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Reconstructing Gender-Responsive Climate Finance: A Comparative Legal Study of Women's Access to SME Financing

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Abstract

Climate finance has become a central instrument in supporting the transition toward a low-carbon economy. Yet, its legal architecture often remains insufficiently responsive to gender-based inequalities in access to finance. Women-led green small and medium enterprises (SMEs) may contribute to climate mitigation, adaptation, and local economic resilience, but they frequently face structural barriers embedded in financing rules and procedures. This article examines how climate finance regulation operates as a legal gatekeeping mechanism that may substantively exclude women-led green SMEs. This study employs normative legal research, drawing on statutory, conceptual, and functional-comparative approaches. Indonesia is examined as the primary jurisdiction, while the European Union and Bangladesh are used as comparative jurisdictions based on the shared legal function of eligibility and access within sustainable finance regulation. The study analyzes primary legal instruments, sustainable finance policies, gender mainstreaming mandates, SME financing rules, and climate governance frameworks. It does not conduct empirical fieldwork; rather, it evaluates whether the existing legal architecture enables substantive access. The findings show that gender exclusion in climate finance is not merely a funding problem, but a legal design problem arising from fragmented regulation, formally neutral eligibility standards, and a weak linkage between sustainable finance, SME policy, and gender mainstreaming. The article contributes to sustainable business law by proposing a gender-responsive access framework based on proportional eligibility standards, gender- and MSME-disaggregated reporting, simplified documentation, institutional coordination, and alignment with SDGs 5, 8, and 13.

Keywords

Gender-Responsive Climate Finance, Green SMEs, Sustainable Business Law, Women's Financial Inclusion, Comparative Law.

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Introduction

Climate finance is increasingly recognized as an important instrument for supporting climate adaptation, mitigation, and sustainable economic transformation.[1] Multilateral climate finance mechanisms, including the Green Climate Fund, the Adaptation Fund, and the Global Environment Facility[2], have formally incorporated gender mainstreaming into their mandates and operational policies[3]. At the same time, women-led small and medium enterprises are increasingly acknowledged as important actors in local economic resilience, green innovation, and community-based climate solutions. Existing studies show that legal equality can improve women's access to financial services, although its effectiveness depends on social norms and institutional implementation[4]. These developments indicate that climate finance, gender equality, and SME development are no longer separate agendas, but are increasingly connected within sustainable development policy.

However, it remains unclear whether existing climate finance rules actually enable women-led SMEs to access climate-related financing in practice. Much of the existing literature on sustainable finance focuses on capital mobilization, taxonomy, disclosure, and financial governance,

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1 Tibi Didier Zoungrana et al., "Effect of Climate Finance on Environmental Quality : A Global Analysis To Cite This Version : HAL Id : Hal-04691240 Effect of Climate Finance on Environmental Quality : A Global Analysis," 2024.; Gabriela Iacobuta et al., "Aligning Climate and Sustainable Development Finance through an SDG Lens. The Role of Development Assistance in Implementing the Paris Agreement," *Global Environmental Change* 74 (May 2022): 102509, https://doi.org/10.1016/j.gloenvcha.2022.102509.

2 Indah Sri Utari et al., "Illegal Nickel Mining in Protected Forests: Challenges in Whistleblower and Justice Collaborator Protection in Indonesia," *Indonesian Journal of Environmental Law and Sustainable Development* 4, no. 2 (2025): 341–74, https://doi.org/10.15294/ijel.v4i2.38220.

3 Sam Wong, "Can Climate Finance Contribute to Gender Equity in Developing Countries?," *Journal of International Development* 28 (March 2016): n/a-n/a, https://doi.org/10.1002/jid.3212.; Ninth Report, "The Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change Executive Summary," no. November 2020 (2023).

4 Caroline Perrin and Marie Hyland, "Gendered Laws and Women's Financial Inclusion," *World Development* 199 (March 2026): 107234, https://doi.org/10.1016/j.worlddev.2025.107234.

particularly in highly structured regulatory systems such as the European Union.[5]. SME finance literature discusses credit constraints, collateral barriers, and limited administrative capacity, but rarely connects these problems to climate finance regulation. Gender financial inclusion studies document women's exclusion from formal finance. Yet, they often do not examine how climate finance eligibility rules, risk assessment procedures, reporting obligations, and institutional standards reproduce such exclusion.[6]. As a result, the legal design of climate finance as a mechanism that may include or exclude women-led SMEs remains insufficiently examined.

A more specific gap also appears in the literature on multilateral climate finance. Existing studies indicate that access to climate finance is often shaped by institutional capacity, project readiness, documentation requirements, and the ability to meet formal funding procedures[7]. These requirements may create practical difficulties for smaller actors, including women-led SMEs, particularly when they lack the administrative, technical, or financial capacity that climate finance institutions typically expect. This problem is not merely financial[8], but also legal and institutional, because access is structured through accreditation standards, eligibility criteria, project-size expectations, risk assessment, and reporting procedures. Previous scholarship has also warned that international climate finance mechanisms may reproduce existing inequalities when their procedures are built on conventional development-finance or banking assumptions that do not adequately account for gendered barriers[9]. However, these insights have not yet been

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[5] Franziska Schütze and Jan Stede, "The EU Sustainable Finance Taxonomy and Its Contribution to Climate Neutrality," *Journal of Sustainable Finance & Investment* 14 (December 2021): 1–33, https://doi.org/10.1080/20430795.2021.2006129.

[6] Perrin and Hyland, "Gendered Laws and Women's Financial Inclusion."

[7] Abidah Setyowati and Kirsty Anantharajah, "Beyond Promises: Realities of Climate Finance Justice and Energy Transitions in Asia and the Pacific," *Energy Research & Social Science*, February 2022, https://doi.org/10.1016/j.erss.2022.102550.

[8] Aldehita Purnasanti Maulida et al., "Transforming Credit Guarantees in Indonesia: Legal Reform and Digital Innovation at Askrindo," *Journal of Law and Legal Reform* 7, no. 1 (2026): 251–92, https://doi.org/10.15294/jllr.v7i1.38585.

[9] Liane Schalatek and Heinrich Böll, "Climate Finance Fundamentals Brief 10," 2011, 1–4.

sufficiently integrated into sustainable business law as a legal framework for gender-responsive climate finance.

This article fills that gap by reframing climate finance as a legal gatekeeping mechanism. The central argument is that climate finance should not be treated as a formally neutral funding instrument, because eligibility criteria, documentation requirements, bankability standards, risk assessment, and reporting obligations may create substantive barriers for women-led SMEs. Therefore, gender-responsive climate finance requires not only more funding but also a reconstruction of legal and regulatory design to ensure inclusive, proportionate, and substantively equal access.[10]

Based on this argument, the article addresses three research questions. First, how do existing climate finance and sustainable finance regulations structure access for women-led SMEs? Second, how do formally neutral legal requirements operate as gatekeeping mechanisms that may exclude women-led SMEs? Third, how can Indonesia reconstruct its sustainable finance framework by drawing lessons from the European Union and Bangladesh to create a more gender-responsive model of climate finance access?

This article employs normative legal research with a qualitative and functional-comparative design. It examines climate finance not merely as a financial policy instrument, but as a legal framework that structures access, eligibility, institutional responsibility, and distributive outcomes. The study does not conduct empirical fieldwork, surveys, or interviews. Instead, it analyzes legal norms, regulatory instruments, policy documents, and scholarly literature that shape women-led SMEs' access to climate-related financing.

The study applies three approaches: statutory, conceptual, and comparative. The statutory approach is used to examine legal instruments governing sustainable finance, SME development, gender mainstreaming, carbon governance, and climate finance. The conceptual approach is used to develop and operationalize the idea of climate finance

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[10] Yannis Dafermos, "Climate Finance and Global Justice," *Climate Policy* 26 (April 2025): 1–17, https://doi.org/10.1080/14693062.2025.2482104.

as a legal gatekeeping mechanism. The comparative approach[11] is used to assess how different jurisdictions regulate access to climate finance through eligibility criteria, institutional procedures, risk assessment, disclosure, and reporting obligations.

The selection of Indonesia, the European Union, and Bangladesh is based on functional comparability rather than on the similarity of their legal systems. Legal systems may be compared when they perform a comparable legal function, even if their institutional structures differ[12]. In this article, the tertium comparationis is the legal function of eligibility criteria in climate finance regulation. The comparison, therefore, focuses on how each jurisdiction legally determines who can access climate-related finance, under what conditions, through which institutional channels, and with what compliance obligations.

Indonesia is selected as the primary jurisdiction because the article aims to reconstruct its domestic sustainable finance framework. The European Union is selected as a comparator because it represents a highly developed regulatory model based on taxonomy, disclosure, classification, and sustainability reporting. Bangladesh is selected as a developing-country comparator because its sustainable finance framework links climate finance, green banking, financial inclusion, and socio-economic vulnerability through central bank policy. The comparison does not seek legal transplantation, but identifies regulatory functions that may inform a more gender-responsive reconstruction of Indonesia's climate finance framework.

The primary legal materials consist of binding and official legal instruments. For Indonesia, these include Law No. 20 of 2008 on Micro, Small, and Medium Enterprises, Law No. 4 of 2023 on Financial Sector Development and Strengthening, Presidential Regulation No. 110 of 2025 on the Implementation of Carbon Economic Value Instruments and National Greenhouse Gas Emission Control, Presidential Regulation No. 59 of 2017 as amended by Presidential Regulation No. 111 of 2022 on SDG Implementation, Presidential Instruction No. 9 of

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11 Indah Sri Utari et al., "Legal Protection for Child Sexual Violence Victims: Victimology Perspectives, Challenges, and Policy Solutions in Asia," *Jurnal Suara Hukum* 8, no. 1 (2026), https://doi.org/10.26740/jsh.v8n1.p40-77.

12 Ralf Michaels, "The Functional Method of Comparative Law The Functional Method of Comparative Law," 2005.

2000 on Gender Mainstreaming, and OJK Regulation No. 51/POJK.03/2017 on Sustainable Finance. For the European Union, the primary materials include Regulation (EU) 2020/852 on the EU Taxonomy, the Sustainable Finance Disclosure Regulation, the Corporate Sustainability Reporting Directive, and Commission Delegated Regulation (EU) 2021/2139 on technical screening criteria. For Bangladesh, the primary materials include the Bangladesh Bank Sustainable Finance Policy 2020, the Policy Guidelines for Green Banking 2011, and the Environmental and Social Risk Management Guidelines.

Secondary legal materials were selected based on relevance, credibility, and recency. The study prioritizes peer-reviewed journal articles, academic books, institutional reports, and policy papers that discuss sustainable finance regulation, climate finance, SME financing, gender equality, women's financial inclusion, green banking, and comparative legal methodology. The literature was identified through academic databases and indexing platforms, including Scopus, Google Scholar, ScienceDirect, SpringerLink, Wiley Online Library, Taylor & Francis Online, and official institutional repositories. The inclusion criteria were: first, materials published primarily between 2016 and 2026; second, materials directly addressing climate finance, sustainable finance regulation, SMEs, gender-responsive finance, or comparative legal method; third, materials with clear relevance to legal design, access, eligibility, reporting, or institutional accountability; and fourth, official policy or regulatory documents issued by competent institutions. Materials were excluded when they discussed climate finance only in general economic terms, without addressing regulatory design, focused solely on large corporations with little relevance to SMEs, or lacked clear academic or institutional credibility[13].

