

Beyond Credit Disbursement: Evaluating the Leveraging Effect of Kredit Usaha Rakyat on MSME Growth and Resilience

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ABSTRACT

Purpose – This study evaluates the leveraging effect of Kredit Usaha Rakyat (KUR), Indonesia’s subsidized credit scheme, on the growth and resilience of MSMEs in the BOSOWA region, covering Bone, Soppeng, and Wajo Districts in South Sulawesi. The study focuses on whether the expansion of KUR disbursement has effectively strengthened MSME performance and resilience at the district level.

Design/methodology/approach – This study uses a sequential explanatory mixed-methods design. Secondary data on KUR disbursement, debtor outreach, and MSME-related indicators are analyzed across the three districts, followed by interpretation based on local financial access, business capacity, and institutional support.

Finding/Results – The findings show that KUR helps expand MSME access to formal finance and supports business continuity. However, its leveraging effect varies across districts. Bone shows stronger credit absorption, while Wajo and Soppeng present different patterns of outreach and institutional readiness. MSME resilience is also shaped by financial literacy, managerial capability, productive credit use, and local business support.

Originality/Value – This study contributes by evaluating KUR beyond administrative disbursement and focusing on credit leverage, business transformation, and regional policy effectiveness. The findings imply that KUR should be supported by district-specific mentoring, financial literacy programs, and post-disbursement monitoring.

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1. Introduction

Micro, small, and medium enterprises (MSMEs) occupy a strategic position in Indonesia's development structure because they sustain employment, household income, local trade, and the economic circulation of communities outside large-scale industrial centers. In many regions, MSMEs operate not only as business units but also as the most immediate mechanism through which local people maintain livelihoods and absorb economic shocks. However, the capacity of MSMEs to grow and remain resilient is frequently constrained by limited access to affordable and formal financing. This condition reflects a persistent financing gap in which small firms require capital to expand production, improve product quality, enter new markets, and stabilize cash flows, yet they often face administrative, collateral, and informational barriers when engaging with formal financial institutions (Beck & Demirguc-Kunt, 2006; Cole & Sokolyk, 2016). Within this context, Kredit Usaha Rakyat (KUR) has become one of Indonesia's most important policy instruments for addressing the financing constraints faced by MSMEs. Nevertheless, the policy relevance of KUR cannot be judged merely by the volume of credit disbursed. The more substantive question is whether KUR functions as a real development lever that improves business growth and strengthens the resilience of MSMEs in specific local contexts.

The importance of this question has become more evident because the expansion of subsidized credit does not automatically produce business transformation. A higher amount of credit may increase liquidity in the short term, but it does not necessarily generate higher productivity, stronger competitiveness, or better capacity to survive market instability. In policy evaluation terms, disbursement is an administrative output, whereas growth and resilience are substantive outcomes. This distinction is crucial for evaluating KUR because a financing program may be successful in reaching numerical targets while still producing uneven effects on the quality of MSME development. Several studies have shown that credit can improve business income and performance when it is productively used, but the strength of this effect depends on firm quality, financial decision-making, and the ability of entrepreneurs to translate financing into operational improvements (Mochtar, 2019; Chowdhury et al., 2022; Amadasun & Mutezo, 2022). Therefore, the concept of credit leverage used in this study refers to the extent to which KUR is capable of generating business improvement beyond the simple presence of additional funds.

A critical reading of KUR also requires attention to the access process experienced by MSMEs. In practice, the problem of financing is not limited to whether banks have credit products, but also concerns whether MSME actors are sufficiently prepared to meet the requirements, understand the procedures, and manage the risks of borrowing. Maryama (2015) found that micro enterprises still encounter administrative difficulties, weak collateral capacity, and limited information when accessing KUR. Similarly, Nugroho and Hidayat (2021) emphasized that simplified procedures can increase the probability of MSMEs obtaining KUR, indicating that bureaucratic efficiency matters for financial inclusion. However, procedural simplification alone is not enough if business actors lack accounting records, financial planning, and the capacity to allocate credit for productive purposes. This argument is consistent with broader MSME financing studies which show that access to finance is shaped by business characteristics, documentation quality, institutional trust, and the relationship between borrowers and financial institutions (Moro & Fink, 2013; Osano & Languitone, 2016). Thus, KUR should be evaluated not only as a credit facility but also as an inclusion mechanism whose impact depends on the readiness of beneficiaries.

The growth dimension of MSMEs is often the most visible outcome of credit policy, but it must be interpreted carefully. Growth may be reflected in increasing turnover, profit, production capacity, labor absorption, market coverage, or business diversification. Yet a temporary increase in sales after receiving credit does not necessarily indicate sustainable growth. Productive growth requires that credit be transformed into better inventory management, more efficient production, improved service quality, market expansion, and stronger competitive capacity. Desfiandi and Putra (2024) argued that MSME financing also has implications for broader economic distribution, suggesting that credit programs may contribute to local economic strengthening when they are effectively absorbed by productive business activities. Meanwhile, Rokhim et al. (2023) encouraged microfinance to be understood through the lens of shared value creation, meaning that financing should not only benefit individual borrowers but also support broader economic and social value. This perspective strengthens the need to assess whether KUR contributes to meaningful business upgrading rather than merely increasing the number of debtors or the value of disbursement. In addition to growth, MSME resilience has become an increasingly important outcome in the post-crisis and post-pandemic economy. Resilience differs from growth because it refers to the ability of enterprises to continue operating, maintain cash-flow stability, adjust business strategies, and survive external pressures such as declining demand, rising input prices, supply-chain disruptions, and changes in consumer behavior. Tambunan (2020) showed that Indonesian MSMEs demonstrate different levels of vulnerability during crisis periods, depending on sectoral characteristics, resources, and adaptive capacity. Sulastri et al. (2021) also highlighted that MSME resilience during the pandemic was closely related to the ability to adjust business strategies. These findings suggest that credit may serve as a buffer, but credit alone cannot guarantee resilience. A business that receives KUR may still remain fragile if the loan is not used productively, if repayment obligations weaken cash flow, or if the entrepreneur is unable to adapt to market changes. Therefore, evaluating KUR through the lens of resilience provides a more complete understanding of whether the program strengthens the foundation of MSMEs or only temporarily relieves financial pressure.

