



## Addressing the Anxiety Surrounding Loans and Mitigating Capital Deficiencies for MSME Advancement

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### Abstract

The critical role of Micro, Small, and Medium Enterprises (MSMEs) in driving economic growth and fostering social stability is well-recognized globally. These enterprises are the backbone of economies, contributing significantly to employment creation, innovation, and equitable income distribution. However, despite their potential, MSMEs face persistent challenges that hinder their growth and sustainability, with access to capital and loan-related anxieties standing out as primary barriers. This study aims to identify the factors that cause anxiety of Micro, Small, and Medium Enterprises (MSME) about capital loans and develop strategies to mitigate capital shortages to encourage the progress of MSMEs. This research employed a qualitative approach involving in-depth interviews with ten microenterprise actors engaged in beverage sales in Pangkajenne City. The participants were selected based on specific criteria: they had been operating for a minimum of one year, offered a diverse range of beverage products, and reported experiencing anxiety related to the need for capital. Research has found that loan-related anxiety is mainly caused by uncertainty of returns, ignorance of loan terms, and social stigma related to default. On the other hand, mitigation strategies such as financial literacy training, simplification of the loan application process, and access to flexible microfinance schemes have proven effective in reducing the concerns of MSME actors. This study was limited to a sample of MSMEs in specific regions and did not cover all business sectors. In addition, this study must discuss in depth the influence of macroeconomic factors on MSME capital access. This research provides valuable insights into the relationship between loan anxiety and capital shortages and offers relevant mitigation strategies. The results of this study enrich the literature on MSME financial management, especially in the context of developing countries. This study combines the perspectives of MSME actors and financial service providers to understand the dynamics of loan-related anxiety, which has been previously underexplored in the literature.

**Keywords:** *MSME; Loan Anxiety, Lack of Capital; Financial Literacy; Inclusive Financing; MSME Growth*

## INTRODUCTION

In most countries in the world, MSMEs are considered the backbone of the national economy because of their essential role in the development of the national economy and the creation of jobs, as well as fostering an entrepreneurial spirit for the community (Biney, 2023; Charrón et al., 2020; Nate et al., 2022). In Indonesia, MSMEs play a vital role in the national economy. They can contribute over 60% of Indonesia's Gross Domestic Product (GDP) and absorb more than 97% of the workforce (Hernita et al., 2021; Nursing, 2020). However, MSMEs face various challenges, including capital problems. Limited access to funding sources is one of the main obstacles that MSME actors face. Therefore, MSME business actors need more business capital to develop their businesses (Aminullah et al., 2024; Suminah et al., 2023).

In relation to this, the issue faced by MSMEs, particularly in regions such as Sidenreng Rappang Regency, Indonesia, is not solely limited to capital availability but also involves the perceptions and attitudes of MSME actors toward existing financing options. Upon closer examination, numerous MSMEs in Pangkajene City—the capital of Sidenreng Rappang Regency—possess significant potential for growth but are constrained by apprehension and reluctance to obtain loans from formal financial institutions. This fear comes from various factors caused by

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complicated procedures, loan interest, and fear of being unable to pay, making individuals reluctant to borrow from financial institutions ([Rostamkalaei et al., 2020](#); [Taghizadeh-Hesary & Yoshino, 2020](#)). The issue of capital insufficiency cannot be overlooked, as it often arises from an MSME actor's reluctance to assume risks, fearing potential losses that could lead to business failure ([Etemad, 2020](#)). This posed a dilemma that MSME actors had to deal with. On the one hand, they need capital to develop their business, but on the other hand, they are hindered by fear and reluctance to take out loans.

Therefore, based on the critical issue previously discussed, this study aims to examine how MSME actors, especially Micro Enterprises in Pangkajene City, face the dilemma of obtaining additional capital to develop their businesses. Although research on MSMEs has been widely conducted, this study introduces a distinctive perspective by focusing on a specific issue that remains underexplored—namely, the fear experienced by MSME actors in obtaining capital from external sources. While several prior studies have addressed challenges related to access to financing, few have examined this issue from the standpoint of the actors' attitudes and their internal conflict between the necessity of securing loans and the fear associated with indebtedness. This overlooked aspect is central to the present study, which specifically investigates microbusiness actors engaged in beverage sales in the city of Pangkajene, Sidenreng Rappang Regency.

## LITERATURE REVIEW

MSMEs play a crucial role in the economic development of any country, particularly in emerging markets ([Taiwo et al., 2022](#)). They contribute significantly to job creation, income generation, and poverty reduction. Nonetheless, despite the critical role of MSMEs in economic development, [Endris and Kassegn \(2022\)](#) highlight that these enterprises frequently operate in isolation, with limited access to financial resources emerging as one of their most significant challenges. In light of these issues, this literature review delves deeper into the anxiety associated with loans and capital constraints among MSMEs, analyzing the factors contributing to these issues and exploring potential strategies to address them in support of MSME growth and sustainability.

MSMEs, widely regarded as the backbone of many economies, constitute over 90% of businesses and contribute to more than 50% of global employment ([Nursini, 2020](#)). These enterprises create employment opportunities in developing countries, boost local economies, and promote innovation. However, despite their significance, MSMEs often need help securing capital to scale their operations, which stunts their economic growth and contribution ([Mittal & Raman, 2021](#)).

Limited access to credit is a key barrier to MSME growth. MSMEs typically need more collateral than traditional financial institutions require to secure loans, making it difficult to invest in technology, infrastructure, or human resources necessary for expansion. As a result, many MSMEs operate below their potential, limiting their ability to drive economic development ([Endris & Kassegn, 2022](#); [Ndubisi et al., 2021](#); [Saifurrahman & Kassim, 2024](#)).

One of the primary barriers to MSME accessing capital is the anxiety surrounding loans ([Ackah et al., 2024](#)). This anxiety can stem from several factors, including the perceived risks of borrowing, high interest rates, and fear of default. MSMEs, especially those in developing economies, often face a lack of financial literacy, which exacerbates this anxiety ([Prijadi et al., 2020](#)). Understanding loan terms, repayment schedules, and the implications of taking on debt can be overwhelming for small business owners, particularly those without formal business education ([Hj et al., 2024](#)).

A study conducted by [Al Halbusi et al. \(2024\)](#) emphasized that a significant number of MSME owners hesitate to take loans due to the fear of being unable to meet repayment schedules,

especially when their businesses are in the early stages of development. The anxiety surrounding loans often results in small business owners opting to forgo borrowing opportunities, even if they could significantly benefit from the capital infusion. This lack of access to financing stunts business growth and prevents MSMEs from reaching their full potential (Jaim, 2021).

