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The Dynamics of Implementing Social-Based Financing Schemes: A Case Study on the Integration of Microfinance and the Free Nutritious Meal (MBG) Program in Lampung Province to Support MSME Sustainability

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Abstract

This study aims to analyze the dynamics of the implementation of social-based financing schemes through the integration of microfinance and the Free Nutritional Meal Program (MBG) in Lampung Province, as well as its impact on the sustainability of MSMEs. With a qualitative approach and multiple case study design, data were collected through in-depth interviews, and policy documentation from three regions in Lampung. The results show that the integration of microfinance–MBG contributes to increasing the economic resilience of MSMEs, although there are still challenges in institutional coordination and policy consistency. This study provides recommendations for improving cross-sectoral policy design and strengthening local capacity.

Keywords: Microfinance, MBG, UMKM, Social Financing, Lampung

INTRODUCTION

MSMEs have long been Indonesia's economic backbone. According to the Ministry of Cooperatives and Small and Medium Enterprises' 2023 report, MSMEs contribute over 60% to the country's GDP and employ approximately 97% of the workforce. This significant contribution makes MSMEs a key pillar of economic resilience. However, MSMEs are among the most vulnerable economic players, especially to exogenous shocks like the COVID-19 epidemic, food price volatility, and business environment

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instability. The absence of cheap and productive financial services and assistance for entrepreneurial families' fundamental requirements, including healthy food, contributes to this vulnerability (CISDI, 2024).

The Indonesian government is considering integrative and cross-sectoral policy initiatives to address these structural restrictions. One innovation is the combination of microfinance and consumption-based social initiatives like Free Nutritious Meal (MBG). MBG was originally designed to alleviate stunting and improve food security for low-income families, but it now targets productive microenterprise households (Ardelia Maharani et al., 2024). This expands MBG's social effect and repositions it as a constructive social protection tool. Economic financing and social consumer aid are now structurally integrated in the social-based financing scheme, which integrates both components.

When evaluated in Lampung Province, this integrated approach becomes even more relevant. This area has urban and rural people and a developing base of microenterprises in food processing, small-scale agriculture, and informal services. Despite this expansion, Lampung still faces obstacles including limited inclusive financial institution outreach and low integrated social assistance program penetration for productive economic players. Many MSMEs employ informal finance, rendering them vulnerable to wasteful family spending. The experimental implementation of the microfinance–MBG integration model in selected regencies and municipalities across Lampung introduces a set of critical dynamics worth scholarly investigation, from benefit distribution patterns and strategies for engaging local institutions to its effects on entrepreneurial households' economic sustainability.

Dwijayanti (2024) has stressed the need of studying inter-agency connections among local government offices (Organisasi Perangkat Daerah or OPDs) since this integrated model relies on cross-sectoral coordination. Indonesia has started preparing for this strategy by establishing local cooperatives and community-based microfinance institutions as crucial routes for company funding and family nutrition aid. However, empirical academic study has yet to determine this synergy's efficacy. Scholarly knowledge of how this integration operates in the field and affects MSMEs' socio-economic viability is lacking. This research fills that gap by analyzing the integrated microfinance–MBG model from institutional actors, inter-sectoral governance mechanisms, and MSME participants' perspectives. The project seeks to provide conceptual and practical support for more inclusive and context-sensitive social-based finance approaches.

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LITERATURE REVIEW

To analyze the integration between microfinance schemes and social assistance programs such as the Free Nutritious Meal Program (MBG), a theoretical approach that is not only sectoral but also holistic, reflective, and interdisciplinary can be employed. The complexity of the socio-economic structure of MSMEs as actors operating at the bottom layer of the economic system requires multidimensional understanding (Africa, 2018; Atmadja et al., 2018; Midgley, 2015; Panjinegara et al., 2024; Yoshino & Taghizadeh-hesary, 2018). Therefore, the combination of development economics perspectives, inclusive finance, socially impactful public policy, and micro-sustainability becomes the main conceptual framework in capturing the dynamics of such integration. In the context of Lampung Province, as a representation of regions with semi-urban and rural characteristics, this theoretical approach becomes increasingly relevant because MSME problems are not only rooted in technical business issues but also socio-structural ones spanning from unequal access distribution to weak inter-sectoral institutional support (Adam et al., 2017; Dorkas et al., 2023; Wardhono et al., 2019).

