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## Thinking Across Capability Model for Accessibility of People's Business Credit (KUR) Capital for Micro Business Actors

### Abstract

This research examines the central government's facilitation to foster the resilience of MSME actors through capital financing, namely the People's Business Credit (KUR) program. The implementation of capital assistance through KUR remains problematic, especially the accessibility. The main objective is to analyse the problem situations and dynamics of micro-business capital and provide recommendations in the form of an adaptive and innovative policy construction model to the government. This research utilises the Soft Systems Methodology (SSM) perspective, which can transform a complex, unstructured problem into a more structured problem situation and build a conceptual model that fits the context of the existing problem. The results indicate that the primary problem is the dominance of the KUR program's policy control by the central government, which complicates capital accessibility, especially for micro businesses, and limits the authority of local governments. The proposed conceptual model focuses on thinking across capabilities, which allows the adoption of thoughts, opinions, and ideas outside the inherent cultural framework to create innovative and adaptive policy outcomes. The two main dimensions of the model application are delegated task and authority, which is the power to delegate and provide insight or the ability to produce innovative and adaptive thinking. This resulted in two recommendations for the mandate mechanism to local governments, namely (1) authorising local governments to make recommendations for business status based on mapping to provide a guarantee for micro-businesses (2) the authority of local governments to work with banks to facilitate the distribution and bureaucratic management of KUR financing to micro businesses.

### Keywords:

KUR accessibility; thinking across; microenterprise

## Introduction

Indonesia has around 65.46 million units of Micro, Small, and Medium Enterprises (MSMEs), making it a country with the most significant number of MSMEs in the ASEAN region (ASEAN Investment Report, 2021). In his speech at Economics Expo Talk 2022, the Coordinating Minister for Economic Affairs said that the development of MSMEs is a pre-requisite (a condition that must exist for effect to appear) for Indonesia's economic growth. This is because MSMEs contribute 60.5% of Indonesia's Gross Domestic Product (GDP) and absorb labour as much as 96.9% of the total national employment (Cahya et al., 2021; Hamza & Agustien, 2019). Therefore, the Indonesian government should act as a stabiliser to maintain the MSME climate and encourage the growth of MSMEs in Indonesia (Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2022; Salam & Prathama, 2022). The important role of MSMEs was proven when Indonesia's economy experienced a downturn due to the COVID-19 pandemic. MSMEs remained resilient in operating businesses even when faced with financial, monetary, or COVID-19 pandemic crises (Sarfiyah et al., 2019; Silalahi & Ginting, 2020; Suryawati, Firdaus et al., 2023).

Recognising the potential of MSMEs in the Indonesian economic sector, Law No. 20/2008 articles 7 and 8 regarding government support in developing the business climate was issued (Sarfiyah et al., 2019). One of the program implementations is the launch of People's Business Credit (KUR) to help MSME players gain access to financing and other financial services and products (Elliyana et al., 2020; Sofyan, 2021; Ulfa & Mulyadi, 2020). The funds for the KUR program are sourced from banks or financial institutions as KUR distributors. The central government, as the program's owner, has the authority to subsidise the KUR margin or interest. The funds are provided in the form of working capital and investment that will be channelled to MSME actors with productive and feasible businesses but do not yet have additional collateral or MSMEs with insufficient and non-bankable additional collateral (Constitutional Court of the Republic of Indonesia, 2022; Ulfa & Mulyadi, 2020). Furthermore, the central government also issued an adaptive policy in the KUR program to deal with the economic downturn and help protect the stability of business actors from the COVID-19 pandemic by increasing the KUR interest/margin subsidy to only 3%, as stated in the Coordinating Minister for Economic Affairs Regulation Number 2 of 2022 concerning Special Treatment for Recipients of KUR Affected by the COVID-19 Pandemic. This indicates that even though MSMEs are resilient, they can be affected if support policies during these conditions are non-existent (Yang, 2023).

However, the initial observation in this study shows that there is an accessibility problem in the implementation of the KUR program in Bondowoso Regency. Based on the Regulation of the Coordinating Minister for Economic Affairs Number 1 of 2022 Article 4, the requirements for KUR recipients are 1) the existence of the business, i.e., business actors with productive and feasible businesses and 2) a letter of recommendation for applying for credit or financing from the head of the business group. However, based on information in the field, several business actors, especially those of micro-businesses in the pilot stage, rely on their capital to maintain their business existence. This was because banks proposed conditions for KUR financing to business actors, which reduces the accessibility of financing for micro-business actors.

