

THE IMPACT OF BANK ACEH SYARIAH'S KUR FINANCING PROGRAM ON THE WELFARE OF MICRO, SMALL, AND MEDIUM ENTERPRISE ENTREPRENEURS IN ACEH BESAR

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ABSTRACT

Micro, small, and medium enterprises (MSMEs) are central to Indonesia's economic development, contributing to gross domestic product (GDP), generating employment, and reducing unemployment. To strengthen this sector, the Indonesian government introduced the People's Business Credit programme (Kredit Usaha Rakyat/KUR), which aims to provide financing access for MSMEs that face barriers in obtaining capital from formal financial institutions. Bank Aceh Syariah, as a key financial institution in Aceh, plays an active role in distributing KUR funds to local business actors. This study investigates the impact of KUR financing on the welfare of MSME actors in Aceh Besar. Using a qualitative case study approach, data were collected through in-depth interviews with MSME actors who received KUR financing, supported by direct observation of their business activities. The findings demonstrate that KUR financing has had a positive impact on the welfare of MSME actors by improving access to capital, enabling business expansion, increasing productivity, and broadening market networks. Furthermore, the programme has contributed to higher income levels and enhanced quality of life. However, challenges remain, particularly in financial management and marketing capacity. These results underscore the need for complementary support from financial institutions and government agencies through education and technical assistance, to ensure MSMEs can fully optimise the benefits of KUR financing.

Keywords: : *Micro, Small, and Medium Enterprises (MSMEs), People's Business Credit (KUR), Bank Aceh Syariah, Welfare.*

ABSTRAK

Usaha mikro, kecil, dan menengah (UMKM) merupakan sektor penting dalam pembangunan ekonomi Indonesia karena berkontribusi terhadap produk domestik bruto (PDB), menciptakan lapangan kerja, serta menurunkan tingkat pengangguran. Untuk memperkuat sektor ini, pemerintah Indonesia meluncurkan program Kredit Usaha Rakyat (KUR) yang bertujuan memberikan akses pembiayaan bagi UMKM yang mengalami kesulitan memperoleh modal dari lembaga keuangan formal. Bank Aceh Syariah, sebagai salah satu lembaga keuangan di Aceh, berperan aktif dalam menyalurkan dana KUR kepada para pelaku usaha lokal. Penelitian ini bertujuan menganalisis dampak pembiayaan KUR terhadap kesejahteraan pelaku UMKM di Kabupaten Aceh Besar. Dengan menggunakan pendekatan kualitatif berbasis studi kasus, data dikumpulkan melalui wawancara mendalam dengan pelaku UMKM penerima pembiayaan KUR, yang dipadukan dengan observasi langsung terhadap aktivitas usaha mereka. Hasil penelitian menunjukkan bahwa pembiayaan KUR memberikan dampak positif terhadap kesejahteraan pelaku UMKM melalui peningkatan akses modal, perluasan usaha, peningkatan produktivitas, serta perluasan jaringan pasar. Selain itu, program ini juga berkontribusi pada peningkatan pendapatan dan kualitas hidup pelaku usaha. Namun, penelitian juga mengidentifikasi sejumlah tantangan, khususnya terkait keterbatasan manajemen keuangan dan kapasitas pemasaran. Oleh karena itu, diperlukan dukungan tambahan dari lembaga keuangan dan pemerintah melalui pendidikan dan pendampingan teknis agar UMKM dapat mengoptimalkan manfaat dari pembiayaan KUR.

Kata Kunci: *Usaha Mikro, Kecil, dan Menengah (UMKM), Kredit Usaha Rakyat (KUR), Bank Aceh Syariah, Kesejahteraan.*

INTRODUCTION

Micro, small, and medium enterprises (MSMEs) play a strategic role in the Indonesian economy,¹ including in Aceh Besar Regency. MSMEs not only contribute to economic growth,² but also create jobs and reduce poverty levels.³ However, one of the main challenges faced by MSME actors is limited access to financing.⁴ This limitation is a major obstacle to business development, both in terms of working capital and investment to expand the scale of the business. In line with the increasing need for financial access for MSMEs, the government, through various financial institutions, including Bank Aceh Syariah, launched a small business credit financing programme (KUR). This programme aims to provide capital solutions to MSME players with a more affordable scheme that is in accordance with sharia principles.⁵ However, there are still fundamental questions regarding the extent of the impact of the KUR programme on the welfare of MSME players. Is this programme capable of increasing income, expanding businesses, and providing other positive impacts on the lives of MSME players?

In existing literature, MSMEs are often described as the backbone of the Indonesian economy. According to data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% to the national gross domestic product (GDP) and employ more than 97% of the workforce.⁶ However, the main challenge faced is the low access to formal financing. Previous research shows that financing programmes such as KUR can help overcome these financing barriers.⁷ Small business credit (KUR) is one of the government initiatives designed to provide financing to MSMEs with low interest rates and without large collateral. In the context of sharia, Sharia Banks also provide KUR based on sharia principles that are in line with the needs of the Indonesian people, the majority of whom are Muslim, especially in Aceh province, one of the provinces that implements Islamic law. Based on previous research, the KUR

¹ Yolanda, C., & Hasanah, U. The role of micro, small and medium enterprises (MSMEs) in Indonesia's economic development. *Journal of Management and Business*, 2(3), 2024. 170-186.

² Sarfiah, S., Atmaja, H., & Vewawati, D. MSMEs as pillars of national economic development. *Jurnal Rep (Economic Development Research)*, 4(2), 2019. 1-189.

³ Sari, L. and Fisabilillah, L. The influence of MSME growth and unemployment rates on economic growth in Indonesia. *Independent Journal of Economics*, 1(3), 2021. 178-190.

⁴ Biasmara, H. The effect of interest rates, inflation, and non-performing loans on SME lending in Indonesia. *Journal of Business Management and Entrepreneurship*, 6(1), 2022. 95.

⁵ Mulyani, S., Jannah, N., & Syafina, L. Analysis of the implementation of sharia-based small business credit financing (KUR) in increasing MSME income: a case study at the Mandala branch of Pegadaian. *El-Mal Journal of Islamic Economics & Business Studies*, 5(7). 2024.

