

Perception MSME actors towards Indication Geographical as Drivers of Financial Strategy and Business Sustainability

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ABSTRACT

Keywords:

Geographical Indication; Perception of MSMEs; Financial Strategy; Business Sustainability; SEM-PLS;

Background: Geographical Indications (GI) serve not only as product identity markers but also as economic instruments that can support business strategy development and sustainability. However, studies examining the influence of MSME actors' perceptions of Geographical Indications on financial strategies and business sustainability remain limited.

Research Gap: Most studies on geographical indications still focus on legal issues, intellectual property protection, or product marketing strategy. Research specifically examining the perceptions of MSME actors towards GI in terms of financial strategies and business sustainability is still relatively limited. In addition, most large studies on GI have been conducted in developed countries or on products with established GI systems, such as wine in Europe or coffee in Latin America. In a developing country context such as Indonesia, especially for commodities like herbs and spices, studies on GI remain very limited.

Novelty: This research offers novelty by integrating perspectives on geography, financial strategy, and business sustainability into a single framework analysis that focuses on the perceptions of MSME actors. Unlike previous studies, this study places greater emphasis on legal or GI marketing research and highlights how GI can function as a driver of economic strategy at the level of small businesses. The focus on cinnamon farmers in Loksado, a major cinnamon producing area in South Kalimantan, also provides new empirical insights into the study of geographical indications in Indonesia.

Method: A quantitative approach was employed using a survey method, with data collected through paper based questionnaires distributed to 150 respondents. Data were analyzed using Structural Equation Modeling based on Partial Least Squares (SEM-PLS). The research focused on cinnamon commodity MSMEs in Loksado District, Hulu Sungai Selatan Regency.

Results: The findings indicate that MSME actors' perceptions of Geographical Indications have a positive and significant effect on financial strategy ($\beta=0.665$, $p=0.001$). Furthermore, perceptions of GI positively and significantly influence business sustainability ($\beta=0.288$, $p=0.001$). Financial strategy also has a significant effect on business sustainability ($\beta=0.565$, $p=0.000$) and serves as a mediating variable in the relationship between GI perception and business sustainability ($\beta=0.376$, $p=0.000$). The R square value for business sustainability was 0.619, indicating that 61.9 percent of the variation can be explained by perceptions of geographical indications and financial strategies.

Conclusion: Positive perceptions of Geographical Indications contribute to stronger financial strategies and improved business sustainability among MSMEs. Financial strategy plays a crucial role in translating the benefits of Geographical Indications into sustainable business outcomes. The study contributes to the literature by integrating Signaling Theory and Value Based Management to explain how identity based products can generate economic value while supporting the sustainability of MSMEs.

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INTRODUCTION

Indication geographic (IG) is increasingly recognized as an important instrument in system protection, rich in intellectual capital that plays a role in increasing the market economy, product-region-based. IG connects the product's quality, reputation, and characteristics with certain geographical conditions, including natural factors, culture, and local knowledge, which are increasingly in the public mind. Over the past few decades, IG has become an important strategy for local economic development, especially for rural communities and micro, small, and medium enterprises (MSMEs) that depend on agricultural commodities and traditional products. Various studies show that IG can increase market penetration and product sales, strengthen regional identity, and open greater market access for small-scale manufacturers (Belletti et al., 2017; Arfini et al., 2019, (Hilman & Aslamah., 2026)

The IG system has developed rapidly globally, especially in Europe, Asia, and Latin America. The European Union is one of the most successful areas in using IG as a tool for developing the rural economy, with more than 3,000 products registered, with a market trading volume of more than €75 billion per year (European Commission, 2022). Success This shows that IG not only functions as a mechanism for protecting products, but also as an economic strategy that is capable of increasing the power competitiveness and local business sustainability.

One commodity with significant potential in the IG system is cinnamon. Cinnamon is one of the commodities important in global trade in the food, pharmaceutical, cosmetics, and health industries. According to data from the Food and Agriculture Organization (FAO, 2023), world cinnamon production exceeds 250,000 tons per year, with major producers including Indonesia, Sri Lanka, Vietnam, and China. In global trade, Indonesia is one of the world's largest exporters of cinnamon. Data from the International Trade Center (ITC, 2023) shows that Indonesia accounts for 40% of the world's cinnamon exports by volume, reaching more than 90,000 tons per year, and that the value of trade exceeds USD 250 million. Cinnamon is a strategic commodity for the national economy, particularly for regions that produce spices.

