**Correlation Of Kur (People's Business Credit) Towards The Development Of Micro, Small And Medium Enterprises In Medan Marelan District**

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**ABSTRACT**

This study aims to analyze the relationship between People's Business Credit (KUR) and the development of Micro, Small, and Medium Enterprises (MSMEs) in Medan Marelan District. Using quantitative methods and associative approaches, this study involved 90 MSME respondents. The results of the validity test showed that all statement items in the KUR and MSME Development variables were valid with an rcount value greater than rtable (0.207). The reliability test also showed positive results with a Cronbach Alpha value of 0.903, indicating that the instrument used was consistent and reliable. The results of the study showed a very strong relationship between KUR and MSME development in Medan Marelan, with a Pearson correlation value of 0.903. This study identified that KUR is effective in supporting MSME development, especially through aspects of efficiency, effectiveness, and accuracy of targets, time, amount, and credit. This study also found that the implementation of KUR can increase the productivity and capacity of MSMEs, which ultimately contributes to local economic growth. These results support previous findings showing that the KUR program has a significant role in empowering MSMEs, helping them overcome capital constraints and increasing competitiveness. Thus, government policies through KUR are expected to continue to be strengthened to support the sustainability and development of MSMEs in Indonesia.

**Keywords:** People's Business Credit, UMKM, Medan Marelan, development, productivity

**INTRODUCTION**

The PBC program was born as a response to Presidential Instruction No. 6 of 2007 concerning the Policy for the Acceleration of Real Sector Development and Empowerment of Micro, Small, and Medium Enterprises, especially in the field of Financial Sector Reform. Through the KUR program, the government hopes for acceleration/speeding up the development of economic activities, especially in the real sector, in order to overcome poverty and expand employment opportunities.

Economic growth is also still a problem of a country's economy in the long term towards a better condition during a certain period and is associated with an increase in the production capacity of an economy which will later be realized in the form of an increase in national income. Economic growth is an indication of the success of a country's economic development.

The welfare and progress of an economy is determined by the magnitude of growth indicated by changes in national output. The economic progress of a region indicates the success of development although it is not the only indicator of the success of development. Three types of measures in assessing economic growth are output growth, output growth per capita, and output growth per worker. Output growth is used to assess the growth of production capacity influenced by the increase in labor and capital in the region.

Per capita output growth is used as an indicator of changes in economic welfare. While output growth per worker is used as an indicator of changes in competitiveness in the region and is seen through productivity growth.

MSMEs have a very important role in the development and defense of the Indonesian economy. This was proven when the crisis hit the Indonesian nation since 1997. MSMEs, which at that time were still referred to as Small and Medium Enterprises, became a lifeline for the nation's economic recovery because they were able to make a very significant contribution to GDP and employment absorption. Given that MSMEs are generally based on local economic resources and do not depend on imports, and their results can be exported because of their uniqueness, the development of MSMEs is believed to strengthen the foundation of the national economy.

The contribution made by small and medium enterprises (SMEs) in the economic crisis can be assessed as a support in the national economic recovery process, seen from the rate of national economic growth and in increasing employment opportunities. In addition to being seen from the ability of SMEs to accommodate a large number of workers, the large quantity of SMEs in Indonesia is also the reason why SMEs are immune to crises. SMEs are businesses that can survive in crisis conditions due to the very flexible nature of SMEs. A flexible business is defined as the ability to adapt to rapidly changing market conditions compared to large-scale companies that are generally bureaucratic. The speed of reaction of this business to all changes such as shifts in consumer tastes, trends, new products and so on is quite high, so that this small-scale business is more competitive.

