

THE EFFECT OF PEOPLE'S BUSINESS CREDIT FACILITY (KUR) AND FINANCIAL LITERACY ON THE WELFARE OF MSME ACTORS WITH BUSINESS PRODUCTIVITY AS A MEDIATION VARIABLE

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Abstract

Indonesia has approximately 64.2 million MSMEs, contributing 61.07% of GDP. In West Java, including Jatinangor, MSMEs are growing rapidly, but are still hampered by low financial literacy and limited access to financing. To support MSMEs, Bank Mandiri is developing digital innovations and partnerships in the distribution of People's Business Credit (KUR) to increase financial inclusion. This study aims to analyze the effect of KUR facilities and financial literacy on the welfare of MSMEs, with business productivity as a mediating variable. The research method used is quantitative with a Partial Least Square - Structural Equation Modeling (PLS-SEM) approach. Based on the analysis of data obtained from MSMEs in Jatinangor, it was found that KUR and financial literacy have a direct and significant effect on productivity and welfare. In addition, productivity is proven to mediate the relationship between the two variables on welfare. The results of this study indicate that strengthening access to financing and improving financial literacy are key strategies in sustainably boosting MSME productivity and welfare, especially in semi-urban areas such as Jatinangor.

Keywords: MSMEs, People's Business Credit (KUR), Financial Literacy, Productivity, Welfare

Abstrak

Indonesia memiliki sekitar 64,2 juta UMKM yang menyumbang 61,07% terhadap PDB. Di Jawa Barat, termasuk Jatinangor, UMKM berkembang pesat, tetapi masih terkendala literasi keuangan rendah dan akses pembiayaan terbatas. Untuk mendukung UMKM, Bank Mandiri mengembangkan inovasi digital dan kemitraan dalam penyaluran KUR guna meningkatkan inklusi keuangan. Penelitian ini bertujuan untuk menganalisis pengaruh fasilitas KUR dan literasi keuangan terhadap kesejahteraan pelaku UMKM, dengan produktivitas usaha sebagai variabel mediasi. Metode penelitian yang digunakan adalah kuantitatif dengan pendekatan Partial Least Square - Structural Equation Modeling (PLS-SEM). Berdasarkan hasil analisis terhadap data yang diperoleh dari pelaku UMKM di Jatinangor, ditemukan bahwa KUR dan literasi keuangan berpengaruh secara langsung dan signifikan terhadap produktivitas serta kesejahteraan. Selain itu, produktivitas terbukti memediasi hubungan antara kedua variabel terhadap kesejahteraan. Hasil penelitian ini menunjukkan bahwa penguatan akses pembiayaan dan peningkatan literasi keuangan merupakan strategi kunci dalam mendorong produktivitas dan kesejahteraan UMKM secara berkelanjutan, khususnya di kawasan semi-perkotaan seperti Jatinangor.

Kata kunci: UMKM, Kredit Usaha Rakyat (KUR), Literasi Keuangan, Produktivitas, Kesejahteraan



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INTRODUCTION

For nearly a decade, the People's Business Credit (KUR) program has undergone significant transformation as a form of government support in increasing the business capacity of productive sectors such as agriculture, livestock, fisheries, and MSMEs. As of October 31, 2024, the government had disbursed KUR totaling IDR 1,827.2 trillion to 47.9 million debtors, with interest subsidies reaching IDR 172.2 trillion (Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2024a). KUR not only facilitates access to financing through low interest rates of 6% per year,¹ but also provides the convenience of requiring no additional collateral for a ceiling of up to IDR 100 million,² making it more inclusive than commercial credit. Another innovation of KUR is the presence of a sharia-based murabahah contract scheme that is relevant to Islamic financial principles,³ expanding the reach of financial inclusion. Several empirical studies have shown that the People's Business Credit (KUR) has a positive impact on the profitability and welfare of MSMEs, as found in Sinjai and Makassar.⁴ In the garment industry in South Tangerang, KUR has been shown to improve business efficiency,⁵ while in Celuk Village, assistance with KUR utilization helped strengthen MSME financial management. However, the effectiveness of KUR depends heavily on the financial literacy level of MSMEs. Internal initial capital, such as personal savings, remains a crucial foundation. When formal access is limited, businesses tend to rely on alternative financing such as cooperatives or peer-to-peer lending, even though they incur higher interest rates.

The People's Business Credit (KUR) has proven to be a crucial instrument for post-pandemic recovery and business development in various regions, such as Gorontalo and East OKU.⁶ This program boosts productivity and efficiency, as reflected in studies in Denpasar and Lampung.⁷ At a macro level, KUR accounts for 33.2% of total MSME credit and contributes to 6.5% of national credit, and plays a role in employment absorption through a multiplier effect. However, several challenges remain, such as Rp22.9 trillion in non-performing loans and misuse of funds for

¹ S. Sulkarnain, "Kontribusi Kredit Usaha Rakyat (KUR) Terhadap Pengembangan UMKM," *Jurnal Ilmiah Akuntansi Manajemen* 6, no. 2 (2023): 163–75.

² Komite UMKM, *Aksesibilitas Kredit Usaha Rakyat Tanpa Agunan Tambahan* (2023).

³ Milia Ningrum and T. Tambunan, *Pengembangan Skema Syariah Dalam Kredit Usaha Rakyat (KUR): Tinjauan Terhadap Prinsip Keuangan Islam* (Pusat Studi Ekonomi dan Keuangan Syariah, 2025).

⁴ A. Alfira, "Peranan KUR UMKM Kabupaten Sinjai," *Agrisosco*, 2023.

⁵ A. Pranowo et al., *Pengaruh Literasi Keuangan Terhadap Kinerja UMKM Konveksi* (Universitas Terbuka, 2021).

⁶ M. N. Rifa'i et al., "Peran KUR Terhadap Pengembangan UMKM Di OKU Timur: Studi Kasus Bank BRI Unit Rawabening," *Jurnal Neraca: Jurnal Pendidikan Dan Ilmu Ekonomi Akuntansi* 7, no. 2 (2023): 198–207, <https://doi.org/10.31851/neraca.v7i2.14431>.