Cinnamon production in Indonesia is significant, originating in West Sumatra, Jambi, and several areas of Kalimantan. One of the areas with significant potential for cinnamon production is the Loksado District in Hulu Sungai Selatan Regency, South Kalimantan. This area is known for producing cinnamon with a distinctive taste and aroma. Even though a large share of cinnamon exports from South Kalimantan Province originates in the Loksado area, it has significant potential to develop as a product-based geographical indication.

Perpetrator businesses involved in cinnamon production in Loksado are mostly small and have relatively low incomes. Most of the farmers in this region are classified as micro and small and still face various limitations, including limited access to markets, limited business capital, and low managerial capacity. Condition: This cause mark plus economy from commodities cinnamon yet fully enjoyed by farmers, as the manufacturer is the main in the chain mark commodities.

The development of a geographical indication for expected cinnamon can be one of the strategies to increase market demand for cinnamon products and, at the same time, strengthen farmers' position in the market chain. IG certification can guarantee the product's origin, improve product reputation in the international market, and provide differentiation that can increase product prices. Some studies show that products with the IG label tend to have higher prices than products without certification (Cui et al., 2025; Poetschki et al., 2021; Yin et al., 2024). IG can become an important instrument for increasing farmers' income and promoting the development of locally based commodities in typical areas.

A number of international studies have shown that manufacturers' perceptions of IG significantly influence the successful implementation of the IG system. For example, research (Belletti et al. 2017) shows that manufacturers' participation in the IG system is strongly influenced by their understanding that they can benefit from the economic opportunities generated by IG. Likewise, research (Sulfiana & S, 2025) finds that perceptions of manufacturers regarding the market value of IG products affect their decision to adopt practice-appropriate production with IG standards.

Study the indication geographically. Most of them still focus on legal issues, intellectual property protection, or product marketing strategy. The study, which is a special research collaboration on the perceptions of MSME actors towards IG in terms of financial strategies, business, and sustainability, is still relatively limited. In addition, some large studies on IG have been conducted in developed countries or on products with established IG systems, such as wine in Europe or coffee in Latin America.

In a developing country context such as India, especially for commodities like herbs and spices, studies on IG remain very limited. Research examining how IG can influence the economic strategy of MSME actors, especially in financial strategy and sustainability aspects of business, is still rare in the academic literature. This is a show existence gap related research (research gap) with how IG can function not only as an instrument for protection products, but also as economic strategy drivers for small businesses at the local level.

Given the stated condition, research is important to understand how MSME actors, in particular, farmer cinnamon producers in Loksado, perceive the geographical indication and how they can push for the formulation of a financial strategy and sustainable business. With an understanding mechanism, this research is expected to provide a deeper understanding of IG's role, not only as a protective instrument but also as a driver of economic strategy for small businesses.

In a way, conceptual research offers novelty by integrating perspectives on geography, financial strategy, and sustainability business into a single framework analysis that focuses on the perceptions of MSME actors. Unlike previous studies, this study places greater emphasis on legal or IG marketing research. This highlights how IG can function as a driver of economic strategy at the level of small. In addition, focusing research on farmers' cinnamon in Loksado, a major cinnamon-producing area in South Kalimantan, also provides new empirical insights into the study, highlighting geographical patterns in Indonesia, particularly in the context of local economic development based on commodities, herbs, and spices

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

Indication Geographical

Geographical indication is one form of protection for intellectual property rights holders who associate reputation, quality, and characteristics with a specific geographic area. Conceptual indication of geographical origin emphasizes the quality of a product. Not only determined by factors of production, but also by conditions of nature, culture, and local development in a region (Anwar & Veby, 2025)

In the context of global trade, indications of geographical roles are important for creating differentiated products. Products with an indication label are often considered of higher quality because they have a clear identity and a market-recognized reputation. Therefore, indicating a geographical location can provide a local mark-up and cost savings for the manufacturer through improved pricing and market expansion. (Orji & Anthony, 2025)

A number of studies show that products with certification indications or a geographical origin tend to command a premium price compared to products without their own certification. This happens because consumers consider a product with an indication label to have better quality, guaranteed characteristics, and unique characteristics. (De Silva et al., 2021)

Indication of geographical origin in the context of MSMEs not only serves as a tool for protecting local products but also as a strategy to increase business competition. By utilizing geographical indications, MSME actors can strengthen the identity of the products they market and increase consumer trust in the products they produce.