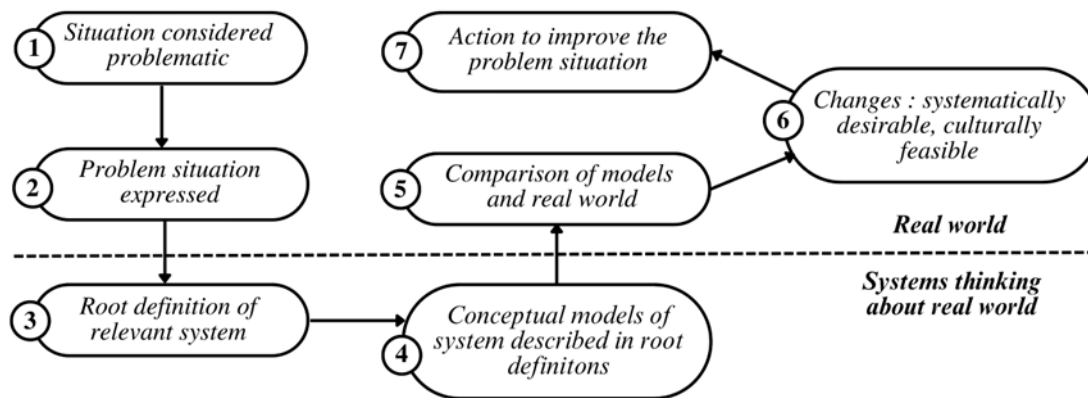
The government should anticipate such dynamics or economic problems by issuing adaptive and innovative policies (Norman et al., 2020; Suryawati, Helpiastuti, et al., 2023). The situation faced by micro-enterprises, as described above, is always related to the Indonesian economy, which has experienced fluctuating conditions in the last 70 years, so adaptive policies are needed for MSMEs to survive (Agustin & Cahyono, 2017). However, in the KUR program, the local government with regional autonomy does not actually have authority in the affairs of the KUR program as it is controlled by the central government. As a result, the local government cannot actively make decisions. In this case, the authority of the local government is only limited to the facilitating function (personal communication with DISKOPERINDAG, 2023). Fiscal and monetary policies are fully controlled by the central government, although the distribution could be more targeted if this authority is assumed by local governments as they know best about the potential and needs of business actors. In fact, MSME affairs are within the 'joint' jurisdiction between the central government and local

governments. In this case, a dynamic government system is needed to find innovative solutions using a dynamic governance system (Neo & Chen, 2007).

Dynamic governance emphasises innovation in the formulation and implementation so that policies are relevant to the needs and dynamics of society at that time. This is because the adaptive concept can increase the government's ability to deal with changes while protecting the community from instability (Janssen & Voort, 2020). An adaptive policy is a proactive approach to innovation, contextualisation, and implementation (Neo & Chen, 2007). Understanding the conditions and problems of business actors is needed, especially in the context of capital accessibility. As such, a conceptual model can be constructed to reflect the dynamics and inform cross-border government policies to strengthen the resilience of business actors, especially micro businesses. Based on this background, the current research aims to propose a model to ease access to KUR capital for micro business actors, based on the capability of thinking across borders in dynamic governance.

## Methods

The research location unit is in Bondowoso Regency, East Java Province. Sumber Wringin District and Tamanan District are the two districts that selected the research. The selection of the two locations is based on their local products' potential, namely coffee and tofu. Data was collected through triangulation techniques based on observation, interviews and document studies. In other words, this research is descriptive qualitative. The data collection techniques include in-depth interviews, observations and document studies. The unstructured problems are described through the Soft System Methodology (SSM) approach to help organise and structure previously unstructured problems. This approach helps improve the identification and understanding of a system, estimate its behaviour and then



**Figure 1. Soft Systems Methodology Chart**

Source: Checkland & Poulter, 2020

design a modification to produce the desired impact (Checkland & Poulter, 2020). The SSM methodology was developed by Peter Checkland in 1991. It is an action research methodology that aims to explore unstructured problems so that they can be improved. The process consists of seven stages, namely:

As shown in Figure 1, the seven stages in the SSM model applied in this study are:

1. The situation is considered problematic. At this stage, researchers describe the conditions from the views of the government (central and regional), banks, and micro-business actors in the KUR program in Bondowoso Regency.
2. The problem situation is expressed or described in a rich picture diagram based on the problem situation at the level of government, related agencies, banks, and the level of policy implementation by micro-business actors.
3. The root definition of the relevant system, namely defining keywords or root definitions through CATWOE analysis, is determined. In the CATWOE analysis, researchers describe the definition of the problem faced by micro business actors in terms of accessibility of KUR capital in Bondowoso Regency. Following the analysis, the root definitions are presented to create a suitable model.
4. Conceptual models of the systems described

in root definitions are based on the dynamic governance perspective experienced by local governments and the dominance of central government policies in the KUR program.

5. Comparison of models and real-world assess the conceptual model against the real situation. After knowing the actionable plan to be carried out, the next step is formulating the steps to achieve this and who the actors are. Then, the real-world application is utilised to provide input for improvement or change.
6. Changes are made when systematically desirable and culturally feasible. The formulation to improve the problem situation is based on the analysis results and the proposed local government mechanism to facilitate the accessibility of capital for micro-business actors.
7. Action to improve the problem situation is taken, namely making improvements or solutions to the recommended system. This stage was not implemented yet because the conceptual model built has to be recommendable to be applied in the real world. This stage takes a long time and is only possible if done steadily.

## Results and Discussion

### Situation considered problematic

Law No. 20 of 2008 concerning MSMEs,

especially in Articles 7 and 8, explains the growth of the business climate through funding support from the government. In this regard, the law proves that the central government supports business actors in Indonesia in terms of capital, one of which is through the People's Business Credit (KUR) program (Atin, 2019; Sofyan, 2021). This was reinforced by the legal basis issued by Presidential Decree No. 19/2015 on the Amendment to Presidential Decree No. 14/2015 on the Financing Policy Committee for Micro, Small, and Medium Enterprises. In its development, the subsidy by the central government on KUR interest is stipulated in Permenko No. 1 of 2023 concerning Guidelines for the Implementation of People's Business Credit and PMK No. 180/PMK.05/2017 concerning Procedures for Implementing Interest Subsidies/Margin Subsidies for People's Business Credit.