Inclusive Finance Theory

Inclusive finance theory provides an important framework for understanding the connection between microfinance institutions and MSME operators, especially in developing country environments like Indonesia. In this context, inclusive finance refers to financial service systems designed to be accessible to all layers of society—particularly groups previously untouched by formal services—through affordable, relevant, and sustainable products (AFI, 2015). For Lampung Province, this concept becomes highly relevant given the still high dependence of micro-business operators on informal funding sources and minimal intervention from conventional financial institutions that are friendly to the risk profiles and capital capacity of local MSMEs. Therefore, microfinance operated through cooperatives or village MFIs functions not only as working capital providers but also as drivers of community-based financial inclusion. Through this approach, MSMEs previously outside banking system coverage can build economic independence while remaining within reach of adaptive and participatory local social structures (Khurshed et al., 2013; Matsvai et al., 2022; Ouattara et al., 2020). This access includes savings, credit, micro-insurance, and payment services. This theory emphasizes not only accessibility aspects but also sustainability aspects and advocacy for marginal groups—such as MSME operators who lack guarantees, collateral, or "bankable" credit history.

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In its application, microfinance becomes an important instrument in realizing inclusive finance. Not only acting as providers of small-scale business capital, microfinance has community-based socio-economic empowerment functions. Several literature sources state that effective microfinance institutions not only have profit missions but also social missions that encourage participation, transparency, and local economic circulation (Atmadja et al., 2018; Toindepi, 2016; Ullah & Khan, 2017). In the context of integrative programs like MBG-microfinance, this theory becomes increasingly relevant because MSME operators not only gain access to capital but also family-based social support, such as adequate child nutrition and reduced household consumption burden.

Inclusive finance schemes driven by cooperatives or Village-Owned Enterprises (BUMDes) in Lampung, for example, provide empirical experience about how micro-economics cannot operate independently without social protection scheme support. If relying solely on credit distribution without considering beneficiary household resilience, loan effectiveness will continue to be reduced by basic need pressures such as food and children's education. Therefore, integration between microfinance and MBG programs creates new forms of inclusive finance that are not only based on productivity but also on the basic welfare of business operator families.

Social Impact Financing Theory

Starting from the limitations of conventional approaches that separate financing functions and social functions, social impact financing theory introduces the concept of measuring financial success not only based on return on investment (ROI) but also from social return on investment (SROI) (Maria & Mann, 2020; When et al., 2012). This means that the success of financial intervention must be able to create measurable and sustainable social impact for beneficiaries and their communities.

Toindepi (2016), within the blended value proposition framework, emphasizes that social, environmental, and economic values need not be separated or opposed. Conversely, an ideal financial intervention is one capable of combining all three in one strategic entity. In this case, integration between microfinance and MBG programs is a real reflection of blended value because both do not stand alone: nutritious consumption assistance supports the daily stability of MSME families, while financing access enables them to develop businesses and increase household income.

This social impact financing model is further strengthened by recent studies showing that MSMEs receiving intersectoral assistance (health and economic) have

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higher business resilience and more active participation in local communities (Rathore, 2015). In this scheme, success indicators are not only viewed from loan repayment rates but also from social indicators such as improved child nutritional status, family food security, or even women's involvement in household financial decision-making.

Furthermore, this integrative scheme also provides space for policy experimentation in the context of purpose-based finance, where capital is given to micro-business operators with the condition of their involvement in certain social programs (Kropp et al., 2009; Mahmood et al., 2014; Sandhu, 2021). This marks a shift from direct subsidy models to measurable investment-based social capital development approaches.

Triple Bottom Line (TBL) Theory

For assessing the sustainability of integrative intervention results, the triple bottom line (TBL) approach introduced by Elkington (1998) becomes an effective measurement framework. TBL states that business or organizational success is not only viewed from economic dimensions (profit) but also from social (people) and environmental (planet) dimensions. Although TBL is often used at medium to large business scales, this approach is highly relevant when applied to micro-scale with indicator adjustments (Dorkas et al., 2020; Hamidi & Salahudin, 2021; Rasel & Win, 2020; Tanin et al., 2019).

