A Study on Microcredit Effectiveness for Surakarta MSMEs Post-Pandemic

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Abstract. This research aims to unveil the effectiveness of microcredit, a form of financial service for micro, small, and medium-sized enterprises (MSMEs) in Surakarta. The reason for conducting this research is the adverse impact of the COVID-19 pandemic on the MSME sector, putting them in dire need of capital assistance, one of which is through microcredit. Therefore, research is necessary to investigate whether microcredit has effectively developed MSMEs. This study is qualitative research with primary data sources obtained from respondents. The respondents were selected through random sampling to capture data variation in the field. Data were collected through questionnaires and structured interviews. The data analysis method was conducted using case study analysis with content analysis. Research findings indicate that microcredit has a significant effectiveness in promoting the growth of SMEs. However, the research also reveals that the distribution of microcredit is uneven, resulting in gaps in credit access for some microenterprises. The implication is that insights gained from this research can guide policymakers in enhancing the effectiveness of microcredit distribution, thereby promoting economic growth and empowerment in the Surakarta region.

Keywords: Microcredit, Effectiveness, MSMEs, Surakarta, Pandemic

1 Introduction

Micro, small, and medium enterprises (MSMEs) are a vital focus of the government's efforts to boost the economy, aligning with Article 33, paragraph 4 of the 1945 Constitution, highlighting their role in independent national economic development and the potential to enhance community well-being [1] [6]. MSMEs are crucial in reducing economic disparities, increasing employment, and alleviating poverty [6] [7]. Economically, MSMEs encompass productive activities, either as businesses or individuals, adhering to specified criteria [23]. Beyond being local economic drivers, MSMEs act as agents of change by fostering innovation and boosting community creativity [13] [17]. Based on data from the Ministry of Cooperatives and SMEs, the number of SMEs in 2021 reached 64.2 million, contributing 61.07 percent to the GDP.

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Despite government attention, the COVID-19 pandemic negatively impacted the MSME sector, causing a decline in demand and liquidity issues [21] [23]. Although MSMEs significantly contributed to Indonesia's economic growth during the pandemic [32], challenges persisted due to reduced demand and liquidity concerns [6]. Factors such as policies restricting public mobility led to workforce problems and decreased demand for MSME products and services [9] [29] [31]. Nevertheless, MSMEs are expected to be resilient in the face of global economic uncertainty, given the creative economy's potential, including MSMEs [6].

Central Java Province has the second-largest number of MSMEs after West Java, totaling 1.45 million units. Meanwhile, Surakarta City in Central Java exemplifies active growth in the MSME sector, experiencing a significant increase in the number of businesses by 11 thousand units in 2022 compared to the previous year [40] [51] [55]. The distribution of MSMEs across various city areas, particularly in the renowned batik industry, presents substantial potential for fostering regional economic independence [61].

While previous studies have explored the effectiveness of microcredit on MSMEs [39] [40] [41] [42] [43] [44] [45] [46] [47], research gaps remain. Continued evaluation of microcredit effectiveness is essential to ensure optimal implementation. This research further examines microcredit's effectiveness on SMEs in Surakarta, focusing on aspects such as administrative efficiency, credit utilization, timeliness, loan amounts, burdens, and procedural accuracy. The study also seeks to evaluate how microcredit influences business development and contributes to the community's economic empowerment. The implication is that insights gained from this research can guide policymakers in enhancing the effectiveness of microcredit distribution, thereby promoting economic growth and empowerment in the Surakarta region.

2 Literature Review

2.1 Micro, Small, and Medium Enterprises (MSMEs)

One of the main theories about MSMEs is the theory of economic development, which emphasizes the importance of entrepreneurship and small businesses in driving growth and economic development [22]. According to this theory, MSMEs are significant contributors to economic progress with their flexibility, innovation, and ability to create jobs. Additionally, economic justice, which focuses on the fair distribution of resources and opportunities within society, forms the basis for the idea that MSMEs can serve as a tool to promote equality and inclusivity [54]. By providing employment opportunities, generating income, and fostering local industries, MSMEs help reduce economic disparities and empower marginalized communities [57]. Thus, Micro, Small, and Medium Enterprises (MSMEs) aim to promote and empower community businesses to enhance the national economy based on the principles of economic justice [58].

Consequently, MSMEs are considered instruments for fostering national economic growth by involving all policymakers [61). In addition to contributing to the national economy, MSMEs play a role in accelerating equity through increased employment, rising community income, strengthening the national industry, and boosting foreign exchange [63] [65]. MSMEs are also acknowledged for contributing to various regional economies, especially in rural and low-income household areas [66] [58].

2.2 Microcredit

Microcredit is a form of loan provided to micro-business actors, namely lower-middle-class communities, either directly or indirectly. Microcredit aims to maximize profit or income, minimize risk, provide capital, and utilize economic resources [28]. However, microcredit has some drawbacks, such as not always being used for business development but for consumptive needs. Additionally, microcredit often involves a lengthy process and is less effective in covering MSMEs, while community participation rates remain low [27]. Microcredit is rooted in financial inclusion and economic empowerment, assuming that providing small loans to low-income individuals can enable them to establish or expand small businesses, generate income, and ultimately alleviate poverty [37]. This concept aligns with the broader theory of microfinance, which emphasizes the importance of access to financial services for marginalized communities to promote entrepreneurship and economic self-reliance. Therefore, microcredit is a form of loan provided to micro-business actors, namely lower-middle-class communities, either directly or indirectly [53]. Microcredit aims to maximize profit or income, minimize risk, provide capital, and utilize economic resources [63]. However, microcredit has some drawbacks, such as not always being used for business development but for consumptive needs. Additionally, microcredit often involves a lengthy process and is less effective in covering MSMEs, while community participation rates remain low [62]. Therefore, integrating financial literacy and business development principles into microcredit programs is crucial to maximize their impact and promote sustainable growth within marginalized communities [15].

