


The Impact of the People's Business Credit (KUR) Programme on Entrepreneurship Development and Economic Growth in Indonesia

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Article Info	ABSTRACT
<p>Article history:</p> <p>Received November, 2024 Revised November, 2024 Accepted November, 2024</p> <hr/> <p>Keywords:</p> <p>People's Business Credit Entrepreneurship Development Economic Growth Micro, Small, and Medium Enterprises</p>	<p>The People's Business Credit (Kredit Usaha Rakyat, KUR) program has been a significant government initiative in Indonesia, aimed at promoting entrepreneurship and stimulating economic growth, particularly among micro, small, and medium enterprises (MSMEs). This study examines the impact of the KUR program on entrepreneurship development and economic growth, using a quantitative analysis based on a sample of 100 MSME entrepreneurs who have received KUR loans. Data was collected through a survey utilizing a Likert scale (1-5) and analyzed using SPSS version 25. The results show that KUR funding positively impacts business expansion, innovation, and profitability, with a significant correlation between program participation and improvements in entrepreneurship development. Furthermore, the study highlights the program's contribution to local economic growth through job creation and increased regional economic activity. The findings indicate that the KUR program is effective in fostering entrepreneurship, particularly in rural areas, and plays a crucial role in stimulating economic growth at the local level. The study provides valuable insights for policymakers to improve the program and further support MSMEs in Indonesia.</p> <p><i>This is an open access article under the CC BY-SA license.</i></p> 

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1. INTRODUCTION

The People's Business Credit (KUR) program in Indonesia was introduced to tackle the financing challenges faced by micro, small, and medium enterprises (MSMEs), which are crucial to the country's economic growth. Despite their role in employment and poverty reduction, MSMEs often face limited access to capital, constraining their growth. The KUR program seeks to provide affordable loans, fostering

innovation and expansion essential for job creation, rural development, and economic diversification [1], [2]. MSMEs significantly contribute to Indonesia's GDP, and increased lending to these enterprises has shown to reduce unemployment rates [1], [2]. Nonetheless, financing remains a hurdle, with many MSMEs considered unbankable due to lack of collateral [2], [3], a situation worsened by the COVID-19 pandemic [4]. While the KUR program enhances MSME profitability and employment, collateral requirements

continue to be a barrier [1], [2]. Entrepreneurial traits like motivation and risk behavior positively affect MSME financial performance, though innovation does not always align with growth [4], making entrepreneurship development vital for MSME resilience and competitiveness in a globalized economy [3].

The Kredit Usaha Rakyat (KUR) program in Indonesia is a strategic initiative aimed at boosting financial inclusion and economic growth by offering low-interest loans to micro, small, and medium enterprises (MSMEs), especially in rural and underserved areas where traditional banking services are limited. Since its inception in 2007, the KUR program has been effectively implemented across various regions, including non-metro areas like the Jakarta 3 regional office of Bank BRI, demonstrating its impact in supporting MSMEs critical to Indonesia's economy [5]. In West Kalimantan, a partnership between the regional government and Bank Kalbar has revitalized MSMEs post-COVID-19, showcasing the program's adaptability across diverse economic landscapes [6]. MSMEs contribute around 60.5% of Indonesia's GDP and employ about 96.9% of the workforce, underscoring their economic importance, and the KUR program aids these businesses by addressing capital and market access challenges [7]. In Aceh, similar initiatives like the CSR program "MAKIN MESRA" have enhanced community welfare and economic independence, highlighting the positive effects of financial support programs on local economies [8]. Nonetheless, challenges such as business sustainability and adaptation to economic shifts persist, necessitating that program like KUR evolve to maximize their effectiveness. Future development opportunities include fostering digital business models and enhancing collaborations with government agencies and private companies to bolster local economic growth [5].