Perception MSME actors towards Indication Geographical

Perception is a cognitive process that allows an individual to interpret information received from the environment. In a business context, the perception of a perpetrator's business as policy or innovation can influence the strategy they adopt in their operations. Perception of MSME actors towards the indication of geographical location, and how far they understand the benefits and potential economic gains from the system. If the perpetrator's business has a positive perception of the geographical indication, they tend to push for using the system as a strategy to increase market share and expand the market.

A number of studies show that the level of understanding of the perpetrator's business and its geography greatly influences the success of their implementation. Manufacturers who understand the benefit of indicating geographical information tend to be more active in taking advantage of the label as a tool to increase the reputation of their products and strengthen their position in the market (Sulfiana & S, 2025)

Perception of MSME actors in context. This indicates that geographical context can influence the methods they use to formulate business strategies, including financial strategies and business sustainability. Financial strategy is one of the most important in business management. This strategy covers various related decisions with management source Power Finance, including management income, cost control, investment planning, and cash flow management.

MSME Financial Strategy

A financial strategy for MSME actors plays a crucial role in safeguarding business stability. MSMEs that manage their finances effectively tend to have higher sustainability than those with weak management and finances.

Financial strategy, product-based indication, and geographical location can influence how business owners leverage the product's market potential to increase the business's income. For example, through the determination strategy, premium pricing, new market development, and efficient cost marketing. Thus, the public's perception of the perpetrator's business can influence the financial strategies used to operate it.

Business Sustainability

Sustainability in business is the ability to maintain a business's operations in the long term. The concept of sustainable business is not limited to economic factors; it also encompasses social and environmental sustainability in the context of MSMEs. The business is greatly influenced by the perpetrator's ability to manage the source power possessed as well as their ability to adapt to a changing environment.

A number of studies show that a sound financial strategy can enhance a business's sustainability by enabling it to manage risk more effectively and safeguard its cash flow stability. Products with a strong identity and a strong geographic location can also contribute to a sustainable business because they offer clear market differentiation and a mark of high culture.

Framework Conceptual

Based on the study literature above, this research develops a conceptual framework that explains the relationships among MSME actors' perceptions of geographical financial support, business strategy, and sustainability efforts. Perception of MSME actors towards the indication of geographical influence on their financial strategies in operating their businesses. Furthermore, an effective financial strategy is expected to enhance the business's long-term sustainability. Apart from financial strategies, the perception of geographical indication can also directly influence a business's sustainability. Because a product with a strong identity and a strong geographic location can increase its reputation and expand market opportunities.

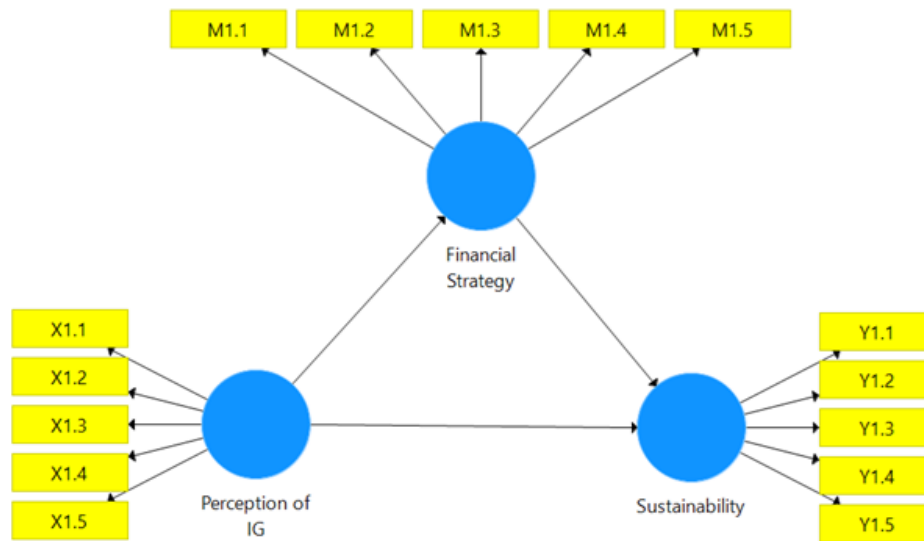


Figure 1. Research Model

Development Hypothesis

Based on the framework concept, research has developed a number of hypothesis studies as follows.