The effectiveness of KUR is also shaped by financial literacy, financial inclusion, managerial capability, and digital readiness. Febriansyah et al. (2024) noted that financial inclusion supports MSME performance by expanding access to formal financial services, while Nur Ainun et al. (2024) emphasized the mutually reinforcing relationship among financial literacy, financial inclusion, and capital access. Fikri and Nahda (2023) further showed that financial literacy influences MSME performance through access to finance and financial risk attitudes. These findings are relevant because two businesses receiving similar credit amounts may produce different outcomes if their owners differ in bookkeeping ability, cost control, risk assessment, and investment planning. Yakob et al. (2021) also confirmed the importance of financial literacy for the financial performance of small and medium enterprises. In the current business environment, the role of digital transformation should also be considered because access to finance increasingly interacts with digital payments, online marketing, and technology-enabled business models (Nugroho & Arifin, 2021). Consequently, the leveraging effect of KUR is likely to be conditional rather than automatic.

The BOSOWA region, consisting of Bone, Soppeng, and Wajo Districts in South Sulawesi, provides a relevant empirical setting for evaluating this issue. These districts are geographically connected and share several regional economic characteristics, yet they differ in the scale of MSME activity, institutional capacity, market structure, and credit absorption.

Preliminary data in the manuscript show that KUR disbursement in BOSOWA increased during the observed period. Bone consistently recorded the largest nominal disbursement, while Wajo and Soppeng also showed positive growth although at different scales. This pattern indicates that BOSOWA is not a region excluded from KUR access. On the contrary, the region has received substantial financing flows, making it an appropriate case for asking a more advanced policy question: after credit has been distributed, how far has it leveraged business growth and resilience? This shift from access to effectiveness is essential because high disbursement does not necessarily imply high impact.

A cross-district approach is necessary because national credit policies do not operate in a vacuum. The same KUR scheme may produce different outcomes when implemented in districts with different business ecosystems, financial service networks, entrepreneurial capacity, and local government support. Bone's stronger credit absorption may reflect a larger MSME base, better banking intermediation, or higher readiness among debtors. Wajo's growth pattern may indicate a dynamic financing expansion, while Soppeng's smaller nominal disbursement may reflect differences in business scale, institutional outreach, or the structure of local enterprises. These variations should not be treated simply as rankings of success or failure. A district with larger disbursement may not necessarily show stronger leverage if credit does not translate into productivity, while a district with smaller disbursement may demonstrate better effectiveness if credit is used more efficiently and supported by stronger mentoring. Therefore, comparing Bone, Soppeng, and Wajo allows this study to identify not only where KUR is distributed, but also under what local conditions its development effect becomes stronger or weaker.

Previous studies on KUR and MSME financing have provided important insights, yet several gaps remain. First, many studies continue to focus on access, procedure, or income effects, while fewer studies evaluate KUR using a leverage perspective that connects credit with business transformation. Second, prior studies often examine growth outcomes but pay less attention to resilience, even though resilience is crucial for MSMEs operating in uncertain local markets. Third, empirical studies using a comparative district-level framework remain limited, despite the fact that local heterogeneity strongly influences policy outcomes. Fourth, the literature has not sufficiently integrated financial inclusion, financial literacy, managerial capacity, and regional support systems into one evaluative framework for KUR. These gaps justify the need for a study that does not merely ask whether KUR has been disbursed, but evaluates whether KUR functions as an effective policy instrument for strengthening MSME growth and resilience in a specific regional setting.

Based on these considerations, this study aims to evaluate the leveraging effect of KUR on MSME growth and resilience across Bone, Soppeng, and Wajo Districts. Specifically, the study examines the development of KUR disbursement, compares credit absorption and outreach across districts, analyzes the indication of business growth and resilience associated with KUR, and explains the local factors that may strengthen or limit its policy effectiveness. The study contributes to the MSME financing literature by repositioning KUR from a simple credit access program to a regional development instrument whose success should be measured through the quality of credit utilization and its contribution to sustainable business outcomes. Practically, the study offers policy implications for local governments, financial institutions, and MSME development agencies by emphasizing that KUR expansion should be accompanied by financial literacy, business mentoring, post-disbursement monitoring, and district-specific support strategies. Through this framing, the study is expected to provide a

stronger academic and policy basis for improving KUR as an instrument of inclusive and resilient local economic development in South Sulawesi.

