia's national green economic transition. This research employed a qualitative approach using a case study method. Data were collected through semi-structured interviews with 20 key informants, including MSME actors, regulators, and banking representatives, supported by participatory field observations and policy document analysis. The findings reveal four major themes: business legality constraints as the primary structural barrier, low financial literacy related to Environmental, Social, and Governance (ESG) principles, the strategic role of Village-Owned Enterprises (BUMDes) as local financial intermediary institutions, and challenges in adapting financial technology in areas with limited infrastructure. These findings contribute to the development of a community-based financial ecosystem model. The study concludes that strengthening the financing ecosystem requires policy synergy to facilitate MSME formalization and the development of inclusive green microfinance products. Practical implications include the need to enhance the managerial capacity of BUMDes and simplify licensing bureaucracy at the regional level. Future studies are recommended to quantitatively examine the effectiveness of this partnership model across broader regional contexts.

Keywords: MSMEs, Sustainable Financing, BUMDes, Financing Ecosystem.

INTRODUCTION

Micro, Small, and Medium Enterprises globally recognized as the backbone crucial economic stability, especially in achieving Sustainable Development Goals (Valdiansyah & Widiyati, 2024). On an international scale, MSMEs not only contribute to the creation of employment, but also has potential to innovate in environmentally friendly economic practices and social improvements (Kuteesa et al., 2024). The transition towards a green economy placing MSMEs in a strategic position to adopt a

more sustainable business model, but this requires support ecosystem strong financial so that the innovation can be realized in a way real (Valdiansyah & Widiyati, 2024).

In Indonesia, the government has demonstrated strong commitment through the Sustainable Finance Roadmap and taxonomy green to encourage sector finance supports sustainable business activities (Rasyidin, 2025). In a way nationally, the MSME sector absorbs part big workforce, however his contribution often hampered by limitations access funding that is still nature conventional and risky high (Ridho & Vinichenko, 2024). Challenges strategic appear when institution service finance Still tend hesitate to channel capital to MSMEs that do not yet have record footsteps stable finances, so that create gap significant funding (Ridho & Vinichenko, 2024). Sustainable finance is now an important element strategic in encouraging development an inclusive and environmentally friendly national development (RASYIDIN, 2025). This concept goes beyond just distribution credit, but rather covers integration environmental, social, and governance (ESG) aspects in business operations (Riswandi & Zulfikri, 2024). For MSMEs, the implementation of ESG is crucial. principle investment ethical and responsible corporate social responsibility can improve performance term their longevity and competitiveness in the global market (Riswandi & Zulfikri, 2024).

Although the potential of MSMEs is very large, obstacles main issues faced in a way national is low literacy finance and inclusion finance in various regions (Septiani & Wuryani, 2020). Many business actors small Still feel difficulty access service banking Because requirements that are considered complicated and lacking understanding of the product available finances (Septiani & Wuryani, 2020). This causes many MSMEs remain stuck in the scale stagnant business without ability to do sustainable expansion (Wiska & Colin, 2021). The importance of access sustainable funding is not only seen from corner purely economic point of view, but also from perspective sociological and welfare public term long (Valdiansyah & Widiyati, 2024). Sustainable funding is able to create equality welfare through empowerment public local and ecosystem protection nature (Budiyanto & Effendy, 2020). Without with the right access strategy, economic inequality between regions will Keep going widening, especially in remote areas from center national economic growth (Mushlih & Sinurat, 2025). In a regional context, the Regency South Konawe in Southeast Sulawesi Province has unique economic characteristics dominated by the sector agriculture, fisheries and business micro rural areas. However, the findings empirical in the field shows that strengthening ecosystem financing in this area is still face serious obstacles regarding legality (Wahbi et al., 2024).

Many MSMEs in South Konawe do not yet have a Business Identification Number. Trying, which is prerequisite main to access scheme formal financing from institution finance (Wahbi et al., 2024). In addition, problem legality, observation beginning shows that the assistance provided by the local government through related agencies are still very minimal (Wahbi et al., 2024). The lack of massive socialization regarding sustainable financing programs resulting in business actors in rural areas

South Konawe tends to relying on limited independent capital or even trapped in a scheme burdensome informal loan (Wahbi et al., 2024). This reflects existence dysfunction in the ecosystem funding local that should be able to become a driving force for the village economy. The gap literacy digital finance is also an issue crucial in areas like South Konawe, where digital infrastructure may not be evenly distributed compared to area urban areas (Mushlih & Sinurat, 2025). The low trust in institutions formal finance often triggered by distance geographical distance and limitations information received by the public (Mushlih & Sinurat, 2025).