Moreover, high interest rates and stringent loan conditions intensify MSMEs' financial stress (Rajamani et al., 2022). In many developing countries, banks charge higher interest rates for loans to MSMEs because of the perceived risk of lending to small-scale enterprises. This often leads to a cycle in which MSMEs are unable to afford high-interest loans and are left without the necessary capital to expand or improve their operations (Behera, 2024). The compounding effects of loan anxiety, high interest rates, and the fear of debt default can severely hinder MSME development (Mahmoud et al., 2023).

In addition to these financial concerns, capital deficiencies present another critical challenge for MSMEs (Mittal & Raman, 2021). With sufficient capital, businesses can invest in essential areas such as machinery, technology, raw materials, and workforce expansion. Accessing adequate funding often leads to missed business opportunities, decreased productivity, and lower levels of innovation. MSMEs may also need help comply with regulatory requirements or meet customer demands, further hindering their ability to grow and contribute to the economy (Prakash et al., 2021).

The capital deficiencies faced by MSMEs are often exacerbated by the limited availability of alternative financing options (Serrasqueiro et al., 2021). In many developing economies, the formal financial sector is usually reluctant to lend to small businesses due to the perceived risks. This situation forces MSMEs to rely on informal sources of capital, such as family loans or personal savings, which are often insufficient to meet their needs (Calabrese et al., 2021). As a result, many MSMEs remain undercapitalized, limiting their capacity to innovate and scale. Furthermore, the lack of access to capital also affects MSMEs' ability to manage financial crises. During economic downturns or periods of uncertainty, small businesses are often the first to suffer because they do not have the financial buffers or access to credit that larger businesses possess (Nicola et al., 2020). This vulnerability is a direct consequence of capital deficiencies, which can lead to business closures, job loss, and reduced economic activity (Fairlie, 2020).

Several strategies have been proposed in the literature to address loan anxiety and mitigate capital deficiencies for MSMEs. These solutions focus on improving access to credit, reducing the risks associated with borrowing, and enhancing the financial literacy of MSME owners. In alignment with these objectives microfinance institutions (MFIs) have significantly provided financial services to underserved MSMEs, particularly in developing countries (Abebe & Kegne, 2023). MFIs offer smaller loan amounts with more flexible repayment terms, making it easier for small businesses to access capital. A study by Mishra et al. (2024) highlighted the importance of microfinance in alleviating loan anxiety, as these institutions are more willing to lend to MSMEs with limited collateral and lower credit histories. Additionally, MFIs often provide financial education and guidance to borrowers, helping to reduce the anxiety surrounding loans.

Building on these efforts to improve financial access and confidence, recent years have seen the growing popularity of alternative, such as peer-to-peer (P2P) lending and crowdfunding, have gained popularity. These models allow MSMEs to access capital directly from individual investors, bypassing traditional financial institutions. Technology has made these lending platforms more accessible and cost-effective, providing a viable alternative for MSMEs struggling to obtain conventional loans (An et al., 2022; Putri et al., 2022).

Governments can play a pivotal role in addressing MSMEs' capital deficiencies through targeted policy interventions. Various initiatives, such as subsidized interest rates, loan guarantees, and government-backed credit schemes, have been introduced to make borrowing more affordable

and less risky for small businesses. For example, in many countries, government agencies offer loan guarantee schemes that reduce the risk of financial institutions lending to MSMEs. This approach offers a dual advantage: it not only encourages banks to extend credit more readily to small businesses, but also alleviates the pressure on MSMEs to provide conventional forms of collateral, thereby improving their access to financing (Klapper et al., 2006).

Improving MSME owners' financial literacy is another critical strategy for reducing loan anxiety. Financial education programs can help business owners understand loan terms, manage debt effectively, and make informed financial decisions. Training in business management, accounting, and cash flow management can also empower MSME owners to better navigate the challenges of securing and managing loans (Goel & Rastogi, 2023; Uzir et al., 2022). Programs focusing on building financial literacy can also foster greater trust in financial institutions, thus reducing the fear of borrowing.

Prior studies Andriamahery and Qamruzzaman (2022) and Prakash et al. (2021) have suggested that enhancing financial literacy empowers individuals to make more informed financial decisions and increases their confidence in engaging with formal financial institutions. Despite these advantages, engaging with financial systems—particularly in the context of borrowing—can still provoke psychological responses that influence decision-making. One such response is anxiety, a complex psychological condition characterized by feelings of worry, nervousness, or unease, often triggered by uncertain outcomes or perceived threats. Anxiety has been widely examined in psychological research, particularly in terms of its causes, manifestations, and coping strategies. In the case of MSMEs, access to capital through loans is crucial for business sustainability and growth. However, psychological barriers—especially anxiety related to borrowing—continue to hinder many MSME owners from fully leveraging available financial resources. Loan-related anxiety specifically refers to the psychological distress experienced by borrowers due to the perceived risks, responsibilities, and long-term obligations associated with loans. According to studies by Harrison et al. (2017), this anxiety is primarily fueled by fears of default, uncertainty in revenue streams, and complex loan processes. The anxiety surrounding loans affects decision-making and deters MSMEs from seeking external funding, even when needed for business growth.

Addressing the anxiety surrounding loans and mitigating capital deficiencies is critical for advancing MSMEs. These businesses are essential to economic growth, job creation, and poverty reduction, but they need help accessing the necessary capital. Loan anxiety, high interest rates, and a lack of financial literacy contribute to the challenges MSMEs face in securing financing. Moreover, capital deficiencies prevent many MSMEs from scaling up their operations, investing in technology, and innovating. Prior studies suggest several strategies to mitigate these challenges, including microfinance, alternative lending models, government interventions, and financial literacy programs. These solutions can reduce the anxiety surrounding loans and provide MSMEs with the financial resources they need to grow and thrive. By addressing the financial barriers faced by MSMEs, policymakers and financial institutions can help unlock their full potential of these enterprises, driving economic development and improving the livelihoods of millions of people worldwide.

## RESEARCH METHOD

This study employs a descriptive qualitative method with a narrative analysis approach and adopts an intrinsic case study design. Qualitative research aims to provide a holistic understanding of the subject's lived experiences—encompassing behaviours, perceptions, motivations, actions, and more—by capturing the complexity and depth of human phenomena. On the other hand, descriptive research seeks to portray present conditions and offer solutions to existing problems by systematically presenting, analyzing, and interpreting data (Sepriyadi et al., 2023; Wahab &

[Mahdiya, 2023](#)).

Within this framework, the narrative analysis approach offers a sociocultural lens that views individuals as meaning-makers who construct narratives to interpret, organize, and communicate their life experiences. This perspective emphasizes how narratives are used to configure one's identity and make sense of emotions and actions ([Smith & Monforte, 2020](#)). Through this approach, the study seeks to explore more deeply the complexities surrounding the issues experienced by informants, allowing for a nuanced interpretation of their perspectives and decision-making processes.

The selection of an intrinsic case study is driven by the researcher's genuine interest in the case, rather than an intention to generalize the findings. This is particularly relevant given the researcher's perspective that the business model under investigation—micro beverage enterprises—possesses significant market potential and broad consumer appeal, thereby presenting a compelling subject for in-depth study ([Nurahma & Hendriani, 2021](#)).