In the context of integrating the Free Nutritious Meal (MBG) program with microfinance initiatives, the Triple Bottom Line (TBL) approach offers a comprehensive framework to assess the multidimensional impact of the intervention. Economically, it evaluates whether MSMEs experience growth in income, improvements in productivity, and enhanced business management following access to financing. Socially, it considers whether entrepreneurial households benefit from improved access to nutritious food, a reduction in essential consumption burdens, and strengthened financial decision-making capacities. Institutionally, the focus is on the capacity of cooperatives and microfinance institutions to demonstrate resilience in managing their dual social-economic mandates, while maintaining transparency and accountability in program delivery.

Several literature sources mention that MSMEs operating in poor community environments often experience lack of access to information, social security, and financial protection (Al-Shami et al., 2020; Ferdousi, 2015; Panjinegara et al., 2024; Paper, 2013; Shaikh, 2017). With TBL application at micro-scale, local governments or donor institutions can develop evaluation schemes capable of capturing welfare dimensions holistically. In this case, program sustainability is not only measured from business success alone but from household social resilience and supporting institutional capacity.

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Intersectoral Governance Theory

Intersectoral governance theory mentioned in several sources underlines the importance of cross-sectoral collaboration in public policy governance, particularly in the context of social services that cannot be resolved by one agency or sector alone (Ansari, 2014; Crossley et al., 2021; Subramanian, 2018). In modern governance practice, development challenges can no longer be compartmentalized into sectoral bureaucratic silos. Instead, coordination mechanisms, policy harmonization, and clear role division among involved actors and institutions are required.

Microfinance and MBG integration implicitly demands mature intersectoral governance (Panjinegara et al., 2023). Given the involvement of various Regional Government Organizations (OPDs) such as the Cooperative Office, Food Security Office, Social Office, and even Regional Development Planning Agency (Bappeda), without formal coordinative forums and integrated information systems, field implementation will tend to experience overlap, role gaps, and resource conflicts.

In the Lampung context, observation and interview results show that many integration successes are actually sporadic, depending on personal initiatives of OPD leaders or support from active local cadres. The absence of official regulations or cross-sectoral Standard Operating Procedures (SOPs) causes implementation processes to be driven more by goodwill than by systems. Therefore, implementing intersectoral governance becomes key in ensuring that integrative approaches can truly be carried out sustainably, measurably, and replicably.

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METHODOLOGY

This research employed a descriptive qualitative approach, which was deemed most appropriate given the highly contextual and complex nature of the phenomenon under investigation—namely, the integration of microfinance schemes with the Free

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Nutritious Meal (MBG) program to support the sustainability of Micro, Small, and Medium Enterprises (MSMEs). Quantitative approaches were considered insufficient to capture the intricacies of the process, the interplay among stakeholders, and the socially constructed meanings that emerge in the field. The qualitative design allowed the researcher to delve deeply into the lived experiences of those directly involved in the program, including beneficiaries, implementers, and policymakers at the regional level. The focus was not merely on outcomes but on understanding the dynamic processes, inter-organizational relations, and local policy frameworks that shape the implementation of integrated social-financial interventions.

Research Design

The study adopted a multiple case study design (Fox-Wolfgramm, 1997; Wahyu et al., 2022; Yin, 2003), focusing on three selected regions in Lampung Province—Central Lampung Regency, Bandar Lampung City, and Pringsewu Regency. These locations were chosen purposively based on three main criteria: the presence of an integrative MBG–microfinance program that had been operational for at least one year, the existence of active local implementing institutions (such as cooperatives, microfinance institutions, or village-owned enterprises), and the accessibility of key local government actors available for in-depth interviews. The selected sites offered a representative mix of semi-urban and rural areas, allowing for a comparative exploration of diverse implementation patterns and outcomes. Through this multiple-case lens, the study sought not only to uncover unique contextual insights but also to identify broader themes and institutional patterns that characterize the integrated model across settings.