Despite the program's significance, there is a need for empirical evidence regarding its effectiveness in achieving its intended goals. Several studies have explored

the impact of microcredit programs globally, but few have focused specifically on the Indonesian context, particularly in terms of how KUR influences entrepreneurship development and its broader effects on economic growth [5], [9]–[11]. As such, this study seeks to fill this gap by examining the impact of the KUR program on entrepreneurship development and local economic growth in Indonesia, using a quantitative analysis based on a sample of KUR recipients. The research focuses on understanding the key factors that influence the success of the KUR program and its potential contributions to entrepreneurial activities in the country. Specifically, this study aims to assess whether the financial assistance provided by KUR enables entrepreneurs to expand their businesses, create employment, and contribute to regional economic development.

2. LITERATURE REVIEW

2.1 The Role of KUR in Entrepreneurship Development

Research on microcredit programs worldwide indicates that access to finance is a crucial factor in fostering entrepreneurship development. The Kredit Usaha Rakyat (KUR) program in Indonesia plays a critical role in fostering entrepreneurial capabilities by offering affordable loans to micro, small, and medium enterprises (MSMEs), supporting business growth, diversification, and innovation, which boosts profitability and competitiveness. KUR loans have been shown to significantly enhance entrepreneurial growth, enabling recipients to reinvest in operations and expand their workforce. For example, KUR has facilitated MSME expansion, increasing profitability and income in Sinjai Regency [12], and its implementation in non-metro areas like Bank BRI's Jakarta 3 branch supports ongoing development [5]. Recipients report higher innovation levels, boosting competitiveness [12]. While the agricultural sector has seen economic growth due to KUR, its broader impact on economic growth is limited [11].

Participation in KUR is associated with business expansion and job creation, contributing to poverty reduction with varying impacts across regions [11].

2.2 KUR and Economic Growth

The impact of the KUR program on economic growth is another critical area of study. The KUR program stimulates economic activities in rural and underserved regions by generating employment and increasing productivity. Employment growth, crucial for economic development, impacts regional economies globally, as seen in Korea's focus on job creation in economic policies [13]. KUR's job creation in rural areas addresses employment challenges and fosters growth [13]. Additionally, financial inclusion through KUR raises household income, enhancing living standards and supporting regional development, which contributes to the Gross Domestic Regional Product (GDRP) [14]. Infrastructure development, especially in health, further promotes economic growth, with health infrastructure showing a positive effect on GDRP, though impacts vary for road and electricity [15]. Investment in infrastructure is thus essential to sustain KUR-driven economic activities [15].

2.3 Theoretical Framework

The KUR program's impact can be understood through the lens of entrepreneurship theory, particularly the Resource-Based View (RBV) and the Financial Access Theory. According to RBV, access to financial resources is crucial for entrepreneurs to leverage their internal capabilities and achieve sustainable business growth [16]. The Financial Access Theory also posits that access to credit enables entrepreneurs to invest in capital, improve efficiency, and grow their business, which leads to broader economic growth [17].

3. METHODS

3.1 Research Design

The research adopts a descriptive correlational design, which is appropriate for examining the relationships between the KUR program, entrepreneurship development, and

economic growth. A descriptive design allows for a comprehensive understanding of the participants' experiences and perceptions, while correlational analysis enables the exploration of potential relationships between variables. The study focuses on individuals who have received KUR funding to assess how this financial support influences their business activities, growth, and broader economic impacts.

3.2 Population and Sample

The target population for this study includes individuals and businesses in Indonesia that have participated in the KUR program. Due to the large and diverse population of KUR beneficiaries nationwide, a purposive sampling method was employed to select a sample of 100 participants from various regions in Indonesia, focusing on areas with significant KUR presence. This sample comprises a diverse range of entrepreneurs, from those managing micro-enterprises to small business owners, ensuring broad representation. Selection criteria required participants to have received at least one KUR fund disbursement, be actively engaged in entrepreneurial activities with an established business, and the sample was balanced by gender, industry type, and business size to provide comprehensive insights.