⁶ Ministry of Cooperatives and SMEs of the Republic of Indonesia. SME Statistical Data for 2023. Jakarta: Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia. 2023.

⁷ Suryani, E., & Pramono, R. Analysis of the Effectiveness of the People's Business Credit (KUR) Programme on the Development of MSMEs in Indonesia. *Indonesian Journal of Economics and Business*, 36(2), 20212. 112-124.

programme has the potential to increase working capital, business productivity, and the income of MSME players. However, research on the specific impact of Sharia Bank KUR on the welfare of MSME players is still limited. This study focuses on MSME entrepreneurs in the Aceh Besar region who have received financing through the Bank Aceh Syariah KUR programme. The scope of the study includes an analysis of the impact of the KUR programme on key aspects of MSME entrepreneurs' welfare, such as income, business expansion, and overall quality of life. This study uses a qualitative approach with primary data obtained through surveys and interviews with MSME entrepreneurs who have received KUR. In addition, this study also considers external factors that may influence the results, such as local economic conditions, local government policies, and the level of financial literacy of entrepreneurs. Thus, the results of this study are expected to provide a comprehensive picture of the effectiveness of Bank Aceh Syariah's KUR programme in improving the welfare of MSME actors in Aceh Besar. This study also describes the views of academic experts on the impact of Bank Aceh Syariah's KUR funding programme on the welfare of MSME actors in Aceh Besar,⁸ is one of the districts in Aceh Province that has very positive economic potential from the MSME sector. Most of its population depends on trade, agriculture, and small industries as their main source of livelihood. However, the challenges faced by business actors in this area are quite complex, ranging from limited market access to a lack of business capital.⁹ In this context, the presence of Bank Aceh Syariah with its KUR programme is highly relevant. As a sharia-based financial institution, Bank Aceh Syariah not only offers financing solutions that are in line with Islamic values, but also acts as a strategic partner in supporting the development of local MSMEs.¹⁰ Therefore, it is important to evaluate the extent to which this programme has succeeded in achieving its main objective of improving community welfare through strengthening the MSME sector.¹¹

The framework of this study is based on economic development theory and the concept of community welfare. In economic development theory, the MSME sector is considered to be the driving force behind local economic

⁸ BPS Aceh Besar. Aceh Besar District in Figures 2023. Aceh Besar: Aceh Besar District Central Statistics Agency. 2023.

⁹ Yuliana, R., & Hanafiah, M. Strategies for Developing MSMEs in Aceh Besar District. *Journal of Regional Economics and Development*, 10(1), 2022. 45–56.

¹⁰ Fauzi, M., & Nasution, R. A. The Role of Islamic Banks in Strengthening SMEs through the KUR Financing Programme. *Indonesian Journal of Islamic Economics*, 11(2), 2021. 134–146.

¹¹ Ismail, A. Evaluation of the People's Business Credit Programme in Improving the Welfare of MSMEs. *Journal of Islamic Management and Business*, 8(1), 2020. 23–35.

growth due to its ability to create jobs and increase community income.¹² Meanwhile, the concept of welfare encompasses economic (income and assets), social (health and education), and psychological (life satisfaction) dimensions.¹³ This study uses a qualitative approach with a centralised interview method. Data collection techniques were carried out through in-depth interviews with predetermined informants.¹⁴ The informants were MSME entrepreneurs in Aceh Besar who had received KUR financing from Bank Aceh Syariah for at least one year. The data collected included information on income before and after receiving KUR, business scale, and entrepreneurs' perceptions of the programme's impact on their welfare. In addition, in-depth interviews were also conducted with Bank Aceh Syariah to understand the implementation mechanism of the KUR programme and the challenges faced in its implementation. Based on the initial review and research framework, it can be assumed that Bank Aceh Syariah's KUR programme has great potential to improve the welfare of MSME actors in Aceh Besar. However, its impact may vary depending on factors such as the type of business, the amount of financing received, and the managerial capabilities of business actors.

METHOD

In preparing this paper, the author used a qualitative method with a centralised interview approach. Data collection techniques were carried out through in-depth interviews with predetermined informants. The informants who were the subjects of this study were parties involved in the Aceh Syariah Bank KUR funding programme. Researchers used in-depth interview techniques to collect data from informants who had been selected based on their relevance and importance to the research focus. These interviews aimed to obtain in-depth and accurate information about the process and impact of the KUR programme on the welfare of MSME entrepreneurs. Details of the number and distribution of informants in the study are described in Figure 2 and Table 1.

Data Table 1 Research Informants

Type of Informant	Informant Description	Number
Key informants	Bank Aceh	1
Primary informant	Business operators who received KUR funds	8
Academics	Academics	1
Total		10

Source: Processed data, 2025.

¹² Todaro, M. P., & Smith, S. *Economic Development* (13th ed.). Pearson Education. 2020.

¹³ Diener, E., Oishi, S., & Tay, L. Advances in subjective well-being research. *Nature Human Behaviour*, 2(4), 2018. 253–260.

¹⁴ Sugiyono. *Quantitative, Qualitative, and R&D Research Methods*. Bandung: Alfabeta. 2019.

This study uses both primary and secondary data. Primary data were collected directly from informants through in-depth interviews, observations, documentation, and questionnaires.¹⁵ The main informants included parties involved in the implementation of the People's Business Credit (KUR) programme by Bank Aceh Syariah and MSMEs receiving KUR financing in the Pasar Lambaro area, Aceh Besar. Secondary data were obtained from reference books, scientific journals, official reports, and supporting documentation related to the KUR programme.¹⁶ These two data sources were used complementarily to ensure validity and relevance in addressing the research focus.