The KUR implementation policy is updated continuously by adjusting to the conditions and situation. One of the adaptive policies of the central government is the additional KUR margin subsidy during the COVID-19 pandemic. However, findings from the implementation of the KUR program in the field show that the government needs to create adaptive and dynamic policies to answer this phenomenon. The central government implemented an additional interest subsidy policy of 3% in 2021, so it is only 3% until the end of 2021 (Gunawan & Sutrisno, 2023). This aims to help the MSME sector or business actors affected by the COVID-19 pandemic (Constitutional Court of the Republic of Indonesia, 2022). The support from banks such as KUR distributors, for example, BRI and BNI, assisted business actors by extending the instalment period to relieve monthly deposits (personal communication with micro businesses, 2023; Sofyan, 2021). The policy is stated in the Regulation of the Coordinating Minister for Economic Affairs of the Republic of Indonesia Number 2 of 2022 concerning Special Treatment for Recipients of People's Business Credit Affected

by the 2019 Corona Virus Disease Pandemic, especially in Article 7. One aspect of this policy is to postpone KUR principal payments within a period determined by the KUR credit distributor, following existing rules in laws and regulations (Anggraeni et al., 2021).

In 2023, the KUR interest policy was agreed to be tiered, meaning that the interest rates and margins for KUR Mikro and KUR Kecil increased in stages (KUR interest subsidies sliding or decreasing in tiers) for repeated KUR Mikro and KUR Kecil debtors. This policy reform did not align with the hope of the business actors that KUR interest rates could be further reduced. Similar hopes were also conveyed by micro business actors in Tamanan District and Sumber Wringin District regarding the additional KUR interest subsidy. They expected it to be even smaller so that it could provide more relief (personal communication with micro businesses, 2023).

Based on the latest KUR program policy, namely, tiered KUR, the application limit for micro and small businesses has a four-time loan opportunity. If the credit application opportunity has reached its limit, the debtors classified as micro or small business actors cannot apply for credit again. This is following the policy in the Regulation of the Coordinating Minister for Economic Affairs Number 1 of 2023 concerning Amendments to the Regulation of the Coordinating Minister for Economic Affairs of the Republic of Indonesia Number 1 of 2022 concerning Guidelines for the Implementation of People's Business Credit Article 22 Paragraph 2 related to the provisions of repeated debtors or graduated KUR for the distribution of KUR. It is stated that the interest subsidy for the first financing of 6% continues to increase in subsequent takes or four opportunities up to the interest subsidy limit of 9%.

The categorisation of micro, small, and medium enterprises according to Law Number 20/2008 has a different meaning from the categorisation of micro business loans by banks.

Therefore, in channelling KUR funds, banks have their definitions and classifications determined based on the credit lending ceiling. Therefore, in the Regulation of the Coordinating Minister for Economic Affairs of the Republic of Indonesia Number 1 of 2022 Article 4, it is explained that the financing/credit agreement is made by the KUR distributor with each member of the business group (Pidu et al., 2022; Ulfa & Mulyadi, 2020).

This explanation concludes that the loan ceiling from business actors automatically depends on how the channelling bank assesses the business. The amount of loan obtained by each business actor is different. The decision is also based on the collectability of the instalments of the debtor or business actor. If satisfactory, they will be offered a loan with a high ceiling and vice versa. Low collectability will impact the debtor's loan from the next business actor (personal communication with KUR facilitator, 2023).

Nevertheless, business actors are asked to provide proof in the form of collateral in their first credit application to prove their existence and seriousness in building a business. For the bank, the existence of collateral can be a determinant of healthy instalment payments from debtors. The Bondowoso District KUR Facilitator said that some micro businesses had difficulties in applying for credit initially due to the collateral needed to meet the requirements of the KUR channelling banks (personal communication with KUR facilitator, 2023).

The problems related to collateral have been discussed by the central government and the banks facilitated by the Ministry of Cooperatives and SMEs of the Republic of Indonesia. However, the KUR Facilitator of Bondowoso District explained that this problem has yet to be resolved (personal communication with KUR facilitator, 2023). This statement is also supported by the findings of the Ministry of Cooperatives and SMEs presented at the briefing of KUR Coordinators and Assistance Personnel for East Java Province

in 2023 regarding obstacles in applying for KUR credit or financing. These findings are based on a survey of MSME performance by Bank Indonesia of 470 MSME respondents as of September 2022. The highlight was that 29.5% of respondents recognised obstacles related to interest rates, which remained high. Meanwhile, 28% of the respondents recognised that the barrier was the absence of collateral from business actors for credit applications.

The influence of collateral in the KUR financing process was felt by the owner of the micro business producing tofu in the Tamanan subdistrict, Sumber Abadi. The business owner explained that during the COVID-19 pandemic, productivity was disrupted. In order to survive these conditions, he was forced to borrow from a weekly bank because the conditions were more accessible and straightforward. This is because he could not meet the collateral requirements of the KUR banks (personal communication with the micro business owner, 2023). However, the practical and instant loan from the weekly bank has higher interest rates than KUR's interest rate of 6% (personal communication with a micro business entrepreneur, 2023).

