



Challenges and Problems in Implementing the People's Business Credit Program in Makassar City, South Sulawesi Province

Bakhtiar

Universitas Andi Djemma, Indonesia

E-mail: bakhtiar647@gmail.com

<http://dx.doi.org/10.47814/ijssrr.v6i3.1153>

Abstract

Challenges to the success of the People's Business Credit Program (KUR) today include increasing the program's reach, institutions, regulations, empowerment, and strengthening inter-stakeholder synergies. Some of the problems with KUR include the still low absorption rate, the scheme which is felt to be inappropriate for all actors, the program's reach is limited, as well as assistance and institutional problems. The study aims to examine the challenges and problems encountered during the implementation of the People's Business Credit Program in Makassar City, South Sulawesi Province. The research was conducted by applying a qualitative approach, using descriptive analysis method. In this study it was found that the eligibility criteria for small businesses set by banks were one of the main obstacles to obtaining KUR. In addition, the ability of human resources to manage finances, which influences the smooth return of KUR, is also a barrier to their access to KUR. It is hoped that the bank will continue to channel KUR funds to micro, small and medium business actors and it will be even better if the channeled KUR funds target new business actors so that the number of MSMEs will increase. Because it is proven that KUR funds have an impact on increasing the performance of MSMEs both in terms of the output of the number of MSME units and employment and can increase GRDP.

Keywords: *Financing; GRDP; MSMEs; People's Business Credit*

Introduction

Indonesia is a promising market for credit businesses due to its low-income population, with both the government and private sector working together to support lending to communities. Financial institutions play a crucial role in meeting the needs of the community by channeling business credit to them. This makes credit distribution the primary business activity and largest asset for financial institutions, with most of their income generated from interest on credit (Barus et al., 2022). Therefore, financial institutions must act professionally and responsibly in raising and distributing funds.

On an annual basis, inflation in South Sulawesi in January 2023 was recorded at a combined inflation of 5.83 percent year on year lower than inflation in November 2022 which was at 6 percent year on year. Meanwhile, inflation in January 2022 against December 2022, he continued, was recorded at

0.63 percent of combined inflation in five regions in South Sulawesi in January. Inflation is highest in Makassar City and lowest inflation in Bulukumba Regency. The highest recorded at 5.93 percent in Makassar as an economic center in South Sulawesi, which has been coordinated between the Provincial Inflation Control Team (also known as TPID) and the TPID in Makassar City to maximize control performance in Makassar City, and the lowest in Bulukumba Regency at 4.12 percent.

The Directorate General of Treasury (DJPb) of the Ministry of Finance of South Sulawesi Province (Sulsel) noted that the distribution of People's Business Loans (KUR) in South Sulawesi has reached IDR 8.43 trillion to 187.166 debtors until mid-2022. The highest KUR distribution in South Sulawesi occurred in Makassar City, amounting to IDR 969.40 billion or equivalent to 11.49 percent of the total KUR distribution in South Sulawesi. Judging from the economic sector, the largest distribution of KUR in the South Sulawesi region is in two sectors, namely the agricultural and trade sectors, which were recorded at IDR 3.63 trillion and IDR 3.06 trillion, respectively. Periodically, the Regional Office of the DGT of South Sulawesi Province also monitors and evaluates the implementation of KUR distribution, both from the banking side as a channeling institution and confirmation from the debtor side. In terms of financial literacy for efforts to realize financial inclusion, the Regional Office of DGT South Sulawesi also actively conveys information related to KUR and MSMEs through various media, both social media, electronic print mass media, as well as in various formal and informal discussion forums.

As a big city as well as the capital of South Sulawesi Province, Makassar City is also inseparable from social problems, especially poverty. Every year the poverty rate in Makassar City increases. In 2015 the poverty rate in Makassar City reached 63.240 people from a population of 1,449,401 people, in 2016 the number of poor people was 66.780 people from a total population of 1.469.601 people, and in 2017 the number of poor people in Makassar City was 68.190 people from a total population of 1.489.011 people.

Based on data from the Ministry of Cooperatives and MSMEs, the number of MSMEs until March 2021 reached 64.2 million with a contribution to gross domestic product (GDP) of 61.07 percent or IDR 8.57 trillion. The contribution of MSMEs to the Indonesian economy includes the ability to absorb 97 percent of the total existing workforce and can collect up to 60.4 percent of the total investment. The large contribution of MSMEs shows that the Indonesian economy is strongly supported by the performance of MSMEs.