In fact, the integration of financial technology (fintech) and crowdfunding models has potential big to bridge gap capital for MSMEs that are not accessible to conventional banks (Merdekawati & Nasrun, 2025). Financing patterns through non-banking sectors such as cooperatives and pawnshops Actually start open wide, but utilization is not yet optimal (Wisika & Colin, 2021). In the area rural areas, Village-Owned Enterprises should be able to act as an intermediary between institution finance with business actor's micro (Munawar, 2025). Synergy between policy BUMDes with institutions finance, especially those based on Sharia can be a solution innovative to improve access fairer and more sustainable financing for public village (Munawar, 2025). The use of village funds is also an instrument important fiscal resources that can be directed towards empowering the creative economy and providing business capital (Mahendra, 2025). Allocation of village funds for training skills and management business proven capable push growth of new, more competitive business units at the global level local (Mahendra, 2025). However, its effectiveness is highly dependent on the capacity of village fund managers in formulating programs based on potential each village's superiority (Ilma et al., 2025). The need will access strategy sustainable funding is becoming increasingly urge to change method thinking of economic actors from focus on profit term short to prosperity term long (Valdiansyah & Widiyati, 2024).

Sector banking, both conventional and sharia, starting committed increase portion MSME financing in the report their sustainability (Puspitasari & Nasihin, 2026). Collaboration between banking with local governments needs to be improved so that distribution credit can be more precise target and empowered use for entrepreneur small (Teruna & Ardiansyah, 2021). In general, sociocultural, strengthening ecosystem financing in the Regency South Konawe must consider wisdom local and values togetherness public rural areas. Funding model-based sharia or system partnership (syirkah) is often easier accepted Because in line with the principles of justice and transparency that are upheld high by the community (Ash- Shiddiqy, 2022). The qualitative approach in this study is very important to dig deeper into how these social values influence behavior taking decision financial aspects of MSME actors.

Previous studies have been numerous explore factors quantitative influences MSME performance, such as the level of education and age effort (Wisika & Colin, 2021). However, it is still there is emptiness literature (literature gap) regarding the qualitative

process in building a truly integrated financing " ecosystem " at the level specific districts such as South Konawe. Most of the research tends to focus on effectiveness policy in a way macro or sector role banking in a way general, without delve into experience subjective aspects of MSME actors in facing obstacle bureaucratic and sociological in the field (Herlambang, 2025; Wahbi et al., 2024). The gap in studies is also seen in the lack of exploration regarding how collaboration strategies multi-party (Academic, Business, Community, Government, Facilitator, and Media) can be implemented in a way effective in the area rural remote areas (Ash- Shiddiqy, 2022). There has not been much research that specifically deep analyze how integration ESG principles can be implemented at the corporate level business micro in Southeast Sulawesi by considering constraint infrastructure and literacy (Merdekawati & Nasrun, 2025; RASYIDIN, 2025). This is the basis for the importance of this research is to fill in room the void. This study aims to formulate a strengthening strategy ecosystem sustainable financing of MSMEs by dissecting experience real business actors and stakeholders' interests in the Regency South Konawe. Focus study directed at identification obstacle accessibility, analysis of the effectiveness of government assistance programs, and potential integration institution formal and informal finance in one a cohesive ecosystem. By using a qualitative approach, the meaning behind low participation of MSMEs in the scheme formal financing can be revealed in a more comprehensive manner. In theoretically, this research contributes to the development of theory sustainable finance in the context of rural and regional economies left behind.

This finding is expected to enrich discourse about how inclusion finance and literacy finance each other interact with cultural and policy factors local (Leatemala, 2023; Mushlih & Sinurat, 2025). This is also challenging the assumption that access funding is simply a matter of availability of capital, but rather on the issue of connectivity and trust within the ecosystem. In a way in practice, the results of this study are expected to be a reference for the District Government South Konawe in formulating more implementable and inclusive policies (Hartadinata & Farihah, 2023). The resulting recommendations can be used by government institutions. finance to design product friendlier financing for business micro without burdensome formal guarantees (Herlambang, 2025). In addition, for MSME actors, this research can provide an overview about importance legality and management good finances to achieve opportunity sustainable funding. The narrative compiled in this research flows start from global urgency to problem specific at the level footprint, indicating that the reinforcement ecosystem is not just giving assistance, but rather development resilient system.