- H1: Perception of MSME actors towards the indication of geographical influence on the financial strategy of the business. Indication geography also contributes to sustainable business by improving reputation and market competitiveness. Previous research shows that IG enhances the sustainability of local economies
- H2: Perception of MSME actors towards the indication of a geographically influential positive for sustainability business. In a Value-Based Management perspective, financial strategy becomes a mechanism for creating a sustainable economy (Mugano, 2024) (Masocha & Fatoki, 2018).
- H3: Financial strategy is influential in the sustainability of the business. Financial strategy also plays a role as a mediator that changes the potential IG value to become market economy real (Anwar & Veby, 2025)
- H4: Financial strategy mediates the influence of perception of MSME actors on the indication of geographical to sustainability business

METHOD

Study: This uses a quantitative survey method. The approach chosen for the study. The aim is to test the causal relationship between perceptions of MSME actors and indicators of geographical, financial strategy, and sustainability business. Data analysis was carried out using Structural Equation Modeling (SEM) based on Partial Least Squares (PLS). The SEM-PLS method was chosen because it can analyze the connections among latent variables simultaneously and can be used in research with a relatively small sample.

Population in study This is perpetrator business micro and small moving in production Cinnamon in Loksado District, Hulu Sungai Selatan Regency. Research sample consists of from farmer cinnamon which is classified as in MSME category and has involvement direct in activity production or processing cinnamon quantity sample of 150 farmers wood sweet. Technique taking sample using purposive sampling, namely technique taking sample based on criteria certain.

Research data collected through a distribution questionnaire to 150 respondents who were cinnamon MSMEs in the Loksado area. Questionnaire used a Likert scale ranging value 1 to 5.

Table 1. Indicators Variables

No	Dimensions	Indicator		Source Empirical
1	Perception to Indication Geographical as an exogenous variable (X)	1.	understanding about IG (X1.1)	(Hilman & Aslamah., 2026)
		2.	IG increases reputation product (X1.2)	(Belletti et al., 2017; Bowen, 2015)
		3.	IG increases mark product (X1.3)	Shymanska, 2025; Vandecandelaere et al., 2020)
		4.	IG increases Power competitiveness (X1.4)	(Sulfiana & S, 2025)
		5.	IG protects local products (X1.5)	WTO, 2016);
2	Financial Strategy as a mediating variable (M)	1.	Improvement Income (M1.1)	Russo et al., 2022)
		2.	Efficiency cost business (M1.2)	(Lee & Yoon, 202
		3.	More market access area (M1.3)	(Guerrero et al., 2022; WTO, 2016)
		4.	Ability meet up premium price (M1.4)	(Belletti et al., 2017
		5.	Improvement mark business (M1.54)	(Russo et al., 2022)
3.	Business Sustainability as an endogenous variable (Y)	1.	Sustainability business Long term (Y1.1)	(Elkington, 1998)– Triple Bottom Line)
		2.	stability income (Y1.2)	(Mugano, 2024)
		3.	connection social with community (Y1.3)	(Anwar & Veby, 2025)
		4.	preservation local culture (Y1.4)	(Vandecandelaere et al., 2020; UNESCO (2019)
		5.	sustainability environment production (Y1.5)	Elkington ,1997;Nirosha & Mansingh, 2025)

Data analysis in the study. This uses the Partial Least Squares Structural Equation Modeling (PLS-SEM) method with stages. First, the Outer Model is used for test validity and reliability construct research. Testing was done through convergent validity, discriminant validity, composite reliability, and Cronbach's alpha. Stage two is the Inner model used to test the connection between latent variables in the research model. Evaluation of the inner model was carried out using R-squared value, path coefficients, and t-statistics via bootstrapping.

RESULT

This section presents a profile of the demographic respondents, results measurement, and structural models using PLS-SEM.

Profile Demographics Respondents

Table 2. Demographic Profile (n = 150)

Characteristics	Category	Total	Percentage
Gender	Male	145	96.67
	Female	5	3.33
Age	< 20 years	0	0
	21-30 years old	9	6
	31-40 years	27	18
	40-50 years	50	33.33
	> 50	64	42.67
years in operation	< 5 years	44	29.33
	5-10 years	82	54.67
	> 10 years	29	19.33

Table 2 presents descriptive statistics for the demographic respondents. This study was dominated by male respondents (96.67%). The majority of respondents were aged over 50 years (42.67%), and the longest length of time running the business ranged from 5 to 10 years (54.67%)

