

# BRIDGING FINANCIAL GAPS FOR MSMEs: ADDRESSING CREDIT ACCESS BARRIERS THROUGH THE PEOPLE'S BUSINESS CREDIT (KUR) PROGRAM

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## ABSTRACT

Small, and Medium Enterprises (MSMEs) are the backbone of Indonesia's economy, contributing 61.7% to the national Gross Domestic Product (GDP) and employing 97% of the workforce. Despite their importance, MSMEs face persistent challenges in accessing formal financial services, hindering their growth and development. In response, the Indonesian government launched the People's Business Credit (Kredit Usaha Rakyat or KUR) program, with Bank Rakyat Indonesia (BRI) as a major implementing institution. This study investigates the multifaceted challenges encountered by MSMEs and examines how Bank Rakyat Indonesia (BRI) Unit Office Sidotopo, Surabaya, addresses these barriers through its implementation of the KUR. Employing a qualitative case study approach, data were gathered via semi-structured interviews with one BRI officer and ten MSME owners who have been KUR recipients for a minimum of two years. The findings reveal four primary challenges: low financial literacy, digital technology limitations, documentation and collateral barriers, and insufficient post-loan support. Bank BRI addresses these challenges through simplified loan procedures, direct field assistance, adapted credit assessment models, and community-based outreach. However, challenges remain, especially in the areas of structured capacity building and post-loan mentoring. This study contributes to the literature on microfinance by offering grounded insights into institutional adaptations for inclusive MSME financing in developing countries, and provides evidence-based recommendations for improving future program implementation. **Keywords:** People's Business Credit (KUR), Micro, Small, and Medium Enterprises (MSMEs), Bank Rakyat Indonesia (BRI), Microfinance, Business Challenges

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## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are universally recognized as critical drivers of economic development, particularly in developing nations where they serve as engines of job creation, poverty alleviation, and economic diversification (World Bank, 2020). In Indonesia, the significance of MSMEs transcends mere statistical representation, as they constitute over 99% of all business entities and contribute approximately 61.7% to the national GDP, equivalent to IDR 10,240 trillion as of 2022 (Indonesian Ministry of Cooperatives and Small and Medium Enterprises, 2023). Furthermore, MSMEs provide employment for approximately 117 million individuals, representing 97% of Indonesia's total workforce, underscoring their fundamental role in maintaining economic stability and social cohesion (Indonesian Ministry of Cooperatives and Small and Medium Enterprises, 2023).

Despite their substantial economic contribution, MSMEs in Indonesia continue to face significant structural and operational challenges that impede their full potential. The World Bank (2020) identifies limited access to formal financing as the most pressing constraint, with approximately 80% of MSMEs relying on informal sources of capital due to stringent collateral requirements, inadequate credit history, and complex lending procedures imposed by traditional financial institutions. These financing constraints directly impact MSMEs' ability to procure raw materials, invest in technology, expand operations, and achieve sustainable growth trajectories (Riawan & Kusnawan, 2018).

In response to these persistent financing challenges, the Indonesian government launched the Kredit Usaha Rakyat (KUR) program on November 5, 2007, as a strategic intervention to democratize access to credit for MSMEs. The KUR program represents a paradigm shift in microfinance policy, offering government-guaranteed loans up to 70% of the loan amount, with favorable interest rates and simplified application procedures specifically designed for economically viable but under-collateralized businesses (Bank Indonesia, 2023). The program's strategic objectives encompass four key areas: 1) accelerating real sector development and MSME empowerment; 2) expanding financial access for MSMEs and cooperatives; 3) reducing poverty and creating employment opportunities; and 4) enhancing MSME competitiveness to stimulate economic growth and labor absorption (Ministry of Finance, 2022). These objectives align with Indonesia's broader development agenda of inclusive economic growth and poverty reduction.