The development of MSMEs that is quite high at this time is inseparable from problems. According to Rumbianingrum & Wijayangka (2018), MSME players must face 4 major obstacles, namely limited working capital, human resources, product and technology innovation, and marketing. Financial management is one of the main issues that many MSMEs do not develop because if MSME financial management is not smooth, it will hinder performance and access to financing.

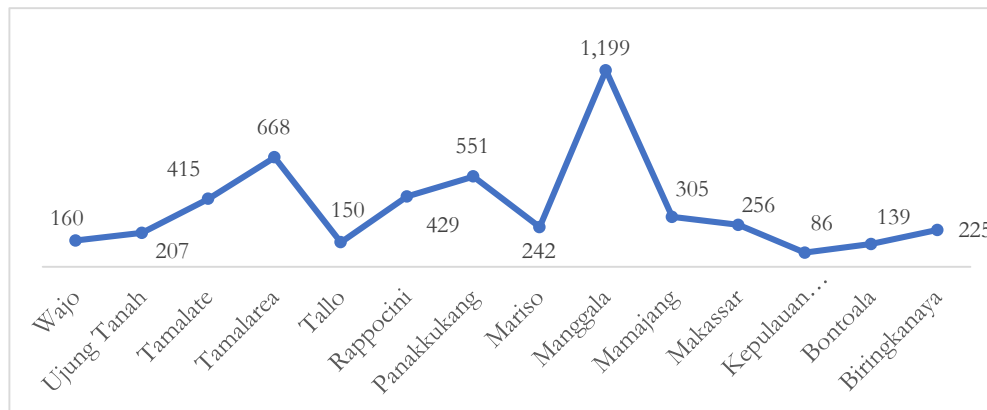


Figure 1. Data on the Number of MSMEs in Makassar City 2019-2021

Source: Makassar City Office of Cooperatives and MSMEs

According to data from the Makassar City Cooperatives and MSMEs Office, there were 5,387 MSMEs spread across 15 districts in Makassar City from 2019-2021. However, recent research by Afiah and Eni P. (2021: 1670) during the pandemic shows that many MSMEs have stopped operating. As of 2021, only 715 MSMEs are still actively operating in the 15 districts of Makassar City. This indicates that many MSMEs have ceased operations due to financial planning errors, poor financial management, and insufficient financial management literacy. Therefore, it is necessary to improve financial management practices to ensure the sustainability of MSMEs.

According to Haan (2021) in (Arin, 2022) the level of non-performing loan ratios that rise in banks can result in the health and ability of banks to channel credit to the real economy through three main channels. First, high bad debts can reduce a bank's profits or profits because the income from credit interest is low, causing funding costs to increase. Second, high levels of bad debts also result in higher capital requirements. Third, the management of a high NPL ratio can divert important managerial resources away from core and more profitable activities.

The increase in Non-Performing Loans (NPL) every year is likely to result in fluctuations in the distribution of people's business loans (KUR) to banks. The increase in the NPL ratio of banks will affect lending so that banks must provide greater capital reserves (Arin, 2022). In the study (Arsane & Darmawan, 2021), the distribution of KUR was negatively influenced by NPL. If the NPL increases, it will have an impact on the bank's low liquidity and will reduce its credit offer.

The growth of the KUR can also be influenced by macroeconomic factors such as inflation. According to Barra & Ruggiero (2021) inflation is quantitatively proven to directly affect credit quality which causes deterioration in credit quality. The overall and sustained soaring prices of goods and services is called inflation (Ramandhana et al., 2018). The increase in inflation can cause credit distribution to be hampered, it happens because if the inflation rate is high, people will choose to take the funds that have been invested from banks to meet their living needs (Permana & Dillak, 2019).

According to Khotimah (2019), credit distribution can be affected by inflation. Highly soaring inflation can have an impact on bank interest rates, therefore it is necessary to control inflation by the government. If inflation is high and difficult to control, the collection of public funds by banks may be disrupted. This can also have an impact on the distribution of loans or credit to decrease or stagnate (Riyantowo et al., 2021).

The study aims to examine the challenges and problems encountered during the implementation of the People's Business Credit Program in Makassar City, South Sulawesi Province. This program was designed to provide microcredit to small business owners who may have difficulty accessing traditional bank loans. The study will analyze the various factors that have hindered the successful implementation of the program, including administrative issues, lack of awareness and education among potential borrowers, and difficulties in accessing funding. The findings of the study will be used to provide recommendations for improving the implementation of the program, with the goal of increasing its effectiveness and impact on small business owners in the region.

Theoretical Studies

Policy Implementation and Evaluation Theory

The analysis of the distribution of KUR was carried out with the Grindle model approach. Merilee S. Grindle in the book *Politics and Policy Implementation in The Third World* (1980), as quoted by Riant Nugroho in the book *Public Policy* (2018) that after the policy is transformed, the

implementation of the policy is carried out. Its success is determined by the degree of implementability in the content of the policy and the context of the policy (Nugroho, 2021).