Analysis

Analysis study. This is conducted in two main stages: the evaluation of measurement models (outer model) and the evaluation of structural models (inner model). Evaluation of measurement models assesses the validity and reliability of the constructs used in research. Evaluation is conducted through convergent validity, discriminant validity, and reliability testing of the construct. In evaluating measurement models, (Chin, 2015) provides a fundamental contribution by proposing a loading factor threshold of 0.7. Determination mark: This number is based on the assumption that, with a loading of 0.7, an indicator can explain at least 50% of the variance in the construct being measured. Convergent validity was evaluated using Average Variance Extracted (AVE) and outer loadings. The AVE value shows how much variance the indicator explains through its construct, and the outer loadings indicate the correlation between indicators and constructs. The minimum AVE is 0.5, indicating that the construct explains >50% of the variance in the indicators. Validity discriminant is measured from the Heterotrait-Monotrait Ratio (HTMT), which provides further evaluation of Good compared to Fornell-Larcker and cross-loading to detect problem validity discriminant.

Table 3. Measurement Test Criteria

Test Criteria	Parameter	Minimum Value	Reference
Validity Convergent	Average Variance Extracted	0.5	(Hair et al., 2017)
	Outer Loading	0.7	(Chin, 2015)
Validity Discriminant	Heterotrait-Monotrait Ratio	0.9	(Hilman & Aslamah., 2026)
Reliability	Cronbach's Alpha	0.7	(Hair et al., 2017)
	Composite Reliability	0.7	(Fornell & Larcker, 1981)

Evaluation of Measurement Model (outer model)

Convergent validity is evaluated based on outer loading value and Average Variance Extracted (AVE). The results of the analysis in Table 4 show that a large part of the indicator's own outer loading value exceeds the required minimum limit. In addition, the AVE value (Table 5) for each variable is above 0.50: Sustainability effort = 0.587, Perception of indication geographical = 0.542, Financial strategy = 0.564. These values indicate that the constructs used in the study can explain more than 50% of the variance in the indicators. Thus, all constructs in the study meet the criteria for convergent validity.

Table 4. Outer Loading

	Business Sustainability	Perception against IG	Financial Strategy
M1.1			0.754
M1.2			0.764
M1.3			0.784
M1.4			0.736
M1.5			0.716
X1.1		0.581	
X1.2		0.82	
X1.3		0.815	
X1.4		0.773	
X1.5		0.662	
Y1.1	0.831		
Y1.2	0.802		
Y1.3	0.784		
Y1.4	0.712		
Y1.5	0.693		

Table 5. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Business Sustainability	0.587
Perception against IG	0.542
Financial Strategy	0.564

Discriminant validity was tested using the Fornell-Larcker Criterion, Cross Loading, and Heterotrait-Monotrait Ratio (HTMT).

Table 6. Fornell-Larcker Criterion

	Business Sustainability	Perception against IG	Financial Strategy
Business Sustainability	0.766		
Perception against IG	0.657	0.736	
Financial Strategy	0.766	0.64	0.751

The results of the Fornell-Larcker analysis show that mark root squared AVE at each construct is much higher compared to the correlation between constructs. Each construct has its own level of good discrimination.

Table 7. Cross Loading

	Business Sustainability	Perception against IG	Financial Strategy
M1.1	0.606	0.545	0.754
M1.2	0.512	0.531	0.764
M1.3	0.584	0.396	0.784
M1.4	0.564	0.413	0.736
M1.5	0.604	0.499	0.716
X1.1	0.375	0.581	0.352
X1.2	0.549	0.82	0.429
X1.3	0.467	0.815	0.5
X1.4	0.468	0.773	0.526
X1.5	0.529	0.662	0.516
Y1.1	0.831	0.672	0.739
Y1.2	0.802	0.551	0.634
Y1.3	0.784	0.445	0.485
Y1.4	0.712	0.462	0.539
Y1.5	0.693	0.284	0.466

The results of the cross-loading analysis in Table 7 indicate that each indicator has higher loadings on the measured construct than on the other constructs.

Table 8. Heterotrait-Monotrait Ratio (HTMT)

	Business Sustainability	Perception against IG	Financial Strategy
Business Sustainability			
Perception against IG	0.778		
Financial Strategy	0.912	0.793	

The results of the HTMT test in Table 8 indicate that the mark ratio for the construct Still is within acceptable limits. The Reliability construct was evaluated using Cronbach's Alpha and Composite Reliability values.

