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## STRATEGY FOR IMPROVING THE PERFORMANCE OF MSMEs THROUGH ACCESS TO FINANCIAL INSTITUTIONS

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### ABSTRACT

Economic development is an effort to improve the standard of living of the nation as measured by the level of real income per capita of the community. Economic growth in Indonesia is dominated by the Micro, Small, and Medium Enterprises (MSMEs) sector as a contributor to a country's national income. Micro, Small, and Medium Enterprises (MSMEs) have a major role in supporting the Indonesian economy so its improving performance needs to be maintained. The improvement is supported by access to capital through the provision of credit from financial institutions. One of MSMEs limitations is its difficulty to access financial services, and procedural constraints in banking, including the need for collateral, and high credit interest rates. Based on these conditions, the strategies undertaken by the government in increasing access to financial institutions are 1) strategies to strengthen the financial sector, especially banking in terms of financing., 2) strategies to develop supporting devices for improving financial services, 3) strategies to increase the role of microfinance institutions, 4) strengthening a conducive business and investment climate, and 5) increasing entrepreneurial capacity and business activities. This strategy can reduce the obstacles for MSMEs in accessing capital to financial institutions to improve business performance.

### KEY WORDS

Micro, small and medium enterprises, access to financial institutions, government strategy, business performance.

Economic development is an effort to improve the standard of living of the nation as measured by the level of real income per capita of the community. Economic development can provide opportunities for people to develop their potential, especially in managing natural resources to increase economic activity. Economic development must be implemented to encourage economic growth so that economic growth will accelerate the process of economic development (Irawan & Suparmoko, 2002).

Economic growth in Indonesia is dominated by the Micro, Small, and Medium Enterprises (MSMEs) sector as a contributor to a country's national income. MSMEs play a major role in supporting the Indonesian economy, in addition to large, developed businesses (Fadirianto, 2017). According to the Central Statistics Agency (2019), the contribution of MSMEs contributed 60.34 percent to the Gross Domestic Product which dominates the total number of business customers in Indonesia. The increased business unit was able to absorb a workforce of 89.2 percent of the workforce. Based on these conditions the government continues to strive to develop MSMEs for economic growth (Putri, 2019). MSMEs have unique characteristics in their role to support economic development. The role of small businesses can increase labor absorption, is used as distribution of development results, and small businesses survive the crisis, and play a role in distributing development results (Sarwono & Erwin, 2015).

The success of MSMEs in Indonesia is reflected in the performance they produce. To improve the performance of MSMEs, financing from financial institutions is very much needed, and government support in access to additional capital. Business performance measurement can be done through the following aspects, namely financial performance, operational performance, marketing performance, and human resource performance. Business performance is based on financial measures, such as the level of sales, sales

growth, gross profit, profit-on-sales ratio, rate of return on capital, and operating net income (Lechner & Gudmundsson, 2014).

In supporting the development of the business world, both in the banking and non-banking sectors, financial institutions must increase their access to the public in using financial services. Open access to financial services that are utilized by the community, to increase income through credit distribution. Financial Institutions recommend that MSMEs to be more intensive so it could increase national economic growth. MSMEs financing is carried out by banks, namely state-owned commercial banks such as Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), Bank Mandiri, Bank Tabungan Negara (BTN). In addition to BUMN financing, the financing is carried out by Bank Bukopin, Bank Syariah Mandiri (BSM), Bank Negara Indonesia Syariah (BNI Syariah), and Regional Development Bank (BPD). MSMEs financing is carried out by Rural Banks (BPR), and Non-Bank Financial Institutions such as Cooperatives, but the financing provided by these financial institutions is limited so that it is still predominantly carried out by banks (Ministry of Trade of the Republic of Indonesia, 2013). Constraints faced by MSMEs generally have limited capital and face difficulties in accessing formal financial institutions, especially banking (Anggraini et al., 2015). MSMEs still faces obstacles in banking access due to problems such as high credit interest and logistics costs, limited connectivity along inadequate infrastructure (Annisa et al., 2019). Limitations in access to MSMEs financing in financial institutions face other obstacles in terms of complicated and bureaucratic credit requirements, one of which is the guarantee that must be provided by entrepreneurs, and the reach of services for entrepreneurs who are in remote areas. This has resulted in the majority of small businesses relying more on non-banking financing in business financing (Amri, 2017).