According to the Regulation of the Minister of Finance Number 135 / PMK.05 / 2008 concerning the People's Business Credit Guarantee Facility, the definition of KUR is "credit or financing to MSMEs-K in the form of providing working capital and investment supported by guarantee facilities for productive businesses". The MSME-K in question is a decent productive business, namely if the results of its business are estimated to be able to pay the principal and interest until it is paid off. "The business has been feasible but not yet bankable (a business that is already running but still has limitations in meeting the requirements set by the bank (Malano & Tradisional, 2011).

The launch of the KUR is a follow-up to the signing of a Memorandum of Understanding (MoU) on October 9, 2007 concerning Credit Guarantee and Financing to MSMEs and Cooperatives between the Government (Minister of State for Cooperatives and SMEs, Minister of Finance, Minister of Agriculture, Minister of Forestry, Minister of Maritime Affairs and Fisheries, Minister of Industry, Guarantor Company (Perum Sarana Pengembangan Usaha and PT. Perum Sarana Pengembangan Usaha and PT. Indonesian Credit Insurance) and Banking (Bank BRI, Bank Mandiri, Bank BNI, Bank BTN, Bank Bukopin, and Bank Syariah Mandiri). This KUR is supported by the Ministry of State-Owned Enterprises, the Coordinating Ministry for Economic Affairs and Bank Indonesia.

Economic Growth Theory

In the trading business, added value is only generated from sales costs and profit margins, while in the production business added value is generated from processing costs (including technology, labor, and risk), sales costs, and profit margins. Value added analysis is a method of estimating which raw materials received treatment undergo this change, giving rise to added value which is influenced by the technology used in the processing process (Ruauw, 2012). On this basis, in the economic activities of the community, the processing industry (manufacturing), exploration industry (mining, capture fisheries, and hunting), and aquaculture industry (fisheries, agriculture, and animal husbandry) contribute the largest added value to GRDP.

Todaro and Smith argue that national income is an accumulation of added value in every sector of the economy (Todaro & Smith, 2009). For this reason, in the KUR policy, the focus of objectives and outcomes is to create added value in the economy, through intermediary practiced by banks. Idle cash owners can optimize their cash to generate added value in the economy, by channeling it as working capital financing and investment to economic actors who experience a scarcity of capital intermediary by banks.

Research Methods

This research used a qualitative method with descriptive-analysis, namely explaining and analyzing problems related to the program and implementation of KUR distribution for small businesses to increase business activities that had difficulty accessing credit. This study also examined the constraints of policy implementation related to access to KUR by analyzing primary and secondary data. From the results of the descriptive analysis, conclusions and recommendations could be drawn to improve policies and programs related to KUR.

The data analysis used was mostly sourced from secondary and primary data. Secondary data was compiled from literature and other sources such as books, journals, newspapers, magazines, and the internet as well as documents related to KUR. To obtain primary data, in-depth interviews were carried out with relevant agencies such as the Cooperatives and SMEs Office, the Industry and Trade Service, the Central Statistics Agency (BPS), assisted by interview guidelines. The data analysis technique used in descriptive research was a qualitative data analysis technique, without using statistical formula tools.

Results and Discussion

Economic Conditions

Throughout 2017 to 2019, the value added output of Makassar City showed positive performance as it consistently recorded the following growth rates in 2017 (8,20%), 2018 (8,42%), and 2019 (8,79%). However, when Covid-19 entered Indonesia in 2020, the economy of Makassar City underwent a severe correction, namely in 2020 (-1,27%). At the beginning of 2021, it appeared that people's economic activities had started to resume, and the economic growth rate began to rise to a position of 4,47%, even though the situation was not completely normal. This illustrated that in 2022, economic growth was projected at 4.78%, so that the economy of Makassar City seemed to be starting to move slowly. In line with the above, in 2023, Makassar's economic growth is projected to increase by 5,03%, assuming that the sectors driving Makassar's economy have recovered, for example, the trade sector has started to run again. Likewise, the construction, accommodation, food and drink, and communication sectors also have a big role in the economic growth of Makassar City. The projected value is in line with the target set in the Makassar City RPJMD, which targets economic growth of 4,81% - 6,41% in 2023.

When viewed at the LDR condition of general banking in Makassar City for the last 5 (five) years, the condition of general banking in Makassar City was classified as unhealthy, which in this case meant experiencing liquidity difficulties. This referred to Bank Indonesia Circular Letter No. 6/23/DPNP dated May 31, 2004, including: (1) Healthy $\rightarrow 50\% < \text{a ratio of } \leq 100\%$; and (2) Unhealthy $\rightarrow > 100\%$.

