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RESEARCH NOTE

The Performance of Indonesia's Public Credit Guarantee Scheme for MSMEs
A Regional Comparative Perspective

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Access to finance has been a key constraint for Indonesia's micro, small and medium enterprises (MSMEs) that lack tangible assets to be used as collateral. Consequently, credit guarantee schemes (CGSs) are important instruments to meet MSMEs' financial needs. This paper examines the effectiveness of the KUR (community business credit), a partial public CGS in Indonesia, by comparing it with similar schemes in other ASEAN member states (AMS). The findings suggest that the KUR programme, despite its limited coverage, has been quite effective throughout the country. Some of the critical factors behind its success include: wide dissemination of the programme; simplicity of the application procedure; full participation and support from banks; and strong coordination between all stakeholders.

Keywords: MSMEs, Indonesia, Credit Guarantee Scheme, KUR, ASEAN.

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1. Introduction

In Indonesia, micro, small and medium enterprises (MSMEs) play a crucial role in employment creation, rural development, growth of female entrepreneurship, and production of goods and services for meeting the basic needs of medium- to low-income households. However, their progress is hampered by a number of constraints, most significant being the lack of access to bank loans. The main causal factor is that the enterprises do not own substantial tangible assets that can be used as collateral. Although the government

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has initiated several plans to help MSMEs secure bank loans, only a small fraction of them have ever borrowed money from banks. In such a scenario, credit guarantee schemes (CGSs) are then considered important alternative instruments to meet their financial needs. In 2007, the government of Indonesia launched a non-collateral CGS, *Kredit Usaha Rakyat* (KUR). From the point of view of the MSMEs, loans without collateral and the low interest rate are the strengths of the KUR programme.

This paper aims to examine the performance of the KUR programme from a regional comparative perspective — by comparing it with similar schemes in Malaysia, Vietnam, Thailand, the Philippines and Singapore.

2. CGS: Definition, Objective and Types

A CGS is generally defined as any formal scheme in which an independent third party provides a guarantee to the lender(s). There are three key parties involved: a borrower, which can be an MSME; a lender, usually a commercial bank (CB); and a guarantor, an independent company. Thus, in a CGS, part of the collateral required from a borrower is substituted by a credit guarantee, i.e., if the borrower fails to repay the debt, the lender can resort to partial repayment from the guarantee provider. Deelen and Molenaar (2004) and Tunahan and Dizkirici (2012) elaborate on the various types of CGSs, as shown in Table 1.

3. CGSs in Other ASEAN Member States

To evaluate the performance of the KUR in Indonesia using comparative analysis, this paper briefly examines the success of CGSs in five other ASEAN member states, namely Malaysia, Thailand, Vietnam, the Philippines, and Singapore. Table 2 summarizes the key features of the respective programmes.

3.1 Malaysia

The Malaysian CGS is managed by a private limited company under the Malaysian Companies Act of 1965, called the Credit Guarantee Corporation Malaysia Berhad (CGCMB). It operates as an ancillary to Bank Negara Malaysia (BNM), the country's central bank, which owns 79.3 per cent of the shares. The rest are held by commercial banks, Islamic banks, and development financial institutions (Rasiah 2010).

The year 2014 saw remarkable growth, both in number, as well as the value of credit guarantees (CGs) approved by CGCMB. By the end of the year, total CGs amounted to RM56.1 billion (Figure 1) to 429,424 MSMEs (Figure 2). The strong growth was attributed to aggressive moves by the CGCMB to market its schemes to strategic bank partners.

MSME gross nonperforming loan (NPL) of CGs dropped to 9.1 per cent as at the end of March 2008 (SME Corp 2008). The effectiveness of the CGs is as a result of stronger risk management by the financial institutions, supported further by the sustained debt servicing capacity of MSMEs (SME Corp 2016).

