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A SYSTEMATIC LITERATURE REVIEW ON FINANCING MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) : CONCEPT AND INTEREST SUBSIDY GUARANTEE SCHEME

Syahrir Ika
Faculty of Economics and Business, Brawijaya University Malang

Abstract : Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in fostering economic growth within a nation. The significance of this role is seen in the impact of MSMEs on various aspects such as employment generation, business capital accumulation, export promotion, poverty reduction, and the mitigation of income inequality. Several studies confirm that it is challenging for MSMEs to grow and develop. The primary challenges encompass constrained financial resources and impediments in securing funding from banking institutions. Various governments across numerous countries provide fiscal support to MSMEs through the provision of guarantees and interest subsidies. This research aims to determine the concept and implementation of program credit using the Systematic Literature Review method. This research found that government intervention in MSME financing programs, both in guarantee subsidy schemes and interest subsidies, varies depending on the business phasing process, business scale, and type of business. The government usually facilitates medium-scale MSMEs with a guarantee subsidy scheme. In the interim, the government provides support to small-scale and micro-scale MSMEs through the implementation of an interest subsidy scheme. Financing MSMEs with an interest subsidy scheme is more effective, but in some cases, guarantee subsidies are more effective. Government intervention is often misdirected because the government in several countries does not yet have credit scoring and certification for MSMEs.

***Keyword**: MSMEs, Financing, Banks, government, subsidies*

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have a critical role in a country's economic growth (Constantin, 2006, Cahyaningtyas, 2017; Muhammad and Nurcahyo, 2017; Nurfarida et,al. 2021). This role is reflected in the contribution of MSMEs in (1) job creation, (2) creation of business capital, (3) export, (4) poverty alleviation, and (5) reducing income inequality (Constantin, 2002; Moore & Manring, 2009; Makate, 2014; Braun, William & Lowe, 2005; Mura & Buleca, 2012; Katrin et al. 2013; Idar et al., 2012;

Jiang, Lin, and Li, 2014; Talmaciu, 2012; Wignaraja, 2012; Tambunan, 2008). In Indonesia, MSMEs constitute the majority of business actors and are also one of the leading sectors in the national economy. The government reports that by 2022, the number of MSMEs in Indonesia will reach 65.4 million units or 99.99 percent of the national business unit population and absorb around 116 million people or more than 97% of the national workforce (kemenkopukm.go.id). The contribution of the MSME sector to the Gross Domestic Product (GDP) reaches 60.51% or IDR 8,573 trillion annually. MSMEs were also able to penetrate the export market with an export value reaching 4.29 billion US dollars or 15.7% of total national exports (economy.okzone.com).

The micro-scale MSME segment is generally an informal business asymmetric to information, especially bank credit. Banks assess that they are people who are unbanked or do not meet banking financing requirements. Difficulty accessing capital from formal financial institutions is one of the leading causes of difficulty developing or advancing to class. The World Bank, in its report titled "Improving Access to Finance for SMEs" (2018), reports that commercial banks, credit unions, and cooperatives have traditionally provided most of the credit to SMEs because they view the SME segment as a profitable sector. However, macroeconomic instability in developing countries and weak competition between micro and small businesses and medium and large businesses are identified as the main obstacles for formal financial institutions in financing SMEs. Banks charge higher fees and interest rates to SMEs. Bank Indonesia reports that the share of investment loans to SMEs in Indonesia is still minimal, varying between 5 and 20% in the bank's overall loan portfolio.

According to the World Economic Forum (WEF), many MSMEs in Indonesia find it challenging to grow and develop because they generally do not have managerial and operational skills, do not master digital technology, and do not have ideas for developing their business (weforum.org). As many as 99% of MSMEs, or around 62.3 million units, are newcomers with a trader mindset and short-term orientation, and generally cannot develop business and logistics and only have one or two sales channels. Meanwhile, MSMEs in the *challenger* and *mainstream* categories are only 0.34% and 0.01%, respectively, of the national MSME population.

One of the reasons why it is difficult for MSMEs to advance to class is failing to meet the prudential requirements for banking financing (better known as the 5C principle - *character, capacity, capital, collateral, and condition*, primarily *collateral*. This condition causes MSMEs, in the eyes of banks, to be at high risk of being given loans. The application of the prudential principle of banks in providing loans to MSMEs in Indonesia can be seen in the data on the proportion of banking credit, which is very unequal. Bank Indonesia reports that most banking credit, or around 79.1% of total banking credit amounting to IDR 6,686 trillion (BI, OJK, 2023), was distributed to large businesses.