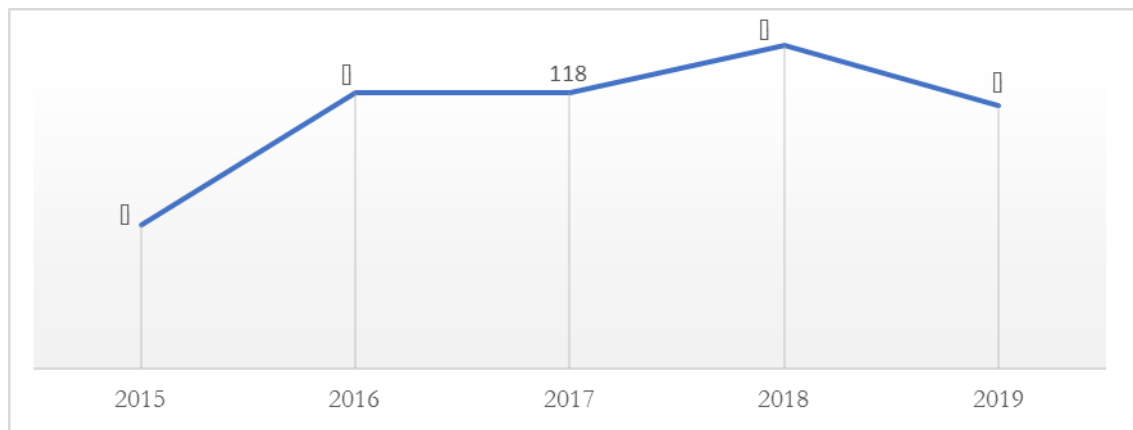


Figure 2. LDR Condition of General Banking in Makassar City

In terms of regional competitiveness, this condition, as explained earlier, will affect investors' judgment in making investment decisions so that it will simultaneously affect the demand and supply of shares in the capital market, as well as specifically on the growth of MSME loans, where in several studies related to the influence of LDR on the growth of MSME loans prove the positive influence of LDR on the growth of MSME loans. As is fundamentally known, MSMEs have proven to support the Indonesian economy, especially during the monetary crisis of 1997 - 1998. They survive because the raw materials used are local materials and the market orientation is domestic. Therefore, it can be assumed that the higher the growth of credit to MSMEs in an area, which is clearly influenced by the ratio of loans to bank deposits, the higher the economic competitiveness of a region in the face of an economic crisis.

Conditions and Development of Small Business

Based on Article 43 of the MSME Law that, when this Law comes into force, all laws and regulations related to MSMEs are declared to be still valid as long as they do not conflict with the provisions in this Law, therefore Government Regulation Number 32 of 1998 concerning Small Business Development and Development in Article 2 states that the guidance and development of small businesses is carried out by the government, the business world, and society, both individually and together, and carried out in a directed and integrated and sustainable manner to realize small businesses that are resilient and independent and can develop into medium-sized enterprises (Suhardi et al., 2012)

In 2020, the contribution of Micro and Small Enterprises to GRDP decreased compared to the previous year. This was due to a re-evaluation of the number of MSMEs in Makassar City, which found that many micro, small, and medium enterprises were no longer active due to their inability to develop their businesses or compete with the advancements in digital technology. The main reason for this was the impact of the Covid-19 pandemic, as many micro and small businesses struggled with business capital and experienced decreased or below-normal incomes, resulting in losses and an inability to continue their operations. Despite this, MSMEs in Makassar City play an important role in contributing to the city's economy. To increase the productivity of micro-enterprises, there should be a greater focus on developing MSMEs and increasing their population.

Table 1. Data on the number of Micro, Small and Medium Enterprises in Makassar City

No	Description	2016%	2017%	2018%	2019%	2020%
1.	Number of Micro and Small Enterprises	13919	14089	14526	16.039	9.958
2.	Total number of SMEs	16228	16428	16865	17.123	13.277
3.	Percentage of Micro and Small Enterprises ($1/2 \times 100$)	85,77	85,76	86,13	93,66	75,01

Source: Makassar City Office of Cooperatives and MSMEs, 2020

Small Businesses that grew to reach 13,277 units with the number of assisted MSMEs increasing their turnover in 2020 by 25 MSMEs from the target of 50 MSMEs, as stated the number of standardized MSME products was not realized with the impact of the Covid19 pandemic budget reallocation or budget refocussing but with the pandemic MSMEs continued to struggle during the pandemic and followed market demand to be able to survive so that the number of new entrepreneurs in 2020 grew by 35 SMEs.