The KUR program has been socialised, but understanding human resources, in this case, business actors, is one of the challenges that inhibit its success. Some business actors, especially micro-businesses, still need to familiarise themselves with the KUR program and how to obtain credit (personal communication with KUR facilitator, 2023).

MSME affairs are concurrent, joint affairs between the central and local governments. This also has consequences for capital affairs through the KUR program. The regional governments do not have the authority to regulate KUR subsidies, margins, and other terms and conditions for the business actors. KUR is practically a program by the central government, with all policies and regulations depending on the central government, so Bondowoso District, as the local government,

only has the authority to provide facilitation or bridging (personal communication with DISKOPERINDAG, 2023).

The monitoring of KUR financing is carried out directly by banks as KUR fund distributors. The Bondowoso Regency government, as explained by DISKOPERINDAG, does not have authority in this matter. This was also explained by the owner of the cafe business, Nurico, explaining that before the disbursement of KUR funds, the bank would conduct a separate evaluation related to the business or the operations in order to assess and prove the seriousness of the business (personal communication with micro business actors 2023).

The complexity of the KUR program is felt by various parties, starting from micro business actors, the local government, in this case, the Bondowoso Regency DISKOPERINDAG, the Bondowoso Regency KUR Facilitator and the banks as KUR distributors. These dynamics form an unstructured problem.

### **Problem situation expressed**

Based on the outcome of the first stage, there are several problems identified related to the KUR program among micro business actors in the Bondowoso.

1. The lack of understanding of the KUR program by human resources has resulted in the absence of collateral by some micro-businesses.
2. District governments have no authority over the KUR program because it is under the direct authority of the central government.
3. District governments (DISKOPERINDAG) are facilitators.
4. There is a need for additional KUR interest/margin subsidies by the government.
5. There is a need for a tiered increase in KUR and KUR graduation.
6. There is an opportunity limit in taking the KUR program.
7. District governments do not have the right to monitor KUR financing for micro-business

actors.

8. The government and banks are at a stalemate in the discussion of collateral.
9. Requirements by banks as KUR distributors are complicated.
10. There are differences in assessing the categorisation of business actors between the government and banks.
11. The banks determine the credit ceiling.
12. The collectability of business instalments affects subsequent credit loans.
13. Collateral is mandatory to prove the seriousness of the business actor.
14. Some micro businesses do not have collateral or security guarantees.
15. Micro business actors need help in proving their business through collateral.
16. Weekly banks provide more straightforward loans.

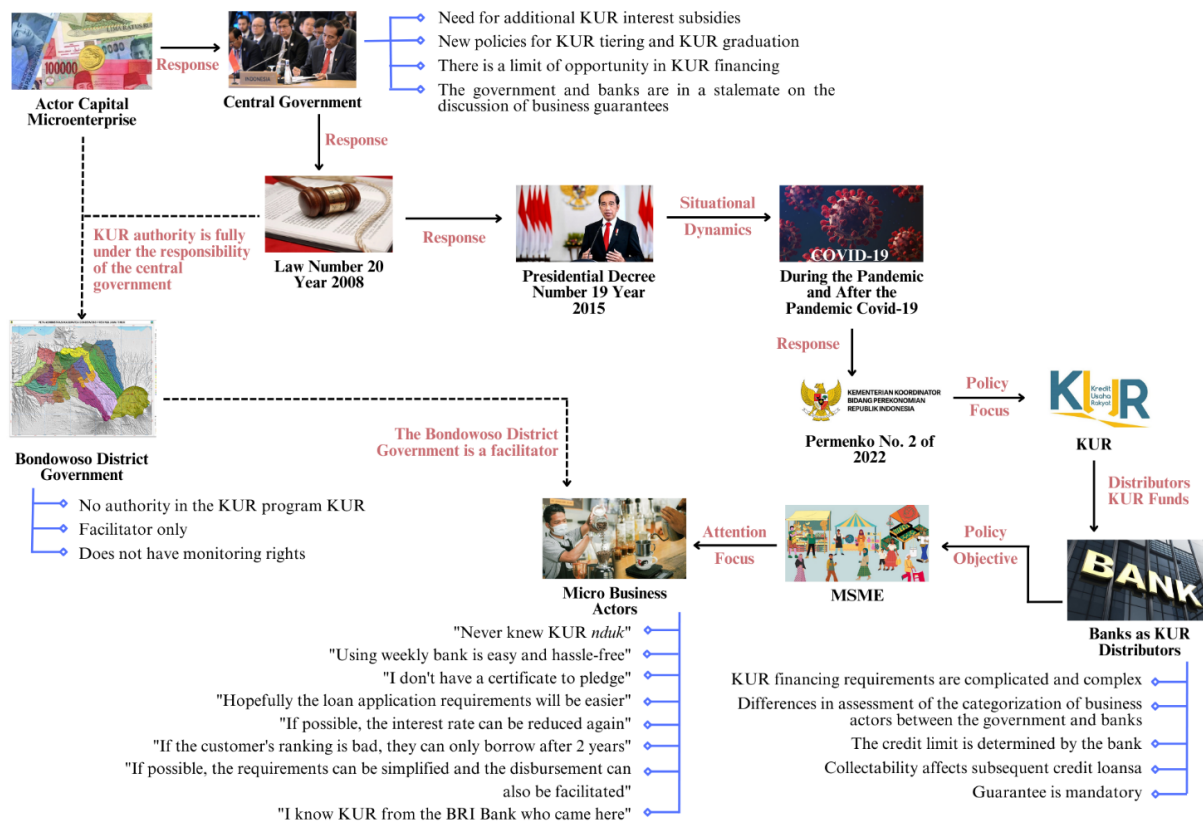
The relationship between these unstructured problem situations centred around the primary goal, namely, the KUR program to remain resilient as one of the micro business credit programs. In this case, of the seventeen problem situations, one central problem situation becomes the macro problem: the central government's dominance in KUR policy control.

