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Analysis of The Influence of Information, Access to Credit and Transparency of Government Policies on Small Medium Enterprises Performance

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Abstrak

Tujuan dari penelitian ini adalah untuk menganalisis tingkat akses usaha kecil dan menengah terhadap kredit. Metode yang digunakan meliputi survei dan observasi. Analisis data menggunakan univariat dan bivariat. Hasil analisis mengungkapkan beberapa tantangan yang dihadapi pelaku bisnis, terutama dalam memperoleh pendanaan yang diperlukan untuk pertumbuhan bisnisnya. Banyak dari mereka juga merasa tidak percaya terhadap sistem keuangan yang dapat menghambat akses mereka terhadap pembiayaan. Meskipun sebagian besar perusahaan mengalami tingkat permintaan yang negatif dan memiliki ekspektasi pesimistis terhadap kondisi investasi, namun ada juga sebagian kecil yang optimis terhadap perkembangan bisnisnya di masa depan.

Kata Kunci: *Usaha Kecil dan Menengah, Kredit, Bisnis*

Abstract

The aim of this research is to analyze the level of access of small and medium enterprises to credit. The methods used include surveys and observations. Data analysis uses univariate and bivariate. The results of the analysis reveal several challenges faced by business actors, especially in obtaining the funding needed for business growth. Many of them also feel distrust of the financial system which can hinder their access to financing. Although most companies experience negative levels of demand and have pessimistic expectations regarding investment conditions, there are also a small number who are optimistic about their business development in the future.

Keyword: *Small and Medium Enterprises, Credit, Business*

INTRODUCTION

SMEs are the backbone of the economy in many countries. Constraints, such as lack of working capital, concentration of debt maturing in the short term, and difficulty in accessing financing, often become big challenges. One solution that can be considered is diversifying funding sources (Rahayu et al., 2018). Apart from banks, you can look for alternative sources of financing, such as venture capital, loans from non-bank financial institutions, or even financing from government programs that support it (Kusnadi, 2021). Apart from that, it is also important to improve efficiency and financial management in order to maximize the use of available capital. Training and mentoring in this case can also help them manage their finances better (Aulia et al., 2021). The government's role is also very important in providing support, either through policies that support growth, providing fiscal incentives, or through training and mentoring programs. Hopefully, with these efforts, we can continue to develop and become more resilient amidst the existing economic challenges (Apriliani et al., 2023).

In this context, difficult access to banking financing often becomes an obstacle. Various factors, such as asymmetric information, contribute to banks' reluctance to provide loans due to perceived high risks (Suharyat et al., 2022). One solution to overcome this problem is to increase transparency and accountability in financial management (Prakoso et al., 2024). By having accurate and regular financial records, you can provide more complete and clear information to potential lenders, including banks. In addition, the government can also play an important role in facilitating access to financing (Apriliani et al., 2024). Support programs that increase financial literacy, provide technical assistance in financial management, and provide more easily accessible financing facilities can accomplish this. The existence of microfinance institutions and cooperatives can also be a good alternative to obtaining the financing they need (Kusnadi, 2023). These institutions are usually more open and can provide financing on more flexible terms. Thus, these efforts aim to enhance their growth and development in a competitive market (Sudirjo et al., 2024).

In the context of the demand and supply of credit, there are several basic concepts in market theory that are important to understand. Interest rates and overall economic conditions influence the demand for credit, just like they do for other goods and services. The lower the interest rate, the higher the demand for credit, and vice versa. Additionally, the size of the economy can also influence overall credit demand (Ibrahim et al., 2024). On the other hand, factors such as the interest rate the credit provider can obtain, the expected level of profit, and the state of liquidity influence credit offers. The higher the interest rate, the greater the incentive for credit providers to offer loans, and vice versa (Sari et al., 2024).

The credit market achieves equilibrium when the demand for credit matches the supply of credit at a specific interest rate (Nurdiani et al., 2024). However, in practice, external factors such as monetary and fiscal policies, global economic changes, and political factors can influence this balance (Harsono et al., 2024). It is important to note that credit markets do not always achieve perfect balance, and market fluctuations and imbalances of a temporary or structural nature may occur. Therefore, it is important to consider the various factors that influence the demand and supply of credit when analyzing the overall credit market dynamics.