The number of cooperatives that received capital assistance in 2020 was 7 cooperatives out of the target of 5 cooperatives so as to reach 140%, high category performance achievements there were 7 cooperatives that received revolving fund capital assistance (LPDB) OF the 11 cooperatives given recommendations, while the number of SMEs that received capital assistance with a performance target of 150 SMEs with 100% performance achievement, namely the number of SMEs that have been submitted for credit applications in the SIKP system is 4.429 SMEs and the 68 MSMEs that have been debtors or have been approved for business credit assistance from banks have been realized to reach 100% of the jam performance target, SMEs also get Banpres assistance or assistance for micro-entrepreneurs (BPUM) based on the regulation of the Minister of Cooperatives and SMEs No.6 of 2020 as many as 25.730 MSMEs. However, the total number of SMEs that get assistance from Banpres or BPUM has no data from Bank BRI.

The percentage of active cooperatives until the end of 2019 the number of active cooperatives was 1092 and at the end of 2020 the number of active cooperatives increased to 1,118 active cooperatives

from the number of cooperatives in Makassar City 1,606 cooperatives or realized 69%. Meanwhile, the percentage of non-BPR SMEs has decreased but not too large a decrease, where the percentage of non-BPR / MFI SMEs in 2016 was 99,95% while in 2020 it was 99,90%, but this condition shows that credit absorption for SMEs is still at the same number only needs efforts to increase its absorption in order to encourage SME economic activity in Makassar City.

Microfinance institutions (MFIs) are institutions that provide deposit, credit, payment services and money transfers aimed at the poor and small entrepreneurs. MFIs function as institutions that provide various financial services to the poor and small entrepreneurs. The percentage of active BPR/MFI has increased in the last 5 years, namely 17,24% in 2015 to 41,37% in 2019. The number of active BPRs/MFIs has doubled, from 5 units in 2015 to 12 units in 2019.

Effective working capital is very important for the company's long-term growth continuity (Rahman et al., 2021). This can have a positive impact on increasing people's income and welfare. In looking at the problem, the government does not stand still. In fact, there have been many bank and non-bank financial institutions that offer working capital loans for business actors, with competitive interest rates and easy procedures. Working capital credit or productive credit is credit used to improve business (Firdaus et al., 2003). This working capital credit is specifically given to business actors, who will develop their business or increase business productivity.

Realization of the KUR Program and its Problems

The development of KUR channeling institutions occurs in line with the development of SMEs and there are still many obstacles for SMEs to access sources of financing from formal financial institutions. In addition, the development of this financing institution is also inseparable from its characteristics that provide convenience to SMEs in accessing sources of financing.

The role of the KUR channeling institution in this case the channeling bank was seen when the Makassar City Government asked to provide an overview or socialization of the KUR in front of business actors. As a result of this socialization, it encourages micro-entrepreneurs to apply for loans and through the BRISpot application. Business actors can easily apply for a KUR loan and realize it for a maximum of two days. Furthermore, in interviews with informants, it is known that the requirements attached by micro-business actors are enough to complete documents, including: Identity Card (KTP), Family Card (KK), Marriage Book, and Business Certificate.

Efforts to develop cooperatives in Makassar City have made encouraging progress from 2016 to 2020, as evidenced by the increase in the number of cooperatives, members, and business volume. The number of active cooperatives increased from 1.118 in 2016 to 2020. Additionally, there were 215.241 cooperative members during the same period. This growth is attributed to the effective allocation of revolving funds for cooperatives, particularly in savings and loan activities, enabling them to provide better services. Moreover, cooperatives were able to provide employment to 2.445 individuals, with 605 managers overseeing their operations. In 2016, the business volume of cooperatives was IDR 638.741.487.000,-, with its own capital amounting to IDR 309.532.429.000,-, and outside capital of IDR 100.362.98.000,-. By 2020, the business volume of cooperatives increased to IDR 779.100.342,-, with its own capital amounting to IDR 382.685.493,-, and outside capital of IDR 263.548.026,-, which was partially facilitated by the government through MAP, fuel subsidies, and other programs.

Government facilities and support also play a role in improving the ability of cooperatives and encouraging member participation to transact with cooperatives and increasing member participation in cooperative capital so as to achieve residual business proceeds of IDR 26.564.383,-. The productivity, profitability and services of cooperatives increase and encourage the participation of members or

prospective members in utilizing cooperative institutions as an alternative to the development of the people's economy in Makassar.