Research Subjects and Sampling Technique

The primary subjects of this research were drawn from three informant categories: MSME beneficiaries who had received microloans from cooperatives or microfinance institutions and, simultaneously or indirectly, had access to MBG support through household members; managers of local financial institutions, including cooperatives, microfinance institutions (LKM), and village economic units (BUMDes), who facilitated loan disbursement and, in some cases, assisted with MBG distribution; and local government officials from relevant departments, such as the Department of Cooperatives and MSMEs, the Food Security Agency, and the Department of Social Affairs, who were responsible for policy formulation, coordination, or oversight of the integrated program. Informants were selected using purposive sampling based on their involvement in the

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program and the relevance of their knowledge to the research focus. A total of nine informants were interviewed—three from each location—consisting of one MSME actor, one financial institution manager, and one local government representative per area. These informants varied in age, gender, educational background, and duration of program involvement, ensuring a diversity of perspectives.

Data Collection Methods

Data collection employed several qualitative methods. The principal technique was semi-structured interviews, designed to capture informants' subjective experiences and personal narratives regarding the integration of MBG and microfinance programs (Mahmood et al., 2014; Ouattara et al., 2020). A guided interview protocol was used, covering themes such as the process of accessing support and financing, perceived benefits, interactions with implementing institutions, challenges faced during implementation, and evaluations of program sustainability. Each interview lasted between 45 and 90 minutes, was audio-recorded with the informant's consent, and subsequently transcribed for detailed analysis. The interview process remained flexible to accommodate emergent responses and follow-up probing.

In addition to interviews, the researcher conducted limited participatory observation at key activity sites, including MSME training sessions, cooperative meetings, and MBG distributions organized by community health posts or related agencies. Observations were used to verify and enrich interview data, capturing social dynamics, actor interactions, and the general atmosphere of implementation. For instance, observations in Bandar Lampung highlighted the pivotal role of community health workers (Posyandu cadres) in linking women entrepreneurs to village cooperatives while also monitoring household nutritional status. In Pringsewu, local microfinance institutions were observed to align loan disbursement schedules with MBG distribution days to enhance operational efficiency. Documentation of these observations included field notes, photographs (with permission), and environmental sketches.

Secondary data were also gathered from policy documents, such as local government regulations, activity reports from relevant agencies, MBG recipient lists, minutes of inter-agency coordination meetings, and cooperative financial records. These documents served to trace the institutional aspects of program integration, verify field data, and clarify the regulatory frameworks guiding implementation. For example, in Central Lampung, it was found that no formal agreement existed between the Cooperative Department and the Food Security Agency, despite informal coordination

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occurring on the ground. This finding supported the initial assumption that the program's integration was largely driven by bottom-up practices rather than top-down policy mandates.

Data Analysis Technique

Data were analyzed using Yin's (2003) interactive model, consisting of three key stages. The first stage, data reduction, involved selecting, focusing, and transforming raw data into meaningful summaries. Initial coding was conducted around four central themes: perceived benefits, inter-agency coordination, institutional innovation, and the impact on MSME sustainability. Irrelevant data were excluded to maintain analytical clarity. The second stage, data display, involved presenting the reduced data in thematic matrices, comparative narratives across regions, and diagrams of actor relationships. This step allowed the researcher to identify common patterns as well as region-specific variations and best practices. The final stage involved drawing and verifying conclusions. Inferences were made while maintaining fidelity to the original narratives. To enhance the validity of findings, multiple validation techniques were employed, including source triangulation (comparing data across informant types), transcript review by informants for accuracy, and cross-referencing with policy documents to ensure that researcher interpretations aligned with the informants' intended meanings.

Triangulation was central to the study's validation strategy. Source triangulation was achieved by comparing perspectives from the three informant categories—MSME actors, cooperative or MFI managers, and local government officials. Methodological triangulation was also applied by cross-validating interview data with field observations and documentary evidence. For instance, claims from the Cooperative Department regarding the program's effectiveness were cross-checked with feedback from MSME participants and cooperative managers and further corroborated by documented records. Through this multilayered triangulation process, the study ensured a robust and credible interpretation of the integrated MBG–microfinance program's implementation and its implications for MSME resilience.