Data analysis followed a qualitative approach consisting of three stages: data reduction, data presentation, and conclusion drawing. This process enabled the researcher to filter relevant information, organise data systematically, and interpret findings in relation to the management of KUR financing and its impact on MSME welfare. The use of this technique is considered appropriate for exploring the link between microfinance policies and their socio-economic implications. Presenting the findings in a structured manner and connecting them to theory provides comprehensive insights that enrich the literature and offer practical references for policymakers in designing MSME empowerment strategies.¹⁷

LITERATURE REVIEW

Welfare

According to *the Big Indonesian Dictionary*, welfare means a state of prosperity, security, safety, and peace. Meanwhile, according to Law of the Republic of Indonesia Number 13 of 1998, Article 1 paragraph 1 concerning the Welfare of the Elderly, welfare can be defined as a way of life, both material and spiritual, that is characterised by a sense of safety, decency, and physical and mental peace, enabling every citizen to fulfil their physical, spiritual, and social needs while upholding human rights and obligations in accordance with Pancasila. The World Health Organisation (WHO) defines quality of life as an individual's perception of their position in the context of the cultural and value systems within society and in relation to their goals, expectations, standards and concerns. This concept provides a broader meaning because quality of life is influenced by physical health, psychological state, level of independence,

¹⁵ Sugiyono. (2019). *Quantitative, Qualitative, and R&D Research Methods*. Bandung: Alfabeta.

¹⁶ Moleong, L. *Qualitative Research Methodology (Revised Edition)*. Bandung: PT Remaja Rosdakarya. 2017.

¹⁷ Nurhayati, N., Apriyanto, A., Ahsan, J., & Hidayah, N. *Qualitative Research Methodology: Theory and Practice*. PT. Sonpedia Publishing Indonesia. 2024.

social relationships, and relationships with important aspects of the environment.¹⁸

Welfare economics is part of social welfare that can be directly or indirectly linked to monetary measurement.¹⁹ Welfare can be approached based on two things, namely: Welfare is addressed at the individual, family, and community levels. At the individual level, feelings of happiness or sadness, peace and anxiety, and satisfaction or dissatisfaction are subjective indicators of quality of life.²⁰ At the family level, adequate housing conditions, such as the availability of clean water, are examples of objective indicators.²¹ According to Westfall, welfare is measured by the dimensions of material welfare and spiritual welfare. The material welfare dimension has indicators such as wages, quality of housing, quality of household furnishings, quality of entertainment facilities, and asset ownership. The spiritual welfare dimension has indicators such as self-acceptance, positive relationships with others, and personal growth.²² In Islam, welfare is commonly referred to as *falah*. *Falah* comes from the Arabic word *aflaha-yuflihu*, which means success, glory, and victory.²³ Welfare can be achieved when a person is able to fulfil their daily needs as well as their needs for the hereafter. Therefore, it can be concluded that welfare is a condition in which a person is above the poverty line. In other words, that person can fully meet their daily needs without lacking anything.²⁴ Islam teaches that everyone has the right to a prosperous life. Not only those who are wealthy or well-off, but also those who have limitations or are poor have the right to prosperity.

¹⁸ Andesty, D., & Syahrul, F. The relationship between social interaction and the quality of life of elderly people in the integrated service unit (UPTD) Griya Werdha in Surabaya in 2017. *The Indonesian Journal of Public Health*, 13(2), 2018. 171.

¹⁹ Subang, K. Financial Knowledge and Love of Money: Their Influence on Personal Financial Management and Their Impact on the Welfare of the Cihambulu Village Community. *Jurnal SEKURITAS (Stocks, Economics, Finance and Investment)*, 4(1), 2020. 43.

²⁰ OECD. How's Life? 2023: Measuring Well-being. Paris: OECD Publishing. 2023.

²¹ Central Statistics Agency (BPS). People's Welfare Indicators 2023. Jakarta: BPS RI. 2023.

²² Rahayu, D. The Concept of Well-being from a Psychological and Economic Perspective: A Literature Review. *Journal of Psychology and Well-being*, 9(2), 2021. 115–128.

²³ Al-Qaradawi, Y. Islamic Economic Values and Ethics (Trans.). Jakarta: Pustaka Al Kautsar. 2019.

²⁴ Hasyim, M. The Concept of Falah as an Indicator of Welfare in Islamic Economics. *Journal of Islamic Economics of the Archipelago*, <https://doi.org/10.24239/jein.v6i1.2022.33-44> 6(1), 2022. 33–44.

Welfare Indicators

Human welfare can be measured by physical and non-physical needs, such as per capita consumption, crime rates, labour force, economic levels, and access to mass media. In addition, the level of community welfare can also be measured by the human development index (HDI), which consists of three combined dimensions, namely: age, educated humans, and decent living standards. According to the Central Statistics Agency (BPS), welfare is a condition in which the physical and spiritual needs of a household are met in accordance with their standard of living. The indicators used to measure welfare according to BPS are:²⁵

1. Income

Income is an indicator that can be used to describe the welfare of a community. Income refers to the total cash earned by an individual or household during a certain period of time (one year). Income consists of earnings from labour, earnings from property such as rent, interest and dividends, and loans from the government.

2. Housing and settlements

Housing and settlements, apart from being a human necessity, also have a very strategic function in their role as a centre of family rest and improvement of the quality of future generations. In addition, homes are a determinant of public health; comfortable and healthy homes are those that are able to support the health of each of their residents.

3. Health

Health is one of the indicators of people's welfare and also an indicator of success in development. A sick community will find it difficult to maintain its own welfare. Therefore, development and various efforts in the health sector are expected to reach all levels of society and be non-discriminatory in their implementation. Health as an indicator of welfare can be seen through the community's ability to maintain their health and fully finance the medicines they need .

4. Education

Education is a human right and the right of every citizen to develop their potential through the learning process. Every Indonesian citizen has the right to obtain quality education in accordance with their interests and talents, regardless of social status, economic status, ethnicity, religion, and geographical location.

²⁵ Shavira, S. O., Balafif, M., & Imamah. The Effect of Economic Growth, Minimum Wage, and Unemployment Rate on Community Welfare in East Java in 2014-2018. *Bharanomics*, 1(2), 2021, 93-103.