The problem of KUR and capital information is a problem that is generally felt by business actors, especially MSEs. The limited capital that is still low from MSEs is caused by the low accessibility of business actors to formal banking credit institutions so that they tend to rely on their business financing from their own capital or other sources such as family, relatives, or even loan sharks.

Some of the problems that are still faced related to the development of Cooperatives and Small and Medium Enterprises in Makassar City based on the Strategic Plan for 2021-2026 of the Makassar City Cooperatives and Small and Medium Enterprises Office are as follows:

1. The percentage of the number of Cooperatives conducting the Annual Member Meeting (RAT) and the percentage of the number of active Cooperatives is still not optimal due to several factors as follows:
 - a. Limited range of services, facilitation and guidance of MSMEs
 - b. Budget constraints/budget allocations are relatively small
 - c. Limited resources of the apparatus in comparison with the level of
2. Significant Cooperative growth All the potential of cooperatives and MSMEs has not been recorded optimally due to the following factors:
 - a. Unmanaged data and information sources that support the coaching and service process so that data sources are still minimal.
 - b. There are Cooperatives and MSMEs that change locations or close without written notice to the Cooperatives and SMEs Office.
 - c. Budget constraints/budget allocations are relatively small.
 - d. Limited apparatus resources compared to the significant growth rate of cooperatives.
3. The promotion of superior products of Cooperatives and MSMEs has not been maximized, which is due to several factors as follows:
 - a. Maximizing promotional events for superior products of Cooperatives and MSMEs through the provision of sustainable budgets.
 - b. Synergy and cooperation with National and Ministry programs.
4. Facilitation of financing programs for cooperatives and MSMEs there are several obstacles as follows:
 - a. Unmanaged data and information sources that support the coaching and service process so that data sources are still minimal.
 - b. The orientation of establishing cooperatives and MSMEs is only to get capital assistance and not for business development so that the business does not run optimally.

In order to increase the distribution of KUR and cultivate MSME actors so that they can survive and grow, there are at least 3 things that can be done, namely: (Rompas, 2022)

Increasing access to KUR through KUR channeling banks so that they can reach people in remote areas; In Makassar City, the highest business fields driving GRDP are in the agriculture, forestry and fisheries sectors. Farmers in Makassar City are business actors who generally work in rural areas and far from the center of the crowd. These farmers will find it difficult to access the KUR provided by banks far from the farmers' locations. Banks need to increase the number of banking credit analysts and massive socialization both through social media and pamphlets in order to attract more potential debtors in the regions. It is hoped that this can reach farmers (potential debtors) who are in the interior, so that it will increase the distribution of KUR in the agriculture, forestry and fisheries sectors.

Intensive education to MSME actors. Education to MSME actors can be carried out by the relevant offices in collaboration with banks, ministries, institutions, SOEs, and non-governmental organizations. All parties must be a buffer in supporting MSMEs. One example, at the Ministry of Finance, an MSME coaching program has been created with training on product branding and packaging, entrepreneurship, financial recording and bookkeeping, online marketplaces, export preparation and other online trainings. In the training, it was also introduced what KUR is, how to get KUR business capital and its benefits in order to develop a business. After the education is carried out, it is hoped that there will be investment interest from MSME actors who eventually the MSMEs access the KUR to meet the needs of additional business capital.

Financial inclusion is crucial for MSME players. Once MSMEs have strengthened their capital base, the next step is to market their products. The evolving consumer behavior calls for MSMEs to adopt digital financial infrastructure. With the help of gadgets and information technology, marketing and financial management can be directed towards the target audience. MSMEs must switch to digital platforms to sell their products without being constrained by space and time. Additionally, MSMEs can collaborate with government offices, hotels, banks, airports, restaurants, and tourist locations to promote and sell their products. One example of this is the MSME Shophouses located in the Regional Office of the Directorate General of Taxes (DGT) in North Sulawesi. These shophouses provide a space for displaying MSME products that have been fostered in collaboration with banks. These products can be purchased with QRIS or by directly contacting the relevant MSMEs.

In addition to collecting funds from the public, credit is a form of implementing the bank's main function in distributing funds to parties in need. And MSME credit is a type of productive credit that plays a role in financing or providing funds to micro, small, and medium enterprises.

Sari (2016) stated that the distribution of MSME loans has a significant effect on the GDP growth of MSMEs. MSME loans have increased every year where the percentage is higher than the total loans disbursed by commercial banks. The increase in the number of MSME loans disbursed will help MSME actors to develop their businesses, increase business units which will also cause an increase in manpower, meaning that these two things will have an impact on increasing output per business unit and output per workforce. It is increasingly clear that the distribution of MSME loans plays a big role in the growth of MSME GDP, because to obtain a large output value or GDP, a business also requires large costs that can be obtained through loans, namely MSME loans. It is the same as previous research that has been carried out by (Rachman & Sriyanto, 2012). MSME credit is part of working capital credit intended for businesses that meet the criteria for MSMEs. In addition, the People's Business Credit, which is one of the MSME credit schemes issued by the government, also contributes greatly to the development of MSMEs themselves (Angraini & Nasution, 2013).