Therefore, one of the government programs to encourage MSMEs to move up in class is increasing MSMEs' access to sources of banking financing or other financial institutions through the People's Business Credit (KUR) program. KUR is one of the government's credit programs to increase access to financing for MSMEs, which is channeled through financial institutions. The government officially launched KUR on November 5, 2007, based on Presidential Instruction Number 6 of 2007 concerning the Policy for Accelerating Real Sector Development and Empowering MSMEs. The purpose of the KUR program is to strengthen business capital capabilities in the context of implementing policies to accelerate real sector development and empower MSMEs. KUR funds are disbursed by KUR channeling banks determined by the government, both in the form of funds for working capital and investment purposes, with the loan ceiling that can be included in KUR being a maximum of IDR 500 million with a maximum interest of/equivalent to 16%.

The objectives of the KUR program are: (1) encouraging MSMEs to access banking financing; (2) increasing the competitive capacity of micro, small, and medium enterprises (MSMEs); which in turn (3) encourages economic growth; and encouraging employment (kur.ekon.go.id). The KUR targets are individual MSMEs, business entities, and business groups with productive and feasible businesses that do not yet have additional collateral (not bankable). This financing program is specifically targeted at MSMEs whose businesses are viable but do not meet bank financing requirements. This research is intended to study the concept and implementation of the KUR program with a guarantee subsidy scheme and interest subsidy scheme in Indonesia and other countries through *a systematic literature review* (SLR) approach.

METHOD

This research uses a systematic literature review method to examine the literature on MSME financing. The literature studied is literature published in reputable international scientific journals. A literature search was carried out using the Scopus. The keywords used are "micro, small, and medium enterprises" and "bank" and "financing" and "Subsidies". The literature studied was published in reputable international scientific journals, focused on MSME financing, and was published within the last five years. The research framework can be seen in Figure 1.

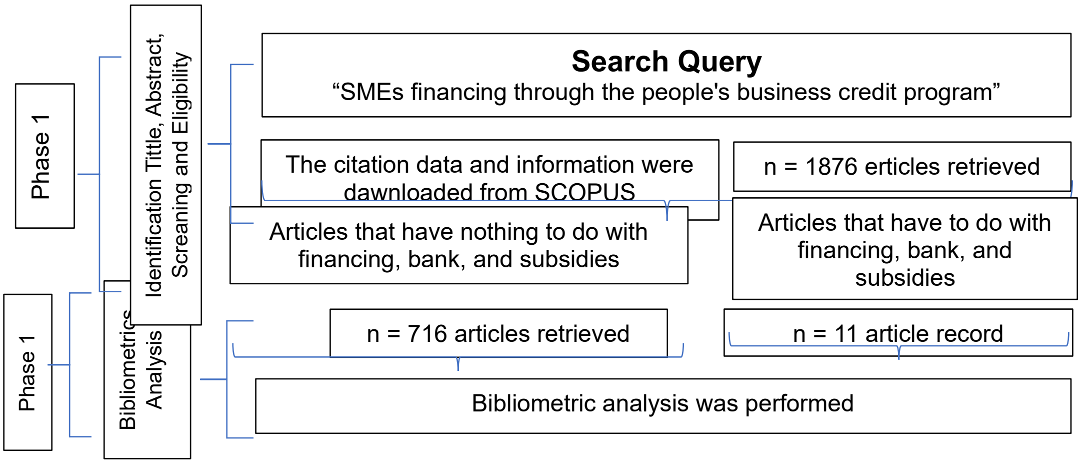
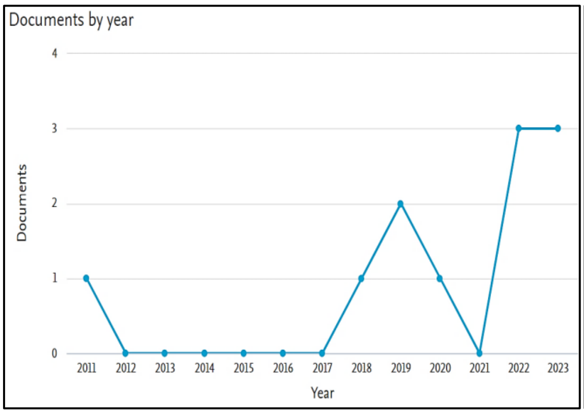


Figure 1: Research framework of the analysis process and research content

RESULT AND DISCUSSION

Data Overview

Based on the analysis process and research content of 11 recorded articles, the general picture can be explained as follows. These eleven articles were published from 2011 to 2023 (Figure 1), with details: 1 document in 2011, 1 document in 2018, 2 documents in 2019, 1 document in 2020, 3 documents in 2022 and 3 documents in 2023. If broken down by country, 5 documents from China, 2 documents from Italy, and Argentina, Austria, France, Germany, Luxembourg, Netherlands, Sweden, and the United States 1 document each (Figure 2). If broken down by sector, 22.8% business and management, 22.2% economics, 16.7% engineering, 11.1% social sciences, 11.1% mathematics, 5.6% decision sciences, and 5.6% decision energy (Figure 3). And, If broken down by sector type, 81.8% article, and 18.2% conference paper (Figure 4).



