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Original Article

Intellectual Property-Based Financing as Alternative Collateral for Creative Economy MSMEs: Implications for Financial Inclusion and Business Growth in Indonesia

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Abstract

The creative economy is a major driver of innovation-led growth, yet creative economy MSMEs face limited access to formal financing because their business models depend on intangible assets rather than physical collateral. Indonesia has introduced a regulatory framework recognizing intellectual property (IP) as an alternative form of collateral for financing. This study examines how Indonesia's IP-based financing framework is intended to expand financial inclusion for creative economy MSMEs, using a qualitative policy analysis approach evaluating five key regulatory instruments issued between 2019 and 2026 that collectively establish IP as a recognized, valuable, and financeable asset. The findings indicate that Indonesia has developed an initial institutional architecture for transforming intellectual property into a financing instrument, but this architecture remains partial rather than comprehensive: it stops short of specifying enforcement, liquidation, and dispute-resolution mechanisms, and implementation challenges remain significant, including institutional risk aversion, limited IP literacy among MSMEs, and unequal digital access. Recent developments, including the inauguration of Indonesia's first certified IP Appraisers and a dedicated IDR 10 trillion KUR Ekraf platform launched in February 2026, indicate the framework has begun moving toward operational practice, though no disbursement data are yet available to confirm effectiveness. This study contributes to the MSMEs financing literature by positioning IP as an instrument that may enhance financial inclusion and support business growth, while cautioning that regulatory recognition alone does not guarantee improved access without parallel investment in valuation capacity and MSMEs readiness.

Keywords: Creative Economy, Intellectual Property, IP-Based Financing, People's Business Credit.

1. Introduction

Micro, small, and medium enterprises (MSMEs) continue to play a central role in economic development across both developed and developing countries. According to recent reports published by the Organisation for Economic Co-operation and Development (OECD) (2023), MSMEs account for more than 90 percent of total enterprises worldwide and contribute substantially to employment generation, innovation development, and economic resilience. In emerging economies, MSMEs function not only as productive economic actors but also as essential mechanisms for poverty reduction and inclusive economic participation.

Despite their economic significance, financing access remains one of the most persistent structural challenges facing MSMEs globally. The World Bank (2023) estimates that more than 40 percent of formal MSMEs in developing countries experience unmet financing needs, largely caused by conventional banking systems that prioritize fixed asset ownership as the primary basis for credit evaluation. Despite the availability of formal financing sources, many

MSMEs still struggle to secure credit from banks and other financial institutions due to technical and administrative constraints (Nareswari et al., 2023). Traditional financing institutions continue to rely heavily on collateral-based lending practices, requiring land certificates, buildings, machinery, or other tangible assets as collateral. As a consequence, many otherwise productive enterprises remain financially excluded despite having strong commercial potential.

These financing constraints become even more significant within the creative economy sector. Unlike conventional manufacturing or capital-intensive industries, creative economy businesses rely predominantly on intangible assets generated through human creativity, innovation, cultural knowledge, and technological capabilities. Business value within creative sectors is often embedded in copyrights, trademarks, patents, industrial designs, digital products, and other forms of intellectual property. Such characteristics create an inherent mismatch between traditional banking systems and the operational structure of creative economy enterprises.

Recent studies increasingly recognize that intangible assets now constitute one of the most valuable forms of productive capital within modern economies. The World Intellectual Property Organization (WIPO) (2022) emphasizes that intellectual property has evolved beyond legal protection mechanisms and now functions as a strategic economic asset capable of generating measurable future income streams through licensing arrangements, commercialization partnerships, royalties, franchising models, and digital distribution systems. Nevertheless, despite possessing commercially valuable intellectual property portfolios, many creative entrepreneurs remain unable to convert these assets into formal financing access.

The financing exclusion experienced by creative economy enterprises creates broader developmental concerns. Limited financing access constrains business expansion, reduces innovation capacity, delays commercialization activities, and weakens long-term competitiveness. The Asian Development Bank (2022) highlights that financing constraints remain one of the primary barriers preventing creative sector MSMEs from scaling beyond small operational capacity, particularly within developing economies where financial institutions remain highly conservative in evaluating intangible assets.

Recognizing this structural gap, governments in several countries have begun exploring alternative financing mechanisms that allow intangible assets to function as acceptable forms of collateral. Intellectual property-based financing has gradually emerged as an innovative financing model capable of reducing dependency on physical collateral systems while simultaneously encouraging knowledge-based entrepreneurship. This financing approach enables intellectual property assets to become economically productive through integration into formal lending frameworks.

Indonesia has recently positioned itself as one of the countries actively developing institutional frameworks supporting intellectual property-based financing. Through Law Number 24 of 2019 concerning Creative Economy, the Indonesian government formally recognized intellectual property as a strategic economic asset. This legal recognition was further operationalized through Government Regulation Number 24 of 2022, which established intellectual property as a financing object within formal economic transactions. Additional regulatory strengthening occurred through Financial Services Authority Regulation Number 19 of 2025 concerning MSMEs financing facilitation, Minister of Creative Economy Regulation Number 6 of 2025 regulating intellectual property appraisers, and Coordinating Minister for Economic Affairs Regulation Number 1 of 2026 integrating intellectual property-based financing mechanisms into the People's Business Credit (*Kredit Usaha Rakyat*/KUR) program.