2.3 Financial Effectiveness

The effectiveness of financial financing is rooted in organizational theory, especially in the context of goal achievement and efficiency [10]. This is in line with the principles of management theories, such as goal-setting theory, where effectiveness is measured by how close the goals are achieved [11]. The closer to the goal, the higher the effectiveness [55] [58]. Additionally, concepts from economic theory, such as efficiency and utility maximization, also contribute to understanding the effectiveness of financial financing in optimizing resource allocation and improving well-being [19] [60]. Financial funding effectiveness can be measured by considering several aspects, such as:

1. The number of customers indicates how broadly and comprehensively the financial funding system covers the community.
2. The variety of customer occupations measures the flexibility of financial funding procedures.
3. The availability of financial funding services, from application to realization.
4. The smoothness of the financial funding process and the minimal amount of arrears.
5. The contribution of financial funding to increased customer income.

6. The impact of financial funding on members' well-being and their businesses' development.

2.4 COVID-19 Impacts to MSMEs

The COVID-19 pandemic has significantly impacted the global economy and the existence of MSMEs [63]. The implications of this pandemic have created an economic crisis in various countries, generating economic uncertainty [65]. COVID-19 affects directly affected countries and spreads to other countries through value chain economics [66]. Its negative impact on domestic economies includes a decline in public purchasing power, threats in the financial sector, decreased company performance, and a threat to the existence of MSMEs. As a result, the trade sector is also affected by operational restrictions, decreased demand, and the loss of market share due to restrictive policies such as PSBB and PPKM, which require people to stay at home [66]. The lockdown's impact has led to a decline or even cessation of various activities such as community events, education, public work, transportation, aviation, investment, banking, exports, and imports [65].

3 Research Methodology

This research employs a qualitative approach with a case study analysis method. The primary research data is directly obtained from respondents who are stakeholders in Surakarta's micro, small, and medium-sized enterprises (MSMEs) sector. The respondents in this study are MSMEs in Surakarta who have applied for microcredit. Respondent selection uses the random sampling method to obtain diverse data from various perspectives (holistic). There are at least 70 MSME respondents with various backgrounds. Data collection methods include questionnaires and structured interviews. These methods are chosen for their ability to effectively address research questions and serve as tools for data validity. The questionnaire contains at least 28 questions regarding backgrounds, financial performance, and COVID-19-related issues. The main question and its measurement instruments can be seen in Table 1. Data analysis employs a descriptive method using content analysis through data tabulation, reduction, and conclusion. Data validity is tested through source and method triangulation involving questionnaires and interviews. Data reliability is ensured by two interviewers administering the same questionnaire and interview questions to the same sample.

Table 1. Main Question and Measurement

No	Question	Measurement
1.	What type of products or services do you offer?	Categorical
2.	How long have you been in operation?	Categorical
3.	What is your daily business income?	Numerical
4.	Have you ever applied for a microcredit loan?	Categorical
5.	What type of microcredit do you use?	Categorical

6.	How much total loan have you taken?	Numerical
7.	What is the monthly installment you pay?	Numerical
8.	How effective is microcredit in enhancing your business?	Likert scale
9.	What is your microcredit application process?	Likert scale
10.	What are the advantages and disadvantages you experience from using microcredit?	Open-ended
11.	Is microcredit used for initial working capital or business development?	Binary
12.	Do you feel that microcredit has positively contributed to your sales, profits, and business competitiveness?	Likert scale
13.	Do you feel that microcredit has improved the quality of your products or services, the number of employees, the efficiency, and the market reach of your business?	Likert scale
14.	Do you feel microcredit has improved your management, marketing, and business service capabilities?	Likert scale
15.	Do you feel that microcredit has enhanced the quality of your financial systems, human resources, technology, and business environment?	Likert scale

This study aims to investigate and analyze the role and impact of microcredit on the MSME sector in Surakarta after the pandemic. The goal is to understand the effectiveness of microcredit in supporting the growth, sustainability, and economic recovery of MSMEs. The research results are expected to provide valuable insights for stakeholders, including the government, financial institutions, and MSME players, to develop policies, programs, and strategic solutions to strengthen the role of microcredit in supporting MSMEs and economic recovery in the post-pandemic era. This research benefits society, the government, and MSME players. It offers new insights into the potential and challenges of MSMEs in the post- pandemic era, assisting the government in designing more targeted policies.

4 Results And Discussions

4.1 Research Results

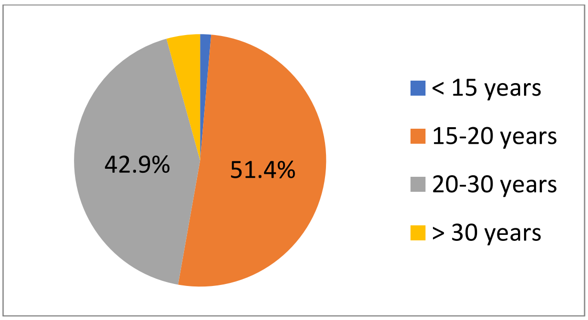

Figure 1. Respondents' Age

Based on Figure 1 above, the majority of MSME actors arein the age range of 15-30 years, with the most significant portion among them being aged 15-20 years (51.4%), while the agegroup of 20-30 years also contributes significantly (32.9%).This indicates that MSMEs in Surakarta City are predominantly led by the younger generation, which is crucial in driving the MSME sector.