Seeing the various obstacles and problems faced by MSMEs, the Government of the Republic of Indonesia issued Presidential Instruction Number 6 dated June 8, 2007 concerning the Policy for the Development of the Real Sector and Empowerment of MSMEs which was followed by a memorandum of understanding between the Technical Department, Banking and Credit/Financing Guarantee Companies to MSMEs. On November 5, 2007, Indonesian President Susilo Bambang Yudhoyono inaugurated credit for MSMEs with a guarantor pattern under the name of People's Business Credit (PBC) and supported by Presidential Instruction Number 5 of 2008 concerning the Focus of the 2008-2009 Economic Program to guarantee the implementation or acceleration of the implementation of People's Business Credit. The Presidential Instruction is supported by Regulation of the Minister of Finance No. 135/PMK.05/2008 concerning amendments to Regulation of the Minister of Finance No. 159/PMK.05/2011 concerning People's Business Credit Guarantee Facilities.

With the existence of the People's Business Credit (PBC) program from the government which is considered in the implementation of the poverty alleviation program, it is expected to be able to increase the ability and human capital and social capital of the poor. One example is the importance of efforts to help the poor in starting small (micro) businesses which are expected to increase their productivity and income. Micro, small and medium enterprises (MSMEs) in Indonesia that have the potential to contribute to economic growth are the most numerous business units in Indonesia. It is hoped that the government program, namely the People's Business Credit (PBC), will become one of the pillars of MSME capital.

Medan City with a population of 2,435,252 people has a total of 696,217 MSMEs dominated by the trade and culinary sectors. The rapid economic growth is dominated by the rapid growth in the number of MSME units. The MSME sector in Medan Marelan sub-district contributes 9.7% of the total population of 162,267 people. Medan Marelan sub-district is considered a sub-district with a super high level of activity. The dense population can be seen from the super dense traffic activity, the non-stop economic activity. This is in line with the development of MSMEs which is quite large, resulting in many businesses with trade and culinary types having the largest number. If we look at Medan Marelan sub-district, the number of kiosks, shops in the Titipapan area or along Jalan Marelan Raya is one of the centers of economic activity in the heart of the Medan Marelan sub-district economy.

This indicates that MSMEs in Medan Marelan sub-district require special attention from the local government in order to continue to encourage and optimize MSME development programs more rapidly. This means that Medan Marelan is one of the areas where MSMEs are growing very rapidly, both Small, Micro, and Medium MSMEs. However, the question is whether these MSMEs have implemented an appropriate halal ecosystem considering that their consumers are more dominant in the Muslim community. Micro, Small and Medium Enterprises (MSMEs) have a very strategic role in the Indonesian economy. However, MSME actors still have limitations, such as product quality, limited capital, and marketing networks. One solution to overcome these limitations is to strengthen MSMEs through value chain management analysis.

This fact is supported by the rapid growth and development of the economy in the area. Medan Marelan District is considered a district with a super high level of activity. The dense population can be seen from the super dense traffic activity, the endless economic activity. This fact is in line with the development of quite large MSMEs.

**LITERATURE REVIEW**

1. Definition of Micro, Small and Medium Enterprises (MSMEs)

According to Presidential Decree No. 99 of 1998, the definition of Small Business is: small-scale people's economic activities with business fields that are mostly small business activities and need to be protected to prevent unhealthy business competition. MSMEs in Indonesia are very important for the economy because they contribute 60% of GDP and accommodate 97% of the workforce.

Micro, small and medium enterprises (general) are businesses that have small initial capital, or small wealth value (assets) and a small (limited) number of workers, the value of capital (assets) or the number of workers according to the definition given by the government or other institutions with specific objectives (Sukirno, 2004:365).

According to Law No. 20 of 2008 concerning micro, small and medium enterprises, article 1 states that:

1. Micro businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro businesses as stipulated in this law.

2. Small businesses are independent productive economic businesses, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or are part of either directly or indirectly a medium or large business that meets the criteria for small businesses as referred to in this law.

3. Medium businesses are independent productive economic businesses, carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or are part of either directly or indirectly a Small Business or Large Business with the amount of net assets or annual sales results as stipulated in this Law. (Nurrohmah, 2020:14).