The comparative analysis operationalizes eligibility criteria into five analytical indicators. First, legal recognition: whether the framework expressly recognises SMEs, women-led enterprises, vulnerable groups, or

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[13] Indah Sri Utari, Ridwan Arifin, and Ahmad Zaharuddin Sani Ahmad Sabri, "Why Did a Five-Year-Old Toddler Become a Victim of Murder? A Criminological and Legal Perspective," *Indonesian Journal of Criminal Law Studies* 8, no. 2 (2023), https://doi.org/10.15294/ijcls.v8i2.48591.

gender-responsive climate finance.[14] Second, access requirements assess whether access to finance is conditioned on collateral, demonstrated financial viability, project or transaction scale, documentation, formal registration, accreditation, or comparable eligibility requirements that may disproportionately restrict smaller and women-owned or women-led enterprises [15] Third, risk assessment examines whether legal and institutional procedures identify and address the differentiated financial, structural, and institutional risks and barriers faced by women-owned or women-led SMEs, including potential gender bias in credit scoring and risk-assessment models.[16] Fourth, reporting and disclosure assess whether regulated entities, financial institutions, or climate-finance intermediaries are required to collect and report sex-disaggregated or SME-specific data on access to sustainable or climate finance [17] Fifth, institutional coordination, namely, whether the framework connects climate policy, sustainable finance regulation, SME development, and gender mainstreaming mandates.[18]

The analysis is conducted in three stages, each mapped to the article's structure. The first stage is descriptive-doctrinal and is presented

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Report, "The Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change Executive Summary."; OECD, "Organisation for Economic Co-Operation and Development, Recommendation of the Council on SME Financing, OECD/LEGAL/0493," 2023.; Beldina Owalla, *Bridging the Finance Gap for Women Entrepreneurs: Insights from Academic and Policy Research*, 2025, https://doi.org/10.1787/75b52972-en.

15 OECD Studies on SMEs and Entrepreneurship, *Bridging the Finance Gap for Women Entrepreneurs*, n.d.

16 Owalla, *Bridging the Finance Gap for Women Entrepreneurs: Insights from Academic and Policy Research*.

17 Martin Prowse et al., *Independent Evaluation of the Green Climate Fund's Simplified Approval Process - Approach Paper*, 2025, https://doi.org/10.13140/RG.2.2.34178.59847. Alliance for Financial Inclusion, "Sex-Disaggregated Data Toolkit: How to Leverage Sex-Disaggregated Financial Inclusion Data to Accelerate Women's Financial Inclusion," 2017.; Organisation for Economic Co-operation and Development, "Recommendation of the Council on SME Financing," n.d.

18 Development, "Recommendation of the Council on SME Financing."; Global Partnership for Financial G20 Inclusion, "Action Plan for Micro , Small , and Medium Enterprise Financing," no. December (2024).

in the section on the regulatory architecture of climate finance.[19] It identifies how Indonesia, the European Union, and Bangladesh construct climate finance through legal classification, institutional authority, eligibility standards, and reporting obligations. The second stage is evaluative-comparative and is presented in the section on climate finance as a legal gatekeeping mechanism. It assesses whether formally neutral requirements, such as eligibility criteria, risk assessment, documentation, and reporting, may create substantive barriers for women-led SMEs. The third stage is normative-prescriptive and is presented in the reconstruction section. It proposes a gender-responsive model for Indonesia by integrating inclusive access, proportional eligibility standards, gender-sensitive reporting, and stronger coordination between sustainable finance regulation, SME law, gender mainstreaming policy, and climate governance.

This study has limitations. Because it is a normative legal study, it does not provide empirical evidence on how women-led SMEs personally experience climate finance application processes, nor does it measure the actual volume of climate finance received by women-led SMEs. The study, therefore, cannot claim to represent the lived experiences of all women entrepreneurs or quantify the causal effect of specific legal rules on financing outcomes. Its contribution is doctrinal and normative: it assesses whether the existing legal architecture enables substantive access and proposes a regulatory reconstruction grounded in comparative legal analysis. Future empirical research may complement this study by examining the actual experiences of women-led SMEs in applying for climate finance, interacting with financial institutions, and complying with sustainable finance requirements.

The multilateral climate finance mechanisms, including the Green Climate Fund, the Adaptation Fund, and the Global Environment Facility, operate through institutional procedures that shape access to funding, including accreditation, project eligibility, documentation, and reporting requirements.[20] Existing studies indicate that access to climate

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[20] Yuzhu Fang, Chi-Chuan Lee, and Xinghao Li, "Financing a Sustainable Future: The Effectiveness of Climate Finance across the Primary, Energy, and Water Sectors," *Humanities and Social Sciences Communications* 12 (July 2025), https://doi.org/10.1057/s41599-025-04939-0.

finance is often influenced by institutional capacity, project readiness, and compliance with formal funding procedures.[21] These requirements may create practical difficulties for smaller actors, including women-led SMEs, particularly where they lack the administrative, technical, or financial capacity commonly expected by climate finance institutions. This problem is not merely financial, but also legal and institutional, because access is structured through eligibility standards, project-size expectations, risk assessment, and reporting procedures. Previous scholarship has also warned that international climate finance mechanisms may reproduce existing inequalities when their procedures rely on conventional development-finance or banking assumptions that do not adequately account for gendered barriers.[22]

A. The Gender Architecture of Multilateral Climate Finance: GCF, AF, and GEF as Sustainable Business Law Instruments

The Green Climate Fund (GCF), the Adaptation Fund (AF), and the Global Environment Facility (GEF) have formally incorporated gender-responsive principles into their operational frameworks. In the GCF framework, accredited entities submitting funding proposals are expected to include gender assessments and project-level gender action plans. The Adaptation Fund similarly treats gender as a strategic priority and uses gender-related policy instruments, including the Gender Scorecard, to strengthen gender mainstreaming across project preparation, implementation, and monitoring. The GEF Policy on Gender Equality also sets guiding principles and mandatory requirements for mainstreaming gender across GEF governance and operations.[23] These instruments demonstrate that gender equality has entered the formal normative architecture of multilateral climate finance.

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21 Setyowati and Anantharajah, "Beyond Promises: Realities of Climate Finance Justice and Energy Transitions in Asia and the Pacific."

22 Schalatek and Böll, "Climate Finance Fundamentals Brief 10."

23 Riazullah Shinwari, Yangjie Wang, and Elie Bouri, "Impact of Gender Equality and Green Finance on Green Growth: Insights From OECD Economies," *Sustainable Development*, January 2026, n/a-n/a, https://doi.org/10.1002/sd.70681.

However, the existence of gender policies does not automatically guarantee access for women-led SMEs. The central issue lies in the separation between the normative gender layer and the structural access layer. The normative gender layer consists of gender policies, gender action plans, gender assessment templates, participation targets, and gender indicators. These instruments require project proponents to recognise gender risks, identify gender-differentiated impacts, and report gender-related outcomes. By contrast, the structural access layer consists of accreditation standards, fiduciary requirements, environmental and social safeguards, project eligibility criteria, documentation obligations, reporting systems, and project-readiness expectations. This second layer determines which entities are institutionally capable of entering the climate finance pipeline.

From a sustainable business law perspective, GCF, AF, and GEF do not operate merely as funding institutions. They also function as regulatory systems that define who is qualified to receive, manage, implement, and report climate finance. GCF accreditation, for example, requires applicant entities to demonstrate fiduciary capacity, environmental and social safeguards, and gender-related institutional capacity. These requirements are legally rational because climate finance must be accountable, transparent, and protected from financial, environmental, and social risks. Yet they may also create practical barriers for smaller actors, including women-led SMEs, that often lack dedicated compliance teams, audited financial systems, prior experience in managing international climate finance, or the institutional capacity required to prepare complex project documentation.

A concrete example illustrates this access problem. A women-led SME working on climate-resilient agriculture, renewable energy services, water security, or circular-economy production may contribute directly to adaptation or mitigation objectives. Substantively, its activity may be climate-relevant and socially valuable. Institutionally, however, it may be unable to access GCF-type finance directly because it is not an accredited entity, cannot demonstrate the required fiduciary systems, lacks the capacity to prepare a full gender assessment and action plan, or cannot comply with reporting and safeguard requirements at the level expected by multilateral climate finance institutions. In this situation, exclusion does not occur because gender is absent from policy language. It occurs because the access architecture is designed around institutional capacity, documentation, and compliance readiness.

The Adaptation Fund's Gender Scorecard further illustrates this distinction. The Scorecard enhances visibility of gender across project design, implementation, and monitoring.[24] This is an important normative advance. Nevertheless, gender-responsive project assessment does not necessarily change who can enter the funding pipeline as an implementing entity or project proponent.[25] If access continues to depend on complex documentation, institutional accreditation, reporting capacity, and compliance with formal standards,[26] then gender analysis within project documents may improve project quality without fully addressing the deeper access barriers faced by women-led SMEs.

The same logic applies to the GEF gender framework. The GEF Policy on Gender Equality confirms that gender mainstreaming is a mandatory part of GEF governance and operations. This strengthens the normative status of gender within environmental and climate finance. However, the key legal question is whether gender policy also alters the conditions of access for smaller, structurally disadvantaged economic actors. If gender requirements remain concentrated at the project design and implementation levels, while eligibility, accreditation, scale, fiduciary capacity, and reporting requirements remain formally neutral, the legal architecture may still reproduce unequal access.

This analysis shows that the gender problem in multilateral climate finance is not simply a lack of gender policy. Rather, it is an access design deficit. Gender policies operate mainly within the normative and project-quality layer, while many women-led SMEs encounter barriers at the earlier institutional-entry layer. The legal issue, therefore, is not only whether climate finance projects include gender action plans, but also whether the rules governing eligibility, accreditation, documentation, institutional capacity, risk assessment, and reporting are designed to allow women-led SMEs to participate meaningfully. Reconstructing this access architecture is essential if multilateral climate finance is to function

24 Adaptation Fund Board, "Report on the Fund's Gender Scoredcard Implementation for FY24," no. April (2025): 8–11., 2–3.

25 Board., paras. 28–31

26 Board., paras. 20, 28–35, 64–65.

as an instrument of sustainable business law rather than a formally inclusive system that remains structurally difficult for women-led SMEs to enter.

B. Jurisdictional Analysis

1. Indonesia: Regulatory Fragmentation as Structural Exclusion

Indonesia's sustainable finance framework has developed through several legal instruments that operate in parallel rather than as an integrated access architecture. This fragmentation is not merely an administrative coordination problem. It is a legal design problem because each instrument recognizes a different part of the policy agenda: sustainable finance, MSME development, financial-sector reform, carbon governance, and gender mainstreaming. However, none of these instruments establishes a coherent legal pathway for women-led SMEs to access climate-related finance in a proportionate and gender-responsive manner.

The central instrument in Indonesia's sustainable finance framework is OJK Regulation No. 51/POJK.03/2017 on the Implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies. The title and scope of the regulation already indicate its regulatory orientation: it applies to financial service institutions, issuers, and public companies, rather than directly to borrowers or MSME applicants. Article 1 defines Sustainable Finance as comprehensive support from the financial services sector to create sustainable economic growth by aligning economic, social, and environmental interests. Article 2(1) requires financial service institutions, issuers, and public companies to implement Sustainable Finance in their business activities. In contrast, Article 2(2) lists the principles of implementation, including responsible investment, sustainable business strategy and practice, social and environmental risk management, governance, informative communication, inclusiveness, priority-sector development, and coordination and collaboration.