Among the financial institutions designated as KUR distributors, PT Bank Rakyat Indonesia (BRI) has emerged as the dominant player, distributing IDR 123.51 trillion to 2.7 million MSME borrowers by October 2023 (Indonesian Ministry of Finance, 2024). This achievement significantly exceeds the performance of other major banks, including Bank Mandiri (IDR 26.78 trillion), Bank BNI (IDR 12.3 trillion), and Bank BPD Jawa Barat (IDR 2.06 trillion), establishing BRI as the leading institution in Indonesia's microfinance ecosystem.

This study addresses a critical gap in the literature by examining the specific challenges faced by MSMEs in accessing and utilizing KUR financing, and analyzing how Bank BRI's institutional mechanisms address these barriers. The research contributes to the broader understanding of microfinance implementation in developing economies and provides evidence-based insights for policy makers and financial institutions seeking to enhance MSME support programs.

## LITERATURE REVIEWS

### Financial Inclusion and MSME Development

Financial inclusion has emerged as a central paradigm in development economics, with extensive theoretical foundations establishing its role in poverty reduction and economic growth. The theoretical framework developed by Levine (2005) demonstrates that financial system development promotes economic growth through improved capital allocation, risk

management, and transaction facilitation. Building on this foundation, Demirgüç-Kunt and Klapper (2012) provide comprehensive evidence that financial inclusion drives economic development by enabling individuals and enterprises to access credit, savings, and insurance services that facilitate productive investments and consumption smoothing.

The financial inclusion theory particularly emphasizes the role of credit access in enabling entrepreneurial activities and business growth. Banerjee and Duflo (2014) argue that access to credit is fundamental for poverty alleviation, as it enables the poor to invest in productive activities and smooth consumption during economic shocks. This theoretical foundation directly relates to MSME development, as small enterprises often lack the collateral and credit history required by traditional financial institutions, creating systematic exclusion from formal financial services.

Recent developments in financial inclusion theory have incorporated insights from behavioral economics and institutional theory. Karlan and Morduch (2009) demonstrate that traditional banking models often fail to serve MSMEs due to information asymmetries, high transaction costs, and inappropriate risk assessment mechanisms. This has led to the development of alternative financial service delivery models, including microfinance institutions, mobile banking, and government-guaranteed lending programs like KUR

### **Challenges Faced by MSMEs in Developing Countries**

The most extensively studied barrier facing MSMEs is limited access to formal financial services. Beck and Demirguc-Kunt (2006) demonstrate that financial inclusion gaps disproportionately affect small enterprises, with traditional banking systems often excluding MSMEs due to perceived high transaction costs and risk profiles. In the Indonesian context, the World Bank (2020) reports that only 20% of MSMEs have access to formal credit, forcing the majority to rely on informal financing sources with higher interest rates and limited loan amounts. The Asian Development Bank (2021) identifies several specific factors contributing to financial exclusion among MSMEs: 1) lack of acceptable collateral, as many micro-enterprises operate without formal asset ownership; 2) insufficient credit history, particularly among informal businesses that lack documented financial records; 3) high transaction costs relative to loan amounts, making small loans uneconomical for traditional banks; and 4) complex application procedures that exceed the administrative capacity of many small business owners.

The digital divide represents an increasingly critical challenge for MSMEs in the contemporary business environment. The Organisation for Economic Co-operation and Development (OECD, 2020) emphasizes that digital literacy gaps significantly constrain MSMEs' ability to access online financial services, engage in e-commerce, and adopt productivity-enhancing technologies. In Indonesia, the Ministry of Cooperatives and Small and Medium Enterprises (2023) reports that less than 30% of MSMEs have adopted digital tools for business management, highlighting a substantial technology adoption gap. Kusuma and Rachmawati (2021) further elaborate on the digital divide's impact on financial inclusion, noting that many government financial programs, including KUR, increasingly rely on digital platforms for information dissemination and application processing. This digital orientation inadvertently excludes older entrepreneurs and those with limited technological literacy, creating a systematic bias against traditional business owners who represent a significant portion of the MSME sector.