Although Indonesia has developed a more structured regulatory framework for intellectual property-based financing, academic discussions have largely remained focused on legal recognition and regulatory harmonization perspectives. For instance, Reskin and Wirdyaningsih (2022) discuss the legal treatment of intellectual property as collateral under Government Regulation Number 24 of 2022 from a purely juridical perspective. Similarly, Noor and Zulkifli (2023) examine intellectual property-based financing through the framework of fiduciary guarantees for creative economy actors, also using a normative-legal approach. These studies are useful in establishing that intellectual property can be recognized within the legal framework as collateral. However, they do not address whether this legal recognition actually improves access to financing or affects financing outcomes in practice. As a result, there is still limited research on the broader economic implications of intellectual property-based financing, particularly its potential contribution to MSMEs growth, financial inclusion, and the long-term sustainability of creative economy enterprises.

This gap is particularly important because the effectiveness of intellectual property-based financing cannot be evaluated solely through legal legitimacy. The broader question concerns whether such financing systems are capable of reducing financial exclusion, supporting business growth, encouraging entrepreneurship development, and improving economic productivity among creative economy enterprises.

Because financial inclusion is central to the title and overall focus of this study, it is important to clarify what the term means in this context. Following Demirgüç-Kunt et al. (2022), financial inclusion is understood not merely as access to a bank account but as meaningful participation in formal financial services, including credit, that allows individuals and enterprises to invest, manage risk, and smooth consumption or production over time. Building on this definition, the study focuses specifically on the supply side of enterprise credit. Financial inclusion for creative economy MSMEs is treated as the extent to which formal lenders recognize intangible, IP-based assets as bankable collateral, rather than as a claim about actual credit uptake or usage, which this study's qualitative and secondary-data design cannot directly measure.

Therefore, this study examines Indonesia's intellectual property-based financing framework through three main objectives: (1) to map the regulatory architecture that allows intellectual property to be used as collateral for financing; (2) to examine its potential implications for financing access and business growth among creative economy MSMEs; and (3) to critically assess the readiness of the framework and identify implementation gaps that may limit its effectiveness in improving financial inclusion in Indonesia.

2. Literature Review

The theoretical framework of this research is built upon the concepts of the creative economy and IP–based financing. This approach positions intellectual property as a primary economic asset that can be utilized within the formal financing system.

2.1. Financial Inclusion as an Analytical Construct

Because financial inclusion is central to the title and overall focus of this study, it is important to clarify how the term is used in this study before applying it throughout the analysis. Following Demirgüç-Kunt et al. (2022), financial inclusion is understood not simply as access to a bank account, but as meaningful access to formal financial services, including credit, that enables individuals and businesses to invest, manage risks, and maintain consumption or production over time. Based on this definition, the study focuses specifically on the supply side of enterprise credit. For creative economy MSMEs, financial inclusion is therefore considered in terms of whether formal lenders recognize intangible, IP-based assets as acceptable collateral for financing. This does not imply that MSMEs have actually obtained or used such financing, as the qualitative and secondary-data approach adopted in this study cannot directly measure credit uptake or usage. This definition guides the analysis throughout the chapter, particularly in Section 4, where the study examines the extent to which Indonesia's regulatory framework is moving toward this broader understanding of financial inclusion in practice.

2.2. Creative Economy Business Models and Growth Sustainability

The creative economy serves as a catalyst for economic innovation by transforming creativity and knowledge into economic value (Ausat et al., 2023). Creative economy enterprises differ fundamentally from conventional business models because their primary value creation process depends on creativity, innovation, and intellectual capital rather than physical production capacity. UNCTAD (2022) describes creative economy sectors as industries whose economic output derives predominantly from knowledge generation, cultural production, artistic innovation, and intellectual property commercialization.

Because creative businesses rely heavily on intangible assets, financing accessibility directly influences business growth trajectories. Limited financing access often prevents creative enterprises from scaling production capacity, entering international markets, investing in digital infrastructure, or expanding commercialization activities.

Recent research conducted by the Asian Development Bank (2023) demonstrates that financing accessibility strongly correlates with long-term business sustainability within innovation-driven sectors. Enterprises capable of accessing formal financing generally experience stronger revenue growth, improved operational resilience, and greater innovation output compared with businesses relying exclusively on informal capital sources.

From this perspective, intellectual property-based financing should not be viewed merely as a legal innovation but as an economic mechanism capable of supporting long-term business sustainability within creative economy ecosystems. By transforming intangible assets into productive financing instruments, intellectual property-based financing may reduce structural financing exclusion while strengthening entrepreneurial growth opportunities among creative economy enterprises.

2.3. Intellectual Property as a Core Asset of the Creative Economy

Creative Economy, as defined in Law Number 24 of 2019 concerning Creative Economy, refers to embodiment of added value of intellectual property originating from human creativity based on cultural heritage, knowledge, and/or technology. The conceptualization of intellectual property within the contemporary creative economy has shifted from a defensive juridical shield to economic value. The exclusive rights attached to intellectual property create opportunities for commercialization through licensing, franchising, co-branding, and various partnership schemes. Therefore, intellectual property functions not merely as an instrument of legal protection, but also as a productive asset.

