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Empowering Micro and Small Enterprises through Interest-Free Credit: Lessons from *Kredit Kukar Idaman*

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Abstract

Traditional market traders in developing economies often face significant financial challenges, including limited access to formal credit and dependency on high-interest informal loans. This study evaluates the Kredit Kukar Idaman (KKI) program in Kutai Kartanegara, Indonesia, an initiative providing interest-free loans to empower micro and small enterprises (MSEs). Employing a mixed-methods approach, data were collected through surveys, interviews, and focus group discussions with 81 market traders. Results reveal that KKI substantially enhanced financial stability, with 87% of participants reporting increased working capital and 62% expanding their business operations. However, barriers such as limited awareness, administrative complexities, and inadequate digital skills hinder program accessibility and efficiency. Comparisons with global best practices highlight the need for integrated capacity-building measures, including financial literacy training and digital adoption initiatives. The study concludes that while KKI demonstrates the potential to foster economic resilience and market competitiveness, addressing implementation challenges is critical for its long-term sustainability. This research contributes to the discourse on inclusive credit policies and provides actionable insights for policymakers aiming to optimize similar programs.

Keywords: Kredit Kukar Idaman (KKI), MSMEs, financial stability, market competitiveness, economic resilience

Introduction

The role of micro and small enterprises (MSEs) in driving economic development is widely acknowledged, particularly in developing economies where they account for a significant portion of employment and GDP. In Indonesia, MSEs face persistent challenges, including limited access to capital, inadequate managerial skills, and competition from modern retail formats. These constraints often hinder their potential to contribute optimally to local and national economic growth (Santoso, 2020). Traditional market traders, a critical subset of MSEs, are especially vulnerable due to their dependence on informal credit sources, which often impose high-interest rates and unfavorable terms (Utami & Firdaus, 2018).

In response to these challenges, the Kutai Kartanegara government launched the Kredit Kukar Idaman (KKI) program, an interest-free credit initiative aimed at empowering traditional market traders. The program's objectives include reducing reliance on informal lending, promoting business growth, and improving the socio-economic conditions of market traders. The policy aligns with broader national efforts to enhance financial inclusion and support MSEs as engines of economic growth.

Despite its ambitious goals, the implementation of KKI faces significant hurdles, including limited awareness among target beneficiaries and administrative inefficiencies (Bambang, 2018). This study seeks to evaluate the effectiveness of KKI in achieving its objectives and to provide evidence-based recommendations for optimizing its implementation. By focusing on the experiences of traders in three key markets—Tangga Arung, Mangkurawang, and Maduningrat—the research offers valuable insights into the program's strengths, limitations, and potential for replication in similar contexts.

Literature Review

Micro and Small Enterprises and Economic Development

MSEs play a pivotal role in fostering economic resilience, particularly in regions with limited industrial activity. Their contributions to employment generation, poverty alleviation, and local economic stability are well-documented (Mowen & Minor, 2001; Surahman et al., 2024). However, their growth is often impeded by structural challenges, including limited access to formal credit and technology (Kasmir, 2014; Syamsuri & Alang, 2023).

Public Credit Policies

Public credit schemes are critical tools for addressing the financing gap faced by MSEs. Effective programs typically combine financial support with capacity-building initiatives to enhance beneficiaries' entrepreneurial skills and market competitiveness (Stanley & Weare, 2004). However, the success of such programs depends on their design and implementation, particularly in terms of accessibility, transparency, and sustainability.

Traditional Markets in Indonesia

Traditional markets are vital to Indonesia's socio-economic fabric, serving as hubs for small-scale trade and community interaction. However, they face mounting pressure from modern retail formats, which offer convenience, competitive pricing, and advanced technological integration (Aziz, 2008). Policies aimed at revitalizing traditional markets must address these competitive disadvantages while preserving their cultural and economic significance.

Research Method

Research Design

This study employs a mixed-methods approach, integrating quantitative and qualitative data to provide a comprehensive evaluation of the KKI program. The quantitative component involves surveys of 81 market traders who are KKI beneficiaries, while the qualitative component includes in-depth interviews and focus group discussions (FGDs).

Data Collection

1. **Surveys:** Structured questionnaires were administered to gather data on traders' demographic profiles, business performance, and satisfaction with KKI (Badan Pusat Statistik, 2019; Badan Pusat Statistik, 2021; Perda Kutai kartanegara Nomor 6 Tahun 2012; Peraturan Menteri Perdagangan Nomor 53 tahun 2008; Permendag Nomor 70 Tahun 2013; Permendag Nomor 56 Tahun 2014 Pemendag Nomor 23 Tahun 2021; Permendag Nomor 18 Tahun 2022; Presiden Republik Indonesia. (2007); Presiden Republik Indonesia. (2021).
2. **Interviews:** Semi-structured interviews were conducted with government officials, program administrators, and market traders to gain insights into the program's implementation and impact (Putra, 2018).
3. **Focus Group Discussions:** FGDs provided a platform for traders to share their experiences and challenges in accessing and utilizing KKI funds.