Regulatory complexity and institutional inefficiencies create additional obstacles for MSME development. The OECD (2021) identifies bureaucratic procedures, including business registration requirements, tax compliance obligations, and licensing processes, as significant deterrents to business formalization. These regulatory barriers are particularly problematic for micro-enterprises that often operate in the informal economy and lack the resources to navigate complex administrative procedures. Halim and Rahmawati (2022) emphasize that institutional

barriers extend beyond regulatory requirements to include limited access to business development services, inadequate infrastructure, and weak market linkages. These systemic challenges create a challenging operating environment that constrains MSME growth potential and limits their contribution to economic development.

### **KUR Program: Design and Implementation**

The KUR program has undergone several modifications since its inception, reflecting lessons learned from implementation experience and changing economic conditions. Bank Indonesia (2023) documents the program's evolution, including adjustments to interest rate subsidies, loan amount limits, and eligibility criteria. As of 2023, KUR offers subsidized interest rates capped at 3% per annum, representing a significant subsidy compared to commercial lending rates that typically range from 10-15% for small business loans. The program's structure incorporates several innovative features designed to address common barriers to MSME financing. The Indonesian Ministry of Finance (2022) highlights key design elements including: 1) government guarantees covering up to 70% of loan amounts, reducing banks' credit risk exposure; 2) simplified application procedures that minimize documentation requirements; 3) flexible collateral requirements that accept alternative forms of security; and 4) preferential interest rates that improve loan affordability for small businesses.

Despite its innovative design, KUR implementation has faced several challenges that have affected program effectiveness. Wibowo and Santoso (2023) identify bureaucratic delays, shifting eligibility criteria, and administrative bottlenecks as factors contributing to declining program realization rates. The Indonesian Ministry of Finance (2024) reports that KUR realization rates have declined from 99.65% in 2019 to 87.6% in 2023, indicating growing implementation challenges.

More recent analysis by Sari and Wijaya (2024) attributes implementation challenges to: 1) limited bank branch networks in rural areas; 2) insufficient training for bank officers on MSME assessment; 3) inadequate coordination between government agencies; and 4) limited post-loan monitoring and support services. These challenges highlight the complexity of implementing large-scale microfinance programs in diverse economic and geographic contexts.

Anggraini and Nasution (2013) examine Bank BRI's approach to KUR implementation, particularly its adaptation of the 5Cs credit assessment framework (Character, Capacity, Capital, Collateral, and Condition) to accommodate MSME characteristics. This institutional adaptation demonstrates how traditional banking practices can be modified to serve underserved market segments while maintaining prudential lending standards.

The literature reveals significant gaps in understanding how financial institutions adapt their practices to serve MSME markets effectively. While program-level evaluations provide important insights, there is limited research on the specific mechanisms through which banks address MSME barriers and the effectiveness of different institutional approaches. This study addresses this gap by examining Bank BRI's institutional responses to MSME challenges in implementing the KUR program.

## **RESEARCH METHODOLOGY**

### **Research Design and Approach**

This study employs a qualitative case study methodology to investigate the complex relationships between MSME challenges and Bank BRI's institutional responses through the KUR program. The qualitative approach was selected based on its capacity to provide in-depth understanding of complex social phenomena and to capture the nuanced experiences of program participants (Creswell & Creswell, 2018). The research design follows an interpretive paradigm that seeks to understand the meaning and experiences of program participants rather than testing predetermined hypotheses (Merriam & Tisdell, 2016). This approach enables the

research to capture the complexity of MSME challenges and institutional responses while maintaining sensitivity to contextual factors that influence program implementation.

