




Strengthening The Existing Indonesian Government Policies Related to MSMEs to be Sustainable

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) was considered the savior in the Indonesian economic crisis 1997 because of their agility to be owned by anyone who intends to do business. On the other hand, MSMEs faces the threats of limited capital and low-quality human resources. Initially, the effect of the threats was that MSMEs caused environmental issues in the surroundings because of the law control management; thus, related research needs to be conducted. This study aims to evaluate the adequacy of the regulatory ecosystem related to MSMEs in Indonesia related to sustainability issues. With this aim, the qualitative descriptive method is very relevant to the needs of this research. The results of this study show that Indonesia's MSMEs regulatory ecosystem is still weak in raising sustainable issues. Practices to improve sustainability performance were identified, and suggestions to related institutions were also presented at the end of the writing. Research about the adequacy of government policies related to the sustainability of MSMEs in Indonesia is infrequently conducted; thus, this research will contribute both academically and practically.

Keywords: *Sustainability; Triple Bottom Line; Regulatory Ecosystem*

INTRODUCTION

Sustainability is a concept that enhances business practice by balancing current and future stakeholder needs in three dimensions: economic, social, and environmental (Pemer et al., 2020). This sustainability concept can not be apart from the company. That is because companies produce services or goods resulting in waste from their material, products, or packaging (Latifah & Soewarno, 2023). In addition, developing socio-economic conditions gives businesses concerned with sustainable development a competitive advantage (Hudnurkar et al., 2023). It results in the commitment to sustainability becoming crucial these days to be implemented in a firm's processes and procedures, including the management philosophy, strategic decisions, competitiveness, and planning (Maheshwari et al., 2023). As a savior in the Indonesian economic crisis 1997, MSMEs is an interesting sector to discuss as it helped increase the Indonesian Gross Domestic Product but faces many problems (Sudartono et al., 2020). thus, MSMEs are considered to have an important and strategic role in national economic development (Putra, 2016).

As entities classified as small in various aspects, MSMEs face problems with household management. Several challenges for MSMEs business players are obtaining sufficient capital, meeting human resources (HR) quality standards, having a limited understanding of the law, and achieving business accountability. The two main problems are limited capital and low-quality human resources. Capital problems impact the limited quantity of business production, limiting the market reach. Ultimately, this problem will lead to difficulties in developing the business.

Meanwhile, the low quality of human resources is related to management control, creativity, and the ability to use technology. Low control management causes the quality of MSMEs products to be inconsistent. Limited creativity makes products no more attractive than products from large companies. The use of technology in both production and marketing plays a role in a business's speed of production and market reach. Hence, a low understanding of technology hinders MSMEs

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from accelerating business growth (Zahra, 2022).

It turns out that MSMEs problems do not stop at the household's internal level; they also impact sustainability. The Government's attention to the development of MSMEs in their role in the country's economic growth needs to be expanded in scope because MSMEs also have negative impacts on the environment. One example of this impact is pollution. MSMEs produce many types of pollution, for example, gas emissions, production waste, and other dangerous chemicals. Poor management of this will have a social impact on disrupted public health. It is enough to provide an example that MSMEs problems are systemic problems whose handling requires strategic efforts. The government has the authority to facilitate and encourage MSMEs to participate in maintaining not only economic performance but also environmental and social performance. Law Number 23 of 2008 concerning Protection and Management of The Environment states that MSMEs are entities that are not obliged to prepare AMDAL (Environmental Impact Analysis) and UKL-UPL (Environmental Management Efforts and Environmental Monitoring Efforts) but still make statements regarding waste management and environmental monitoring (Yayasan Dharma Bhakti Astra, 2023).

One of the environmental pollution cases was the pollution of the Kalisari Mulyorejo River, located in Surabaya, East Java. In 2022, laboratory tests were carried out on complaints and symptoms of a foamy river. Laboratory tests on river water samples concluded that the river was badly polluted by household, not industrial, waste. Waste from home-based MSMEs plays a negative role in severe pollution, namely level 4 river pollution, the highest level (Widiana, 2022).