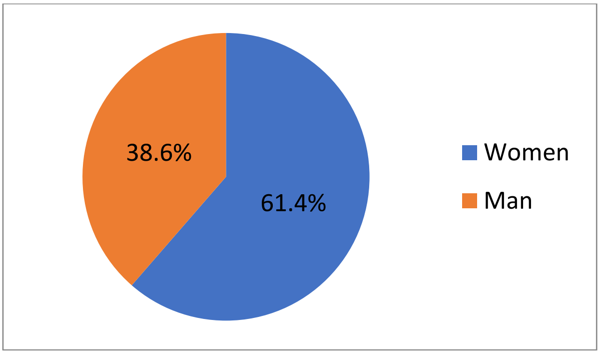

Figure 2. Respondents' Sex

Based on Figure 2 above, the data indicates that most MSME actors are women (61.4%), while men contribute 38.6% of the total respondents. The dominant presence of women in the MSME sector signifies the potential and strong support for women's entrepreneurship inthat area.

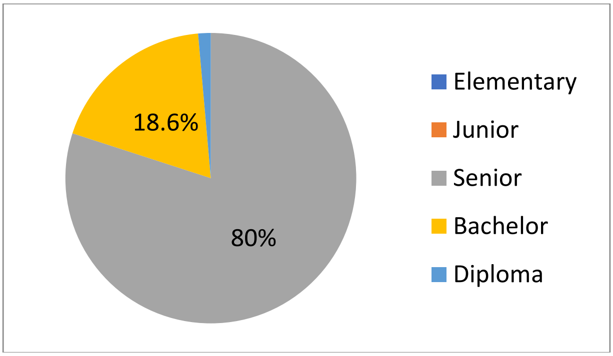

Figure 3. Respondents' Educational Degree

Based on Figure 3 above, in terms of education, most MSME actors have a background in secondary education, especially high school graduates, accounting for 80%. Meanwhile, some MSME actors have higher education, such as holders of bachelor's degrees (8.6%) and diploma graduates. This indicates that entrepreneurial opportunities in MSMEs in Surakarta are open to individuals with various educational backgrounds.

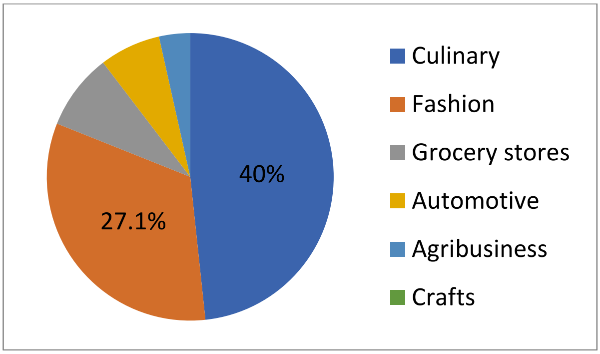

Figure 4. MSMEs' Product Diversification

Based on Figure 4 above, it can be seen that MSMEs in Surakarta have a variety of product types. The majority of MSMEs, around 40%, are engaged in the culinary sector, while the fashion sector accounts for approximately 27.1%of total respondents. In addition, some MSMEs focus on grocery stores, automotive workshops, and agribusiness. There are also several other MSMEs, such as those involved in crafts, counters, wall molding, and mats.

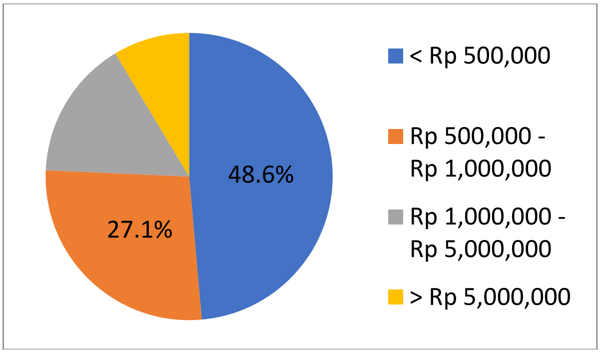

Figure 5. Daily Profits for MSMEs

Based on Figure 5 above, in terms of daily turnover, most MSMEs (48.6%) have a turnover of less than Rp 500,000, indicating that most MSMEs still operateon a small scale. Approximately 27.1% have a daily turnover between Rp 500,000 and Rp 1,000,000, while only8.6% have a daily turnover above Rp 5,000,000.

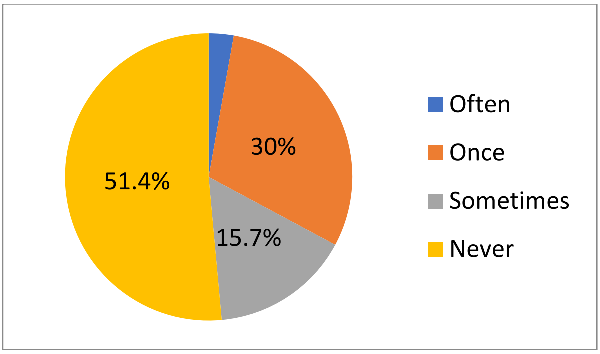

Figure 6. Loan Application for Microcredit

Based on Figure 6 above, from the financing perspective, most MSME actors (51.4%) have never used microcredit loans to run their businesses. However, about 30% have used microcredit, indicating that some business owners rely on loans to support their businesses. There is also a tiny percentage that states that they sometimes use microcredit.