The study was conducted at Bank BRI Unit Office Sidotopo, located in Surabaya, East Java, Indonesia. This research site was selected purposively based on several strategic considerations that enhance the study's relevance and data quality. First, the location is situated in a high-density commercial area with significant MSME activity, providing access to a diverse range of business types and sizes. Second, the unit office serves both urban and semi-urban communities, offering insights into different socioeconomic contexts

### **Research Participant and Sampling**

The study employed purposive sampling to select participants based on specific criteria that align with the research objectives (Hidayanti, 2020). This sampling approach ensures that selected participants possess the necessary experience and knowledge to provide meaningful insights into the research questions. The study population consists of Bank BRI officer who responsible for KUR distribution and MSME entrepreneurs who are active participants in the KUR program at Bank BRI Unit Office Sidotopo with the specific criterias, which are 1) active MSME business operators, 2) KUR recipients from Bank BRI Unit Office Sidotopo for minimum two years, 3) business operations for at least five years, and 4) Maintain good credit standing with consistent repayment records without arrears. These criteria ensure selected participants have sufficient experience with both business operations and KUR program participation to provide meaningful insights addressing the research objectives.

### **Sampling Limitations and Bias Considerations**

The purposive sampling method, while justified for this exploratory study, introduces potential bias that may limit the generalizability of findings. Specifically, the focus on successful KUR recipients who maintained good repayment records may not fully represent the experiences of MSMEs that faced greater challenges or were unsuccessful in accessing the program. This sampling bias could result in overly positive assessments of program effectiveness and underestimation of implementation challenges.

Future research should consider including MSMEs that were unsuccessful in accessing KUR funding or experienced repayment difficulties to provide a more comprehensive understanding of program limitations. Additionally, the geographic limitation to one unit office in Surabaya may not capture regional variations in program implementation and MSME challenges across Indonesia's diverse economic landscape.

### **Data Collection**

The primary data collection method consisted of semi-structured interviews conducted with all participants. Interview guides were developed for both MSME owners and the bank officer, incorporating open-ended questions that allowed for detailed exploration of experiences and perspectives while maintaining consistency across interviews (Kallio et al., 2016).

Secondary data collection involved systematic analysis of relevant documents, including: the government policy documents related to KUR program design and implementation; bank BRI institutional reports and procedures manuals; academic literature on microfinance and MSME development; and statistical reports on KUR program performance and outcomes.

### **Data Analysis**

All interview recordings were transcribed verbatim, producing detailed textual data for analysis. Transcripts were reviewed for accuracy and completeness, with clarifications sought from participants when necessary. Data were organized using a systematic coding scheme that enabled efficient retrieval and analysis. The study employed thematic analysis to identify patterns and themes within the data (Braun & Clarke, 2006). Given the multiple-participant design, cross-case analysis was employed to identify commonalities and differences across participants (Miles et al., 2014). This approach enabled the research to distinguish between individual experiences and broader patterns that characterize program implementation.

### **Data Validation**

Data triangulation was employed by comparing information from multiple sources, including different MSME owners, the bank officer, and documentary evidence (Denzin, 2017). This approach helps identify consistencies and discrepancies in data, enhancing overall credibility.

## **RESEARCH RESULTS**

### **Respondents' Profile of Research Participants**

The research included ten MSME owners representing diverse business sectors and one Bank BRI officer with extensive experience in KUR program implementation. The MSME participants represented various sectors including retail trade, food services, manufacturing, and personal services, providing a comprehensive perspective on program implementation across different business contexts. The participating MSMEs varied in size from micro-enterprises with minimal formal structure to small enterprises with established operations and multiple employees. All participants had successfully accessed KUR funding and maintained good repayment records, providing insights into successful program implementation rather than focusing on failed applications.

### **Major Challenges Faced by MSMEs**

#### **Financial Literacy and Management Capacity Deficits**

A significant challenge identified across multiple participants was limited financial literacy and business management capacity. This challenge manifested in several specific areas that directly impacted MSMEs' ability to effectively access and utilize KUR funding.

**Understanding of Financial Concepts:** Many MSME owners demonstrated limited understanding of basic financial concepts, including interest rate calculations, loan repayment schedules, and the distinction between working capital and investment funding. As stated by one participant (Mr. Andri, restaurant owner): "I initially thought KUR interest was like savings in a cooperative, but it turned out to be calculated monthly." This misconception illustrates the fundamental knowledge gaps that can lead to inappropriate financial decisions and repayment difficulties.