The contribution made by MSMEs in promoting economic growth, one of the important determining factors is the entrepreneur's ability to obtain financing or credit from financial institutions, both banks, and non-banks. The low portion of the financing is due to the obstacles faced in gaining access to capital in financial institutions so that the government provides one form of support by encouraging financial institutions to provide financial assistance to MSMEs players. The provision of financial assistance for small business actors functions in improving the performance of small businesses as one of the business sectors that has led to increased economic growth in Indonesia.

Based on the above constraints, the MSMEs financing strategy launched by the government is related to economic development programs aimed at the business sector. The efforts made by the government in assisting MSMEs are in terms of providing the State Revenue and Expenditure Budget which is used to subsidize interest for MSMEs loans, while the entire financing comes from implementing banks appointed by the government. So the role of the government is to determine the policy for MSMEs loan interest subsidies, prioritizing MSMEs to be eligible for credit by providing guidance and assistance and facilitating the relationship between MSMEs and other parties related to the development of MSMEs.

Microfinance services as one of the government's efforts to finance MSMEs include (Coordinating Ministry for People's Welfare, 2009): Credit Led Microfinance, a financial service model that grows based on the belief that the purpose of the community to join a group is motivated to obtain credit. Examples of Village Credit Bodies (BKD), Rural Credit Funds (LDKP), Baitul Mal Wattanwil (BMT), and Village Credit Institutions (LPD). The People's Business Credit in Indonesia is called KUR. KUR is the most familiar financing for MSMEs that have a decent business category but do not have sufficient guarantees in banking requirements, so the main objective in the KUR program is to absorb labor, reduce poverty levels, and increase economic growth. The banks that carry out the KUR program are BRI, Bank Mandiri, BNI, BTN, Bank Bukopin, and BPD (Karnida et al., 2013).

The government's plan to increase the target for Community Business Credits (called KUR) distribution to IDR 190 trillion is an opportunity and challenge for MSMEs players, especially with the impact of the Covid 19 outbreak in 2020. The government helped MSMEs to cope from the impact of the pandemic by providing interest subsidy relief facilities, postponement payment of principal, and providing additional working capital credit. Another

policy undertaken is the declaration of the 100,000 MSMEs Go Online movement in Indonesia. This online movement provides opportunities for MSMEs to get KUR distribution as a transformation from unbanked to banked. This policy is expected for MSMEs to survive amid the Covid-19 pandemic, one of which is by relaxing and restructuring MSMEs loans with the postponement of installments and subsidized interest for recipients of KUR (People's Business Credit), UMi (Ultra Micro Credit), PNM Mekaar (National Permodalan Madani Fostering Prosperous Families), LPDB (revolving fund management agency), to recipients of capital assistance from several ministries (Marlinah, 2020).

## LITERATURE REVIEW

MSMEs are regulated in the Law of the Republic of Indonesia No. 20 of 2008 concerning UMKM. Article 1 states that a micro business is a productive business owned by an individual and/or an individual business entity that has the criteria for a micro business as regulated in the Law. Based on Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), what is meant by:

- a) Micro enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria of micro-enterprises by 1) Having a net worth (assets per year) of not more than Rp. 50,000,000, - ( fifty million rupiahs) excluding land and buildings for business premises; or Have annual sales results (turnover per year) of at most Rp. 300,000,000, - (three hundred million rupiah).
- b) Small business is a productive economic business that stands alone, carried out by individuals or business entities that are not a subsidiary or branch of a business that is owned, controlled, or is a part, either directly or indirectly, of a medium-sized or large-scale business. criteria for small businesses, with 1) Having a net worth ( assets per year) of more than Rp. 50,000,000, - (fifty million rupiah) up to a maximum of Rp. 500,000,000, - (five hundred million rupiah) excluding land and buildings for business, 2) Having annual sales (turnover per year) of more than Rp. 300,000. 000, - (three hundred million rupiah) up to a maximum of Rp. 2,500,000,000, - (two billion five hundred million rupiah).
- c) Medium-sized enterprises are productive economic enterprises that are independent, carried out by individuals or business entities that are not a subsidiary or branch of a business that is owned, is controlled, or is a part, either directly or indirectly, with small or large businesses that meet the criteria. , with 1) Having a net worth ( assets per year) of more than Rp. 500.00 0.000, - (five hundred million rupiah) up to a maximum of Rp. 10,000,000,000, - (ten billion rupiah) excluding land and buildings for business, 2) Having annual sales (turnover per year) of more than Rp. 2,500,000,000, - (two billion five hundred million rupiah) up to a maximum of Rp. 50,000,000,000, - (fifty billion five hundred million rupiah).