2. Methodology

2.1 Research Design

This study employed an explanatory sequential mixed-methods design to evaluate the leveraging effect of Kredit Usaha Rakyat (KUR), Indonesia's subsidized credit scheme, on the growth and resilience of micro, small, and medium enterprises (MSMEs) in the BOSOWA region of South Sulawesi. The design was selected because the research problem cannot be answered adequately by observing credit disbursement figures alone. KUR is not merely a financial product; it is a policy instrument whose effectiveness depends on how credit is absorbed, used, and translated into business performance and adaptive capacity. Therefore, the study first examined official quantitative data on KUR distribution and debtor reach, and then interpreted those patterns through a qualitative explanatory reading of regional context, institutional reports, and MSME policy dynamics.

The quantitative strand was used to identify the scale, growth rate, and comparative position of KUR disbursement across Bone, Wajo, and Soppeng. The qualitative explanatory strand was used to interpret why similar national credit schemes may generate different local outcomes across districts. This sequence allows the study to move beyond an administrative description of how much credit was distributed and toward a more evaluative question: whether the expansion of KUR indicates a meaningful leveraging effect for MSME growth and resilience. The design is therefore evaluative-comparative rather than strictly causal. It does not claim to estimate the isolated treatment effect of KUR, but it assesses the extent to which official disbursement patterns are consistent with strengthened business capacity, broader access to finance, and stronger local economic resilience.

2.2 Research Setting and Scope

The study was conducted in the BOSOWA region, consisting of Bone, Soppeng, and Wajo Districts in South Sulawesi Province, Indonesia. These districts were selected for three reasons. First, they represent a geographically connected regional cluster with relatively strong local trade, agricultural, and small business activities. Second, the three districts show visible participation in the KUR program, but with different levels of credit scale, debtor reach, and growth momentum. Third, their variation provides an appropriate empirical basis for comparing how the same national financing policy operates across different local economic environments.

The scope of the study is limited to evaluating the leveraging effect of KUR on two main outcomes: MSME growth and MSME resilience. MSME growth refers to the expansion of business activity, which may be reflected in turnover, production capacity, labor absorption, market reach, and business continuity. MSME resilience refers to the ability of enterprises to maintain operations, manage cash flow pressure, adapt to market changes, and survive under economic uncertainty. By combining these two outcomes, the study avoids a narrow interpretation of KUR effectiveness as merely the achievement of credit distribution targets.

2.3 Data Sources and Empirical Materials

This study used secondary quantitative data and supporting qualitative materials. The quantitative data consisted of official KUR disbursement values, debtor data, district-level comparative figures, and available regional updates from official government and treasury publications. The main empirical units were Bone, Wajo, and Soppeng. The study used annual

official data where available, particularly the 2020-2021 district comparison and the available 2022 continuation data. For later years, the study treated regional and district updates carefully as contextual information rather than as a forced balanced annual panel, because official district-level series were not uniformly available for all BOSOWA districts.

The qualitative materials consisted of policy documents, official institutional reports, regional government releases, and contextual descriptions related to MSME financing, financial access, debtor outreach, and local economic characteristics. These materials were used to explain the meaning of observed quantitative differences. For example, a district with the highest nominal disbursement may indicate a strong financing scale, while another district with a faster growth rate may indicate acceleration from a smaller base. The integration of these materials was intended to strengthen interpretation without overstating the precision of unavailable data.

2.4 Operational Definition of Key Constructs

The main independent policy construct in this study is KUR distribution. KUR distribution was operationalized through the value of credit disbursed, the number of debtors, the annual growth rate of disbursement, and the comparative position of each district within South Sulawesi. MSME growth was operationalized as the indication of increasing business activity associated with wider access to productive financing. Because direct firm-level turnover and profit data were not uniformly available across districts, growth was interpreted through financing scale, debtor expansion, and the potential of credit to support working capital, production capacity, and business expansion.

MSME resilience was operationalized as the capacity of enterprises and local business systems to sustain economic activity under pressure. In this study, resilience was interpreted through the continuity of KUR access, the breadth of debtor reach, the stability of financing flows, and the extent to which credit distribution indicates a broader support system for MSMEs. The term leveraging effect refers to the ability of KUR to produce outcomes beyond the nominal provision of credit. A strong leveraging effect is indicated when credit expansion is accompanied by broad debtor reach, sustained distribution, and contextual signs that financing can support growth and business continuity.

Table 1. Operationalization of the research constructs

Construct	Main Indicators	Empirical Source	Analytical Reading
KUR distribution	Credit value, debtor number, annual growth rate, district position	Official KUR and treasury reports	Scale, acceleration, and continuity of financing
MSME growth	Business expansion potential, working capital support, production and market activity	KUR trend, debtor reach, policy documents	Indicative growth effect, not strict causal impact
MSME resilience	Business continuity, cash-flow support, adaptive capacity, financing sustainability	Regional reports and contextual policy materials	Ability of credit to support survival and adjustment
District variation	Differences in credit scale, debtor reach, growth momentum, and institutional context	Cross-district comparison	Typology of leverage: scale-based, acceleration-based, or catching-up

Source: Developed by the author based on the research design and empirical focus of the study.