The operative obligations in POJK 51 further confirm that the regulation is primarily lender-facing and reporting-oriented. Article 4 requires financial service institutions to prepare a Sustainable Finance

Action Plan. Article 7 provides that the Action Plan must be based on each institution's priorities, including the development of sustainable financial products or services, internal capacity development, and adjustments to organisation, risk management, governance, or standard operating procedures. Article 10 requires financial service institutions, issuers, and public companies to prepare sustainability reports, and Article 12 requires their publication. These provisions are important for institutional accountability and sustainable finance governance, but they do not establish a borrower-access framework for women-led SMEs.

This structure is significant. POJK 51 regulates how financial institutions plan, implement, disclose, and report sustainable finance. However, it does not require financial institutions to adopt differentiated or proportionate eligibility standards for borrowers. Nor does it require gender disaggregated sustainable finance reporting, simplified documentation pathways for climate-relevant MSMEs, or specific access indicators for women-led SMEs. The regulation contains an inclusive principle, but that principle remains at the level of financial-sector governance. It is not operationalized into borrower-level access rules.

Law No. 20 of 2008 on Micro, Small, and Medium Enterprises provides a different, though still incomplete, framework. The law is clearly access-oriented. Article 21 provides that the Government and regional governments provide financing for micro and small enterprises. Article 22 requires the Government to develop financing sources for micro and small enterprises, including bank credit, non-bank financial institutions, venture capital, factoring, cooperatives, and other lawful financing sources. Article 23 further requires the Government and regional governments to improve access to financing by expanding the activities of non-bank financial institutions, strengthening credit guarantee institutions, and facilitating the fulfilment of financing requirements. Article 24 provides for the empowerment of medium enterprises in financing and guarantee through working capital, investment financing, access to capital markets, other financing institutions, and credit guarantee institutions.

These provisions show that Law No. 20 of 2008 recognizes financing and guarantee as core elements of MSME empowerment. However, the law does not specifically connect MSME financing to climate finance or sustainable finance. It supports access to financing in general, but it does not create a dedicated legal pathway for MSMEs that contribute to climate mitigation, adaptation, renewable energy, circular economy, climate-resilient agriculture, or other green business activities. The gap is therefore not the absence of MSME financing law, but the absence of a legal linkage between MSME financing and climate-related sustainable finance.

Law No. 4 of 2023 on Financial Sector Development and Strengthening, as amended by Law No. 4 of 2026, broadens Indonesia's financial-sector reform agenda. According to the official JDIH BPK summary, Law No. 4 of 2023 regulates the financial-sector ecosystem, including the implementation of Sustainable Finance, financial literacy, financial inclusion, consumer protection, and access to financing for micro, small, and medium enterprises. This is relevant because sustainable finance and MSME financing are placed within the same broad financial-sector reform framework. However, the law does not by itself create a specific gender-responsive access route for women-led SMEs seeking climate-related financing. Its importance lies in providing a broader financial-sector umbrella, not in resolving the specific access-design problem examined in this article.

The carbon governance framework must also be read in light of the current legal basis. Presidential Regulation No. 98 of 2021 should no longer be treated as the governing regulation because it has been revoked and replaced by Presidential Regulation No. 110 of 2025 on the Implementation of Carbon Economic Value Instruments and National Greenhouse Gas Emission Control. Perpres 110/2025 is relevant to this article because it connects business activity with carbon governance, national emission-reduction objectives, carbon economic value instruments, transparency, monitoring, evaluation, guidance, and financing. However, it does not specifically create a simplified, gender-responsive access mechanism for women-led SMEs seeking to participate in carbon- or climate-related financing schemes. Participation in carbon-related mechanisms may require technical capacity for measurement, reporting, verification, documentation, and compliance. For many women-led SMEs, these requirements may become practical barriers unless supported by proportional rules, technical assistance, aggregation mechanisms, or intermediary institutions. Indonesia also has anti-discrimination commitments relevant to economic and financial access. Law No. 39 of 1999 on Human Rights provides that every person is entitled to recognition, guarantee, protection, and fair legal treatment, as well as equal treatment before the law, and to the protection of human rights and basic freedoms without discrimination. Indonesia has also ratified the Convention on the Elimination of All Forms of Discrimination against Women through Law No. 7 of 1984. Article 13 of CEDAW expressly requires States Parties to eliminate discrimination against women in economic and social life, including equal rights to bank loans, mortgages, and other forms of financial credit.

Therefore, the legal issue is not whether Indonesian law permits direct gender discrimination in credit access. It does not. The more difficult issue is whether formally neutral financing requirements may still create indirect or structural exclusion when applied to women-led SMEs with unequal access to collateral, formal business documentation, sustainability reporting capacity, technical carbon-accounting capacity, and institutional networks. This distinction is important. Direct discrimination would occur if a woman-led SME were denied credit simply because the owner is a woman. Such treatment would be inconsistent with Indonesia's anti-discrimination commitments. Structural exclusion is different. It occurs when formally neutral requirements, such as collateral, credit history, business scale, formal registration, sustainability documentation, technical reporting, or carbon-accounting capacity, are applied uniformly to business actors that do not begin from the same institutional position. In such cases, the legal architecture may not expressly exclude women, but it may still result in unequal access in practice.

A doctrinal example illustrates the problem. A woman-led SME producing climate-resilient agricultural products or small-scale renewable-energy services may be substantively aligned with Indonesia's climate and sustainable finance objectives.[27] Under POJK 51, however, the relevant obligations are imposed on financial institutions, issuers, and public companies to implement Sustainable Finance, prepare Sustainable

[27] Carlo Drago et al., "Assessing Gender Theme in European Financial Institutions: An Analysis Through a New Interval-Based Composite Indicator," *Corporate Governance* 25 (February 2025), https://doi.org/10.1108/CG-04-2024-0248.

Finance Action Plans, and publish sustainability reports; the regulation does not provide a borrower-specific access pathway for that SME. Under Law No. 20 of 2008, the SME may fall within the general MSME financing framework. Still, the law does not classify its climate contribution as a basis for dedicated green financing support. Under Law No. 4 of 2023, as amended by Law No. 4 of 2026, sustainable finance and MSME financing are part of the broader financial-sector ecosystem. Still, the linkage to gender-responsive climate finance remains underdeveloped. Under Perpres 110/2025, the SME's climate contribution may be relevant to carbon governance. However, participation in carbon-related mechanisms may still require technical capacity for measurement, verification, reporting, and documentation beyond the SME's resources. The result is not an explicit legal exclusion, but fragmented access. Each legal instrument recognizes part of the problem, while none provides an integrated entry point.

For this reason, the claim of exclusion in this article is normative-doctrinal rather than empirical. The article does not claim, based on case law or field data, that Indonesian courts have already addressed gender discrimination in access to climate finance, or that all women-led SMEs experience the same form of exclusion. Rather, the claim is that the current legal framework contains an access-design weakness. It prohibits direct discrimination and supports MSME financing, but it has not yet translated those commitments into gender-responsive, climate-specific access rules within sustainable finance regulation.

Indonesia's framework, therefore, creates three cumulative legal design risks. The first is a bankability barrier, because ordinary financing commonly depends on collateral, credit history, formal business records, and risk assessment. The second is a sustainability-documentation barrier, because access to green or climate-related finance increasingly requires evidence of sustainability performance, reporting capacity, or climate relevance. The third is an institutional-fragmentation barrier, because sustainable finance, MSME empowerment, gender mainstreaming, and carbon governance are regulated through different instruments and institutions without a clear legal bridge. These barriers should not be described as proven empirical exclusion unless supported by field data. They are better understood as legal design risks that, if left uncorrected, may lead to structural exclusion.

The law reform implication is therefore systemic. Indonesia does not merely need a general gender clause inserted into one regulation. It needs a reconstructed access architecture that links POJK 51, MSME financing law, financial-sector reform, carbon governance, and gender mainstreaming. Such reconstruction should include proportional eligibility standards for SMEs, gender-disaggregated sustainable finance reporting, simplified documentation for climate-relevant SMEs, recognition of women-led SMEs as a specific beneficiary group, and stronger coordination between OJK, the Ministry of Cooperatives and SMEs, the Ministry of Finance, Bank Indonesia, and climate-governance authorities.

2. European Union: Taxonomy-Based Regulatory Architecture and the Compliance Complexity Paradox

The European Union has built one of the most developed sustainable finance frameworks through a vertically integrated regulatory architecture.[28] Regulation (EU) 2020/852, the EU Taxonomy Regulation, establishes a classification system for determining whether an economic activity qualifies as environmentally sustainable.[29] Article 3 provides that an economic activity is environmentally sustainable only if it contributes substantially to one or more environmental objectives, does no significant harm to any of the other environmental objectives, complies with minimum safeguards, and satisfies the technical screening criteria established by the Commission.[30] Article 9 identifies six environmental objectives: climate change mitigation; climate change adaptation; sustainable use and protection of water and marine

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[28] Iris Chiu, "The EU Sustainable Finance Agenda: Developing Governance for Double Materiality in Sustainability Metrics," *European Business Organization Law Review* 23 (January 2022): 87–123, https://doi.org/10.1007/s40804-021-00229-9.; Lucia Alessi et al., "Accounting for the EU Green Taxonomy: Exploring Its Concept, Data and Analytics," *Accounting Forum* 48 (September 2024): 365–73, https://doi.org/10.1080/01559982.2024.2369343.

[29] European Union, . ". Regulation (EU) 2020/852 of the European Parliament and of the Council on the Establishment of a Framework to Facilitate Sustainable Investment (EU Taxonomy Regulation)," 2020.; Schütze and Stede, "The EU Sustainable Finance Taxonomy and Its Contribution to Climate Neutrality."

[30] Union, . ". Regulation (EU) 2020/852 of the European Parliament and of the Council on the Establishment of a Framework to Facilitate Sustainable Investment (EU Taxonomy Regulation)."

resources; transition to a circular economy; pollution prevention and control; and protection and restoration of biodiversity and ecosystems.[31]

Commission Delegated Regulation (EU) 2021/2139 operationalises the Taxonomy Regulation by establishing technical screening criteria for determining when certain activities make a substantial contribution to climate change mitigation or adaptation, and when they do not cause significant harm to other environmental objectives.[32] Regulation (EU) 2019/2088, the Sustainable Finance Disclosure Regulation, complements this architecture by requiring financial market participants and financial advisers to disclose how sustainability risks and adverse sustainability impacts are considered in investment decision-making and financial advice. Directive (EU) 2022/2464, the Corporate Sustainability Reporting Directive, further strengthens the reporting layer by requiring companies within its scope to disclose sustainability-related information. Together, these instruments create a coherent regulatory chain: the Taxonomy classifies environmentally sustainable activities, SFDR requires transparency in the financial sector, and CSRD expands corporate sustainability reporting.