According to Law No. 20 of 2018, SMEs are divided into two definitions, namely: Small Businesses are entities that have net assets of more than IDR 50,000,000.00 (fifty million rupiah) up to a maximum of IDR 500,000,000.00 (five hundred million rupiah) excluding land and buildings for business premises, and have annual sales results of more than IDR 300,000,000.00 (three hundred million rupiah) up to a maximum of IDR 2,500,000,000.00 (two billion five hundred million rupiah). Then medium-sized businesses are business entities that have net assets of more than IDR 500,000,000.00 (five hundred million rupiah) up to a maximum of IDR 10,000,000,000.00 (ten billion rupiah) excluding land and buildings where the business is located, and have annual sales results of more than IDR 2,500,000,000.00 (two billion five hundred million rupiah) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiah). According to Bank Indonesia, Small and Medium Enterprises are industrial companies with the following characteristics:

a. Have capital of less than IDR 20 million

b. For one round of its business only requires funds of IDR 5 million.

c. A company or individual that has a maximum total asset of IDR 600 million excluding the house and land occupied.

d. Annual turnover of more than IDR 1 billion.

Business development will be seen from the process of the business itself and the possibility of the business growing and developing. Micro businesses are defined as the smallest business model, usually carried out at home and most of the workforce is by family relatives, such as trading. Small businesses are small-scale people's economic activities and meet the criteria of net worth or annual sales results and ownership.

Productivity is an important factor in determining the success of MSMEs in the increasingly tight business world competition and can realize the welfare of MSMEs (Zabidi, 2022).

To measure the development of MSMEs, a productivity measurement instrument must first be formed:

According to Zabidin (2022) The criteria to be measured include:

1) Efficiency criteria, showing how the use of company resources, such as labor, energy, materials and capital is as efficient as possible.

2) Effectiveness criteria, showing how the company achieves results when viewed from the perspective of accuracy and quality.

3) Inferential criteria, showing a criterion that does not directly affect productivity but if included in the matrix can help calculate variables that affect major factors.

2. Definition of PBC (People's Business Credit)

According to Kasmir (2020) credit or financing can be in the form of money or bills whose value is measured in money, for example a bank finances credit for the purchase of a house or car. Then there is an agreement between the bank (creditor) and the credit recipient (debtor), that they agree according to the agreement that has been made.

According to Semara Putra (2013), PBC is one of the government's efforts to encourage banks to channel capital credit to MSMEs and Cooperatives. People's Business Credit (PBC) aims to accelerate the development of economic activities in the real sector in order to overcome and eradicate poverty and expand employment opportunities. In more detail, the objectives of the PBC program are:

1) Accelerate the development of the real sector and empower Micro, Small, Medium Enterprises, and Cooperatives (MSMEs).

2) Increase access to financing and develop MSMEs and Cooperatives to Financial Institutions,

3) As an effort to overcome/eradicate poverty and expand employment opportunities.

However, at this time, some business actors are having difficulty with the capital they have, so the government wisely created a program, namely the People's Business Credit (PBC). The People's Business Credit (PBC) is a form of government program created with the aim of being directly present and supporting the growth of cooperatives and small to medium businesses and KUR also provides credit services to small and medium business owners (Fauziah, 2019). The People's Business Credit (PBC) program is implemented by establishing cooperation between the government and financial institutions, such as banks. Banks function as credit facilitators by providing funds and business capital and investment lending services for MSMEs (Hutabarat, 2023).

The aspects used to measure the effectiveness of the distribution of People's Business Credit (PBC) to improve the performance of Micro, Small and Medium Enterprises (MSMEs) can be seen from the following 4 procedures (Suginam, 2021):

1. Target accuracy procedure, namely through the extent to which customers of the People's Business Credit (PBC) program are right on target. The target of the People's Business Credit (PBC) program is Micro, Small and Medium Enterprises (MSMEs) who lack business capital to start or develop their businesses.

2. Timeliness procedure, namely with a predetermined time limit in providing People's Business Credit (PBC) to applicants in determining the amount of credit submitted by Micro, Small and Medium Enterprises (MSMEs).

3. Accuracy of amount procedure, namely in the form of accuracy of the amount that will be received by Micro, Small and Medium Enterprises (MSMEs) from the credit guarantee institution based on the previous credit number submission. In the process of providing credit for Micro, Small and Medium Enterprises (MSMEs), the applicant first submits an application for the credit figure to be obtained and the completion period for the People's Business Credit (PBC).

