

POLICY ANALYSIS

Subsidised Credit at Scale: Targeting and Concentration in Indonesia's KUR Programme

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Received 17 May 2025 | Revised 18 June 2025 | Accepted 12 July 2025

ABSTRACT

Indonesia operates one of the largest subsidised credit programmes in the developing world. The People's Business Credit scheme disburses hundreds of trillions of rupiah annually to micro, small and medium enterprises at interest rates set well below market, with the state guaranteeing seventy per cent of each loan. This study examined the programme's targeting and concentration using official performance reports published by the coordinating ministry, and interpreted the pattern against the international literature on government credit guarantees and subsidised lending. Three findings emerge. First, disbursement is highly volatile relative to target: realisation reached 103.24 per cent of target in 2022 but fell to 87.57 per cent in 2023, a decline of more than a quarter in absolute terms, before recovering to 112.08 per cent in 2024. Second, portfolio quality deteriorated markedly, with the non-performing loan ratio rising from 0.84 per cent in August 2020 to 2.03 per cent in December 2023. Third, delivery is extremely concentrated: one state bank accounted for 68.5 per cent of cumulative disbursement, Java for 54.56 per cent, and trade for over half of sectoral allocation. Published impact evaluation indicates that 68.55 per cent of recipients come from the upper seven expenditure deciles. The study argues that the programme's scale has outpaced its targeting architecture, and that concentration in delivery is itself a policy variable requiring management.

Keywords: *subsidised credit; credit guarantee; MSME finance; financial inclusion; programme targeting*

ABSTRAK

Indonesia menjalankan salah satu program kredit bersubsidi terbesar di negara berkembang. Program Kredit Usaha Rakyat menyalurkan ratusan triliun rupiah setiap tahun kepada usaha mikro, kecil, dan menengah dengan suku bunga jauh di bawah pasar, dengan penjaminan pemerintah sebesar tujuh puluh persen dari nilai kredit. Penelitian ini menelaah penargetan dan konsentrasi program menggunakan laporan kinerja resmi kementerian koordinator, lalu menafsirkan polanya terhadap literatur internasional mengenai penjaminan kredit dan pinjaman bersubsidi pemerintah. Tiga temuan diperoleh. Pertama, penyaluran sangat berfluktuasi terhadap target: realisasi mencapai 103,24 persen pada 2022 namun turun menjadi 87,57 persen pada 2023, yaitu penurunan lebih dari seperempat secara absolut, sebelum pulih ke 112,08 persen pada 2024. Kedua, kualitas portofolio memburuk nyata, dengan rasio kredit bermasalah naik dari 0,84 persen pada Agustus 2020 menjadi 2,03 persen pada Desember 2023. Ketiga, penyalurannya sangat terkonsentrasi: satu bank negara menguasai 68,5 persen penyaluran kumulatif, Pulau Jawa 54,56 persen, dan sektor perdagangan lebih dari separuh alokasi sektoral. Evaluasi dampak yang telah dipublikasikan menunjukkan 68,55 persen penerima berasal dari tujuh desil pengeluaran teratas. Penelitian

ini berargumen bahwa skala program telah melampaui arsitektur penargetannya, dan bahwa konsentrasi penyaluran merupakan variabel kebijakan yang perlu dikelola.

Kata kunci: kredit bersubsidi; penjaminan kredit; pembiayaan UMKM; inklusi keuangan; penargetan program

1. INTRODUCTION

Governments across the developing world intervene in credit markets on behalf of small firms. The justification is a market failure: lenders cannot cheaply distinguish good borrowers from bad among enterprises that lack audited accounts and pledgeable collateral, so credit is rationed rather than merely priced. Guarantees and interest subsidies are the standard instruments for correcting it.

Indonesia's People's Business Credit programme is among the largest such interventions anywhere. It combines an interest subsidy that has held the borrower rate at three to six per cent against commercial rates several times higher, a state guarantee covering seventy per cent of each loan, and delivery through commercial banks operating on their own credit assessment. By the end of 2023 the programme carried an outstanding balance of 482 trillion rupiah across 44.40 million cumulative borrowers.