Table 9. Cronbach's Alpha and Composite Reliability

	Cronbach's Alpha	rho_A	Composite Reliability
A Business Sustainability	0.825	0.849	0.876

Perception against IG	0.783	0.793	0.853
Financial Strategy	0.807	0.807	0.866

The results of the analysis in Table 9 show that Cronbach's Alpha and Composite Reliability values for each construct exceed the minimum required value of 0.70. The indicators used in the study have good internal consistency, allowing them to reliably measure the study's construct.

Structural Model Evaluation (inner model)

After the measurement model is declared valid and reliable, the stage further evaluates structural models to test the connections between variables in the research model.

Table 10. Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
IG Influence -> Business Sustainability	0.288	0.291	0.086	3,338	0.001
Influence -> Financial Strategy	0.665	0.67	0.048	13,874	0
Financial Strategy -> Business Sustainability	0.565	0.567	0.083	6,837	0

Table 11. Specific indirect effect

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Influence -> Financial Strategy -> Business Sustainability	0.376	0.38	0.063	5,952	0

Analysis results show that all connections between variables in the research model are positive and significant. The bootstrapping results in Table 10 indicate that perceptions of geographical influence have a positive effect on financial strategy ($\beta = 0.665$; $t = 13.874$; $p = 0.001$), supporting H1. Perception of MSME actors regarding their own geographical influence is positive towards financial strategy. The better the perception of the perpetrator's business to benefit indication geographically, the more effective financial strategies are implemented in management efforts. Perception-to-indication geography also influences sustainability efforts ($\beta = 0.288$; $t = 3.338$; $p < 0.05$), so H2 is accepted. Perception of MSME actors regarding their own geographical influence is positive towards financial strategy. The better the perception of the perpetrator's business benefits geographically, the more effective financial strategies are implemented in the management business. Financial strategy significantly influences sustainability efforts ($\beta = 0.565$; $t = 6.837$; $p < 0.05$), supporting H3. Perception of MSME actors regarding their own geographical influence is positive towards financial strategy. The more Positive perception the perpetrator business has, the more good financial strategies are also implemented in the management business. Mediation test read from results: Specific indirect effect (Table 11), which shows that the financial strategy mediates the relationship between IG and sustainability effort ($\beta = 0.376$; $t = 5.952$; $p < 0.05$), so H4 is accepted. Perception of MSME actors regarding the indication of geographical influence is positive regarding financial strategy. The better the perception of the perpetrator's business, the more effective financial strategies are implemented in management efforts. Perception of geography also influences sustainable business. An identity-based product can enhance the reputation and market power of a competitive product, thereby supporting a business's sustainability. A financial strategy has a positive impact on a business's sustainability. Findings: This shows that the ability of perpetrators to manage financial business has become important for maintaining sustainable business.

Table 12. Coefficients Determination (R^2)

	R Square	R Square Adjusted
Business Sustainability	0.619	0.614
Financial Strategy	0.442	0.438

In Table 12, the coefficient of determination shows that the financial strategy variables explain 44.2% of the variation in financial strategies, with the perception of geographic indication accounting for 0.442. The variable sustainability business has an R^2 of 0.619, indicating that 61.9% of the variation in the sustainability business can be explained by perceptions of geographical and financial strategies. These values show that the research model has its own ability.

Table 13. Effect Size (f^2)

	Business Sustainability	IG Influence	Financial Strategy
Business Sustainability			
IG Influence	0.122		0.792
Financial Strategy	0.467		

The results of the analysis of Table 13. The effect size shows that the perception of the geographical own influence is large towards financial strategy, whereas the direct influence on sustainability business is relatively small. On the other hand, financial strategy has a significant impact on the business's sustainability. Findings: This shows that financial strategy plays an important role in explaining how perceptions of a business's geographical location can influence its sustainability.

Table 14. Predictive Relevance (Q^2)

	SSO	SSE	$Q^2 (=1-SSE/SSO)$
Business Sustainability	750	498,161	0.336
IG Influence	750	750	
Financial Strategy	750	569,174	0.241

Analyze the results in Table 14. The Q^2 values obtained through the blindfolding procedure indicate that the sustainability business has a Q^2 of 0.336, while the financial strategy has a Q^2 of 0.241. This value is much larger than zero, indicating that the research model has predictive relevance.