From a juridical perspective, intellectual property is classified as intangible movable property that may serve as an object of collateral. An intangible asset is an identifiable non-monetary asset without physical substance (Van Criekingen et al., 2021). Intellectual property is granted the same fundamental proprietary characteristics as physical property. This means it can be owned, transferred, pledged, or encumbered. This recognition is essential for integrating the creative economy into the formal financial system, particularly in the context of financing.

Intellectual property has traditionally been understood primarily as a legal protection mechanism safeguarding ownership rights over inventions, creative works, trademarks, and commercial innovations. However, recent scholarship increasingly recognizes intellectual property as an economic asset capable of generating measurable financial value. WIPO (2023) explains that intellectual property assets generate economic value through several mechanisms including licensing agreements, royalty streams, franchising systems, commercialization partnerships, digital distribution channels, and brand monetization strategies. Unlike conventional tangible assets, intellectual property derives value from future income potential rather than immediate physical ownership.

The increasing economic significance of intellectual property has encouraged governments to integrate intellectual property into broader financing ecosystems. A recent OECD (2023) report notes that intellectual property-based financing mechanisms are becoming increasingly relevant as modern economies transition toward knowledge-intensive production systems where intangible assets often exceed physical capital in economic value.

However, the principal challenge lies in valuation uncertainty. Because intellectual property lacks standardized market pricing systems, financial institutions frequently struggle to estimate liquidation value and repayment security. This uncertainty remains one of the largest barriers preventing wider adoption of intellectual property-based financing systems.

International experience confirms that this challenge is not unique to Indonesia. Heller et al. (2024) develop a taxonomy of institutional and economic determinants shaping the collateralization of intellectual property rights across jurisdictions, showing that despite the ongoing shift toward technology-based economies, the use of intellectual property as loan collateral continues to trail behind conventional asset classes because of persistent information asymmetry between borrowers and lenders. Similarly, evidence from China's patent pledge financing scheme demonstrates that intellectual property collateral can alleviate corporate financing constraints and stimulate innovation, although it may also expose lenders to governance risks when valuation and monitoring mechanisms remain weak (Luo et al., 2024; Xie et al., 2023). Comparable findings from India indicate that intellectual property can function as a two-pronged signal for lenders, in which a strong portfolio signals creditworthiness while the risk of losing valuable assets discourages default, even though enforcement and valuation infrastructure remain underdeveloped. These cross-country findings reinforce the argument that Indonesia's regulatory efforts to formalize intellectual property valuation, including through SPI 321 and the appointment of certified intellectual property appraisers, address a structural barrier that is widely documented in the international literature rather than a uniquely domestic constraint.

2.4. Intellectual Property Valuation as Infrastructure for the Creative Economy

Intellectual property valuation functions as the critical infrastructure underpinning the creative economy. In traditional banking, financing is secured by tangible assets with well-established market values. Because creative works are intangible, they require a standardized, credible valuation mechanism to transform abstract ideas, designs, and products into legally recognized financial collateral. By establishing objective formulas to assess the future cash flows and market risks of a creative work, intellectual property valuation provides financial institutions with the transparency they need to confidently extend loans and credit lines to creators.

Without this structured valuation framework, the creative economy faces a severe bottleneck. Financial institutions are naturally risk-averse; without a reliable way to measure the economic worth of a copyright, trademark or patent, they treat these assets as zero-value risks. This lack of clear monetization paths frequently leaves high-potential creative enterprises are excluded from traditional capital markets, forcing them to rely on personal savings or predatory funding. Ultimately, a robust intellectual property valuation system bridges the gap between artistic innovation and financial stability, shifting the creative sector from a high-risk gamble to a structured, investable asset class.

In Indonesia, this vital infrastructure has taken a major step forward through the Indonesian Society of Appraisers (MAPPI), which issued *Standar Penilaian Indonesia* (SPI) 321. Specifically designed for the Valuation of Intellectual Property for Debt Guarantee Purposes, this standard provides a localized regulatory blueprint to address the legal and technical challenges of IP-based financing. By mapping out clear methodologies, such as the income, market, and cost approaches tailored for intangible assets, SPI 321 aligns with Government Regulation No. 24 of 2022 on the Creative Economy. It acts as a risk mitigation tool for the banking sector, giving Indonesian financial institutions and public appraisers a unified framework to confidently evaluate local creative assets and integrate them securely into the national financial system.

2.5. MSMEs Financing Constraints and Alternative Collateral Systems

Access to financing remains one of the most frequently discussed barriers affecting MSMEs development worldwide. MSMEs in developing countries face financial constraints, and their ability to provide collateral in accessing financing is even more challenging (Attrams & Tshehla, 2022). Smaller enterprises consistently experience greater financing difficulties compared with larger corporations because financial institutions face higher information asymmetry when evaluating smaller businesses (OECD, 2023). The inability of financial institutions to accurately assess borrower quality frequently causes lenders to rely heavily on collateral requirements as a risk mitigation mechanism.

Recent scholarship argues that conventional collateral systems systematically disadvantage businesses operating within innovation-driven sectors. According to International Finance Corporation (2017), MSMEs relying on intangible assets frequently face structural exclusion because traditional financial institutions lack sufficient valuation frameworks for non-physical assets. This creates an institutional financing gap where commercially viable businesses remain unable to obtain formal credit despite strong revenue potential.