This research was conducted in Pangkajenne City, Sidenreng Rappang Regency; the object of the study was Micro Beverage Sellers in Pangkajene City facing the dilemma between the need for additional capital through loans and the fear of taking loans for their business development.

To achieve the objectives outlined in the initial stages of the research, the study was conducted in Pangkajenne City, Sidenreng Rappang Regency, focusing on micro beverage entrepreneurs. These individuals face a critical dilemma: the necessity of securing additional capital for business development through loans versus the psychological and financial apprehension associated with indebtedness. The primary data source comprises informants selected through purposive sampling, guided by specific inclusion criteria ([Erawati & Fajriati, 2023](#)). A total of 10 micro, small, and medium enterprise (MSME) actors were interviewed, all of whom have operated beverage businesses in Pangkajenne City for at least one year, offer diverse product variations, and have experienced anxiety related to the need for capital infusion.

The data collection process was carried out in several stages, drawing upon the framework outlined by [Wirdana and Basri \(2023\)](#). The techniques employed included observation, interviews, and documentation, each of which is elaborated upon in the following explanation:

1. Observation: carried out by observing who the informants will be selected according to the criteria determined. Observation of the selection of informants will be observed in the city of Pangkajenne.
2. Interview: After the observation process and identifying informants who are considered appropriate, the researcher will conduct an in-depth interview to gather information on the research problem.
3. Documentation: All series processes during the research will be documented to support the results.

Data collection in this study involved multiple sources, employed various methods for each source, and engaged diverse informants—an approach implemented to facilitate the triangulation process, which is essential before the analysis phase. As emphasized by [Tabrani \(2023\)](#), triangulation serves to enhance the accuracy and reliability of research data, thereby contributing to the overall validity of research findings and mitigating the risk of subjective interpretation.

In executing the full data collection process, the study was conducted over several months, encompassing multiple stages. The duration of each stage varied depending on the specific objectives and activities associated with each phase of the research.

**Preliminary Phase:** For 1-2 months, the researcher may focus on understanding the broader context of MSMEs and their challenges with loans and capital access. This period involves a literature review, identifying key stakeholders (e.g., MSME owners, financial institutions, government agencies), and designing the survey or interview questions.

**Data Collection Phase:** For 3–4 months, this period involves gathering data directly from MSMEs, either through surveys, interviews, or focus groups. The goal is to capture insights into their concerns about loans, financing mechanisms, and how capital deficiencies affect their operations and growth. In addition, secondary data from financial institutions or government sources may be collected.

**Post-Collection Analysis:** For 1–2 months, after data collection, the analysis phase involves reviewing responses, identifying patterns of anxiety and gaps in capital access and understanding the impact on MSME advancement. This period also includes preparing of results and developing recommendations.

After the data collection process was completed, the data were analyzed through a series of systematic stages. This study employed the following analytical procedures:

1. *Data Reduction*

The researcher summarizes, selects the main things, and focuses on the essential things. To provide a clear picture of the data reduction, in this study, the researcher will filter the data that is considered essential based on the records, images, and interview recordings obtained.

2. *Display Data*

After reducing the data, the next step is to display or in the presence of the data. Data filtered and considered relevant will then be presented and decomposed into tables, images and narratives to facilitate understanding.

3. *Data Verification*

Concluding or *conclusion drawing* is information obtained from data that has been compiled and grouped. After describing the data, the researcher will draw a conclusion based on the description that the researcher has made.

The data collection and analysis results are presented in the following section. However, a key finding that emerged from the research highlights one of the primary challenges faced by micro beverage sellers: limited access to financing. As part of the MSME, these sellers often struggle to obtain formal financial support due to inadequate financial records or the absence of a strong credit history. This vulnerability leaves them vulnerable to capital shortages, which hinders the expansion and improvement of the quality of their businesses. Many microbusiness owners, including beverage sellers, are worried about loans and debt. This fear arises due to uncertainty about micro-businesses' ability to repay loans given the fluctuations in income that they often experience. Accordingly, this study seeks to explore these financial anxieties in greater depth and examine how they influence decision-making processes. This issue will be further elaborated upon in the subsequent section.

## **FINDINGS AND DISCUSSION**

### **Findings**

This study seeks to examine the persistent challenges encountered by MSMEs, with particular attention to microbusiness operators engaged in beverage sales in Pangkajenne City. The research specifically explores how these business actors navigate the dilemma of requiring additional capital, often accessible through external sources such as bank loans, while simultaneously experiencing apprehension toward the associated risks. These concerns commonly stem from factors such as high interest rates, the uncertainty surrounding repayment capacity, and the perceived complexity of application procedures, all of which potentially inhibit business growth and sustainability.

To gain a comprehensive understanding of these issues, the study adopts a descriptive qualitative methodology utilizing a case study approach. This methodological choice facilitates an



in-depth and holistic exploration of the real-life experiences and perceptions of the business actors involved. Primary data were obtained through in-depth interviews with selected MSME owners, focusing on their concerns about capital acquisition and their strategies to address financial constraints. A total of ten micro beverage sellers operating in the vicinity of Pangkajenne City were selected as key informants through purposive sampling. Selection criteria included active involvement in beverage sales, location within or around Pangkajenne City, and diversity in product offerings. The detailed characteristics of these informants are presented in Table 1.

**Table 1.** Research informants

No	Informant's Name	Business Name	Length of Business
1	Wahyu	Nam Yok	2 Years
2	Uni	Taichan Australia	3 Years
3	Andi Marsha	Story Time	2 Years
4	Jen	JD Cofee	4 Years
5	Yasser	Talk Tea	2 Years
6	Anita	MN Pangkajenne	3 Years
7	Imha	Alena Smoothies	2 Years
8	ST. Rahma	Kedai Berkah	4 Years
9	Ayu	Kedai Ayu	3 Years
10	Tiara	Kedai Es Teler Sultan, king of	3 Years

Micro-scale beverage enterprises in Pangkajenne Regency, particularly those in the Running Bamboo Park area, play a significant role in the local economy. In addition to the primary informants listed in Table 1, supplementary observations and interviews were conducted with other micro beverage sellers, such as Muhlis, a powdered drink vendor active since 2019. His experience reflects perseverance and adaptability in response to evolving challenges, including intense market competition and weather-dependent sales fluctuations. These sellers persistently strive to maintain product quality and offer affordable prices to attract and retain customers.

Moreover, beverage-focused MSMEs in Pangkajenne continue to grapple with enhancing product competitiveness. Responding effectively to market demand and implementing strategic business practices are essential to achieving a competitive advantage. MSME actors are encouraged to collaborate with various stakeholders and leverage digital platforms for promotion, broadening their market reach and stimulating consumer demand. Overall, beverage MSMEs in the region demonstrate considerable resilience and enthusiasm in confronting these challenges. With sustained governmental support and focused efforts to enhance product quality and marketing strategies, these enterprises are anticipated to continue to grow and contribute meaningfully to the regional economy.