Access strategy sustainable funding must be based on synergy holistic policy between government and institutions financial, and community (Munawar, 2025). Only with a healthy ecosystem can MSMEs in South Konawe move up a class and contribute in a way significant in the green economy national. Therefore, this qualitative research

is crucial to capture the reality of the strengthening process ecosystem that is currently walking, and evaluate challenge unique that appears from interaction between regulations national with characteristics local people in Southeast Sulawesi. The experience of business actors in navigating complexity access to capital will be the main data in determining the most relevant strategic direction. In closing, strengthening ecosystem financing through sustainable access strategies in the Regency South Konawe will not only impact on growth regional GRDP figures, but also on the economic resilience of the community in facing global uncertainty in the future. Through deep understanding of the processes and meanings in the field, the solutions offered expected to be not only of a nature temporary, but capable create change transformative for welfare public South Konawe in general wide.

RESEARCH METHOD

This research uses a qualitative approach with a case study method to explore in depth the phenomenon of strengthening the MSME financing ecosystem in South Konawe Regency. The choice of the case study method is based on the need to understand the complex interactions between business actors, local government policies, and financial institutions in a unique real-life context (Saifudin et al., 2022). A qualitative approach allows researchers to capture human perceptions through direct contact and inductive processes, thereby uncovering the meaning behind barriers to accessing sustainable funding that cannot be measured mathematically (Saifudin et al., 2022; Soegihartono, 2020). This case study focuses intensive attention on a single object as a system bound by time and place, aiming to gain a complete and integrated understanding of the interrelationships of various sociological and economic facts in the field (Komariah, 2022; Soegihartono, 2020). With this method, researchers can provide a broad descriptive explanation of the funding strategy problem being studied (Aliyah, 2022). The research location was South Konawe Regency, Southeast Sulawesi, chosen because it has significant rural MSME potential but still faces challenges in accessing formal capital. The study was planned for six months to cover the mentoring cycle and seasonal credit distribution. The subjects or informants in this study were selected using a non-probability purposive sampling technique to ensure that the data obtained came from parties with relevant authority and experience (Anita, 2022).

Key informant criteria included MSME owners who are currently or have accessed sustainable funding, officials from the South Konawe Regency Cooperative and MSME Office, and managers from local banking and non-banking institutions (Saifudin et al., 2019). al., 2022). In addition, the snowball sampling technique was also applied to expand the reach of informants based on recommendations from previous participants, in order to obtain data from practitioners, regulators, and academics who have in-depth perspectives on the local financial ecosystem (Panjaitan et al. , 2020).

Data collection techniques were conducted comprehensively through three main methods: semi-structured interviews, participant observation, and documentation.

In-depth interviews were conducted to explore the subjective narratives of MSME actors regarding the bureaucratic obstacles and financial literacy they experienced (Widyastuti & Darma, 2022). Participatory observation was conducted by visiting business locations and financial service offices to directly observe interactions during the financing application process and the implementation of mentoring by the local government (Saifudin et al., 2022). Meanwhile, documentation techniques are used to collect secondary data in the form of banking sustainability reports, business permit documents, and regional regulations related to MSME empowerment (Sari et al., 2025; Widiastuti, 2022). The combination of these three techniques aims to produce "rich" and detailed data, covering aspects of budget planning, business risk profiles, and the implementation of environmental and social principles in MSME business operations (Herlindawati et al., 2022; Saifudin et al., 2022). To ensure the validity and trustworthiness of the data, this study employed rigorous triangulation techniques. Source triangulation was conducted by comparing and re-checking the degree of trustworthiness of information obtained from different informants, for example, verifying MSME statements with data from banks or regulators (Amalia, 2023; Maulidah & Oktafia, 2020). Method triangulation was applied by comparing interview data with field observations and document studies to ensure the consistency of the findings (Hermawan & Hariyanto, 2022; Sari et al., 2020). In addition, researchers conducted member checking by bringing back the transcript of the interview results to the informant to confirm its accuracy, so that the researcher's interpretation truly reflects the informant's real experience in the field (Panjaitan et al., 2020).