### **The root definition of the relevant system**

At this stage, the problem can be solved by providing a more detailed understanding of the situation through compression or generalisation. In the SSM method to describe the problem, the Customer, Actors, Transformation Process, Worldview, Owner, and Environmental Constraints (CATWOE) tool is used to map the root definition of the problem findings (Checkland & Poulter, 2020).

The dynamics of the core problems are first related to the problematic authority of the central government to local governments that are less dynamic and adaptive to the KUR program.





**Figure 2. Rich picture of the Problem Situation**

*Source: data processed by researchers, 2023*

The second problem relates to bureaucratic management in the form of complex terms and conditions from the banking sector as an institution that distributes KUR funds. These two things shape the KUR program's policies and impact MSME actors, especially micro businesses as targets or clients.

There are two main elements and one supporting element: (1) the first main element, namely the central government through related ministries as the full holder of authority in the KUR UMKM program, in this case, micro-businesses; (2) the second main element, namely the Regency Regional Government through DISKOPERINDAG as the agency with authority to handle the facilitation of MSMEs, especially micro businesses in the region; and (3) the supporting element is banks as institutions that channel KUR funds to debtors or business actors. Based on the descriptions of the three elements of actors, the transformation that must be realised is a dynamic and adaptive

model of the mechanism for mandating local governments to unravel something rigid and complex. Furthermore, a bureaucratic model using the concept of dynamic governance will improve the effectiveness and efficiency of government administration in dealing with the complexity of the problems.

Worldview is a way of looking at reality, namely how various actors understand the existing reality through the commitment of the central and local governments to solve the problem faced by micro business actors in the KUR program. So far, the policy on the KUR program has been formulated top-down, and the Regency Government, as the holder of regional autonomy rights, does not hold the authority over decision-making in KUR matters. The existence of regional autonomy should prevent the central government from applying a one-size-fits-all approach (Constitutional Court of the Republic of Indonesia, 2022). Therefore, the party that can



**Table 1.**  
**The dominance of KUR program policy control by the central government**

No.	Problem System Definition Component	Problem System Definition Results
1.	Clients or parties that benefit or are harmed	Microbusinesses in Bondowoso Regency, specifically microbusinesses in Sumber Wringin and Tamanan subdistricts.
2.	Actors or parties who carry out activities (changes)	Central Government, Bondowoso District Government through DISKOPERINDAG in the MSME sector and Banks as KUR fund distributors.
3.	Transformation process to convert inputs into outputs	A policy model based on a dynamic governance perspective can help unravel something that is rigid and complex.
4.	Worldview of a reality or how various parties understand the reality	The Central Government's understanding of the dynamics of the authority and authority of District Governments over the KUR program, whose policies are too centralised, has an impact on micro business actors with special conditions and situations that are dynamic and dependent on the region.
5.	Owners are the ones who can stop the transformation	The central government as the policy control holder.
6.	Environmental constraints or constraints contained in the action/ activity environment	(1) The bureaucratic flow and limited authority of local governments; (2) the dynamics of the state (APBN) budget allocation for KUR interest/margin subsidies; (3) the requirements and administrative management flow of banks to obtain KUR financing; and (4) the understanding of microenterprise human resources of the KUR program.
<b>Root Definitions</b>		
A pattern of mechanisms for giving policy mandates to district governments in order to provide easy accessibility to capital to micro businesses through the KUR program in order to create terms and conditions that make it easier for micro businesses to disburse KUR funds (X) based on a dynamic governance perspective (Y) in order to create dynamic and adaptive bureaucratic policies to achieve optimal results (Z).		

*Source: data processed by researchers, 2023*

transform the process is the central government as the holder of policy control. Meanwhile, the environmental constraints that may be faced include (1) bureaucratic flow and limited regional authority, (2) the allocation of the state budget (APBN) for the KUR program subsidy budget, (3) complicated and complex requirements for obtaining KUR financing, and (4) a lack of understanding of the KUR program by micro businesses.