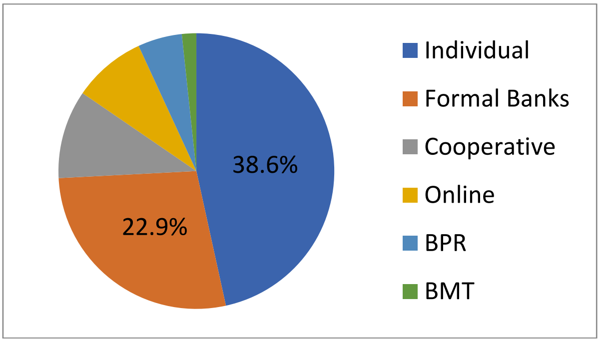

Figure 7. Types of Microcredit Loans

Based on Figure 7 above, the most commonly used type of microcredit loan is individual loans, reaching 38.6% of total respondents. Additionally, formal banks are also a significant choice (22.9%), indicating that some MSMEs choose official financial institutions as funding sources. Meanwhile, cooperatives, online loans, people's credit banks (BPR), and Islamic banks (BMT) have a smaller portion in the use of microcredit.

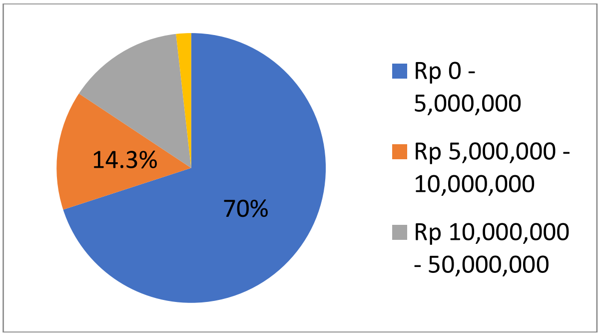

Figure 8. Number of Microcredit Loans Received by Respondents

Based on Figure 8 above, most microcredit loans provided fall from Rp 0 to Rp 5,000,000, reaching 70% of the total respondents. Approximately 14.3% obtained loans ranging from Rp 5,000,000 to Rp 10,000,000; only a tiny portion received loan amounts exceeding Rp 10,000,000.

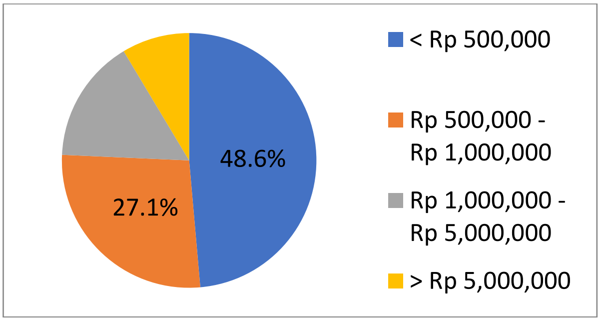

Figure 9. Monthly Repayment ofMicrocredit Installments

Based on Figure 9 above, in terms of monthly repayment of microcredit installments, most MSME actors (71.4%) pay less than Rp 500,000. About 17.1%make installments ranging from Rp 500,000 to Rp 1,000,000 per month, while installments exceeding Rp 1,000,000 per month are only made by a smallproportion of MSME actors.

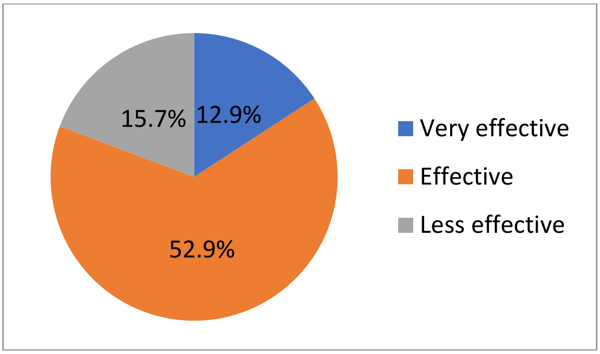

Figure 10. Effectiveness of Microcredit in Improving Business

Based on Figure 10 above, according to the perception of MSME actors, about 52.9% stated that microcredit is effective in helping their businesses. As many as 12.9% even mentioned it as very effective. Although most feel it benefits, a small proportion believe microcredit is less effective for their businesses.

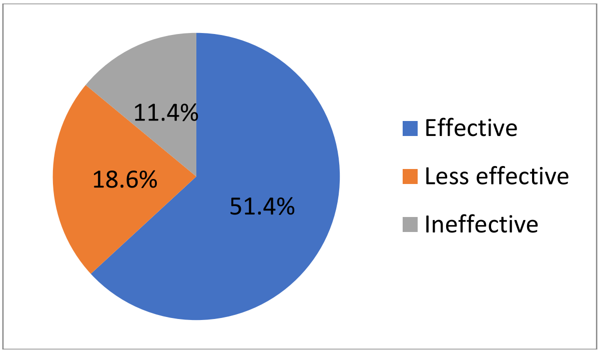

Figure 11. Effectiveness of Microcredit Loan Application

Based on Figure 11 above, regarding the microcredit loan application process, approximately 51.4% of respondents stated that the process is effective. However, about 18.6% of respondents felt that the process was not veryeffective, and 11.4% stated that the process was not effectiveat all. The rest gave extreme responses, stating that the process is very effective or ineffective, which may be based on specific individual experiences.