⁷ L. P. Sari and S. Arka, "Pengaruh Kredit Usaha Rakyat, Tenaga Kerja Dan Teknologi Terhadap Produktivitas UMKM Di Denpasar," *E-Jurnal Ekonomi Dan Bisnis Universitas Udayana* 12, no. 2 (2023): 309–17, <https://doi.org/10.24843/EEB.2023.v12.i02.p16>.

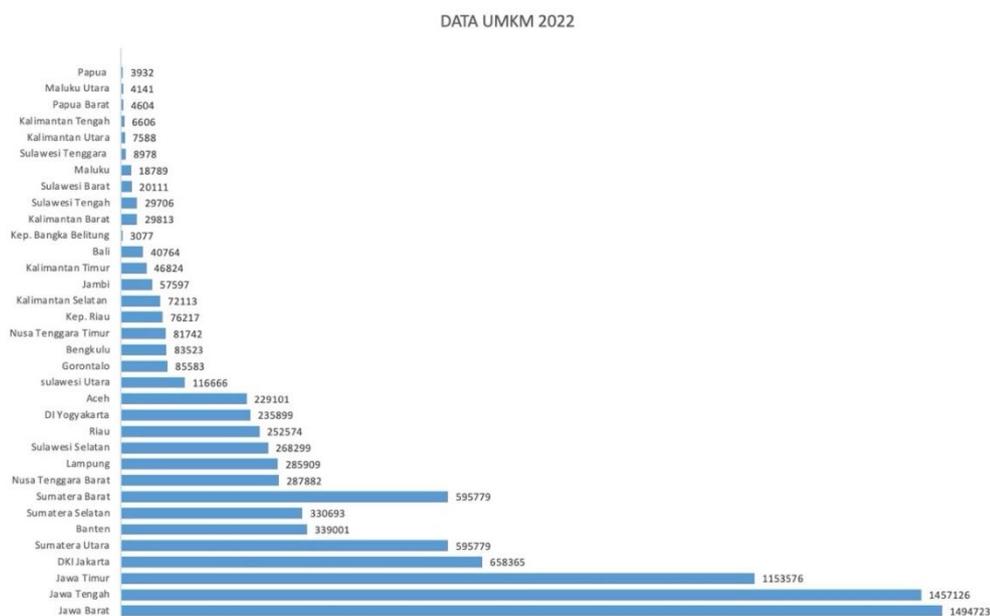
consumption. Furthermore, according to Hermawati Setyorinny of Akumandiri, administrative barriers such as the requirement to pass the SLIK and SIKP (Standard Business Registration Certificate) and the NIB/NPWP (Taxpayer Identification Number) requirements are considered difficult for micro-entrepreneurs, even though a village certificate should suffice. The 2025 KUR target was set at IDR 300 trillion. However, several factors, such as low financial literacy, limited infrastructure, and global economic uncertainty, pose major challenges to achieving this goal. Amidst the post-pandemic economic recovery, MSMEs remain a strategic focus, particularly with the promising digital economy opportunity, which could generate USD 77 billion in transactions by 2022. However, these opportunities can only be optimally utilized if access to funding and financial literacy are improved.

Currently, only around 30% of MSMEs have access to formal financial institutions, while the rest rely on informal financing such as from family or loan sharks.⁸ This dependence carries high risks due to high interest rates and the lack of legal guarantees. In this regard, the role of fintech and micro-institutions such as cooperatives is crucial as a bridge to financial inclusion.⁹ Therefore, strengthening financial literacy is crucial to encourage MSMEs' connection to formal, safe, and sustainable financing schemes. Indonesia itself has more than 60 million MSMEs spread across various provinces. According to data from the Ministry of Cooperatives and Micro, Small, and Medium Enterprises (Kemenkop UKM) processed by the data analysis agency Databoks, West Java Province recorded the highest number of MSMEs compared to other provinces in Indonesia.

⁸ A. Dinutistomo and R. Lubis, "Analisis Inklusi Pembiayaan UMKM: Peluang Dan Tantangan Dalam Akses Ke Lembaga Keuangan Formal," *Jurnal Keuangan Mikro Dan Pemberdayaan* 8, no. 3 (2021): 45–60.

⁹ Dinutistomo and Lubis, "Analisis Inklusi Pembiayaan UMKM: Peluang Dan Tantangan Dalam Akses Ke Lembaga Keuangan Formal."

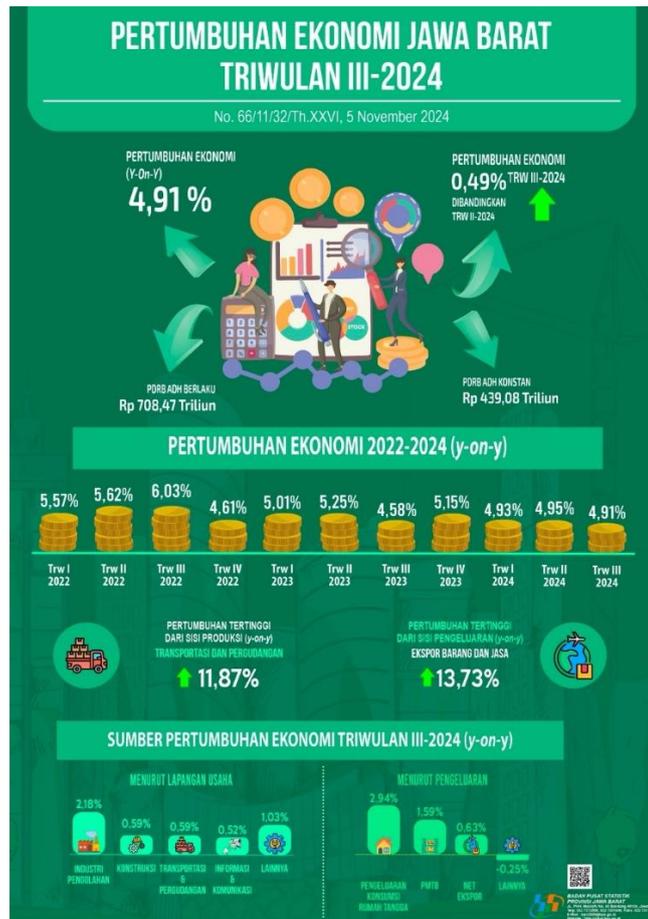
Figure 1 Distribution of MSMEs in Each Province in Indonesia



Source: Ministry of Cooperatives and SMEs, processed by Researchers 2025

The development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia continues to experience rapid growth, not only reflecting the economic activity of the people but also serving as a fundamental pillar in supporting the national economy. According to 2022 data from the Ministry of Cooperatives and SMEs, the distribution of MSMEs in Indonesia shows an uneven pattern across provinces, with West Java recording the highest number of 1,494,723 business units. The high number of MSMEs in West Java is not accidental; it is due to strategic factors. These include a large population density, relatively modern trade infrastructure, and its proximity to the center of government and the national economic center, namely the Greater Jakarta area. This high concentration of MSMEs indicates that West Java plays a key role in the domestic economic value chain, both in terms of production, distribution, and consumption.