3.3 Data Collection

Data were collected through a structured questionnaire aimed at capturing respondents' perceptions of the KUR program's impact on their businesses, comprising both closed-ended questions and Likert-scale items. A Likert scale from 1 to 5 (1 = Strongly Disagree to 5 = Strongly Agree) measured respondents' agreement with statements on the program's effectiveness in fostering entrepreneurship development and driving economic growth. The survey was distributed through online and face-to-face methods to ensure accessibility across various regions, with confidentiality assured and informed consent obtained from participants before completion.

3.4 Data Analysis

The collected data were analyzed using SPSS version 25, a statistical software commonly used for data management and analysis, following several steps to evaluate the relationships between KUR program participation, entrepreneurship development, and economic growth. Descriptive statistics were first conducted to summarize the sample's demographic characteristics and provide an overview of respondents' perceptions of the KUR program, using measures of central tendency (mean, median) and dispersion (standard deviation) to describe response distributions. Reliability analysis was performed using Cronbach's alpha to assess the internal consistency of Likert-scale items, with a value of 0.7 or higher deemed acceptable. Pearson's correlation coefficients were then used to explore the relationships between KUR program participation and various indicators of entrepreneurship development (e.g., business expansion, profitability) and economic growth (e.g., employment generation, community impact), identifying significant associations between variables. Multiple regression analysis followed, examining the strength and direction of the relationships by including dependent variables (entrepreneurship development and economic growth) and independent variables (e.g., KUR program participation, business size, industry type) to pinpoint key success predictors. Hypothesis testing was conducted using t-tests and F-tests to determine the statistical significance of the relationships, with a 95% confidence level ($p < 0.05$) indicating significant findings.

4. RESULTS AND DISCUSSION

4.1 Descriptive Statistics

The demographic characteristics of the sample participants reveal diverse representation from various regions and industries in Indonesia. The respondents included entrepreneurs from micro, small, and medium enterprises (MSMEs), and the sample was balanced in terms of gender and business size. The majority of participants

(65%) were involved in trade and retail businesses, followed by those in agriculture (15%) and manufacturing (10%). The remaining 10% of participants were engaged in service-based businesses such as education, healthcare, and logistics.

The average length of time businesses had been operational was 5 years, with a majority (70%) reporting that their businesses had grown since receiving KUR assistance. Additionally, 80% of the respondents indicated that they had used KUR funding for business expansion, while 20% used it for improving operational efficiency, such as purchasing new equipment or hiring additional staff.

4.2 Reliability Analysis

Reliability analysis was conducted to assess the internal consistency of the Likert scale items used in the survey. The Cronbach's alpha for the entrepreneurship development section was found to be 0.895, indicating a high level of reliability. Similarly, Cronbach's alpha for the economic growth impact section was 0.852, which is also considered reliable. These results suggest that the survey instrument was consistent and suitable for measuring the intended constructs.

4.3 Impact on Entrepreneurship Development

The first objective of this study was to assess the impact of the KUR program on entrepreneurship development. The results from the descriptive statistics indicate that KUR recipients reported positive outcomes in terms of business expansion, innovation, and profitability. The average rating for the statement "The KUR program has helped expand my business" was 4.2, with 75% of respondents agreeing or strongly agreeing. Similarly, 70% of respondents reported that KUR financing allowed them to introduce new products or services to the market, with an average rating of 4.0 for the statement "The KUR program has facilitated business innovation."

Regression analysis revealed a significant positive relationship between KUR funding and business expansion ($\beta = 0.684$, $p < 0.01$). Businesses that received KUR loans

experienced an increase in their ability to scale operations and expand their product offerings. Furthermore, the findings indicated that KUR had a moderate but significant effect on profitability, with an average rating of 3.93 for the statement "The KUR program has improved the profitability of my business." This result suggests that the financial support provided through KUR has contributed to increased revenue generation for many entrepreneurs.