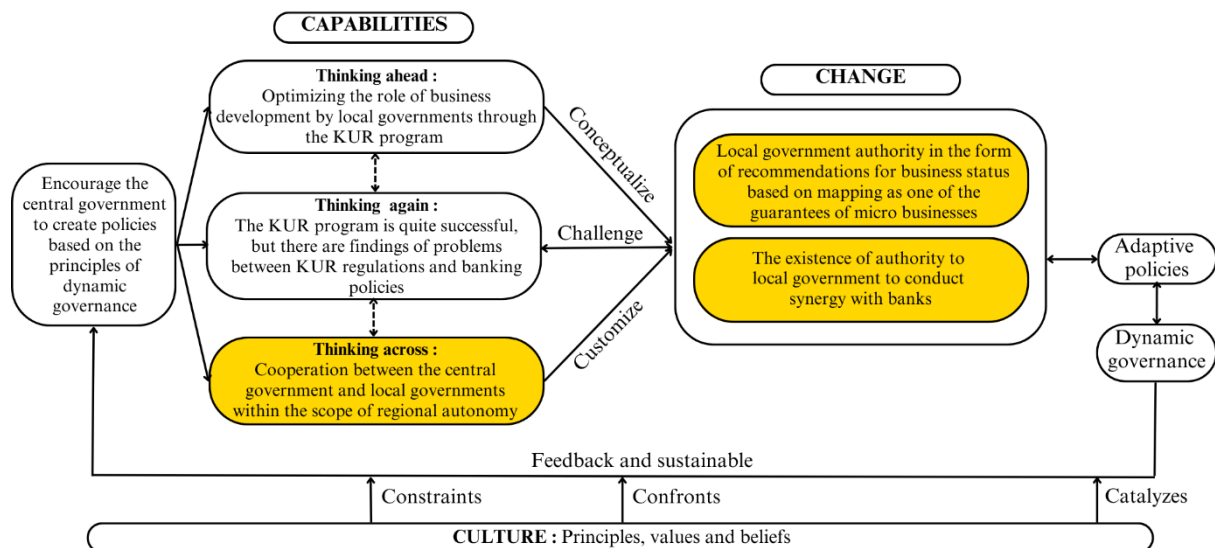
### **Conceptual models of the system described in root definitions**

Achieving the objective of dynamic governance for the KUR program for micro-business actors depends on the capability to think across. This is because the changes aimed for in the model are related to how the central government can collaborate with local governments to make capital for micro-businesses more accessible. Thinking across is the ability to cross boundaries to learn from the experiences of others so that good ideas can be adopted and adapted to enable

new and innovative policies or programs to be tested and institutionalised (Neo & Chen, 2007).

The KUR program policy is under the total dominance of central policy. As such, based on the capability of thinking across, the participation of local governments as cross-border governments is needed to drive change in the dynamics of the KUR problem. Regional autonomy assumes that local governments understand the conditions and uniqueness of the region, including how to overcome problems faced by micro business actors in KUR problems. Thinking across in dynamic governance is the ability to introduce fresh ideas and innovations into a society (Neo & Chen, 2007). The ability and way of thinking of human resources will be the driving force of innovation derived from accumulated knowledge (Diaz & Sensini, 2020).

According to Neo and Chen (2007), the capability of thinking across requires capable human resources and agile processes (referring to work approaches that are flexible, adaptable, and focused on team collaboration to produce quality



**Figure 3. Model mechanism for granting mandates to local governments based on dynamic governance**

*Source: model modified by researchers from Neo & Chen, 2023*

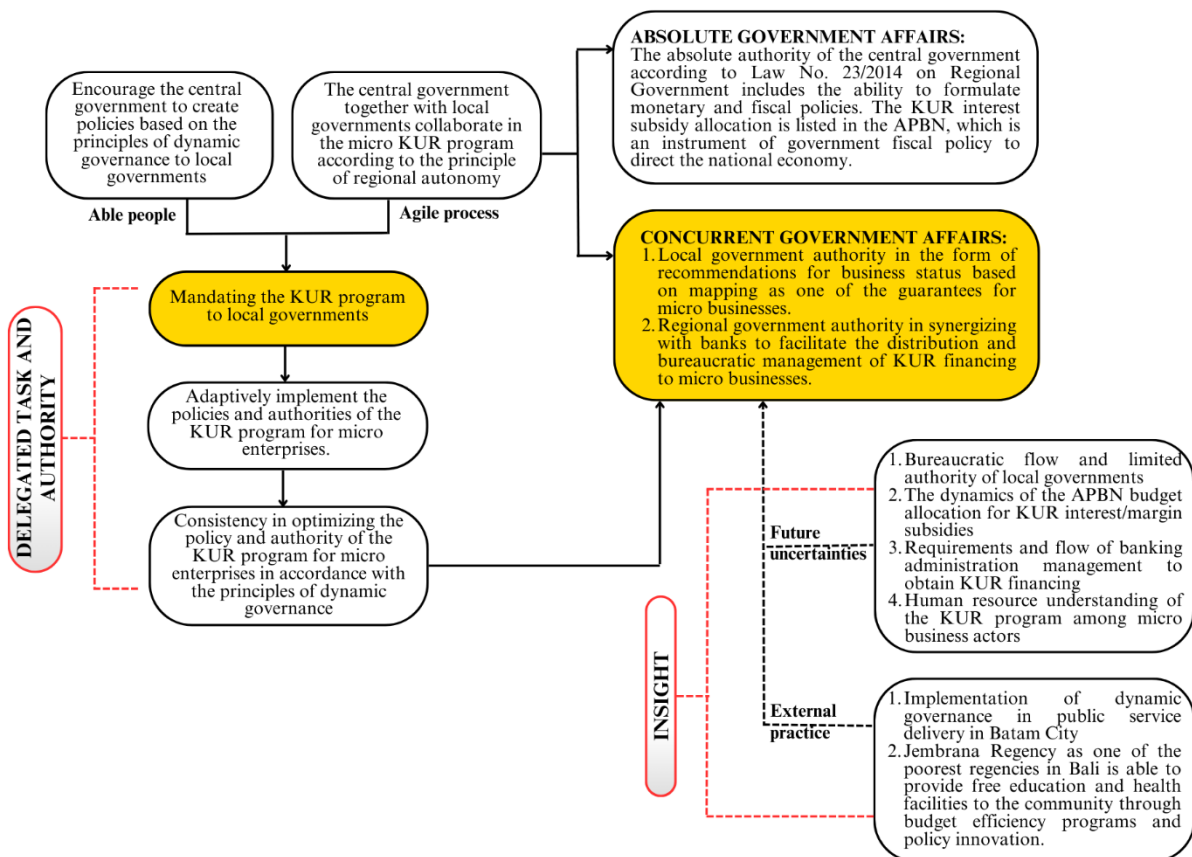
results). Meanwhile, the factors that influence thinking across are future uncertainties and external practices (referring to ways of working methods or policies adopted from outside to improve efficiency, productivity, or quality in an entity). These can include innovative ideas or proven methods obtained from external sources and implemented to improve processes or outcomes). Furthermore, regarding the mechanism for granting authority to local governments, the following is the detailed model based on thinking across capabilities adapting to the perspective of dynamic governance and regional autonomy.