People's Business Credit (KUR)

Definition of People's Business Credit (KUR)

Small business credit, abbreviated as KUR, is a loan to micro, small and medium enterprises in the form of working capital and investment supported by guarantees for productive businesses. KUR is a government programme that acts as a financing vehicle for micro, small and medium enterprises (MSMEs).²⁶ This financing will be carried out through distributing banks using a loan model. The programme aims to support MSMEs that are considered highly productive but still require capital injections to grow. According to Minister of Finance Regulation No. 135/PMK 05/2008 concerning the Loan System for People's Business Credit (KUR), KUR is a working capital or investment loan intended for micro, small and medium enterprises (MSMEs) in productive businesses. The role of the state is to provide guarantees. Therefore, MSMEs receiving KUR are required to repay the KUR in accordance with the agreed interest rate and term.²⁷

The Purpose of Providing People's Business Credit (KUR)

There are several objectives to be achieved in providing KUR facilities, which of course depend on the objectives of the MSMEs themselves. The objectives of KUR are also in line with the mission of establishing MSMEs. The objectives of KUR are to:²⁸

1. Seeking profit

The main objective of providing KUR is to generate profit. These profits are achieved in the form of interest received by MSMEs as compensation for their services and KUR management fees charged to customers. These profits are important for the continued survival of MSMEs. These profits can expand MSMEs that continue to experience losses, and it is highly likely that these MSMEs will be dissolved. Therefore, it is very important for MSMEs to increase their profits because their operating costs are also relatively high.

2. Assisting customer businesses

The next objective is to assist customers who require funds, whether for investment or working capital. With these funds, debtors will be able to develop and expand their businesses.

3. Assisting the government

Another objective is to assist the government in several areas. For the government's, the more KUR disbursed by banks, the better, considering that more KUR means more funds are being channelled to improve various sectors, especially the real sector.

²⁶ Damanik, Y. & Tarigan, V. The Effect of the KUR and BLT Programmes on the Performance of MSMEs in Nagori Dolok, Silou Kahean District, Simalungun Regency. *Accusi Scientific Journal*, 6(1), 2024. 30-41.

²⁷ Soemitra, A., Nawawi, Z. M., & Syahbudi, M. Sharia Financing for Micro Businesses in Indonesia. Merdeka Kreasi Group. 2022.

²⁸ Hakim, M. K. The Role of KUR Financing in the Development of Muslim SMEs in Kudus District.

The Types of People's Business Credit (KUR)

KUR consists of several types categorised by their target recipients. The following are the types of small business loans (KUR):

1. Micro KUR

Micro KUR is a type of government loan intended for small and micro businesses. The maximum amount or credit limit is capped at Rp25 million.²⁹ The amount may vary depending on the paying bank's policy. Micro KUR targets small and medium businesses that are considered productive and promising in terms of income. It is expected that beneficiaries will be able to pay the agreed loan instalments to the bank on time. There are two types of loan repayment periods, namely three years for working capital loans and five years for investment loans. Of course, prospective debtors (borrowers) must meet several main requirements so that their applications can be approved and they can receive KUR Mikro. These requirements include: the business operator has been running their business well and sincerely for the past three months, the business operator has participated in entrepreneurship training as evidenced by a certificate, and the business run by the prospective borrower is classified as a productive business.

2. Retail KUR

KUR retail is a medium-sized business that can pay interest in instalments, fixed amounts or annuities. KUR micro and KUR retail certainly have different objectives, so the capital payment limit is very broad, up to IDR 500 million. In addition to the large amount of KUR retail loans, the loan period also tends to be long. Four years for working capital loans and five years for investment loans. On the other hand, the requirements for applying for KUR Retail are not much different from those for microcredit.

3. KUR for Indonesian Workers

The Indonesian labour KUR differs from the two previous types of KUR. State capital assistance is not provided to business operators. As the name suggests, the Indonesian labour KUR is intended for Indonesian workers working abroad (TKI). The aim is to help TKI workers who leave their country and travel abroad to obtain start-up capital. To ensure that all members of the community receive this assistance fairly and substantively, the TKI KUR is designed with a special structure aimed at equity and stability. Specifically, prospective TKI workers who are approved for the KUR will receive a capital loan of up to IDR 25 million with an annual interest rate of 7%. The maximum repayment period is three years, calculated from the date the loan is received. This type of KUR has specific document requirements that must be submitted, including an ID card (KTP), family card, residence certificate, health certificate issued by a doctor (), and others.

²⁹ Akhmadi, M. H., Basandid, A., & Wati, E. N. The Impact of Micro Credit Relaxation During the Covid-19 Pandemic on the Sustainability of Small and Medium Enterprises in Kuningan Regency. *Entrepreneurship and Small Business Research for Economic Resilience*, 1(2), 2022. 47-62.

Additionally, prospective KUR TKI recipients must also have a work contract agreement.³⁰

4. Sharia KUR

Sharia KUR is a financing scheme provided by the Indonesian government to support micro, small and medium enterprises (MSMEs) based on sharia principles. This scheme is part of the People's Business Credit (KUR) programme, which is implemented using sharia contracts that comply with Islamic law, such as murabahah, ijarah and musyarakah contracts.

Functions of People's Business Credit (KUR)

The functions of the People's Business Credit (KUR) are as follows:³¹

1. To spur economic growth through small and medium-sized business activities
2. Facilitating access to credit from financial institutions for small and medium- sized business owners
3. Reducing poverty levels
4. Expanding employment opportunities for the community.

Micro, Small and Medium Enterprises (MSMEs)

Definition of Micro, Small and Medium Enterprises (MSMEs)

Micro, small and medium enterprises (MSMEs) are business activities that can expand employment opportunities, provide broad economic services to the community, play a role in the process of income distribution and improvement, encourage economic growth, and contribute to national stability.³² According to Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises, a micro enterprise is a productive enterprise owned by an individual and/or a single business entity that meets the criteria for micro enterprises as stipulated in this law. Small and medium enterprises are independent productive economic enterprises carried out by individuals or entities that are not subsidiaries or branches of a company, which are directly or indirectly owned or controlled by or are part of that company.³³

³⁰ Mutmainah, S., & Putra, R. Procedures for Registering People's Business Credit (KUR) Loans at PT. Bank Rakyat Indonesia (Persero) Tbk. Unt Tanjungsari Pamanukan Branch. *The World of Financial Administration Journal*. 2022.