The phenomenon of river pollution produced by MSMEs waste in the previous paragraph shows that there is still a gap between regulations regarding the ability of MSMEs to handle waste and existing practices in the field. This compliance problem occurs because MSMEs have insufficient awareness of environmental impacts. Apart from that, the role of the local government is also not optimal in carrying out supervision regarding environmental performance.

Research related to MSMEs and sustainability has been conducted. Macatumbas-Corpuz and Bool (2022) explained that business practices have a significant positive relationship with microbusiness enterprises' sustainability, while the benefits and incentives have a significant negative relationship with its sustainability. Chang et al. (2023) did related research using a systematic literature review to uncover the richness and establish holistic perspectives on the sustainable entrepreneurship knowledge domain. In Indonesia, research on MSMEs related to sustainability frequently revolves around sustainable business practices of MSMEs in general and the use of technology in MSMEs, just like Murti et al. (2021) explained that every company should use information technology to develop an approach to managing customer relationships. Meanwhile, the main issue that still needs to be discussed has not been discussed, namely, the adequacy of regulations and sustainability policies for MSMEs in Indonesia. Therefore, this research will explore sustainability issues at a strategic level. It is related to the adequacy of policies and regulations related to sustainability issues in MSMEs.

This research evaluates the adequacy of government sustainability regulations and policies in Indonesia. Apart from that, ideal practices related to sustainability policies in other countries are an interesting topic to review. It will ultimately provide insight into the policies or regulations that Indonesia needs to improve environmental performance in the MSMEs sector. This research will contribute to two sectors: policymakers and the academic field. The policy proposed at the end of the writing will have practical research value. Meanwhile, in the academic field, this research can be a basis and reference for further research related to Sustainability Issues in MSMEs.

LITERATURE REVIEW

Theory of Sustainability

The sustainability theory was first proposed by [Meadows et al. \(1972\)](#), explaining that there were societal efforts to prioritize social response towards environmental and economic concerns. This response was expected to fulfill the needs of both current and future periods ([WCED, 1987](#)). This sustainability concept develops and gets applied in the context of corporate sustainability ([Pemer et al., 2020](#)). This context is a business strategy and investment that can enhance business practice by balancing current and future stakeholder needs in three dimensions: economic, social, and environmental ([Pemer et al., 2020](#)).

Corporate Sustainability is usually measured through the Triple Bottom Line (TBL). This concept was developed by [Elkington and Rowlands \(1999\)](#). There are three TBL dimensions, namely economic, social, and environmental. [Pemer et al. \(2020\)](#) state that companies can move towards sustainable development by integrating TBL into management strategy. [Pemer et al. \(2020\)](#) prove that organizations focusing on TBL can increase the company's competitive advantage.

Development of Sustainability

The issue of Sustainability brings the Triple Bottom Line as its main concept. The concept has the consequence that companies must pay attention to stakeholders' interests, not just shareholders. It means that companies must have a role in their internal household and all aspects of their location. The three main topics of sustainability are Profit, People, and Planet. Besides fighting for profits, companies must maintain social (People) and environmental (Planet) performance. Companies integrate this sustainability concept into their Management Control System and/or Performance Measurement System, for example, the Balanced Scorecard (BSC) ([Felisia & Limijaya, 2014](#)).

The Triple Bottom Line was translated into indicators to measure success in its development. The Profit aspect in research is defined as financial performance. The indicators that can be used are financial ratios analysis, namely liquidity, solvency, activity, and profitability ratios. The People aspect of the research is defined as social performance related to corporate social responsibility apart from carrying out the company's operational activities. The Profit aspect is defined as environmental performance to achieve a green environment. Social and environmental performance can be obtained from various sources, one of which is compliance with the components of the Global Reporting Initiative, namely standards that regulate the minimum information companies need to report regarding sustainability ([Adil & Winarsih, 2019](#)).

Ecopreneurship is a term that emerged after the issue of sustainability became a concern. This term encourages business actors to consider sustainability in running their businesses. This term is very popular in the creative industry, where most MSMEs are involved in this field. It means that MSMEs actors have the opportunity and responsibility for their sustainability role. This process is not easy and takes time, but implementing ecopreneurship provides a competitive advantage for business actors who can implement it. Support from various parties, including the Government, is needed to make ecopreneurship a new business style ([Setyanti et. al., 2021](#)).