West Java Economic Growth Figure for Q3 2024



Source: Central Statistics Agency (BPS) West Java

Based on the report of the West Java Central Statistics Agency (BPS) in the official publication No. 66/11/32/Th.XXVI in 2024, West Java's economic growth in the third quarter of 2024 was recorded at 4.91% (*year-on-year*), with *Gross Regional Domestic Product (GRDP)* at current prices reaching Rp708.47 trillion and at constant prices Rp439.08 trillion. This growth indicates a stable consolidation of economic recovery after the pandemic, although the recovery process still faces various fundamental structural challenges and complex socioeconomic issues. Compared to quarter-to-quarter, the economic growth of West Java in the third quarter of 2024 reached 0.49% compared to the second quarter, this indicates the resilience of the main sectors despite facing seasonal fluctuations. The transportation and warehousing sector contributed the largest growth, reaching 11.87% compared to last year. This figure demonstrates that shipping and distribution activities have recovered well. Exports saw a remarkable 13.73% increase in goods and services. This demonstrates that local products are increasingly competitive abroad and indicates a recovery in global demand. The manufacturing industry remains the backbone of the economy, growing 2.18% compared to the previous year, demonstrating the crucial role of the real sector in

the regional economy. However, several other sectors grew more slowly, such as construction at only 0.59% and information and communication technology at 0.52%. This indicates a lack of investment and inadequate digital infrastructure, particularly to support Micro, Small, and Medium Enterprises (MSMEs).

The majority of economic growth was driven by household spending at 2.94% and investment in the form of gross fixed capital formation at 1.59%. These figures reflect how the economy still relies on the financial capacity of the public and the willingness of private businesses to invest. This reality reveals the paradox of economic recovery: despite macroeconomic indicators showing improvement, MSMEs, as the backbone of the economy, are still struggling to overcome three structural barriers: limited market penetration, limited access to financing sources, and suboptimal business management capacity. Therefore, MSME empowerment strategies must focus on three key aspects: increasing productivity through access to financing such as the People's Business Credit (KUR), strengthening financial literacy, and non-financial assistance in the form of management training and technology adaptation, to create more competitive and sustainable businesses

Table 1 Bank Mandiri KUR Distribution Data for June 2024

<i>Row Labels</i>	<i>Column Labels Above 100 million Count of acctno</i>	<i>Sum of limit</i>	<i>Under 100 Million Count of acctno</i>	<i>Sum of limit</i>	<i>Total Count of acctno</i>	<i>Total Sum of Limits</i>
Bdg Asia-Africa 1	611	148,711	1,137	63,622	1,748	212,333
Bdg Asia-Africa 2	299	68,962	1,005	53,971	1,304	122,933
Bdg Asia-Africa 3	665	157,206	2,093	114,430	2,758	271,636
Braga 1 Building	618	140,923	1,045	58,893	1,663	199,816
Braga 2 Building	926	201,164	1,066	63,704	1,992	264,868

<i>Row Labels</i>	<i>Column LabelsAbove 100 million Count of acctno</i>	<i>Sum of limit</i>	<i>Under 100 Million Count of acctno</i>	<i>Sum of limit</i>	<i>Total Count of acctno</i>	<i>Total Sum of Limits</i>
Braga 3 Building	635	159,428	1,133	70,168	1,768	229,596
Surapati 1 Building	583	138,549	1,050	60,391	1,633	198,940
Ciamis	1,222	246,663	2,701	142,834	3,923	389,497
Cianjur	961	233,782	2,938	169,930	3,899	403,712
Cirebon	680	154,076	1,910	101,599	2,590	255,675
Cirebon 2	1,174	253,734	2,860	169,166	4,034	422,900
Cirebon 3	898	215,685	2,453	133,393	3,351	349,078
Garut	1,288	294,820	4,789	262,502	6,077	557,322
Karawang 1	312	66,079	709	47,516	1,021	113,595
Karawang 2	464	90,253	740	46,890	1,204	137,143
Pamanukan	948	252,289	894	61,877	1,842	314,166
Purwakarta	431	89,689	1,352	73,832	1,783	163,521
Subang	514	116,523	1,212	79,793	1,726	196,315
Sukabumi	1,098	243,378	2,248	128,806	3,346	372,184
Sumedang	698	136,378	1,100	57,700	1,798	194,079
Tasikmalaya 1	732	152,777	2,504	133,438	3,236	286,215
Tasikmalaya 2	1,069	229,962	2,537	139,603	3,606	369,565
Total	16,826	3,791,031	39,476	2,234,058	56,302	6,025,089

Source: Bank Mandiri, processed by researchers 2025

Based on the People's Business Credit (KUR) distribution data as of June 2024, presented in Table 1, Sumedang Regency occupies a relatively moderate position compared to other cities/regencies in West Java. With a total KUR limit of only Rp194.079 billion and 1,793 debtor accounts, this figure lags far behind Garut, which reached Rp557.322 billion and 6,077 accounts, and Cianjur, which reached Rp403.712 billion and 3,899 accounts. This reality has given rise to critical discourse regarding the extent to which the People's Business Credit (KUR) program is truly

capable of improving the living standards and production capacity of MSMEs in Sumedang Regency, particularly in the Jatinangor area, which has high economic strategic value. The research findings of Pranowo et al.¹⁰ clarify the crucial impact of low financial literacy on business performance, where the inability to manage finances is directly correlated with decreased production capacity and ultimately leads to obstacles in improving the welfare of MSME actors.