³¹ Lubis, P. S. I., & Salsabila, R. The Role of MSMEs (Micro, Small, and Medium Enterprises) in Enhancing Economic Development in Indonesia. *Muqaddimah: Journal of Economics, Management, Accounting and Business*, 2(2), 2024. 91-110.

³² Munthe, A., Yarham, M., & Siregar. The Role of Micro, Small and Medium Enterprises in the Indonesian Economy. *Journal of Economics, Business, Management and Accounting*, 2(3), 2023. 593-614.

³³ Prasetyo, D. W. Development of Micro, Small and Medium Enterprises (MSMEs) in the Garment Industry in Karobelah Village, Mojoagung District, Jombang. *Comvice: Journal of community service*, 2(1), 2018 9-14.

The Criteria for MSME Business Operators

The criteria for SME business operators are as follows:

1. Micro Business

Micro, small and medium enterprises (MSMEs) are productive businesses owned by individuals or sole proprietorships that meet the criteria for micro businesses as stipulated by law. The annual turnover of micro businesses reaches IDR 300 million, and the total assets of the company reach IDR 50 million (excluding land and building assets). It is not uncommon for business owners to still be confused about the difference between small business finances and their personal finances. Examples of micro MSMEs include small market vendors, barbers, street vendors, and others.

2. Small Business

A small business is a productive economic enterprise run independently by individuals or entities that are not subsidiaries or branches of a company owned or controlled by that company, and are medium or large businesses that meet the criteria for small businesses as defined in the law. The importance of MSMEs in the small business category is that they have a net worth of between IDR 50 million and IDR 500 million, and annual sales of between IDR 300 million and IDR 2.5 billion.

3. Medium Enterprises

Meanwhile, medium-sized enterprises are independent productive economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches of a company that is owned, controlled, or directly or indirectly part of a small company. A business entity with net assets or annual sales revenue equal to that of a small or large enterprise with net assets or annual sales revenue as stipulated in the law. The net assets of a medium-sized enterprise, excluding land and buildings, amount to more than IDR 500 million per year. Medium-sized enterprises or medium-sized MSMEs also have sales turnover criteria of more than IDR 2.5 billion to IDR 50 billion per year. In addition to separate financial management, medium-sized enterprises also have legal status. Examples of medium-sized MSMEs are home-based bread-making companies, large restaurants, and building supply stores.³⁴

The Role and Function of MSMEs in the Economic Situation

The role and function of MSMEs in the economy are as follows:

1. Creating Job Opportunities

This will certainly create job opportunities for the surrounding community. Unlike large companies, MSMEs can have lower employment requirements and can hire people with lower levels of education or special qualifications. Therefore, this business can be a way to earn an income without having to sacrifice daily activities that

³⁴ Hasyim, M. The Concept of *Falah* as an Indicator of Welfare in Islamic Economics. *Jurnal Ekonomi Islam Nusantara*, 6(1), 2022. 33–44.

- cannot be abandoned by the community.
2. Promoting a More Equitable Economic Situation
Developing MSMEs is one way for a country to achieve economic equality. In fact, this project also encourages and improves the economic situation of small towns and villages. In addition, communities have the opportunity to access various products and services directly in their local areas without having to travel to the city centre.
 3. Increasing Foreign Exchange
Foreign exchange is one of the factors that indicates the economic status of a country. If its value is high, then the country can be said to be economically advanced and prosperous. By increasing the presence of MSMEs and managing them well, the country also indirectly contributes to foreign exchange growth. In addition, international buying and selling activities can now be easily done *online* via the internet.
 4. Boosting the Economy in Critical Situations
MSMEs have proven their ability to revive the economy during times of crisis. In 1997, Indonesia's monetary crisis was successfully overcome thanks to the continued growth of the MSME sector. As a result, despite being hit by the monetary crisis, Indonesians were still able to meet their basic needs with relative ease.
 5. Accurately Meeting the Needs of the Community
These small community-owned businesses usually have a better understanding of the needs of the local community. The innovative products they create often respond precisely to the needs of the community. In addition, MSME players also ensure that their raw materials come from the surrounding area and local producers. This certainly promises more profits for the local community, who will also become consumers and boost economic sales more quickly.³⁵

RESULTS AND FINDING

The People's Business Credit Fund (KUR) programme distributed by Bank Aceh Syariah, particularly to MSME players in Lambaro Market, Aceh Besar, has brought new dynamics to business development at the local level. This programme not only encourages economic growth among MSME players, but also has a number of positive impacts that can be felt immediately, in terms of increased working capital, productivity and welfare. On the other hand, the implementation of this programme also presents a number of challenges, both managerial and structural, in the management of KUR funds by business actors. The following description is the result of research conducted by the author in an effort to answer the research questions that have been formulated, thereby providing a comprehensive overview of the effectiveness of KUR fund

³⁵ Irawati, R., & Prasetyo, I. B. Utilisation of E-Commerce Platforms Through Marketplaces as an Effort to Increase Sales and Maintain Business During the Pandemic (A Study of Food and Beverage MSMEs in Malang). *Journal of Applied Management Research*, 6(2), 2021. 114-133.

distribution and management in Lambaro Market. The management of People's Business Credit (KUR) funds from Bank Aceh Syariah by micro, small, and medium enterprises (MSMEs) in Lambaro Market, Aceh Besar, plays an important role in improving productivity and competitiveness. KUR is distributed through sharia-based contracts, mainly murabahah (sale and purchase) and musyarakah (partnership), to ensure compliance with Islamic principles. Most MSMEs use KUR funds as working capital, such as purchasing merchandise, business equipment, and additional stock during peak seasons. Some allocate them for expansion, including stall renovation, storage facilities, or renting strategic kiosks. Simple bookkeeping is commonly practiced to monitor expenses, while financially literate entrepreneurs separate sales income from KUR instalments to ensure smooth repayments. This helps reduce the risk of default and supports business sustainability.