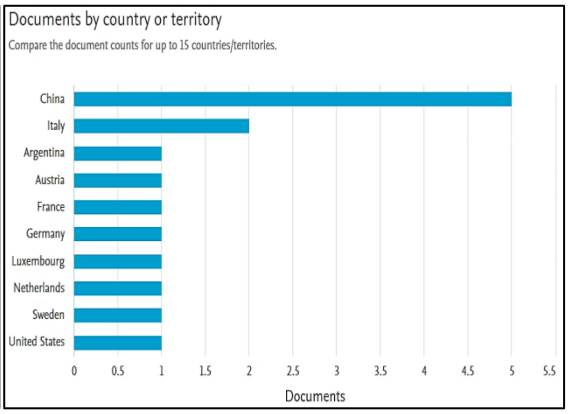


Figure 1: Dokuments by year

Figure 2 : Documents by country or teritory

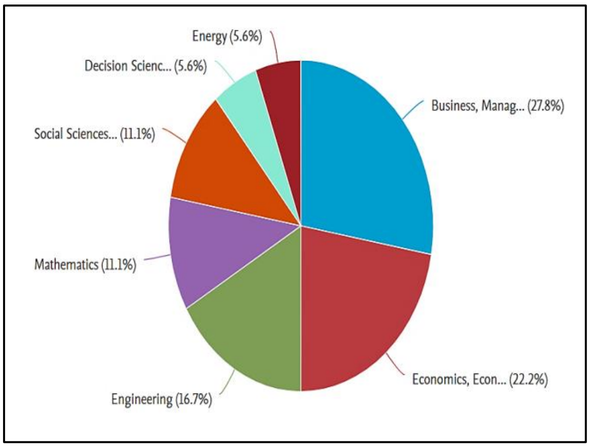


Figure 3: Dokuments by sector

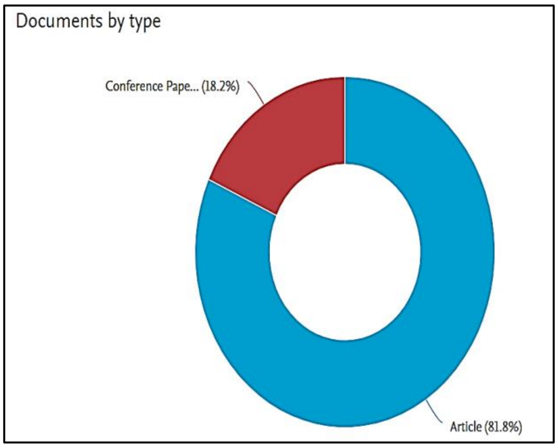


Figure 4 : Documents by type

The results of the systematic literature review

In the following, the results of the systematic literature review will be explained as follows (Table-1).

Table 1: The results of the systematic literature review

No.	Titles (Outhor)	Subject - Area	Objectives	Method	Theory	Finding
1	Analysis of ICT Companies from a Financial Perspective. Evidence for Software and Video Games Smes (M. Belén Guercio, Lisana B. Martinez, and Hernán P. Vigier, 2019)	Argentinian companies	This work seeks to evaluate the financing decisions of two specific subsectors of the information and communication technologies (ict) segment: video games developme	Quantitative Method; Descriptive and Correlation Analisis	Capital Structure	The main source of financing for a business at various stages of the business cycle is the company's own funds. However, the proportion of these funds decreases as the company moves past the start-up stage and into the growth phase. In addition, it was found that the typology of external sources used to replace

			nt (vg) and software and computer services (scs).			their own financing varies with the company's stage of development. In the start-up stage, companies replace their own funds with government subsidies. At the growth stage, companies use more bank financing.
2	Novel Joint-Financing Model for Bilateral Capital Restricted Supply Chains under Cap-and-Trade Regulation (Yanfang Huo , Xize Wang, Quan Deng, and Peng Han (2018)	SMEs - Tiongkok	This paper presents a novel fnancing pattern for bilateral capital restricted supply chains per the practical characteristics of SMEs, in which both the manufacturer and the retailer have insufcient capital for a carbon emission	Joint Financing Model	Supply Chain Fianance (SCF)	A higher tax (or allowance price) on carbon does not always result in greater reduction in emissions as it also alters order quantities. Increasing the magnitude of the transaction price per unit emissions can actually, increase the emissions. Previous researchers have also found that imposing strict climate policies may be counterproductive within certain