**Cash Flow Management:** Several participants reported challenges in managing cash flow effectively, particularly in balancing loan repayments with operational expenses and growth investments. Mr. Hasan (small contractor) emphasized this challenge: "The main difficulty is balancing loan repayments with business expenses, especially when clients often take 2-3 months to pay after project completion." This challenge is particularly acute for businesses with irregular cash flow patterns or extended payment cycles.

**Record Keeping and Financial Planning:** The research revealed that many MSMEs lack systematic approaches to record keeping and financial planning, limiting their ability to demonstrate creditworthiness and make informed business decisions. While this limitation did not prevent KUR access, it potentially constrains business growth and financial management effectiveness.

The Bank BRI officer confirmed these observations, noting that "many small business owners don't understand how to calculate interest properly or separate business and personal expenses." This institutional perspective validates the widespread nature of financial literacy challenges among the MSME population.

#### **Digital Technology and Information Access Gaps**

The digital divide emerged as a substantial barrier affecting MSMEs' ability to access information about KUR and engage with modern financial services. This challenge is particularly significant given the increasing digitization of financial services and government programs.

**Limited Digital Skills:** Only three of the ten interviewed MSMEs had adopted any form of digital marketing or online business management tools. The majority relied entirely on

traditional business practices and manual record-keeping systems. Mrs. Weni (clothing and reflexology services) admitted: "I don't know how to use WhatsApp Business or Shopee platforms." This limitation restricts market expansion opportunities and operational efficiency improvements.

**Information Access Barriers:** The Bank BRI officer identified information access as a primary challenge, particularly among older entrepreneurs: "The main challenge seems to be access to information about KUR... small traders are often older and not very familiar with technology. So, if we try to introduce or promote KUR through social media, it's quite difficult for them to access it." This creates a systematic bias in program access that potentially excludes eligible beneficiaries who could benefit significantly from KUR support.

### **Documentation and Formal Business Registration Barriers**

Documentation requirements, while simplified compared to conventional loans, still present significant challenges for many MSMEs, particularly those operating in the informal economy. This barrier reflects broader issues of business formalization and regulatory compliance that affect a substantial portion of Indonesia's MSME sector.

**Informal Business Operations:** The Bank BRI officer identified documentation challenges as the most common barrier: "The most common issue is business documentation. Small businesses or street vendors are usually not registered in the government's online system because they are informal businesses, so they don't have official business registration documents." This challenge is particularly acute for micro-enterprises that have operated informally for years and lack familiarity with formal registration procedures.

**Administrative Complexity:** Even when businesses are willing to formalize their operations, the administrative procedures required for business registration can be overwhelming for entrepreneurs with limited education or bureaucratic experience. The complexity of obtaining necessary permits, tax identification numbers, and business licenses creates additional barriers to KUR access.

Interestingly, the research found that successful KUR recipients did not identify documentation as a major obstacle, suggesting that Bank BRI's assistance mechanisms effectively address this challenge for applicants who reach the application stage. The Bank BRI officer noted: "In such cases, we often step in to assist them, meaning we accompany or guide them in requesting the document from the RT/RW (neighborhood administration)." This proactive support appears to be crucial in overcoming documentation barriers.

### **Inadequate Post-Loan Support and Capacity Building**

A critical gap identified in the research was the limited provision of structured post-loan support and capacity building services. While KUR successfully addresses immediate financial access needs, the absence of comprehensive follow-up support constrains the program's long-term developmental impact.

**Absence of Business Mentoring:** Multiple participants expressed desire for ongoing business guidance and mentoring support. Mr. Hasan (small contractor) specifically suggested that "BRI employees should monitor businesses more regularly-perhaps every three months-to track our progress and provide advice." This indicates unmet demand for business development services that could enhance KUR's impact on sustainable business growth.

**Limited Financial Management Training:** Despite the financial literacy challenges identified earlier, MSMEs reported receiving minimal formal training in financial management, business planning, or growth strategies. The current approach relies primarily on informal guidance during loan processing rather than structured capacity building programs.