Alternative collateral systems have therefore emerged as an increasingly important innovation within MSMEs financing policy. Alternative collateral mechanisms allow non-traditional assets to support financing access, reducing dependence on land ownership or physical asset accumulation. Intellectual property-based financing represents one of the most rapidly developing forms of alternative collateral within knowledge-based economies. A recent systematic review of MSMEs innovation financing channels explicitly identifies the role of patents and other intellectual property in banks' credit risk assessments as an underexplored research priority (Romero Alvarez et al., 2025), further underscoring that Indonesia's regulatory experimentation with intellectual property-based collateral engages with a frontier issue in global MSMEs financing scholarship rather than a purely domestic policy exercise.

Financial inclusion has become a major area of discussion within development economics because access to formal financial services directly influences economic productivity and entrepreneurship growth. According to the World Bank Global Findex Database (2022), expanding access to productive credit enables small businesses to invest in innovation, workforce expansion, technology adoption, and long-term business sustainability.

Within creative industries, financial inclusion becomes especially important because early-stage creative enterprises frequently operate without fixed assets while possessing commercially valuable intangible assets. Consequently, financing systems that fail to recognize intangible asset value may unintentionally exclude large segments of innovation-driven businesses from formal economic participation.

3. Methods

This study employs a qualitative research design using policy analysis and systematic literature review approaches. The objective of this research is to examine how Indonesia's emerging intellectual property-based financing framework influences financing accessibility, business growth opportunities, and financial inclusion for micro, small, and medium enterprises operating within the creative economy sector.

A qualitative approach was selected because intellectual property-based financing remains an emerging institutional innovation whose economic implications require contextual interpretation beyond quantitative measurement. The study combines regulatory analysis with academic literature synthesis to understand the relationship between financing policy architecture and broader business development outcomes. This method was selected because a literature review is capable of presenting a comprehensive conceptual framework, uncovering research developments in a particular field, and providing direction for evidence-based policymaking (van Riel & Snyder, 2024).

The primary sources analyzed in this research consist of Indonesia's regulatory framework governing intellectual property-based financing, including Law Number 24 of 2019 concerning Creative Economy, Government Regulation Number 24 of 2022 concerning the Implementation of Creative Economy Law, Financial Services Authority Regulation Number 19 of 2025 concerning Facilitation of Financing Access for MSMEs, Minister of Creative Economy Regulation Number 6 of 2025 concerning Intellectual Property Appraisers, and Coordinating Minister for Economic Affairs Regulation Number 1 of 2026 concerning Guidelines for People's Business Credit.

Secondary data were collected from peer-reviewed academic journal articles, international institutional reports, and policy studies published between 2020 and 2026 focusing on MSMEs financing constraints, financial inclusion, alternative collateral systems, intellectual property valuation, and creative economy business sustainability. Literature searches were conducted primarily through Scopus, Google Scholar, and institutional repositories (WIPO, OECD, World Bank, Asian Development Bank, International Finance Corporation), using combinations of the search terms "intellectual property financing," "IP collateral," "patent pledge financing," "creative economy MSMEs," "alternative collateral," and "financial inclusion MSMEs."

Sources were included if they were published in English or Indonesian, addressed intangible asset-based financing, MSMEs credit constraints, or creative economy business development, and were published between 2020 and 2026; sources were excluded if they addressed collateral or MSMEs financing in contexts unrelated to intangible or intellectual property assets, or if they consisted of non-peer-reviewed opinion pieces without an identifiable institutional or academic source. This search process was supplemented by manual identification of Indonesia's primary legal instruments and by tracking citations within key sources to capture recent empirical studies on intellectual property pledge financing published outside the initial keyword set. Literature sources were then selected based on relevance to financing innovation, intangible asset valuation, and entrepreneurship development.

The analytical process was conducted through three stages. First, regulatory analysis was undertaken to identify the institutional architecture governing intellectual property-based financing in Indonesia. Second, comparative literature analysis was performed to connect regulatory findings with contemporary academic discussions on MSMEs financing and financial inclusion. Third, interpretative analysis was conducted to evaluate the broader economic implications of intellectual property-based financing for creative economy enterprises, particularly regarding business growth opportunities, financing accessibility, and institutional barriers affecting implementation. This methodological approach allows the study to move beyond legal analysis and provide a broader understanding of intellectual property-based financing as an economic and managerial instrument supporting the long-term development of creative economy enterprises.

4. Results and Discussion

4.1. Regulatory Architecture Supporting Alternative Financing for Creative Economy MSMEs

The findings show that Indonesia has established a more structured institutional framework to support intellectual property-based financing as an alternative source of funding for creative economy enterprises, although several important gaps remain. The relevant legal instruments do not operate in isolation. Taken together, they form a financing ecosystem that links the legal recognition of intellectual property, valuation mechanisms, prudential banking requirements, and the practical implementation of financing. Section 4.7 critically examines this framework and highlights the areas where its implementation and practical impact remain limited.

