CONFIRMATORY FACTOR ANALYSIS ON THE LEGAL ASPECTS OF BUSINESS FUNDING WITH SECURITIES CROWDFUNDING SCHEME ON SMEs IN MEDAN MUNICIPAL CITY

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Abstract

SMEs is one of the important pillars in the national economic development who to date, are still faced with its classical issue in obtaining additional capital funding. The securities crowdfunding concept that was introduced to be the solution for SMEs is yet to reach the 64,2 million SMEs in Indonesia due to SMEs’ difficulties in complying to the regulatory requirements. Therefore, the objective of this research is to analyze the legal factors that may affect SMEs’ interests in obtaining capital funding via the securities crowdfunding concept. This research is conducted by using quantitative approach and analyzed by using the confirmatory factor analysis and descriptive analysis methods based on the primary data collected from 50 SMEs in BPC HIPMI Medan on a purposive sampling basis. Based on the research findings, the implementation of the disclosure principle in POJK 57/2020 are mainly the cause of SMEs’ inability and affecting interests in the securities crowdfunding concept. Therefore, further development of POJK 57/2020 as the regulatory basis of the securities crowdfunding concept are essential in supporting SMEs’ exponential growth in the future.

Keywords: CFA; Securities Crowdfunding; UMKM; business law.

1.INTRODUCTION

The national economic development goal is to create an equitable and prosperous society pursuant to Pancasila’s ideology and the 1945 Constitution. To achieve such goal, the strategic role of Small Medium Enterprises (SMEs) in Indonesia holds an important part in the national economic development goal, which includes providing job opportunities, contributing to Gross Domestic Product (GDP), as well as utilizing natural resources (Sarfiah et al., 2019). Based on the data from the Coordinating Ministry for Economic Affairs, there are currently 64,2 million SMEs in Indonesia that contributes 61.07% of the national GDP and providing job opportunities to 97% of the labor force in Indonesia (Kemenko Perekonomian Republik Indonesia, 2021). Similarly, it is also globally acknowledged that SMEs also serves as an important element in the international economy. In the European Union, SMEs represents 99% of the businesses which successfully created 85% job opportunities as well as absorbing two third of the total labor force in the European Union (Fahrurozi, 2018).

In ensuring SMEs’ position and role in the national economic development, the Government issued Law No. 20 of 2008 on Micro, Small and Medium Enterprises (“SMEs Law”). The SMEs Law was issued as an implementation to support the SMEs role as an integral part in an equitable, sustainable and fair national economic development. In achieving such purpose, the SMEs Law covers various regulatory aspects which includes the creation of suitable business environment for SMEs, support, legal protection, business opportunities, funding opportunities, etc.

Despite their vital role, however, SMEs are challenged with various issues in growing and expanding their businesses to a larger scale. In this regard, there are 7 common problems in developing SMEs as follows: (1) marketing issues; (2) limited funding; (3) limited human capital; (4) raw material issues; (5) limitation on technology; (6) inadequacy on management capability; and (7) equitable partnership (Arliman S, 2017).
As discussed above, SMEs’ problematic issue on limited funding remained as one of the classic challenges for SMEs to fund their routine business operations or business expansion projects. At initial stage, SMEs’ primary capital source to operate its business originates from capital investment by its founders. However, depending on its profitability, SMEs may or may not be able to sustainably secure future funding to finance its operations or business expansion. In such event, most SMEs would probably request its founders to invest more capital or opt to acquire additional funding via conventional loans provided by either bank or non-bank institutions.

Under Article 8 of SMEs Law, the Government holds a responsibility to develop a suitable business environment for SMEs’ sustainable growth, which amongst others include, expanding SMEs’ opportunities in obtaining funding sources via banking, non-banking, and other financing institutions as well as creating an easy, non-discriminative, and affordable financing process. Despite its enactment since 2008, to date, SMEs Law has yet to create an ‘SMEs friendly’ environment in so far as to provide SMEs with better and vast funding access via the conventional banking system. As indicated by the Bank of Indonesia, SMEs bank loan position between January 2017 to July 2021 are yet within the expected reach, as shown in the figure below.


**Figure 1. SMEs Credit Position**

Additionally, in its 2018 3rd Quarter SMEs Credit Development Report, Bank of Indonesia stated that only 19.6% of the total banking loans are absorbed by SMEs, in which, 43.5% are absorbed by medium enterprises while the remaining are absorbed by small and micro enterprises (Laporan Perkembangan Kredit UMKM Triwulan III 2018, 2018).