4. Credit accuracy procedures, in the form of provisions that have been agreed upon between the debtor and the creditor regarding all matters relating to the People's Business Credit (PBC).

**RESEARCH METHOD**

The type of research used in this study is research using quantitative methods. Quantitative research methods are used to research a particular population or sample, which aims to test the established hypothesis. The research approach used is field research.

Researchers use an associative approach aimed at determining the Relationship between PBC (People's Business Credit) (X) and UMKM Development (Y). With a quantitative method based on this research in the form of numbers and using statistical analysis according to (Sugiyono, 2014, p. 7).

What is meant by UMKM development is a process of implementing a business regarding potential growth opportunities during the business. In this case, companies can utilize each other's expertise, technology or intellectual property to expand their capacity to identify, research, analyze and bring to market new businesses and new products, business development focuses on the implementation of strategic business plans through equity financing, acquisition or divestment of technology, products, and others.

The indicators in the development of MSMEs can be seen from:

1) Efficiency

2) Effectiveness

3) Inferential.

What is meant by Accessibility in the study is that the People's Business Credit (PBC) program is distributed to Micro, Small and Medium Enterprises (MSMEs) who may need additional capital for the business they are running. When the program is running, the People's Business Credit (PBC) distributor will ensure whether the program is running productively or effectively so that the targets determined in the People's Business Credit (KUR) program are met. The indicators in the People's Business Credit (PBC) can be seen from:

1) Target accuracy procedure

2) Timeliness procedure

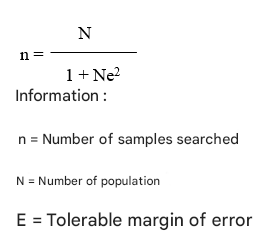
3) Amount accuracy procedure

4) Credit accuracy procedure

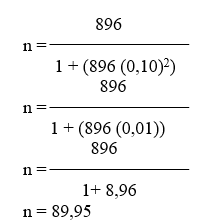
This research will be conducted in Medan Marelan District, Medan City, North Sumatra Province.

Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn (Sugiono, 2014). The population in this study is all MSMEs in Medan Marelan District with a total of 896 business actors.

A sample is a portion of a population whose characteristics are to be investigated and is considered to be able to represent the entire population or a smaller number of the population (Sugiyono, 2013). The population of this study was MSME entrepreneurs in Medan Marelan District consisting of 896 MSMEs. The sampling technique used was the Slovin method, as follows:



The determination of the margin of error tolerated is 10% which has an accuracy of 90%. Based on the explanation above, the sample size of this study is as follows (Sugiono, 2018):



From the calculation results above, the research sample was rounded up to 90 MSMEs in Medan Marelan District.

**RESULTS**

In this study, the research instruments used are validity test and reliability test. According to Sugiyono (2016:177), a valid instrument means that the measuring instrument used to obtain data (measure) is valid. Valid means that the instrument can be used to measure what should be measured. While a reliable instrument means that if it is used to measure repeatedly, it will produce the same data.

Validity test is used to measure the data that has been obtained after the research by distributing the questionnaire. Valid means that the data obtained through the questionnaire can answer the research objectives. The method used in testing the level of validity is with internal variables, namely testing whether there is a match between the parts of the instrument as a whole.

The results of the correlation calculation (r) or corrected item-total correlation are then compared rcritical or r(α,n-2), whereα is set at 5% and N is the number of respondents, then it can be seen that df = n-2 (90– 2 = 88) df = 0.207 (rtable). Validity testing is carried out using the following criteria:

1) If rcount> rtable then the question is valid

2) If rcount< rtable then the question is not valid

In this study, the testing of research instruments was conducted by testing a questionnaire containing 20 statements with 10 statements for the PBC (People's Business Credit) variable (X) and 10 statements for the UMKM Development variable (Y) given to 90 UMKM in Medan Marelan District. The following table will present the results of the validity test calculations for each variable.