Business Model Innovation is one of the things that encourages a business actor to achieve sustainable performance. This is in line with the concept of green innovation, which means the two can complement each other. To get high-quality but low-impact products, several aspects must be considered: customer segmentation, customer relationships, distribution systems, value offered, key activities, main resources, and relationships with partners. One area that has the potential to implement Business Model Innovation is startups. With its agility and dynamism, Startups have the power to determine their business model. Therefore, MSMEs can learn from the application of this concept with adjustments ([Deu, 2022](#))

Micro, Small and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises (MSMEs) are business activities carried out by individuals, households, or business entities classified as small-scale with indicators in the form of annual income, assets, and employees owned by the business. MSMEs are a mainstay of socio-economic welfare In Indonesia (Noviarto & Palupi, 2021) and have received attention since 1997, namely the era of the economic crisis, which caused a decline in the Indonesian economy. MSMEs were present as saviors at that time by helping to increase Indonesia's gross domestic product. Regulations regarding MSMEs already exist in Law Number 9 of 1995 concerning Small Enterprises and Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises. Attention to MSMEs in Indonesia is increasing, attracting young people's attention to pursue these commercial businesses (Sudartono et al., 2020).

MSMEs are an economic concept that has no standards in the world. The definition of MSMEs varies from country to country, with indicators adjusted to the conditions of the country concerned (Irhamni et al., 2023). In Indonesia, regulation of MSMEs began in 1995 when Law Number 9 concerning Small Enterprises was passed. The law defines a small business as a productive business with a maximum net worth of 200 million (excluding buildings and land where the business is located) and maximum sales proceeds of 100 million for one year. Then, the definition of Small Business is detailed in Law Number 20 of 2008 about MSMEs. The law divides businesses into three categories, namely micro, small, and medium businesses, with their respective definitions and criteria. These criteria have been updated with Government Regulation 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises, as presented in Table 1.

Table 1. Criteria of MSMEs

No.	Type of business	Capital	Turnover per year
1	Micro Enterprises	A maximum of 1 billion rupiah does not include land and buildings for business premises.	Maximum 2 billion rupiah
2	Small Enterprises	More than 1 billion up to 5 billion rupiah does not include land and buildings for business premises.	More than 2 billion up to 15 billion rupiah
3	Medium Enterprises	More than 5 billion up to 10 billion does not include land and buildings for business premises.	More than 15 billion up to 50 billion rupiah

Source: processed from Government Regulation Number 7 of 2021

Table 1 explains that two criteria must be considered to classify a business into a specific category of MSMe. Capital indicates how much financial capacity in cash that enterprises have. At the same time, the turnover indicates the total earnings from the operation without being deducted from any expenses in a year.

Industrial Revolution 4.0. has an impact on all aspects of the economy, including MSMEs. MSMEs are encouraged to integrate technology into their value chain to avoid being left behind. The role of MSMEs in improving welfare and providing employment opportunities has resulted in the government's paying attention to this sector through outreach and assistance. Banking policy is also crucial regarding MSMEs, namely credit. Policies related to credit for MSMEs often have their conveniences with the aim of minimizing MSMEs capital problems (Hastuti et al., 2020).

As MSMEs are a type of business that anyone can do, the types of MSMEs businesses in Indonesia vary greatly. The following are five types of MSMEs with the largest market share in Indonesia (Januaji, 2023). Fashion MSMEs, namely MSMEs, make clothing their main product.

Fashion trends that change following developments in people's tastes make this field very dynamic. Culinary MSMEs, namely MSMEs, use food as their main product. 60% of MSMEs in Indonesia are in the culinary sector. This large development is partly due to the massive culinary franchise system. Agribusiness MSMEs, namely MSMEs, use agricultural products as their main product. Some of the most numerous sectors in this field are the businesses selling plant seeds, agricultural equipment businesses, and ornamental plant businesses. Digital MSMEs make digital outputs as their products, such as graphic design, websites, content writing, and similar outputs. Automotive MSMEs provide vehicle servicing and spare parts sales as their primary business activities. This field is developing because Indonesia has the most motor vehicle users globally.