3.2 Thailand

In Thailand, the CGS is centralized. The Thai Credit Guarantee Corporation (TCGC), a public guarantee institution mainly funded by the Ministry of Finance, is the only executing agency (TCGC 2014). The TCGC has three areas of focus:

TABLE 1
Types of CGS

Focus	*Typology*	
The use of the scheme's capital	Funded scheme: the scheme keeping a certain amount of reserve in creditor bank's accounts in case of non payment	Un-funded scheme: the scheme that government undertakes the credit's default partially or entirely without allocating fund
Methods of guaranteeing	Individual guarantee scheme: each credit demand is sent to guarantee institution by creditor bank to be analysed and guarantee is provided for business by guarantor if it is appropriate	Portfolio scheme or automatic scheme: guarantee institution provides guarantee to all businesses that meet the pre-determined criteria according to its agreement with the creditor/channelling banks
Time to guarantee	Ex-ante scheme: the guarantee is allocated when the scheme accepts to give guarantee for the MSMEs and then they apply to creditor bank for assessment of the loan demand	Ex-post scheme: credit application is investigated initially by bank and delivered to guarantee institution soon after approval
Target/clients	Enterprise-oriented scheme: the clients of the scheme are only individual enterprises	Institution-oriented scheme: the clients of the scheme are such as NGOs or microfinance institutions
	Closed/targeted scheme: the scheme created to support a specific target group for accession to credits (e.g., only MSMEs)	Open scheme: the scheme having certain and special conditions but not to support any target group
Ownership structure	Mutual scheme: the scheme is created by entrepreneurs in order to guarantee each other	Non-mutual scheme: the scheme created by entrepreneurs, banks and governments not only to guarantee each other but also to others
The scope of the guarantee	Partial guarantee scheme: the scheme compromised to the creditor bank about sharing the risk up to an agreed percentage	Full guarantee scheme: the scheme provides full guarantee (100 per cent) for credit
Parties of the guarantee	Direct guarantee scheme: the scheme is only the framework for the agreement between the creditor and guarantee institutions	Indirect guarantee scheme: the scheme obtains financial support in case of non payment, from a third party in addition to the bank and guarantee institution

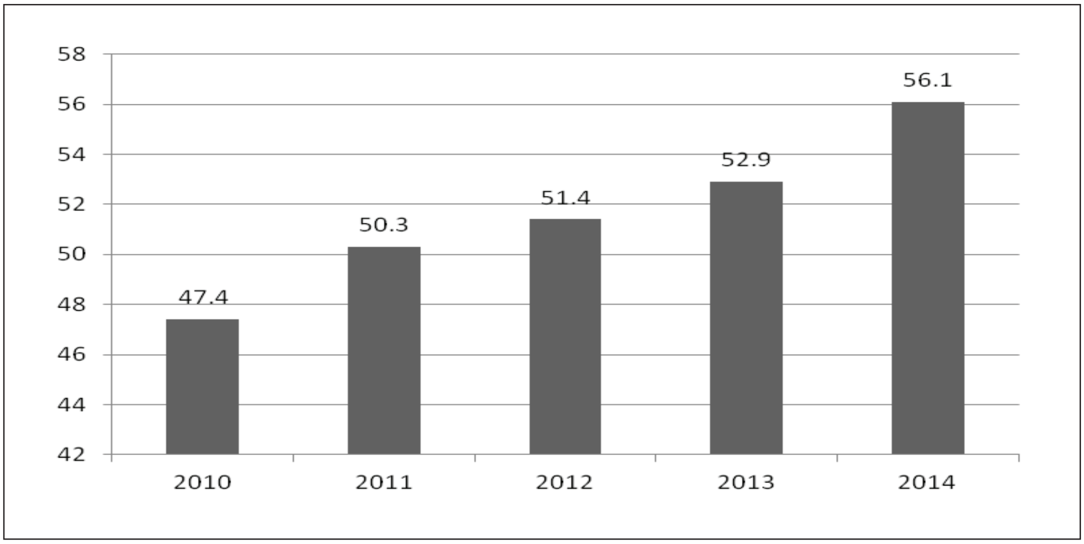
SOURCE: Deelen and Molenaar (2004, p. 24) and Tunahan and Dizkirici (2012, p. 89).