The distribution of People's Business Credit (KUR) throughout 2024 showed significant growth across various national banking institutions. Bank Mandiri, one of the main distributors, had disbursed IDR 32.20 trillion by September 2024 to 293,000 debtors, with approximately 60% allocated to productive sectors such as agriculture, fisheries, and manufacturing, representing 85.87% of the annual target.^{11,12,13} Meanwhile, Bank Rakyat Indonesia (BRI) remains the largest KUR distributor nationally, with IDR 3.65 trillion disbursed in South Kalimantan by the third quarter of 2023.¹⁴ Bank Negara Indonesia (BNI) has disbursed IDR 11.93 trillion to 54,000 business owners, while BCA has disbursed IDR 689.6 billion, focusing on micro-enterprises.¹⁵ Despite differences in volume and sector, all banks still apply the same interest rate, namely 3% for the super micro category and 6% for micro and small,¹⁶ indicating the consistency of KUR as a strategic policy in strengthening MSMEs.

As an innovation to expand financial inclusion, Bank Mandiri developed a digital credit scoring system based on customer transaction data, enabling creditworthiness evaluations without physical collateral.¹⁷ Partnerships with fintech and aggregators such as Amarta¹⁸ were also established to reach businesses previously unreachable by the banking system. Furthermore, the digital approach through the Livin' Merchant application has reached more than 1.47 million users with annual growth of 42%, particularly in non-urban areas. Bank Mandiri was chosen as the focus

¹⁰ Pranowo et al., *Pengaruh Literasi Keuangan Terhadap Kinerja UMKM Konveksi*.

¹¹ Financial Review, "Penyaluran KUR Bank Mandiri Capai Rp32 Triliun," 2024, <https://financialreview.co.id>.

¹² Kompas, "Bank Mandiri Salurkan Rp19 Triliun KUR Hingga Juni," 2024, <https://www.kompas.com>.

¹³ Tempo, "KUR Bank Mandiri Tembus Rp23 Triliun Pada Juli," 2024, <https://www.tempo.co>.

¹⁴ Quartal, "Kinerja BRI Dalam Penyaluran KUR Wilayah Kalimantan Selatan," 2024, <https://quartal.co.id>.

¹⁵ Kontan, "Capaian Penyaluran KUR BNI Dan BCA Menjelang Akhir 2024," 2024, <https://keuangan.kontan.co.id>.

¹⁶ Bisnis, "Suku Bunga KUR 2024 Tetap 3–6 Persen," 2024, <https://finansial.bisnis.com>.

¹⁷ Infobanknews.com, "Digitalisasi Kredit Mikro Bank Mandiri," 2024, <https://infobanknews.com>.

¹⁸ Amarta, "Kolaborasi Pembiayaan UMKM Bersama Bank Mandiri," 2024, <https://www.amarta.com>.

of this study due to its consistent expansion and high performance in the KUR program, as evidenced by significant increases from August 2023 to September 2024.¹⁹

In the context of utilizing KUR (People's Business Credit), financial literacy is a key factor. The Financial Services Authority states that financial literacy encompasses the knowledge, skills, and beliefs that shape healthy financial patterns.²⁰ MSMEs in Jatinangor face challenges in cash flow management, investment, and access to formal financing. Pranowo et al.²¹ showed that financial literacy has a greater impact on MSME performance than other factors, while Astini et al.²² found that in Mataram, financial technology and financial inclusion were more influential. Widiastuti et al.²³ found that digital innovation and financial literacy explained 60.6% of the variation in MSME performance in Semarang. Furthermore, research by Putri et al.²⁴ confirmed that the combination of financial literacy and financial inclusion contributes significantly to improving MSME financial performance.

Access to formal credit, such as the People's Business Credit (KUR), has also been shown to increase productivity, as demonstrated in an experimental study by Abedin et al.²⁵ in Bangladesh, which found productivity increases of up to 14% due to targeted credit access. In Indonesia, the combination of KUR, equity, and financial literacy has had a positive impact on MSME income, particularly in the livestock sector, and expanded access to digital financing in Madura.²⁶ However, the semi-urban characteristics of Jatinangor reflect complex conditions. Despite the potential market for students and academics, the financial literacy rate in Sumedang Regency remains low, at 38.7% compared to the West Java average of 49.8%.²⁷ Lack of skills in preparing financial reports, managing cash flow, and optimally utilizing KUR are major obstacles.²⁸ An OJK survey (2023) also noted that businesses in this region still predominantly rely on high-risk informal

¹⁹ Kilas Perbankan Kompas, "Realisasi KUR Bank Mandiri per September 2024," 2024, <https://www.kompas.id>.

²⁰ Otoritas Jasa Keuangan, *Survei Nasional Literasi Dan Inklusi Keuangan 2023* (Otoritas Jasa Keuangan, 2023).

²¹ Pranowo et al., *Pengaruh Literasi Keuangan Terhadap Kinerja UMKM Konveksi*.

²² N. K. S. Astini et al., "Pengaruh Literasi Keuangan Dan Teknologi Keuangan Terhadap Kinerja UMKM Di Kota Mataram," *Jurnal Ilmu Ekonomi Dan Bisnis* 17, no. 1 (2024): 45–56.

²³ E. Widiastuti et al., "Pengaruh Literasi Keuangan Dan Inovasi Digital Terhadap Performa UMKM Di Semarang Barat," *Jurnal Ekonomi Dan Inovasi* 10, no. 4 (2023): 215–27.

²⁴ R. A. Putri et al., "Pengaruh Literasi Dan Inklusi Keuangan Terhadap Kinerja Keuangan UMKM Di Indonesia," *Jurnal Manajemen Dan Kewirausahaan* 15, no. 2 (2023): 203–16.

²⁵ M. Abedin et al., "The Impact of Microcredit on Productivity and Technology Adoption among Smallholder Farmers in Bangladesh," *Journal of Development Studies* 56, no. 12 (2020): 2202–17.