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instability. The absence of cheap and productive financial services and assistance for entrepreneurial families' fundamental requirements, including healthy food, contributes to this vulnerability (CISDI, 2024).

RESULT AND DISCUSSION

Program Integration Framework

The interview findings regarding program integration patterns reveal an implementation framework that serves as a collaborative foundation between cooperatives/microfinance institutions (MFIs) and local government in creating a dual-purpose social financing system that is both productive and protective. The involvement of cooperatives or MFIs in this scheme extends beyond merely serving as distribution channels for revolving funds to MSMEs, but strategically positions them as partners in distributing benefits from the Free Nutritious Meal Program (MBG), which was previously more associated with nutritional intervention policies for poor families. Through this approach, cooperatives function not only as economic entities but also enter the realm of strengthening social resilience for business operator families. This creates new dynamics that demand not only administrative efficiency but also institutional capacity of cooperatives to synergize cross-sectoral development agendas.

Informant 4 revealed that MBG targets micro-business operator households vulnerable to stunting, and their organization has begun integrating recipient data into the Empowered Micro Business system owned by the Cooperative Office.

"*Our Working Team attempts to combine nutritionally vulnerable household data with MSME data. The challenge is the different verification standards and updates*," they stated.

The informant's disclosure regarding the integration of nutritionally vulnerable household data with Empowered Micro Business (UMB) program recipient data indicates a strategic step toward building an integrated data system. However, the fact that differences in verification standards and data updates still occur between agencies (OPDs) reflects serious challenges in technical and coordinative interoperability aspects. If not addressed promptly, semantic and methodological differences in beneficiary household classification could potentially cause targeting inaccuracies, recipient duplication, or even exclusion errors for the most vulnerable MSME operators who need intervention. Therefore, it is crucial to build an information system that enables integration based on single identity (for example, using NIK/NIB) and cross-functional indicators, such as socio-economic risk scores and business sustainability levels.

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Furthermore, field findings from informants stating that integration program impacts are becoming visible through changes in household consumption patterns and improved saving capabilities demonstrate that the combination of business capital and nutritional safety nets has direct effects on improving family financial behavior. This confirms that interventions based on vulnerable productive families are not merely forms of aid distribution, but social investment in building community-based economic resilience. The fact that MSME families are beginning to shift from "living day to day" patterns to "surplus management" marks an important transformation in the adaptive and aspirational capacity of small business operator households.

Informant 5 conveyed that in field monitoring, integration program impacts are becoming visible through changes in consumption patterns and increased savings among small business operators.

"*Several MSME families who previously 'lived day to day' are now beginning to save little by little. That's the direct impact of combining assistance and capital access*," they noted.

In institutional aspects, the acknowledgment that this policy remains a pilot project and lacks permanent cross-sectoral work units shows that integration institutionalization is still in its embryonic stage. Initiatives that begin from informal coordination or pilot projects have advantages in flexibility but are highly vulnerable to disruption when official changes occur, budget modifications happen, or disagreements arise regarding success indicators between sectors. When one OPD evaluates performance based on credit repayment ratios and another OPD evaluates based on nutritional content of distributed meals, then goal desynchronization will weaken system effectiveness. Therefore, it is essential to design and implement shared success metrics and reporting dashboards that can be used collectively by all stakeholders.

Informant 6 revealed that the MBG and microfinance integration initiative resulted from cross-Regional Government Organization (OPD) collaboration since late 2024. They acknowledged that implementation remains a pilot project in several districts/cities and lacks special work units handling cross-sectoral integration.

"*Policy-wise, we support it. But in the field, well... we still often miss information from each other. Success indicators are also different: we talk about credit repayment, the Food Office talks about nutritional content, so it's quite troublesome*," they explained.

Overall, the integration pattern developing between cooperatives, MBG programs, and local government sectors illustrates a new direction in cross-functional social financing policy design. Long-term success heavily depends on regional capacity to build

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data-based collaboration systems, shared indicators, and institutions oriented toward socio-economic sustainability of MSME operators. Therefore, lessons from integration patterns in Lampung can serve as important references for developing similar schemes in other regions, noting that novelty should not stop at program structure but rather lie in the ability to transform cross-sectoral working methods into an inclusive and resilient development ecosystem. If managed well, this scheme will not only strengthen micro-business sustainability but also strengthen social justice foundations that have long been challenges in local economic development.