MSMEs have a very important role in the national economy, according to Bank Indonesia there are several strategic roles for MSMEs, including 1) The number of MSMEs is large and present in each economic sector, 2) Absorb a lot of labor and each investment creates more opportunities work 3) Can utilize local raw materials and produce goods and services that are needed by the wider community at affordable prices (Kurniawan & Fauziah, 2014). Financial institutions play a very important role in collecting funds from the public and channeling them back to the community. The distribution of funds to the community which is carried out by financial institutions in general can be aimed at the small economic community. Funds channeled by financial institutions to the public are called credits. The word credit comes from the word credere which means trust. People who receive credit from financial institutions mean receiving trust from creditors which are based on an assessment of the debtor's ability and goodwill to repay credit (Wiwoho, 2014).

Capital is one of the main factors to carry out business activities. Capital can also be defined as the principal or money used as the parent for trading. The size of the capital owned by a person depends on the scale of the business being carried out (Anshori, 2018). The government has rolled out the KUR program which aims to encourage increased access

to MSMEs financing from banks by increasing the capacity of guarantee companies. KUR is a special financing scheme for MSMEs whose business is feasible but does not have sufficient collateral according to the requirements set by banks ( [www.depkop.go.id](http://www.depkop.go.id), 2013). Through this KUR, it is hoped that collateral problems will prevent MSMEs from obtaining loans from banks. The KUR program is a follow-up to the signing of the MOU on October 9, 2008, concerning Credit Guarantee / Financing to MSMEs. This KUR is supported by the Ministry of State-Owned Enterprises, the Coordinating Ministry for Economic Affairs, and Bank Indonesia ([www.depkop.go.id](http://www.depkop.go.id), 2013).

Indonesian banking in conducting its business is based on Article 2 of Law no. 2 of 1998 states that the principle of economic democracy uses the principle of prudence. Loans provided by banks carry risks so that in every loan provider must pay attention to sound credit principles and based on prudential principles (Afriyeni & Putra, 2019). The thing that needs to be considered in analyzing credit is that customers must comply with the 5C principle, namely, Character is a belief that the nature or character of the people who are given credit can truly be trusted. Capital is used to see whether the use of capital is effective, seen from the financial statements, and also must be seen from the current sources of capital. Capacity sees customers in their ability in the business field related to their education, business ability is also measured by their ability to understand government regulations. Collateral is a guarantee provided by prospective customers, both physical and non. Condition of Economy, assessing credit should also be assessed current and future economic and political conditions according to each sector, as well as the business prospects of the sector that the debtor explains.

## METHODS OF RESEARCH

This research uses a qualitative approach obtained through the literature review method on MSMEs, financial institutions that provide credit financing, along with the requirements that must be met by MSMEs in obtaining financing from financial institutions and strategies to improve access to finance. Documentation study used in this research is data sourced from Bank Indonesia and the Central Bureau of Statistics such as the proportion of MSMEs access to banks, sources of capital obtained by MSMEs, and the perception that MSMEs have never borrowed funds from a bank. In addition, it is supported by an empirical study of research that has been carried out on access to financing for MSMEs, especially in Indonesia.

## RESULTS AND DISCUSSION

The implementation of MSMEs financing development to increase Indonesia's economic growth needs support from the government, Bank Indonesia, banking, and non-bank financial institutions, business actors, and the public so that MSMEs truly become the main pillars of the economy. Loans given to MSMEs play an important role so that the strategy developed by MSMEs in Indonesia must receive banking support in lending.

Based on this, in facilitating the capital of MSMEs by guaranteeing credit at existing financial institutions, providing interest subsidies on loans to educate MSMEs to be responsible for credit repayments so that MSMEs are accustomed to collaborating with financial institutions, and proving that financial institutions are not discriminatory in providing capital loans. ( Tamtomo & Qomariyah, 2016) . The strategies carried out to be effective in increasing access to finance are an effort to empower MSMEs in improving business performance according to Fitriani Ari (2017) as follows.