²⁶ R. Kurniawan and M. Gitayuda, "Inklusi Keuangan Digital Dan Literasi Dalam Peningkatan Kinerja UMKM Pesisir Madura," *Jurnal Ekonomi Pembangunan* 21, no. 1 (2023): 14–25.

²⁷ Otoritas Jasa Keuangan, *Survei Nasional Literasi Dan Inklusi Keuangan 2023*.

²⁸ R. Utami et al., "Kesenjangan Kompetensi Keuangan UMKM Di Kawasan Semi-Perkotaan," *Jurnal Sosial Ekonomi* 9, no. 2 (2022): 134–45.

financing. In fact, the creative economy potential in this region is high, especially the culinary sector which is supported by the presence of large campuses such as Unpad and ITB.²⁹

Similar problems also occurred in Tanjungsari District and Cinanjung Village, Sumedang. Research by Beureukat and Setyawati³⁰ revealed that financial literacy contributed 18.2% to the financial management capabilities of MSMEs. Obstacles to capital and financial management were also found in Cinanjung, but these can be overcome through increased literacy and the use of fintech.³¹ This demonstrates the importance of systematic support for financial literacy and access to financing as a strategy for equitable prosperity. Business productivity is a strategic component linking access to financing, literacy, and prosperity. A study by Dewi and Bendesa³² in Denpasar demonstrated that access to technology-based KUR (People's Business Credit) increased MSME productivity and income. A similar finding was demonstrated by Anggraeni and Rahayu³³ in Pameungpeuk, with a coefficient of determination of 88.5% for productivity and 82.3% for income. A global study by Jimi et al.³⁴ also confirmed that credit supports technical efficiency and technology adoption.

Although the number of MSMEs in Jatinangor is increasing, their productivity is stagnant due to low technology adoption and limited business funding.³⁵ The majority of business actors still rely on traditional methods and do not manage credit with a well-thought-out strategy.³⁶ The focus of this research is to examine how business productivity mediates the influence of the Small Business Credit (KUR) and financial literacy on the welfare of MSMEs in Jatinangor. This study is expected to provide empirical and practical contributions in formulating contextual and sustainable MSME empowerment strategies in the region.

²⁹ Y. A. Rendra et al., "Participatory Rural Appraisal (PRA) Pada UMKM Kuliner Jatinangor," *Jurnal Sosial Ekonomi Pembangunan* 12, no. 1 (2024): 77–89.

³⁰ L. Beureukat and S. Setyawati, "Literasi Keuangan Dan Pengelolaan Usaha Pada Pelaku UMKM Di Tanjungsari, Sumedang," *Jurnal Pemberdayaan Ekonomi* 8, no. 1 (2023): 73–84.

³¹ A. Hadiyanto and S. Sutrisno, "Keterbatasan Permodalan Dan Literasi Keuangan Pelaku UMKM Desa Cinanjung," *Jurnal Pengabdian Kepada Masyarakat* 5, no. 2 (2022): 122–30.

³² R. A. Dewi and I. K. G. Bendesa, "Dampak KUR Terhadap Produktivitas UMKM Di Kota Denpasar," *Jurnal Keuangan Dan Perbankan* 27, no. 3 (2023): 350–62.

³³ N. Anggraeni and S. Rahayu, "Pengaruh Penyaluran KUR Terhadap Produktivitas Dan Pendapatan UMKM Di Banjarnegara," *Jurnal Ekonomi Dan Bisnis* 11, no. 2 (2023): 99–110.

³⁴ S. Jimi et al., "Microfinance and Enterprise Productivity: Evidence from Global Micro-Entrepreneurs," *World Development* 132 (2020): 104976.

³⁵ BPS Sumedang, *Laporan Statistik UMKM Kabupaten Sumedang Tahun 2024* (Badan Pusat Statistik Kabupaten Sumedang, 2024).

³⁶ R. Wulandari et al., "Analisis Pemanfaatan KUR Di Jatinangor Terhadap Produktivitas Usaha," *Jurnal Keuangan Mikro Dan Kewirausahaan* 11, no. 2 (2023): 65–78.

RESEARCH METHODS

Research Model

This research uses an approach quantitative which aims to analyze the relationship between variables that have been determined in the conceptual framework, namely the influence of People's Business Credit (KUR) facilities and financial literacy on the welfare of MSME actors, with business productivity as a mediating variable. This approach was chosen because the main focus of the study lies in measurement numeric data and hypothesis testing through objective statistical analysis. The data in this study were collected using a closed questionnaire with 5-point Likert scale, designed to measure respondents' perceptions and experiences of each research variable. Data processing and analysis were carried out using the method *Structural Equation Modeling–Partial Least Square* (SEM-PLS) with the help of software SmartPLS. SEM-PLS was chosen because it is able to accommodate complex research models, including direct and indirect relationships between variables, and can be used without requiring the assumption of normal data distribution. This approach allows researchers to simultaneously test measurement model (outer model) to assess the validity and reliability of the instrument, and structural model (inner model) to analyze the strength of the relationship between constructs. By applying this quantitative method, it is hoped that the research results can provide empirical and measurable picture regarding the extent to which KUR facilities and the level of financial literacy contribute to the welfare of MSME actors, both directly and through increasing business productivity as an intermediary variable.