The results of the PLS-Predict analysis show that a few large indicators for endogenous variables have positive Q^2_{predict} values, indicating that the model has strong predictive relevance. Furthermore, comparing the PLS model with the linear benchmark model shows that the PLS model produces lower levels and prediction errors for some large indicators. This confirms that the PLS model in the study is superior at predicting compared to linear models, so the model can be considered a good predictor (Shmueli et al., 2019).

DISCUSSION

This study shows that MSME actors' perception of the indication geographic (IG) has a positive and significant influence on financial strategy and business sustainability. Findings: This confirms that IG functions not only as an identity product or an instrument of protection law, but also as a strategic factor that shapes the perpetrator's business behavior and supports long-term sustainability.

First, MSMEs' perception of IG is found to positively influence financial strategy. When the perpetrator business understands the market economy through the identity of its products, they tend to develop a more sound, effective financial strategy, such as implementing premium pricing, expanding into new markets, and improving product quality. Findings This is consistent with the literature, which states that IG is a source-differentiation-capable product that creates economic rents through reputation and quality (Belletti et al., 2017. Other studies also show that IG can increase perpetrators' ability to set premium prices and expand market access Vandecandelaere et al., 2020)

Besides that (Anwar & Veby, 2025) confirms that IG's success depends heavily on manufacturers' ability to understand and utilize the market economy from an identity-geographical perspective. In the context of MSMEs, things. This means that the perception of the perpetrator business becomes a key in changing IG from just a label to a strategic tool in business management.

Findings second, the perception of geographic location also positively influences business sustainability. Products with identity and a strong geographic presence can increase reputation and trust with consumers, thereby opening broader, more stable market opportunities. This is consistent with research (Belletti et al., 2017; Bowen, 2015; (Hilman & Aslamah., 2026) that indicating that providing geographical information can increase the sustainability of the local community, boost product sales, and strengthen product reputation in the global market. Research by Bowen, 2015 also shows that indicating geographical location can increase welfare for manufacturers locally and strengthen their position in the chain market product. Thus, an identity-based geographical product can offer local businesses the opportunity for a better, more stable economy. IG also contributes to sustainability, social and cultural values through preservation practices and local production (Vandecandelaere et al., 2020). This also shows that the influence on the geographical sustainability business is relatively smaller than that through financial strategies. Benefit from the indication of geographical No in a way that automatically increases sustainability efforts, but must be followed by the perpetrator's business's ability to manage the right economic strategy. Geographical product identity needs to be translated, moreover, into effective economic strategies before it can have a significant impact on business sustainability.

Governance elements do have a positive impact on financial performance, but their influence on social and environmental performance is often still limited or not automatically strong. This matters because IG benefits depend heavily on the perpetrator's business's capacity to manage the economic gains. Therefore, the influence of IG on the sustainability business is often weaker than the influence. There is no direct, internal mechanism. (Lestari & Mamduh Mahmadah Hanafi, 2025)

Third, financial strategy has proven its own positive and significant influence on the sustainability business. MSMEs' ability to manage financial aspects is important in guarding the sustainability of the business in the long run. A good financial strategy enables a business to manage income more effectively, control production costs, and safeguard the stability of its cash flow.

Findings. This aligns with the study by which shows that financial management is one of the main influencing factors in sustainable business in small and medium enterprises. Research by (Lee & Yoon, 2022; Masocha & Fatoki, 2018) also shows that ability management significantly influences the performance and sustainability of MSMEs. Actors capable of managing business and finance effectively tend to have greater capabilities. Good at maintaining business in terms of the length of study. The latest also emphasizes that financial strategy plays a role in increasing operational and business stability (Guerrero et al., 2022) In perspective management strategic, financial strategy is part of the creation of sustainable value. Therefore SMEs that manage their finances effectively have greater power and are less resistant to market pressures and uncertainty.

This, besides that, shows that financial strategy plays a role as a mechanism of mediation in the connection between perceptions of indication geography and sustainability business. The benefit from the indication of geographical origin will be greater if the perpetrator's business can integrate the mark from the identity of the geographical product into an effective management strategy. Financial strategy plays a role as a bridge that connects identity, geographic product, and sustainability business.

Findings from this support study (Belletti et al., 2017) show that the success of a system indicating geographical location depends not only on the recognition law of products, but also on manufacturers' ability to utilize the market economy based on geographical location. Other (Orji & Anthony, 2025) research also shows that indicating geographical identity can increase Power competition product locally if the manufacturer is capable of integrating geographical identity into effective economic strategies. Findings are also in line with studies, the latest of which emphasizes the importance of MSMEs' internal capacity in optimizing benefits from asset-based location (Shymanska, 2025). Therefore, financial strategy can be viewed as a bridge that connects identity, geography, and sustainability in business.