RESEARCH METHOD

In this study, we carry out explanatory research to identify and prove the relationship between certain variables. The methods used include surveys and observations, allowing researchers to gain an in-depth understanding of the dynamics between banks and SME companies. Researchers conducted univariate and bivariate analyses on various relevant variables, including credit provided, customer count, and service types offered. Additionally, researchers conducted econometric analysis which enabled them to measure and statistically test the relationship between these variables.

RESULT AND DISCUSSION

Analysis shows that the majority of survey respondents are medium-sized SMEs, with an average of 30 employees and several years of experience in the market. There is a strong trend towards product exports, indicating a strong focus or interest in export markets. To develop this analysis, we can take the following steps namely identify the market segmentation used in the export strategy, whether it focuses on geographic markets or specific customer segments. Explore the factors that influence export decisions, both external and internal. Understand the need for credit to support export activities, whether for working capital, investment in increasing production capacity, or other export-related purposes. Finally, review how these companies manage risks related to exports and taking out credit, whether by using specific financial instruments or not. These steps provide a more comprehensive understanding of the characteristics and behavior of medium-sized firms in the context of credit-taking and export decisions.

From the analysis, it appears that companies that have relationships with banks or have very few relationships with banks tend to show greater levels of financial rationing. This means that these companies, which are generally smaller, younger, and have less debt, are at an earlier stage of their financial life cycle. This suggests that they may face a greater

adverse selection problem, where banks may be more cautious in extending credit to these firms due to the higher risk. However, other factors, such as the characteristics of the bank or the financial system of the country in which it operates, can also influence the number of banking relationships a company has. Therefore, we need to conduct further analysis of the factors influencing banking relationships to gain a deeper understanding of the dynamics between companies and financial institutions. This could be a goal of future research in this area, which could provide better insight into how to improve companies' access to the financial services they need.

From the analysis, it appears that there is a clear bias towards self-financing by companies, followed by financing from suppliers, financing through banking, and the use of non-formal systems as the final source of financing. This shows that the low use of the financial system as a means of corporate financing, compared to independent financing and financing by suppliers, is mainly caused by several factors. One of the main factors is excessive requirements imposed by banks, such as collateral requirements that are difficult for companies to fulfill. Apart from that, high interest rates are also an obstacle, making financing through banks less attractive. Apart from that, the bureaucracy associated with the credit application process is also a factor that influences the low use of the financial system by companies. In this context, improvements in banking policies, including simplifying credit application requirements and processes and reducing interest rates, can help increase companies' access to financing through the financial system. This can help support a company's growth and development, which in turn can make a positive contribution to the economy as a whole.

Relevant facts to highlight from this analysis are that many entrepreneurs do not understand the conditions for applying for a loan, indicating a lack of understanding of the credit process among them. Some entrepreneurs also feel it is unreasonable to apply for a loan, perhaps because of the stigma against loans or their distrust of the financial system. More than 50% of respondents stated that they had not applied for a loan in the last five years, indicating a lack of credit culture in the business communities studied. In addition, of the few loans taken, business credit with business collateral is the most frequently requested, followed by credit intended for companies. This shows that some companies may not meet the requirements for obtaining business credit with business collateral. This shows that trust in a particular bank can influence entrepreneurs' decisions in choosing financing sources. In conclusion, the primary issue with financing access appears to stem not only from banks' extensive bureaucratic regulations but also from some entrepreneurs' passive attitudes, leading to an increasingly widening gap between their interests. Information asymmetry is

also a problem, where entrepreneurs do not have enough information to make informed decisions. Therefore, we need a clearer solution to overcome this problem.

From the analysis of the collateral offered as support for the loans obtained, it appears that there is high participation in single-signature loans. This indicates that the majority of these loans are not large amounts or are extensions, refinancings, or renewals that do not require underlying collateral. There may also be cases where the borrower responds by including a checking deposit with such conditions. Additionally, lenders often offer a pawn as collateral for a loan, and they also use mortgage loans as a type of collateral for financing. From this, it can be concluded that the variety of collateral used is quite diverse, but single-signature loans dominate, indicating that most loans do not require large collateral or are high-risk. Regarding failure to make decisions in taking credit, namely companies that go to the bank to ask for credit but ultimately don't take it, more than 40% of companies decide not to take financing. The main reasons are unaffordable interest rates and requirements that are difficult to fulfill, followed by complicated procedures and forms, as well as the amount of credit that is not in accordance with the company's needs. This suggests that these banks may have a good reputation for providing credit-related information and advice to businesses.