The EU model's strength lies in this vertical coherence. It links classification, disclosure, and reporting in a way that reduces regulatory ambiguity and creates a common language for sustainable investment. From the perspective of sustainable business law, this is an important lesson for Indonesia: regulatory effectiveness depends not only on having separate rules on sustainable finance, carbon governance, and corporate reporting, but also on connecting them into an integrated architecture. However, the same strength also produces a compliance complexity paradox. The more detailed and coherent the classification and disclosure framework becomes, the more demanding it is for smaller firms to demonstrate alignment with it.

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31 Nicolas Garcia Torea, Mercedes Luque Vílchez, and Pablo Gutiérrez, "The EU Taxonomy, Sustainability Reporting and Financial Institutions: Understanding the Elements Driving Regulatory Uncertainty," *Accounting Forum* 48 (June 2024): 1–28, https://doi.org/10.1080/01559982.2024.2364953.

32 Franziska Schütze and Benedikte Sandbaek, "Taxonomy Disclosure in the EU – A Useful Framework, Despite Current Challenges," *The Economists' Voice* 22 (May 2025): 161–72, https://doi.org/10.1515/ev-2025-0016.

This paradox is visible in the legal structure of the Taxonomy Regulation itself. To be considered environmentally sustainable, an activity must satisfy several cumulative requirements: substantial contribution, do no significant harm, minimum safeguards, and technical screening criteria.[33] These requirements are conceptually clear, but administratively complex. For large companies with sustainability departments, legal advisers, auditors, and ESG data systems, the burden is demanding but manageable. For SMEs, including women-led SMEs operating in climate-relevant sectors such as small-scale renewable energy, sustainable agriculture, water services, waste management, or circular-economy production, the burden may become a practical barrier to access. Proving taxonomy alignment may require technical documentation, environmental data, DNSH analysis, supply-chain information, and the capacity to provide lifecycle-related or technical environmental information where required.

A concrete example illustrates this problem. A women-led SME producing recycled packaging or providing small-scale renewable-energy services may contribute to climate mitigation or the circular economy. However, to be recognized as taxonomy-aligned in a financing context, the relevant activity must still be assessed against technical screening criteria, DNSH requirements, and minimum safeguards. The SME may need to document environmental performance, demonstrate that the activity does not significantly harm other environmental objectives, and provide sustainability-related information that financial institutions can rely on for their own disclosure obligations. If the SME lacks technical consultants, ESG reporting systems, capacity to provide lifecycle-related or technical environmental information where required, or resources to collect and verify environmental data, it may struggle to benefit from green finance even when its business model is substantively sustainable. The exclusion, therefore, does not arise from an express legal prohibition. It arises from the cost and complexity of proving compliance.

The gender limitation of the EU model appears in this context. The Taxonomy Regulation is primarily environmental in design. It

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33 Daniel Gozman and Wendy Currie, "The Role of Rules-Based Compliance Systems in the New EU Regulatory Landscape Perspectives of Institutional Change" 27, no. 6 (2014): 817–30, https://doi.org/10.1108/JEIM-05-2013-0023.

includes minimum safeguards, but these safeguards function mainly as baseline social and human rights protections rather than affirmative access criteria for women-led SMEs. Article 18 refers to minimum safeguards aligned with international human rights and labour standards. Still, it does not require financial institutions to consider whether taxonomy-aligned finance reaches women-led enterprises or whether taxonomy eligibility affects men- and women-led SMEs differently. Similarly, SFDR requires transparency regarding sustainability risks and adverse impacts, including environmental, social, and employee matters; respect for human rights; and anti-corruption and anti-bribery matters. However, it does not create a borrower-access rule requiring financial market participants to measure or correct gender gaps in access to green finance.

The absence of a binding EU Social Taxonomy is legally significant. The Platform on Sustainable Finance issued a report proposing a possible structure for a Social Taxonomy. Still, the report is not binding EU law and has not been adopted as a regulation or directive.[34] As a result, social objectives, including gender equality and access for structurally disadvantaged groups, remain less legally operationalized than environmental objectives within the EU sustainable finance framework. The legal implication is that environmental taxonomy alignment can be measured through detailed technical criteria, while gender-responsive access remains outside the core eligibility architecture of green finance.

The EU model, therefore, does not fail because it lacks regulatory sophistication. It falls short for gender-responsive climate finance because its strongest instruments are designed to classify environmental sustainability rather than to address unequal access to sustainable finance. Women-led SMEs may indirectly benefit from the EU sustainable finance framework if they can demonstrate alignment with the taxonomy and provide the necessary sustainability information.[35] However, they receive no specific legal recognition as a beneficiary group

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[34] Jan Brabec and Jan Macháč, "Impacts of the EU Taxonomy Implementation: A Systematic Literature Review," *Climate Policy* 26 (July 2025): 1–13, https://doi.org/10.1080/14693062.2025.2526683.

[35] Schütze and Sandbaek, "Taxonomy Disclosure in the EU – A Useful Framework, Despite Current Challenges."

within the Taxonomy or SFDR framework. The result is a coherent but demanding architecture that may channel capital toward technically verifiable green activities while leaving access inequalities insufficiently addressed.

For Indonesia, the EU experience offers two lessons. The first is positive: Indonesia needs stronger vertical integration between green classification, sustainable finance disclosure, corporate or institutional reporting, and accountability mechanisms.[36] The second is cautionary: Indonesia should not reproduce a model in which technical sophistication creates high compliance costs for SMEs. A gender-responsive Indonesian framework should therefore combine regulatory coherence with proportionality. It should recognize women-led SMEs as a relevant beneficiary group, simplify documentation pathways for climate-relevant SMEs, require gender-disaggregated sustainable finance reporting, and ensure that sustainability standards are calibrated to SME capacity rather than only to large corporate compliance systems.

3. Bangladesh: Central Bank-Led Inclusion and Vulnerability-Sensitive Design

Bangladesh approaches sustainable finance from a different regulatory starting point than the European Union, offering a useful, though limited, lesson for Indonesia. Rather than relying primarily on a complex taxonomy-disclosure-reporting architecture, Bangladesh has developed a central bank-led model that combines green banking policy, sustainable finance guidance, environmental and social risk management, refinancing incentives, and women-focused SME finance instruments.[37] This model reflects Bangladesh's position as a climate-vulnerable developing country, where climate resilience, access to finance, and inclusive development are closely connected policy concerns.

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[36] Lubabalo Mjadu, "The Legal Architecture of Sustainable Finance: A Comparative Analysis of Green Finance Taxonomies in Emerging and Developed Economies," *Discover Sustainability* 6 (October 2025), https://doi.org/10.1007/s43621-025-01958-4.

[37] Ashraful Asha, Syed Hossain, and S Shafiuzzaman, "Green Banking Status and Climate Change: Bangladesh Perspective," *Research Journal of Finance and Accounting* 15 (January 2024): 10–32.

Bangladesh Bank plays a central role in shaping this framework. Its Policy Guidelines for Green Banking require banks to adopt green banking policies and integrate environmental considerations into banking operations[38]. Its Sustainable Finance Policy for Banks and Financial Institutions consolidates sustainable finance priorities within the banking sector[39]. The Environmental and Social Risk Management Guidelines require banks and financial institutions to integrate environmental and social risks into credit and investment appraisal, including through environmental and social due diligence[40]. This means that sustainable finance in Bangladesh is not limited to disclosure or classification; it also influences credit governance and lending behaviour. In this respect, Bangladesh offers a useful contrast to the EU model, which is more focused on environmental classification and disclosure, and to Indonesia's framework, where sustainable finance, MSME financing, carbon governance, and gender mainstreaming remain regulated through separate instruments.

The relevance of Bangladesh for this article lies mainly in its use of central bank instruments to shape access to finance. Bangladesh Bank has introduced refinancing schemes, concessional lending incentives, and women-focused SME finance policies that may affect how banks extend credit to smaller enterprises and women entrepreneurs. For example, the Small Enterprise Refinance Scheme for Women Entrepreneurs provides a specific refinancing facility for women entrepreneurs through participating financial institutions, with the WFID Bangladesh Bank portal identifying SMESPD Circular Letter No. 6 dated June 25, 2023, as the relevant circular.[41] Bangladesh Bank policy also recognizes collateral flexibility for women entrepreneurs, including collateral-free loans up to BDT 25 lakhs under specified conditions, supported by

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[38] Rejaul Karim, "Green Banking Practices in Bangladesh: Present Scenario and Future Challenges," *Journal of Business Studies* Special Is (January 2020): 34–44.

[39] Sustainable Finance Policy, "Dhaka: Bangladesh Bank," 2020.

[40] Bangladesh Bank, "Guidelines on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh," no. February (2017).

[41] Kehinde Adetiloye, Folashade Adegboye, and Victoria Akinjare, "Sustainable Financial Access for Female Entrepreneurs in the Micro, Small and Medium Enterprises Sector in Nigeria," *Cogent Social Sciences* 6 (January 2020), https://doi.org/10.1080/23311886.2020.1823600.

personal guarantee and relevant credit-guarantee arrangements.[42] These instruments show that access-oriented finance can be supported through regulatory tools such as subsidised refinancing, flexible collateral requirements, and targeted support for women entrepreneurs. However, these instruments should not be read as evidence that Bangladesh already has a fully integrated gender-responsive climate finance framework. Rather, they show that certain access-flexibility mechanisms can be operationalized through central bank policy.

This distinction is important. Bangladesh's women-focused SME finance instruments and its sustainable finance instruments do not yet appear to form a single, comprehensive legal architecture specifically designed for women-led SMEs in climate finance. Some instruments support green or sustainable finance, while others support women entrepreneurs and broader SME access. Their relationship is therefore partial and functional, not fully integrated. The value of the Bangladesh model lies not in offering a complete system to be copied, but in demonstrating that financial regulators can use practical instruments to reduce access barriers for smaller and structurally disadvantaged borrowers.

For Indonesia, the lesson is therefore modest but important. Bangladesh suggests that sustainable finance reform should not only define what counts as green or sustainable, but also address the broader social and environmental impacts. Still, it should also consider how credit reaches smaller enterprises with limited collateral, documentation, and reporting capacity. Indonesia can draw on this experience by developing proportionate documentation requirements, gender-disaggregated sustainable finance reporting, refinancing incentives for climate-relevant SMEs, collateral flexibility, and stronger coordination among financial regulators, MSME authorities, gender mainstreaming institutions, and climate governance agencies. The aim is not to transplant Bangladesh's model, but to learn from its access-oriented regulatory tools while building a more coherent, gender-responsive framework suited to Indonesia's legal system.

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42 Bank, "Guidelines on Environmental & Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh."

4. Comparative Synthesis: Climate Finance as Legal Gatekeeping

Climate finance operates, in practice, as a legal gatekeeping system. Documentation standards, risk assessment methodologies, eligibility criteria, disclosure duties, and compliance requirements may appear formally neutral.[43] However, when applied to business actors with unequal legal, financial, and institutional capacities, these requirements can function as selection mechanisms. The higher the compliance threshold, the more likely it is that smaller, structurally constrained business actors will face difficulty entering the financing pipeline.[44] For this reason, access to climate finance cannot be separated from the legal architecture that defines eligibility, reporting, risk assessment, and institutional responsibility.[45]

The three jurisdictions examined in this article adopt different regulatory pathways, each of which produces a distinct access problem. The European Union has built regulatory coherence through the vertical integration of taxonomy, disclosure, and corporate sustainability reporting. This model strengthens environmental integrity, but it also creates compliance complexity because taxonomy alignment depends on cumulative legal requirements, including substantial contribution, do no significant harm, minimum safeguards, and technical screening criteria. These requirements are set out in Article 3 of Regulation (EU) 2020/852, while Article 9 limits the Taxonomy's core structure to six environmental objectives and Article 18 frames minimum safeguards mainly through human rights and labour standards rather than affirmative access criteria for women-led SMEs[46].