Scale of this magnitude changes the analytical question. Where a programme is small, the relevant question is whether it works. Where it disburses a quarter of a percent of national credit annually and reaches tens of millions of borrowers, the questions that matter are distributional and structural: who receives the subsidy, through which institutions, in which places, and what happens to portfolio quality as the programme grows.

These questions are answerable from the programme's own published performance reports, which the coordinating ministry releases annually. They have attracted less analytical attention than the programme's impact, on which a substantial Indonesian literature now exists. This study therefore asks three questions. First, how stable is disbursement relative to the targets set for it? Second, how has portfolio quality moved as the programme expanded? Third, how concentrated is delivery by lender, region and sector, and what does that concentration imply?

2. LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

Why governments guarantee small-firm credit

The theoretical case rests on information asymmetry. Small firms are opaque to lenders, and where lenders cannot price risk accurately they withdraw from the segment rather than raise rates, since higher rates attract riskier applicants. A public guarantee shifts part of the loss distribution onto the state, allowing the lender to extend credit that would otherwise be refused. An interest subsidy addresses a different problem, affordability rather than availability, and the two instruments are frequently combined although their rationales differ.

The empirical record on whether these instruments work is mixed and depends heavily on design. Crawford et al. (2023), in a systematic review of government finance, loans and guarantees for small and medium enterprises covering 2000 to 2021, find the evidence base fragmented and the results sensitive to programme structure and to evaluation method. Dvouletý et al. (2021), reviewing European Union grant programmes, reach a comparable conclusion: effects on firm performance are frequently positive but modest, and rarely transformational.

Where positive effects are found, they often operate through survival rather than growth. Ehrl (2021), examining subsidised loans in Brazil, frames the mechanism as one of firms living large or dying young, with subsidised credit altering the survival distribution rather than uniformly raising performance. Martín-García and Morán Santor (2021) find that public guarantees in Madrid functioned counter-cyclically, supporting growth when private credit contracted — an argument that the value of such schemes is greatest precisely when they are hardest to sustain fiscally.

Yu et al. (2022), studying credit guarantees for Chinese small and medium enterprises, find positive effects on firm performance, and Prasannath et al. (2024) find that government support policies affect performance partly through entrepreneurial orientation rather than through capital alone. The implication running through this literature is that credit access is a necessary but not sufficient condition, and that complementary capabilities determine whether access converts into performance.

Access to finance and the financing gap

A parallel literature examines the demand and supply determinants of small-firm financial inclusion. Thathsarani et al. (2023) analyse demand, supply and institutional factors in a developing-country setting and find institutional quality material to outcomes. Chowdhury et al. (2022), studying Bangladeshi small and medium enterprises, link access to finance and firm quality to performance, again suggesting that access operates jointly with firm characteristics rather than independently of them.

Technology has entered this literature as a potential substitute for public intervention. Sanga and Aziakpono (2023) review financial technology and small-firm financing, and Thathsarani and Jianguo (2022) connect digital finance to inclusion and performance through a technology acceptance framework. The possibility that private digital lending might address information asymmetry directly bears on how long a large public subsidy scheme remains the appropriate instrument.

Indonesian evidence

Indonesian scholarship on the programme has concentrated on impact and on credit access determinants. Adha (2023) provides the most rigorous impact evaluation located, applying propensity score matching to 134,481 households across 34 provinces in the 2019 national socio-economic survey. Recipients show 7.6 to 13.1 per cent higher per-capita monthly expenditure, with larger effects for non-food expenditure. Critically for the present study, the same evaluation reports that 68.55 per cent of participants come from expenditure deciles four to ten.

Ismanto et al. (2024) examine credit access determinants across 42 Indonesian banks over 2010 to 2022, and Rusliana et al. (2023) link financial accessibility to enterprise performance. Putra et al. (2023) analyse repayment performance in one state bank's portfolio. Aristanto et al. (2020) trace the policy dynamics of the programme itself, and Lailaa and Kurniawati (2018) examine the effect of programme disbursement on the performance of regional development banks — the group of lenders whose small share in the programme is documented below.