RESEARCH METHOD

This research is conducted using qualitative descriptive methods and content analysis. Bungin (2008) defines content analysis as a research technique for the objective, systematic description of the manifest content of communication. Technically, content analysis includes classification symbols used in communication, internal criteria classification, and specific analyses in formulating a prediction (Bungin, 2008). This technique is used in this research by collecting Indonesian Government Regulations from legal websites and then evaluating the content by examining the adequacy of technical direction related to sustainability. In addition, the literature review is conducted to find relevant journal articles comprising ideal practices of sustainable management as alternative solutions proposed toward the MSMEs authorities at the end of this research.

Data and information were obtained by collecting literature from journals, E-books, and other relevant articles. As is the mechanism in qualitative writing, understanding and analyzing data is conducted parallel with the data acquisition process. Adjustments are made to adapt to the presence of data and/or information and new insights into the process. This research describes the regulations that apply regarding MSMEs in Indonesia. Then, the depiction of sustainable MSMEs strategies or ideal practices in other countries provides insight into new ideas proposed as policies for the relevant authorities at the end of the research.

The Indonesian regulation related to MSMe is obtained by searching the words "Micro," "Small," "Medium," or "Enterprise" at <https://peraturan.bpk.go.id>. The regulations that are initially chosen to be evaluated are in the form of Law and practical Government Regulation. It is why The Law regulates nationally, and any other lower-level regulation will follow the Law. This search results from two main Laws and 2 Government Regulations to evaluate.

The journals are collected by searching "Sustainable Strategic Management for MSMe" in Google Scholar. The chosen articles are those considered conceptually relevant to give alternative solutions for the weakness of regulation of ecosystems related to sustainability in Indonesia. Initially, five articles are considered conceptually relevant to discuss.

FINDINGS AND DISCUSSION

Regulatory Ecosystem related to MSMEs in Indonesia

To find out how policies and regulations related to MSMEs relate to sustainability issues, it is necessary to analyze the content of the applicable regulations. The following are regulations related to MSMEs that apply in Indonesia, along with the analysis results.

Law Number 9 of 1995 concerning small businesses divides businesses into small, medium, and large businesses. Additionally, the criteria for small businesses are explained based on total assets and total income. This regulation also explains government facilities to encourage small businesses, such as coaching, development, and guarantees. Partnerships with Medium and Large Businesses are also part of this regulation. This law is no longer in effect. Regarding the issue

of sustainability, article 18 of this regulation states that one of how technology development is carried out is by providing incentives to small businesses that implement new technology and preserve the environment ([Law Number 9 of 1995 on Small Business, 1995](#))

The Law Number 20 of 2008, concerning Micro, Small, and Medium Enterprises, replaced The Law Number 9 of 1995 concerning Small Businesses so that MSMEs receive a more inclusive umbrella. Micro, Small, and Medium Enterprises are defined separately in this rule. The criteria for each type of business are still based on the number of assets and business income. The business climate supported in this regulation is related to funding, facilities and infrastructure, business information, partnerships, business licensing, business opportunities, trade promotions, and institutional support. Coaching, development, and partnerships are also still regulated in this regulation.

Regarding the issue of sustainability, article 20 of this regulation states that design and technology development is carried out by providing incentives to MSMEs that develop and use environmentally friendly technology and preserve the environment. One of the principles of MSMEs is to be "environmentally aware ([Law Number 20 of 2008 on MSMEs, 2008](#)).

Furthermore, Government Regulation Number 17 of 2013 concerning the Implementation of Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises is a technical regulation related to the implementation of Law Number 20 of 2008. This regulation contains technical matters regarding development, partnerships, licensing, guidance, and supervision. Regarding sustainability issues, this regulation does not discuss sustainability aspects. ([Government Regulation No. 17 of 2013 on Regulation of the Implementation of Law No. 20 of 2008 on MSMEs, 2013](#))

Government Regulation Number 7 of 2021 concerning Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises was drafted as a product of the Job Creation Law. The definition of each type of MSMEs is still the same, but the criteria for total assets and income have changed. Other regulated material matters are related to licensing, recovery, empowerment, provision of promotional venues, establishment facilities, funding, and other material matters. Regarding the issue of sustainability, the categorization of MSMEs types includes the criterion "implementation of environmentally friendly technology" as an alternative criterion that can be used for categorization in certain interests. These criteria are also requirements for incubation facilities: coaching, mentoring, and development programs ([Government Regulation No. 7 of 2021 on Regulation of the Implementation of Law No. 17 of 2013 on Facilitation, Protection and Empowerment of Cooperatives and Micro, Small and Medium Enterprises, 2021](#)).