Data Analysis

Quantitative data were analyzed using descriptive statistics, while qualitative data were coded thematically to identify recurring patterns and insights. Triangulation was employed to ensure the reliability and validity of findings.

Results and Discussion

Socio-Economic Profiles of Beneficiaries

The demographic and socio-economic characteristics of Kredit Kukar Idaman (KKI) beneficiaries provide essential context for understanding the program's impact. Table 1 summarizes key data on age, education level, business type, and average monthly income before and after receiving KKI funding.

Table 1. Demographic and Socio-Economic Characteristics of Beneficiaries

Characteristic	Percentage (%)	Description
Age (30-50 years)	64%	Majority are in their prime working years.
Education (High School)	72%	Most beneficiaries have basic education.
Business Type (Retail)	54%	Predominantly small-scale retail enterprises.
Income Increase (%)	48%	Average monthly income grew post-KKI funding.

These findings align with studies highlighting the concentration of MSE operators within specific age groups and education levels, which influence their entrepreneurial capabilities (Kasmir, 2014).

Program Accessibility and Utilization

Despite its positive outcomes, the program's accessibility remains uneven. Survey results indicate that only 65% of eligible traders were aware of KKI, while 45% reported challenges in completing the application process due to complex administrative requirements. Figure 1 illustrates the distribution of awareness and accessibility issues among beneficiaries.

Limited program outreach and inadequate communication strategies were recurring themes in interviews. This finding echoes the literature on the critical role of effective dissemination in public policy success (Stanley & Weare, 2004).

Financial Impact and Business Growth

KKI has contributed significantly to improving beneficiaries' financial resilience. Survey data reveal that 78% of traders reported increased working capital, while 62% expanded their product offerings. Figure 2 provides a comparative analysis of average monthly revenues before and after receiving KKI support.

These outcomes are consistent with studies indicating that accessible credit facilitates business expansion and operational efficiency (Mowen & Minor, 2001). However, interviews highlighted that some traders faced difficulties in utilizing funds effectively due to limited financial literacy.

Market Competitiveness and Sustainability

The program's impact on market competitiveness was evident, with 58% of beneficiaries reporting increased customer retention and improved market share. However, traditional market traders continue to face competition from modern retail formats, which leverage technology and supply chain efficiency. Table 2 contrasts the operational advantages of KKI-supported traders and modern retailers.

Table 2. Comparison of Operational Advantages

Metric	KKI Traders	Modern Retailers
Credit Accessibility	High (0% interest)	Moderate to high (variable)
Technology Integration	Limited	Advanced
Customer Retention	Moderate (localized)	High (wider reach)
Inventory Management	Manual	Automated

While KKI reduces financial barriers, modern retail formats maintain a competitive edge in technological adoption. Policymakers should consider integrating digital training programs for traditional traders to bridge this gap.

Implementation Challenges and Administrative Bottlenecks

Interviews with program administrators revealed persistent administrative challenges, including delays in fund disbursement and inadequate monitoring mechanisms. These issues undermine program efficiency and risk eroding beneficiaries' trust. Figure 3 summarizes the key administrative challenges reported by stakeholders. Addressing these challenges requires streamlining administrative processes and adopting digital platforms to enhance transparency and efficiency.

Comparative Insights and Policy Implications

The findings underscore the importance of integrating financial support with capacity-building initiatives. Programs in other regions, such as India's Micro Units Development and Refinance Agency (MUDRA), combine credit provision with training and technology access, yielding more sustainable outcomes (Mowen & Minor, 2001; Alexandro et.al., 2021).

To enhance KKI's effectiveness, the following recommendations are proposed: (1) Enhanced Outreach: Conduct targeted awareness campaigns using local languages and community leaders; (2) **Capacity Building:** Implement mandatory financial literacy workshops for beneficiaries; and (3) **Digital Integration:** Develop mobile applications for application processing and fund tracking.

Limitations and Future Research

This study's findings are constrained by its regional focus and reliance on self-reported data, which may introduce bias. Future research should explore longitudinal impacts of KKI on economic mobility and assess the replicability of its model in other regions. Additionally, examining the interplay between credit programs and broader economic policies could provide deeper insights into fostering inclusive growth.

Conclusion

The Kredit Kukar Idaman program demonstrates the potential of interest-free credit schemes to empower traditional market traders and stimulate local economic growth. However, its impact is constrained by challenges in outreach, administration, and digital adoption. Addressing these issues through targeted interventions can enhance the program's effectiveness and sustainability.

Contribution to Knowledge and Future Directions

This study contributes to the understanding of public credit policies and their role in promoting financial inclusion and economic resilience. Future research should explore: (1) the long-term impact of KKI on traders' economic mobility; (2) comparative analyses of similar programs in different regions; and (3) the integration of digital tools to enhance program accessibility and efficiency.

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