Implementation Challenges

Despite the integration between microfinance programs and social programs like MBG showing great potential in supporting MSME sustainability, implementation at the local level does not proceed without obstacles. This research identifies four main constraints emerging in field practice: lack of official regulations regarding incentive schemes, overlapping authority between institutions, dependence on centralistic programs, and limited local institutional capacity in monitoring. Each point does not stand alone but is interconnected and reflects structural limitations in community-based intersectoral development governance.

Lack of Official Regulations Regarding Incentive Schemes

One major finding is the absence of formal regulations governing institutional incentive schemes for cooperatives or MFIs performing dual functions in this integrative program. In interviews with Informant 1, it was explained that their cooperative has established cooperation with the Food Security Office to utilize social data from MBG recipient households as a basis for microfinance feasibility assessment. Through this approach, cooperatives not only serve as financial institutions but also become partners in social screening of potential beneficiaries—with indicators such as child nutritional status, participation in nutrition classes, and attendance records in MBG distribution.

As stated by Informant 1: "*We see a connection between family food security and business commitment. Those receiving MBG usually have higher responsibility in loan usage.*"

However, this cooperation remains informal and is not protected by clear legal policies. The informant complained that there is no form of institutional recognition, written role-sharing schemes, or financial incentives for cooperatives implementing cross-sectoral functions. This becomes a serious problem because in the long term, the lack of

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formal involvement of cooperative institutions in the policy system can trigger their reluctance to continue involvement, especially when responsibilities carried exceed original institutional functions. The absence of incentive schemes also hinders managerial regeneration within cooperatives due to minimal motivation and structural support.

Theoretically, this condition shows urgent need to adopt institutional embeddedness principles in integration programs, where implementing institutions are not only technically involved but functionally bound within legal and fiscal frameworks. In the context of integrative programs that unite social and financial missions, the existence of incentive regulations is not merely administrative complement but the foundation of program sustainability itself.

Overlapping Authority Between Institutions

The second emerging constraint is overlapping roles and authority between regional government organizations (OPDs) involved in program implementation. This finding was raised implicitly and explicitly by several informants, including from cooperative institutions and local government officials. In many cases, coordination between the Cooperative Office, Food Security Office, Social Office, and Village Community Empowerment Office does not run synergistically.

For example, the role of posyandu cadres in assisting MSME operators in the field—as revealed by Informant 2—is the result of local initiative and mutual assistance approaches, not the result of formal cross-OPD policy design. Health cadres help bridge nutrition education and financial literacy, but have not become systematic parts of institutional performance indicators. This reflects great potential in community involvement mechanisms but also reveals structural gaps in the form of absence of standard cross-sectoral collaboration protocols.

"*Posyandu cadres participate in assisting MSMEs. They help explain the importance of managing money and child nutrition. This is a mutual assistance approach*," they stated.

The impact of this overlap is felt in the form of field actor confusion regarding decision-making authority, data duplication, and implementation timing desynchronization. In this context, intersectoral governance becomes an urgent need, where implementing institutions must have cross-functional understanding, written role division, and integrated reporting systems. Without this, integrative programs risk losing effectiveness and continue depending on temporary informal inter-individual relations.

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Dependence on Centralistic Programs

The next constraint is the still highly centralistic program character, both in funding aspects, target indicators, and implementation design. Many informants, especially from cooperatives, stated that integration between MBG and microfinance is still heavily determined by central policies—from fund allocation schemes, reporting formats, to aid distribution schedules.

This dependence causes local institution flexibility, including cooperatives and MFIs, to become limited in adjusting programs to their community's needs and characteristics. Several cooperatives, as conveyed by Informant 3, have attempted to align social indicators in their credit assessment schemes. They include participation in nutrition classes or MBG recipient status as part of financing feasibility indicators. However, these innovative efforts do not receive formal support from regional planning and budgeting systems still bound by vertical regulations.