Table 1. Regulatory Harmonization of IP-Based Financing

Regulation	Substantive Focus	Financing Function	Governance Dimension	Implication
Law No. 24/2019	Recognition of IP as economic asset & financing object	Policy mandate	Macro-policy framework	Strategic policy direction
Government Regulation No. 24/2022	IP as fiduciary collateral; financing ecosystem	Normative foundation	Legal-institutional foundation	Legal legitimacy
Financial Services Authority Regulation No. 19/2025	Prudential requirements for MSMEs financing	Prudential and technical framework	Financial governance	Financial sector compliance & risk mitigation
Minister of Creative Economy Regulation No. 6/2025	Accreditation and governance of IP appraisers	Valuation infrastructure	Market-support mechanism	Value certainty
Coordinating Minister for Economic	KUR IP-based scheme guidelines	Operational implementation	Policy coordination mechanism	MSMEs financing access

Regulation	Substantive Focus	Financing Function	Governance Dimension	Implication
Affairs Regulation No. 1/2026				

Note: The "Implication" column above summarizes each regulation's intended strategic function. Section 4.7 revisits each of these regulations critically and qualifies their practical force; for example, the Financial Services Authority Regulation's "financial sector compliance and risk mitigation" implication is permissive rather than mandatory in effect, since it authorizes but does not require lenders to accept intellectual property collateral.

Law Number 24 of 2019 serves as the foundational policy framework by recognizing intellectual property as an economically productive asset within the broader creative economy ecosystem. This recognition marked an important institutional shift because it formally acknowledged that economic value generated through creativity and innovation should be treated as productive capital rather than merely legal ownership rights.

This framework was further strengthened through Government Regulation Number 24 of 2022, which operationalized intellectual property as an object of fiduciary collateral. From an economic perspective, this regulation significantly expands the category of assets eligible for financing transactions. Traditional banking systems historically restricted collateral acceptance to physical assets such as land, buildings, or machinery. The recognition of intellectual property therefore introduces an alternative collateral mechanism capable of expanding financing accessibility for asset-light businesses.

Subsequent regulations further strengthen implementation capacity. Financial Services Authority Regulation Number 19 of 2025 provides prudential governance frameworks allowing financial institutions to incorporate intellectual property-based financing within formal lending systems while maintaining risk management standards. Minister of Creative Economy Regulation Number 6 of 2025 establishes professional intellectual property appraisers responsible for generating credible valuation assessments. Finally, Coordinating Minister for Economic Affairs Regulation Number 1 of 2026 intellectual property-based financing into Indonesia's People's Business Credit (KUR) scheme, transforming the financing framework from regulatory possibility into operational financing access. Taken together, this regulatory architecture represents an important financing innovation because it expands the range of productive assets recognized by formal financial institutions and reduces reliance on conventional collateral systems.

Recent developments suggest that this regulatory framework is beginning to move from legal design toward practical implementation. In February 2026, the Ministry of Creative Economy officially inaugurated the first cohort of 64 certified Intellectual Property Appraisers under Minister of Creative Economy Regulation Number 6 of 2025. This marked the first formal establishment of the profession in Indonesia. The development is supported by independent reporting and is not based solely on the ministry's own statement. Kompas.com, an independent national news outlet, confirmed the inauguration and reported that financial institutions still require independent appraisal before providing credit. It also noted that intellectual property currently serves as supplementary rather than primary collateral (Prihatini & Widyanti, 2026).

The readiness of the appraisers is also supported by reporting from Media Penilai, the official publication of the Indonesian Society of Appraisers (Masyarakat Profesi Penilai Indonesia, MAPPI). In January 2026, before the ministry announced the inauguration, Media Penilai reported that the registration and certification process for intellectual property appraisers was still being finalized in coordination with the Ministry of Finance's requirements for public appraiser licensing (Syah, 2026).

The Minister of Creative Economy described the establishment of the appraiser profession as an important step toward making intellectual property usable as collateral for financing. At the same time, the government introduced a dedicated KUR Ekraf (creative economy People's Business Credit) scheme, with a financing allocation of approximately IDR 10 trillion for fifteen creative economy subsectors, including film, music, fashion, and animation (Ashari, 2026; Prihatini & Widyanti, 2026). These developments show that the valuation infrastructure envisaged under Government Regulation Number 24 of 2022 and Minister of Creative Economy Regulation Number 6 of 2025 has begun to take shape in practice. However, the initial cohort of 64 appraisers remains small compared with the size of Indonesia's creative economy MSMEs sector. Moreover, intellectual property is still treated as supplementary rather than primary collateral under the current OJK framework. These factors suggest that the institutional capacity needed to support IP-based financing is developing, but remains at an early stage.

4.2. Economic Implications for Financing Accessibility among Creative Economy MSMEs

One of the most important economic implications of intellectual property-based financing concerns improved financing accessibility for creative economy MSMEs. Conventional credit systems frequently exclude creative entrepreneurs as their businesses generate value primarily through intangible assets rather than physical capital accumulation.

The creative economy sector is structurally different from manufacturing, retail, or conventional service sectors. Entrepreneurs operating in animation, digital design, software development, music production, film production, fashion design, publishing, and digital content industries often possess commercially valuable intellectual property portfolios while lacking conventional physical assets acceptable to financial institutions. This structural mismatch has historically prevented many creative businesses from accessing formal financing despite demonstrating strong revenue potential.

The introduction of intellectual property-based financing potentially reduces this financing exclusion by allowing entrepreneurs to leverage commercially valuable intangible assets when applying for formal credit. This mechanism fundamentally changes how productive capital is evaluated within the financing process. Rather than focusing exclusively on physical asset ownership, financing institutions can begin assessing future income-generating potential embedded within intellectual property portfolios.

Building on the definition of financial inclusion established in Section 2.1, this development may significantly expand participation of previously underserved businesses within the formal financial system, particularly by shifting how formal lenders recognize intangible assets as bankable collateral.