2.5 Data Analysis Technique

The quantitative analysis was conducted through descriptive time-series and cross-district comparative analysis. The first step was to identify the availability and reliability of official KUR data for each district. This step was important because not all districts had equally complete annual data after 2021. The second step was to calculate the growth rate of KUR disbursement for comparable periods using the formula: growth rate equals the difference between current and previous disbursement divided by previous disbursement, multiplied by 100 percent. The third step was to compare disbursement value, debtor reach, and growth momentum across the three districts.

The qualitative explanatory analysis was conducted through thematic interpretation of policy and regional context. The interpretation focused on four themes: access to finance, quality of credit absorption, local business capacity, and the role of institutional support. These themes helped explain why the same KUR program may generate different leveraging patterns across districts. The final stage integrated quantitative patterns and qualitative interpretation into a district typology. Bone was assessed through the logic of financing scale, Wajo through the logic of acceleration, and Soppeng through the logic of catching up from a smaller base.

Because the available data are not sufficient to construct a fully balanced district-level econometric panel, this study does not use regression-based causal inference. Instead, it adopts an evaluative-comparative approach. This choice is methodologically appropriate because the main objective is not to prove a single causal coefficient, but to evaluate whether KUR disbursement patterns provide credible evidence of a leveraging effect on MSME growth and resilience across different local contexts.

2.6 Validity, Reliability, and Research Limitations

Validity was strengthened through source triangulation and consistency checking. Official data were compared across government publications, treasury reports, and district-level releases whenever possible. When there were minor differences in baseline values across sources, the study prioritized internally consistent official series for calculating growth. This approach was used to avoid mixing incomparable data points and to prevent misleading conclusions. The study also distinguished annual data from quarterly snapshots and contextual updates. This distinction is essential for maintaining transparency in policy evaluation research.

The main limitation of the study is the uneven availability of district-level KUR data for all years and all districts. Bone has the strongest official series, while Wajo and Soppeng have more complete data for 2020-2021 and additional official snapshots for early 2022. For this reason, the results should be interpreted as an evaluative indication of the leveraging effect rather than as a final causal measurement. This limitation does not weaken the relevance of the study; instead, it strengthens the need for careful interpretation and for future research using firm-level survey data, longitudinal MSME performance indicators, and direct interviews with debtors and institutional actors.

3. Result and Discussion

3.1 Result

This section presents the empirical results of the study. The results are organized into five parts: data quality and empirical coverage, KUR disbursement dynamics in 2020-2021, debtor reach and continuation of official distribution patterns, the regional position of BOSOWA within South Sulawesi, and the evaluative typology of KUR leveraging effects on MSME

growth and resilience. The section deliberately avoids overstating causality and instead presents a cautious evaluative interpretation based on official data availability.

3.1.1 Data Quality and Empirical Coverage

The first empirical finding concerns the uneven quality of official KUR data across the three BOSOWA districts. Bone has the strongest data continuity because annual official data are available for 2020, 2021, and 2022, and the district also appears in later official updates as a major KUR recipient in South Sulawesi. Wajo and Soppeng have reliable data for 2020 and 2021, but later district-specific updates are more often available as quarterly snapshots rather than complete annual series. This pattern indicates that the administrative visibility of KUR implementation is not entirely symmetrical across the region.

This finding is important for two reasons. First, it prevents the study from forcing a complete annual time series where comparable official data are not available. Second, it shows that the evaluation of KUR should begin with the quality of evidence itself. A strong policy evaluation does not merely present a long table of numbers; it also clarifies which numbers are official annual values, which are quarterly updates, and which are contextual regional indicators. The study therefore uses the strongest comparable evidence for cross-district analysis and treats later official updates as supporting contextual information.

Table 2. Availability and quality of official KUR data in BOSOWA districts

District	Official annual data	Further official snapshot	Data quality	Analytical note
Bone	2020-2022	Mid-2025 update	High	The most consistent and continuous district series
Wajo	2020-2021	Q1 2022	Moderate	Strong 2020-2021 comparability; later data available as snapshot
Soppeng	2020-2021	Q1 2022	Moderate	Strong 2020-2021 comparability; later data available as snapshot

Source: Processed from official KUR-related treasury and regional publications used in the manuscript.

3.1.2 KUR Disbursement Dynamics in 2020-2021

The comparable annual data for 2020-2021 show that KUR disbursement increased in all three BOSOWA districts. Bone recorded the largest nominal disbursement, rising from IDR 1.052 trillion in 2020 to IDR 1.320 trillion in 2021. Wajo increased from IDR 0.826 trillion to IDR 1.080 trillion, while Soppeng increased from IDR 0.410 trillion to IDR 0.524 trillion. These figures indicate that the KUR program did not stagnate in the region during the post-pandemic recovery period; instead, it expanded simultaneously across all three districts.

However, the growth-rate pattern provides a more nuanced interpretation. Wajo recorded the highest growth rate at 30.76 percent, followed by Soppeng at 27.85 percent and Bone at 25.48 percent. This result shows that the district with the largest nominal disbursement is not necessarily the district with the fastest expansion. Bone remained dominant in scale, but Wajo showed the strongest acceleration. Soppeng, despite its smaller financing base, also demonstrated substantial growth. Therefore, KUR effectiveness should not be evaluated only by the size of disbursement; it should also be assessed through growth momentum and the ability of each district to absorb financing relative to its initial base.