			cutting project.			ranges [39]. When the carbon credit is too heavily taxed, both the environment and economy sufer.
3	How do micro firms differ in their financing patterns from larger SMEs? (Christian Masiak, Joern H. Block, Alexandra Moritz, Frank Lang & Helmut Kraemer-Eis, 2019)	Larger SMEs in Europea n	The vast majority of firms in Europe are micro firms. Still, we know little about their financing patterns. Our paper aims to close this gap		Financing Patterns	Our empirical results show that micro firms are more likely to use internal financing instruments, whereas they are less likely to use state subsidies, trade credit or asset-based financing instruments. Furthermore, micro firms differ from larger SMEs by using more short-term debt financing instruments such as credit card overdrafts, credit lines and bank overdrafts.
4	Research on the Path of Policy Financing Guarantee to Promote SMEs' Green	SMEs in the GTI sector	This paper constructs a four-party evolutionar y game model among	-Dynamic Evolutionar y Path and Stability Analysis of the Game Model.	Information asymmetry Theory	-Considering the risk-sharing model, we find that the traditional risk-sharing model involving only banks and

	Technology Innovation (Ruzhi Xu, Tingting Guo and Huawei Zhao, 2022).		SMEs, banks, guarantee agencies, and the governmen t, and obtains four evolutionar y stable strategies by analyzing various players' replicator dynamics.	- Stimulation Analysis		guarantee agencies cannot improve the enthusiasm of guarantors, and the participation of the government and re-guarantee agencies is the key to alleviating the financing difficulties of SMEs. - In the early stage of GTI for SMEs, compared with only implementing guarantee fee subsidies, only implementing interest subsidies can improve the probability of SMEs repaying loans on time. - When improving the probability of SME compliance slightly (m = 0.4 → m = 0.5), even with higher lending rates and guarantee fee rates, the probability of SMEs compliance does not decrease significantly,

						which also reveals the importance of screening high-quality SMEs in preventing and controlling credit risks. Banks, guarantee agencies, and the government should accelerate the improvement of credit evaluation systems for SMEs. - For SMEs with low credit ratings (m = 0.4), the degree of GTI is a key factor affecting whether they can obtain subsequent financial support
5	Are pro-SME credit policies effective? Evidence from shadow banking in China (Shen Guo, Guiting Lin, Alice Y.	Small-and-Medium-size Enterprises (SMEs) with a focus on China's shadow banking market	This study investigates the effectiveness of pro-SME credit policies implemented in China with a focus on the shadow banking	-Impact of pro-SME credit policy on the probability of issuing entrusted loans. - Impact of pro-SME credit policy on	Government policies in the economy; and Shadow Banking	Our findings are important from a policy perspective. First, we provide evidence that credit policies aiming to improve SMEs' access to bank financing relax the credit constraints on SMEs. Second, our sectoral study

	Ouyang , 2023)	of entruste d loans	market of entrusted loans	the amount of entrusted loans. - Impact of pro-SME credit policy on the interest spread of entrusted loans.		shows that the government should consider sector-specific policies to ensure bank credit flows to their preferred sectors. Finally, the results suggest that helping SMEs gain access to formal banking credit is an effective way to reduce their reliance on the shadow banking system, which is a potential risk to the financial system in China.
6	Can direct innovation subsidies relax SMEs' financial constraints ? (Rapha¨el Chiappini, Benjamin Montmarti n, Sophie Pommet, and Samira Demaria, 2022)	SMEs	We test the signaling/c ertification effect for recipient firms by analyzing different variables reflecting the firms' ability to access debt in general and bank debt in particular. We also	econometri c strategy	Capital Market Failure Theory	Our results provide interesting evidence for policymakers and agencies supporting innovative SMEs. First, it appears that public agencies such as Bpifrance in France can play a very important role in helping SMEs relax their financial

			analyze the impact of receiving innovation subsidies on the access of firms to equity financing.			constraints and better finance their innovative activities by providing them not only with financial resources but also with certification. Nevertheless, the market signal sent by the subsidies seems to be more valuable for the banks than for equity investors
7	Debt financing of SMEs: The certification role of R&D Subsidies (Andrea Bellucci , Luca Pennacchio , and Alberto Zazzaro, 2023)	The debt financing of small and medium -sized enterprises (SMEs), Italia	This study investigates the (unintended) effects of public subsidies for research and development (R&D) on the debt financing of small and medium-sized enterprises	The study combines matching methods with a difference-indifferences estimator to examine whether receiving public subsidies affects total indebtedness and the structure and cost of	The role of public subsidies	The results indicate that R&D subsidies are associated with a modification of firm debt structure (especially for young, high-tech, and risky firms) in favor of long-term maturities and help firms limit the average cost of debt. Subsidies also foster the use of bank financing and reduce trade debt, but they do