The additional capital has increased turnover, improved market competitiveness, and encouraged innovation, such as diversifying products or services. However, challenges remain, particularly in financial management and the tendency of some businesses to use funds for consumptive purposes. To address this, Bank Aceh Syariah and the local government provide financial literacy training and monitoring to optimise fund utilisation. In distribution, Bank Aceh Syariah applies eligibility criteria based on business legality, productivity, and repayment ability, supported by regular field supervision. Overall, KUR has positively contributed to business growth, household welfare, and the development of the local economy, despite ongoing challenges in sharia financial literacy and repayment consistency.

Good management of KUR funds has had a positive impact on MSME entrepreneurs in Lambaro Market, as follows:

1. **Increased Income**
With capital injections from KUR, many business owners have been able to increase their production and sales, resulting in a significant increase in income.
2. **Job Creation**
Some entrepreneurs who have successfully developed their businesses have begun to recruit additional workers, thereby contributing to a reduction in the unemployment rate in the area.
3. **Strengthening of the Local Economy**
KUR funds help strengthen the local economy by encouraging trading activities at Lambaro Market. This has a positive impact on the welfare of the surrounding community.
4. **Improved Financial Literacy**
Through training and mentoring, the financial literacy of MSME entrepreneurs has improved, enabling them to manage their business funds more wisely.

The Impact of the KUR Fund Financing Programme

The impact of the KUR financing programme from Bank Aceh Syariah on the welfare of MSME players in Lambaro Market, Aceh Besar, is significant, especially in terms of increasing business capacity and daily income. The additional capital obtained through KUR allows business actors to increase their stock of goods and expand the scale of their businesses, thereby increasing sales turnover. This condition has a direct impact on improving family welfare, as higher incomes are able to meet basic household needs such as clothing, food, and shelter. In addition, the existence of KUR also encourages the economic independence of MSME actors by strengthening the stability of their businesses. Although there are obstacles in the form of fluctuations in people's purchasing power, which occasionally affect the smoothness of instalments, overall the KUR programme plays an important role in supporting the economic growth of small businesses in the Lambaro Market and makes a real contribution to improving the welfare of beneficiary families. In analysing its impact in depth, we need to consider various aspects, ranging from financing accessibility and economic benefits to the social impact of this programme:

1. Improving Access to Capital

One of the main challenges faced by MSME entrepreneurs is limited access to business capital. Many MSME entrepreneurs do not have the collateral or formal documents required to access financing from conventional financial institutions. The KUR programme from Bank Aceh Syariah offers a solution by providing sharia-based financing that not only simplifies the application process but also complies with Islamic principles. Bank Aceh Syariah provides MSMEs in Lambaro Market with easy access to low-interest or even interest-free business capital. More flexible requirements, such as not requiring large collateral, allow more small businesses to take advantage of this programme. With easier access to capital, MSMEs can increase their production capacity, expand their businesses, and meet their daily operational needs.

2. Increased Productivity and Business Scale

With the injection of funds from KUR, MSME players in Lambaro Market were able to increase their productivity. For example, vegetable sellers could purchase larger quantities of stock at wholesale prices, thereby increasing their profit margins. In addition, food business owners could purchase modern equipment that could improve production efficiency. In the long term, this increase in capital enables MSME players to expand the scale of their businesses. They can open new branches, add to their range of products or services, and even reach wider markets. This not only has an impact on increasing business income, but also creates new jobs for the surrounding community.

3. Local Economic Impact

The KUR financing programme from Bank Aceh Syariah also contributes to local economic growth in Lambaro Market. With the

development of MSMEs, money circulation in the market has become faster and more significant. This increase in economic activity also has an impact on other sectors, such as transportation, goods distribution, and other supporting services. In addition, with the increase in MSME income, people's purchasing power has also increased. This has created a positive domino effect on the local economy. Lambaro Market has become more lively and dynamic as a trading centre in Aceh Besar.

4. Social Impact: Improved Family Welfare

The welfare of MSME players is not only measured by financial income, but also by social aspects and their quality of life. With additional capital from KUR, many business players are able to improve their families' standard of living. They can send their children to higher levels of education, meet their families' health needs, and improve the quality of their homes. In addition, the sharia-based KUR programme also provides peace of mind for business owners because the system is free of usury and in accordance with religious values. This is important in the context of Acehnese society, which is predominantly Muslim and highly respects sharia principles in everyday life.

5. Challenges and Obstacles

Although the KUR programme from Bank Aceh Syariah has many benefits, there are several challenges that need to be overcome in order to optimise its impact. One of the main challenges is the lack of financial literacy among MSME players. Many business owners do not fully understand how to manage loans wisely or develop long-term financial plans. In addition, there is also the risk of bad credit if MSME players are unable to repay their loans on schedule. This can occur due to external factors such as fluctuations in raw material prices or a decline in people's purchasing power. For this reason, ongoing assistance and education from Bank Aceh Syariah is needed for KUR recipients.

6. Recommendations for Optimising the Programme

In order to increase the impact of the KUR programme on the welfare of MSME operators in Pasar Lambaro, here are some recommendations that can be implemented:

a. Financial education

Bank Aceh Syariah can conduct regular training on financial management, business planning, and marketing strategies for KUR recipients.

b. Business assistance

In addition to providing financing, the bank can also provide business assistance services to help MSME entrepreneurs overcome challenges in running their businesses.

c. Diversification of financing products

The bank can offer a more diverse range of financing products tailored to the specific needs of SME entrepreneurs, such as financing for investment in production equipment or technology development.

d. Partnerships with the government and other institutions

To expand the reach of the KUR programme, Bank Aceh Syariah can collaborate with local governments and non-governmental organisations in supporting the development of MSMEs.

e. Monitoring and evaluation

The bank needs to conduct regular monitoring of KUR recipients to ensure that the funds provided are used productively and can provide maximum benefits.

7. Case Study: Success Stories of MSME Entrepreneurs in Lambaro Market

To provide a concrete picture of the impact of the KUR programme, we can look at the success stories of several MSME players in Lambaro Market who have taken advantage of this financing. For example, a clothing merchant who previously only had one small kiosk is now able to open a new branch thanks to capital injections from KUR. With good management, he has not only increased his income, but has also been able to employ several people as employees.