What guarantee schemes do to access, growth and default

The international evidence on subsidised and guaranteed credit converges on a pattern with two sides, and reading only one of them produces the wrong evaluation. de Blasio et al. (2018), using a regression discontinuity at a national guarantee fund's eligibility threshold, find the scheme increasing bank lending to eligible firms without reducing interest rates, with guaranteed loans used predominantly for working capital and

associated with a higher likelihood of default. Rising default is therefore an expected property of a functioning guarantee scheme rather than evidence that it is failing.

Bachas et al. (2021), exploiting discontinuities in guarantee generosity, find loans clustering at size thresholds offering more generous cover and a one percentage point increase in generosity associated with approximately nineteen thousand dollars more lending per loan, with the effect disappearing when thresholds are removed. This establishes that guarantees expand credit supply rather than merely subsidising lending that would have occurred anyway, which is the necessary condition for any welfare case.

Two studies supply the benefit side. Brown and Earle (2017), linking programme loans to lenders and employers, estimate three to four jobs created per million dollars lent, implying between one and 2.1 million jobs across fifteen years at a public cost of eight to eighteen thousand dollars per job measured five years after lending. Bertoni et al. (2023), following a decade-long panel, find guarantee beneficiaries recording significantly higher growth in sales, employment and assets without productivity slowdown, with effects largest for younger and smaller firms and improved survival rates, robust across matching, difference-in-differences and instrumental variable designs.

Lending technology, local presence and who is rationed

Whether a subsidised scheme reaches its intended borrowers depends on how lenders assess them. Ferri et al. (2019), examining European firms through a credit contraction, find transactional lending increasing rationing while soft information mitigated asymmetries, and rationing falling significantly where soft information was incorporated into transactional technologies, with the largest benefit for small firms borrowing from large institutions. The design lesson is that programme credit delivered through a purely transactional channel will ration precisely the borrowers it exists to serve.

Nguyen (2019) quantifies what physical presence contributes, finding a branch closure reducing annual small-business lending originations by approximately 453,000 dollars against a 4.7 million baseline, with effects persisting up to six years and vanishing beyond six miles. Gama et al. (2024) complicate the inference, finding higher municipal branch density raising the odds that local small firms adopt a conservative debt-avoiding financing policy, with cooperative bank branches showing the inverse relationship. Local presence changes borrowing behaviour, but not always in the direction a disbursement target assumes.

Behr et al. (2017) add the mandate dimension, finding banks with a public mandate twenty-five per cent less cyclical than other local banks, with the effect operating through credit supply. Where a subsidised programme is delivered through such banks, part of any observed stability belongs to the delivery channel rather than to the programme design.

Indonesian evidence on programme credit quality

Three domestic studies bear directly on the figures examined here. Putra et al. (2023), analysing 1,031 borrowers under the same programme at one bank, report disbursement growing 16.47 per cent across three years while the non-performing loan ratio rose by 117 per cent, from 0.798 to 1.18 per cent, and find loan amount, interest rate, sector, income level and borrower age significantly affecting repayment. The movement they document is in the same direction as the one examined in this study and of smaller magnitude, which makes it a useful benchmark rather than a duplicate.

Lailaa and Kurniawati (2018) examine regional development banks after distribution licences were revoked for twenty-six banks and subsequently reopened under

conditions, and find no significant difference in non-performing loans or profitability before and after those banks became distributors. Darjana et al. (2022), using monthly provincial panel data across five years with a difference-in-differences design, find credit performance declining significantly during the pandemic period, with the credit coefficient falling from 1.79 to 1.27 and the change materialising within three months, affecting all primary sectors except working capital lending.

Research gap

The Indonesian literature has examined whether the programme benefits recipients. It has examined much less systematically how the programme is distributed. Yet the international evidence indicates that programme design and structure determine effects, which means that concentration by lender, region and sector is not an administrative detail but a determinant of who the programme reaches. This study addresses that gap using the programme's own published performance data.

3. METHOD

The study is quantitative descriptive, using official secondary data. No primary data were collected and no econometric estimation is attempted; the contribution is a structured reading of published administrative statistics against the comparative literature.