### **Problems Regarding The Lack of Capital Among MSME Actors**

MSMEs are businesses that contribute to the community's economy, such as creating jobs, improving the economy, and creating an entrepreneurial spirit (Biney, 2023; Charrón et al., 2020; Nate et al., 2022). For MSMEs' contribution to be more optimal, their business development needs to be supported to enable them to have a more significant and sustainable impact on the economy and community welfare. However, even though MSME businesses can make various positive contributions, they often face the classic fundamental problem: capital. This challenge is experienced locally and is a universal issue faced by MSMEs in various parts of the world (Mahmoud et al., 2023; Prijadi et al., 2020; Taiwo et al., 2022). This statement is in line with the results of interviews with several informants, revealing that capital is the most common problem

experienced by MSME business actors that can hinder their business development, such as the statement of the informant on behalf of Jen, who stated:

*"Actually, if we are asked about the problems that can hinder the development of businesses, there are a lot of them, now the most felt and experienced by many business actors, including myself, is the problem of capital, because how to develop a business if there is no capital, it is difficult to develop if you have limited capital." - Jen*

This statement can be interpreted as implying that many factors can hinder a business' development, but the most often felt by business actors, including the informants themselves, is limited capital. It is easier for a business to develop, even to survive, with adequate capital. Furthermore, the informant, on behalf of Yasser, also stated almost the same thing as Jen's statement.

*"I started my business from scratch. Masussa is indeed not meloki (The word meloki probably comes from a regional language or local dialect. In this context, the word meloki can be interpreted as "intend," "try," or "really want." To clarify for general readers, an explanation can be added or replaced with an Indonesian equivalent) .to develop a business However, they are constrained by limited capital. "to develop a business, you have to add e-equipment, add sales products, add marketing However, they are constrained by limited capital." - Yasser*

According to Yasser, starting a business from abrasion is scratch, and limited capital is the biggest challenge in developing a business. To develop a business, additional investments are necessary, such as equipment purchases, product innovation, and the expansion of marketing areas. These efforts require significant capital support to be adequately implemented.

Interviews with several research informants and findings from previous studies ([Mahmoud et al., 2023](#); [Prijadi et al., 2020](#); [Taiwo et al., 2022](#)) have revealed consistent and mutually supportive conclusions. Capital is a fundamental element in the development of businesses, including MSMEs, as it provides the essential means for acquiring and utilizing key resources such as equipment, human capital, raw materials, and technology. Once capital requirements are fulfilled, effective management of other key aspects—such as product innovation, marketing strategies, and financial administration—is crucial, as efforts to enhance equipment, expand market reach, or improve financial practices will be constrained without proper execution. Therefore, capital is not only an essential element but also a key to business sustainability in order to survive and develop.

This is also supported and strengthened by a theory, namely *the* Resource-Based View (RBV), which states that a company's growth depends on the resources it owns and is limited by human resource management. This theory also highlights the management of the company's resources to achieve a competitive advantage that can be maintained sustainably. In the context of this research, capital is not only a financial need but also a strategic element that allows MSMEs to effectively use and manage their resources. Adequate capital provides a solid foundation for MSMEs to invest in various aspects that support business growth and sustainability, including equipment addition, human resource development, marketing development, product innovation, and efficient operational management.

#### *Obtaining Additional Capital from Other Parties*

As described earlier, capital problems for MSMEs in their business development must be overcome. The way that business actors can overcome this is to get capital from other parties ([Prakash et al., 2021](#)). Various approaches can be taken to obtain capital from third parties, depending on strategic decisions and individual business actors in dealing with capital problems.



Selecting the proper method will determine the effectiveness and success of the business in achieving the desired development. Based on the results of an interview with an informant named Anita, when asked about a method for obtaining additional capital from other parties, she stated that

*"If I am asked how I can get additional capital so that I can use it to develop my business (I would) borrow from my family instead of borrowing from the Bank, because Alhamdulillah, I have my family who can help me if I have a problem like this." - Anita*

This shows that, in an effort to obtain additional capital for business development, Anita chose to ask her family for help. This choice reflects a strategy often adopted by business actors who rely on private networks as the primary source of funding. It can be considered a strategic first step, especially for MSMEs that may face difficulties in accessing formal funding sources, such as bank loans or external investors. Relying on family support not only facilitates access to capital but can also strengthen social relationships and trust. Anita's opinion is different from Andi Marsha's statement, when asked about similar matters, Andi Marsha replied:

*"If I need capital to develop my business or, for example, I want to start a new business but I do not have my capital, well, I will definitely borrow from the Bank; what else is my name at bank goods, lhamdulillah." - Andi Marsha*

Andi Marsha's statement indicates that he prefers to obtain capital from the banking sector when he needs funds for business development or to start a new business. Andi Marsha believes the Bank will approve his credit proposal based on his excellent track record. This decision reflects the belief that bank credit can provide access to the necessary capital based on a positive credit reputation and established relationships with financial institutions.

Based on the results of interviews with informants in general, they only gave two options in obtaining additional capital sources from other parties, namely borrowing from relatives or family and banking, so it can be seen that there are differences in strategies for obtaining capital for the development of MSMEs revealed by the informants. Informants seeking capital loan assistance from their families reflect a strategy that relies on personal networks as an initial solution. This choice is driven by ease of access and more personalized support, which are often an alternative for MSMEs with difficulty accessing formal funding, such as bank loans. Relying on family support facilitates the process of obtaining capital and strengthens social relationships and trust among family members. On the contrary, the second Informant prefers to obtain capital from the banking side and believes that the bank will approve his credit proposal thanks to his good track record.

These differences in strategies suggest that access to and selection of capital sources are highly dependent on individual factors, including social relationships, credit reputation, and the ability to access various funding sources. Although family support offers a more informal and personalized approach, banking credit provides a more formal and structured pathway to acquiring the capital needed to develop a business.

The results of this study are also in line with previous research, which also shows that additional sources of capital for MSME business actors can come from the business actors themselves, family, friends, and government or bank assistance in the form of (Abate & Sheferaw, 2023; Rokhim et al., 2021). The findings of this study align with previous research and are further reinforced by the Resource-Based View (RBV) theory (Abate & Sheferaw, 2023), which underscores the critical role of capital as a primary resource driving business growth in the context of MSMEs. With the right strategy, business actors can maximize the potential for additional capital to achieve

the success and sustainability of their business.