Another success story comes from a traditional food vendor who used KUR funds to purchase modern cooking equipment. This not only improved the quality of his products, but also sped up the production process, enabling him to meet increasing customer demand.

It can be concluded that the KUR funding programme from Bank Aceh Syariah has had a significant positive impact on the welfare of MSME entrepreneurs in Lambaro Market, Aceh Besar. With easier access to sharia-based capital, MSME entrepreneurs can increase productivity, expand the scale of their businesses, and improve their families' standard of living. In addition, this programme also contributes to local economic growth and creates a positive domino effect for the surrounding community.

However, in order for all parties to reap the maximum benefits of this programme, collaborative efforts are needed between Bank Aceh Syariah, the local government, and other relevant institutions to provide financial education, business assistance, and continuous monitoring. In this way, the KUR programme will not only be a short-term solution, but also a foundation for sustainable economic growth in Aceh Besar.

The Views of Sharia Economics Experts on the KUR Funding Programme

The views of Islamic economists on the KUR funding programme distributed by Bank Aceh Syariah to MSME entrepreneurs in Pasar Lambaro, Aceh Besar, emphasise that this programme is in line with the principles of justice, mutual assistance, and economic empowerment of the people. Through the application of Islamic contracts such as *murabahah* and *wakalah*, the financing mechanism not only prevents business actors from engaging in usury, but also provides legal certainty and clarity of transactions. From an Islamic microfinance perspective, KUR plays a strategic role in encouraging the growth

of micro and small businesses, which have long been the backbone of the community's economy. This programme is considered capable of increasing productivity, expanding employment opportunities, and improving household welfare, thereby contributing to inclusive economic development. However, experts also emphasise the importance of continuous assistance and education on Islamic financial literacy for MSME actors, so that the funds obtained are managed effectively and efficiently for business sustainability. In the view of Islamic economists, programmes such as this reflect the basic principles of Islamic economics, which are oriented towards justice, balance, and the welfare of society as a whole.

1. The Foundations of Sharia Economics in MSME Financing

Islamic economists view MSME financing as a means of empowering small and medium-sized communities that often lack access to conventional funding sources. With Islamic-based financing, MSME players can develop their businesses without being burdened by heavy interest rates, giving them the opportunity to grow more sustainably in the long term.

2. Fairness in Resource Distribution

One of the main objectives of Islamic economics is to ensure the fair distribution of resources within society. The KUR programme, which focuses on MSMEs in Lambaro Market, reflects this spirit. Traditional markets such as Lambaro Market are often the centre of economic activity for small communities. By providing financing to businesses in this market, Bank Aceh Syariah is helping to create economic equality and reduce social inequality.

3. The Principle of Sustainability in Islamic Economics

The Islamic economy does not only focus on financial profits, but also considers aspects of sustainability and social welfare. In the context of KUR financing in Lambaro Market, this programme not only provides capital to business actors, but also encourages overall local economic growth. With increased economic activity in traditional markets, the economy of the surrounding community will also grow.

4. Empowering MSMEs as a Pillar of the Economy

One of the main focuses of the Islamic economy is community empowerment through productive enterprises. The KUR programme, which is aimed at MSME players in Lambaro Market, is a concrete step towards realising this empowerment. Islamic economists believe that by providing access to financing for MSMEs, communities can improve their standard of living through independent enterprises.

5. Overcoming Challenges in Implementation

Although Sharia-based KUR programmes have many benefits, Sharia economists also recognise several challenges that may be encountered in their implementation. One of the main challenges is the low level of Sharia financial literacy among MSME players. Many small business owners may not fully understand concepts such as *mudarabah* or *musyarakah* contracts, so educational efforts by banks are needed.

6. Social and Economic Impact

The Sharia-based KUR programme not only has a positive impact on individual MSME players, but also on the wider community. With increased

economic activity in Lambaro Market, the purchasing power of the surrounding community will increase, thereby strengthening the regional economy. In addition, this programme can also create a domino effect in the form of an improvement in the overall quality of life of the community.

7. Recommendations for Optimising the KUR Programme

To ensure the success of the Sharia-based KUR programme distributed by Bank Aceh Syariah, there are several recommendations from Sharia economic experts:

- a. Education and literacy in Islamic finance
Banks need to provide training to MSME players on the principles of Islamic finance and how to manage funds effectively.
- b. Business assistance
In addition to providing capital, banks can also provide business assistance services to help MSME players improve their managerial capacity and business strategies.
- c. Monitoring and evaluation
Banks need to conduct regular monitoring to ensure that the funds disbursed are used for their intended purposes and provide

DISCUSSION

In disbursing super-micro Sharia People's Business Credit (KUR), Bank Aceh Syariah has established a number of strict criteria to determine the eligibility of prospective recipients. In general, these criteria cover the following aspects: recipient subject, business eligibility, and administrative completeness. The main targets of this financing are micro, small and medium enterprises (MSMEs), including workers who have been laid off and housewives who have productive businesses. From a business perspective, the bank only finances businesses that are productive or eligible for financing, and have not previously received KUR financing. Although there is no minimum business age requirement, prospective customers who have been in business for less than six months must meet one of the additional requirements, such as having participated in mentoring or entrepreneurship training, being part of a business group, or having family members with productive businesses that are already running.³⁶

The bank also participates in providing assistance to ensure that business capital is used in accordance with the details of the goods agreed upon at the time of applying for KUR financing, with proof of purchase receipts. This is part of credit risk management. After the KUR financing is disbursed, the bank will visit KUR financing recipients every month to ensure that the businesses financed by the bank are running well and productively. This KUR financing programme contributes to improving the

³⁶ Bank Aceh Syariah. (2023b). Report on the Distribution and Economic Impact of KUR Financing in 2023. Banda Aceh: PT Bank Aceh Syariah.

economic welfare of KUR financing customers' families.³⁷ With the increase in working capital turnover, the daily income of MSME players will also increase. With their increased daily income, their household welfare will be fulfilled in terms of clothing, food and shelter.