The audit trail process is also carried out by documenting each stage of the research in detail to maintain transparency and objectivity of the study results (Hermawan & Hariyanto, 2022). Data analysis was carried out using the interactive model of Miles and Huberman which consists of three simultaneous activity flows: data reduction, data presentation, and drawing conclusions or verification (Herlindawati et al., 2022; Sari et al., 2025). The data reduction stage involves the process of selecting, focusing, and simplifying complex field notes into key themes relevant to sustainable funding access strategies (Herlindawati et al., 2022; Zarodi et al., 2023). Next, the data is presented in the form of narrative text, matrices, or charts to facilitate understanding of the patterns of relationships between variables in the financing ecosystem (Widiastuti, 2022; Widyastuti & Darma, 2022). The final stage is inductive drawing of conclusions based on emerging patterns, where initial findings are continuously verified until the data reaches saturation and the resulting conclusions are truly credible new findings (Sari et al., 2025; Widiastuti, 2022). This analysis process was carried out repeatedly to ensure that the resulting narrative was in line with the empirical reality in South Konawe Regency (Zarodi et al., 2023).

RESULTS AND DISCUSSION

This research explores the dynamics of the ecosystem financing of MSMEs in the Regency South Konawe through a qualitative approach involving observation field, interview in-depth, as well as document analysis policy. The research results are grouped into several theme large reflecting reality empirical in the field.

1. Potential of MSMEs in the Regency South Konawe

Findings from research that has been done shows that the district Konawe south own great potential in running business in the sector business micro, small and medium enterprises. From the results compilation based on BPS data that has been carried out shows that the Regency South Konawe has potential enormous natural and economic resources to be developed into a leading MSME sector. This potential includes sector tourism, livestock, fisheries, horticulture, plantations, crops food, and forestry. For more detailed data, see Figure 1.

Regency South Konawe has potential very large MSME business Because supported by wealth natural resources and diversity economic sector of society. One of the sectors that have prospects Enough promising is the sector tourism. This area has various attractions tour nature and culture that can be developed into a center growth of local MSMEs, such as businesses culinary typical area, accommodation or homestay, services transportation tourism, trade souvenirs, up to marketing creative economy products. Location relative geography close to Kendari City as the capital Southeast Sulawesi Province also benefits independently in supporting access tourists and marketing MSME products. In addition, sector tourism, sector the farm also shows great potential with its height population livestock and poultry, such as free-range chickens, chickens race broiler chicken race egg layers, as well as production meat enough beef and eggs high. This condition opens up opportunity development of MSMEs in the processing sector results livestock, business egg consumption, processing meat, home cut animals, up to business feed cattle.



Figure 1. Compilation of business potential in South Konawe Regency (BPS Konseil, 2024)

In addition, the sector fisheries are one of the sectors the flagship that has contribution big impact on the economy public South Konawe. The height production fishery fishing, pond fish farming, and seaweed farming show that this area has potential The maritime and fisheries sector has enormous potential to be developed as a basis for MSMEs. Various opportunities business can grow from this sector, such as fish processing, drying and smoking fish, fish farming seaweed, distribution seafood, to the food industry processed made from fish base. Besides fisheries sector horticulture also has quite good potential because height production plant vegetables and fruits seasonal. This potential can be developed into various business-based agribusiness such as business fresh vegetables, processing fruit, business seeds plants, marketing results agriculture and food industry local based results Horticulture.

Potential of MSMEs in the Regency South Konawe is also supported by the sector plantations that produce various commodities superior products such as cocoa, cashew nuts, coconut, pepper and coffee. Production plantation enough people big provides opportunities for community to develop business processing cocoa, cashew processing, production oil coconut, local coffee processing, as well as trading results plantations. This sector has high economic value Because part commodities plantations can be processed into products worth add those who are able increase income society. In addition, the sector plant food is also an important potential because South Konawe has wide land sufficient agriculture and rice fields large, including irrigated rice fields that support productivity agriculture community. This potential can be utilized to develop MSMEs in the milling sector. Rice, processing results agriculture, trade results

harvest and distribution material food local. Besides sector agriculture and plantations, Regency South Konawe also has potential sufficient forestry large. Area forest conservation that achieves dozens thousand hectares provide opportunities for the development of MSMEs based on forest resources sustainable manner.