### *Risks, Considerations, and Alternative Strategies in Overcoming the Fear of Taking Loans*

To obtain additional capital, MSME business actors face various options and strategies. However, each choice also carries risks and considerations that must be carefully calculated. In addition to considering the benefits of the additional capital obtained, business actors also need to consider the long-term impact that may be caused, such as debt burden, potential dependence on external parties, and fear of failure to pay financial obligations. Therefore, understanding the risks, alternatives, and appropriate strategies for obtaining additional capital is essential to ensure the decisions taken to support business growth and minimize risks that can hinder business continuity.

#### 1. Risks and Considerations

In interviews conducted with all research informants, they expressed various views and experiences related to risks, considerations, and alternative strategies for overcoming fear when trying to obtain additional capital. Each informant gave a different statement despite these challenges, considering factors such as debt burden, alternative sources, and fear of a potential default. Their experience provides a more tangible picture of how any capital-related decision can affect their business' sustainability. Like the Informant on behalf of Wahyu when interviewed about his risks and considerations in obtaining capital through other parties:

*"I first consider the risks, because whether you borrow money from a bank or from family and friends, there are still risks. If you take a loan from the bank, you have to make monthly payments on time, plus there is interest to pay. But my business income is not always stable—sometimes it's high, sometimes low. On the other hand, I got my capital from my family. If my younger siblings are in need and I do not have enough money, I can explain and delay payment without stress, since there is no interest. So, borrowing from the bank is always my last option."*  
– Wahyu

Based on the Informant's statement, the principal risks and considerations that must be considered when making decisions related to capital loans are the ability to pay instalments consistently and the interest expense that comes with it. The informant acknowledged that the income generated from his business activities tends to fluctuate over time, with periods of high profitability occasionally followed by significant declines in revenue. In light of this financial instability, he preferred obtaining capital support through informal sources, particularly from his family, most notably his younger brother, due to the relatively lower financial risk involved. Borrowing from family members offers more flexible terms, as it does not include fixed monthly instalments or interest obligations, unlike formal loans from financial institutions, which typically impose stricter repayment structures and carry greater financial consequences. Considering these factors, the informant views bank loans as a last resort for obtaining capital, given the higher risks associated with scheduled repayments and interest accrual, which could further strain the sustainability of his business operations during periods of low income. The statement of the Informant on behalf of Wahyu is different from the statement of the Informant on behalf of the Uni, who, when asked about the same matter, stated the following:

*"If I go straight to the bank, well, that is usually when the family does not want to lend any more money. Not every family member is always willing to help, right? it means that if the  
"A bank is, of course, a business. If it doesn't give out loans, the important thing is that it can still pay its bills on time. That's why I'm very careful before applying for a loan from a bank,*

*carefully considering the risks—which ones I can handle and which ones I can't." - Uni*

The statement from the Informant can be interpreted as indicating that he is more likely to choose banking as a source of capital loans to develop his business than his family is. According to him, when applying for a loan, not all family members are willing to help or provide a loan. In contrast to banking, which has a more formal and guaranteed procedure, as long as the prospective borrower has a good credit history and passes the Bank of Indonesia (BI) checking process, the loan can be approved immediately. However, the informant also highlighted the risks associated with both options. Loans from families are often accompanied by social consequences, such as being the subject of gossip when unable to pay on time, which ultimately causes embarrassment to the family and neighbors. On the other hand, the risk of bank loans lies in the pressure of more formal payments, where, in the event of a delay, the Bank will make a collection, either by phone or in person on the ground. Therefore, the Informant emphasizes the importance of carefully considering these risks when applying for a loan at the Bank.

In obtaining loan capital from external parties, business actors often face variations in decision-making, each with unique financial risks. Each financing option carries different risks, and strategies to overcome those risks depend on the individual approach of the business actors involved. This decision reflects how each business actor evaluates and handles the financial risks associated with the chosen source of capital, whether it is from family, friends, or banking institutions. This variation in decision-making shows that financial risk management is a highly personal process, and the strategies adopted can differ significantly depending on the views and situations of each business actor. This perspective is similarly reflected in the Locus of Control theory, which posits that the source of an individual's belief in their ability to influence or control events—whether directly or indirectly—plays a fundamental role in shaping their behavior and perceptions. Furthermore, this theory defines the extent to which a person relates the events in his life to external conditions, other people, the position of others (internal), or both. In essence, *the Locus of control* is the extent to which an individual takes personal responsibility for his or her actions (Huda & Rahmawati, 2024).

## 2. Alternative Strategies to Overcome The Fear of Taking Loans

Applying for loans to obtain additional capital, especially for micro-businesses such as beverage sellers, often makes business actors afraid of the risks that may arise. Although they need additional funds to grow their businesses, they are worried about risks such as debt burden and loan interest. This fear often prevents individuals from taking the necessary steps, as they have to balance the urgent need for capital and the potential financial problems that can arise from borrowing. However, business actors must overcome these fears using various alternative strategies. Based on the results of interviews with all informants, these strategies vary. An informant named Imha, when asked about alternative strategies to overcome the fear of taking loans for capital needs for the development of his business, revealed that

*"I do not choose if I need capital, whether it is a bank or a family because I am afraid of the same risk. I always try very hard so that there is no loan for me, especially if there is a suggestion, my father said that you do not have to take a loan if you want to open a business. But if you need capital and do not want a loan, I sell or pawn my gold." - Imha*

The interview results showed that the Informant felt reluctant to take a loan from the Bank and the family because of fear of the risk. Bank loans carry the burden of monthly instalment obligations that must be paid, while borrowing from family can cause embarrassment if they cannot

afford to pay back. Messages from her parents advising her not to start a business with loans further reinforced these concerns. Alternatively, the Informant chooses to sell or pawn the gold he or she owns when she/he needs additional capital to develop her/his business. Furthermore, the Informant on behalf of Ayu, when interviewed about the same thing about alternative strategies to overcome the fear of applying for loans from other parties, such as banking or family, stated:

*"I am afraid to take a loan, sir, it's just that if you cannot take a loan at the bank or there is no family who can help, it is better for me to save money first from my business or if, for example, there is a salary from my husband's work, I save, then it will be collected and then used for capital to grow my business, sir." – Ayu*

The Informant revealed that the main fear in applying for loans from banks and families is the risk of being unable to meet payment obligations on time and the social impact of shame if one cannot pay debts. The Informant chose another alternative to avoid these risks: savings from the business profits and additional income from her husband's work. In this way, informants can gradually accumulate the necessary funds without becoming involved in debt. After the savings have been sufficient, the funds will be used to develop new businesses. This approach allows informants to minimize financial and social risks while ensuring that business development is carried out safely and more planned. Then, an informant named Tiara also had another view when interviewed about similar problems:

*"I calculated carefully first my average income every month, thank God there is a complete record of how much money goes out and money comes in, after I know that my average profit is clean, it means that all the new expenses come out and are asked at the bank." For example, if I apply for 25 million at the Bank, how many monthly installments if I choose 2 years, for example, it means 24 installments, the installment rate is 1.5 million per month, if, for example, my average net income is more than 2 million, it means that this is able to pay 1 installments if it is like that. Because the danger is indeed if it is not calculated carefully before borrowing, it could be serious if you do not pay it" – Tiara*

The strategy adopted by the informant is a very conservative approach to applying for loans. The Informant first ascertains the monthly average net profit, after deducting all operating expenses based on his financial records, whether it is sufficient to cover the loan installment. After evaluating his monthly average net income, he sought information about the number of instalments. Where the number of instalments submitted must be lower than the average income. For example, suppose Ayu wants to apply for a loan of 25 million with a tenor of two years (24 months) and monthly instalments of 1.5 million, while the average net income is more than two million per month. In this case, the Informant is confident and ready to apply for a loan at the Bank. This strategy is designed to minimize credit risk, especially the risk of inability to pay monthly instalments.