In relation to the foregoing, SMEs hinderance in obtaining funding sources via conventional banking ecosystem is mainly caused by the its creditworthiness issue. Typically, SMEs creditworthiness issue around the globe lies on its “opaqueness” characteristic in providing ample information as opposed to larger business enterprises capability in providing publicly available information (Abraham & Schmukler, 2017). This is also the very case with regard to SMEs creditworthiness issue in Indonesia as to their inability to fulfil formal requirements imposed by either financial institutions or investors to obtain loans or additional capital investment (Iskandar, 2020).

In practice, however, the creditworthiness issue faced by SMEs may be substituted with other requirement imposed by financial institutions as the prospective lender. In general, financial institution would require SMEs for collateral with higher value as a “trade-off” to
SMEs’ creditworthiness issue in so far as to protect creditors’ rights and interests. However, such ‘trade-off’ in most cases resulted as a deal breaker as SMEs may not be in possession of such collateral, hence creating greater financial constraint to themselves (BECK et al., 2008).

As explained above, it may be conceived that despite the existence of SMEs Law since 2008, the vital role of SMEs as one of the core pillars in the national economic development remained stagnant due to the roadblocks in resolving SMEs’ creditworthiness and financial limitation issue. Therefore, Government’s role in creating ‘SMEs’ friendly’ business environment must be further implemented in various regulatory frameworks that are aligned with the dynamic changes in the society to achieve a prosperous nation.

On the other hand, the disruptive technological changes in the recent years known as the Industrial Revolution 4.0 (IR 4.0) has immensely impacted social behavior in the society. By definition, IR 4.0 is a transformation process in the economy and society in tandem with intelligent robots, cloud computing technologies, artificial intelligence, large data, IoT, as well as other scientific developments (Machkour & Abriane, 2020). In other words, IR 4.0 may also be regarded as a disruptive innovation, which by definition means a method used to develop and expand new markets by providing new function (Yu & Hang, 2010). As a result, such transformation caused by IR 4.0 changed many aspects in how human lives, work and think (Machkour & Abriane, 2020). In the economic sector, the technological disruption caused by IR 4.0 mainly creates process automation in almost every business sector, by combining physical and digital world (Premana et al., 2020).

The disruptive innovation phenomenon also impacts the financial services sector, mainly by the intervention of financial technology (fintech) and blockchain technologies (Machkour & Abriane, 2020). The transformation created in the financial services sector by IR 4.0 rapidly change the business landscape of the financial sector itself (Kurnia Rahayu & Aris Astuti, 2022). Such transformation caused by fintech’s presence in the financial service sector include among others, changes in money market infrastructure, investment management, insurance, financing facility as well as capital source (Feyen et al., 2021).

In Indonesia, the presence of fintech in the national financial services sector has been immense, whereby pursuant to the Financial Services Authority data as of July 2022, there are 102 fintech companies listed and engaging in peer-to-peer lending business (Lending Fintech Statistical Report July 2022, n.d.). Additionally, the presence of fintech in the financial services sector also creates a new business model that adopts the crowdfunding concept where SMEs are given alternatives source of business funding (Irawati, 2019). The crowdfunding concept is a digital crowdfunding services that connects a party who is in need of funding on one side and an investor/benefactor on the other side via a digital platform, in which can be used for social, creative or business context (Ibrahim et al., 2021). In a commercial context, the digital crowdfunding concept is used as a digital platform to connect business enterprises in need of capital injection with prospective investors (Ong, 2020). By applying this method for commercial purposes, the crowdfunding concept introduces a digital platform as alternative where SMEs who are looking for business funding opportunities can directly connect with prospective investors who are interested in investing to small and medium enterprises. Later on, this crowdfunding concept is also known as equity crowdfunding.

In 2018, the equity crowdfunding concept introduces a digital platform whereby SMEs in Indonesia may meet and make an offering to prospective investors to invest in their businesses. In contrast to peer-to-peer lending, the equity crowdfunding concept provides a digital platform similar to capital market transactions that took place in stock exchange whereby large-scale companies listed their shares in the stock exchange to be subscribed by both institutional and retail investors. However, investments to SMEs via the equity crowdfunding
platform are sized at a more affordable price as oppose to investments in capital market sectors.