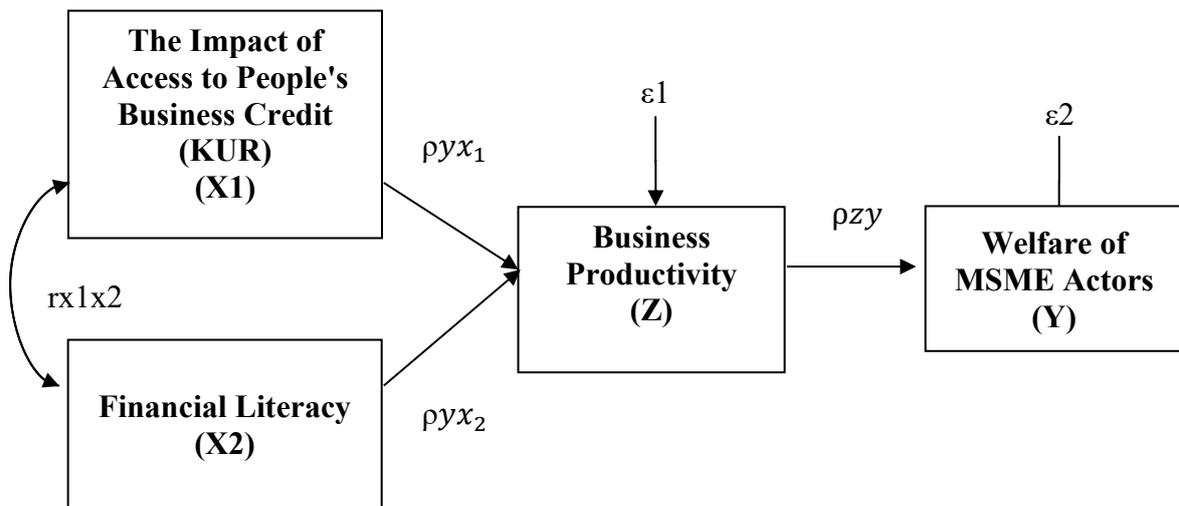
Population and Sample Determination

According to Sugiyono³⁷, a population refers to all subjects and objects that possess characteristics determined by the researcher. This population includes individuals, events, or objects that are the focus of the researcher's attention for study. Selecting the right population significantly impacts the relevance of the research results, so that the conclusions obtained only apply to the selected population. In other words, the results of this study can only describe the conditions or characteristics of the population determined by the researcher. In this study, the population used were customers who used Bank Mandiri's People's Business Credit (KUR) product from January 2024 to May 2025, with a total of 2,000 customers registered in Sumedang Regency. Based on this population, the researcher took a sample of 155 customers from the Bank Mandiri branch in Jatinangor District.

³⁷ Sugiyono, *Metode Penelitian Kuantitatif, Kualitatif, Dan R&D* (Alfabeta, 2020).

This survey was designed to gather information on financial literacy and its application in businesses, respondents' experiences in utilizing the People's Business Credit (KUR), and various factors influencing business productivity levels. Through these findings, the study aims to provide an empirical basis for developing more effective financing policies, particularly the KUR program, by emphasizing an approach based on improving financial competence and optimizing productivity as key to improving the welfare of MSMEs. Referring to the previously explained framework, this study formulated several hypotheses. All of these hypotheses were then visualized in the form of a research paradigm, with the following explanation.

Figure 3 Research Paradigm



Information :

X1 = Influence of Access to People's Business Credit (KUR)

X2 = Financial Literacy

Z = Business Productivity

Y = Welfare of MSME Actors

Hypothesis Testing

Researchers formulated a hypothesis by comparing bootstrapping results and then selecting a direct effect test with a significance level of $\alpha = 0.05$. The partial hypothesis is explained as follows:

1. Hypothesis 1

$H_0: \rho_{yx_1} = 0 \rightarrow$ The People's Business Credit Facility (KUR) variable (X₁) has no effect on the welfare of MSME actors (Y)

$H_1: \rho yx_1 \neq 0 \rightarrow$ The People's Business Credit Facility (KUR) variable (X_1) influences the welfare of MSME actors (Y)

2. Hypothesis 2

$H_0: \rho yx_2 = 0 \rightarrow$ The Financial Literacy variable (X_2) does not affect the Welfare of MSME Actors (Y)

$H_1: \rho yx_2 \neq 0 \rightarrow$ The Financial Literacy Variable (X_2) influences the Welfare of MSME Actors (Y)

3. Hypothesis 3

$H_0: \rho zx_1 = 0 \rightarrow$ The People's Business Credit Facility (KUR) variable (X_1) has no effect on Business Productivity (Z)

$H_1: \rho zx_1 \neq 0 \rightarrow$ The People's Business Credit Facility (KUR) variable (X_1) influences Business Productivity (Z)

4. Hypothesis 4

$H_0: \rho zx_2 = 0 \rightarrow$ The Financial Literacy variable (X_2) does not affect Business Productivity (Z).

$H_1: \rho zx_2 \neq 0 \rightarrow$ Financial Literacy Variable (X_2) Influences Business Productivity (Z)

5. Hypothesis 5

$H_0: \rho zy = 0 \rightarrow$ The Business Productivity variable (Z) does not affect the Welfare of MSME Actors (Y)

$H_1: \rho zy \neq 0 \rightarrow$ The Business Productivity Variable (Z) influences the Welfare of MSME Actors (Y)

6. Mediation hypothesis

H_0 : Business Productivity (Z) does not mediate the influence of KUR Facilities (X_1) and Financial Literacy (X_2) on the Welfare of MSME Actors (Y).

H_1 : Business Productivity (Z) mediates the influence of KUR Facilities (X_1) and Financial Literacy (X_2) on the Welfare of MSME Actors (Y)

RESULTS AND DISCUSSION

Research Instrument Testing

Measurement model testing aims to verify the feasibility of research variables, both dependent and independent, in meeting validity and reliability criteria. Validity reflects the instrument's ability to accurately measure the intended construct, while reliability indicates the level of consistency of measurement results. This aspect is crucial for ensuring data accuracy and the reliability of research findings in answering the research problem formulation. In this study, measurement model testing was conducted by analyzing 105 data sets collected through previously

distributed questionnaires. The data were then evaluated using various statistical methods to ensure that each variable met the required validity and reliability criteria. Thus, the research results can be scientifically accounted for and provide an accurate picture of the relationships between the variables studied.

Convergent Validity Test

Through adequate convergent validity, researchers can ensure that each construct in the research model is truly empirically represented by its indicators, allowing for more precise interpretation of the relationships between variables. This is crucial in examining how access to KUR and financial literacy contribute to the well-being of MSMEs, both directly and through the mediation of business productivity.

Table 2 Results Average Variance Extracted (AVE)

Variables	Average Variance Extracted(AVE)	Standard	Criteria
KUR facilities	0.584	>0.50	Valid
Financial Literacy	0.576	>0.50	Valid
Welfare of MSMEs	0.565	>0.50	Valid
Business Productivity	0.558	>0.50	Valid

The Average Variance Extracted (AVE) Results Table presents the AVE values of each variable in this study, namely the People's Business Credit (KUR) Facility, Financial Literacy, Business Productivity, and MSME Welfare. The results show that all variables have AVE values above the minimum threshold of 0.50, namely the KUR Facility at 0.584, Financial Literacy at 0.576, MSME Welfare at 0.565, and Business Productivity at 0.558. These values indicate that more than 50% of the variance of each indicator can be explained by the latent construct it measures.