TABLE 2
Overall Evidence on CGSs in ASEAN by Selected Member States

No.	Member State	Granted MSMEs: Total Number (unit)	Granted MSMEs: % of total MSMEs	Size of Loans (max)	Coverage Guarantee (max) (%)	NPL (%)	Institution/ Name of Scheme	Sponsor Agency: Main	Sponsor Agency: Others
1	Malaysia	429,424 (2014)	65.0 (2014)	RM10 million	90.0	9.1 (2008)	Credit Guarantee Corporation Malaysia Berhad (CGCMB).	Bank Negara Malaysia	• Commercial banks • Islamic banks • Development financial institutions
2	Vietnam				80.0	<4.0	Local CGF	Ministry of Finance	• Credit institutions • Enterprises • Organizations
				• Investment: VND2 billion • Business plan: VND500 million	85.0	<4.0	VDB (since 2009)	Ministry of Finance	• Commercial banks
3	Thailand	990,146 (2014)	36.7 (2014)	40 million baht	100.0	0.02 (min; 2014) & 18.90 (max; 2008)	Small Business Credit Guarantee Corporation (SBCG/TCG)	Ministry of Finance	• Private banks • State-owned banks
4	The Philippines	549 (2002–14)	0.05 (2012)	PhP2 million	80.0	2.3 (2001–16)	Small Business Corporation (SBC)	Ministry of Trade and Industry	
		15,233 (2008–15)	1.6 (2012)		80.0	1.1 (2015)	Credit Surety Fund Program (CSF)	Bangko Sentral ng Pilipinas	• Cooperatives, • NGOs, • Local government units, • Other partner institutions
5	Indonesia	16,115,658 (June 2016)	27.9 (2013)	Rp20 million (micro) Rp500 million (retail) <Rp2 billion (linkage)	70.0–80.0	4.4 (2013)		Ministry of Finance	• Commercial banks • Regional development banks • PT. Askrindo • Perum Jamkrindo • Other private companies
						3.3 (avr. 2007–14)	KUR		
6	Singapore			No maximum	75.0	<10.0	LIS	SPRING Singapore	
				S$5 million (per borrower group)	75.0	<10.0	LIS+	SPRING Singapore	

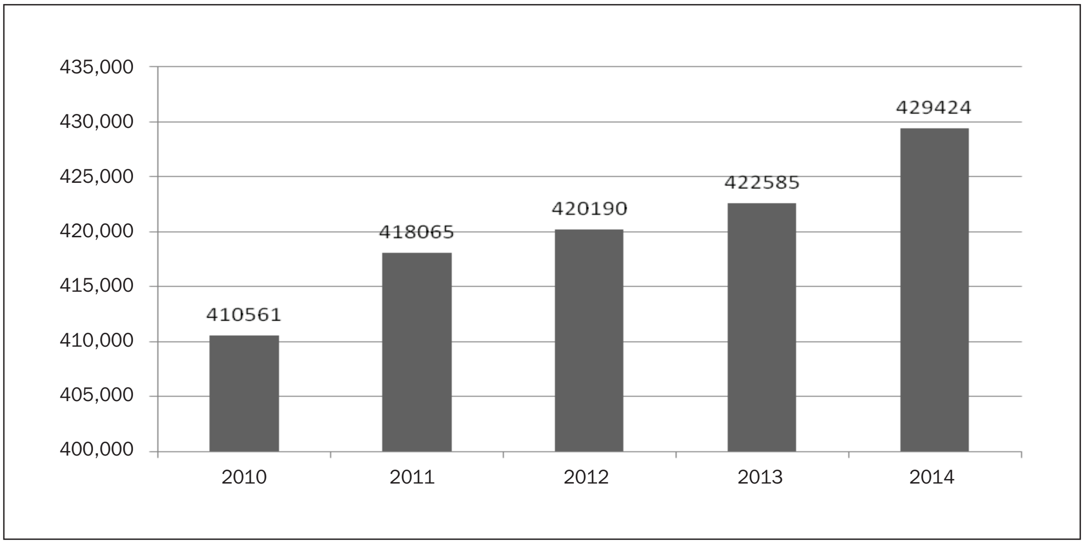
Note: * only in manufacturing industry.
Source: Tambunan (2014).

FIGURE 1
Cumulative Value of CGCMB's Loans, 2010–14 (RM billion)



SOURCE: CGC (2014).

FIGURE 2
Cumulative Number of CGCMB's Loans (applicants), 2010–14



SOURCE: CGC (2014).