Through this platform, SMEs may issue and offer shares as a form of equity-based securities to prospective investors on a smaller scale than any securities issued and offer by listed companies in the stock exchange. Since its introduction in 2018, the equity crowdfunding concept has rapidly evolved to accommodate SMEs’ dire need for capital. Therefore, the innovative disruption through the adoption of securities crowdfunding concept has expand the fintech business model into the capital market sector, which also falls under the financial services business landscape in Indonesia.

In response to such rapid changes, the Financial Services Authority (Otoritas Jasa Keuangan, “OJK”) as the regulatory body in the financial services sector in Indonesia have been constantly developing various regulatory framework to ensure legal certainty for stakeholders interested in the fintech area, including securities crowdfunding. Upon its introduction in 2018, the securities crowdfunding in Indonesia is only limited to the limited liability company’s issuance of equity-based securities. This was regulated under the Financial Services Authority Regulation No. 37/POJK.04/2018 on Equity Crowdfunding (POJK 37/2018). However, in 2020, OJK issued Financial Services Authority Regulation No. 57/POJK.04/2020 on Securities Crowdfunding (POJK 57/2020) that replaced POJK 37/2018. Further, OJK partially amended the provisions as governed under POJK 57/2020 by issuing Financial Services Authority Regulation No. 57/POJK.04/2020 on Securities Crowdfunding (POJK 57/2020) that replaced POJK 37/2018. Further, OJK partially amended the provisions as governed under POJK 57/2020 by issuing Financial Services Authority Regulation No. 57/POJK.04/2021 on the Amendment of Financial Services Authority Regulation No. 57/POJK.04/2020 on Securities Crowdfunding (collectively, POJK 57/2020).

Under POJK 57/2020, the securities crowdfunding concept had expanded by (a) allowing not only limited liability companies as Issuer, but also Cooperation (Koperasi), Commanditier Venotschap (CV), as well as firms (firma) to offer securities; and (b) expanding the types of securities available for issuance, i.e. from equity-based securities to conventional debt-based securities as well as Sukuk as syaria debt-based securities. Further, the securities crowdfunding ecosystem as governed under POJK 57/2020 consist of the Issuer (Penerbit), the Investors (Pemodal), and the Operator (Penyelenggara). An Issuer (Penerbit) is defined as an Indonesian business entity, which may be a legal entity or other form of business entity who is issuing securities via the securities crowdfunding ecosystem. An Investor (Pemodal) is defined as the party who bought the securities issued by the Issuer via the securities crowdfunding ecosystem. An Operator (Penyelenggara) is defined as a legal entity who provides, manages, and operates the securities crowdfunding ecosystem.

In a nutshell, the relationship and securities crowdfunding process between the Issuer, Investors and the Operator is elaborated further in the figure below.
Based on the above figure, the Issuer is required to make preparation by complying to requirements as regulated under POJK 57/2020 prior to making any securities offering to the Investors via the Operator’s digital platform. Once the Issuer has fulfilled the prerequisites, the Platform Operator shall then manage the securities offering to the investors via the digital platform. Under POJK 57/2020, an Issuer may make one or more offering with the maximum amount of funds collected not more than an aggregate of IDR 10,000,000,000 for the period of 12 months. Further, each offering must be made by the Issuer no later than 45 days. For any securities purchased or subscribed by the Investors, the Operator must prepare an escrow account to collect the funds gathered from the Issuer’s securities offering as well as in returning the profits to the Investors.

As stipulated in the Issuer’s definition, business entity include limited liability companies as a legal entity, as well as other forms of business entity as recognized under the prevailing laws and regulations in Indonesia (e.g., persekutuan perdata, firma, persekutuan komanditer, etc). The framing of such definition in POJK 57/2020 entails that the introduction and adoption of securities crowdfunding model as an innovative disruption in the financial services sector is aimed to provide alternative solution to SMEs in obtaining funding for their business purposes. Furthermore, the regulatory limitation on the offering size of up to an aggregate of IDR 10,000,000,000 within 12 months is aimed to provide a more affordable offering price to the investors on one hand and to give more opportunities to Issuer to attract Investors and obtain the needed funding.