Companies that are in the real sector certainly need capital to start or run their business. The need for funds needed for both investment capital and working capital is often the main problem faced by companies engaged in any field. Fithriyah & Malik (2010) explains that the increase in banking credit is due to an increase in manufacturing companies borrowing credit, and resulting in growth in the industry. In this case, MSMEs that have dominated most businesses in Indonesia also require costs to carry out the production process. Because the number of units is large enough that it can help absorb most of the workforce where the labor problem is one of the threats to achieve economic growth.

Based on the regression model results in this study, the number of MSMEs is a key factor that contributes to economic growth. Increasing the number of MSMEs in Indonesia is a priority for the government, and this can be achieved through various steps, such as facilitating business permits for MSMEs and improving overall economic conditions.

The correlation between credit distribution and Gross Domestic Product (GDP) is positively significant. This suggests that as the government increases the distribution of credit, there will be a corresponding increase in the GDP of Indonesia. However, the insignificant impact indicates that the government needs to reorganize its approach since credit provision alone does not significantly impact the GDP. Therefore, the government's efforts to increase GDP in specific business fields rely on consistent and sustainable initiatives from MSMEs. Entrepreneurs should innovate and follow government regulations to meet these expectations.

The expansion of MSME working capital financing is carried out with an approach to encourage banks to provide soft loans to MSMEs. Thus, MSMEs have sufficient working capital in running their business. This policy is necessary to maintain MSME liquidity. This program is targeted at 23 million MSMEs who have never received financing from banks and financial institutions.

The Cooperatives and MSMEs Office plays a critical role in facilitating the issuance of certificates and recommendations for cooperatives to obtain assistance or revolving funds from institutions like LPDB, a lending institution under the Ministry of Cooperatives. However, after cooperatives receive soft loans, they often fail to provide a copy or delivery of the loan agreement to the Cooperatives and MSMEs Office, making it difficult for them to monitor the loans that have been disbursed. This presents a weakness in the system since the lack of documentation can lead to issues when problems arise with the soft loan. After the soft loan has been disbursed, a written submission should be made to the Makassar City Regional Government via the Cooperatives and MSMEs Office. This submission serves as a basis for conducting supervisions to prevent undesirable outcomes.

Conclusion

In essence, the People's Business Credit Program (KUR) is crucial for the development of agribusiness in Indonesia, which is characterized by small-scale operations and limited capital capabilities. The program aims to provide much-needed capital for micro and small businesses that are economically feasible but not yet bankable. To improve the program's effectiveness, several changes have been made to the system and implementation procedures, including the credit ceiling limit, joint responsibility system, business partner reach, and interest expense level. Additionally, credit coverage has been expanded for smallholder plantations and livestock businesses, which have the potential to drive the national economy.

The government and distribution agencies have already conducted various socialization activities related to the People's Business Credit (KUR) program to inform people about the benefits of obtaining business capital funds through this program. However, it is crucial to continue such socialization efforts, especially by local governments and distribution agencies, to reach and educate more people who want to start their own businesses and need an initial fund for business capital. This will help prevent micro-entrepreneurs from falling prey to loan sharks who charge high interest rates.

In conclusion, while the Makassar City Government plays a vital role in promoting the benefits of KUR for the development of micro-enterprises, KUR channeling banks must also provide education to the public about its existence. This will help prospective debtors understand how KUR can benefit their businesses. Additionally, banks should educate borrowers on proper financial management to ensure that they can use KUR effectively and responsibly. By working together to promote financial literacy and responsible borrowing, the government and banks can help drive the growth of micro-enterprises in Makassar City.