The interviews showed that the Informants had a sense of fear when applying for loans for capital needs, either from banks or family, relatives, and friends. This fear is based on financial risks such as debt burden, interest burden, inability to pay installments, and social impacts such as shame to family, relatives, friends, and friends if they do not pay on time. Therefore, from this fear, informants have alternatives for overcoming the risks that are likely to arise. An alternative is to sell or pawn assets such as gold, accumulate or save profits gradually, and make conservative calculations by ensuring that the amount of income will be greater than the number of instalments that will be paid each month. These alternatives reflect prudence in addressing the risks and fears

related to loan problems. The informants tried to avoid financial and social problems by choosing alternatives suitable for their financial situation and the capacity to overcome the lack of loans or capital to develop their businesses.

The results of this study are strengthened by Locus of Control theory (Huda & Rahmawati, 2024), informants tend to have an internal locus of control in overcoming the fear of capital loans. They choose strategies that give them more control over financial and social risks, such as selling or pawning assets, gradually saving, and making conservative calculations regarding loan instalments. This approach reflects a proactive and prudent attitude in financial management, whereby managers seek to minimize potential problems in a way that suits their capacity. Thus, this theory explains how internal control influence business actors' decisions and strategies when dealing with loan risk.

## Discussion

Anxiety surrounding loans and capital deficiencies is a significant challenge for MSMEs because it can profoundly affect their operations and growth potential. Many MSME owners often experience anxiety when it comes to accessing financial resources, primarily due to fears of not being able to repay loans, incurring high interest rates, or falling into debt traps. The uncertainty regarding loan terms and the complexity of financial institutions' requirements can make it difficult for these entrepreneurs to confidently pursue financial solutions that could fuel their business advancement.

This anxiety is compounded by insufficient capital, which limits MSMEs' ability to expand, invest in new technologies, or scale their operations. Without adequate funds, these businesses are often forced to operate at a smaller scale, missing out on potential opportunities that could elevate their competitive edge. Furthermore, the difficulty of securing loans from traditional banking institutions due to stringent eligibility criteria and lack of collateral increases the barriers for MSMEs in overcoming their capital deficiencies.

Addressing this anxiety requires a multi-faceted approach. First, it is essential to create more accessible and transparent loan products tailored to the specific needs of MSMEs. Financial institutions and lenders can mitigate these concerns by offering loans with lower interest rates, more flexible repayment terms, and simpler application processes. Furthermore, fostering trust through education and financial literacy programs can empower MSME owners to better understand the loan process and manage their finances effectively.

Governments and policymakers also play a critical role in bridging the financing gap by implementing policies supporting MSMEs, such as providing loan guarantees, offering microfinance options, and establishing funds designed to assist businesses in underserved sectors. By reducing lenders' perceived risk and offering alternative financing options like grants or venture capital, MSMEs can access the resources they need without the overwhelming fear of financial ruin.

Fairness in this process is equally important because many MSMEs operate in underdeveloped or rural areas where resources are scarcer and opportunities are more limited. Considering the challenges these businesses face, ensuring that loans and capital are distributed equitably will help level the playing field. With the right financial tools and support systems, MSMEs can overcome the anxiety surrounding loans and capital deficiencies, advancing growth, and contributing more effectively to the economy.

The advancement of MSMEs plays a pivotal role in the economic development of local communities, especially in regions like Pangkajene Kabupaten Sidenreng Rappang (Sidrap), where the MSME sector forms a significant part of the local economy. However, among the most significant barriers faced by MSMEs in this region is the anxiety surrounding loans and capital deficiencies. This research explores the underlying causes of this anxiety and its impact on MSME growth and

proposes strategies for mitigating capital deficiencies to facilitate their advancement. This discussion will explore various perspectives surrounding the anxiety surrounding loans, the challenges of accessing capital, and the potential policy measures that can foster a more conducive environment for MSME growth in Sidrap.

One of the most pressing challenges MSMEs in Sidrap face is the psychological and practical anxiety surrounding loans (Lea, 2021). From a psychological perspective, many entrepreneurs in the region view loans as a risk, especially given their lack of financial literacy and understanding of the terms associated with borrowing. The fear of being unable to repay loans, coupled with the uncertainty about the repayment schedule, often leads to reluctance to take on debt. This anxiety can be particularly prevalent in areas where MSMEs are generally small-scale and have limited access to formal financial education (Garrett et al., 2022).

Anxiety about loans is closely tied to the perception of debt as a heavy burden, often exacerbated by high interest rates, complicated loan application processes, and collateral requirements many small business owners in Sidrap cannot meet (Hiilamo, 2021). Furthermore, MSMEs in Sidrap, particularly those in rural or underserved areas, face challenges in building trust with financial institutions. The lack of comprehensive credit history, limited access to banking services, and poor understanding of financial instruments contribute to loan apprehension. This anxiety, however, results in a vicious cycle. As MSMEs avoid loans, they take advantage of the opportunity to access capital that is necessary for business growth, leading to stagnation in their operations. The resulting capital deficiencies limit firms' ability to invest in technology, expand operations, and improve productivity, ultimately reducing their competitiveness in the market (Callender & Davis, 2024).

Capital deficiency is another critical factor that stifles MSME development in Sidrap. MSMEs often need help to secure sufficient working capital to expand operations, improve infrastructure, or develop new products and services. This issue is especially prevalent in areas where financial institutions are reluctant to lend to small businesses due to perceived risks and the need for more collateral. The capital deficiency in Sidrap is linked to a broader problem of financial exclusion, where a significant portion of the population, particularly in rural areas, does not have access to formal financial services (Bossuroy et al., 2022; Niner et al., 2024).

The need for robust support systems for MSMEs, such as government-backed loan schemes and mentorship programs, intensifies the capital deficiency issue. While some government initiatives exist, they are often underfunded or not well-publicized, leaving many MSMEs unaware of the available resources. As a result, businesses in Sidrap continue to need help in securing the necessary capital for growth. A multi-faceted approach is needed to address the anxiety surrounding loans and capital deficiencies. First, enhancing financial literacy among MSME owners in Sidrap is essential. By equipping entrepreneurs with a better understanding of financial products, loan terms, and the benefits of borrowing, the psychological barriers to taking loans can be reduced. Ideally, supported by local governments or non-governmental organizations (NGOs), financial literacy programs could help demystify the borrowing process and provide entrepreneurs with the tools to make informed decisions.