4.4 Impact on Economic Growth

The second objective of this study was to examine the impact of the KUR program on local economic growth. The findings indicate that KUR recipients perceive the program to have a positive influence on their local communities and regional economic development. The average rating for the statement "The KUR program has created new employment opportunities" was 4.1, with 72% of respondents reporting that they had hired additional staff as a result of KUR funding.

Regression analysis revealed a significant positive relationship between KUR funding and employment generation ($\beta = 0.612$, $p < 0.01$). The program's impact on employment was particularly evident in rural areas, where businesses often face more challenges in accessing financing. Respondents from rural areas reported a higher likelihood of job creation and local economic activity as a result of KUR assistance.

In addition, 65% of respondents agreed that the KUR program had led to an increase in their community's economic activity. Many entrepreneurs reported that the program had enabled them to purchase locally produced goods and services, stimulating demand within their communities. The average rating for the statement "The KUR program has contributed to the local economic activity" was 4.0, suggesting that the program has had a broader economic impact beyond individual businesses.

4.5 Correlation Analysis

Pearson's correlation coefficients were used to examine the relationships between KUR program participation and various indicators of entrepreneurship development and economic growth. The results showed significant positive correlations between KUR funding and business expansion ($r = 0.753$, $p < 0.01$), innovation ($r = 0.707$, $p < 0.01$), and profitability ($r = 0.685$, $p < 0.01$). This suggests that participants who received KUR funding were more likely to experience improvements in these key aspects of entrepreneurship.

Similarly, there were significant positive correlations between KUR funding and employment generation ($r = 0.687$, $p < 0.01$) and local economic activity ($r = 0.669$, $p < 0.01$). These results highlight the broader economic benefits of the KUR program, particularly in terms of job creation and stimulating economic activity at the local level.

4.6 Discussion

The findings of this study provide strong evidence of the positive impact of the KUR program on entrepreneurship development and local economic growth in Indonesia. The significant relationship between KUR funding and business expansion suggests that access to financial resources through the program has enabled entrepreneurs to scale their operations, invest in innovation, and improve profitability. This supports the notion that microcredit programs can be effective in fostering business growth, especially for MSMEs that face significant challenges in securing financing from traditional financial institutions [7], [18], [19].

The study also highlights the program's contribution to local economic growth, particularly through employment generation and increased regional economic activity. By enabling entrepreneurs to hire additional staff and purchase goods and services locally, the KUR program has contributed to the creation of new jobs and the stimulation of economic activity in underserved areas. These findings are consistent with previous research on the

positive effects of microcredit programs on local economies, particularly in developing countries where access to financial services is limited [5], [9], [20].

The results of this study have important implications for policymakers and stakeholders involved in promoting entrepreneurship and economic development in Indonesia. The KUR program has demonstrated its potential as a tool for fostering entrepreneurship and driving economic growth, particularly in rural and underserved areas. However, there are opportunities for further improvement, such as increasing outreach to more potential beneficiaries, enhancing financial literacy among recipients, and providing ongoing support for business development beyond the initial loan disbursement.

5. CONCLUSION

The findings of this study highlight the significant positive impact of the KUR program on entrepreneurship development and local economic growth in Indonesia. By providing accessible financial support to MSMEs, the KUR program has enabled

entrepreneurs to expand their businesses, innovate, and increase profitability. Moreover, the program has contributed to job creation and stimulated economic activity in underserved regions, particularly in rural areas. The positive correlations between KUR participation and key indicators such as business growth, profitability, and employment generation emphasize the program's importance in fostering entrepreneurship and regional economic development.

Despite its successes, there are opportunities for enhancing the program, such as improving financial literacy among KUR recipients and offering post-loan support for business sustainability. Policymakers should also focus on increasing outreach to ensure that more entrepreneurs can benefit from this program, particularly in areas where access to finance remains a challenge. This study underscores the role of microcredit programs like KUR in driving inclusive economic development and promoting the growth of MSMEs, which are essential to Indonesia's broader economic prosperity.

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