Data sources

Annual disbursement, target achievement, borrower numbers, outstanding balance and non-performing loan ratios were taken from the annual performance reports of the Deputy for Macroeconomic and Financial Coordination within the Coordinating Ministry for Economic Affairs, which are published on the ministry's performance portal. Cumulative distribution by lender, scheme, province and economic sector was taken from the ministry's programme disbursement report. Impact and targeting figures are cited from Adha (2023). All sources are published government documents or peer-reviewed articles.

Limitations of the data

Three data limitations must be stated because they bound the conclusions. First, annual realisation figures for 2020 and 2021 could not be verified from primary government documents, so the disbursement series presented below is discontinuous. Figures circulating in press reports for those years were not confirmed against an official source and are therefore excluded rather than reproduced.

Second, the most recent verified disaggregation by lender, province and sector dates from August 2020; the ministry appears to have discontinued the monthly disaggregated series thereafter. The concentration analysis therefore describes the cumulative position at that date rather than the current one. Third, non-performing loan ratios are available only at three verified points rather than as a continuous series.

These gaps are themselves a finding about programme transparency, and are treated as such in the discussion rather than concealed.

4. RESULTS AND DISCUSSION

Disbursement against target

Realised disbursement has diverged from target in both directions. In 2019 the programme achieved 139.5 trillion rupiah against a target of 140 trillion, or 99.65 per cent. In 2022 it disbursed 365.150 trillion against a target of 354 trillion, or 103.24 per

cent, reaching 7.162 million borrowers in that year. In 2023 disbursement fell to 260.09 trillion against a target of 297 trillion, or 87.57 per cent, reaching 4.64 million borrowers. In 2024 it recovered to 282.44 trillion, recorded at 112.08 per cent of target.

Figure 1. Realised disbursement against target, People's Business Credit programme (source: annual performance reports, Coordinating Ministry for Economic Affairs)

The 2023 contraction is the most striking feature of the series. Disbursement fell by 105 trillion rupiah from the previous year, a decline of 28.8 per cent, and the number of borrowers reached in the year fell from 7.162 million to 4.64 million, a decline of 35.2 per cent. The borrower decline exceeded the value decline, which implies that average loan size rose even as the programme contracted.

Table 1. Disbursement, targets and borrowers

Source: annual performance reports of the Deputy for Macroeconomic and Financial Coordination, Coordinating Ministry for Economic Affairs; 2019 figure from the Cabinet Secretariat. Figures for 2020 and 2021 could not be verified from primary government documents and are omitted.

That average loan size rose while borrower numbers fell is consistent with lenders responding to deteriorating portfolio quality by concentrating on larger and better-documented borrowers. Under a guarantee covering seventy per cent of losses, the lender retains a thirty per cent exposure, and as realised default rises that residual exposure becomes material. The rational response is to tighten selection toward the upper end of the eligible population — which is precisely the segment least affected by the credit rationing the programme exists to correct.

Portfolio quality

The non-performing loan ratio was 0.84 per cent for cumulative disbursement to August 2020 and 0.88 per cent at the end of the second quarter of 2021. By December 2023 it had reached 2.03 per cent against an outstanding balance of 482 trillion rupiah across 44.40 million cumulative borrowers.

Figure 2. Non-performing loan ratio at verified observation points (source: performance reports, Coordinating Ministry for Economic Affairs)

A ratio of 2.03 per cent is not alarming by commercial banking standards. What matters is the trajectory: the ratio more than doubled within roughly three years, over a period in which the programme expanded rapidly and in which the borrower interest rate was cut to three per cent for 2022. Rapid expansion accompanied by rate reduction and rising default is the configuration that the international literature associates with weakening selection, and it warrants monitoring rather than reassurance.

The observation also connects to the targeting evidence. If the programme were reaching progressively deeper into the credit-rationed population, a rising default rate would be an expected and arguably acceptable cost of extending the frontier. The targeting evidence discussed below suggests the opposite movement, which makes the rising ratio harder to interpret benignly.

Concentration in delivery

Cumulative disbursement to August 2020 stood at 583.89 trillion rupiah across 21,795,766 borrowers, with a cumulative non-performing ratio of 0.84 per cent. The distribution of that disbursement was highly concentrated on three dimensions simultaneously.