Second, Sidrap financial institutions must adopt more inclusive lending practices. This could involve offering microloans with lower interest rates, flexible repayment schedules and less stringent collateral requirements. Microfinance institutions, in particular, can play a crucial role in offering small loans to MSMEs without requiring significant collateral. These loans should be designed with the understanding that MSMEs are often cash-flow-constrained and may require flexibility in repayment terms. In addition, implementing digital financial solutions could be a game-changer for MSMEs in Sidrap. Digital platforms provide easier loan access, reduce transaction costs, and simplify the application process. Fintech companies could partner with local financial



institutions to offer tailored loan products that meet the specific needs of MSMEs in the region. This digital shift could also enable better tracking of MSME performance, providing lenders with more reliable data to assess the creditworthiness of small businesses.

On a policy level, the local government of Sidrap could introduce targeted programs that provide grants or subsidized loans to MSMEs in key sectors, such as agriculture, manufacturing, and services. The government could also collaborate with financial institutions to offer risk-sharing mechanisms that reduce the exposure of lenders to default risks. These mechanisms, such as loan guarantees or interest rate subsidies, could incentivize financial institutions to lend to otherwise too-risky MSMEs. Finally, building trust between MSMEs and financial institutions is essential. This can be achieved by creating transparent and accountable lending practices, improving customer service, and establishing clear communication channels. Community outreach programs could help demystify the process, ensuring that Sidrap entrepreneurs feel more confident in their ability to access and manage loans.

An ongoing debate in the academic literature revolves around the roles that the government and private sector can play in addressing the capital deficiencies of MSMEs. On the one hand, proponents of market-driven solutions argue that the private sector should lead the way in offering financial products to MSMEs. They argue that competition among financial institutions will naturally lead to better loan products and services. In addition, private sector solutions are seen as more efficient because profit motives drive them and can quickly adapt to the needs of MSMEs.

On the other hand, advocates of government intervention stressed the need for state-backed initiatives to support MSMEs. Government programs can provide crucial support in times of economic downturn or market failures. By offering subsidized loans, grants, and guarantees, the government can help mitigate the risks faced by financial institutions when lending to MSMEs. Moreover, government-led initiatives can target underserved regions, such as Sidrap, where the private sector may be unwilling to invest due to perceived low profitability. In Sidrap, a balanced approach combining public and private sector involvement may be the most effective strategy. The government can provide a safety net and create an enabling environment, while the private sector can drive innovation and efficiency in providing financial services to MSMEs.

## **CONCLUSIONS**

This perspective is similarly reflected in the Locus of Control theory, which posits that the source of an individual's belief in their ability to influence or control events—whether directly or indirectly—plays a fundamental role in shaping their behavior and perceptions for MSMEs. To meet additional capital needs, MSME actors often rely on external sources, such as banks, family, relatives, and friends. Each funding option carries risks; bank loans require businesses to meet instalment obligations on time, whereas loans from family or friends can cause embarrassment if they cannot pay on time.

Awareness of these risks causes fear and worry about business actors when applying for loans leading to many resort to alternative strategies such as, selling or pawning the assets owned, gradually saving, and conducting thorough financial analyses prior to loan applications. Thus, although capital remains a key factor in the success of MSME businesses, access to adequate funding and sound risk management is essential for sustainable business growth. Therefore, more intensive efforts from the government and financial institutions are needed to facilitate access to funding and increase the knowledge and skills of MSME actors in managing financial risks. These steps are expected to help MSME actors overcome the fear of taking loans from other parties to overcome the lack of capital for their business development and achieve more stable and sustainable success.

## **Implication**

The current study has significant implications for the development of MSMEs, especially in terms of understanding the challenges of access to capital that are often faced by this sector. MSMEs are frequently hampered in their business progress and expansion due to a lack of sufficient capital, and one of the main reasons is the anxiety or fear that comes with applying for a loan. The uncertainty regarding the risks involved in taking loans makes many MSME players hesitant to apply for funding sources that can help them grow.

This study reveals that in addition to loans' fear factor, adequate information about financing schemes that MSMEs can access is lacking. Many micro and small business owners do not fully understand the loan application procedure or choose not to take out a loan because they do not have enough knowledge to manage those financial obligations. This intensifies the challenge of obtaining the capital needed for business growth and innovation.

The implications for policies and practices in the MSME sector include the importance of providing more education and training related to financial management as well as a better understanding of the various financing options available. This section includes an explanation of low-interest loans or grants that MSMEs can use to overcome capital deficits. In addition, his research also shows the need for a platform or institution that can assist MSMEs in reducing their anxiety about loans and increasing their confidence in using existing financing sources.

In addition, this study provides an overview that mitigating the problem of capital shortage depends not only on loans from financial institutions but also on developing alternative financing schemes, such as community-based financing or cooperation between the public and private sectors. This approach can provide more opportunities for MSMEs to obtain financial support that suits their capacity and needs.

Thus, the main implication of this study is the need for reform in the financing system for MSMEs, which includes better education about the risks and benefits of loans, reduction of loan anxiety, and the provision of broader access to various sources of financing that can accelerate the overall progress of MSMEs.

## **LIMITATION & FURTHER RESEARCH**

### **Limitations**

Although the present study offers valuable insights and contributes to the practical understanding of the issue, it is not without limitations, which serve not only as necessary boundaries to enhance the study's effectiveness and depth, but also as reference points for future research aiming to advance this area of inquiry. First, the study is limited by its restricted geographical scope. This study may be geographically limited to a specific region or country, potentially restricting the generalizability of its findings to broader national or global contexts concerning MSMEs and their access to capital. Given the considerable variation in MSME dynamics across regions, shaped by differences in economic development, financial infrastructure, regulatory frameworks, and sociocultural factors, the applicability of results derived from a single locale may be limited in areas with significantly different economic conditions. Moreover, the study may not sufficiently consider broader macroeconomic factors such as inflation, interest rates, and overall economic stability, all of which can substantially affect MSMEs' access to capital. These external variables, which are typically beyond the control of business owners, may either exacerbate or mitigate loan-related anxieties and influence the overall availability of financial resources.

A further limitation lies in the sample size and diversity of the MSMEs included in the study. Suppose that the research only includes a limited number of businesses or businesses from specific industries. In that case, the results may not accurately represent MSMEs' experiences and challenges. MSMEs in different sectors (such as technology, manufacturing, or retail) may face

varying degrees of anxiety or capital shortages, and a study limited to specific sectors may not capture the full spectrum of issues.