			(SMEs) by examining a public program implemented in the Marche region of Italy during the 2005–2012 period.	debt of awarded firms.		not affect the overall level of debt. Taken together, these findings suggest that the public funding of SME innovation projects plays a certification role in the access to external financial resources for firms receiving subsidies.
8	Information asymmetry, external certification, and the cost of bank debt (Andrea Bellucci, Alexander Borisov, Germana Giombini, and Alberto Zazzaro d,1, 2023)	Banks, SMEs	In this paper we investigate how information from public signals about borrowing firms obtained by banks during the course of a lending relationship affects the price of credit, and whether such informatio	To examine how banks incorporate public information into the process of pricing and costing debt to borrowers, and to explore whether the two types of information can serve as complements or substitutes.	Information Asymmetry; and Credit Demand	We find that the public signal, which is positive by construction, does not affect the cost of bank debt on average. However, the signal is associated with significantly lower interest rates for borrowers without established lending relationships with the bank, i.e., when the stock of private information of the bank is low. Once the bank

			n can compleme nt or substitute the private informatio n of banks accumulate d during the relationshi p. We also explore possible underlying mechanism s that drive the effect			accumulates information about a borrower over the course of the lending relationship, the public signal loses importance.
9	Research on the credit guarantee of SMEs (ZHAO Hui-Yue, Li Kai, and Guo Xiao-li, 2011)	SMEs (China)	This paper constructs a four-party evolutionar y game model among SMEs, banks, guarantee agencies, and the governmen t, and obtains four evolutionar y stable strategies by	To overcome the issue, we estimate the model cross-sectionally using a modified zero order regression procedure as proposed by Greene (2003) and used in the banking literature by	The credit financing guarantee theory	The introduction of commercial guarantee agencies increase the number of SMEs which obtain loans, and increase the average loan amount. However, due to guarantee agencies and SMEs are still in the situation of asymmetric information, guarantee agencies will raise premiums and reverse collateral to avoiding the

			analyzing various players' replicator dynamics	Hollander and Verriest (2016) and Bellucci et al. (2019a).		risk that will reduce the income of SMEs.
10	The role of governmen t regulatory policies in financing capital-constraine d retailers under competitio n (Yuanguan g Zhong, Tong Yang, Stefan Zillmann, and Bin Cao, 2022).	retailers, the consum ers as well as for the society in the case of bank financin g (China)	This paper develops a Cournot competitio n model consisting of two competing and capital-constraine d retailers in a market with demand uncertainty .	Performanc e analysis and implication s. (i) Compariso n of procureme nt quantity; (ii) Compariso n of profit; (iii) Compariso n of consumer surplus; (iv) Compariso n of social welfare. (v) Numerical study	Competition Model	Our finding can demonstrate that there exists a win–win–win situation for the two retailers, the consumers as well as for the society in the case of bank financing with government tax; reduction/subsidy provision.
11	De-carbonisati on, guaranteed : realising affordable, equitable and long-term financing	Financin g for industri al SME projects	To compare the financial viability of three renewable energy technologie s with	investment simulation model	Subsidy Theory	Our results show that the retailers' procurement cost gap can affect the influences of tax rate, tax reduction quota as well as subsidy provision quota on the procurement

	for industrial SME projects (Winfried Braumann, and Jason Erwin) (Austria)		natural gas based industrial process heat generation under different scenarios			decision of the retailer who possesses a procurement cost advantage. If the procurement costs of two retailers are relatively balanced, increasing tax rate/tax reduction quota/subsidy provision quota stimulates the retailer who possesses a cost advantage to order less quantity

DISCUSSION

When starting a business, MSMEs use their own or company funds. When MSMEs want to expand their business to encourage growth, MSMEs access external funds. The external resources accessed vary depending on the stage of business development. Research by M. Belén Guercio, Lisana B. Martinez, and Hernán P. Vigier (2019) shows that at the start-up stage, companies replace their funds with public subsidies or use financing from private lenders. At the growth stage, companies use more bank financing and ask for subsidies from the government, considering that the business sector being developed is fertilizer, which farmers need to increase agricultural productivity. Thus, research by M. Belén Guercio, Lisana B. Martinez, and Hernán P. Vigier (2019) confirms that subsidies from the government are needed when the government encourages banks to finance businesses that can increase farmers' income in order to increase agricultural productivity which in turn creates sufficient and quality food for the community.