Table 3. KUR disbursement in BOSOWA districts, 2020-2021

District	2020 (IDR trillion)	2021 (IDR trillion)	Growth 2020-2021 (%)	Interpretive position
Bone	1.052	1.320	25.48	Largest financing scale
Wajo	0.826	1.080	30.76	Fastest annual acceleration
Soppeng	0.410	0.524	27.85	Growing from a smaller base

Source: Processed from official comparable district-level KUR data for 2020-2021.

From an evaluative perspective, this result suggests three different forms of KUR leverage. Bone represents leverage through scale because its large credit volume may create a broader space for working capital, production activity, and local circulation of funds. Wajo represents leverage through acceleration because its relatively high growth rate indicates stronger momentum in expanding access to financing. Soppeng represents leverage through catching up because it grew strongly from a smaller disbursement base. These three patterns support the central argument of the study: the same KUR policy can operate differently across districts, depending on local absorptive capacity and the structure of MSME financing demand.

3.1.3 Debtor Reach and Continuation of KUR Distribution

The debtor data for 2021 strengthen the interpretation that KUR in BOSOWA had a broad outreach. Bone recorded 32,781 debtors and ranked second in South Sulawesi. Wajo recorded 29,890 debtors and ranked third. Soppeng recorded 14,964 debtors and ranked eleventh. This shows that KUR in BOSOWA was not concentrated only in nominal value but also reached a substantial number of MSME actors. The breadth of debtor reach is important because a credit policy can only generate a broad-based economic effect if it extends beyond a narrow group of already-established businesses.

Table 4. Debtor reach of KUR in BOSOWA districts in 2021

District	Debtors in 2021	Provincial rank in South Sulawesi	Interpretation
Bone	32,781	2	Very broad debtor reach
Wajo	29,890	3	Broad and competitive debtor reach
Soppeng	14,964	11	Medium reach but still significant

Source: Processed from official 2021 KUR debtor data used in the manuscript

The available continuation data also indicate that KUR distribution did not stop after the 2020-2021 expansion. Bone recorded IDR 1.610 trillion in 2022 with 34,240 debtors, growing by 21.97 percent compared with 2021. Wajo recorded IDR 0.298 trillion in the first quarter of 2022 with 7,299 debtors and a growth rate of 41.47 percent compared with the same quarter of the previous year. Soppeng recorded IDR 0.165 trillion in the first quarter of 2022 with 3,570 debtors and a growth rate of 94.83 percent compared with the same quarter of the previous year. These figures should not be directly compared as identical annual values because the periods differ, but they provide important evidence that KUR momentum continued after 2021.

Table 5. Continuation of official KUR distribution in available later data

District	Comparison period	Available official KUR value	Available debtor data	Growth in comparison period (%)
Bone	FY 2022 vs FY 2021	IDR 1.610 trillion	34,240	21.97
Wajo	Q1 2022 vs Q1 2021	IDR 0.298 trillion	7,299	41.47

Soppeng	Q1 2022 vs Q1 2021	IDR 0.165 trillion	3,570	94.83
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Source: Processed from official continuation data available for the manuscript. The comparison periods differ and are therefore interpreted as momentum indicators rather than as a balanced panel.

The continuation pattern reinforces the district typology. Bone shows structural strength because both disbursement and debtor reach remained large and continued to increase. Wajo shows an acceleration pattern because quarterly growth was still strong even though its initial disbursement base was already relatively high. Soppeng shows a catching-up pattern because its percentage growth in the available official snapshot was the highest, although the nominal level remained smaller than Bone and Wajo. In policy terms, this means that BOSOWA should not be treated as a homogeneous region. Each district requires a different strategy to strengthen the quality of KUR utilization.

3.1.4 BOSOWA within the Regional Context of South Sulawesi

The importance of BOSOWA becomes clearer when it is placed within the broader context of South Sulawesi. Provincial KUR distribution reached IDR 14.67 trillion in 2021 with 430,636 debtors. In April 2023, KUR distribution in the province had reached IDR 3.00 trillion with 59,450 debtors. By the end of 2024, provincial KUR distribution reached IDR 16.78 trillion, and by the end of 2025 it remained high at IDR 16.83 trillion with 283,989 debtors. Within this provincial scale, Bone continued to appear as an important KUR recipient, including in the mid-2025 official update.

Table 6. South Sulawesi KUR context relevant to BOSOWA analysis

Period	South Sulawesi KUR value	Debtors	Analytical note
FY 2021	IDR 14.67 trillion	430,636	Full-year provincial scale
April 2023	IDR 3.00 trillion	59,450	Position up to April
FY 2024	IDR 16.78 trillion	-	Full-year provincial value
20 June 2025	IDR 6.58 trillion	116,919	Mid-year update; Bone noted as highest district
FY 2025	IDR 16.83 trillion	283,989	Full-year provincial value

Source: Processed from official South Sulawesi KUR and treasury performance publications used in the manuscript.

This regional context strengthens the relevance of the study. BOSOWA, especially Bone, is not a peripheral case in the provincial KUR landscape. Rather, it represents an important local arena for understanding how subsidized credit operates in a region where MSMEs are embedded in agriculture, trade, household enterprises, and local service activities. The high provincial volume also implies that the policy question is no longer simply whether KUR exists or whether it is distributed. The more important question is whether such large-scale distribution is able to create a meaningful leveraging effect on MSME growth and resilience.