The scale of this potential gap is substantial. Indonesia's Ministry of Micro, Small, and Medium Enterprises records more than 65 million MSMEs units nationally, contributing over 61 percent of gross domestic product and absorbing approximately 97 percent of national employment (Coordinating Minister for Economic Affairs of the Republic of Indonesia, 2025), yet KUR disbursement in 2025 reached only around IDR 270 trillion to approximately 4.58 million debtors (Ayudiana, 2026), covering a small fraction of the total MSMEs population. Within this gap, creative economy MSMEs are disproportionately exposed because they typically lack the land or building titles conventionally required for collateral, even though the sector itself has consistently been estimated to contribute a significant share of national GDP and employment. Positioned against this backdrop, the introduction of a dedicated IDR 10 trillion KUR Ekraf platform represents a targeted, if still modest, intervention relative to the scale of unmet financing demand among creative economy enterprises. Consequently, intellectual property-based financing should be understood not simply as regulatory innovation but as a structural intervention capable of reducing financing inequality among innovation-driven enterprises operating within the creative economy sector.

4.3. Business Growth Implications for Creative Economy Enterprises

Whereas the preceding section examined how intellectual property-based financing changes which businesses are able to obtain formal credit, this section shifts attention to what businesses are able to do once that credit is obtained. This distinction matters because expanded access does not automatically translate into improved growth outcomes unless the financing structure itself preserves entrepreneurs' capacity to reinvest and scale while retaining greater control over their businesses.

Conventional financing mechanisms often force entrepreneurs to rely on internal savings, informal lending arrangements, or early equity dilution. In many cases, creative entrepreneurs seeking investment are required to surrender ownership stakes prematurely because they lack sufficient collateral to secure debt financing. This situation may weaken long-term business independence and reduce future value capture for founders.

Intellectual property-based financing introduces an alternative growth pathway by allowing businesses to raise capital without immediately transferring ownership control. Entrepreneurs possessing valuable copyrights, trademarks, patents, or digital products may use these assets to support debt financing while preserving equity ownership structures. This pattern is not merely conceptual, as Hochberg et al. (2018) provide direct empirical evidence from the U.S. venture lending market that patent collateral allows entrepreneurs and their existing investors to raise debt capital while avoiding the costly dilution of ownership stakes that additional equity rounds would otherwise require, particularly for startups whose patents are more readily redeployable in secondary markets.

This financing mechanism is particularly relevant for creative businesses characterized by high innovation intensity but relatively low fixed capital ownership. Enterprises operating in animation production, gaming development, digital publishing, film production, and music commercialization often experience rapid value creation through intellectual property monetization rather than through traditional physical asset accumulation.

Access to financing is essential for the expansion and long-term sustainability of MSMEs (Utomo, 2024). As financing accessibility improves, creative enterprises may experience greater capacity to scale production activities, invest in product quality improvement, expand market reach, and strengthen long-term business sustainability. From a management perspective, intellectual property-based financing therefore functions not only as a financing innovation but also as a mechanism supporting strategic business growth.

4.4. Institutional Risk Aversion within Financial Institutions

Despite promising regulatory progress, implementation challenges remain substantial. One of the most significant barriers concerns institutional risk aversion among financial institutions involved in providing intellectual property-based financing. Unlike physical collateral assets such as land or buildings, intellectual property assets present significant valuation uncertainty. Their economic value depends heavily on future revenue projections, market demand fluctuations, consumer preferences, technological change, and legal enforceability. This creates uncertainty regarding asset liquidation value in cases of loan default.

Banks traditionally operate under highly conservative risk management principles designed to minimize credit losses. Because intellectual property markets remain underdeveloped and secondary resale markets remain limited, financial institutions may hesitate to accept intellectual property as collateral despite regulatory authorization.

This challenge extends beyond legal recognition. Regulatory legitimacy alone cannot automatically change institutional behavior if lenders remain uncertain regarding asset valuation reliability and recovery mechanisms. Consequently, financial institutions may continue favoring conventional collateral despite new regulatory frameworks.

To address this barrier, stronger implementation mechanisms are required. Government agencies may need to establish standardized valuation frameworks, guarantee mechanisms capable of reducing lender exposure, and technical capacity-building programs helping financial institutions develop expertise in evaluating intellectual property assets. Without stronger institutional confidence, intellectual property-based financing may remain legally valid but practically underutilized.

4.5. Intellectual Property Literacy Constraints among MSMEs

A second major implementation challenge concerns limited intellectual property literacy among creative economy entrepreneurs themselves. Intellectual property-based financing assumes that entrepreneurs possess legally recognized intellectual property assets that can be valued. However, many MSMEs continue operating without formally registering their intellectual property assets. This constraint is well documented empirically rather than merely anecdotal. Indonesia's Minister of Law and Human Rights reported that of the country's approximately 64 million MSMEs, only around 11 percent had registered any form of intellectual property protection with the Directorate General of Intellectual Property, leaving roughly 90 percent of MSMEs without formal intellectual property recognition (CNN Indonesia, 2023).