Bank Indonesia and the Bogor Agricultural Institute conducted a study regarding the Green MSMEs Development Business Model with a focus on agriculture and crafts as a form of commitment to the results of the G20 Presidency. It is part of Bank Indonesia's Economic and Financial Policy framework. Bank Indonesia also encourages green financing by issuing regulations on the Green Loan Value ratio and the Green Macroprudential Inclusive Financing Ratio (RPIM) and developing green money market instruments. The study categorized MSMEs into three groups: eco-adopters, eco-entrepreneurs and eco-innovators. This category uses several indicators: production, marketing, human resources, and finance. Eco-adopters are a group of MSMEs starting to adopt environmentally friendly practices, but not completely. Eco-entrepreneurs are a group of MSMEs that have implemented environmentally friendly practices in their business processes and already have a "green market" for their products. Eco-innovators are a group of MSMEs that have developed green innovations to reduce environmental impacts, implement environmentally friendly practices, and have a market ([Haryono, 2022](#)).

Insights Regarding MSMEs Practices from Various Research

One study attempted to integrate sustainability issues into small business practices. The model created is called "GES," namely Strategic Sustainability Management. This model integrates Strategic Management, Triple Bottom Line, and Balanced Scorecard processes to achieve sustainable performance. Some of the limitations small businesses face are operating limitations, resources, and other cultural factors. The integration of the three processes raised in this issue requires an understanding by policymakers regarding these three things before being integrated. This concept is an essential strategy for integrating sustainability issues into small businesses (Barbosa et al., 2020).

Other study discusses MSMEs and Technology. Technology is crucial in competition within MSMEs. This technological development will happen sooner or later. This research discusses the relationship between technological innovation and company performance through sustainability practices in MSMEs. The results of this research state that Corporate Social Responsibility (CSR) has a direct influence on innovation and an indirect influence on the performance of MSMEs. Additionally, integrating sustainable development values into the company's primary strategy can provide a competitive advantage for MSMEs (Chege & Wang, 2019).

Digitalization of MSMEs has become an interesting issue since the Covid-19 pandemic occurred. Limited resources in MSMEs require system support and infrastructure support to ensure effective operations both intra and between business actors. Policymakers can help in building platforms related to MSMEs that enable the exchange of information between business actors to obtain the best resource information. Providing training in the use of e-commerce along with other related matters, such as digital payments and alternative financing, can also be carried out by policymakers. These programs can be embedded with sustainability efforts as a requirement to encourage business players to implement sustainable practices. The implementation of digitalization also has social impacts, for example, the place of work and working hours of MSMEs employees. Policies are needed to ensure this does not exploit employees (Bai, 2021).

Research on MSMEs in Japan resulted in the finding that the social responsibility of an MSMEs does not depend on a collection of parties in the organization but rather on individual actors who have a decision-making role with a large impact, namely the owner of the MSMEs itself. After MSMEs owners have confidence in their sustainability responsibilities, this figure involves their workers to gain "engagement" on sustainability issues. The involvement of workers is not limited to supporting sustainability issues but rather determining how sustainability initiatives and implementation are developed and implemented (Eweje, 2020).

With their various obstacles, small business actors cannot immediately adopt the concept of social and environmental responsibility simultaneously. However, research suggests that adopting environmental responsibility is easier to implement, so this gradual process can start from the environment and then continue socially. By implementing social responsibility efforts, an education process indirectly occurs for the parties involved, which means that social aspects are also positively impacted. For example, the process for getting sustainability ideas and innovations can be obtained from non-profit organizations that deal with sustainability issues. As sustainability experts, they are expected to be able to provide information related to the main goals of sustainability and their implementation into business policies (Stekelorum, 2020).