In consideration of the foregoing discussion, the researcher is interested to further analyze whether the legal requirements as imposed under Article 46 para. (1) jo. Article 47 of POJK 57/2020 affects SMEs interest to participate in the securities crowdfunding scheme, particularly SMEs in Medan, North Sumatera Province. Therefore, the researcher has construed a systematical research strategy to analyze the issue discussed in this paper as shown in the figure below.
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Pursuant to the above figure, the researcher determined SMEs’ interests in SCF Scheme as the variable, which shall consist of 4 legal factors pursuant to the provisions under Article 46 para. (1) jo. Article 47 of POJK 57/2020 that may affect SMEs’ interest in using SCF scheme as an alternative to obtain capital funding, i.e., the SMEs’ Status (X1), SMEs’ Track Record (X2), SMEs’ Business Perception (X3), and SMEs’ Perception on SCF Scheme (X4).

The researcher hopes that by result of this research may contribute as a suggestion to the regulatory body to further develop the securities crowdfunding regulatory framework in so far as to accommodate both SMEs’ interest to grow exponentially on one side and to retain legal certainty for stakeholders on the other side.

2. METHOD

This research is conducted by using quantitative approach and analyzed by using the confirmatory factor analysis and descriptive analysis methods. Confirmatory factor analysis method is a factor analysis method that utilizes by firstly determining the factors based on any known theoretical concept, including any variables included in each factor, with the purpose to have a better understanding in identifying alternative decisions (Verdian, 2019).

This research is focused on analyzing SMEs’ interest in using SCF scheme as an alternative to obtain capital fund as the variable against the legal factors stipulated under Article 46 para. (1) jo. Article 47 of POJK 57/2020, i.e., the SMEs’ Status (X1), SMEs’ Track Record (X2), SMEs’ Business Perception (X3), and SMEs’ Perception on SCF Scheme (X4). Further, each of the aforementioned factors are divided into a total of 16 questions as measuring indicators. The measuring indicators are used to collect primary data from the respondents and measured by using 5 points Likert scale gained from questionnaires distribution to the respondents. The collection of the required primary data for this research is conducted by using the purposive sampling method. Further, the target respondents in this research are 50 SMEs based in Medan municipal city gathered under Himpunan Pengusaha Muda (HIPMI) Medan.

The primary data collected in this research is further processed by using the SPSS software for Windows. By using this application for the data processing, there are several outputs as follows:

2.1. Kaiser-Meyer-Olkin (KMO) and Bartlett’s Test.

The KMO Measure of Sampling Adequacy serves as an index that compares the observed value of correlation coefficient against the partial coefficient. The KMO value is denominated in MSA unit, that indicates the variety’s proportion on the variable used as the
basis for the factor analysis. To pass this test, the variable’s MSA value must be > 0.50 to pass for further factor analysis process. Moreover, Bartlett’s Test of Sphericity serves as a tool to evaluate the interdependency between variables used as an indicator of a certain factor. In other words, the Bartlett’s Test of Sphericity result is used to find out the correlativity or the suitability of the indicators to be used in the factor analysis. Further, the Bartlett’s Test result refers to the significance value (Sig.), in which the test result value on the significance (Sig.) must be < 0.05 to pass for further analysis process (Santoso, 2012).

2.2. Anti-image correlation test.

Anti-image correlation test is used to determine which measuring indicators are fit for use in further factor analysis. In this test, the test result value for each measuring indicators must form a diagonal line and marked with “a” mark, which indicates the Measure of Sampling Adequacy (MSA) result value of a measuring indicator. In this test, the MSA result value must be > 0.5 to pass for further factor analysis (Santoso, 2012).

2.3. Communalities test.

The communalities test obtained from the SPSS data processing indicates variety degree of the original measuring indicators and must be able to explain a minimum of 50% variety degree of the original variable. The higher percentage obtained in this test shows a stronger relationship between the measuring indicators with the formed factor (Santoso, 2012).

2.4. Total variance explained test.

The total variance explained test from the SPSS data processing shows the total numbers of the measuring indicators associated with each of the factors, by using the eigen value of 1 as a baseline value for each measuring indicators to be included in the model. In case where a measuring indicator obtains an eigen value of < 1, therefore it shall not be included in the model (Santoso, 2012).

2.5. Rotated Component Matrix.

The Rotated Component Matrix test shows the distribution of the measuring indicators which have been extracted into the formulated factor based on the loading factor value after rotation process. In this test, if the loading factor value of any measuring indicator is ≥ 0.75, then it is deemed to have a strong contribution to the relevant factor.