A recent empirical study of creative economy MSMEs in Jakarta similarly finds that this low registration rate reflects a functional paralysis rooted in low practical legal literacy and a continuing reliance on informal, orally-based business customs at the grassroots level, compounded by the absence of certified appraisal institutions capable of supporting intellectual property valuation for financing purposes (Situngkir et al., 2026). These findings suggest that the literacy gap is not simply a matter of insufficient outreach but reflects deeper structural and cultural barriers that education campaigns alone may be insufficient to resolve.

In many developing economies, smaller businesses frequently underestimate the economic importance of intellectual property registration. Copyright registration, trademark registration, industrial design protection, and licensing management are often viewed primarily as legal administrative processes rather than strategic business assets capable of generating future financing opportunities. This creates a significant participation barrier. Entrepreneurs who fail to register intellectual property remain excluded from financing systems designed specifically around intellectual property valuation. As a result, businesses most in need of financing may remain unable to benefit from the financing scheme despite regulatory availability.

Improving intellectual property literacy therefore becomes a critical prerequisite for successful implementation. Government institutions responsible for creative economy development must strengthen education programs emphasizing intellectual property not only as legal protection but as a productive economic asset capable of supporting commercialization and financing access. Without widespread intellectual property awareness among creative entrepreneurs, adoption rates for intellectual property-based financing will likely remain limited.

4.6. Digital Infrastructure and the Future of Financing Accessibility

An additional factor influencing long-term success of intellectual property-based financing concerns digital infrastructure supporting financing accessibility. Although current regulatory frameworks provide the legal foundations for intellectual property-based financing, effective access increasingly depends on digital systems that can reduce transaction costs and administrative barriers.

Digital transformation may improve implementation through several mechanisms. First, online intellectual property registration systems reduce administrative burdens associated with copyright and trademark registration, allowing more creative entrepreneurs to formalize intellectual property ownership. Faster registration processes increase the number of businesses eligible to participate within intellectual property financing systems. Second, digital financing platforms may improve financing accessibility by simplifying application procedures. Traditional financing applications frequently require extensive administrative procedures that discourage smaller enterprises from seeking formal credit. Digital KUR financing platforms may reduce documentation complexity while accelerating approval processes. Third, emerging valuation technologies may eventually improve intellectual property appraisal reliability. Artificial intelligence-assisted valuation systems capable of analyzing market trends, royalty projections, licensing activity, and commercialization performance may improve consistency of intellectual property valuation practices.

Digitalization may therefore significantly influence long-term scalability of intellectual property-based financing systems. Without accessible digital infrastructure, intellectual property-based financing risks becoming administratively complex and inaccessible for smaller grassroots enterprises operating outside major urban centers. For this reason, future policy development should treat digital infrastructure not as a supporting element but as a central component determining the success of intellectual property-based financing implementation. Overall, Indonesia's intellectual property-based financing framework represents an important institutional innovation capable of expanding financing inclusion and strengthening business development opportunities within the creative economy sector. However, successful implementation depends not only on regulatory harmonization but also on institutional readiness, digital infrastructure development, and stronger integration between legal recognition and practical financing accessibility.

4.7. Critical Assessment: Regulatory Strengths and Gaps, MSMEs Readiness, and Implementation Challenges

Sections 4.4 through 4.6 discussed institutional risk aversion, intellectual property literacy constraints, and digital infrastructure gaps as separate implementation challenges. This section draws these threads together, adds quantitative evidence where available, and explicitly weighs strengths against persistent gaps across three interrelated dimensions: the design of the regulatory framework itself, the readiness of creative economy MSMEs to participate in it, and the actual state of its implementation.

From a regulatory standpoint, Indonesia's framework is progressive in recognizing intellectual property as a financing object, but it remains permissive rather than mandatory in practice. Financial Services Authority Regulation Number 19 of 2025 authorizes banks to accept intellectual property as collateral; it does not require them to do so, leaving individual lenders considerable discretion to continue prioritizing conventional physical assets. The regulatory architecture also stops short of specifying how intellectual property collateral would be enforced or liquidated in the event of default, an operational gap that international experience, including China's patent pledge financing system, suggests can become a central obstacle once financing volume scales beyond pilot cases. In addition, the framework across at least three institutions: the Financial Services Authority, the Ministry of Creative Economy, and the Directorate General of Intellectual Property, without a clearly articulated mechanism for resolving disputes over valuation or appraisal outcomes, which may create coordination friction as the number of financing applications grows.

Building on the literacy constraints outlined in Section 4.5, the readiness gap can now be sized rather than only described qualitatively. Indonesia's Directorate General of Intellectual Property reports that only around three million of the country's 26.4 million creative economy actors have registered their intellectual property, meaning that nearly 90 percent of creative businesses currently operate without any formal intellectual property protection that could later be pledged as collateral (Directorate General of Intellectual Property, 2023). This finding is consistent with Nareswari et al. (2023), who identify limited administrative and financial capacity as a persistent constraint facing MSMEs in Indonesia's creative industries. Because intellectual property-based financing presupposes that a registrable and appraisable asset already exists, this low registration rate suggests that the vast majority of creative economy enterprises are not yet in a position to benefit from the financing mechanisms this study examines, regardless of how well those mechanisms are designed at the regulatory level.

At the implementation level, the developments discussed in Section 4.1, the inauguration of 64 certified intellectual property appraisers and the launch of the IDR 10 trillion KUR Ekraf platform, represent meaningful progress, but their significance should not be overstated. These developments are supported not solely by the implementing ministry's own announcement, but also by independent reporting from Prihatini and Widyanti (2026) as well as Syah (2026), the professional publication of the Indonesian Society of Appraisers (MAPPI). Their reporting confirms both the size of the initial appraiser cohort and the continued treatment of intellectual property by banks as supplementary rather than primary collateral, with appraisal required on a case-by-case basis before credit can be provided.