Potential businesses that can be developed including utilization results non-timber forests, business honey forest, crafts-based results forests, as well as the development of ecotourism. Utilization potential forestry in a way wise is not only able increase income society, but can also support environmental conservation and sustainable economic development. In a way overall, various sectors flagship in the Regency South Konawe shows that this area has opportunity big in the development of MSMEs that are capable create employment, increasing welfare society, and strengthen economy area. From the picture it can be seen that the sectors featured own opportunity big enough to be developed into a business empowered micro, small and medium enterprises competitive, sustainable and capable increase welfare public South Konawe, if managed well.

2. Condition of MSMEs in the Regency South Konawe and Its Problems

MSMEs in the Regency South Konawe has a very important role in supporting activities economy society. Based on research results in Chapter IV, the number of MSME actors in this area reached around 20,808 business units spread across various sub-districts. The existence of these MSMEs shows that the sector business micro, small and medium enterprises are one of them support main economy area, especially in creating employment opportunities and improve income society. In addition, MSMEs also contribute to reducing the level of unemployment as well as strengthen community economic resilience Local. MSME business sector in the Regency South Konawe is enough diverse, starting from from sector agriculture, fisheries, plantations, trade, crafts hands, agribusiness, to sector services. Potential abundant natural resources make public capable develop various types business based potential local. Sector agriculture and plantations are the most dominant business sectors Because supported by a wide area land productive and results commodities featured area. On the other hand, the sector fishing, trade, as well business crafts also continue develop as part from community economic activities. This condition shows that MSMEs have contribution big in pushing local economic growth as well as equality welfare community in the Regency South Konawe.

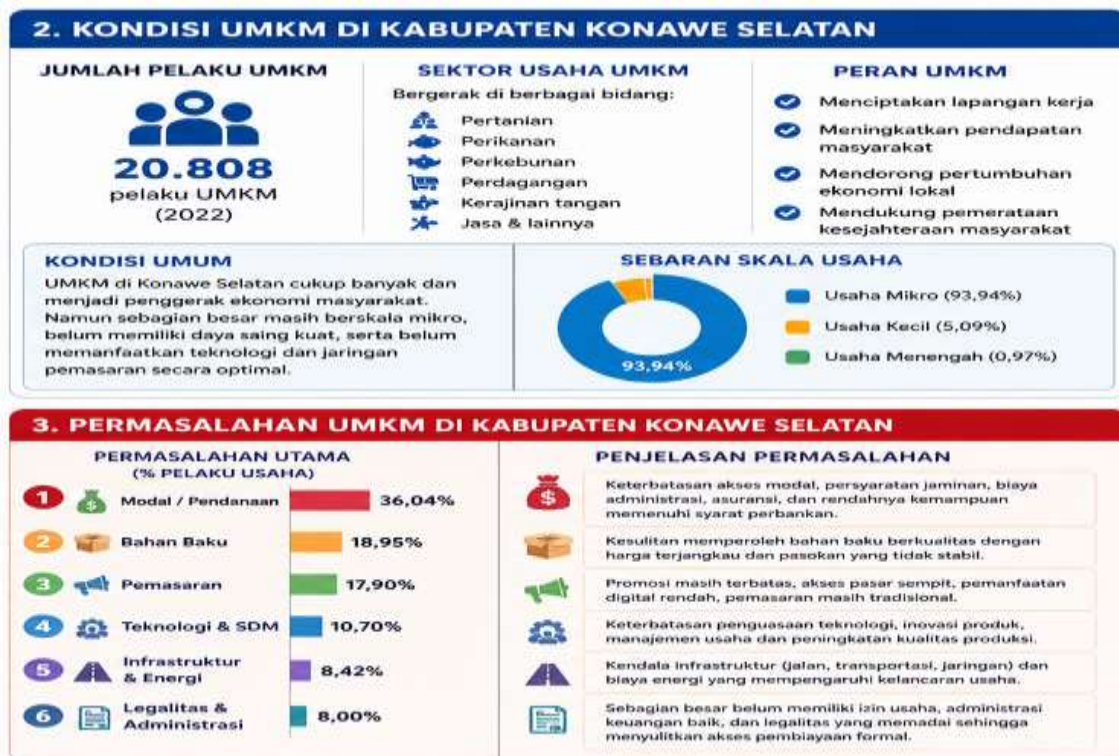


Figure 2 Compilation of conditions and problems of MSMEs in South Konawe Regency (BPS Konsel and South Konawe MSME Service, 2024)