- Innovation MSMEs;
- Microenterprises seeking credit of up to B200,000; and
- MSMEs interested in investing in special economic zones (SEZs).

The annual increase in outstanding CG of MSMEs is reflected in Table 3.

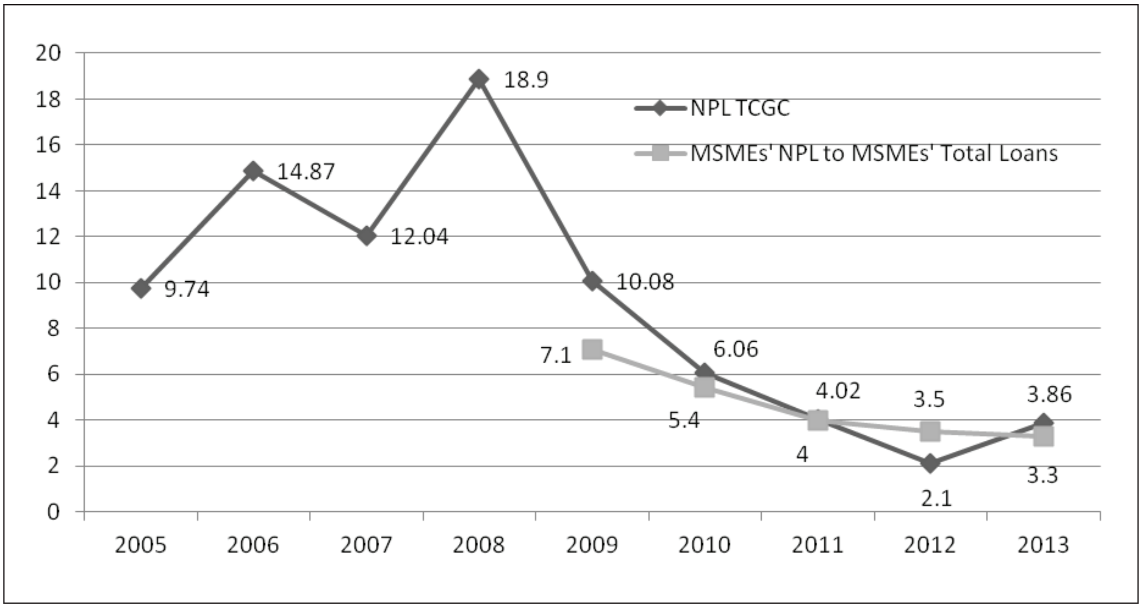
On comparing MSMEs' nonperforming loans to the total loans, enterprises using CG seem more likely to default than those depending on commercial or other type of loans; although the gap seems to be narrow (Figure 3). Three possible reasons can be identified here: (1) lack of adequate bank supervision; (2) financial mismanagement on the part of the MSMEs; and (3) moral hazard.

3.3 The Philippines

In the Philippines, there are two major government-backed CGSs for MSMEs. The first is provided by the Small Business Corporation (SBC) and the second, the Credit Surety Fund Program (CSF), is offered by the Bangko Sentral ng Pilipinas (BSP).

The SBC (attached to the Ministry of Trade and Industry) is a state-owned executing agency for MSME development policies and has been operating since 1992. It extends credit assistance to MSMEs through its Credit Delivery Strategy (ADB 2015). Between 2002 and June 2014, total CGs issued by SBC reached PhP1.6 billion, and guarantee payment amounted to PhP35.6 million. A total of 549 MSMEs were granted CG by SBC during the same period (Table 4).

FIGURE 3
MSME's Non-Performing Loans, 2005–13



SOURCE: ADB (2014) and Bank of Thailand <https://www.bot.or.th/ English/FinancialInstitutions/Publications/ FIProformance_ Press/n3154e.pdf#search=SME%2520loans>.