3. RESEARCH AND RESULTS

3.1. Factor Analy

In this research, the factor analysis is carried out to investigate whether the factors considered by SMEs affect their interest in using SCF scheme to obtain capital funding. The primary data collected from the respondents are processed in the SPSS application for Windows. Further, the output of each test in this research are referred to the results in the KMO and Bartlett’s Test result value, anti-image correlation test result value, communalities test result value, the total variance explained test result value, as well as the rotated component matrix result value.

Based on the data processing, the results of the KMO and Bartlett’s Test are shown in the following table.

<table>
<thead>
<tr>
<th>Table 1. KMO and Bartlett’s Test Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy</td>
</tr>
<tr>
<td>Bartlett’s Test of Sphericity</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS output by Researcher (2022)

Based on the above table, the KMO result value is 0.827. Therefore, the variable used in this research may be used for further analysis as the MSA result value is > 0.5. Further, the above table
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also shows that the Significance value of Bartlett’s Test is 0.000 which is < 0.5. Therefore, it indicates that the factors used in this research are correlated and suitable form further factor analysis.

Following the above, the next step in factor analysis is to determine whether the data matrix indicates correlativity. The result of such correlativity is shown in the anti-image correlation matrix that analyzes each of the measuring indicators in MSA unit, with the required baseline value of > 0.5 for each measuring indicators and shall form a diagonal line. Further, the results in the anti-image correlation matrix are shown in the table below.

<table>
<thead>
<tr>
<th>Measuring Indicators</th>
<th>MSA Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1.1</td>
<td>0.857</td>
</tr>
<tr>
<td>X1.2</td>
<td>0.711</td>
</tr>
<tr>
<td>X1.4</td>
<td>0.841</td>
</tr>
<tr>
<td>X2.1</td>
<td>0.836</td>
</tr>
<tr>
<td>X2.2</td>
<td>0.909</td>
</tr>
<tr>
<td>X2.3</td>
<td>0.825</td>
</tr>
<tr>
<td>X2.4</td>
<td>0.897</td>
</tr>
<tr>
<td>X3.1</td>
<td>0.843</td>
</tr>
<tr>
<td>X3.2</td>
<td>0.870</td>
</tr>
<tr>
<td>X3.3</td>
<td>0.831</td>
</tr>
<tr>
<td>X3.4</td>
<td>0.722</td>
</tr>
<tr>
<td>X3.5</td>
<td>0.527</td>
</tr>
<tr>
<td>X4.1</td>
<td>0.540</td>
</tr>
<tr>
<td>X4.2</td>
<td>0.705</td>
</tr>
</tbody>
</table>

Source: SPSS output by Researcher (2022)

Based on the above table, the MSA values of 14 original measuring indicators are > 0.50, with the other 3 original measuring indicators obtained the values of < 0.50. Therefore, there are only 14 measuring indicators that shall be further analyzed in this research.

Further, the results from the primary data processing are also translated in the communalities test. The communalities test is used to describe the variety degree of the factors considered by SMEs affect their interest in using SCF scheme to obtain capital funding as original measuring indicators in this research. The communalities test results are further shown in the table below.

<table>
<thead>
<tr>
<th>Measuring Indicators</th>
<th>Initial</th>
<th>Extraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1.1</td>
<td>1.000</td>
<td>.848</td>
</tr>
<tr>
<td>X1.2</td>
<td>1.000</td>
<td>.784</td>
</tr>
<tr>
<td>X1.4</td>
<td>1.000</td>
<td>.614</td>
</tr>
<tr>
<td>X2.1</td>
<td>1.000</td>
<td>.477</td>
</tr>
<tr>
<td>X2.2</td>
<td>1.000</td>
<td>.684</td>
</tr>
<tr>
<td>X2.3</td>
<td>1.000</td>
<td>.636</td>
</tr>
<tr>
<td>X2.4</td>
<td>1.000</td>
<td>.684</td>
</tr>
<tr>
<td>X3.1</td>
<td>1.000</td>
<td>.768</td>
</tr>
<tr>
<td>X3.2</td>
<td>1.000</td>
<td>.717</td>
</tr>
<tr>
<td>X3.3</td>
<td>1.000</td>
<td>.716</td>
</tr>
<tr>
<td>X3.4</td>
<td>1.000</td>
<td>.447</td>
</tr>
<tr>
<td>X3.5</td>
<td>1.000</td>
<td>.688</td>
</tr>
<tr>
<td>X4.1</td>
<td>1.000</td>
<td>.587</td>
</tr>
</tbody>
</table>
Based on the above table, the communalities test results indicate that the extraction values of 12 of the measuring indicators are > 0.5, while 2 measuring indicators obtained extraction values of < 0.5. Therefore, it indicates that the formed factors are able to explain a minimum of 50% of the variety of the original data variable used in this research. Although there are a few of the above measuring indicators that obtained extraction values of < 0.5, there is one of such indicators that remains relevant as the loading factor values have dominant effect to the analyzed factors as shown in Table 5 below.