Table 2. Concentration of cumulative disbursement to August 2020

Source: programme disbursement report to August 2020, Coordinating Ministry for Economic Affairs. Sectoral shares computed by the authors from reported cumulative ceiling values.

Three features of this distribution deserve comment. The dominance of a single lender at 68.5 per cent means that the programme's reach is effectively bounded by one institution's branch network and credit policy. That bank's extensive rural presence is the reason the programme reaches as widely as it does; it is equally the reason that areas outside its network are structurally underserved. Regional development banks, whose mandate is explicitly local enterprise development, accounted for only 3.4 per cent.

The regional concentration at 54.56 per cent for Java broadly tracks the distribution of economic activity and enterprise counts, so it is not by itself evidence of misallocation. It nonetheless means that a programme framed as a national instrument of enterprise development operates predominantly in the country's most developed region, and that the eastern provinces receive a small fraction of the subsidy.

The sectoral concentration is the most consequential. Trade accounts for well over half of cumulative disbursement while agriculture and forestry account for roughly a quarter. Trade enterprises turn over inventory rapidly and generate the observable cash flows that lenders can underwrite; agricultural enterprises have seasonal cash flows that fit conventional lending products poorly. The concentration therefore reflects underwriting convenience rather than policy priority, and a programme designed to correct a market failure has reproduced the market's own preference ordering.

The interest rate structure and what it selects for

The borrower rate has moved substantially over the programme's life. It stood at six per cent per annum through 2019 to 2021, was cut to three per cent for 2022 with the interest subsidy allocation raised by 11.9 trillion rupiah to a total of 35 trillion, and was restructured for 2023 into a graduated schedule: three per cent for ultra-micro borrowers, six per cent as the standard rate, and rising steps of seven, eight and nine per cent for second, third and fourth loans to the same borrower.

The graduated schedule is an intelligent design response to a problem the international literature identifies. Where a subsidised rate is available indefinitely, borrowers have no incentive to graduate to commercial credit, and the programme accumulates a permanent clientele rather than transitioning firms toward the market. Rising rates for repeat borrowing create that transition incentive explicitly.

The design nonetheless interacts with the concentration findings in a way that deserves note. Graduation assumes that a borrower who has serviced several subsidised loans has become creditworthy at commercial terms. For a trade enterprise on Java with an established relationship at a major bank, that assumption is plausible. For an agricultural borrower in an eastern province, whose access depended on the programme precisely because commercial credit was unavailable, graduation may mean exit rather than transition. A uniform graduation schedule applied to a highly non-uniform borrower population will have correspondingly non-uniform effects.

Targeting

The targeting evidence is the most demanding finding for the programme's rationale. Adha (2023) reports that 68.55 per cent of participants come from expenditure deciles four to ten — that is, from the upper seven tenths of the distribution. Fewer than a third of recipients come from the bottom three deciles.

This is not necessarily a failure on its own terms. The programme targets enterprises rather than poor households, and enterprise ownership is itself concentrated above the bottom deciles; a household operating a business with sufficient turnover to service a loan is unlikely to be among the poorest. The finding does, however, bear directly on how the subsidy should be justified. A subsidy flowing predominantly to households in the upper seven deciles is an enterprise development instrument, not a poverty instrument, and its evaluation criteria should follow accordingly.

Read together with the concentration data, a consistent picture emerges. The programme reaches trade enterprises, on Java, through one dominant lender, among households above the bottom three deciles. Each of these is individually explicable by the logic of lending; jointly they define a recipient profile considerably narrower than the programme's framing implies, and one that overlaps only partially with the population that credit rationing most severely affects.

Adha's (2023) positive impact estimates and this targeting pattern are not in tension. Both can hold simultaneously: the programme raises recipient expenditure, and recipients are not drawn primarily from the most constrained population. The policy question this raises is one of counterfactual — whether the same fiscal cost directed at a differently selected population would generate larger effects — and it cannot be answered from the data examined here.

Comparison with international guarantee schemes

Placing the Indonesian programme beside the international evidence clarifies both what is distinctive about it and what is not. Its scale is exceptional: few developing-country guarantee schemes reach tens of millions of cumulative borrowers. Its guarantee coverage at seventy per cent sits within the range documented for comparable schemes, high enough to induce lending but leaving the lender material residual exposure.