Informant 3 explained that their Microfinance Institution has adjusted borrower feasibility scoring systems based on MBG program participation status. They stated that social value now becomes part of credit evaluation, as stated: "*We include MBG involvement and nutrition classes in credit assessment. Because that shows family responsibility level.*"

This condition raises the need for co-production of policy approaches, where policy design and implementation are conducted collaboratively between central government, regional government, community institutions, and local financial institutions. Integrative programs like this heavily depend on system capacity to facilitate local innovation, not merely duplicate central policies at lower levels.

Limited Local Institutional Capacity in Monitoring

The final limitation that greatly determines program sustainability is weak monitoring capacity at local institutional levels. This weakness includes minimal trained human resources, absence of mutually agreed measurement tools, low digital literacy for data recording, and limited policy analysis capabilities based on data by OPDs and implementing institutions.

The impact makes it difficult to evaluate program effectiveness comprehensively. For example, the extent to which MBG provision impacts MSME household resilience, or how microfinance schemes encourage improved family nutrition consumption quality cannot be known in real-time. Several informants conveyed that inter-institutional reporting is often uncoordinated, with different formats and unsynchronized schedules.

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In this context, urgent need emerges to build integrated digital reporting systems with shared databases accessible across OPDs and institutions. This system functions not only as verification tools but also as analysis and evidence-based decision-making tools. Additionally, strengthening local human resource capacity becomes an absolute prerequisite, from technical training, impact evaluation facilitation, to cross-sectoral performance indicator development.

The four constraints above do not stand alone but are interconnected and affect microfinance-MBG program integration effectiveness. The absence of official regulations makes cooperatives lack strong formal positions; overlapping authority weakens cross-sectoral collaboration; dependence on centralistic systems limits local innovation; and weak monitoring capacity makes objective impact evaluation difficult.

Nevertheless, interviews with informants also show strong collaborative spirit in the field, courage to innovate, and belief that this program integration can become a bridge between social and economic development based on productive families. Therefore, transformation from sectoral approaches toward structured and data-based collaborative approaches becomes a policy direction that needs strengthening going forward.

Impact on MSMEs

MSMEs in food and agricultural processing sectors show increased income and household food security. Emerging social impacts include reduced family consumption burden and more active participation in community economic activities.

MSME1 acknowledged receiving microfinance programs from Tunas Mandiri Cooperative in 2025, as well as obtaining nutrition packages from the Free Nutritious Meal Program (MBG) distributed through the Food Security Office. In interviews, they conveyed that after obtaining financing of Rp3.5 million and light assistance from the cooperative, their business was able to increase production capacity and market products to village markets.

"*What's most felt isn't just capital, but my children now have healthy breakfast at home. That makes me calmer and more focused on selling*," they stated.

The interview results show positive impacts from integrating two programs on business sustainability and household welfare. MBG existence strengthens social aspects of microfinance they received. This aligns with literature about blended value and triple bottom line, where microfinance policies can be expanded to become social welfare levers.

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MSME2 received financing from Sumber Makmur MFI and received MBG for their two elementary school children. They stated that nutrition assistance greatly helps their monthly expenses.

"I *use business capital for shop renovation, but what makes it stable is children's meal assistance. Their meal costs previously sometimes made my business stuck*," they explained.

This experience highlights that MBG functions as a household consumption "safety net," enabling business financing to be used optimally without being disrupted by daily basic needs.

MSME3 produces cookies from home and becomes a member of village-assisted women's cooperatives. They gained access to Rp2 million capital while receiving MBG distribution for their child at PAUD. They feel this program builds solidarity among cooperative members.

"*Not just capital, but I feel more cared for. Other mothers become enthusiastic because children also get healthy food*," they said.

In this case, program integration strengthens social cohesion among female business operators, supporting community-based collective empowerment principles.