The achievement of adequate AVE values for all variables in this study indicates that the indicators used have consistently been able to represent the intended theoretical constructs. In the context of this thesis, this means that the measurement instruments for variables such as KUR access and financial literacy truly reflect the real conditions experienced by MSMEs, and that their productivity and welfare can be validly explained by the formulated items. This means that the measurement model in this study has met the requirements of convergent validity, which is an important foundation for further analysis. The reliability of this instrument will strengthen the interpretation of the influence of KUR facilities and financial literacy on MSME welfare, both directly and through business productivity as a mediating variable.

1. Loading Factors Results

Table 3 Results loading factors

Variable List	Loading Factor	Standard	Criteria
X1.1	0.814	≥ 0.50	<i>Valid</i>
X1.2	0.803	≥ 0.50	<i>Valid</i>
X1.3	0.731	≥ 0.50	<i>Valid</i>
X1.4	0.758	≥ 0.50	<i>Valid</i>
X1.5	0.722	≥ 0.50	<i>Valid</i>
X1.6	0.753	≥ 0.50	<i>Valid</i>
X2.1	0.717	≥ 0.50	<i>Valid</i>
X2.2	0.741	≥ 0.50	<i>Valid</i>
X2.3	0.770	≥ 0.50	<i>Valid</i>
X2.4	0.787	≥ 0.50	<i>Valid</i>
X2.5	0.807	≥ 0.50	<i>Valid</i>
X2.6	0.757	≥ 0.50	<i>Valid</i>
X2.7	0.730	≥ 0.50	<i>Valid</i>
Y1.1	0.721	≥ 0.50	<i>Valid</i>
Y1.2	0.751	≥ 0.50	<i>Valid</i>
Y1.3	0.733	≥ 0.50	<i>Valid</i>
Y1.4	0.758	≥ 0.50	<i>Valid</i>
Y1.5	0.831	≥ 0.50	<i>Valid</i>
Y1.6	0.710	≥ 0.50	<i>Valid</i>
Z1.1	0.763	≥ 0.50	<i>Valid</i>
Z1.2	0.718	≥ 0.50	<i>Valid</i>
Z1.3	0.762	≥ 0.50	<i>Valid</i>
Z1.4	0.727	≥ 0.50	<i>Valid</i>
Z1.5	0.702	≥ 0.50	<i>Valid</i>
Z1.6	0.745	≥ 0.50	<i>Valid</i>
Z1.7	0.808	≥ 0.50	<i>Valid</i>

Source: processed by researchers in 2025

The analysis results show that all indicators have loading factor values above 0.70, indicating that each measurement item has a strong and significant correlation with the latent construct it represents. This standard is generally accepted as an indicator of good measurement

validity in the PLS-based reflective model approach. For the KUR Facility variable (X1), the loading factor values ranged from 0.722 to 0.814. These values indicate that all indicators, such as access to credit, clarity of procedures, and KUR benefits for MSMEs, have a strong and consistent association with the financing facility construct. This strengthens the validity that the items used truly represent MSMEs' perceptions of the quality of the KUR facilities they receive.

Meanwhile, the indicator for the Financial Literacy variable (X2) shows a loading factor range of 0.717 to 0.807. This reflects that all items, such as financial management understanding, financial product knowledge, and fund management skills, have been able to substantially explain the construct of financial literacy. Thus, respondents' responses to this indicator can be interpreted validly to measure their level of financial understanding. For the Business Productivity variable (Y1), the loading factor value ranges from 0.710 to 0.831. This indicates that items related to work efficiency, production volume, and quality of business results significantly reflect the productivity of MSMEs in the context of their daily operations.

Finally, the MSME Welfare variable (Z1) has a loading factor value between 0.702 and 0.808. Indicators such as income growth, business stability, and life satisfaction are strongly reflected in the welfare construct, indicating that MSME actors' perceptions of their welfare are measured accurately and comprehensively. Overall, the loading factor results for the four variables in this study provide strong empirical evidence that all indicators are convergently valid and can be relied upon as accurate representations of the construct under study. This finding provides an important basis in supporting the strength of the measurement before testing the relationships between variables in the structural model.

Reliability Test

Reliability testing in this study was conducted to ensure that the instruments used were able to produce consistent results when measurements were taken repeatedly. Referring to Sugiyono, an instrument is considered reliable if respondents' answers demonstrate consistency, meaning the indicators used are able to measure the construct stably over time. This reliability test uses Cronbach's Alpha, where a value above 0.60 indicates that the instrument has met acceptable reliability requirements.

Based on the results of data processing with SmartPLS 4.0, all constructs in this study have a Cronbach's alpha value greater than 0.60. This indicates that each indicator used to measure the variables of KUR Facilities, Financial Literacy, Business Productivity, and MSME Welfare has met the reliability requirements. For example, the KUR Facilities construct has a Cronbach's Alpha value of 0.857, Financial Literacy of 0.877, Business Productivity of 0.868, and MSME Welfare of

0.845. All of these values are above the predetermined threshold, so it can be concluded that all research instruments are reliable. Thus, the instruments used in this study have proven consistent and reliable in measuring the constructs studied. This provides confidence that the data obtained from respondents is stable and representative, thus supporting the validity of the overall analysis results.