References

- Anggraini, D., & Nasution, S. H. (2013). Peranan kredit usaha rakyat (KUR) bagi pengembangan UMKM di Kota Medan (studi kasus Bank BRI). *Ekonomi Dan Keuangan*, 1(3).
- Arin, S. C. (2022). *Pengaruh Kinerja Keuangan Perbankan Dan Pandemi Covid-19 Terhadap Penyaluran Kredit Usaha Rakyat Pada Bank Umum Indonesia Tahun 2018-2021*.
- Arsane, W., & Darmawan, N. A. S. (2021). Prosedur penyaluran kredit usaha rakyat (kur) pada pt. bank rakyat Indonesia (persero). *Widya Akuntansi Dan Keuangan*, 3(1), 11–22.
- Barra, C., & Ruggiero, N. (2021). Do microeconomic and macroeconomic factors influence Italian bank credit risk in different local markets? Evidence from cooperative and non-cooperative banks. *Journal of Economics and Business*, 114, 105976.
- Barus, A., Chandra, T. Y., & Sinaulan, R. L. (2022). Analysis of Debtor's Efforts in Settlement or Implementing Credit Obligations During the Non-Natural National Disasters of The Covid-19 Pandemic. *Policy, Law, Notary and Regulatory Issues (POLRI)*, 1(2), 111–116. <https://doi.org/https://doi.org/10.55047/polri.v1i2.178>.
- Firdaus, Y., Sunarto, S., Nurcahyo, H., Ritonga, R. A., & Suwandi, D. (2003). *Akuntansi*. Jakarta: Erlangga.
- Fithriyah, Z., & Malik, N. (2010). Pengaruh Kredit Perbankan Terhadap Pertumbuhan Industri Manufaktur Dalam Menunjang Pertumbuhan Ekonomi Indonesia. *Jurnal Ekonomi Pembangunan*, 8(1), 210–214.
- Khotimah, K. (2019). Pengaruh domestik regional bruto terhadap penyaluran kredit pada Bank Perkreditan Rakyat di Indonesia. *Universitas Jember*.
- Malano, H., & Tradisional, S. P. (2011). Potret Ekonomi Rakyat Kecil, Jakarta. *Pt Gramedia Pusaka Utama*.
- Nugroho, R. (2021). *Kebijakan Publik: Implementasi dan Pengendalian Kebijakan*. Elex Media Komputindo.
- Permana, A. L., & Dillak, V. J. (2019). Pengaruh Return On Assets, Suku Bunga Kredit, Inflasi, Dan Non-performing Loan Terhadap Penyaluran Kredit Perbankan (studi Empiris Pada Bank Umum Konvensional Yang Terdaftar Di Bursa Efek Indonesiatahun 2014-2017). *EProceedings of Management*, 6(2).
- Rachman, Z. F., & Sriyanto, A. (2012). Analisis Kontribusi Investasi, Kredit Modal Kerja dan Kredit Konsumsi Terhadap Petumbuhan Ekonomi Jawa Timur. *Jurnal Ekonomika Dan Manajemen*, 1(2).
- Rahman, A., Susanti, D. A., & Sinaga, A. (2021). Analisis Pengembangan UMKM di Era New Normal Dengan Prinsip Syariah. *AGHNIYA: Jurnal Ekonomi Islam*, 3(2), 195–200.
- Ramandhana, D. Y., Jayawarsa, A. A. K., & Aziz, I. S. A. (2018). Pengaruh Inflasi, Suku Bunga BI Rate, Pertumbuhan Ekonomi, Non Performing Loan (NPL) dan Capital Adequacy Ratio (CAR) terhadap Penyaluran Kredit Usaha Rakyat (KUR) pada Bank Umum di Indonesia Periode 2013-2017. *Warmadewa Economic Development Journal (WEDJ)*, 1(1), 30–40.
- Riyantowo, D. S., Arifin, Z., & Sari, N. P. (2021). Analisis Pengaruh Dana Pihak Ketiga, Suku Bunga Dan Inflasi Terhadap Penyaluran Kredit. *Journal of Financial Economics & Investment*, 1(3), 144–158.
- Rompas, T. (2022). *Memupuk Pertumbuhan UMKM dengan KUR*. Manado Pos.

- Ruauw, E. (2012). Analisis keuntungan dan nilai tambah agriindustri manisan pala UD putri di Kota Bitung. *Agri-Sosioekonomi*, 8(1), 31–44.
- Rumbianingrum, W., & Wijayangka, C. (2018). Pengaruh literasi keuangan terhadap pengelolaan keuangan UMKM. *Almana: Jurnal Manajemen Dan Bisnis*, 2(3), 156–164.
- Sari, E. R. (2016). Pengaruh Penyaluran Kredit UMKM terhadap Pertumbuhan UMKM di Indonesia dalam Mendorong Pertumbuhan Ekonomi Nasional (Periode 2008-2012). *Jurnal Ilmiah Mahasiswa FEB*, 3(2).
- Suhardi, M., Makarah, T., & Fauziah. (2012). *Hukum Koperasi, Usaha Mikro, Kecil, dan Menengah di Indonesia*.
- Todaro, M. P., & Smith, S. C. (2009). *Economic development*. Pearson education.

Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal.

This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by/4.0/>).