*Strategy to strengthen the financial sector, especially banking in terms of financing.* Strengthening the financial sector, especially banking in terms of financing (credit) as a commitment by the government through policies set by Bank Indonesia to improve MSME performance, among others, impose a minimum limit on MSME credit extension of 20 percent of total credit for all banks, by the January Policy Package (Pakjan ) 1990. The easing policy for MSMEs with easier credit terms and easing the ability to pay through the

provision of credit interest subsidies by Bank Indonesia regulations (PBI) dated April 2, 2007. This implementation was supported by the government by issuing a program for distributing People's Business Credit (KUR) which was launched the first time on November 5, 2007.

Accessibility to credit has a positive role in the financial performance of MSMEs. The easier it is to access credit, the higher the financial performance of these MSMEs. The interest costs paid for MSME credit facilities must be affordable, if interest costs increase this means that the credit facility becomes more expensive and reduces profits, conversely if the interest costs are low it will help MSMEs in repaying their loans so that they get more credit in the future ( Momany & Jomo, 2013). Another study was also conducted by Effendi (2017), and Darmawan (2018) which stated that interest rates affect MSME credit distribution, because if the interest rate is high, the loan costs paid by the MSME sector will be even greater. MSMEs need to take advantage of access to capital through banks or other institutions that offer soft interest programs in business development that are used for product development, renewal of production equipment, market expansion, and increased workforce capacity through training (Karunia et al., 2020). This research is supported by Aziz & Wicaksono (2017); and Sumantika & Ardiyanto (2018) which state that the government provides relief to entrepreneurs in the form of interest subsidies, the amount of which is reviewed every certain period. The interest relief given to debtors in fulfilling interest payment obligations can help MSMEs generate profits in their business. The duration of loans given to business actors with the growth of Small and Medium Enterprises and the simplicity of criteria can increase MSMEs. Also, the supervision provided by financial institutions, loan size, and low borrowing costs supported by the savings held by MSMEs players affect increasing the growth of MSMEs ( Azeref & Gela Gil, 2018). The simplicity of the loan criteria is determined by a variety of processes that are not time-consuming, and are easy to understand. The easier it is to access credit, the financial performance of small and medium enterprises can improve, so that the simplicity of the loan criteria has an impact on the growth of MSMEs (Utami & Sujarweni, 2020) and is supported by Esti's research (2016); and Taufik (2017) which states that the simplification of the credit process and convenience for MSMEs is carried out to increase access to financial institutions, for example providing an application form that is simple, easy to understand, and easy to obtain which is supported by the legality/business license of prospective debtors.

Share of Micro, Small and Medium Enterprises Credit by Business Classification

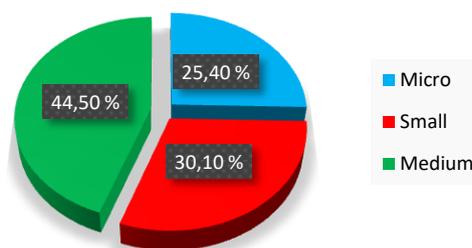


Figure 2 – Access to MSME Credit in Banking According to Business Classification as of December 2018 (Source: Bank Indonesia, 2018)

The share of MSMEs loans to total bank credit for the 2018 period was 19.9 percent, and there was an increase compared to the previous quarter of 19.6 percent. According to the classification of the MSMEs credit business based on banking, namely commercial banks (conventional, Islamic banks) and People's Credit Banks (conventional, and sharia) with the type of medium business that dominates by 44.5 percent compared to small business 30.1 percent, and micro-businesses 25.4 percent. The MSMEs credit provided by banks, according to the type of credit used in working capital financing, was 74.7 percent, and the rest was for investment financing by 25.3 percent. The grouping of banks is State-Owned

Banks amounting to Rp.555.6 Trillion (51.2 percent), National Private Banks Rp.345.0 Trillion (31.8 percent), Regional Development Banks Rp.75.2 Trillion (6.9 percent), Rural Banks amounting to IDR 54.3 trillion (4.9 percent), National Private Non-Foreign Banks IDR 47.3 trillion (4.4 percent), Mixed Banks IDR. 8.6 Trillion (0, 8 percent) as well as foreign banks 840.1 billion (0.1 percent).