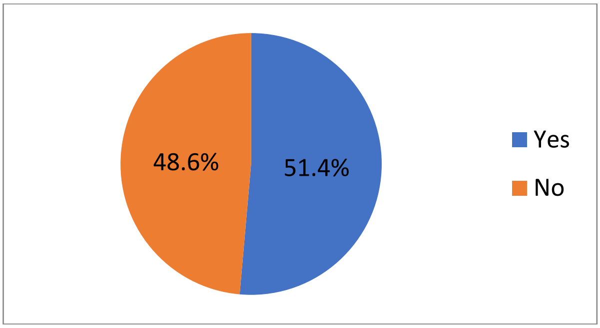

Figure 12. Microcredit Loans Used for Initial Capital

Based on Figure 12 above, when asked whether microcredit loans are used as initial capital, the majority ofrespondents (51.4%) answered yes, while the remaining 48.6% answered no.

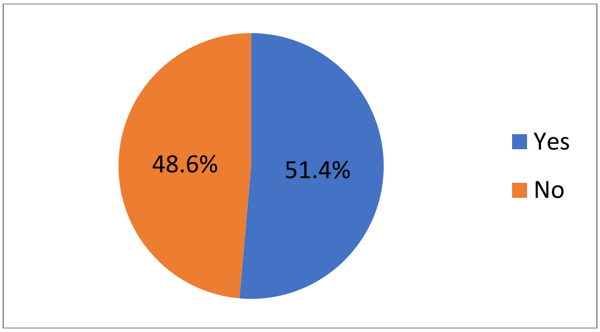

Figure 13. Microcredit Loans Used for Business Development

Based on Figure 13 above, more than 70% of respondents use microcredit loans to develop their existing businesses. This indicates that the majority of MSME actors utilize microcredit as a tool to expand and enhance theirenterprises.

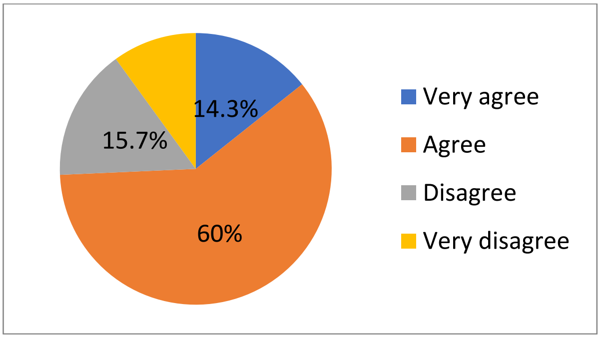

Figure 14. Microcredit Loans Boost Respondents' Business Sales

Based on Figure 14 above, regarding the impact of microcredit loans on sales, the majority (60%) of respondents agree that these loans help increase their business sales. However, about 15.7% disagree, and 14.3%strongly disagree, possibly indicating that some respondentshave not experienced a significant increase in sales after borrowing.

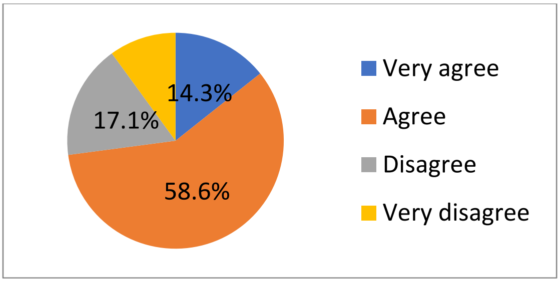

Figure 15. Microcredit Loans Increase Respondents' Business Profits

Based on Figure 15 above, similar to sales, the majority (58.6%) of respondents agree that microcredit loans help increase their business profits. However, about 17.1% of respondents disagree, and 14.3% strongly disagree, possiblyindicating that some respondents have not experienced a significant profit increase after using microcredit.

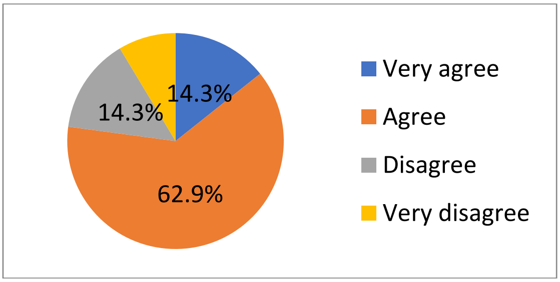

Figure 16. Microcredit Loans Improve the Quality of Products or Services of Respondents

Based on Figure 16 above, most respondents (62.9%) also agree that microcredit loans help improve thequality of their business's products and services. However, about 14.3% of respondents disagree, and 8.6% strongly disagree, which may indicate that some respondents have not experienced an enhancement in the quality of products and services after using microcredit.

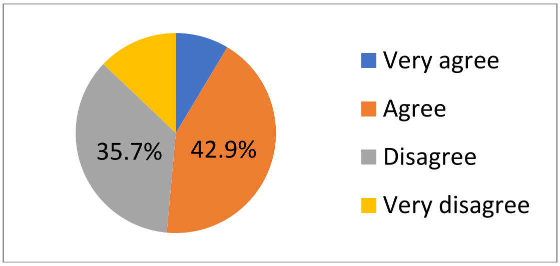

Figure 17. Microcredit Loans Increase the Number of Business Employees of Respondents

Based on Figure 17 above, regarding the increase in the number of employees, the majority (42.9%) of respondents agree that microcredit loans help in this aspect. However, about 35.7% of respondents disagree, and 12.9% strongly disagree, indicating that some MSME owners do not feel the need to increase the number of employees after utilizingmicrocredit.