What the international literature would predict for a scheme of this design is broadly what the data show. Martín-García and Morán Santor (2021) find guarantee schemes valuable counter-cyclically; the Indonesian programme's sharp expansion through the pandemic period and its 2023 contraction are consistent with counter-cyclical operation, though the contraction came earlier than a purely counter-cyclical logic would imply. Yu et al. (2022) find positive firm-performance effects from guarantees in China, and Adha's (2023) Indonesian expenditure effects are in the same direction.

The dimension on which the Indonesian case departs from much of the comparative literature is the retention of lender discretion over selection. Because participating banks apply their own credit assessment and retain thirty per cent of loss exposure, the programme's reach is determined by commercial underwriting criteria operating on subsidised terms. Dvoutely et al. (2021) note that European grant programmes, which select administratively rather than through lenders, show different and often weaker performance effects. The Indonesian design plausibly buys better portfolio quality and better firm-level effects at the cost of the targeting concentration documented above. That is a defensible trade-off, but it should be recognised as a choice rather than an accident, and evaluated as such.

Implications

Three implications follow. First, concentration should be treated as a managed policy variable rather than an outcome. Setting sectoral or regional floors, or actively developing capacity among regional development banks whose 3.4 per cent share sits oddly with their statutory mandate, would alter the recipient profile in ways that adjusting the interest rate cannot.

Second, the pairing of a rising default ratio with falling borrower numbers and rising average loan size deserves explicit monitoring, because it is the observable signature of a guarantee scheme drifting toward less constrained borrowers. Reporting average loan size and borrower distribution by scheme alongside the headline disbursement figure would make this drift visible as it occurs.

Third, the transparency gap identified in the method section is itself a policy matter. Disaggregation by lender, province and sector was published monthly until 2020 and appears to have been discontinued. Without it, neither the programme's managers nor external analysts can observe whether concentration is worsening. Restoring publication would be a low-cost measure with substantial analytical return.

The fiscal dimension

The subsidy is not costless, and its magnitude places the targeting question in perspective. The interest subsidy allocation for 2022 reached 35 trillion rupiah following an increase of 11.9 trillion, an amount comparable to substantial line items in the national budget. That expenditure buys a rate reduction for borrowers whose profile has been described above.

Two observations follow. The first concerns incidence. Where a subsidised rate is available and lenders select borrowers, part of the subsidy accrues to borrowers who would have obtained credit at commercial terms in any case; for those borrowers the subsidy is a transfer rather than an access instrument. The extent of that inframarginal share cannot be estimated from published data, but the concentration among trade enterprises on Java suggests it is not negligible.

The second concerns the guarantee's contingent cost. At a seventy per cent coverage ratio and an outstanding balance of 482 trillion rupiah, each percentage point of non-performing loans represents a contingent claim on the guarantor in the order of three trillion rupiah. The movement from 0.84 to 2.03 per cent is therefore fiscally material as well as analytically informative, and it argues for reporting the guarantee's expected cost alongside the interest subsidy rather than treating the two separately.

Reading the movement in loan quality

A non-performing loan ratio rising from 0.84 to 2.03 per cent invites an unfavourable reading, and the guarantee literature indicates that the unfavourable reading is incomplete. de Blasio et al. (2018) find guarantee schemes raising lending and simultaneously raising default probability, because the marginal borrower a guarantee brings into the market is by construction riskier than the inframarginal one. A scheme that expanded access without any increase in default would be a scheme that had not reached new borrowers.

The comparison with Putra et al. (2023) sharpens rather than settles the question. Their reported movement, from 0.798 to 1.18 per cent across three years at one bank, is both smaller in level and slower than the movement examined here, which is consistent either with a faster expansion into riskier segments or with a deterioration in selection. The two are not distinguishable from ratio data alone, and Bertoni et al.'s (2023) finding that guarantee recipients show improved survival and higher growth indicates which additional outcome would separate them.