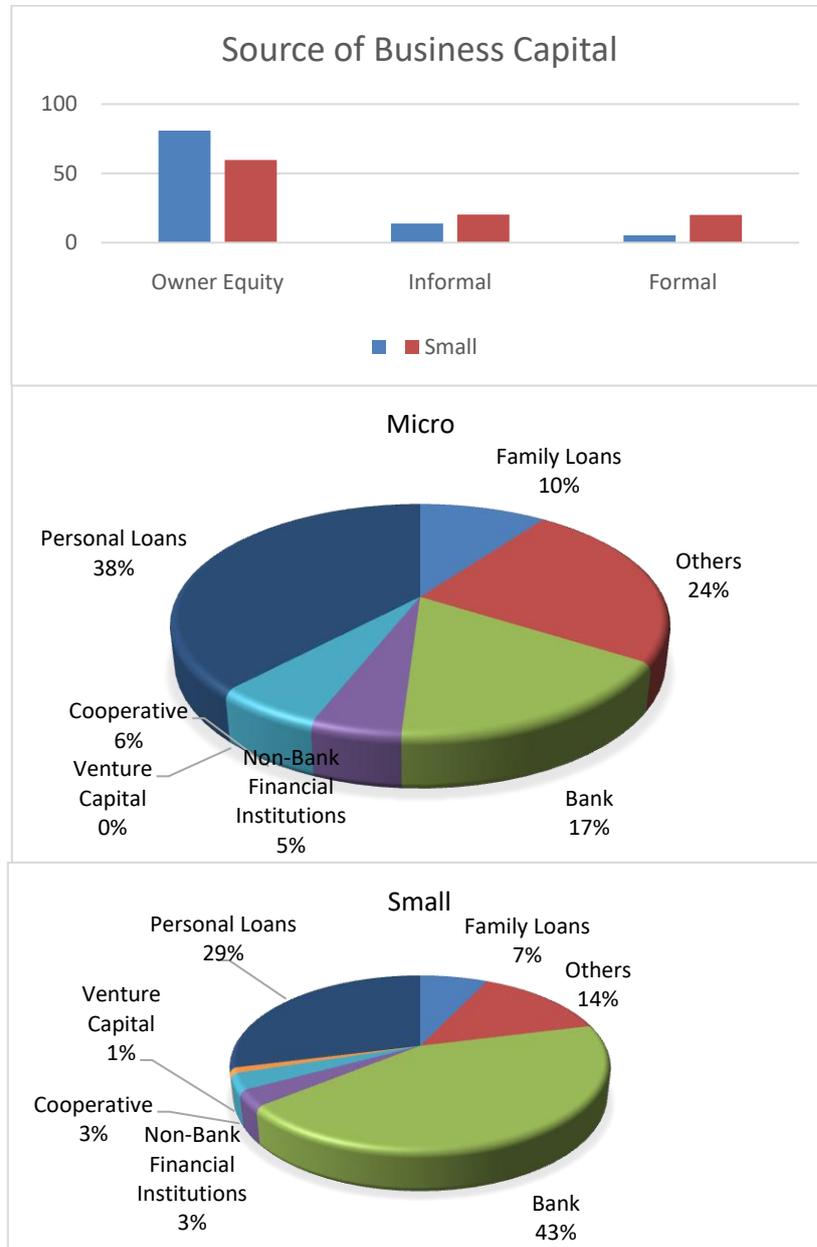


Figure 3 – Sources of Capital in Micro and Small Enterprises (Source: BPS, Small and Micro Industry Survey, 2010)

The credit that is absorbed by micro and small businesses is less than that of medium-scale businesses so that more small and medium enterprises in their source of capital rely more on their capital, but there are limitations so that they also use informal capital sources. Small businesses have difficulty accessing bank financing, namely experiencing obstacles in procuring loans from commercial banks because most of them do not have collateral and requirements from banks, Luo et al., (2018); and Caine Ili et al., (2019). The reasons for micro and small businesses have not been touched by banks because one of them is that business actors do not fully know the procedures, the procedures are difficult so that loan

proposals are rejected, do not have collateral, and charge high-interest rates so that most business actors are not interested in borrowing needed funds business in the Bank.