CONCLUSION

The simultaneous implementation of microfinance schemes with the Free Nutritious Meal (MBG) Program in many Lampung Province regencies shows that social-based financing may provide dual value. It boosts MSMEs' production, household food security, and well-being. The MBG program offers nutritional meals to children and at-risk homes, while the microfinance effort provides community-based, inexpensive financing via local cooperatives and MFIs. Combining these two strategies allows MSME families to reinvest company revenue in working capital development after previously incurring high consumption-related costs. Institutionally, cooperatives and MFIs may bridge fiscal and social policy aims. However, cross-sectoral integration is only somewhat systematized. Policy coordination and performance indicator alignment are hindered by mandate fragmentation among important local government entities including the Department of Cooperatives, Food Security Agency, and others. Stakeholders understand this integrated approach's strategic potential, but there are no defined technical standards, common data platforms, or formal coordination forums to support provincial and district inter-agency synergy.

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MSME players, especially women-led families, embrace this initiative. Benefits include lower home consumption and increased manufacturing capacity. However, beneficiary administrative literacy and money management abilities remain issues. Institutional preparedness to adopt this integrative strategy varies throughout Lampung Province. Thus, while this study shows that microfinance–MBG integration improves MSME sustainability, its long-term success depends on local institutions' ability to establish cross-sectoral governance frameworks, develop shared data systems, and build inclusive institutional capacities. Inter-sectoral governance at the regional level must improve.

Lampung provincial and district governments must formalize collaboration with major local government institutions such the Department of Cooperatives, Food Security Agency, Social Affairs Office, and Regional Planning Agency. Governors or regents should institutionalize these collaborative structures by requiring them to create programmatic blueprints for productive households, define shared indicators with social and economic dimensions, and conduct routine cross-sectoral evaluations to avoid redundancy and inefficiency in program implementation. Integration initiatives may become fragmented, intermittent, and unsustainable without governance. An intersectoral SOP is urgently needed to operationalize the integration. This SOP should define how MBG benefits are delivered alongside microfinance services, provide an integrated monitoring and evaluation methodology, and standardize implementing entity communication and reporting. This paper should direct field-level activities, particularly at the sub-district and village levels, rather than only bureaucracy.

Cooperatives and MFIs must be enabled to act as financial intermediaries and social empowerment agents. Training cooperative and MFI managers to evaluate social outcomes and ensure inclusivity in service delivery, offering fiscal or operational incentives tied to social performance—such as successful financing among nutritionally vulnerable households—and integrating cooperative reporting systems into a province-wide data platform are concrete measures. MBG and MSME data are currently controlled by distinct bodies using different forms and characteristics. Developing a dashboard-based, institutionally accessible integrated information system is crucial. This system should employ national identity numbers or company registration numbers as universal identifiers and collaborate with universities or other parties for regional data management and analysis. Beyond company growth, integrated program beneficiaries need nutrition and family management instruction. Community health workers should counsel families on nutrition, cooperative extension officers should teach business and household financial

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management, and peer learning models should encourage MSMEs in their communities to share knowledge.

Lampung Province might also model integrated social and financial policies nationally. The area may lead this field by documenting and evaluating programs. Regional governments should provide thorough implementation reports for central ministries such the Ministry of Cooperatives and SMEs, the National Development Planning Agency, and the Ministry of Social Affairs. Inter-provincial seminars or coordination forums may share knowledge and plans. This integrated approach should be included in updates of the National Action Plan for MSME Empowerment or other child stunting measures by the national government. This research advances theoretical frameworks for microfinance-family-based social policy integration. The results support blended value and triple bottom line methods by showing that financial services and nutritional treatments may provide economic and social benefits. These results advance micro and community social finance discourse. Management-wise, cooperatives and MFIs should include household-level social indicators like child nutrition status and family development program participation in their credit evaluation systems as part of a larger social-lending innovation. Policy requires regulatory support, including intersectoral SOPs, performance-based reward systems for implementing agencies, and effective inter-agency coordination forums to maintain this approach regionally.

This study is limited by its geographic reach, which was limited to three Lampung Province regencies or municipalities, and the number of informants. The qualitative study makes its results context-specific, limiting their generalizability without quantitative verification. Next research should build quantitative assessment models to quantify how program integration affects MSME sustainability variables including income, household spending efficiency, and nutritional status. The best formal institutional designs for uniting funding functions and social empowerment, including cost-benefit assessments of cross-sectoral collaboration projects, should also be examined.

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