1) PBC (People's Business Credit) Variable (X)

This variable consists of 10 statement items answered by respondents, then processed with SPSS Version 25.0 to see the calculated r value to be compared with the r table value. The results can be seen in the table below:

Table 1. Validity Test of Entrepreneurial Orientation Variable (X1)

|  |  |  |  |
| --- | --- | --- | --- |
| Statement Items | Rcount | Rtable | Validity |
| P1 | 0.844 | 0.207 | Valid |
| P2 | 0.695 | 0.207 | Valid |
| P3 | 0.389 | 0.207 | Valid |
| P4 | 0.789 | 0.207 | Valid |
| P5 | 0.402 | 0.207 | Valid |
| P6 | 0.690 | 0.207 | Valid |
| P7 | 0.368 | 0.207 | Valid |
| P8 | 0.648 | 0.207 | Valid |
| P9 | 0.864 | 0.207 | Valid |
| P10 | 0.648 | 0.207 | Valid |

Source: Processed with SPSS ver.25.0; 2024

Table 1 above shows that the rtable value for 90 samples is 0.207. All values ​​in the rcount column are greater than rtable 0.207 so it can be said that all items of the PBC (People's Business Credit) variable statement are valid.

2) UMKM Development Variable (Y)

This variable consists of 10 statement items answered by respondents, then processed with SPSS Version 25.0 to see the calculated r value to be compared with the r table value. The results can be seen in the table below:

Table 2. Validity Test of MSME Development Variables (Y)

|  |  |  |  |
| --- | --- | --- | --- |
| Statement Items | Rcount | Rtable | Validity |
| P1 | 0.834 | 0.207 | Valid |
| P2 | 0.806 | 0.207 | Valid |
| P3 | 0.442 | 0.207 | Valid |
| P4 | 0.808 | 0.207 | Valid |
| P5 | 0.771 | 0.207 | Valid |
| P6 | 0.397 | 0.207 | Valid |
| P7 | 0.808 | 0.207 | Valid |
| P8 | 0.771 | 0.207 | Valid |
| P9 | 0.397 | 0.207 | Valid |
| P10 | 0.234 | 0.207 | Valid |

Source: Processed with SPSS ver.25.0; 2024

Table 2 above shows that the rtable value for 90 samples is 0.207. All values ​​in the rcount column are greater than rtable 0.207 so it can be said that all items of the UMKM Development variable statement are valid.

b. Reliability Test

Reliability test is the level of reliability of a study. A reliable instrument is an instrument that when used repeatedly to measure the same object will produce the same data (Sugiyono, 2016:177). Reliability test will be able to show the consistency of the responses contained in the questionnaire. This test is carried out after the validity test where the statement is valid. Testing is carried out using the following criteria:

1) If ralpha is positive or > 0.7, then the statement is reliable.

2) If ralpha is negative or < 0.7, then the question is not reliable.

In this study, the reliability test was conducted using the Cronbach Alpha formula technique and using the SPSS 20.0 for Windows program.

**CONCLUSION**

Based on the calculation results rhitung > rtable which is 0.903 > 0.207 and a significant value of 0.000 < 0.05 then Ha is accepted and H0 is rejected. So it can be concluded that PBC (People's Business Credit) has a significant relationship to the Development of MSMEs in Medan Marelan District. Based on the Pearson Correlation value of 0.903, the criteria for the interpretation of the relationship between PBC (People's Business Credit) and MSME Development is 90.3% or has a very strong relationship.

This is in line with research conducted by Zabidi, (2022) found that from the results of the study, three criteria were obtained that were used to measure productivity, namely efficiency, effectiveness and inferential criteria. There are 5 indicators used to measure productivity. The productivity measurement instrument with the Omax model can be used to measure productivity. Based on the measurement example, the total productivity achievement value was 6 (good).

Furthermore, research conducted by Suginam, (2020) found that descriptive research focuses on actual problems as they exist at the time the research is taking place. Through descriptive research, companies try to describe events and incidents that are the center of attention without special treatment of the events. The final stage in data analysis is drawing conclusions and verification. The results of this study indicate that PBC can be said to be effective, because it has met the specified requirements.

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