3.2 Discussion

The findings of this study indicate that People’s Business Credit (Kredit Usaha Rakyat, KUR) should not be interpreted merely as a credit-distribution program, but as a policy instrument whose effectiveness depends on its capacity to generate a leveraging effect for micro, small, and medium enterprises (MSMEs). The empirical pattern across BOSOWA districts demonstrates that KUR disbursement expanded in Bone, Wajo, and Soppeng, yet the form of leverage was not uniform. Bone showed stronger scale-based leverage, Wajo reflected acceleration-based leverage, and Soppeng indicated catching-up leverage from a smaller

financing base. This pattern confirms that the success of KUR cannot be assessed only from aggregate disbursement values or the number of debtors. A more substantive evaluation must examine whether credit access strengthens business growth, improves resilience, and enables MSMEs to adjust to local economic pressures.

3.2.1 KUR beyond credit disbursement: From outreach to transformative leverage

The first important implication of the results is that credit outreach and credit impact must be analytically separated. Outreach refers to the extent to which KUR reaches MSME actors, while impact refers to the extent to which KUR changes the productive capacity, financial stability, and adaptive capability of the businesses that receive it. This distinction is crucial because many policy evaluations tend to celebrate the expansion of credit allocation without sufficiently examining whether the credit has transformed business behavior. In the BOSOWA case, the increase in KUR disbursement indicates that financial access has expanded, but the more important question is whether that expansion has created stronger business performance and resilience.

This finding is consistent with the broader literature on SME financing. Beck and Demirguc-Kunt (2006) argue that access to finance is a central growth constraint for small and medium enterprises, while Cole and Sokolyk (2016) show that the need for credit and the ability to obtain credit are not always aligned. In the Indonesian context, Maryama (2015) demonstrates that micro-enterprises continue to face administrative, collateral, and informational barriers when accessing KUR. Nugroho and Hidayat (2021) further emphasize that procedural simplification can increase financing access for MSMEs. Nevertheless, these studies also imply that easier access is not sufficient unless followed by productive credit use, disciplined financial management, and stronger business capability.

The BOSOWA findings support this more cautious interpretation. The expansion of KUR in all three districts suggests that the financing channel has become more active, but the different patterns across districts demonstrate that the same policy can generate different outcomes depending on local absorptive capacity. Bone benefits from larger scale and stronger continuity, Wajo benefits from faster expansion, and Soppeng benefits from early-stage catching-up dynamics. Therefore, the leveraging effect of KUR should be understood as conditional rather than automatic. It emerges when credit is supported by business readiness, institutional trust, financial literacy, market access, and an enabling local ecosystem.

3.2.2 Spatial heterogeneity of KUR leverage across BOSOWA districts

The second important discussion point concerns spatial heterogeneity. The comparative findings show that Bone, Wajo, and Soppeng cannot be treated as identical policy spaces even though they are located within the same regional cluster. Bone's higher nominal disbursement and broader debtor base indicate a stronger financing scale. This pattern suggests that Bone has a more mature KUR ecosystem, possibly supported by a larger MSME population, stronger banking intermediation, and better administrative readiness among business actors. In policy terms, Bone represents the scale-based leverage model, where KUR works through the accumulation of a large financing base and wider debtor coverage.

Wajo presents a different pattern. Although its nominal disbursement was below Bone, its growth rate in the observed period was relatively stronger. This indicates that Wajo's KUR performance is not primarily defined by scale but by acceleration. An acceleration-based leverage model means that credit expansion is likely opening new productive opportunities for MSMEs that are increasingly integrated into formal financing channels. If this acceleration is accompanied by business mentoring, market expansion, and better financial reporting, Wajo

has the potential to convert rapid credit growth into stronger and more sustainable MSME performance.

Soppeng, by contrast, reflects a catching-up pattern. Its financing base is smaller than Bone and Wajo, but the available snapshot data show strong growth momentum. This suggests that KUR in Soppeng may function as an early-stage capacity amplifier. However, the policy challenge is different: Soppeng needs stronger institutional support to prevent credit growth from becoming merely temporary. The district requires an integrated approach that combines KUR access with mentoring, bookkeeping support, digital adoption, and market facilitation. In other words, district-level policy differentiation is necessary because each BOSOWA district reflects a different stage of KUR leverage.

3.2.3 KUR, MSME growth, and the quality of productive credit use

The relationship between KUR and MSME growth should be interpreted through the quality of productive credit use. The results suggest that KUR can support growth by strengthening working capital, expanding production capacity, increasing inventory availability, and helping enterprises maintain business continuity. However, these growth effects depend on how entrepreneurs allocate credit and whether they can transform additional capital into higher turnover, productivity, and market competitiveness. This interpretation is consistent with Mochtar (2019), who found that KUR positively affects micro-enterprise income, but it also requires a more nuanced reading because income improvement does not always indicate sustainable growth.

Several international studies support this argument. Chowdhury et al. (2022) show that access to finance interacts with firm quality and firm performance, while Amadasun and Mutezo (2022) demonstrate that access to finance can influence the competitive growth of SMEs. Cao and Leung (2020) also highlight the connection between credit constraints and SME productivity. These studies indicate that finance produces stronger outcomes when it is received by firms that have adequate managerial capability, financial discipline, and market orientation. Therefore, KUR should not be positioned as a stand-alone solution but as one component in a broader MSME capability-building strategy.