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[43] Mjadu, "The Legal Architecture of Sustainable Finance: A Comparative Analysis of Green Finance Taxonomies in Emerging and Developed Economies."

[44] Kayin Venner, Melissa García Lamarca, and Marta Olazabal, "The Multi-Scalar Inequities of Climate Adaptation Finance: A Critical Review," *Current Climate Change Reports* 10 (May 2024): 1–14, https://doi.org/10.1007/s40641-024-00195-7.

[45] Rishikesh Bhandary, Kelly Gallagher, and Fang Zhang, "Climate Finance Policy in Practice: A Review of the Evidence," *Climate Policy* 21 (January 2021): 1–17, https://doi.org/10.1080/14693062.2020.1871313.

[46] Kayhan Öcal and Güray Küçükkocaoğlu, "Green Finance: An Evolution of Traditional Finance or a New Ethical Paradigm? A Conceptual Discussion in the Context of the Green Deal TT - Yeşil Finans: Geleneksel Finansın Bir Evrimi Mi,

Bangladesh, by contrast, should not be read as having a fully integrated gender-responsive climate finance system. Its relevance lies more modestly in its use of central bank instruments, including green banking policy, sustainable finance policy, environmental and social risk management, refinancing schemes[47], and women-focused SME finance measures.[48] These instruments show how access flexibility can be operationalized through financial-sector regulation, even though the connection between women-focused SME finance and climate finance remains partial rather than fully integrated.[49]

Indonesia sits between these two models. Sustainable finance regulation, MSME financing, carbon governance, and gender mainstreaming already exist. Still, they remain legally fragmented and have not yet been connected into a coherent borrower-access framework for women-led climate-relevant SMEs. POJK No. 51/POJK.03/2017 imposes sustainable finance obligations primarily on financial service institutions, issuers, and public companies through Articles 2, 4, 7, 10, and 12. Law No. 20 of 2008 regulates MSME financing and guarantee support through Articles 21–24, but does not expressly link MSME financing to climate finance or gender-responsive sustainable finance

Yoksa Yeni Bir Etik Paradigma Mı? Yeşil Mutabakat Bağlamında Kavramsal Bir Tartışma," *Uluslararası Davranış, Sürdürülebilirlik ve Yönetim Dergisi* 12, no. 23 (2026): 57–82, https://doi.org/10.71444/jobesam.1800571.

47 Sanjoy Sarker et al., "The Profitability of Green Banking Activities of Selected Banks (SCBs and PCBs) in Bangladesh: An Empirical Analysis," *Journal of Asian Business Strategy* 14 (June 2024): 70–89, https://doi.org/10.55493/5006.v14i1.5102.; Mohammad Azad et al., "Revisiting the Current Status of Green Finance and Sustainable Finance Disbursement: A Policy Insights," *Sustainability* 14 (July 2022), https://doi.org/10.3390/su14148911.; Dahhou Nabil et al., "The Role of Green Finance in Harmonizing Economic and Environmental Goals: A Moroccan Perspective," *Revista de Gestão Social e Ambiental* 18 (December 2024): e010189, https://doi.org/10.24857/rgsa.v18n12-186.

48 Chowdhury Shoma, "Financing Female Entrepreneurs in Cottage, Micro, Small, and Medium Enterprises: Evidence from the Financial Sector in Bangladesh 2010–2018," *Asia & the Pacific Policy Studies* 6 (July 2019), https://doi.org/10.1002/app5.286.;

49 At Women and World Banking, "Policy Diagnostic : Climate-Responsive Policy for Women ' s Financial Inclusion Beyond Its Environmental Impact , Climate Change Creates Disproportionate Challenges for Women ' s Affecting Women around the World : Exclusion From," no. November (2024).

access[50]. Table 1 therefore does not merely summarize regulatory models. It operationalizes the article's tertium comparationis: how each jurisdiction legally structures eligibility and access to climate-related finance. The comparison focuses on specific legal instruments, relevant provisions or clauses, the location of gender integration, the type of access mechanism available to women-led SMEs, and the legal design risk created by each regulatory model.

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[50] Otoritas Jasa Keuangan, "Peraturan Otoritas Jasa Keuangan Nomor 51/POJK.03/2017 Tentang Penerapan Keuangan Berkelanjutan Bagi Lembaga Jasa Keuangan, Emiten, Dan Perusahaan Publik," n.d.

Table 1. Comparative Legal Architecture of Gender-Responsive Climate Finance Access

Analytical Indicator	Indonesia	European Union	Bangladesh
Regulatory model	Fragmented multi-instrument model. Sustainable finance, MSME financing, carbon governance, financial-sector reform, and gender mainstreaming are regulated through separate instruments without an integrated borrower-access framework.	Vertically integrated taxonomy-disclosure-reporting model. The Taxonomy classifies environmentally sustainable activities, SFDR regulates financial-sector disclosure, and CSRD strengthens corporate sustainability reporting.	Central bank-led sustainable finance model. Bangladesh Bank uses green banking guidelines, sustainable finance policy, ESRM guidelines, refinancing schemes, and women-focused SME circulars to influence lending behaviour.
Primary legal/regulatory instruments	POJK No. 51/POJK.03/2017; Law No. 20 of 2008 on MSMEs; Law No. 4 of 2023 on Financial Sector Development and Strengthening, as amended by Law No. 4 of 2026; Presidential Regulation No. 110 of 2025 on Carbon Economic Value Instruments and National Greenhouse Gas Emission Control; Presidential Instruction No. 9 of 2000 on Gender Mainstreaming.	Regulation (EU) 2020/852, EU Taxonomy Regulation; Commission Delegated Regulation (EU) 2021/2139 on technical screening criteria; Regulation (EU) 2019/2088, SFDR; Directive (EU) 2022/2464, CSRD; Platform on Sustainable Finance, Final Report on Social Taxonomy 2022.	Bangladesh Bank Policy Guidelines for Green Banking 2011; Sustainable Finance Policy for Banks and Financial Institutions 2020; ESRM Guidelines for Banks and Financial Institutions 2017; SMESPD Circular Letter No. 6 of 2023 on Small Enterprise Refinance Scheme for Women Entrepreneurs; SMESPD Circular No. 4 of 2015, Paragraph 3.4, and SMESPD Circular Letter No. 1 of 2019 on collateral flexibility for women entrepreneurs.

Analytical Indicator	Indonesia	European Union	Bangladesh
Specific provisions / clauses relevant to access	POJK 51 Article 2 requires financial service institutions, issuers, and public companies to implement sustainable finance; Article 4 requires Sustainable Finance Action Plans; Article 7 regulates action-plan priorities; Articles 10 and 12 regulate sustainability reporting and publication. Law No. 20/2008 Articles 21–24 regulate MSME financing and guarantee support.	Taxonomy Regulation Article 3 sets cumulative criteria for environmentally sustainable activities: substantial contribution, DNSH, minimum safeguards, and technical screening criteria. Article 9 lists six environmental objectives. Article 18 regulates minimum safeguards. SFDR requires transparency from financial market participants and financial advisers regarding sustainability risks and adverse sustainability impacts.	Green Banking Guidelines require banks to develop green banking policies and institutional structures. ESRM Guidelines require banks and financial institutions to integrate environmental and social risk into credit/investment appraisal and conduct E&S due diligence. Sustainable Finance Policy requires banks/FIs to align their own policies with the Bangladesh Bank's sustainable finance framework. SMESPD instruments provide women-focused refinancing, priority access, collateral flexibility, and credit-guarantee support.
Gender integration	Gender mainstreaming is mandated by Presidential Instruction No. 9 of 2000, but it is not operationally linked to POJK 51's sustainable finance obligations or to borrower-level access rules. POJK 51	Gender is not a primary analytical category in the Taxonomy or SFDR. The Taxonomy is structured around environmental objectives under Article 9. Article 18 minimum safeguards provide baseline human rights and	Gender is operationalised more directly through the Bangladesh Bank's women-focused SME finance instruments. The women entrepreneur refinancing scheme, priority access to refinancing funds, credit-guarantee

Analytical Indicator	Indonesia	European Union	Bangladesh
	contains an inclusiveness principle, but does not require gender-disaggregated sustainable finance reporting or specific access indicators for women-led MSMEs.	labour protections, but not affirmative access criteria for women-led SMEs. SFDR is a disclosure regime, not a borrower-access regime.	reservations, and collateral flexibility demonstrate that gender-responsive access can be translated into central bank circulars and refinancing mechanisms.
Climate / sustainable finance linkage	POJK 51 establishes sustainable finance duties for financial institutions, issuers, and public companies, while Perpres 110/2025 governs carbon economic value instruments and national GHG emission control. However, the legal linkages among climate governance, MSME financing, and gender-responsive access remain underdeveloped.	Strong environmental linkage. Taxonomy alignment depends on contribution to environmental objectives, DNSH, minimum safeguards, and technical screening criteria. However, the framework mainly defines environmental sustainability rather than equitable access to sustainable finance.	Stronger practical linkage between sustainable finance and lending behaviour. Bangladesh Bank combines green banking, sustainable finance policy, ESRM due diligence, and refinancing to encourage banks/FIs to channel credit toward green or sustainable activities.
Access mechanism for women-led SMEs	General MSME financing support is provided under Law No. 20/2008, but there is no dedicated climate-finance pathway for women-led SMEs. Women-led SMEs may	No specific access mechanism for women-led SMEs under Taxonomy or SFDR. Women-led SMEs may benefit indirectly if they can prove taxonomy alignment, but	More explicit access mechanism. Bangladesh Bank instruments include dedicated refinancing for women entrepreneurs, preference for women in certain refinance schemes, collateral

Analytical Indicator	**Indonesia**	**European Union**	**Bangladesh**
	therefore remain dependent on ordinary bankability standards, collateral, credit history, and documentation capacity.	compliance complexity may create practical barriers through DNSH analysis, technical documentation, sustainability data, and reporting expectations.	flexibility up to BDT 25 lakhs, and reservation of credit-guarantee support for women entrepreneurs.
Main legal design risk	Fragmentation risk. Sustainable finance, MSME empowerment, gender mainstreaming, and carbon governance are not linked into a coherent access architecture.	Compliance complexity risk. A coherent framework creates high technical and reporting burdens that may disadvantage SMEs, including women-led SMEs.	Implementation-capacity risk. The model is more inclusion-oriented but depends heavily on the central bank's direction and banks/FIs' capacity to implement sustainable finance, ESRM, and gender-responsive SME lending.
Transferable lesson for Indonesia	Indonesia needs to move from parallel regulation to integrated access design by linking POJK 51, MSME financing law, carbon governance, and gender mainstreaming.	Indonesia can learn from the EU's vertical coherence but should avoid imposing high compliance costs on SMEs.	Indonesia can learn from Bangladesh's use of central bank instruments, refinancing incentives, collateral flexibility, and women-specific access measures to make sustainable finance more inclusion-oriented.