Although thus, the development of MSMEs in the Regency South Konawe still facing various obstacles, both from internal and external aspects external. Problems the most important faced by business actors are limited capital and access funding. As many as 36.04% of MSMEs experienced difficulties get financing business consequence condition quite heavy guarantees, administration and insurance costs, limitations access to institutions finance, as well as low ability fulfil condition banking. In addition, around 18.95% of business actors also experienced obstacles in obtaining material standard quality at affordable prices so that affect the production process and sustainability their efforts. Besides capital and material issues standard, MSMEs in the Regency South Konawe is also still face limitations in aspects marketing, technology, human resources, infrastructure, and legality business. Most MSME actors are still use method marketing traditional so that market access and utilization of digital technology are not optimal. The low mastery of technology, lack of product innovation, as well weakness management business also causes the competitiveness of MSMEs to still be relatively low. In addition, the condition infrastructure and energy costs in some areas also influence smoothness business, especially for MSME actors who are Far from economic center. There are also quite a few MSMEs that do not yet have permission business and administration good finances so that make it difficult for them to get access formal financing from institution finance.

3. Typology Obstacle Structural and Administrative in South Konawe

Findings main shows that the ecosystem financing in South Konawe is still fragmented by obstacles significant administrative costs. The majority of MSME actors (around 70% of informant) does not yet have a National Identification Number Valid

endeavor, which is condition absolute to access sustainable financing from formal banking (Wahbi et al., 2024). This inequality creates distance between policy national study on *sustainable finance* with the reality in rural areas. Researchers found that business actors in the sub-district remote often must go through journey far just to consult about licensing, which ultimately trigger attitude apathy towards institutions formal finance (Mushlih & Sinurat, 2025).

One of informant, a craftsman furniture in South Konawe, stated:

"We want borrow capital to buy more energy efficient machines, but the bank asked for certificate land and permits complete business. Meanwhile, our land is still land customary law and permits our efforts are limited to letter information from village. This makes us feel closed bank doors meeting for us."

This condition is exacerbated by the finding that mentoring from local government Still nature ceremonial and not yet touched aspect technical compilation report financial requirements required by banks (Wahbi et al., 2024; Wiska & Colin, 2021).

4. Literacy Finance and Awareness Investment Ethical

Theme the second thing that appears is the low-level literacy sustainable finance. MSMEs in South Konawe tend to understand funding only as a " capital injection " without consider aspect risk term long-term or environmental impact (Riswandi & Zulfikri, 2024). The low This literacy has an impact on the inability of business actors to utilize incentive tax or product banking real green available in the scheme national economic recovery (Widyastuti & Darma, 2022). Data from interview shows that knowledge informant about the concept of ESG (Environmental, Social, and Governance) is almost zero. They focus more on sustainability life business daily post-pandemic (Saifudin et al., 2022). Although thus, there are potential investment ethically which experience practiced by the community local through system for results, but this is not yet integrated into the system recording modern accounting (Riswandi & Zulfikri, 2024; Wiska & Colin, 2021).

5. Dynamics of the Role of BUMDes as an Institution Financing Alternative

The study found that Village- Owned Enterprises has a strategic role as a " valve " " savior " for MSMEs that cannot be reached by banks. In some village in South Konawe, BUMDes function as a provider financing sharia scale more flexible micro-finance (Munawar, 2025). The utilization of Village Funds allocated for a sustainable creative economy has been proven able to provide working capital for home industries stairs (Mahendra, 2025). However, the effectiveness BUMDes is very dependent on competence the manager. Researchers found existence variation big in the quality of fund management; BUMDes which partners with institutions finance sharia own level lower capital congestion than those managed in a way conventional without system

supervision (Ash- Shiddiqy, 2022; Munawar, 2025). This shows that strengthening ecosystem need synergy institutional, not just flow of funds (Ilma et al., 2025).