Providing subsidies to MSMEs in Indonesia is carried out under the People's Business Credit program. The People's Business Credit Program (KUR) is a government program to increase access to financing for Micro, Small and Medium Enterprises (MSMEs) which is channeled through financial institutions with an interest subsidy scheme. The aim is to strengthen business capital capabilities in the context of implementing policies to accelerate real sector development and empower MSMEs.

In Indonesia, KUR is given to MSMEs that carry out productive businesses, including in the agricultural sector, with viable business targets but whose business actors do not meet the financing requirements from banks (not bankable). The government has confirmed that the number of micro-entrepreneurs who fall within these criteria has reached 44.2 million (PIP, in Ika, 2018). If they are helped with access to bank financing, their businesses can develop, their income can increase and they can even attract workers. The government can use this program to increase financial inclusion and alleviate poverty. To make this happen, the government issued Presidential Instruction Number 6 of 2007 concerning the Policy for Accelerating Real Sector Development and Empowering MSMEs. The KUR program initiated by the government is quite successful in encouraging non-bankable business actors to access banking financing or other formal financial institutions appointed by the government.

The government implements two KUR schemes to make it easier for non-bankable business actors to utilize KUR funds. The guarantee subsidy scheme, where the government appoints two state-owned enterprises (BUMN) to provide guarantees against the risk of bad credit. This guarantee subsidy scheme was implemented from 2007-2014. However, because the distribution was misdirected, where many KUR funds were distributed to business actors who were already bankable (due to the moral hazard of KUR distributing banks), the government replaced it with a second scheme, namely the interest subsidy scheme. In this scheme, the risk of bad credit is mitigated by the government providing interest subsidies to KUR debtors. The amount of the interest subsidy is calculated based on a formula for the difference between the KUR interest set by the government at the KUR debtor level (initially 12%, then reduced to 6%, even during the Covid pandemic, it was reduced to 3%) and the market interest or cost of funds of the channeling banks. In terms of KUR distribution targets, it can be considered successful because the amount of KUR funds distributed has increased, as has the number of MSMEs that have become KUR debtors. However, in terms of KUR's objectives, such as alleviating poverty, creating jobs, and improving the performance of MSMEs, still need to be proven by in-depth research.

Regarding credit guarantees for MSMEs, this was also carried out by Ruzhi Xu, Tingting Guo and Huawei Zhao (2022) in China entitled *"Research on the Path of Policy Financing Guarantee to Promote SMEs' Green Technology Innovation"* in China. The findings suggest that keeping the fixed risk-ratio between guarantee agencies and banks constant reduces the government's financial burden and strengthens the re-guarantee system's construction at the initial stage of SME financing, which can indirectly increase the enthusiasm for cooperation between banks and guarantee agencies. The interest subsidy policy is more effective in promoting SMEs' compliance and bank–guarantee cooperation in the short term. Meanwhile, the government should increase the supervision of defaulting SMEs and cooperate with financial institutions to improve the credit system for SMEs.

In Indonesia, policy and supervision of the KUR program is carried out by a Committee led by the Coordinating Minister for Economic Affairs. This minister coordinates all ministers in charge of the economic sector, including the Minister of Finance, Minister of Cooperatives and SMEs, Minister of SOEs, Minister of Trade, Minister of Agriculture, and Minister of National Development Planning. Each Ministry/Institution conducts research in collaboration with the State Research Institute (National Research and Innovation Agency - BRIN) and Universities to evaluate the KUR program, including its scheme, and report to the President of the Republic of Indonesia. One of the directions from the President of the Republic of Indonesia is to reform the KUR program scheme so that it is more effective and the clusters are multiplied and expanded, such as smallholder plantations, animal husbandry, fisheries, and other businesses that have market opportunities and superior products in the country (republika.id). Indonesian President Joko Widodo also asked that the KUR volume target be increased to above IDR 320 trillion in 2024 (antarannews.com).

Although there has been an increase in KUR funds and the number of KUR debtors in line with the decline in KUR interest rates (with an average interest subsidy of around 10%), it is still relatively small when compared to total banking credit nationally and credit disbursed to MSMEs (KUR + Non-KUR). This means that KUR-distributing banks allocate more credit to MSMEs with commercial interest (Non-KUR). Indonesian Economic and Financial Statistics published by Bank Indonesia (bi.go.id), recorded that total commercial bank credit for MSMEs as of July 2023 was IDR 1,400 trillion; this amount has only reached 20.9% of total banking credit of IDR 6. 686 trillion (BI, OJK, 2023). This means that bank credit distributed to large businesses reached 79.1%. This data confirms that KUR's absorption capacity is still low, below IDR 200 trillion per year compared to the average MSME credit, which averages over IDR 1,000 trillion annually.