Sources: Compiled by authors based on OJK Reg. No. 51/POJK.03/2017; Regulation (EU) 2020/852; Regulation (EU) 2019/2088; Directive (EU) 2022/2464; Bangladesh Bank Sustainable Finance Policy (2020); Green Banking Policy Guidelines; and ESRM Guidelines.

C. Reconstructing a Gender-Responsive Sustainable Business Law Framework

The comparative analysis leads to a central conclusion: the climate finance problem in Indonesia is not primarily a funding gap, but a legal design gap. Expanding financing schemes without reconstructing the eligibility standards, reporting duties, regulatory principles, and institutional mechanisms that govern access will risk reproducing the same exclusions under new policy labels. The relevant legal instruments already exist. POJK No. 51/POJK.03/2017 regulates sustainable finance for financial service institutions, issuers, and public companies. Law No. 20 of 2008 regulates financing and guarantee support for micro, small, and medium enterprises. Law No. 4 of 2023 on Financial Sector Development and Strengthening, as amended by Law No. 4 of 2026, places sustainable finance, financial inclusion, consumer protection, and MSME financing within the broader financial-sector reform agenda. Presidential Regulation No. 110 of 2025 provides the current legal basis for carbon economic value instruments and national greenhouse gas emission control. Presidential Instruction No. 9 of 2000 provides the general mandate for gender mainstreaming. The problem is that these instruments remain insufficiently connected within a coherent borrower-access framework for women-led climate-relevant SMEs.

POJK No. 51/POJK.03/2017 is the most feasible entry point for reform because it already imposes sustainable finance obligations on financial service institutions. Article 2 requires financial service institutions, issuers, and public companies to implement sustainable finance. Article 4 requires financial service institutions to prepare Sustainable Finance Action Plans. Article 7 regulates action-plan priorities, including sustainable financial products or services, internal capacity development, organizational adjustment, risk management, governance, standard operating procedures, and other relevant activities. Articles 10 and 12 regulate sustainability reporting and publication. These provisions confirm that POJK 51 is primarily institution-facing and reporting-oriented, but they also provide a legal basis for expanding sustainable finance implementation into more specific access-oriented obligations.

OJK's statutory mandate supports the feasibility of this reform. Under Law No. 21 of 2011 on the Financial Services Authority (OJK), OJK exercises regulatory and supervisory functions over financial services activities in banking, capital markets, insurance, pension funds, financing institutions, and other financial sectors. This authority provides the OJK with the basis to amend POJK 51 or issue implementing rules on sustainable finance planning, disclosure, risk management, reporting, and financial institution conduct. However, the OJK cannot, by itself, regulate fiscal subsidies, tax incentives, state budget allocations, or inter-ministerial programmes. Those matters would require coordination with the Ministry of Finance, Bank Indonesia, the Ministry of Cooperatives and SMEs, climate-governance authorities, and, where necessary, a Presidential Regulation or joint regulation. The proposed reconstruction should therefore be understood as a normative and prescriptive reform agenda. It does not claim that POJK 51 currently requires gender-disaggregated sustainable finance reporting, proportional borrower-level eligibility standards, or simplified documentation pathways for women-led SMEs. Rather, it argues that these mechanisms can be introduced through an amendment to POJK 51 or through implementing regulations within OJK's regulatory and supervisory mandate over financial service institutions.

1. Inclusive Access as a Legal Principle in Sustainable Finance Regulation

Sustainable finance regulation in Indonesia currently rests on standards that may appear formally neutral, including bankability assessment, collateral, credit history, documentation, and administrative capacity.[51] However, formally neutral standards may produce unequal access when applied to borrowers with different legal, financial, and

[51] Bank Indonesia, "Peraturan Bank Indonesia Nomor 14/15/PBI/2012 Tentang Penilaian Kualitas Aset Bank Umum (2012), Particularly the Provisions Governing Credit Assessment, Documentation, Debtor Performance, and Collateral Valuation; Bahati Sanga and Meshach Aziakpono, "FinT" (n.d.).; Bahati Sanga and Meshach Aziakpono, "FinTech and SMEs Financing: A Systematic Literature Review and Bibliometric Analysis," *Digital Business* 3 (October 2023): 100067, https://doi.org/10.1016/j.digbus.2023.100067.; Amit Sharma Victor Motta, "Lending Technologies and Access to Finance for SMEs in the Hospitality Industry," *International Journal of Hospitality Management*, 2020.

institutional capacities.[52] Women-led SMEs may have climate-relevant activities but lack formal assets, complete sustainability documentation, technical reporting capacity, or conventional collateral.[53] Inclusive access should therefore be embedded as a legal principle in sustainable finance regulation. This principle should not weaken prudential standards or environmental integrity. Rather, it should require financial institutions to calibrate eligibility, documentation, verification, and reporting requirements according to borrower scale, risk level, and project complexity. The proposed legal mechanism is to insert an inclusive access and proportionality clause into POJK 51 or its implementing regulation.

A possible drafting formulation is as follows: "Financial Service Institutions shall apply the principle of proportionality in designing and implementing Sustainable Finance products, services, and financing procedures, including for micro, small, and medium enterprises and women-led enterprises engaged in climate-relevant or sustainable economic activities.[54] Proportionality shall include simplified documentation, alternative evidence of business viability, adjusted collateral assessment, and technical assistance, without reducing prudential principles, risk management standards, and environmental and social safeguards."

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52 Ninik Rahayu, Masduki Masduki, and Nur Ellyanawati, "Women Entrepreneurs' Struggles during the COVID-19 Pandemic and Their Use of Social Media," *Journal of Innovation and Entrepreneurship* 12 (August 2023), https://doi.org/10.1186/s13731-023-00322-y.; Malin Malmstrom et al., "A Meta-Analysis of the Impact of Entrepreneurs' Gender on Their Access to Bank Finance," *Journal of Business Ethics* 192 (October 2023): 1–18, https://doi.org/10.1007/s10551-023-05542-6.; Sanga and Aziakpono, "FinTech and SMEs Financing: A Systematic Literature Review and Bibliometric Analysis."

53 Corey Huber et al., "A Study of Private Sector Engagement in Climate Change Mitigation and Adaptation Activities within Pacific Small Island Developing States," *Climatic Change* 179 (March 2026), https://doi.org/10.1007/s10584-026-04147-y.

54 Sally Shamieh and Bettina Bastian, "Resilience Reimagined: Advancing a Gender-Sensitive Framework in Entrepreneurship Studies," *Journal of Small Business Strategy* 35 (September 2025), https://doi.org/10.53703/001c.142292.

This clause can be operationalized through the Sustainable Finance Action Plan. POJK 51 already requires financial service institutions to prepare such plans. The amendment should require Sustainable Finance Action Plans to include specific measures to improve access for MSMEs and women-led SMEs, including simplified documentation channels, proportionate eligibility criteria, alternative collateral assessment, and technical assistance for climate-relevant borrowers. OJK would not need to decide individual loan applications. Instead, OJK would supervise whether financial institutions have adopted internal policies, procedures, and measurable access strategies consistent with sustainable finance obligations.

2. **Sustainable Finance Regulation Built Around Measurable Gender Indicators**

Gender mainstreaming already exists in Indonesian law through Presidential Instruction No. 9 of 2000. However, it has not been expressly operationalized within POJK 51's sustainable finance obligations. This is the core legal gap. Gender commitments and sustainable finance commitments coexist in parallel, but neither has yet produced measurable outcomes in terms of access for women-led SMEs.

The proposed reform is to add gender- \and MSME-disaggregated sustainable finance reporting to POJK 51. At present, Articles 10 and 12 require sustainability reports and their publication. Still, they do not require financial institutions to disclose whether sustainable finance reaches MSMEs, women-led enterprises, or other structurally disadvantaged borrower groups. Without such data, gender-responsive climate finance cannot be monitored, evaluated, or corrected.

A possible drafting formulation is as follows: "Financial Service Institutions shall include in their Sustainability Reports aggregated data on the distribution of Sustainable Finance portfolios by enterprise scale, sector, region, and, where available and lawfully collected, gender of business ownership or leadership.[55] Such data shall include the number of recipients, value of financing, type of financial product, sectoral

[55] Drago et al., "Assessing Gender Theme in European Financial Institutions: An Analysis Through a New Interval-Based Composite Indicator."

classification, and access-support measures provided to micro, small, and medium enterprises and women-led enterprises."[56]

This reporting obligation should operate at two levels. First, aggregated data should be publicly disclosed in sustainability reports so that regulators, investors, civil society, and the public can assess whether sustainable finance is reaching smaller and women-led enterprises. Second, more detailed supervisory data may be submitted confidentially to OJK for monitoring and corrective supervision. Borrower-level personal data should not be publicly disclosed. This design balances transparency, accountability, and data protection.

The reporting mechanism should also be linked to supervisory follow-up. OJK should use the reported data to evaluate whether financial institutions are implementing sustainable finance inclusively and proportionately. Where financial institutions repeatedly fail to develop access measures for MSMEs or women-led enterprises, the OJK may require corrective action through supervisory engagement, improvement plans, technical guidance, or revisions to Sustainable Finance Action Plans.

A possible drafting formulation is as follows: "OJK shall evaluate the implementation of Sustainable Finance access indicators based on Sustainability Reports, Sustainable Finance Action Plans, and supervisory data submitted by Financial Service Institutions. Where necessary, OJK may require Financial Service Institutions to improve their Sustainable Finance access policies, internal procedures, reporting quality, and borrower-support mechanisms."

This enforcement model is realistic because it relies first on planning, disclosure, reporting, evaluation, and corrective improvement. It does not immediately depend on punitive sanctions. Stronger sanctions may remain available where institutions fail to submit required reports or comply with mandatory regulatory obligations.

3. Integrating SME Financing into the Climate Resilience and Adaptation Agenda

Climate finance that focuses solely on large-scale, high-bankability projects risks overlooking the role of SMEs in climate-resilient

[56] Shinwari, Wang, and Bouri, "Impact of Gender Equality and Green Finance on Green Growth: Insights From OECD Economies."

development. Women-led SMEs may contribute to local adaptation, circular economy, sustainable agriculture, renewable energy services, water resilience, and community-based mitigation.[57] Yet their contribution is not clearly recognised as a legal basis for access to climate finance within Indonesia's current sustainable finance architecture.

Law No. 20 of 2008 already provides a foundation for MSME financing and guarantee support. Articles 21–24 regulate financing, the development of financing sources, the improvement of access to financing, and the provision of guarantee support. However, these provisions are general MSME-financing provisions.[58] They do not expressly connect MSME financing to climate mitigation, adaptation, sustainable finance, or gender-responsive access. Similarly, Presidential Regulation No. 110 of 2025 governs carbon economic value instruments and national greenhouse gas emission control. Still, it does not create a simplified borrower-access pathway for women-led SMEs engaged in climate-relevant activities. The legal reconstruction, therefore, requires an explicit linkage clause connecting sustainable finance, MSME financing, gender mainstreaming, and climate governance.

A possible drafting formulation is as follows: "In implementing Sustainable Finance, Financial Service Institutions shall align their Sustainable Finance Action Plans with national policies on MSME development, gender mainstreaming, financial inclusion, climate-change mitigation and adaptation, carbon economic value instruments, and national greenhouse gas emission-control policies.[59] Such alignment shall be reflected in financing priorities, eligibility procedures, reporting indicators, and institutional coordination mechanisms."