Reading the fall in disbursement

A sharp single-period fall in disbursement admits several explanations, and the Indonesian literature supplies a precedent for at least one. Darjana et al. (2022) document credit performance declining across Java with the credit coefficient falling

from 1.79 to 1.27 and the change materialising within three months, affecting every primary sector except working capital. A disbursement fall concentrated in a single year is therefore not evidence of programme-specific failure until the general credit environment has been accounted for.

Two further findings caution against reading disbursement as demand. Gama et al. (2024) find greater local branch density raising the probability that small firms adopt conservative debt-avoiding policies, and Ferri et al. (2019) find transactional lending technologies increasing rationing of exactly the borrowers soft information would have served. A fall in disbursement may therefore reflect borrower withdrawal, lender selection, or delivery channel, and a programme evaluated on volume alone cannot distinguish among them.

Limitations

Four limitations qualify these findings. First, the disbursement series is discontinuous, with 2020 and 2021 unverifiable from primary sources. Second, the concentration analysis rests on the cumulative position at August 2020 and may not describe the present distribution. Third, the study is descriptive and establishes no causal claims; the interpretation of rising default as evidence of changing selection is an inference consistent with the data rather than a tested result. Fourth, targeting evidence is drawn from a single published evaluation using 2019 survey data, which precedes the programme's largest expansion.

5. CONCLUSION

Indonesia's People's Business Credit programme operates at a scale that makes its distributional structure more consequential than its average effect. The evidence assembled here indicates that disbursement is volatile against target, contracting 28.8 per cent in 2023 before recovering; that portfolio quality deteriorated from 0.84 per cent to 2.03 per cent non-performing between 2020 and 2023; and that delivery is concentrated simultaneously by lender, region, scheme and sector, with one bank accounting for more than two-thirds of cumulative disbursement and trade for more than half.

Published evaluation indicates positive expenditure effects for recipients alongside a recipient population drawn predominantly from the upper seven expenditure deciles. Taken together, these findings suggest a programme whose scale has outpaced its targeting architecture: it works for those it reaches, and whom it reaches is determined largely by lending convenience rather than by the distribution of credit constraint.

For the comparative literature on subsidised credit, the Indonesian case illustrates a pattern the guarantee-scheme literature has documented in smaller settings — that guarantees shift the loss distribution without altering the lender's selection incentives, so the resulting portfolio tends toward the better-documented end of the eligible population. Testing whether the concentration documented here has worsened since 2020 requires the restoration of disaggregated public reporting, and is the most immediate extension of this work.

DECLARATIONS

Author contributions (CRediT)

Conceptualisation: Author 1. Methodology: Author 1. Formal analysis and investigation: Author 1. Writing — original draft preparation: Author 1. Writing — review and editing:

Author 1. Supervision: Author 1. All named authors have read and approved the final manuscript and accept responsibility for its content.

Conflict of interest

The authors declare that they have no financial or non-financial conflict of interest in relation to the subject matter of this article. No author holds a position in, or receives support from, any organisation examined or evaluated in this study.

Data availability

This study generated no primary data. It draws exclusively on published peer-reviewed literature, publicly available legal instruments and publicly available official statistics, all of which are identified in the text and listed in the references. No confidential administrative record, individual taxpayer record, permit file or personal datum was accessed, and no individual person or business is identified. Every quantity reported was traced to a single identified public source and can be verified by any reader from that source.

Funding

This research received no specific grant from any funding agency in the public, commercial or not-for-profit sectors.

Declaration on the use of artificial intelligence

In accordance with COPE, ICMJE and WAME positions, and with the RCP AI Use Declaration requirement, the authors disclose that generative artificial intelligence tools were used in preparing this manuscript, specifically to assist with literature identification, synthesis of the reviewed sources, and language editing of the draft. Artificial intelligence was not used to generate data, results or citations. Every reference in this article was verified by the authors against the publisher's own record, a digital object identifier record or an indexing database record before inclusion, and sources whose bibliographic details or indexing status could not be confirmed were excluded. No artificial intelligence tool is listed as an author. The authors take full responsibility for the accuracy, integrity and originality of the entire content of this article.

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How to cite: Apriliya Wahyuningsih (2025). Subsidised Credit at Scale: Targeting and Concentration in Indonesia's KUR Programme. JBME, 1(1), 15-27.