The government also encourages the development of MSMEs by exempting them from tax obligations. Indonesian Minister of Finance Sri Mulyani Indrawati said that the final MSME income tax (PPh) incentives borne by the government (DTP) in 2021 had been utilized by 138,635 MSME players with a value of IDR 800 billion. This is a fiscal intervention for MSMEs in addition to providing interest subsidies in the KUR program. The Minister of Finance also confirmed that additional interest subsidies for people's business credit (KUR) had been enjoyed by 8.45 million MSME players. Meanwhile, non-KUR interest subsidies have been utilized by 8.33 million MSME players. The amount of KUR that has been distributed to 7.51 million debtors is worth IDR 284.9 trillion. The MSME credit guarantee implemented since 2020 has guaranteed a total of IDR 53.41 trillion enjoyed by 2.45 million debtors (Indonesia.go.id).

The importance of these fiscal incentives is also confirmed by the results of research conducted by Huo, Xize, Quan, and Peng Han (2018) in their research entitled *"Novel Joint-Financing Model for Bilateral Capital Restricted Supply Chains under Cap-and-Trade Regulation".* The objective of this study was to design a novel joint-fnancing mechanism for SMEs which helps them to overcome capital constraints in the emission reduction process. Join Financing is joint between the Bank and the agency of the credit recipient (end user) through the agency with the risk portion agreed between the Bank and the agency using the terms & conditions Bank/agency/jointly.

The KUR program in Indonesia also adopts a joint financing scheme. State-owned banks, cooperatives and Regional Development Banks act as agents to distribute KUR funds using their own funds. Meanwhile, the government provides incentives to mitigate the risk of KUR debtors experiencing default through interest subsidies so as not to create risk exposure to KUR distribution institutions. The Policy Committee at the level of the Coordinating Minister for Economic Affairs acts as a regulator and supervisor. Based on the literature selected using SLR, not a single article discussed a program similar to Indonesia's KUR. However, several articles suggest that the policy of interest subsidies or guarantee subsidies to encourage MSMEs to access bank credit must be accompanied by good supervision and subsidies for research and development, which MSMEs cannot afford to do themselves. This is the focus of the article entitled *"Debt financing of SMEs: The certification role of R&D Subsidies"* written by Andrea Bellucci, Luca Pennacchio, dan Alberto Zazzaro (2023). These findings suggest that the public funding of SME innovation projects plays a certification role in the access to external financial resources for firms receiving subsidies.

MSMEs' needs for capital vary depending on the scale of their business. Micro-scale businesses have different needs compared to small-scale and medium-scale businesses. Research on MSMEs in the European region conducted by Christian Masiak, Joern H. Block, Alexandra Moritz, Frank Lang, and Helmut Kraemer-Eis (2019) entitled *"How do micro firms differ in their financing patterns from larger SMEs?"* shows that micro companies are more likely to use internal financing instruments, they tend to use state subsidies, trade credits or asset-based financing instruments. Apart from that, medium-scale companies use more short-term debt financing instruments such as credit card overdrafts, credit lines and bank overdrafts.

Their empirical studies show that micro firms are more likely to use internal financing instruments, whereas they are less likely to use state subsidies, trade credit or asset-based financing instruments. Furthermore, micro firms differ from larger SMEs by using more short-term debt financing instruments such as credit card overdrafts, credit lines and bank overdrafts.

This article is the only article from a search using the SLR method that is relevant to the conditions occurring in Indonesia In the KUR program, the target of KUR distribution is to micro-scale MSMEs with financing or capital needs of up to IDR 500 million. They are business actors who are not bankable and therefore expect subsidies from the state. Without it, they will be trapped in the poor community and it will be very difficult to develop their business and income..

Evaluation of the success of government-supported financing programs must be carried out because the implications of the program are different from the goals the program wants to achieve. A study conducted by Rapha¨el Chiappini, Benjamin Montmartin, Sophie Pommet, and Samira Demaria (2022) entitled *"Can direct innovation subsidies relax SMEs' financial constraints?"* taking the subject of MSMEs in France shows a significant improvement in access to bank financing for subsidized firms. However, the effect is heterogeneous and mainly concentrated on micro and small firms operating for around six years. In contrast, we do not find any significant improvement in access to equity financing. We demonstrate that a substitution effect between bank debt and equity financing partly explains this last result.