Gap in Sustainable MSMEs Regulations Application in Indonesia

The issue of sustainability in Indonesia has concretely become the focus of the Indonesian government by including Sustainable Development Goals (SDGs) in the government's Medium Term Development Plan. However, in discussions related to MSMEs, there has not been a strong

commitment to incorporate sustainability practices into MSMEs in Indonesia. The Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia (Kemenkop and UKM), as the authority coordinating and managing MSMEs, is the focus of this research.

The issue of sustainability in the first regulation regarding MSMEs, Law Number 9 of 1995, was raised minimally. It is stated that incentives will be given to small businesses implementing technology that preserves the environment. There are no technical regulations regarding this matter, so this program is too general and unspecific, so its implementation is ambiguous. In the Law that replaces it, namely Law Number 20 of 2008, the issue of incentives for using technology is still being discussed, and no article details the shortcomings. However, Sustainability Issues are included in the principles of organizing MSMEs, namely "being environmentally conscious." In Government Regulation Number 17 of 2013, an applicative regulation of Law Number 20 of 2008, the issue of Sustainability is not discussed. Detailing the two articles that mention sustainability issues is highly expected. In the latest Government Regulation related to MSMEs, namely PP Number 7 of 2021, the issue of sustainability is mentioned by stating that the use of environmentally friendly technology can be used as an alternative criterion for classifying a business into the MSMEs type and also as a criterion for obtaining incubation facilities. It still indicates that the issue of sustainability has not been inclusively included as a strategic issue within the Ministry of Cooperatives and SMEs.

Weaknesses that can be identified in the MSMEs regulatory ecosystem in Indonesia are the lack of a strong commitment to raising sustainability issues with the relevant authorities. This is reflected in formulating policies in the form of regulations, which are still very general and non-specific, so there is no technical guidance for implementing sustainability policies. These ambiguous regulations will affect the supervisor's evaluation or supervision in the form of weak evaluation due to the unclear criteria in the regulations.

Lessons Learned for the Implementation of Sustainable MSMEs in Indonesia

As a first step, the Ministry of Cooperatives and SMEs can adopt studies conducted by Bank Indonesia regarding the categorization of MSMEs in Indonesia and other insights. The Ministry of Cooperatives and SMEs must integrate sustainability issues into their Strategic Management, dhi. Strategic Plan related to Sustainable MSMEs. As inspiration, the Ministry of Cooperatives and SMEs, in developing sustainable policies for MSMEs, can use the BSC concept to integrate the Triple Bottom Line into MSMEs operations. Environmental aspects can be included in the Learning and Growth perspective, social aspects can be included in the Internal Process perspective, and economic aspects, as has been confirmed, are in the main perspective of MSMEs.

In companies, implementing CSR improves performance. This discovery can encourage the Ministry of Cooperatives and SMEs to encourage MSMEs to follow regulations related to MSMEs because good management of sustainability issues will provide a competitive advantage. Therefore, the Ministry of Cooperatives and SMEs must create implementation regulations regarding sustainability practices. This process is not easy and takes time, so regulations can start from basic things that have not yet been regulated, such as packaging use, waste management, gender composition of workers, and other basic sustainability issues that can be applied at the MSMEs level. The thing considered small is the packaging. Sustainable packaging is also a global trend that can enhance the company's value ([Shameem et al., 2023](#)).

Socialization about sustainability policies can be included in MSMEs development regarding the digitalization of MSMEs. This makes MSMEs adapt both in terms of developments in technological conditions and terms of sustainability practices. The Ministry of Cooperatives and SMEs can also initiate digital markets for MSMEs that meet sustainability requirements. A mature

marketing strategy needs to be implemented for this program so that the public gets an impression and the "green market" becomes something familiar to the public.

The Ministry of Cooperatives and SMEs can create a boot camp for MSMEs owners to encourage the main MSMEs actors to move together towards sustainable practices. Reward policies can be used as incentives for MSMEs that can report sustainability practices. The Ministry of Cooperatives and SMEs can work with the Ministry of Home Affairs regarding coordination with the relevant agencies in their respective regions. Involvement of Non-Profit Organizations related to sustainability policies can be carried out by the Ministry of Cooperatives and SMEs to refine initial ideas and concepts in policy making.