TABLE 3
Credit Guarantee (TCG) in Thailand, 2007–15

Description	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*
Guaranteed loan outstanding (bil. baht)	22	40	73	113	180	244	270	284
Approved guaranteed loans (bil. baht)	3	22	43	52	83	87	61	…
No. of L/G (accumulated)	8,631	13,084	24,593	39,045	59,469	81,002	97,421	110,344
MSMEs approved guarantee loans (baht)	3,299	21,658	42,585	52,446	82,752	87,080	61,051	…
Number of approval MSMEs	1,366	5,763	13,346	17,641	24,357	28,029	25,250	…
Guarantee contract. % MSMEs loan contracts	1.0	1.4	2.6	3.8	5.5	6.9	…	…
MSEs guarantee outstanding (tril. baht)	2.07	1.73	1.91	2.22	2.59	3.08	…	…
MEs guarantee outstanding (tril. baht)	0.83	0.88	0.95	1.07	1.06	1.13	…	…
Total granted MSMEs as % of total MSMEs	39.64	34.14	33.32	34.48	33.10	34.96	36.67	…
Guaranteed loans, % of total MSMEs loans	0.8	1.5	2.6	3.4	5.0	5.8	6.1	…

SOURCES: ADB (2014), TCGC (2014); Chaisiriwongsuk (2015).

TABLE 4
SBC's Credit Guarantee Programme, 2004–14

Description	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*Total***
Loan origination (P mil.)	287.97	228.7	316.1	212.6	166.5	82.5	136.6	40.2	182.6	134.0	190.98	2,374.5
Guarantee amount (P mil.)*	221.96	168.7	214.96	131.4	107.8	58.3	66.9	26.4	125.6	80.3	112.3	1,604.1
No. of new MSMEs	70	59	64	43	36	17	10	9	44	22	74	549
Guarantee payments (P mil.)	2.4	0.7	6.2	11.6	10.5	…	1.1	2.1	…	…	0.97	35.6

Note: * average coverage is 70 per cent; ** between 2002–2014 (June).
SOURCE: ADB (2014, 2015).

Based on Tambunan's (2017) study, from 2001 to early 2016, the SBC issued guarantees to loans for approximately 700 MSMEs (in collaboration with more than 100 associated financial institutions) and serviced sixty-five of the eighty-one provinces across the country. The default rate (or percentage of NPL) from the CG during that period was 2.3 per cent.

The CSF was created by pooling the contributions from cooperatives, NGOs, local government units, and partner institutions. It is a credit enhancement programme aiming to increase the creditworthiness of MSMEs (ADB 2014*b*). Tambunan's (2017) paper shows that between 2008 and 2015, a total of 15,233 MSMEs have benefited from the programme. As of 31 December 2015, the outstanding balance of CSF loans stood at PhP699,170,000 and NPL was PhP7,554,054.

3.4 Vietnam

Vietnam's CGS is implemented at the provincial-level and managed by the Provincial People's Committee. Each province has one CGS under the supervision of the Ministry of Finance (MoF), to whom the provincial People's Committees submits regular reports (ADB 2015; HCGF 2016). Funding comes from five different sources: (1) the local government, i.e., provincial or municipal budgets through budget line with the MoF (up to 30 per cent of total charter capital); (2) banks/financial institutions; (3) associations of MSMEs; (4) foreign institutions, and (5) other institutions (HCGF 2016).

Until 2015, total requested CGs amounted to VND15,316.5 billion (Table 5). Total CGs agreed under contracts reached VND10,765.8 billion, and total valid guarantee value was VND1,734.8 billion.

With respect to the default rate, Tambunan (2017) finds that the NPL of CGS in Vietnam is very low — lower than 4.62 per cent of NPL of total bank loans in the country.

3.5 Singapore

The Loan Insurance Scheme (LIS), managed by SPRING Singapore, aims to help companies (not only MSMEs) secure their trade financing lines through insurance against insolvency risks by commercial insurers. The government subsidizes a portion of the insurance premium for companies acting as insurers to cover against default: the insurance premium is co-shared between the government and the borrower. When Singapore was affected by the Global Financial Crisis of 2008–09, the government introduced LIS Plus to allow companies access to larger tranches of trade financing lines. This is a complementary programme to LIS, where the government co-shares the risk of new loans (that are beyond the capacity of LIS insurers) for a one-year period (IES 2010).

Unfortunately, statistics related to both LIS and LIS Plus, as well as the total granted enterprises are not available. Nevertheless, according to a senior official of SPRING Singapore interviewed by Tambunan (2017), the proportion of SPRING-supported loans to MSMEs was approximately 5 per cent annually.