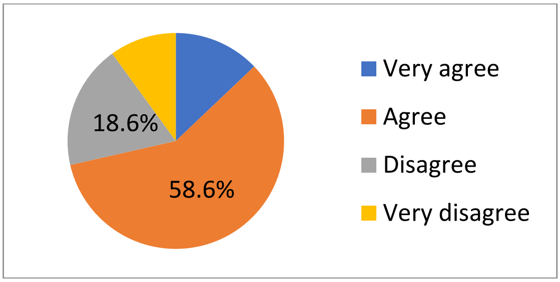

Figure 18. Microcredit Loans Improve the Efficiency of Business Respondents

Based on Figure 18 above, the majority of Micro, Small, and Medium Enterprises (MSMEs), accounting for 58.6%, agree that providing microcredit loans contributes to improving their business efficiency. Additionally, 12.9% ofrespondents strongly agree with this statement. However, not all respondents agree with the statement. About 18.6% disagree, and 10% strongly disagree. Some of them may beconcerned about the potential debt burden that may arise from this loan.

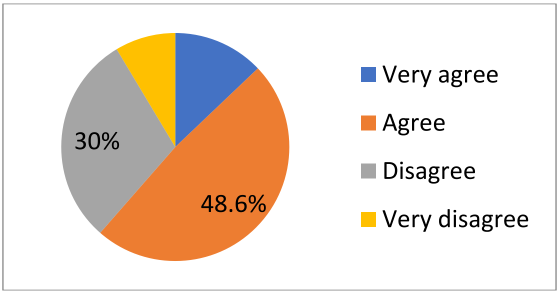

Figure 19. Microcredit Loans Improve Business Competitiveness of Respondents

Based on Figure 19 above, the majority of respondents, as many as 74.3%, state that they agree or strongly agree that microcredit loans play a crucial role in enhancing the competitiveness of MSMEs in Surakarta City. In contrast, only about 25.7% express disagreement or strong disagreement. These results indicate that most MSME operators believe that microcredit loans enhance the competitiveness of their MSME products and services.

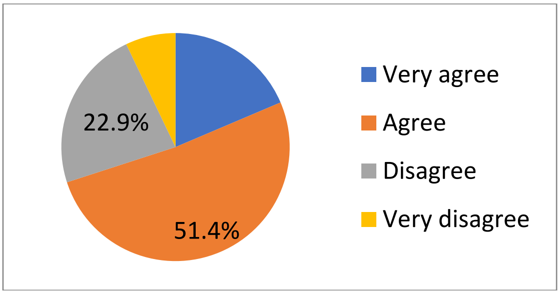

Figure 20. Microcredit Loans Expand Business Market Reach of Respondent

Based on Figure 20 above, the majority of respondents, around 61.5%, state that they agree or strongly agree that microcredit loans play a crucial role in expanding the market reach of MSMEs in Surakarta City. In contrast, only about 38.6% express disagreement or strong disagreement. These results indicate that most MSME operators believe that microcredit loans contribute to helping them reach a broader market for the products or services they offer.

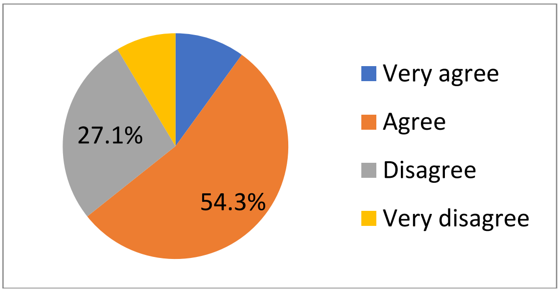

Figure 21. Microcredit Loans Improve the Business Management Skills of Respondents

Based on Figure 21 above, microcredit loans positively impact the business management of MSMEs. Only a small portion, about 35,7%, express disagreement or strong disagreement. This indicates the majority's belief that microcredit is crucial in helping MSMEs manage their businesses more effectively.

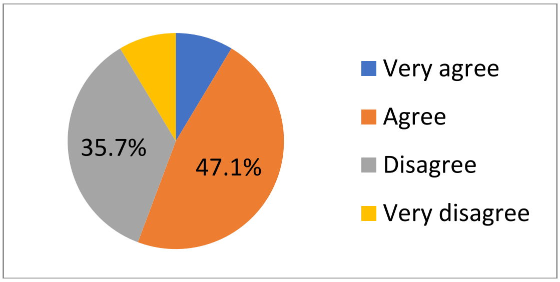

Figure 22. Microcredit Loans Improve the Business Marketing Skills of Respondents

Based on Figure 22 above, there is variation in responses to the question of whether microcredit loans help improve business marketing skills. Approximately 47.1% of respondents agree, while another 35.7% disagree. The remainder state that they strongly agree or strongly disagree on whether microcredit loans can enhance the marketing capabilities of their businesses. This indicates that some MSMEs believe that microcredit loans play a role in their business marketing, but there is still some skepticism among others.