KUR disbursement is also carried out by the Bank is the occurrence of bad /problematic credit due to the lack of accuracy of the bank in carrying out or reviewing credit analysis, as well as the factor of the decline in the business of people's business credit debtors. Efforts are made in overcoming non-performing loans by continuous persuasive collection and support from local governments in fostering MSMEs so that the capital process through KUR distribution can be increased (Pratama, 2019). KUR plays an important role in helping increase MSME income, Lastina & Budhi (2018); Puryanto & Helmidani (2019).

*Strategy to develop supporting tools for improving financing services.* MSMEs still need to get credit guarantee support, so that the ease of credit can be optimal and can be utilized. A financial guarantee is a third party agreement to cover part of the potential loss to the lender for a loan if the loan cannot be fully repaid by the borrower. Guarantee companies in Indonesia that have been operating are Jamkrindo and in the regional level Jamkrida, which so far have been sufficient to assist the lending of MSMEs, but there are limited funds and underwriting capabilities.

The characteristics of MSMEs are not yet fully recognized by banks, this is reflected in the absence of cooperation between small businesses and banks, and the need for various parties to facilitate the formation of mapping on small businesses. The implication is that the bank should carry out decision-making practices by the government's mission with ease in providing credit, namely flexibility in the form of collateral. The guarantee factor is a determinant for MSMEs in making bank credit decisions, so it is the concern of various related parties such as local governments in easing the burden on small business actors. Guarantee did help access credit to SMEs that have a decent effort (feasible) but do not meet the technical requirements of banks. The credit guarantor will temporarily take over the risk of repayment of credit to the bank (the guarantor) by the credit agreement if it cannot fulfill its obligations. Credit guarantee as to the cooperation of three parties, namely insurance companies, banks (guarantee recipients), and MSME customers. The Perum Jamkrindo guarantee will increase banks in channeling credit more expansively and more safely to MSMEs (Mardiana & Handayani, 2018). Umboh et al. (2018); and Farida et al. (2019) the importance of credit guarantee institutions for MSMEs can assist in accessing loans to financial institutions. Regional Credit Guarantee (Jamkrida) helps MSMEs become bankable.

*Strategies to increase the role of Micro Finance Institutions.* Microfinance institutions as an alternative financial instrument that contribute to financial inclusion programs for MSMEs financial access that have not been reached by banks. Microfinance institutions help improve the performance of small industries through financing and contribute to increasing the financial inclusion of poor households and small businesses given the development of a country's financial market. A well-developed financial market can replace microfinance institutions by increasing lending and thereby reducing efficiency. Efficiency in microfinance institutions has a positive impact on the development of financial markets so that financing in financial institutions has enormous potential in improving the performance of MSMEs (Taiwo et al., 2016); and (Hermes et al., 2018).

The gap between MSME loans and access to formal credit is limited because financial institutions have information asymmetry, so they fail to provide credit. The rationing of credit to MSMEs in a case study in Chittagong City, Bangladesh, stated that 89 percent of companies obtained loans from microfinance institutions (MFIs). Companies that obtained loans from banks were 60 percent and 48 percent of them received a loan amount that was less than the demand for MSMEs. (Hoque et al., 2016).

*Strengthening the business climate and a conducive investment climate.* Strategies to strengthen the business climate and a conducive investment climate for MSMEs are needed to increase competitiveness. A good business climate will encourage entrepreneurial motivation in innovating products that are produced with the support of capital from financial institutions so that they can increase competitiveness in the market. A good investment

climate encourages entrepreneurs to invest their funds to develop their business (Amri, 2017). Strengthening the conducive business and investment climate can be done through improving the institutional structure of MSMEs to increase MSME access to financial institutions, particularly regarding access to information. A conducive business environment with market-oriented development that brings cost efficiency and productivity so that it will sustainably drive the growth of MSMEs.

Macroeconomic conditions have a long-term impact on the growth output performance of MSMEs. These macroeconomic conditions, such as the rupiah exchange rate, reference interest rates, and deposits have an impact on the development of business output so that these changes are influenced by stable macroeconomic policies in their management as determinants of the performance of MSMEs in Nigeria ( Imoughele, 2014). This research was conducted by Hidayat (2018); and Khariza et al., (2020) which state that macroeconomic conditions have an influence on the provision of credit to the MSMEs sector to banks.