However, 64 appraisers remain a relatively small number when considered against the size of Indonesia's creative economy sector. If demand for IP appraisal increases, limited appraisal capacity could become a practical constraint on the expansion of IP-based financing. At the same time, both initiatives were only launched in February 2026, meaning that there is not yet sufficient realization or disbursement data to assess whether the KUR Ekraf scheme is reaching its intended beneficiaries. This is an important limitation of the present analysis and cannot simply be addressed through additional literature review.

The experience of China also provides a useful caution. Xie et al. (2023) show that weaknesses in valuation and monitoring mechanisms in China's more established patent pledge financing system can create additional risks even when the broader institutional framework is already in place. For Indonesia, where the appraisal infrastructure is still at an early stage, these findings highlight the importance of strengthening valuation, monitoring, and risk-management mechanisms as the IP-based financing system develops.

Taken together, these three dimensions suggest that Indonesia's intellectual property-based financing framework is currently characterized by a supply-side regulatory architecture that has advanced considerably faster than either demand-side MSMEs readiness or on-the-ground implementation capacity. Regulatory recognition of intellectual property as collateral is a necessary but insufficient condition for expanding financial inclusion: without parallel investment in intellectual property registration support, appraiser capacity, and enforceable collateral mechanisms, the financing instrument examined in this study risks remaining formally available but practically inaccessible to the majority of creative economy MSMEs it is intended to serve.

5. Conclusion

This study examined the emerging intellectual property-based financing framework developed by the Government of Indonesia as an alternative financing mechanism for micro, small, and medium enterprises operating within the creative economy sector. The analysis focused on Indonesia's regulatory architecture, comprising Law Number 24 of 2019 concerning Creative Economy, Government Regulation Number 24 of 2022, Financial Services Authority Regulation Number 19 of 2025, Minister of Creative Economy Regulation Number 6 of 2025, and Coordinating Minister for Economic Affairs Regulation Number 1 of 2026 concerning People's Business Credit (*Kredit Usaha Rakyat*/KUR).

The findings show that Indonesia has established an initial, although still incomplete, institutional framework for turning intellectual property from a legal ownership right into a potentially bankable asset. The framework recognizes intellectual property as an alternative form of collateral, but it remains partial rather than comprehensive: important elements are still missing. As discussed in Section 4.7, it does not yet provide clear mechanisms for enforcement, liquidation, and dispute resolution. These gaps may make it difficult for financial institutions to fully assess and manage the risks associated with intangible collateral.

Within these limitations, the framework can be seen as a potential financing innovation for asset-light businesses in innovation-driven sectors. It may help address some of the structural barriers to finance faced by such businesses, but it would be premature to conclude that it has already reduced financial exclusion. That impact will need to be assessed using actual financing and disbursement data as it becomes available. Nevertheless, the development is no longer limited to the level of policy design. The inauguration of Indonesia's first cohort of certified intellectual property appraisers and the launch of the dedicated IDR 10 trillion KUR Ekraf financing platform in February 2026 indicate that the regulatory framework has begun to move into practical implementation. At this early stage, however, institutional capacity remains modest compared with the size of Indonesia's creative economy MSMEs sector.

From an academic perspective, this study contributes to the growing literature on MSMEs financing innovation by extending intellectual property-based financing analysis beyond legal harmonization perspectives. Existing discussions frequently focus on legal recognition of intellectual property rights, whereas this study demonstrates that intellectual property-based financing should also be understood as a mechanism supporting financial inclusion, entrepreneurship development, and long-term business sustainability within creative economy ecosystems. The study therefore bridges discussions between intellectual property governance and broader economic development literature.

From a practical perspective, successful implementation requires stronger institutional readiness among financial institutions responsible for evaluating intellectual property-based financing applications. Although regulatory legitimacy has been established, financial institutions continue to face uncertainty regarding intellectual property valuation reliability, asset liquidation mechanisms, and broader risk management challenges. Strengthening professional appraisal standards, establishing guarantee mechanisms, and improving institutional capacity among lenders remain critical priorities.

The study also highlights the importance of improving intellectual property literacy among creative economy entrepreneurs. Intellectual property-based financing can only function effectively when businesses formally register and strategically manage their intellectual property assets. Government-led capacity-building programs should therefore focus not only on legal awareness but also on encouraging entrepreneurs to view intellectual property as a productive economic asset capable of supporting long-term business growth.

This research has several limitations. First, the study relies primarily on qualitative policy analysis and secondary literature without direct empirical evidence collected from financial institutions or creative economy entrepreneurs currently participating in intellectual property-based financing schemes. Second, because intellectual property-based financing remains a relatively new policy innovation in Indonesia, long-term implementation outcomes remain difficult to evaluate at this stage.

Future research should examine the practical adoption of intellectual property-based financing among financial institutions and creative economy enterprises through empirical field studies. Further studies may also evaluate financing performance outcomes, institutional adoption behavior, and the role of digital financial infrastructure in expanding accessibility of intellectual property-based financing systems across broader segments of Indonesia's creative economy sector.

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