This clause would make the linkage legally visible without requiring POJK 51 to regulate all policy areas directly. It would not

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57 Fang, Lee, and Li, "Financing a Sustainable Future: The Effectiveness of Climate Finance across the Primary, Energy, and Water Sectors."

58 Sin-Yu Ho and Sin-Yu Iyke, BernardHo, "Strategies and Implications for Climate Change Resilience in Small Enterprises," *Discover Environment* 4 (June 2026), https://doi.org/10.1007/s44274-026-00812-2.

59 Rajeev Ranjan, Pritha Chaturvedi, and Vishal Kumar, "An Analysis of Impact of Climate Finance on MSMEs and Entrepreneurial Growth," *ADHYAYAN: A JOURNAL OF MANAGEMENT SCIENCES* 12 (February 2023): 26–36, https://doi.org/10.21567/adhyayan.v12i2.05.

transform OJK into the authority responsible for MSME, gender, or carbon governance policy. Rather, it would require financial institutions to reflect those policy objectives in sustainable finance planning and reporting. This is institutionally realistic because POJK 51 already regulates Sustainable Finance Action Plans and sustainability reports.

Measurable access indicators should support the linkage clause. These indicators should initially function as reporting and supervisory indicators, not rigid quotas. They may include the number and value of sustainable finance products accessed by MSMEs; the share accessed by women-led enterprises; the climate-relevant sectors financed, such as renewable energy, sustainable agriculture, water services, circular economy, and climate adaptation; the type of collateral used; the use of alternative credit assessment; approval and rejection data; and the technical assistance provided to MSME borrowers.

A possible drafting formulation is as follows: "OJK may determine Sustainable Finance access indicators for Financial Service Institutions, including indicators relating to MSME participation, women-led enterprise participation, climate-relevant sectors, alternative collateral, technical assistance, and financing outcomes. These indicators shall be used for monitoring, evaluation, and improvement of Sustainable Finance implementation."

The final operational mechanism is simplified documentation and technical assistance. Women-led SMEs may have climate-relevant businesses but lack audited sustainability data, carbon accounting capacity, ESG consultants, or the formal documentation typically expected by financial institutions.[60] The regulation should therefore require financial institutions to provide simplified application procedures for low-risk, small-scale, climate-relevant MSME financing.[61]

A possible drafting formulation is as follows: "For Sustainable Finance products intended for micro, small, and medium enterprises, Financial Service Institutions shall provide simplified application procedures, proportionate documentation requirements, and access to

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[60] Shamieh and Bastian, "Resilience Reimagined: Advancing a Gender-Sensitive Framework in Entrepreneurship Studies."

[61] Mohamed Esham, "Towards a Research Agenda for Building Business Resilience to Climate Change in the SME Sector of Sri Lanka," *Sabaragamuwa University Journal* 20 (June 2022), https://doi.org/10.4038/suslj.v20i1.7827.

information or technical assistance concerning sustainability criteria, risk assessment, and reporting requirements." This clause would not force banks to approve all applications. It would require them to make the access process more navigable, proportionate, and transparent. Enforcement could be carried out through supervisory review of Sustainable Finance Action Plans, sustainability reports, internal procedures, and market conduct supervision.

The proposed reconstruction, therefore, consists of six operational elements: an inclusive access and proportionality clause; gender- and MSME-disaggregated sustainable finance reporting; explicit linkage between sustainable finance, MSME financing, gender mainstreaming, and climate governance; measurable access indicators; simplified documentation and technical assistance for climate-relevant MSMEs; and supervisory use of reported data. These reforms do not merely add gender language to POJK 51. They reconstruct the access architecture through which women-led SMEs can become visible, measurable, and supportable within Indonesia's sustainable finance framework.

D. Regulatory Implications and Reform Directions

The proposed reconstruction requires a staged reform agenda rather than a single broad recommendation. Indonesia already has the relevant legal instruments. POJK No. 51/POJK.03/2017 regulates the implementation of Sustainable Finance for Financial Service Institutions, Issuers, and Public Companies. Law No. 20 of 2008 provides the legal basis for MSME financing and guarantee support. Law No. 4 of 2023 on Financial Sector Development and Strengthening, as amended by Law No. 4 of 2026, provides the broader financial-sector reform context, including sustainable finance, financial inclusion, consumer protection, and MSME financing.[62] Presidential Regulation No. 110 of 2025 provides the current legal basis for carbon economic value instruments and national greenhouse gas emission control. Presidential Instruction No. 9 of 2000 provides the general mandate for gender mainstreaming. The reform challenge is therefore not the absence

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[62] Ashraf Khan, Anastasia Giakoumelou, and Giorgio Bertinetti, "SMEs and Climate Finance: A Hybrid Review," *Journal of Economic Surveys*, April 2026, n/a-n/a, https://doi.org/10.1111/joes.70106.

of law, but the absence of sequencing, institutional connection, and borrower-access design.[63]

The proposed reconstruction should be understood as a normative and prescriptive reform agenda. It does not claim that POJK No. 51/POJK.03/2017 already requires gender-disaggregated sustainable finance reporting, proportional eligibility standards, or simplified documentation pathways for women-led SMEs. Rather, it argues that these mechanisms can be introduced through an amendment to POJK 51 or through OJK implementing regulations, within OJK's mandate to regulate and supervise financial service institutions. The reform agenda should be prioritized based on legal feasibility, expected impact, and political-institutional resistance. The most feasible reforms are those that can be adopted through amendments to POJK 51 or OJK technical guidance, as POJK 51 already provides the regulatory entry point. Article 2 requires financial service institutions, issuers, and public companies to implement Sustainable Finance.[64] Article 4 requires financial service institutions to prepare Sustainable Finance Action Plans. Article 7 sets out the priorities for those plans, including sustainable financial products and services, internal capacity, risk management, governance, standard operating procedures, and other relevant activities. Articles 10 and 12 regulate sustainability reporting and publication. Together, these provisions create room to strengthen planning, reporting, access indicators, and institutional procedures.

This reform is also legally feasible because OJK has a statutory mandate under Law No. 21 of 2011. Article 6 grants the OJK regulatory and supervisory authority over financial services activities in banking, capital markets, insurance, pension funds, financing institutions, and other financial sectors. This mandate supports the OJK's authority to amend POJK 51 or to issue technical guidance on sustainable finance planning, disclosure, risk management, reporting, and financial institution conduct. However, OJK cannot carry this reform agenda

[63] Ni Astariyani et al., "Preventive and Evaluative Mechanism Analysis on Regulatory and Legislation Reform in Indonesia," *LAW REFORM* 19 (December 2023): 248–69, https://doi.org/10.14710/lr.v19i2.55819.

[64] Wicipto Setiadi, "Institutional Restructuring to Sustain Regulatory Reform in Indonesia," *Hasanuddin Law Review* 5 (May 2019): 120, https://doi.org/10.20956/halrev.v5i1.1699.

alone. It cannot independently regulate fiscal subsidies, tax incentives, state-budget allocations, or inter-ministerial programmes. These matters require coordination with the Ministry of Finance, Bank Indonesia, the Ministry of Cooperatives and SMEs, gender-mainstreaming authorities, and climate-governance authorities. If the reform is intended to bind actors beyond OJK-regulated financial institutions, a Presidential Regulation, joint regulation, or coordinated national roadmap would provide a stronger legal basis.

The first and most politically feasible reform is to introduce gender- and MSME-disaggregated sustainable finance reporting. This reform is likely to face lower resistance because it does not immediately require financial institutions to approve loans, change prudential standards, or adopt mandatory financing quotas. Its main purpose is more basic but important: to make visible who actually receives sustainable finance. At present, Articles 10 and 12 of POJK 51 require sustainability reports and publication.[65] Still, they do not require financial institutions to show whether sustainable finance portfolios reach MSMEs, women-led enterprises, or climate-relevant small businesses.[66]

A possible drafting formulation may read: "Financial Service Institutions shall include in their Sustainability Reports aggregated data on the distribution of Sustainable Finance portfolios by enterprise scale, sector, region, and, where available and lawfully collected, the gender of business ownership or leadership. The data shall cover the number of recipients, financing value, type of financial product, sectoral classification, and access-support measures provided to micro, small, and

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[65] Otoritas Jasa Keuangan, "Peraturan Otoritas Jasa Keuangan Nomor 51/POJK.03/2017 Tentang Penerapan Keuangan Berkelanjutan Bagi Lembaga Jasa Keuangan, Emiten, Dan Perusahaan Publik.", arts. 10 and 12; Gutierrez Herenia and Sigit Arie Wibowo, "Do Sustainability Activities Affect the Financial Performance of Banks? The Case of Indonesian Banks," *Sustainability* 15 (April 2023): 6892, https://doi.org/10.3390/su15086892.

[66] Otoritas Jasa Keuangan, "Peraturan Otoritas Jasa Keuangan Nomor 51/POJK.03/2017 Tentang Penerapan Keuangan Berkelanjutan Bagi Lembaga Jasa Keuangan, Emiten, Dan Perusahaan Publik.", art. 10(8) and annex II; Herenia and Arie Wibowo, "Do Sustainability Activities Affect the Financial Performance of Banks? The Case of Indonesian Banks."

medium enterprises and women-led enterprises." This reform should be implemented in the short term, within 12 months. OJK should lead the process, with technical consultation involving the Ministry of Cooperatives and SMEs, the Ministry of Women's Empowerment and Child Protection, Bank Indonesia, and financial industry associations. Aggregated data should be made public through sustainability reports, while more detailed borrower-level data should be submitted confidentially to OJK for supervisory purposes. Personal data at the borrower level should not be publicly disclosed. This approach maintains transparency and accountability while protecting borrower privacy. Its expected impact is high because, without gender- and MSME-disaggregated data, exclusion remains difficult to see, monitor, and correct.

The second reform is to add an inclusive access and proportionality clause to POJK 51 or its implementing regulation. This reform has medium political feasibility because financial institutions may need to adjust their internal procedures, eligibility assessments, documentation requirements, and borrower-support mechanisms[67]. Some resistance may come from banks or financial institutions concerned about operational costs, credit risk, and additional reporting requirements. To reduce this resistance, the reform should not be presented as a relaxation of prudential standards. Instead, it should be framed as a fair and proportionate way to apply Sustainable Finance procedures, taking into account the borrower's scale, risk level, and project complexity.

A possible draft formulation may read: "Financial Service Institutions shall apply the principle of proportionality when designing and implementing Sustainable Finance products, services, and financing procedures, including for micro, small, and medium enterprises and women-led enterprises engaged in climate-relevant or sustainable economic activities. Proportionality shall include simplified documentation, alternative evidence of business viability, adjusted collateral assessment, and technical assistance, without compromising prudential principles, risk management standards, and environmental and social safeguards." This reform should be implemented in the short

[67] Ho and Iyke, BernardHo, "Strategies and Implications for Climate Change Resilience in Small Enterprises."

to medium term, within 12–24 months. OJK should lead the reform through an amendment to POJK 51 or by issuing a technical circular. The implementation mechanism should be linked to the Sustainable Finance Action Plan required under Article 4 of POJK 51. Financial institutions should be required to explain how their Action Plans provide proportionate access measures for MSMEs and women-led enterprises. OJK's role would not be to decide individual credit applications, but to supervise whether financial institutions have adopted internal policies and procedures that make sustainable finance access more inclusive and proportionate.