TABLE 5
Credit Guarantee Performance through VDB until 2015

No. of credit guarantees requested	1,951
No. of credit guarantee letters issued	1,536
No. of valid credit guarantee letters	69
No. of credit guarantee letters paid	78

SOURCE: HCGF (2016).

These include: Micro Loans; MSME Equipment and Factory Loans; and a Loan Insurance Scheme (LIS & LIS+). The low percentage is indicative of a healthy lending environment where MSMEs generally have little difficulty in accessing financing. Also, SPRING's NPL is generally less than 10 per cent.

In 2014, SPRING helped 166,206 MSMEs (compared to 102,742 in 2013) through more than 11,000 upgrading projects. During the same year, 5,576 MSME loans were committed, with a total value of S$1.31 billion (SPRING 2015, p. 13).

3.6 Critical Factors

Ideally, the success of a CGS should be gauged through both its supply- and demand-side measures. Supply-side indicators include: the coverage (MSMEs granted guarantees as a percentage of total MSMEs) and the cost of the implementation (percentage of NPL). From the demand-side, the key indicator is the performance of the granted MSMEs. This can be assessed either by measuring the changes in production volume and net incomes post-implementation, or by comparing the performance of MSMEs that did and did not borrow the loans.

This section focuses only on the supply-side factors. In many countries outside ASEAN, especially developed countries (e.g., OECD nations), favourable supply-side determinants of CGSs include: (1) clean design and simple application procedures; (2) close contact between the bank staff and clients; (3) no political interference (or limited to only important policy decisions, funding and/or extending counter-guarantees); (4) well-managed coordination among the various programmes (in case of multiple CGSs); (5) a favourable external environment: social, cultural, political and economic conditions and the prevailing rules and regulations; (6) mass dissemination of the scheme; (7) incentive mechanisms for the channelling banks (e.g., tax deductibles); and (8) willingness and readiness of local banks to participate (OECD 2015).

Based on the review of these ASEAN member states — with the exception of Singapore — Malaysia is found to be the most successful member state in terms of CGS operations. However, according to Devinaga and Tan (2012), CGCMB only covers around 45 to 50 per cent of the total MSMEs. Bank Negara Malaysia, on the other hand, states that, by the end of 2012, the CGCMB had provided guarantees to more than 420,000 MSMEs — representing about 65 per cent of total MSMEs with total loans approved of more than RM51 billion (16.2 per cent).

In Thailand, despite a favourable external environment and no political interference, the debtors' moral hazard problem, combined with weak risk management by the executing banks, has made the credit quality of CGS worse than the average credit quality of total MSME loans (Panyanukul, Promboon and Vorranikulkij 2014). Dissemination of the scheme is also far from optimal, and many MSMEs continue to be concerned about high guarantee fees and the complex application process (Tongurai 2015).

The CGS in the Philippines faces more problems compared to other those in other AMS, hindering its implementation (Lagua 2010). Tambunan's (2017) study suggests that the lack of a robust and accurate credit scoring mechanism for MSMEs is a big challenge in the country. This is probably the main reason that banks are not too keen to lend to these enterprises. Another issue is cost. In particular, the local bank's cost of processing an MSME loan is the same as that for larger companies.

In Vietnam, too, the CGS suffers from a number of difficulties that prevent its effective and efficient operation, including: (1) limited investment from provincial governments; (2) reluctance of local commercial banks and credit institutions to commit funds; (3) small scale of operation; (4) insufficient risk reserve funds; (5) limited human and institutional capacity to establish and manage schemes; (6) unwelcome operational interference by local authorities; (7) fixed (and relatively low) fee for CGS coverage that poses viability problems; and (8) limited cooperation between involved parties involved (ADB 2015; HCGF 2016).

In Singapore, not only does the government provide various forms of financial assistance to help businesses at different stages of growth, but the country also has a healthy lending environment (supported by a robust banking sector). Since MSMEs generally have little difficulty in accessing general financing, CGS is less popular in Singapore than in the other countries in our sample.

4. The Indonesian Case: Kredit Usaha Rakyat

4.1 Overview

In November 2007, the Indonesian government launched the "Community Business Credit" service or *Kredit Usaha Rakyat* (KUR) — a portfolio or partial government guarantee scheme aimed at helping MSMEs and cooperatives gain access to bank loans.