Thus, subsidy-based financing from the state, such as KUR in Indonesia, prioritizes MSME access to banking financing services and only to businesses that are already operating. However, the goal of inclusivity has yet to occur. Research conducted by Syahrir Ika, which was later published in a book entitled *"Financial Inclusion for National Prosperity"* (2022 shows that government supervision of KUR fund distribution targets is still weak. KUR distributing banks still prioritize bankable micro businesses, proven by their meeting additional collateral requirements. As a result, KUR could have been more effective in encouraging financial inclusion in Indonesia. However, more in-depth research with a broader scope is needed to prove this conclusion. Access to banking financing is, of course, aimed at increasing capital and combining own capital and debt. Companies whose capital structure is dominated by too much debt, especially short-term ones, will run the risk of being unable to pay back the debt (default), so every time a company takes out a loan or debt, it must consider the optimal capital structure. Many MSMEs are tempted by the convenience of financial institutions that provide credit or financing with certain conveniences. However, the risk of debt is not calculated correctly, so they experience default when the debt matures. UNDP Indonesia Country Economist Rima Prama Artha explained that there were at least three financial impacts during the pandemic that were felt by MSME players (finance.detik.com, 2021/01/21). They need help paying debts, paying fixed costs such as renting business premises, and paying employee salaries. The government must monitor this MSME issue because the risk could spread to the risk of the national financial system.

To make MSMEs survive during the COVID-19 pandemic, the Indonesian government distributed KUR funds with very low interest, namely 3%. It provided presidential assistance to micro-business actors through the BPUM program (Presidential Assistance for Micro Business Actors). This assistance is also part of the government's policy strategy to restore the national economy (Ika, 2021). However, after the pandemic, the government has yet to monitor the effectiveness of these subsidy programs and provide MSME success or failure scores in the form of certification to make it easier for them to access further bank financing. A study conducted by Andrea Bellucci, Luca Pennacchio, and Alberto Zazzaro (2023) in Italy entitled *"Debt financing of SMEs"* recommends that public funding for SME innovation projects needs to be followed by MSME certification.

The aim is to monitor the development of MSMEs, both those that have upgraded and those that have not, so that government assistance is more targeted. Research conducted by Andrea Bellucci, Alexander Borisov, Germana Giombini, and Alberto Zazzaro (2023) with the title "Information asymmetry, external certification, and the cost of bank debt" also highlights the positive impact of external certification, driven by the signal it provides to banks lenders and competitors. This research concludes that public and private information can be a substitute in determining bank debt prices. Until now, Indonesia does not have a credit score, while MSME certification has begun but is still very limited.

Other research highlights research and development subsidies related to government guarantees for MSMEs. Ruzhi Xu, Tingting Guo, and Huawei Zhao (2022) in their research entitled *"Research on the Path of Policy Financing Guarantee to Promote SMEs' Green Technology Innovation"* in China, found that R&D subsidies were associated with modifications to corporate debt structures (especially for young, high-tech, and risky firms) that favored long-term maturity and helped firms mitigate debt risk. In Indonesia, research on the effectiveness of guarantees in reducing the burden or risk of KUR still needs to be explored. Financing MSMEs through various credit programs guaranteed or subsidized by the government will provide economic benefits for all stakeholders. Not only are MSMEs helped to obtain capital, but also banks channel funds and the government to increase economic productivity and alleviate poverty.

This is also confirmed by research conducted by Yuanguang Zhong, Tong Yang, Stefan Zillmann, and Bin Cao (2022) in China entitled "The Role of Government Regulatory Policies in Financing Capital-constrained Retailers under Competition." In some cases, the financing of government guarantee schemes designed to address long-term credit risks has a tremendous impact when compared with, for example, subsidies for CAPEX or subsidies. The study by Winfried Braumann and Jason Erwin in Austria on De-carbonization guarantees confirms this conclusion.

Conclusion

Based on a systematic literature review regarding the concept and implementation of MSME financing through people's business credit in several selected articles, it can be concluded that (1) the government in many countries pays considerable attention to the development of MSME businesses, considering that the number of MSMEs dominates the business population and their role is quite significant in the economy. (2) Considering that MSMEs are generally micro-scale and informal businesses with limited capital, the government in many countries provides capital assistance using subsidy schemes, both guarantee and interest subsidies. (3) Government intervention in MSME financing programs, both in guarantee subsidy schemes and interest subsidies, varies depending on the business phasing process, business scale, and type of business.

The government usually facilitates medium-scale MSMEs with a guarantee subsidy scheme. Meanwhile, small-scale and micro-scale MSMEs are facilitated by the government with an interest subsidy scheme. Financing MSMEs with an interest subsidy scheme is more effective, but in some cases, guarantee subsidies are more effective. Government intervention is often misdirected because the government in several countries does not yet have credit scoring and certification for MSMEs. Further research that needs to be carried out is research to design a model for measuring the effectiveness of the KUR program, a model for upgrading MSMEs, and a model for monitoring credit programs for MSMEs that are supported by state subsidies.

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