Furthermore, this limitation is compounded by the study's reliance on self-reported data from MSME owners. The participants may consciously or unconsciously overstate or understate their challenges due to concerns about stigma, social desirability, or personal biases. Moreover, some participants may lack the necessary self-awareness or technical knowledge to accurately identify the underlying causes of their anxiety and capital-related constraints.

Although the present study has successfully achieved its research objectives, it remains aligned with many existing studies on MSMEs, which often adopt a short-term perspective. The effects of financial anxiety and limited access to capital frequently manifest over extended periods; however, many research designs, including the current one, may only provide a cross-sectional snapshot of the situation. This limitation poses challenges in capturing long-term trends and assessing the sustainability of proposed interventions. Moreover, establishing a causal relationship between loan-related anxiety and capital deficiencies among MSMEs remains complex. While a correlation is evident, the directionality of this relationship is difficult to determine, as various external factors, such as market volatility, personal stressors, or broader economic disruptions, may influence financial anxiety.

Additionally, the study primarily focuses on traditional loan structures and institutional financing, potentially overlooking the growing relevance of alternative financing models such as crowdfunding, venture capital, and peer-to-peer lending. This focus may restrict the comprehensiveness of the findings, particularly for MSMEs that increasingly seek more adaptable and innovative funding avenues. Although the data collection and analysis processes were conducted thoroughly over several months, the absence of a longitudinal component limits the ability to observe changes in MSME owners' attitudes and experiences over time. One-time interviews may not adequately capture the dynamic nature of business responses to shifts in financial access or fluctuations in anxiety levels as economic conditions evolve.

The study may face difficulties in establishing causality between loans' anxiety and MSMEs' capital deficiencies. While there is a correlation between the two, determining the direction of this relationship or understanding whether one causes the other can be complex. Financial anxiety could stem from other factors, such as market conditions, personal stress, and external economic crises, making it difficult to draw causal links.

The research may not account for broader economic factors, such as inflation rates, interest rates, and overall economic stability, which can significantly impact the ability of MSMEs to access capital. These macroeconomic variables, often beyond the control of business owners, can intensify or alleviate the anxiety surrounding loans and influence capital availability.

**Limited Focus on Innovative Financing Solutions** The research may focus predominantly on traditional loan structures and institutional financing mechanisms, potentially neglecting emerging, alternative financing models, such as crowdfunding, venture capital, and peer-to-peer lending. This can limit the comprehensiveness of the findings, particularly in the context of MSMEs seeking more flexible or unconventional financing solutions.

**Lack of longitudinal analysis:** The absence of a longitudinal study limits the ability to observe how MSME owners' attitudes and experiences evolve. No one-time survey or interview might capture how businesses adapt to changes in financing availability or how their anxiety levels fluctuate as their financial situations improve or worsen.

### **Further Research**

Given the limitations identified in the present study, future research can build upon and extend the current findings to enable a more in-depth exploration of the topic. First, future research could expand the geographical scope by conducting cross-national studies to examine how MSMEs

in different countries and regions deal with loan anxiety and capital deficiencies. By comparing the experiences of MSMEs in both developed and developing economies, researchers could explore the role of institutional support, government policies, and socioeconomic conditions in mitigating these challenges. This comparative analysis can identify best practices and inform policy recommendations that can be applied in various contexts.

To address the limitation of short-term focus, future research could conduct longitudinal studies that track MSMEs over a more extended period. By following the same group of businesses over several years, researchers could explore how access to capital and the anxiety surrounding loans evolve and how businesses respond to changing financial conditions. This approach would provide deeper insights into the long-term effects of financial anxiety on MSME growth and sustainability.

Additionally, given the increasing importance of alternative financing mechanisms, such as fintech, peer-to-peer lending, and crowdfunding, future studies should focus on understanding the potential of these models to mitigate the capital deficiencies MSMEs face. Research could explore how these alternative funding sources can reduce the anxiety surrounding loans and offer more accessible capital options for MSMEs. It is also valuable to analyze the regulatory landscape surrounding these alternative financing methods because they can significantly impact their adoption and effectiveness.

Based on the current and prior studies, it is evident that government policies exert a significant influence on MSME financing and financial well-being. This finding underscores the need for further research into the role of public policy in mitigating financial anxiety among MSME owners. Policymakers can affect both capital accessibility and financial literacy through mechanisms such as subsidies, tax incentives, and capacity-building programs. Investigating the effectiveness of such interventions, particularly within the context of developing countries, can offer valuable insights into how public sector initiatives might complement private financing mechanisms.

In parallel, the increasing digitalization of financial services presents a promising avenue for addressing capital access and financial anxiety. Future studies could examine how digital tools—such as financial management software, loan prediction algorithms, and online lending platforms—can streamline financing processes and reduce uncertainty for MSME owners. Furthermore, the potential of technology to improve financial literacy, simplify loan applications, and automate key procedures merits deeper investigation. Understanding how these technological innovations can be strategically leveraged may yield practical solutions for both MSME stakeholders and financial service providers.

Moreover, collaborative research involving academic institutions and financial organizations could offer a nuanced understanding of how financial institutions might better serve MSMEs. Exploring institutional constraints, such as risk assessment criteria and loan approval procedures, could inform the development of more tailored and accessible financial products. Such research would not only shed light on existing barriers within lending institutions but also highlight opportunities for innovation aimed at alleviating MSME-specific financial challenges, including anxiety related to capital acquisition.

A sector-specific approach to future research may further refine our understanding of how financial anxiety and capital deficiencies vary across industries. For instance, technology-focused MSMEs face different challenges than agriculture and manufacturing sectors. Identifying sector-specific trends and barriers to financing could help tailor interventions more effectively, ensuring that different types of MSMEs receive the support they need to grow. Collaborative research between academic institutions and financial organizations could further illuminate how financial institutions can better serve MSMEs. Understanding the constraints that lenders face, such as risk

assessment protocols and loan approval processes, could lead to the development of more MSME-friendly loan products. This research could identify areas where financial institutions can innovate to meet MSMEs' unique needs, potentially reducing anxiety and capital deficiencies.

In addition to structural and institutional considerations, behavioral economics offers a valuable lens for examining the psychological dimensions of financial anxiety among MSME owners. Future research might explore factors such as risk aversion, past negative experiences with loans, and social stigma related to borrowing. By incorporating insights from behavioral economics, researchers could propose strategies to ease the psychological barriers to loan access and enhance the financial decision-making of MSME owners.

Lastly, evaluating the effectiveness of financial education programs is crucial in understanding their impact on both anxiety reduction and financial behavior. Empirical studies could assess whether targeted literacy interventions improve loan accessibility, repayment behavior, or reduce apprehension surrounding debt. Furthermore, the analysis of large-scale financial records could help establish correlations between capital access, anxiety levels, and business outcomes such as profitability, growth, and employment. Such data-driven evidence can guide the formulation of more effective, evidence-based policies and programs aimed at fostering sustainable development among MSMEs.

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