The People's Business Credit (KUR) programme has had a tangible impact on the financial compliance behaviour and business dynamics of MSME players. Financing recipients generally strive to meet their instalment obligations on schedule, although compliance rates are greatly influenced by fluctuations in turnover and public purchasing power. When income increases, customers are able to maintain their payment commitments, but when sales decline, they often face liquidity difficulties. This situation demonstrates that KUR not only serves as a source of capital, but also tests the financial resilience of MSMEs in the face of market changes.

From the perspective of the disbursing institutions, this programme encourages more intensive field monitoring mechanisms, such as regular visits by bank officers and verification of business ownership with village officials. This process shows that KUR has an institutional impact, namely strengthening the relationship between financial institutions, local governments, and business actors in ensuring the sustainability of the programme. Thus, KUR is not merely a financing instrument, but also shapes an ecosystem of accountability and administrative order that has implications for improving the governance of micro- enterprises.

Based on observations and field studies, many MSME players, particularly in the trade and home production sectors, have experienced an increase in working capital, purchased larger quantities of raw materials, and invested in more modern production equipment. These changes have had a direct impact on increasing daily or monthly production capacity. Some businesses have even been able to recruit additional workers to keep up with the increased market demand they serve. In addition, the KUR financing programme has also boosted the confidence of business actors to expand, for example, by opening new branches or expanding their distribution networks to regional markets. However, these results are highly dependent on the management and planning of each business actor. For those who are able to manage their funds well, KUR is a very effective instrument in increasing the scale of their business in a sustainable manner.

With KUR financing, MSMEs have become more competitive due to the increase in business capital. As a result, they can reach a wider market and cover costs such as transportation, accommodation, and others through the KUR financing programme. The KUR financing programme can help improve the managerial skills and financial literacy of business actors, therefore this KUR financing programme must be managed properly. If not managed properly, KUR financing customers may not be able to repay their instalments. Therefore, it is hoped that MSMEs can manage their funds properly and productively so that there are no problems in repaying the instalments. The KUR financing programme plays a strategic role in reducing

³⁷ Adif, R. M. (2024). Implementation of the Indonesian Sharia Bank's People's Business Credit Programme in Increasing the Income of MSMEs in Padang City. *Journal of Business Economics Informatics*, 836-842.

unemployment and encouraging job creation, especially in areas such as Pasar Lambaro, which is a centre of local economic activity. Through the KUR financing programme, micro, small and medium-sized businesses around the market can access financing with low interest rates and lighter requirements compared to conventional credit.

From the customer's perspective, the response to the KUR financing programme has been positive. MSME players, such as the informants in this study's , claim to be satisfied with the KUR financing system, which is considered effective in helping with capital and encouraging the growth of their businesses. The communicative quality of service, easy-to-understand explanations, and relatively simple application and disbursement procedures are distinct advantages. In addition, the administrative requirements are not burdensome and the interest rates are lower than other financing programmes, making KUR an attractive option for small businesses. These advantages make KUR an important instrument in supporting MSME development in the region.

In addition, KUR financing also makes it easier for customers to manage their business finances with relatively low instalments, thereby enabling an increase in income compared to other types of financing. Customers do not need to worry about late payment penalties, as the KUR programme implements a policy of exemption or penalties that are not burdensome. For example, one customer of Bank Aceh Syariah reported the positive impact of KUR financing, namely ease in managing business capital, instalment relief as agreed, and financing in accordance with principles that support business sustainability.

Thus, KUR financing distributed by Bank Aceh Syariah effectively contributes to improving the economic welfare of the community in the region. This finding reinforces the role of KUR as a financing instrument that not only supports the development of micro and small businesses but also provides financial stability for customers. This statement is in line with the experiences of informants at Lambaro Market, as described earlier.

Economists have expressed their views on the effectiveness of Bank Aceh Syariah's KUR financing programme in increasing business capital for MSME players in Lambaro Market, Aceh Besar. Bank Aceh Syariah has officially distributed the KUR financing programme. Every year, the KUR financing quota by Bank Aceh Syariah continues to increase. In 2025, the figure will reach Rp1.5 trillion, up from only Rp500 billion previously. This figure also shows that Bank Aceh Syariah has successfully distributed funds to all MSME players in need. One informant believes that Bank Aceh Syariah's KUR has been effective in its distribution. This can be proven by several things, namely that the distribution has been completed and there have been no problems. The increase in MSMEs in Aceh Besar has also shown positive results and has had an impact on the economic growth in Aceh Besar, which has continued to increase. The poverty rate in this region has also begun to decline, and one of the factors is the KUR financing programme.

The KUR financing programme contributes to increasing the income and profitability of MSMEs in Aceh Besar. This programme is very helpful in generating daily income, as it provides an injection of capital for MSMEs to

continue to increase their business capacity. The smoother the business runs and the more goods are sold, the greater the income of MSMEs, which in turn increases their purchasing power, until they finally feel the social welfare benefits of the KUR programme.

CONCLUSION

Based on the results of the research conducted, it can be concluded that the KUR funding programmes distributed by Bank Aceh Syariah to MSME actors in the Lambaro Market in Aceh Besar have proven to have a positive impact on business development and improving the welfare of recipient families. The distribution mechanism based on sharia contracts ensures that financing is carried out in accordance with the principles of fairness and prudence, while the assistance and monitoring provided by the bank encourages the effective use of capital. As a result, the business capacity, turnover, and economic stability of MSME players have increased, despite the challenges of limited understanding of sharia finance literacy and fluctuations in people's purchasing power. From a sharia economics expert's perspective, this programme is considered strategic in empowering the economy of the people, strengthening the small business sector, and creating more inclusive economic development, as long as it is accompanied by continuous assistance and education.

This study also emphasises the important role of Bank Aceh Syariah as a KUR distributor that not only provides financing but is also expected to provide education and assistance in business management and marketing. The novelty of this study lies in its focus on the Lambaro Market in Aceh Besar and its in-depth qualitative approach to MSME actors, resulting in an empirical perspective on the effectiveness of the KUR programme at the local level. However, there are still challenges that need to be overcome, such as the limited understanding of MSMEs regarding good financial management and the lack of effective marketing strategies. Therefore, synergy between banks, the government, and MSME players is needed to build a sustainable coaching and empowerment system.

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