### **Bank BRI's Institutional Responses and Solutions**

#### **Simplified Application Procedures and Documentation Support**

Bank BRI has implemented several modifications to standard banking procedures to accommodate MSME characteristics and overcome documentation barriers.

**Flexible Documentation Requirements:** The bank has adapted its documentation requirements to accept alternative forms of business verification. The Bank BRI officer explained: "For informal businesses, we accept verification from neighborhood administrations (RT/RW) as proof of business legitimacy." This flexibility enables businesses operating in the informal economy to access formal financial services without requiring full business formalization.

**Direct Application Assistance:** Bank officers provide hands-on support to help applicants complete necessary documentation and navigate application procedures. The officer noted: "We often step in to assist them, meaning we accompany or guide them in requesting the document from the RT/RW (neighborhood administration)." This personalized support is crucial for applicants with limited bureaucratic experience or education.

**Streamlined Processes for Return Customers:** The bank has developed expedited procedures for existing customers with good repayment histories. Mrs. Diana (home electronics seller) reported: "For my second loan, the process was much simpler because I was already a customer with a good payment record." This approach recognizes the value of established relationships and reduces transaction costs for both the bank and borrowers.

### **Adapted Credit Assessment Mechanisms**

Bank BRI has modified traditional credit assessment approaches to accommodate MSME characteristics while maintaining prudential lending standards.

**5Cs Assessment Framework:** The bank employs an adapted version of the traditional 5Cs credit assessment (Character, Capacity, Capital, Collateral, Condition) that places greater emphasis on character and capacity assessment rather than collateral requirements (Anggraini & Nasution, 2013). This adaptation recognizes that many MSMEs lack substantial collateral but may possess strong character and business capacity.

**Field-Based Assessment:** Credit officers conduct on-site visits to assess business operations, market conditions, and operational capacity. The Bank BRI officer explained: "We visit the business location to see the actual operations, understand the market environment, and assess the entrepreneur's capacity." This approach provides more comprehensive information than document-based assessments alone.

**Community-Based Verification:** The assessment process incorporates community feedback and local knowledge to verify business legitimacy and entrepreneur character. This approach leverages social capital and local information networks to supplement formal credit scoring mechanisms.

**Flexible Collateral Alternatives:** While KUR technically requires minimal collateral, the bank accepts various forms of security, including business assets, inventory, or personal guarantees. This flexibility accommodates the asset constraints typically faced by MSMEs.

### **Direct Outreach and Relationship-Based Marketing**

Bank BRI has developed marketing and outreach strategies specifically designed to reach MSMEs that may not respond to conventional banking marketing approaches.

**Word-of-Mouth and Referral Programs:** The bank leverages existing customer relationships to generate referrals and recommendations. The Bank BRI officer noted: "The most effective way for older traders or those who are not tech-savvy is through word of mouth. Alternatively, we approach them directly and introduce the KUR program." This approach recognizes the importance of personal relationships and community networks in MSME decision-making.

**Community-Based Outreach:** Bank officers participate in community events and traditional market activities to build relationships and promote program awareness. This direct engagement strategy helps overcome information access barriers and builds trust with potential applicants.

### **Alternative Solutions for Program Limitations**

Bank BRI has developed creative solutions to address structural limitations in the KUR program that could prevent eligible MSMEs from accessing funding.

**Credit Ceiling Management:** When unit offices reach their allocated credit ceilings, officers redirect applicants to nearby branches with available capacity. The officer explained: "We usually direct applicants to another nearby BRI unit office that still has available credit." This approach ensures program access despite administrative limitations.

**Alternative Family Member Applications:** For businesses that have reached individual borrowing limits, the bank facilitates applications through family members while maintaining business continuity. The officer noted: "We advise them that their spouse or adult children can apply instead, with documentation stating that the business has been passed down or transferred to them." This approach accommodates business growth while respecting program limitations.