*Improve entrepreneurial skills and business activities.* Strategies for strengthening the ability of entrepreneurs or entrepreneurs are very important for the development of MSMEs in increasing competitiveness. Strengthening the ability of entrepreneurs can be improved by focusing on management, technical business skills involved, innovation skills, financial management such as planning/managing business finances, as well as the ability to compile business feasibility proposals that are needed by MSMEs as a reflection of having business productivity in accessing bank financing. . The competitive strength and technology of conventional banking services allow them to reach segments of the low-income population. Access to finance in supporting the performance of MSMEs can be mediated by entrepreneurial competence to bridge the gap, and Behavioral finance can improve the performance of MSMEs because it guarantees banks to monitor the course of efforts to increase access opportunities to financial institutions ( Esubalew & Raghurama, 2020).

Apart from competence, it is also supported by the characteristics of MSMEs, one of which is the level of education of entrepreneurs as a determinant of customer loans in payment performance. Meanwhile, the higher level of formal education for UMKM debtors, namely at the university/undergraduate level, provides opportunities for MSMEs. Higher education means more professionalism in business management to improve business performance and loan repayment ability (Aristanto, 2019). This research was also conducted by Rahman & Widyarti (2017); and Meidiyustiani et al., (2019) the level of education of entrepreneurs affect MSME financing in banks. Small businesses have characteristics, one of which is that in general, they do not have transparent business financial reports, which causes financial institutions to have difficulty obtaining information about the business financial conditions of these small industries (Nuradila, 2014). The Research supports the importance of the report committed by Haruna and Isah (2018), Winarso (2019) stated that the quality of financial statements of SMEs and MSMEs readiness to prepare a report by accounting standards will facilitate SMEs in m are accessing capital in the bank.

Based on the conditions of financing provided by financial institutions to MSMEs, both conventional and sharia commercial banks, and also carried out by microfinance institutions, the main obstacle for small businesses is the inability to obtain adequate financing with high borrowing costs, medium or long credit terms. for small businesses can add to the marginal profit of the small business. Some of the policies implemented to increase access to finance for MSMEs include subsidizing bank credit interest rates for MSMEs, credit guarantee schemes by the government, and the establishment of microfinance institutions for MSMEs ( Asian Development Bank Institute, 2015). This policy can help MSMEs meet their obligation to pay loan costs so that they can survive in increasing the marginal profit of the business.

## CONCLUSION

Economic development is an effort to improve the people's standard of living by developing the potential of the community in managing natural resources through economic activities. Micro, Small, and Medium Enterprises (MSMEs) play a role in supporting the Indonesian economy which dominates in contributing to a country's national income. The

importance of MSMEs in increasing people's income which creates independent businesses that continue to grow and develop requires support for access to financial institutions. Capital is the main component in developing a business, where MSMEs experience difficulties or limitations in obtaining capital, especially in banking. The limitations of MSMEs that have not been fulfilled in the requirements for bank financing are the procedures that require collateral, while MSMEs have limited guarantees, in addition to the high-interest costs charged to MSMEs to reduce business profits. Based on this, the government's strategy in overcoming MSME constraints to increase access to finance to financial institutions is 1) Strategy to strengthen the financial sector, especially banking in terms of financing. Strengthening the financial sector is carried out through a policy requiring banks to finance a minimum of 20 percent to MSMEs, one of which is the KUR program, 2) Strategy for developing supporting tools for improving financing services, 3) Strategies for increasing the role of Micro Financial Institutions, 4) Strengthening a conducive business climate and investment climate, and 5) Increase entrepreneurial capacity and business activities. The strategy carried out can help MSMEs in improving their business performance.

Capital is the main problem for MSMEs in improving their performance, amidst their limitations in getting access to finance at financial institutions. Strengthening the banking sector in financing through the KUR program that has been implemented, by providing interest subsidies in developing businesses, and supported by MSMEs credit institutions has not fully been able to encourage MSMEs credit disbursement, so the government must evaluate the program so that access to MSMEs financing is better. The KUR program which is run through BUMN Banks tends to bring MSMEs to meet the requirements given by BUMN Banks, one of which is that MSMEs must-have business financial management performance, therefore the government is expected to continue to improve MSMEs counseling and assistance so that business continuity can continue. In addition to this, the limitations of microfinance institutions in financing are to increase cooperation with commercial banks to jointly assist MSMEs in obtaining capital so that they continue to develop and advance in contributing to Indonesia's economic growth.

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