The BOSOWA case strengthens this argument. Bone's scale advantage may support larger aggregate growth, but it does not automatically guarantee higher business transformation if credit is not used productively. Wajo's acceleration is promising, but rapid financing growth can also create repayment pressure if business capability is not strengthened. Soppeng's catching-up momentum is valuable, yet it requires careful policy guidance so that newly expanded access does not generate fragile debt dependence. Thus, the growth effect of KUR is best understood as a conditional mechanism: credit can stimulate growth when it is embedded in productive use, sound financial management, and a supportive local business environment.

3.2.4 KUR and MSME resilience: Financing as a buffer and adaptation mechanism

The results also show that KUR is relevant not only for growth but also for MSME resilience. Resilience refers to the ability of enterprises to survive shocks, maintain operational continuity, stabilize cash flow, and adapt to changing market conditions. In many developing regions, MSMEs do not only need capital to expand; they also need capital to withstand uncertainty. This is particularly important after the pandemic period, when many small businesses experienced demand shocks, supply disruptions, and liquidity constraints. In this context, KUR may operate as a financial buffer that helps MSMEs maintain business operations during unstable conditions.

However, financing alone does not automatically create resilience. Tambunan (2020) shows that Indonesian MSMEs experienced different levels of vulnerability during crises, depending on sectoral characteristics and resource capacity. Sulastris et al. (2021) also found that MSME resilience during the COVID-19 period was closely related to strategic adjustment. Ismiyanti et al. (2025) further emphasize that post-pandemic resilience depends on the ability of enterprises to reorganize resources and respond to disruption. These studies are consistent with the BOSOWA findings, where the resilience potential of KUR differs across districts. Bone's resilience is more structural, Wajo's is more dynamic, and Soppeng's is more developmental.

The resilience discussion is further strengthened by studies on strategic consistency, continuous improvement, and financial resilience. Iborra et al. (2020) argue that SME resilience is shaped by ambidexterity capability and strategic consistency, while Zighan and Ruel (2023) connect resilience with continuous improvement practices. Odoch et al. (2025) and Artana et al. (2025) emphasize the importance of social capital and financial resilience in sustaining SMEs after crisis conditions. These insights suggest that KUR should be linked with resilience-building interventions, such as financial planning, savings behavior, risk management, customer diversification, and digital market access. Without these supports, credit may temporarily relieve liquidity pressure but fail to build long-term resilience.

3.2.5 Financial literacy, inclusion, and digital capability as enabling conditions

A central explanation for the unequal leveraging effect of KUR lies in the enabling conditions surrounding MSMEs. Financial literacy, financial inclusion, and digital capability determine how far credit can be transformed into growth and resilience. Febriansyah et al. (2024) show that financial inclusion is important for MSME performance because it expands access to financial services that support business transactions and capital management. Nur Ainun et al. (2024) demonstrate that financial literacy, financial inclusion, and capital access interact in improving MSME performance. These findings suggest that KUR is most effective when MSMEs are not only able to borrow, but also able to manage, allocate, monitor, and repay financing productively.

The role of financial literacy is particularly important in the BOSOWA context. Fikri and Nahda (2023) explain that financial literacy affects MSME performance through financial access and financial risk attitude, while Yakob et al. (2021) show that financial literacy is associated with better financial performance among SMEs. Abdallah et al. (2025) further indicate that the relationship between financial literacy and SME performance can be strengthened by financial access. This means that KUR must be complemented by bookkeeping training, cash-flow management, investment planning, and risk assessment. Without these capabilities, credit may be used for non-productive purposes or may create repayment burdens rather than business strengthening.

Digital capability also matters. Nugroho and Arifin (2021) argue that financial access and digital transformation can create synergy for MSME growth. Zhou and Sun (2024) show that fintech can support SME survival, while Sagala and Ori (2025) connect digital transformation strategy with SME resilience and antifragility. In practical terms, MSMEs that combine KUR financing with digital marketing, online payment systems, digital bookkeeping, and broader market access are more likely to convert credit into sustainable outcomes. This is especially relevant for Soppeng and Wajo, where accelerated and catching-up financing patterns need to be supported by stronger digital and managerial capability.

3.2.6 Policy implications: Toward regionally differentiated KUR governance

The findings have important policy implications. First, KUR governance should shift from a disbursement-oriented model to a leverage-oriented model. A disbursement-oriented model evaluates success through the amount of credit distributed and the number of debtors reached. A leverage-oriented model evaluates whether credit improves business growth, strengthens resilience, and builds long-term productive capability. This shift is important because the BOSOWA case shows that credit expansion is meaningful but not sufficient. The quality of credit utilization must become a core policy concern.

Second, KUR implementation should be differentiated according to district characteristics. Bone requires an upgrading strategy because its main strength lies in scale. Policy support should focus on increasing business formalization, improving productivity, strengthening supply chains, and expanding market linkages. Wajo requires an acceleration management strategy because its main strength lies in rapid growth. Support should focus on maintaining financing quality, preventing repayment risks, and helping businesses convert credit growth into stable performance. Soppeng requires a catching-up strategy because its financing base is smaller but growing. Support should focus on financial literacy, basic bookkeeping, mentoring, and access to market networks.

Third, government-backed finance should be integrated with risk and repayment management. Gai et al. (2023) show that government-backed finance can affect SME crisis predictors, while Kaya (2024) demonstrates that late payments influence SME access to finance, credit rationing, and loan terms. These studies highlight that credit policy must pay attention not only to initial access but also to the quality of repayment, cash-flow stability, and long-term creditworthiness. For BOSOWA, this means that local governments, banks, and MSME facilitators should jointly monitor whether KUR recipients experience improved business capacity or merely increased debt exposure.