Table 4 Reliability Test Results

	<i>Cronbach's alpha</i>	<i>Composite Reliability</i> (rho_a)
KUR facilities	0.857	0.861
Welfare of MSMEs	0.845	0.849
Financial Literacy	0.877	0.880
Business Productivity	0.868	0.871

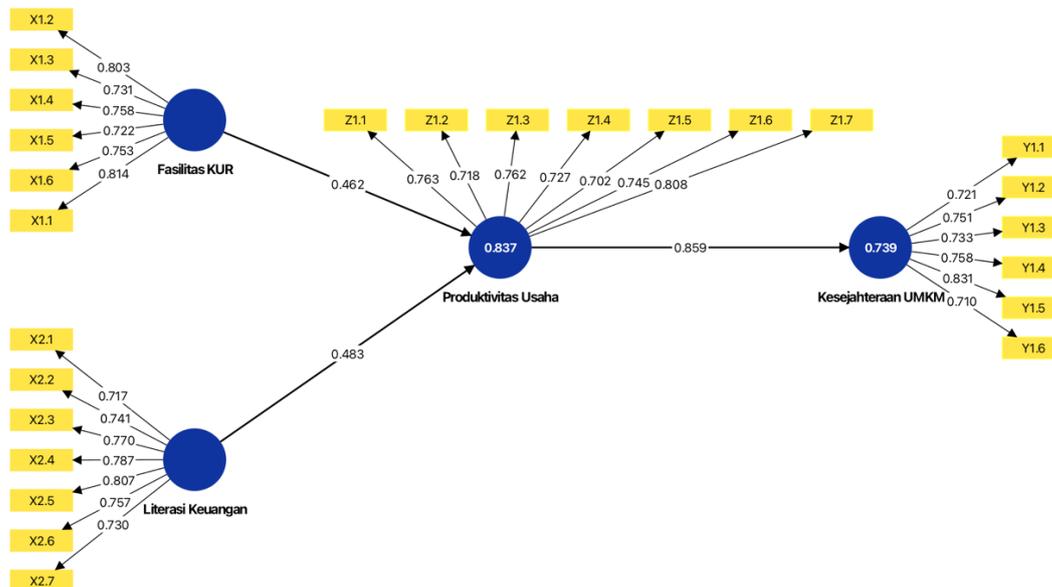
Source: processed by researchers in 2025

The test results show that all constructs meet the reliability criteria with Cronbach's alpha and Composite Reliability (ρ_a) values exceeding the threshold of 0.60. This finding indicates that all indicators used in the research instrument have good internal consistency and are suitable for use in data collection. The KUR Facility construct obtained a Cronbach's alpha value of 0.857 and a Composite Reliability of 0.861, indicating that the indicators used are able to consistently measure the dimensions of credit facilities for MSMEs. Similarly, the MSME Welfare construct has a Cronbach's alpha of 0.845 and a Composite Reliability of 0.849, indicating that the measuring instrument in this construct is also highly reliable and stable. Furthermore, the Financial Literacy construct achieved the highest value with a Cronbach's alpha of 0.877 and a Composite Reliability of 0.880. This value confirms that the indicator measuring MSMEs' financial understanding has a very high level of reliability. Meanwhile, the Business Productivity construct obtained a Cronbach's alpha of 0.868 and a Composite Reliability of 0.871, which is also in the very good reliability category. Overall, the results of this reliability test confirm that all constructs in this study have a high level of internal consistency. Thus, the instrument used can be relied upon to accurately and consistently measure the variables of KUR Facilities, Financial Literacy, Business Productivity, and MSME Welfare, supporting the validity of the analytical results obtained in this study.

Structural Model Testing

Structural model testing was conducted to determine the relationships between variables and the level of significance of their influence. Testing included a multicollinearity test to ensure there was no high correlation between independent variables, a coefficient of determination (R^2) to measure the model's predictive ability, and an effect size (f^2) to assess the extent of each independent variable's influence on the dependent variable.

Figure 4 Structural Model Test Results



Source: Processed Primary Data (2025)

The analysis using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach in this study examines the relationship between two exogenous variables, namely the People's Business Credit Facility (KUR) (X1) and Financial Literacy (X2) with the main endogenous variable, namely MSME Welfare (Y), as well as the mediating variable in the form of Business Productivity (Z). Empirical findings show that the KUR Facility has a significant positive effect on Business Productivity with a path coefficient of $\beta = 0.462$, while Financial Literacy provides a slightly larger contribution, namely $\beta = 0.483$. This indicates that access to formal financing and better financial understanding can encourage increased productivity of MSME actors. Furthermore, Business Productivity is proven to be a strong mediating factor, which directly has a significant effect on MSME Welfare with a coefficient of $\beta = 0.859$. This means that increasing productivity plays an important role in accelerating the standard of living and welfare of MSME actors.

The R-squared value for Business Productivity of 0.837 and for MSME Welfare of 0.739 indicates that this model has high explanatory power, which is able to explain 83.7% and 73.9% of the variability in each endogenous construct. The indicators for each latent construct show strong factor loading values, most of which are above the threshold of 0.7 such as X1.2 (0.803), X2.5 (0.807), Z1.7 (0.808), and Y1.4 (0.758), which indicates that convergent validity is met and the instrument used has good reliability. Overall, the results of this study underscore the importance of increasing access to KUR facilities and financial literacy education as strategies to increase business productivity, which in turn has a direct impact on the welfare of MSME actors. These findings provide clear policy implications for the government and microfinance institutions to strengthen the MSME empowerment ecosystem, not only through financing support, but also integrated literacy mentoring and productivity training.

CONCLUSION

Based on the research conducted through primary data collection in the form of questionnaires, followed by descriptive analysis and data processing using the Partial Least Square Structural Equation Modeling (PLS-SEM) approach, it can be concluded that there is a positive and significant influence between People's Business Credit (KUR) and financial literacy on the welfare of MSMEs in Jatinangor District, both directly and through the mediation of business productivity. This study proves that access to KUR facilities has a direct impact on increasing MSME productivity, which then contributes significantly to increasing the welfare of business actors. Financial literacy is also proven to have a significant positive influence on productivity and welfare, with business actors who have better financial understanding being able to manage cash flow, plan their business, and utilize financing facilities more optimally. In addition, business productivity acts as a partial mediating variable, which strengthens the relationship between KUR and financial literacy on the welfare of MSMEs. The research model shows good predictive results with a Q^2 value above zero and higher accuracy compared to the ordinary linear regression model, proving that this model is able to explain the variability in welfare significantly. It is hoped that the results of this study can serve as an empirical reference in formulating policies or programs to empower MSMEs based on increasing access to formal financing and financial literacy education, particularly in semi-urban areas like Jatinangor. This research is also expected to benefit business actors, financial institutions, and other researchers in their efforts to support inclusive and sustainable local economic growth.

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