This can also be explained through the Signaling Theory perspective (Spence, 1973). In theory, the producer can signal to the consumer that a product is of high quality by attaching certain indicators to it. Geographical indications can be viewed as signals of quality, reputation, and product origin. Products that have an indication label give geographical information to consumers about the characteristics of a typical product, as well as the production method used

In this context, MSME actors' perceptions of the indication of geographical shows how perpetrator businesses understand the functional signal in the market. When the actor business recognizes that

identity geography can enhance the product reputation of products, they tend to leverage identity as a strategy to increase market demand for their products (Bowen, 2015; Thus, the indication of geographical location not only serves as a signal of quality for consumers but also as a driver of the perpetrator's business. For developing a more sustainable economic strategy, Good.

Findings of this study can also be explained through Value-Based Perspective Management. In this perspective, the sustainability business is highly dependent on an organization's ability to create a market economy, and a sustainable financial strategy is one of the mechanisms important in this process. Through financial management, an actor's business can optimize income, increase efficiency and production, and strengthen its long-term stability.

This thus shows that geographical indication can serve as a source mark for the MSME economy. However, the value of No, in a way, automatically produces a sustainability effort, but rather needs to be translated through management strategies for effective business. In this context, financial strategy becomes an important factor that allows perpetrators to shift the potential market from an identity-based, geographical product to a real-economy market.

In a way, overall, this research makes a contribution by integrating the perceptions of MSME perpetrators, geographical indications, financial strategy, and sustainability business in a comprehensive analysis. Unlike studies, which were more focused on aspects of law or marketing, research shows that IG also plays a role as a driver of economic strategy at the level of the perpetrator business. Thus, identity geography not only becomes a symbol of products but also a strategic asset that can be optimized to create a market economy and support the sustainability of MSME businesses.

CONCLUSION

This study examines the perceptions of MSME actors regarding the influence of geography on financial strategy and sustainability business. In addition, financial strategies have been proven to support sustainable business. Confirm that the more Good understanding MSME actors have of market indicators geographically, the more optimal the financial strategy implemented, which, in the end, increases the sustainability of the business. Indication geographical No, not only functioning as identity products but also as a source-mark economy that can increase the power of competitive businesses. Financial strategy plays a more critical role as a mediating variable in the relationship between indication geography and sustainability business. Benefit indication: geographical need optimized through effective financial management to produce a sustainable business. Study This, in a way, overall confirms the importance of strengthening the capacity of MSME actors, in particular in financial strategy management, to maximize the potential economy from the indicated geographical area.

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AUTHOR CONTRIBUTION STATEMENT

Conceptualization, research design, methodology development, and the formulation of the conceptual framework integrating Signaling Theory and Value-Based Management to explain the relationship between Geographical Indication perception, financial strategy, and business sustainability were carried out by Rina Zulelli, Asrid Juniar, Saipudin, and Fifi Swandari. Data collection, including questionnaire design, distribution, and administration to 150 cinnamon MSME respondents in Loksado District, was conducted by Rina Zulelli. Formal analysis, including measurement model assessment,

structural model evaluation, mediation analysis, and hypothesis testing using SEM-PLS, was performed by Rina Zulelli and Asrid Juniar. Original draft preparation and writing were conducted by Rina Zulelli, while review, editing, and revision were performed by Asrid Juniar, Saipudin, and Fifi Swandari. All authors have read and approved the final version of the manuscript and agree to be accountable for all aspects of this work.

AI DISCLOSURE STATEMENT

During the preparation of this work, the author(s) used AI-assisted tools, such as grammar checkers and language enhancement software, solely for the purpose of improving readability and refining the language of the manuscript. No generative AI tools were used for statistical data analysis using SEM-PLS, interpretation of results, conceptual framework development, or core scientific writing. The authors take full responsibility for the originality, accuracy, and integrity of the research findings and the final content of this article.

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CONFLICTS OF INTEREST

The authors declare that there are no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper. The research was conducted independently, and the results are presented objectively and without bias. The authors have no affiliation with or financial interest in any Geographical Indication certification body, cinnamon trading enterprise, or related organization mentioned in this study that could be perceived as influencing the analysis or conclusions of this research.

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