We can conclude that business actors are willing to take credit if they meet conditions deemed adequate or accessible, without affecting the company's progress. These conditions include interest rates, grace periods, amortization periods, and credit goal preferences. In this case, there were similar preference trends for all three factors. We discovered a stronger inclination to accept credit for investment capital. The most frequently chosen objective was machine purchase, followed by factory expansion and new product development in third place. Conversely, working capital-related objectives received the least selection. The highest percentages of the least selected destinations were export financing, import financing, and sales financing, which each accounted for between 22 and 24% of the selected destinations.

Regarding credit lines, it was seen that only a few participants knew about this type of instrument, and generally those with the highest level of knowledge were the lines promoted by the state. There is no real diffusion to other alternatives, such as capital markets. This shows the need to increase knowledge and awareness regarding the various credit lines available to business actors so that they can choose wisely according to their needs and conditions. Regarding the results' evaluation of the company's current situation and short-term expectations regarding demand, 60% of the sample classified their situation as unfavorable. For 30% of respondents, the situation is normal, and 20% of cases are in

good condition. This shows that there are variations in perceptions and business conditions among the companies surveyed.

Companies facing unfavorable situations may need specific strategies to overcome the challenges faced and improve their performance, while those in good condition can maintain sustainability and consider further growth opportunities. The obtained data indicates that a majority of the respondents encountered negative fluctuations in demand during the first quarter, when compared to the same period in the previous year. Of those who experienced negative variations, most experienced declines of between 18% and 35%. However, there were also a small number who experienced a larger decline, reaching more than 50%. When asked about demand expectations in the second half compared to the second half of last year, most respondents did not expect a change or even expected a decline. Although there is a small proportion of people who expect an increase in demand, their proportion is smaller than that of those who expect a decrease. This shows that there is uncertainty and caution in expectations of future demand.

According to the obtained data, the majority of respondents did not anticipate changes in investment levels or prospects in the second half of last year. Despite this, there was a greater tendency to expect a decline in investments, with most respondents believing that their investments would decline or even decline drastically. Only a small percentage expects an increase in investment due to more significant results. This also reflects uncertainty and caution in expectations regarding future investments. There is considerable uncertainty regarding the respondent's financial condition. Most respondents were pessimistic and predicted that their financial condition would worsen or remain worse compared to the same period the previous year. On the other hand, there are also some respondents who are optimistic and believe that their financial situation will improve or even improve significantly. However, neutral expectations are also quite high, some of respondents considering the situation normal and not expecting changes. This shows that there are variations in respondents' perceptions and expectations regarding their financial condition in the future.

From the results of the analysis, it appears that small and medium businesses are highly dependent on bank credit to finance their growth. However, this financing is often faced with impossible conditions, such as high interest rates, credit requirements that are difficult to fulfill, and required collateral that may be difficult to fulfill. These conditions are likely to cause serious limitations for companies, which in turn may affect their future development. This shows the significant challenges faced in accessing financing that can support their growth and development.

CONCLUSION

There is a tendency for companies to rely more on independent financing and financing from suppliers compared to financing through banks. Various factors, including heavy bank requirements, high interest rates, and complicated credit application procedures, contribute to this trend. As a result, most companies have not applied for loans in the last five years, indicating a lack of credit culture among them. These companies face challenges in managing risks related to exports and taking out credit, as well as in understanding the terms and conditions for applying for loans. Many of them also feel distrustful of the financial system, which can hinder their access to the financing they need. There are variations in perceptions and business conditions among the companies surveyed. Although most companies experience negative variations in demand and have pessimistic expectations regarding investment and financial conditions, there are also a small number who are optimistic about the future development of their business.

Medium-sized SME companies encounter difficulties in obtaining the necessary financing for their growth and development. To make financing more accessible for these companies, we need to increase their awareness and knowledge of the financial system and improve banking policies. Thus, it can support the growth and development of medium-scale SMEs, which in turn can make a positive contribution to the economy as a whole.

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