In overcoming the KUR issues, two dimensions become the determinants of the mechanism for giving mandates to local governments: delegated tasks and authority and insight. The delegated task and authority dimension describes how an institution needs other institutions to achieve the success of the program's vision and mission. Able people and agile processes are inherent in the conception of dynamic governance. Therefore, delegated tasks and authority are needed to realise both. Delegating some tasks and authority will streamline the processes and bring services

closer to the community (Tunu et al., 2022). The central government, as the party fully responsible for running the KUR program, requires other institutions, in this case, the local government, to optimise the vision and mission of the program. Delegated tasks and authority can occur at various levels of government or institutions and are carried out to allow governments or institutions closer to the situation to make the decision. However, even though power has been delegated, responsibility remains with the delegator, and decisions must still be made within the established framework.

The second dimension, insight, is how the government or institution imitates and applies a successful system to a program. In the insight dimension, the government is required to observe other successful government systems and make modifications to the program to be able to produce ideal policies. Factors that can inform the government consist of future uncertainties and external practices, which include innovative ideas or proven methods obtained from external sources.

From the dynamic governance perspective, thinking across capabilities means the ability to manage authority through attitudes, knowledge,



**Figure 4. Model of mandate mechanism to local government according to dynamic governance with thinking across capabilities**

*Source: data processed by researchers, 2023*

skills and organisational resources to create innovative and adaptive thinking and policy outcomes. This is achieved through a two-dimensional approach, namely delegated tasks and authority and insight. The thinking across capability approach in financing the KUR program is done through benchmarking to best practices or comparing best practices to produce the best policies or decisions that are adaptive and innovative and delegating tasks and authority from the central government to local governments.

What is inherent in the conception of dynamic governance is able people, in this case, the central government, to issue policies based on the principles of dynamic governance to local governments. Furthermore, the method requires an agile process to produce quality outcomes through the collaboration between the central government and local governments in the

KUR program, especially for micro businesses based on the principle of regional autonomy. In the process, related parties are required to think across boundaries and learn from the experiences of others. The two elements manifest in mandating the KUR program to local governments. Furthermore, Indonesian governance divides government affairs into three, namely absolute government affairs, concurrent government affairs and general government affairs. Government affairs in the KUR program, especially in interest subsidies, are included in the APBN allocation, which is the government's fiscal policy to direct the national economy. Therefore, the allocation of interest subsidies in the KUR program is classified as absolute government affairs because it is entirely under the authority of the central government (absolute government affairs consist of foreign policy affairs, defence

affairs, security affairs, judicial affairs, national monetary and fiscal affairs and religious affairs). Therefore, in the KUR program, what is classified as absolute government affairs lies in the KUR interest subsidy allocation sector, so authority beyond this can be classified as concurrent government affairs based on an understanding of the classification of government affairs according to Law Number 23 of 2014 concerning Regional Government (Bihuku et al., 2018; Hadi & Michael, 2021).

The grant of the KUR program mandated to regional governments is classified as concurrent government affairs because it is split between the central, provincial, and regional/city governments. The authorities that can be delegated concerning absolute government authority or affairs are (1) the authority of regional governments to provide recommendations for business status based on mapping to guarantee micro-businesses and (2) the authority of regional governments to work with banks to facilitate the distribution and bureaucratic management of KUR financing to micro businesses.

Based on Permenko No. 1 of 2023 concerning Guidelines for the Implementation of People's Business Credit, Article 5, the requirement as a KUR distributor is to have an online KUR data system integrated with SIKP. Furthermore, Article 40 explains that local governments need to collect data on prospective KUR recipients uploaded by KUR distributors and guarantee companies in accordance with their respective regions into SIKP. SIKP is an electronic information system for organising and providing information on program credit distribution. There is also Online Single Submission (OSS) data, which is an integrated electronic system managed and organised by the OSS Institution for the implementation of Risk-Based Business Licensing for business actors. Through this foundation and authority, one of the recommendations for local governments is to facilitate micro businesses in accessing financing

by identifying and mapping the database. This can include the classification of business actors based on grades A, B, C, etc. As such, the mapping can facilitate banks and micro-business actors in the application and determination of the KUR credit ceiling based on the categorisation.