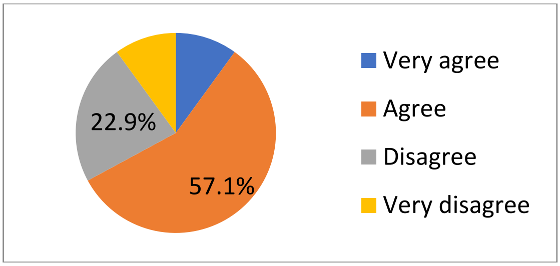

Figure 23. Microcredit Loans Improve the Quality of Business Services of Respondents

Based on Figure 23 above, more than half of the respondents, specifically 57.1%, agree that microcredit loans help improve the quality of services offered by MSMEs. Only 22.9% disagree. The remainder stronglyagree or strongly disagree, so we can conclude that the majority of respondents believe that microcredit plays a crucial role in enhancing the quality of services provided byMSMEs.

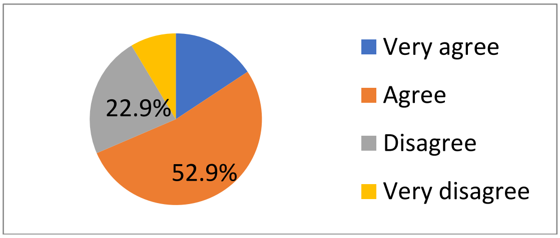

Figure 24. Microcredit Loans Improve the Quality of Financial Systems in Business for Respondents

Based on Figure 24 above, the majority of respondents, specifically 68.6%, agree or strongly agree that microcredit loans contribute to improving the quality of financial systems in MSMEs. Only 22.9% disagree. This indicates the majority of respondents' belief that microcredit has a positive impact on the quality of the financial system in their businesses.

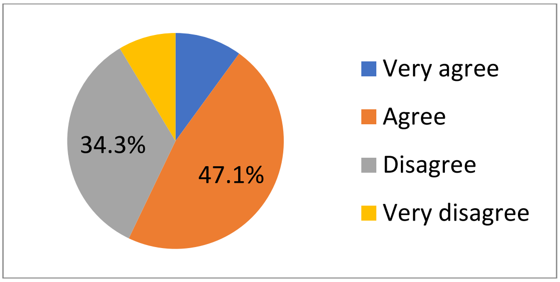

Figure 25. Microcredit Loans Improve the Quality of Human Resources for Respondents

Based on Figure 25 above, around 57.1% of respondents agree or strongly agree that microcredit loans help improve the quality of human resources in MSMEs. Although 34.3% disagree or strongly disagree, the majority still supports this statement, indicating a positive outlook on the influence of microcredit in developing human resources in MSMEs.

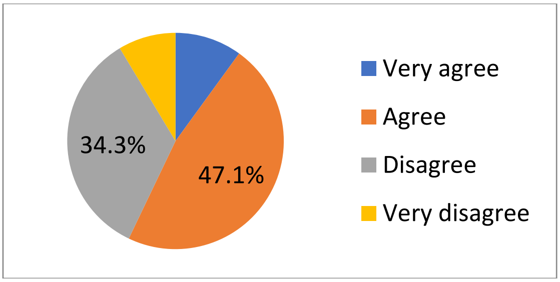

Figure 26. Microcredit Loans Improve the Quality of Human Resources for Respondents

Based on Figure 26 above, around 57.1% of respondents agree or strongly agree that microcredit loans help improve the quality of human resources in MSMEs. Although 34.3%disagree or strongly disagree, the majority still supports thisstatement, indicating a positive outlook on the influence ofmicrocredit in developing human resources in MSMEs.

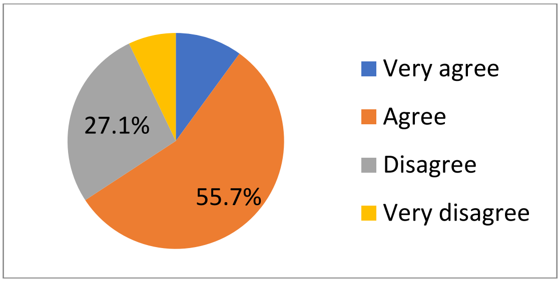

Figure 27. Microcredit Loans Improve the Quality of Technological Resources for Respondents

Based on Figure 27 above, a significant majority, 65.7% ofrespondents, agree or strongly agree that microcredit loans play a role in improving the quality of technological resources in MSMEs. Only 27.1% disagree. This indicates that the majority of respondents believe that microcredit plays a crucial role in helping MSMEs enhance their technological resources, which can improve competitiveness and business efficiency.

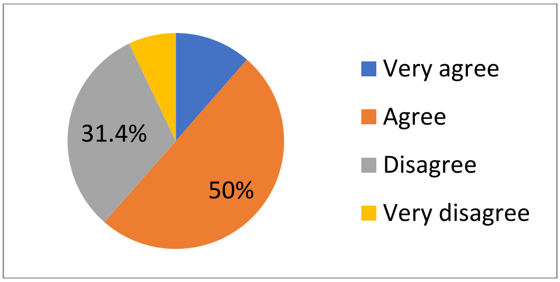

Figure 28. Microcredit Loans Improve the Quality of Environmental Resources for Respondents

Based on Figure 28 above, around 61.4% of respondents agree or strongly agree that microcredit loans help improve the quality of environmental resources in MSMEs. However, about 31.4% still hold negative views or disagree with this statement. This indicates that the majority of respondents believe that microcredit plays a role in enhancing the quality of environmental resources in their businesses, but there are still some MSME owners who have reservations about it.