The data processing results in the total variance explained shows the variety percentage of the variable used in this research, i.e., the measuring indicators that may affect SMEs’ interest in using SCF scheme to obtain capital funding based on the formed factors. The measuring indicators are accounted for if the eigen values of each indicator are > 1.0. The results of the total variance explained for each measuring indicators are further shown in the table below.

**Table 4. Total Variance Explained**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Eigen values</th>
<th>% Of Variance</th>
<th>% Cumulative of Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>X.1</td>
<td>5.740</td>
<td>41.003</td>
<td>41.003</td>
</tr>
<tr>
<td>X.2</td>
<td>1.584</td>
<td>11.314</td>
<td>52.318</td>
</tr>
<tr>
<td>X.3</td>
<td>1.161</td>
<td>8.289</td>
<td>60.607</td>
</tr>
<tr>
<td>X.4</td>
<td>1.009</td>
<td>7.260</td>
<td>67.813</td>
</tr>
</tbody>
</table>

*Source: SPSS output by Researcher (2022)*

Based on the above table, there are 4 factors that obtained eigen values of > 1.0. Further, the cumulative percentage of the variety from the original variable that can be explained by the accounted factors are 67.813%.

**3.2. Descriptive Analysis**

As discussed in this research, SMEs’ existence is one of the core pillars in the national economic development in Indonesia. However, the classic disparity in SMEs’ limited ability to obtain capital funding remained a hindrance in SMEs’ exponential growth. The introduction of the SCF Scheme since 2018 in Indonesia is hoped to become a solution for SMEs in Indonesia to obtain capital funding. The regulatory framework as currently governed under POJK 57/2020 is aimed to provide an ease of access to SMEs’ in getting the capital they need via the issuance and offering of securities to the public. Conceptually, the SCF Scheme is an alternative for SMEs to gain capital funding via a capital market framework by utilizing the technological disruption in the financial and capital market sector. Under Article 1.1 of POJK 57/2020, a Securities Offering via Crowdfunding (Penawaran Efek melalui Layanan Urun Dana Berbasis Teknologi Informasi, or “SCF”) is defined as a service of securities offering by an Issuer to sell the securities directly to the Investor via an open electronic network. On the other hand, Law No. 8 of 1995 on Capital Market (“Capital Market Law”) defines a Public Offering as an activity to offer Securities by an Issuer to sell the Securities to the public pursuant to prevailing capital market regulations.

**4. CONCLUSIONS**

Based on the foregoing, it can be concluded that although SCF Scheme has been introduced since 2018 in Indonesia, the regulatory requirements as governed under POJK 57/2020 remained as challenges to the SMEs to issue and offer Securities via the SCF Scheme despite its purposes to implement an uphold the disclosure principle insofar as to protect the investors’ interest. The
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research findings indicate that SMEs in Medan are still faced with various challenges in fulfilling the requirements under PJK 57/2020, despite their positive interest to the SCF Scheme remained high. Therefore, the researchers believe that the following suggestions to further develop POJK 57/2020 as the regulatory framework for the SCF Scheme may help the effort to provide a solution to SMEs’ capital funding issue in the future.

1. Regulate a comprehensive regulatory requirement based on each form of business entities applying for the issuance and offering via the SCF Scheme.
2. Regulate further regulatory provisions on the minimum standard financial report for SMEs based on each form of business entities.
3. Regulate further regulatory provisions on the minimum standard for SMEs’ business plan, financial and income projections.
4. Regulated further regulatory provisions on the scope of business risks.

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