Furthermore, the factors that influence thinking across capabilities are future uncertainties, which consist of (1) the bureaucratic flow and limited authority of local governments, (2) the dynamics of the APBN budget allocation for KUR interest/margin subsidies, (3) the requirements and flow of banking administrative management to obtain KUR financing, and (4) the understanding of human resources of micro-businesses in the KUR program. The next influencing factor is external practices, which include innovative ideas or proven methods obtained from external sources and implemented to improve internal processes or results. Based on this, the external practices of thinking across are (1) the implementation of dynamic governance of public services in Batam City and (2) Jembrana Regency, as one of the poorest regencies in Bali, which can provide free education and health facilities to the community through budget efficiency programs and policy innovation.

### **Comparison of the model and the real world**

At this stage, a comparison is made between the problems in the field (real world) and the proposed model to produce solutions to existing problems (Checkland & Poulter, 2020). The comparison between the conceptual model and the problem situation in the field is presented in Table 2.

### **Changes: systematically desirable, culturally feasible**

According to Checkland and Poulter (2020), this stage is when the transformation of conceptual modelling is prepared based on the results of the definition of the problem situation. Then, the

**Table 2.**  
**Matrix of comparison of conceptual models and definitions of policy dominance of the KUR program under the full control of the central government**

Model Activity	How it's done	By whom	Real World	Feedback Improvements/changes
Model of mandate mechanism to local government based on dynamic governance	The existence of local government authority in accordance with the principle of regional autonomy and thinking across capabilities	Central government to local government	Local governments are only facilitators of the KUR program and do not have authority over the program both in terms of budget allocation and decision-making	The need to provide mandates related to concurrent authority based on the applicable legal rules from the central government to local governments in accordance with the rights and limits of regional autonomy. The authority/mandate can take the form of (1) local government authority in the form of recommendations for business status based on the mapping to guarantee micro-businesses; and (2) local government authority collaborating with banks to facilitate the distribution and bureaucratic management of KUR financing for micro businesses
	Promoting a dynamic and adaptive government system	Local government, i.e., the head of the region to the head of the department	The limited authority and policies of local governments have implications for bureaucratic rigidity in providing facilitation to the community, thus inhibiting the local governments' innovation and creativity in optimising the KUR program	Local governments are expected to have a database related to the categorisation of micro-businesses in accordance with the agreed terms and conditions; for example, the database can contain the classification of businesses based on grades A, B, C etc. This database will help banks and micro-businesses to procure and determine the KUR credit ceiling through the mapping done by the local government. Thus, the database system becomes the local government's recommendations, as it is adjusted to the capabilities of the micro businesses
	Strengthening a synergistic and collaborative working climate, so that collaborative monitoring and evaluation can be established between institutions.	Local government organs, in this case, the head of the region to the head of the department and staff and or related institutions	The pattern of collaboration between the government and related institutions requires a legal basis or rules related to the authority and policies in order to create innovation and solutions to the problem	The establishment of an enterprising organisational culture to consolidate various institutions and segments and establish collaborative relationships so that monitoring and evaluation activities can be more effective. This ability can improve the human resources quality, so that they can synergise to form innovative thinking through three capabilities, (thinking ahead, thinking again, and thinking across)

*Source: data processed by researchers, 2023*

modelling will be adjusted to the expectations of various parties by formulating theoretical concepts that are desirable and follow-up actions that are feasible. Based on the situation and conditions of the problem in the real world and from the conceptual model that has been formed, it can be concluded the support for local government mechanisms based on dynamic governance is thinking across capabilities, which include the local government's authority, the dynamic and adaptive government system, and strengthened collaborative work climate. This

strategy will have implications for the policy to strengthen the capital of micro businesses through the KUR program. The aim to for it to become more dynamic, adaptive, and innovative following the dynamics of existing problems. Based on the output of the fifth stage, the feasible actions to improve the problem situation are (1) delegating authority to the local government following the principles of regional autonomy and thinking across capabilities, (2) encouraging a dynamic and adaptive government system, and (3) strengthening a synergistic and collaborative

work climate, so that collaborative monitoring and evaluation can be established between institutions.

In the mechanism for giving mandates to local governments according to dynamic governance with thinking across capabilities, the recommendations are (1) authorising local governments to make recommendations for business status based on mapping to provide a guarantee for micro-businesses and (2) authorising local governments to synergise with banks to facilitate the distribution and bureaucratic management of KUR financing for micro businesses.

## Conclusion

The KUR program policy is fully controlled by the central government, so based on thinking across capabilities, the participation of local governments as cross-border governments is needed to drive change in the dynamics of the KUR problem. Strategic policies are needed to improve capital accessibility with a two-dimensional approach, first delegated tasks and authority, and the second is insight.

Able people and agile processes are inherent in the conception of dynamic governance. Therefore, delegated tasks and authority are needed. The power that needs to be delegated to local government is the authority to make business status recommendations based on mapping to guarantee micro businesses. Then, insight is conducting observation to produce innovative and adaptive thinking. Future uncertainties and external practices are elements of the insight dimension that can generate innovative cross-border. This can be done by studying the implementation of other programs or systems.

Two policy recommendations for the mandate mechanism model are 1) authorising local governments to make recommendations for business status based on mapping to provide a guarantee for micro-businesses and (2)

authorising local governments to synergise with banks to facilitate the distribution and bureaucratic management of KUR financing for micro businesses. These two recommendations can have implications for the KUR program financing accessibility to help the resilience of micro business actors and open up new opportunities.

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