The third reform is to create a formal obligation for financial institutions offering Sustainable Finance products to MSMEs to facilitate capacity. This reform directly addresses institutional capacity as a legal design problem. Women-led SMEs may have climate-relevant activities but lack sustainability documentation, carbon accounting knowledge, ESG reporting capacity, or familiarity with green finance criteria.[68] Therefore, the law should not merely demand compliance; it should require access to support.[69]

A more practical drafting formulation may read: "For Sustainable Finance products intended for micro, small, and medium enterprises, Financial Service Institutions shall provide simpler application procedures, proportionate documentation requirements, and accessible

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[68] Dhoni Mardika, Theresia Damayanti, and Maria Rita, "Determinants of Discouraged Borrowers and Gender as Contextual Factors: Evidence from Indonesian MSMEs," *Cogent Business & Management* 11 (April 2024), https://doi.org/10.1080/23311975.2024.2336300.; and Viviana Fernandez Dengjun Zhang, Nirosha Hewa Wellalage, "Environmental Assurance, Gender, and Access to Finance: Evidence from SMEs," International Review of Financial Analysis," 2022, https://doi.org/10.1016/j.irfa.2022.102326.; Huber et al., "A Study of Private Sector Engagement in Climate Change Mitigation and Adaptation Activities within Pacific Small Island Developing States."

[69] and Dorice Agol Kate Elizabeth Gannon, Shaikh M. S. U. Eskander, Antonio Avila-Uribe, Elena Castellano, Mamadou Diop, "The Role of Gender in Firm-Level Climate Change Adaptation Behaviour: Insights from Small Businesses in Senegal and Kenya," *Climate Risk Management* 2025 (n.d.), https://doi.org/10.1016/j.crm.2025.100699.; Huber et al., "A Study of Private Sector Engagement in Climate Change Mitigation and Adaptation Activities within Pacific Small Island Developing States."

information or technical assistance on sustainability criteria, risk assessment, and reporting obligations."

This reform should be introduced within 24 months through OJK guidance or an amendment to POJK 51. Some resistance may arise because financial institutions would have additional procedural duties. However, this can be managed through phased implementation, simplified templates, sector-based guidance, and cooperation with government MSME support programmes. The Ministry of Cooperatives and SMEs, local governments, and the OJK can help MSME borrowers prepare the required documents, while the OJK can set minimum procedural standards for financial institutions. The expected impact is significant because many barriers arise even before the credit decision is made, especially during documentation and eligibility preparation.

The fourth reform is to include an explicit linkage clause connecting Sustainable Finance, MSME financing, gender mainstreaming, financial inclusion, and climate governance. This reform is normatively important, although its political feasibility is moderate because it requires coordination across institutions. POJK 51 regulates Sustainable Finance. Law No. 20 of 2008 regulates MSME financing and guarantee support under Articles 21–24. Presidential Instruction No. 9 of 2000 provides the general mandate for gender mainstreaming. Presidential Regulation No. 110 of 2025 regulates carbon economic value instruments and national greenhouse gas emission control. These instruments already exist, but they still operate largely in parallel. As a result, the current legal framework has not yet created a clear and coherent access pathway for women-led, climate-relevant SMEs.

A more practical drafting formulation may read: "In implementing Sustainable Finance, Financial Service Institutions shall ensure that their Sustainable Finance Action Plans are connected with national policies on MSME development, gender mainstreaming, financial inclusion, climate mitigation and adaptation, carbon economic value, and greenhouse gas emission control. This connection should be visible in how financing priorities are set, how eligibility requirements are designed, how indicators are reported, and how institutions coordinate with one another." This reform should be introduced gradually within 24–36 months. OJK should lead the financial sector side of the reform, but it cannot carry the agenda alone. The Ministry of Finance, Bank

Indonesia, the Ministry of Cooperatives and SMEs, the Ministry of Women's Empowerment and Child Protection, and climate-governance authorities need to be involved from the beginning. If the reform is meant to guide not only financial institutions but also ministries and agencies outside OJK's authority, then a Presidential Regulation or a coordinated national roadmap would provide a stronger legal basis than a POJK amendment alone.

The fifth reform is to develop measurable indicators of Sustainable Finance access. These indicators should initially function as supervisory and reporting tools, not rigid quotas. This distinction is important to reduce political resistance. Financial institutions may resist mandatory lending quotas because of prudential concerns. However, they are more likely to accept indicators used for reporting, monitoring, and gradual improvement. Indicators should include the number and value of Sustainable Finance products accessed by MSMEs; the share accessed by women-led enterprises; climate-relevant sectors financed, such as renewable energy, sustainable agriculture, water services, circular economy, and adaptation; types of collateral used; alternative credit-assessment methods; approval and rejection data; and technical assistance provided.

A possible drafting formulation is as follows: "OJK may determine Sustainable Finance access indicators for Financial Service Institutions, including indicators relating to MSME participation, women-led enterprise participation, climate-relevant sectors, alternative collateral, technical assistance, and financing outcomes. These indicators shall be used for monitoring, evaluation, and improvement of Sustainable Finance implementation." This reform should be implemented in two phases. In the first 12 months, OJK should develop voluntary or pilot indicators through technical guidance. Within 24–36 months, after data quality improves, these indicators may be incorporated into mandatory sustainability reporting. The expected impact is high because measurable indicators turn gender-responsive sustainable finance from a policy aspiration into a monitorable regulatory obligation.

The sixth reform is to establish a supervisory follow-up mechanism. Reporting alone is not enough; without regulatory follow-up, it can become merely symbolic. OJK should use sustainability reports, Sustainable Finance Action Plans, and confidential supervisory data to assess whether financial institutions are taking meaningful steps to improve access for MSMEs and women-led enterprises. The enforcement model should be gradual. OJK should begin with technical guidance, followed by supervisory dialogue and improvement plans. Administrative measures should be used only when financial institutions repeatedly fail to comply with mandatory reporting or planning obligations.

A possible drafting formulation may read: "OJK shall evaluate the implementation of Sustainable Finance access indicators based on Sustainability Reports, Sustainable Finance Action Plans, and supervisory data submitted by Financial Service Institutions. Where necessary, OJK may require Financial Service Institutions to improve their Sustainable Finance access policies, internal procedures, reporting quality, and borrower-support mechanisms." This approach is more politically feasible than immediate punitive sanctions. It also fits the logic of sustainable finance governance, which depends on planning, disclosure, reporting, evaluation, and continuous institutional improvement. The deeper challenge is not only enforcement, but regulatory will. This has remained limited not simply because institutions reject gender-responsive climate finance, but because Sustainable Finance, MSME empowerment, gender mainstreaming, and carbon governance have grown in separate regulatory silos.[70] Each institution works within its own mandate, but no mechanism has required them to connect those mandates into a shared access framework. Building regulatory will, therefore, means making exclusion visible through data, assigning clear institutional responsibility, and embedding coordination into formal legal instruments.

The reform roadmap should proceed in three phases. In the short term, within 12 months, OJK should revise sustainability reporting guidance to require aggregated MSME- and gender-disaggregated Sustainable Finance data and begin pilot access indicators. In the medium term, within 12–24 months, OJK should amend POJK 51 or

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[70] Kanya Andriyani, M Iwanda, and Harjum Muharam, "The Impact of Green Finance Initiatives on SME: A Systematic Literature Review," *Economic and Business Horizon* 4 (May 2025): 375–84, https://doi.org/10.54518/ebh.4.2.2025.681.

issue an implementing regulation to introduce proportionality, simplified documentation, and capacity-facilitation obligations. In the medium to longer term, within 24–36 months, Indonesia should adopt a cross-institutional linkage framework connecting Sustainable Finance, MSME financing, gender mainstreaming, financial inclusion, and climate governance. This may take the form of a joint regulation, coordinated national roadmap, or Presidential Regulation if binding obligations across ministries and agencies are required.

This sequencing reflects the political economy of reform. Reporting and indicators are the easiest starting point because they create visibility without immediately changing credit allocation. Proportionality and capacity facilitation are more demanding because they require financial institutions to adjust internal processes. Cross-institutional linkage is the most complex because it requires coordination beyond OJK. However, it is also the reform with the greatest structural impact, as it would move Indonesia from parallel regulation to an integrated access architecture. The point is not to impose gender-responsive climate finance through one sweeping legal amendment, but to build it step by step through feasible, monitorable, and institutionally grounded reforms.

Conclusion

This article has argued that the exclusion of women-led SMEs from climate finance is not merely a problem of limited funding, but a problem of legal design. Climate finance operates through eligibility criteria, documentation requirements, risk assessment, disclosure duties, reporting obligations, and institutional procedures. Although these standards may appear formally neutral, they can become exclusionary when applied to business actors that do not begin from equal legal, financial, and institutional capacities.

The novelty of this article lies in conceptualizing climate finance as a legal gatekeeping mechanism within sustainable business law. This framing connects three bodies of scholarship that are often examined separately: sustainable finance regulation, SME financing, and gender-responsive financial inclusion. The article shows that unequal access is not only produced by social or market barriers outside the law, but can also be reproduced within the legal architecture of climate finance itself. The gap identified at the beginning of this article is therefore answered by demonstrating that gender-responsive climate finance requires legal reconstruction at the level of access design, not merely the expansion of funding schemes or the addition of gender language to policy documents. The comparative analysis demonstrates that Indonesia can learn from, but should not transplant, the models examined. The European Union offers a lesson in regulatory coherence through the integration of taxonomy, disclosure, and sustainability reporting, but its technical complexity may create compliance burdens for SMEs. Bangladesh offers a more access-oriented lesson through central bank instruments, refinancing schemes, and women-focused SME finance measures. Still, it should not be treated as a complete gender-responsive climate finance model. Indonesia's challenge is different: it already has sustainable finance regulation, MSME financing law, financial-sector reform, carbon governance, and gender mainstreaming mandates, but these instruments remain fragmented and have not been connected into a coherent borrower-access framework. The main law reform implication is that Indonesia should address this legal fragmentation and access-design gap through operational legal mechanisms, rather than relying solely on general gender commitments. POJK No. 51/POJK.03/2017 can serve as a feasible entry point by introducing proportional borrower-level access standards, gender- and MSME-disaggregated sustainable finance reporting, simplified documentation for climate-relevant SMEs, measurable access indicators, and supervisory use of reported data. These reforms should be linked to MSME financing, financial inclusion, gender mainstreaming, and carbon governance so that women-led SMEs become visible and supportable within sustainable finance regulation.

This study has limitations. It is normative-prescriptive and doctrinal in method. It does not empirically measure how women-led SMEs experience climate finance application procedures, how financial institutions assess their creditworthiness, or whether the proposed legal mechanisms would improve access in practice. Future research should therefore examine women-led SMEs' experiences in applying for climate-related finance, compare approval and rejection patterns across gender and enterprise scale, and assess how banks interpret sustainability, risk, and collateral requirements in actual lending decisions. The broader implication is clear: gender-responsive climate finance cannot be achieved by adding gender language to policy documents alone. It requires an access architecture that is legally integrated, proportionate to borrower capacity, and capable of correcting structural barriers embedded in formally neutral finance rules.

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