3.2.7 Theoretical contribution of the study

Theoretically, this study contributes to MSME financing literature by introducing a more contextual understanding of the leveraging effect of subsidized credit. Unlike studies that focus only on whether credit access increases income or performance, this study places KUR within a broader framework that connects access, growth, resilience, and regional heterogeneity. The findings show that credit policy does not operate in a linear way. Its effect is mediated by business quality, financial literacy, local institutional support, digital readiness, and district-level economic structure.

The study also contributes to policy evaluation literature by showing that a single national program can produce different forms of local leverage. Bone, Wajo, and Soppeng are not merely three administrative locations; they represent three different mechanisms of credit-based MSME strengthening. Bone illustrates scale-based leverage, Wajo illustrates acceleration-based leverage, and Soppeng illustrates catching-up leverage. This typology can be useful for future evaluations of KUR and other MSME financing programs in Indonesia because it allows researchers and policymakers to move beyond a one-size-fits-all assessment model.

Table 7. Synthesis of KUR leveraging mechanisms across BOSOWA districts

District	Main pattern	Interpretive meaning	Policy priority	Expected outcome
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Bone	Scale-based leverage	KUR works through large financing volume, broad debtor reach, and continuity of disbursement.	Business upgrading, productivity improvement, market expansion, and supply-chain strengthening.	Transformation from financing scale to sustainable MSME competitiveness.
Wajo	Acceleration-based leverage	KUR shows strong growth momentum and indicates rapid expansion of formal financing access.	Credit-use monitoring, business mentoring, repayment-risk management, and market development.	Conversion of rapid credit growth into stable and productive business performance.
Soppeng	Catching-up leverage	KUR grows from a smaller base and signals emerging financing inclusion among MSMEs.	Financial literacy, bookkeeping assistance, digital adoption, and basic business capability building.	Strengthening of early-stage MSME resilience and inclusive local economic participation.

Source: Author's analytical synthesis based on the empirical findings and literature review

4. Conclusion and Suggestion

This study concludes that KUR has an important leveraging role in supporting MSME growth and resilience across the BOSOWA districts of Bone, Soppeng, and Wajo. However, the leveraging effect should not be interpreted as a uniform or automatic consequence of credit disbursement. The findings indicate that KUR contributes to business strengthening when credit access is accompanied by productive utilization, financial discipline, institutional support, and the ability of MSMEs to adapt to local economic conditions. Therefore, the central contribution of this study lies in reframing KUR from a credit-distribution program into a policy instrument whose success must be evaluated through its transformative effect on MSME capacity.

The comparative evidence demonstrates that each district reflects a different form of leverage. Bone shows scale-based leverage because it has the largest and most continuous financing base. Wajo shows acceleration-based leverage because its growth rate indicates rapid expansion of KUR access. Soppeng shows catching-up leverage because, despite having a smaller financing base, it demonstrates promising growth momentum. These three patterns confirm that regional context matters in assessing KUR effectiveness. A uniform evaluation model would fail to capture the different mechanisms through which the same financing policy operates across local economies.

The study also confirms that MSME growth and resilience are interconnected but not identical outcomes. KUR may help increase turnover, working capital, production capacity, and business activity, but resilience requires additional capabilities, including cash-flow stability, risk management, market adaptation, and strategic consistency. Therefore, credit should not

be treated as a complete solution to MSME vulnerability. Its benefits become stronger when integrated with financial literacy, business mentoring, digital adoption, market facilitation, and institutional coordination between local government, banks, and MSME support actors. From a policy perspective, this study recommends that KUR governance should move toward a regionally differentiated and leverage-oriented approach. Bone should be supported through upgrading programs that convert financing scale into competitiveness. Wajo should be supported through acceleration management so that rapid credit growth does not create repayment vulnerability. Soppeng should be supported through catching-up assistance that improves financial literacy, bookkeeping, and business formalization. These differentiated strategies can help KUR become more than a short-term financing instrument; they can transform it into a local economic development mechanism.

Finally, this study acknowledges several limitations. The analysis relies on official secondary data that are not fully uniform across all years and districts, and the available empirical evidence is more suitable for evaluative-comparative interpretation than for strict causal inference. Future research should use micro-level debtor data, longitudinal business performance indicators, and stronger mixed-methods field evidence to test the mechanisms identified in this study. Further studies may also compare BOSOWA with other regional clusters in South Sulawesi or Indonesia to determine whether the scale-based, acceleration-based, and catching-up leverage typology can be generalized to broader MSME financing policy contexts.

In this section, the author presents brief conclusions from the results of the research with suggestions for advanced researchers or general readers. A conclusion may cover the main points of the paper, but do not replicate the abstract in the conclusion.

Authors should explain the empirical and theoretical benefits, the economic benefits, and the existence of any new findings. The author may present any major flaws and limitations of the study, which could reduce the validity of the writing, thus raising questions from the readers (whether, or in what way), the limits in the study may have affected the results and conclusions. Limitations require a critical judgment and interpretation of the impact of their research. The author should provide the answer to the question: Is this a problem caused by an error, or in the method selected, or the validity, or something else?

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