It provides working capital credit (with a maximum term of three years), as well as investment credit (maximum five years) at concessional lending rates. Extensions can be made before a loan is repaid, but only under certain conditions. At first, the interest rate for KUR micro (i.e., credit ceiling per debtor up to Rp25 million) was set at 22 per cent per annum, and 14 per cent per annum for KUR retail (ceiling between Rp25 million and Rp500 million per debtor). It then dropped to 12 per cent, and further to 9 per cent for both schemes (Tambunan 2016).

In KUR, neither a business licence, nor any collateral is necessary. The only requirements are the applicant's identity card and an official letter from the village leader (*lurah*). Guarantee from the government stands between 70 and 80 per cent of the credit applied, while the remaining risk is covered by the participating banks (Tambunan 2017).

The way the KUR programme works is as follows. First, an MSME applies for KUR at a participant bank. Once approved, the bank disburses the KUR loan entirely from its own funds. The bank then submits an application of the nominated KUR borrower at one of the guarantee companies. This company issues the guarantee certificate used to claim the IJP (*imbal jasa penjaminan*, return guarantee services) to the MoF. In case the borrower fails to repay the loan, the bank submits a claims application to the guarantor for credit default. Upon completing the verification, the guarantor then pays the default claim to the bank (Adam and Lestari 2017).

KUR can either be distributed directly to MSMEs by participant banks, or indirectly by linkage institutions via: primary cooperatives (savings and loan cooperatives, savings and loan cooperative units); secondary cooperatives; village credit agencies (BKD), *Baitul Mal Wa Tanwil* (BMT), *Syariah*s (people's credit banks (BPR/BPRS)), non-bank financial institutions, venture groups, and microfinance institutions.

In 2015, the government made some changes to improve the scheme. These included:

- A maximum KUR interest rate of 12 per cent per year (7 per cent for KUR micro and 3 per cent for KUR retail);
- IJP was replaced by an interest rate subsidy;
- Sector coverage was expanded to include all trade activities (and not only those related to agriculture, fishery, and industry manufacture);
- The scheme will also finance the placement of Indonesian migrant workers (TKI) abroad (maximum ceiling of Rp25 million with interest rate subsidy 12 per cent); and
- The number of participating banks was expanded to include many more regional government banks.

4.2 Performance

Since its launch in 2007, the programme and its coverage have continuously improved. The total number of participant banks has also increased from just six national banks to more than 30 (Tambunan 2016).

Data from the CMEA shows that, between 2010 and 2014, the average realization of KUR distribution exceeded the government-determined target. The significant increases in distributed KUR and the total number of debtors during the last two years can be attributed to: the additional participating banks; the expansion of sectoral coverage; and the inclusion of migrant workers as potential debtors. By the end of June 2017, the total disbursed KUR reached Rp835,273 billion for a total of 22.42 million debtors, including 14,287 TKI (Table 6).

Table 7 shows the KUR disbursed by four largest channelling banks (as of June 2017). For a long time, Bank Rakyat Indonesia (BRI) used to be the leading bank in channelling KUR. This was because first, it has local brand offices nationwide; and second, it has significant experience in microfinance. But recently, Bank Negara Indonesia (BNI) has outcompeted BRI.

By sector, trade has always dominated, accounting for 56.8 per cent of the total granted KUR in 2014 (Table 8). Agriculture and fishery received 20.8 per cent, while industrial manufacturing only 2.6 per cent. The aggregated value of KUR allocated to agriculture, maritime, fishery, forestry, and industry, stands at 31.4 per cent.

One indicator used by the government to measure the quality of the KUR programme is the rate of NPL. During the first generation of the scheme, the average KUR NPL rate from all banks was 3.3 per cent, lower than the maximum limit determined by the monetary authority (Bank Indonesia) at 5 per cent (CMEA 2016). However, the rate varied across banks, and BRI registered the lowest NPL. In fact, BRI succeeded in expanding its KUR loan disbursement without any increase in its NPL (Adam and Lestari 2017). According to Adam and Lestari (2017) some of the reasons why many other banks failed to manage low NPL included: poor experience, capability, and knowledge in dealing with productive loans, such as KUR; lack of a good monitoring system; and weak human resources to assist daily financial management of the KUR debtors.