6. Digital Adaptation and Challenges Connectivity

In the technology sector, fintech and crowdfunding penetration in South Konawe is still very limited by constraints. infrastructure and trust Although digital platforms offer faster processes, MSMEs in South Konawe feel safer. transactions through cooperatives or banking local who have office physical (Merdekawati & Nasrun, 2025; Teruna & Ardiansyah, 2021). Environmental uncertainty and the lack of training digital accounting makes them hesitate to switch to the system modern funding (Wiska & Colin, 2021).

Informant from sector fishery mentions:

" Once There is capital offer through application, but we are afraid it is a scam. We prefer borrow from a cooperative village although the amount small, because we know the administrator."

This phenomenon shows that inclusion digital finance in the region left behind requires a more personal sociocultural approach before introducing high -tech platforms (Mushlih & Sinurat, 2025).

DISCUSSION

From the research findings that have been discussed previously, strengthening ecosystem financing of MSMEs in the Regency South Konawe cannot be separated from the social, economic and geographical context the area. South Konawe has riches natural resources that have great potential to support the development of MSMEs based on sector productive such as fisheries, agriculture, plantations, animal husbandry, tourism, to forestry. This potential is theoretical able to be a foundation inclusive and sustainable local economic development. However, research results show that the magnitude of economic potential has not been fully utilized converted into power empowered business competition high. Most MSMEs are still moving in the sector business subsistence with capacity limited production and dependence high against the pattern business traditional. This shows existence gap between local economic potential with capacity institutional financing that supports business development in a sustainable manner. In the context of regional economic development, MSMEs in South Konawe actually has a strategic position as an instrument driving force of the community's economy. The number of MSMEs reaching more than 20 thousand units shows that this sector is the backbone of the community's economy.

the backbone of the local economy and absorber largest workforce. Research findings show that most of big public hang source income from business-based commodities local like results agriculture, fisheries, and plantations. This condition

indicates that MSMEs not only function as economic units, but also as mechanisms endure life public countryside in the middle limitation's formal employment. However, the dominance of MSMEs in the primary sector also shows low level diversification business and minimal downstreaming processes product. As a result, the value increases the resulting economy Still relatively low because there are more business actors sell material raw compared to product processed products that have higher market competitiveness. This study found that the problem The biggest obstacle in the development of MSMEs in South Konawe lies in the weakness access formal financing.

As many as 36.04% of business actors experienced obstacles obtain business capital consequence height condition administrative and guarantee banking. This finding shows that the banking system formal financing still working with a conventional approach that is not yet fully capable reach Characteristics of rural MSMEs. Banks and institutions formal finance tend to using a data-based approach collateral - *based financing*, while some Most business actors in South Konawe do not have legal assets that can be used guarantee. This condition creates exclusion financial which is indirectly widen inequality between urban and rural MSMEs. From a sustainable finance perspective, this situation shows that inclusion finances are not running yet in a way substantive Because access to financing Still dominated by business groups that already have capacity good administration and legality. Furthermore, this study shows that the obstacles administrative issues become a problem structural that greatly influences effectiveness ecosystem financing for MSMEs. Majority The informant does not have a National Identification Number yet Business (NIB) and administration appropriate finances standard institution formal financing. In fact, the legality business is condition main in obtaining access credit, government assistance, and financing-based sustainability. The fact that around 70% of informants do not yet have legality business show existence failure system local government assistance in reaching out need technical assistance for MSME actors. The assistance provided so far tends to nature administrative and ceremonial, not based empowerment substantive.

As a result, business actors feel that formal procedures only add to burden business without providing any benefits directly to the development of their business. This condition shows that the problem financing for MSMEs is not just problem lack of funds, but also concerns weak governance institutions and access service public at the level area. Another aspect that is quite crucial in this study is the low-level literacy finance and understanding about sustainable financing among MSMEs. Most of them informant understand funding is only for long-term capital needs short to maintain business daily. They don't understand yet draft financing productive term long, risk management business, as well as environmentally and socially based sustainable investment. Knowledge about the concept of ESG (Environmental, Social, and Governance) is almost non- existent in most companies. big informant. This condition shows that the sustainable finance agenda pushed by the central government has not

been fully implemented. socialized up to the level root grass. In fact, sustainable financing is not only related to access to capital, but also concerns change paradigm business going to environmentally friendly, inclusive, and oriented economic practices term long. Interestingly, this study also found that people South Konawe actually already has local economic practices that reflect principle sustainable financing, although it has not yet been packaged in a modern formal system.