CONCLUSIONS

This research provides several conclusions for each research objective. The Ministry of Cooperatives and SMEs are the authorities that are the focus of this research. It is considered that the Ministry of Cooperatives and SMEs are not strongly committed to implementing sustainable practices in MSMEs. It is indicated by the MSMEs regulatory ecosystem in Indonesia, which has not yet raised the issue of sustainability in detail and specifically. The term "environmentally friendly" has been used, but no specific applications or implications exist. Commitments related to sustainability in MSMEs need to start from the Ministry of Cooperatives and SMEs by creating a roadmap and Strategic Plan related to sustainability issues in MSMEs. It is more effective with a monitoring system from internal controllers.

Several things can be adopted with adjustments for the MSMEs authorities in Indonesia. First, the BSC analogy inserts environmental and social aspects into policy-making regarding sustainable MSMEs operations, where environmental issues become an input perspective and social issues become an internal process perspective. Second, the categorization of MSMEs based on indicators into three groups, namely eco-adopter, eco-preneur, and eco-innovation, under studies conducted by Bank Indonesia as an initial step in grouping differences in the treatment of MSMEs. Third, technical regulations should be made to clarify sustainability practices and facilitate supervision. Fourth, initiating a digital green market to familiarize people with green culture while encouraging MSMEs to compete to meet the criteria for green MSMEs to enter this green market. Fifth, a boot camp program for MSMEs owners should be created to match the direction of commitment to sustainable practices with certain incentives, considering that MSMEs owners are the main actors in MSMEs operational policies. Sixth, it involves non-profit organizations focusing on sustainability issues to gain views regarding preparing sustainable policies.

Based on the research findings, this research suggests that the Ministry of Cooperatives and SMEs related to Sustainable MSMEs in Indonesia insert a sustainable MSMEs agenda into the Ministry of Cooperatives and SMEs Strategic Plan as an initial commitment. Also, The Ministry should create a roadmap and blueprint related to sustainable MSMEs, make non-profit organizations related to sustainability as partners to gain insight into developing sustainable MSMEs policies, and use the analogy of the BSC perspective in inserting sustainable environmental and social policies into MSMEs operations, and create technical regulations for concrete steps for sustainable MSMEs practices facilitates the monitoring and evaluation. Furthermore, The Ministry should categorize existing MSMEs into three categories, namely eco-adopters, ecopreneurs, and eco-innovators, to determine differences in policy treatment for the three types of MSMEs, initiate a digital platform, "green market," as a forum for MSMEs that have implemented sustainable practices and provided education to the public regarding green markets. Integrating features into large e-commerce can be an alternative to negotiating with private parties, creating a boot camp program for MSMEs owners to align their commitment to sustainable practices by offering a reward system for those who successfully implement it, and coordinating with other

Ministries/Institutions, for example, the Ministry of Home Affairs, regarding the role of relevant regional departments in accelerating sustainability practices.

This research gives MSME authorities a practical solution toward sustainability by evaluating Indonesia's adequate government regulation ecosystem. Then, it tries to give some ideal practices from research conducted to implement. And the last, this research gives MSME authorities alternative actions to improve the law management of MSME to be sustainable. This research is still frequently conducted, specifically regarding government regulation evaluation.

LIMITATION & FURTHER RESEARCH

This research has limitations in the form of a focus on authority being discussed. There is a possibility that other significant parties have a role in accelerating sustainability practices in MSMEs. Apart from that, practices in countries that have successfully implemented sustainable MSMEs policies have not been highlighted in this research. The experience of other countries has high empirical value in policy making.

The research limitations that have been mentioned provide suggestions for further research regarding sustainable MSMEs in Indonesia. First, reaching out to relevant agencies with a broader coverage of sustainable MSMEs is necessary to obtain more systematic and holistic policy suggestions. Second, it is necessary to conduct studies regarding ideal practices related to sustainable MSMEs that other countries have successfully implemented. It will provide added value for further research because it aims to provide implicative policy suggestions so that the empirical experience of other countries is crucial to consider.

This research also provides input for MSMEs authorities in Indonesia from an academic perspective. At a technical level, many things were not considered in this research. However, the suggestions from this research were written based on an analysis of existing conditions and gaps so that the insights from this research are relevant and expected to be considered in applying sustainability practices in Indonesia. Due to its academic nature, researchers convey a statement of neutrality regarding the research carried out.

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