4.3 Effectiveness

Tentative evidence from a number of studies based on field surveys (e.g., Adam, Damayanti and Purnagunawan 2015) suggests that the scheme has generally improved the performance of KUR-granted MSMEs. The improvement is measured using various indicators: higher profits; larger income and revenue; and more assets — either compared to non KUR-granted MSMEs, or to their pre-loan state. Similarly, Tambunan (2017) finds that, for many KUR debtors from BRI in three Indonesian cities (DKI Jakarta, Solo and Medan), the scheme has helped their businesses tremendously.

4.4 Is KUR a Success Story?

To answer this question, three key measures should be studied:

1. NPL: the low average NPL rate during the first generation period and the significant drop to zero (as of 30 June 2017) suggests that the scheme is well implemented.
2. Performance of the KUR-granted MSMEs: extant literature indicates that the scheme tends to have a positive impact on business performance of the MSMEs that were granted credit.
3. Scheme coverage: cumulatively, KUR reached 22.42 million debtors (by 6 June 2017) from only 3,623 debtors (not including TKI) in 2007. However, with more than 57 million MSMEs in the country, the coverage is still below 50 per cent. This measure may suggest that the implementation of KUR is still far from what can be described optimal.

There are at least three main reasons behind KUR's limited coverage. First, bank offices have not yet reached several localities in Indonesia. Second, even now, many MSME owners have never heard about

TABLE 6
Distributed KUR, 2007–16

	2007	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016**
Value (Rp bil.)	981	11,475	4,733	17,229	29,003	34,230	40,898	40,297	22,757	46,147
No. of debtors	3,623	1,652,965	718,230	1,437,650	1,909,912	1,962,121	2,347,429	2,443,907	1,999,207	1,640,524

NOTE: * as of June 2017.
SOURCE: ADB (2014, 2015), CMEA <http://kur.ekon.go.id/gambaran-umum-kur>.

TABLE 7
Disbursed KUR by the Three Largest Channelling Banks, June 2017

Bank	*Total amount (Rp million)*	*Total debtors*
BRI	237.31	1,870,756
BANK MANDIRI	119.98	104,178
BNI	357.29	1,974,934
BCA	104.38	331

SOURCE: Komite Kredit Usaha Rakyat, Ministry for Economic Coordination and CMEA (2016).

TABLE 8
Disbursed KUR by Key Sectors, 2014 and 2017

	2014	*2017*
Trade	56.8	57.0
Agriculture	20.8	24.88
Services	11.52	10.20
Manufacturing	2.8	5.93
Other	8.08	1.99
Total	100.00	100.00

SOURCE: Komite Kredit Usaha Rakyat, Ministry for Economic Coordination <http://komite-kur.com/article-95-sebaran-penyaluran-kredit-usaha-rakyat-periode-november-2007-maret-2014.asp. and kur,econ,go.id>; CMEA (2016); Tambunan (2017).

the KUR, or are not familiar with the application procedure. Finally, as established by Machmud and Ainul (2010), some banks face hurdles in implementing the KUR scheme effectively because, among other reasons, many applicants are just not deemed creditworthy.

5. Conclusion

This paper has examined the performance of CGSs in several AMS, showing that the degree of success with which such schemes can be implemented varies not only by country, but also by measurement criteria. Among the reviewed ASEAN member states (excluding Indonesia), if total granted MSMEs is the key parameter of success, Malaysia appears to be the most successful country. However, if the level of NPL is the main indicator, then the Philippines appears to be the winner.

For the Indonesian case, the conclusion is less clear. If the NPL rate and the business performance of the KUR-granted MSMEs are considered, it can be said that the programme has been doing well. Additionally, the change of the system from IJP to interest rate subsidy seems to have a positive effect. But, from the coverage point of view, more serious efforts are warranted.

Further research is still needed, especially to examine the following two issues:

- The full impact of the programme on the KUR-granted MSMEs, as evidence from existing studies is still limited; and
- The correlation between regional distribution of the programme and differences in the development of MSMEs.

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