## **DISCUSSION & CONCLUSION**

### **Theoretical Implications and Contribution to Literature**

The research findings provide important theoretical contributions to the literature on financial inclusion and microfinance implementation. The identification of four major MSME challenges strongly aligns with existing theoretical frameworks while providing new contextual insights that extend current understanding.

The financial literacy deficits identified in this study validate Beck and Demircuc-Kunt's (2006) theoretical propositions about information asymmetries as fundamental barriers to MSME financial inclusion. However, the specific manifestations of these deficits, exemplified by Mr. Andri's misconception about KUR interest calculations, provide granular insights into how theoretical barriers operate in practice. This contributes to the literature by demonstrating that financial literacy constraints extend beyond basic numeracy to include sophisticated understanding of financial products and market mechanisms.

The digital divide findings reinforce theoretical frameworks developed by the OECD (2020) regarding digital literacy gaps, but reveal important nuances about how increasing digitization of financial services creates systematic exclusion patterns. The finding that older entrepreneurs face particular challenges accessing digital financial services highlights an unintended consequence of digital transformation in financial inclusion efforts. This contributes to emerging literature on digital financial inclusion by demonstrating that technological solutions may inadvertently create new forms of financial exclusion.

The documentation barriers identified in this study corroborate theoretical predictions about regulatory complexity constraints (OECD, 2021), but Bank BRI's institutional responses provide important insights into how financial institutions can bridge formal requirements with informal business realities. The acceptance of alternative documentation demonstrates innovative approaches to managing regulatory compliance while maintaining program accessibility. This finding contributes to institutional theory by showing how organizations adapt formal requirements to serve underserved populations.

### **Institutional Innovation and Adaptation**

Bank BRI's institutional responses represent significant innovations in microfinance delivery that extend traditional banking practices in theoretically important ways. The bank's adaptation of the 5Cs credit assessment framework demonstrates how character-based lending can reduce collateral reliance while maintaining risk management standards. This finding contributes to the literature on relationship banking by providing empirical evidence of how traditional credit assessment mechanisms can be modified to serve underserved market segments.

The field-based assessment approach represents an important innovation in addressing information asymmetries that constrain MSME lending. By conducting on-site business evaluations, Bank BRI overcomes the documentation limitations that typically exclude MSMEs from formal credit markets. This approach provides practical evidence for theoretical propositions about the importance of local information in microfinance delivery.

The community-based verification mechanism demonstrates sophisticated approaches to leveraging social capital in credit assessment. This finding contributes to literature on social collateral by showing how banks can systematically incorporate community knowledge into formal credit procedures. The effectiveness of this approach provides empirical support for theoretical arguments about the role of social networks in financial inclusion.

### **Marketing and Outreach Strategy Implications**

A particularly significant finding is that word-of-mouth marketing proved more effective than digital channels for reaching MSMEs. This finding contradicts conventional assumptions about digital marketing efficiency and has important implications for financial inclusion strategies. The effectiveness of relationship-based approaches over technology-driven solutions suggests that human-centered service delivery may be more appropriate for underserved populations than digital-first strategies.

This finding contributes to marketing theory by demonstrating that traditional marketing approaches may be more effective than digital alternatives for specific demographic groups. The implications extend beyond microfinance to broader discussions about technology adoption and service delivery in developing economies.

### **Policy and Program Implementation Insights**

The research findings have significant implications for policy makers and program implementers seeking to enhance MSME support effectiveness. The identification of post-loan support gaps suggests that credit access alone may be insufficient for sustainable MSME development. This finding supports theoretical arguments about the need for comprehensive support ecosystems that combine financial services with capacity building and business development support.

The creative solutions developed by Bank BRI for program limitations demonstrate the importance of institutional flexibility in program implementation. The ability to redirect applicants to other branches and facilitate family member applications shows how front-line implementers can adapt program rules to maintain accessibility while respecting formal constraints.

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**Data Availability Statement:** The raw data supporting the conclusions of this article will be made available by the authors, without undue reservation.

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