The system for results, mutual cooperation, and loans based social trust is a form of social capital that is still strong in society rural areas. In practice, people have more confidence borrow capital through cooperative village, family, or BUMDes compared to digital platforms and formal banking. This phenomenon shows that social trust is still the foundation main in the system financing of MSMEs in the regions rural areas. Therefore, the strategy of strengthening MSME financing should not only focus on modernization system finance, but also integrate local social values as part of from strengthening community economic ecosystem. In this context, the existence of Village-Owned Enterprises (BUMDes) is one of the important findings in this study. BUMDes proven has a strategic role as an institution financing easier alternative accessed by rural MSME actors. Flexibility mechanism financing and social closeness make BUMDes is more trusted compared to institution formal finance. However Thus, the study found that existence inequality quality of inter-BUMDes management. BUMDes that have good governance and partner with institutions finance sharia tend to be more capable guard sustainability financing and pressing level credit stuck.

On the other hand, BUMDes which is managed in a way conventional without clear supervision often experiences governance problems and low accountability. This shows that strengthening ecosystem financing is not enough just through distribution of funds, but also requires strengthening capacity institutions and systems continuous monitoring. On the other hand, the expected digital transformation capable expand access it turns out that financing for MSMEs Still face enough obstacles big. Fintech and crowdfunding penetration in South Konawe are still very low due to limitations internet infrastructure, low digital literacy, and its high-level distrust community towards services finance-based application. Informant from sector fishery even admit to preferring borrow capital through cooperative village Because considered safer and clearer than digital platforms that do not have office physical. This phenomenon shows that digitalization financing in the region left behind cannot be done through a purely technological approach. A sociocultural approach is very important so that society have a sense of security and trust in the system digital financing.

Thus, the digital transformation of MSMEs must accompanied by education digital literacy, strengthening protection consumers, and development adequate technological infrastructure. This study also shows existence paradox in the policy of developing MSMEs in the region. In one on the other hand, the government is encouraging inclusion programs sustainable finance and financing through various

policies national. However, on the other hand, the implementation policies at the level area still not able to answer need really rural MSME actors. Many assistance and financing programs Still achievement - oriented administrative, not on strengthening capacity business in a sustainable manner. As a result, MSME actors often just be a program object without get improvement significant capacity. This situation shows that the top-down approach in developing MSMEs has limitations if not accompanied understanding of the local social and economic context public.

In a way Overall, this study confirms that strengthening ecosystem financing of MSMEs in the Regency South Konawe needs a more integrative, participatory, and community-based approach. need local. The large economic potential of the region will not capable develop optimally without support system inclusive and sustainable financing. Therefore, the strategy of strengthening MSME financing needs to be directed towards simplification access legality business, improvement literacy finance, strengthening institutional local such as BUMDes and cooperatives, as well as development digital ecosystem that is adaptive to conditions public rural areas. In addition, local governments need to change pattern MSME assistance from an administrative approach towards an empowerment approach-based capacity and sustainability business. Thus, MSMEs in South Konawe are not only able to survive as a business subsistence, but also develop into a local economic force that is independent, competitive, and sustainable in the long term.

CONCLUSION

Based on research results, strengthening ecosystem financing of MSMEs in the Regency South Konawe still facing various obstacles structural, administrative, and capacity human resources. Although this area has huge economic potential in the sector fisheries, agriculture, plantations, animal husbandry, tourism, and forestry, some of which Most MSMEs still experience limitations in accessing formal financing due to low legality business, literacy finance, ability administration, as well as lack of utilization of digital technology. This condition shows that the implementation sustainable financing is not yet fully reach need real MSMEs at the level rural.

This study also found that institutions local such as BUMDes and cooperatives has a strategic role as an alternative financing that is more adaptive to conditions society. However, its effectiveness Still depends on the quality of governance and capacity institutional. Therefore, the strategy of strengthening ecosystem MSME financing needs to be directed at increasing literacy finance and digital, simplification access legality effort, strengthening institutional local, as well as system development inclusive and sustainable financing. With the support policies and synergies between stakeholders' interests, MSMEs in the Regency South Konawe has potential develop into a more independent, competitive and sustainable economic sector.

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