4.2 Discussions

Research on the effectiveness of providing microcredit to Micro, Small, and Medium Enterprises (MSMEs) in Surakarta City has yielded a comprehensive overview of the characteristic profiles of MSME players, the impact of microcredit on business development, and the perspectives of business owners on its benefits. The research results reveal that the majority of MSME players in Surakarta City fall within the age range of 15-30 years, with the largest proportion being in the 15-20 age group. The dominant presence of this younger generation indicates their significant contribution to driving the MSME sector and underscores the entrepreneurial potential of the youth [1] [41] [48] [54]. Furthermore, the data also indicates the significant role of women in the world of MSMEs in Surakarta City, comprising 61.4% of the total respondents. Active participation of women in business is positive as it can contribute strongly to local economic development and the social and economic empowerment of women [39] [50] [67]. Moreover, the majority of MSME players have a secondary education background, especially high school graduates. However, there is a small percentage of MSME players with higher education, such as bachelor's and diploma graduates. This affirms that entrepreneurial opportunities in MSMEs in Surakarta City are open to individuals with diverse educational backgrounds. This diversity can be further developed with support and access to entrepreneurship training for business owners [12] [27] [49].

In terms of the variety of products produced, MSMEs in Surakarta City offer a diverse range of products, with approximately 40% engaged in the culinary sector and the fashion sector covering around 27.1% of the total respondents. The diversification of products offered is a positive step as it can help reduce the risk faced by MSMEs that rely on a single product [18]. Additionally, product diversification can enhance competitiveness and attract consumer interest from various market segments [5]. The data also reveals that the majority of MSMEs in Surakarta City have been operating for 1-5 years, indicating a good level of stability in the business world. However, about 34.3% of MSMEs are newly established, operating for less than 1 year, indicating enthusiasm and new spirit among business owners to enter the entrepreneurial world. Although most MSMEs operate on a small scale, this still presents an opportunity for business owners to develop their businesses and make a meaningful contribution to the local economy [20] [28].

In the context of funding, the majority of MSME players (51.4%) have not used microcredit loans in their business operations. However, about 30% of business owners have used microcredit, indicating that some MSME players rely on loans to support their businesses. There is also variation in the types of financial institutions used to obtain microcredit, with individual loans and formal banks being the most common choices [24] [26]. Although the majority of microcredit loans are in an affordable nominal range, this can still help MSMEs meet their capital needs and support the development of their businesses [4]. According to business owners, microcredit has proven to be effective in assisting their businesses. The majority of respondents feel the benefits of microcredit in increasing sales, profits, product and service quality, and business management [64]. Thus, microcredit has a positive impact on MSMEs in developing and managing their businesses. However, there is still a small percentage of business owners who doubt the effectiveness of microcredit in certain aspects, such as marketing and human resources improvement.

According to [30], facilities and the utilization of microcredit services have the potential to drive MSMEs towards higher levels of success, strengthening their ability to increase sales, boost income, capture a larger market share, and ultimately expand the number of employees. Additionally, loans from microfinance institutions contribute to improving the performance of micro, small, and medium-sized enterprises (MSMEs) in terms of product innovation, market share, and sales revenue [52]. Furthermore, microcredit loans provided through microfinance institutions contribute to the achievement of household industries, where an increase in credit, capital, and production value can occur [32]. MSMEs that use microcredit facilities increase their sales for a specific financial year due to increased income driving the business. According to [52], microcredit loans contribute to the performance of micro and small businesses (MSEs). These loans help improve product innovation and expand market share for MSMEs. Moreover, there is innovative evaluation of microcredit products, such as targeting high-potential entrepreneurs and providing flexible payment options, which have shown promising results in improving business outcomes and household lives [16].

Microcredit also contributes to the financial stability of low- income households. By helping stabilize income flow and encouraging savings for future needs, microcredit enables them to enhance the overall quality of the products and services they offer [25]. According to [59], MSMEs with more employees generate more income or revenue. This is supported by microcredit; furthermore, higher human resources contribute to the overall quality of financial reporting within these MSMEs [56]. Microcredit loans drive the efficiency of micro, small, and medium-sized enterprises (MSMEs). This includes increasing turnover, profits, sales growth, job opportunities, and poverty alleviation [8] [32] [52].

5 Conclusion

The findings of the study, "Effectiveness Study of Microcredit for Micro, Small, and Medium Enterprises (MSMEs) in Surakarta City Post-Pandemic," indicate that microcredit has a considerable effectiveness in fostering the growth of MSMEs. However, the research also reveals that the distribution of microcredit is not uniform, leaving gaps in access to credit for some microbusinesses. Additionally, technical constraints related to the operationalization of microcredit pose challenges that need to be addressed. Further efforts are required to ensure that microcredit reaches and empowers all MSMEs, particularly microbusinesses, so that the potential and strategic role of the MSME sector can be strengthened in facing the post- pandemic impact.

Based on the study's results, the following steps are recommended to enhance the effectiveness of microcredit in supporting Micro, Small, and Medium Enterprises (MSMEs) in Surakarta City post-pandemic:

1. Distribution Equalization

   There is a need for efforts from relevant stakeholders, such as the government and financial institutions, to ensure an even distribution of microcredit across all regions and segments of MSMEs. This can be achieved by creating policies that encourage financial inclusivity and adopting a data-driven approach to identify areas that are not well- covered.

2. Operational Simplification
   The process of granting microcredit needs to be simplified to make it more accessible to MSME players, especially microbusinesses that may have administrative limitations and limited access to information. The use of technology and the implementation of digitalization can assist in streamlining this process.
3. Capacity Building for MSMEs
   In addition to providing credit, financial institutions should offer training and mentoring to enhance the management capacity of MSME owners. This way, microcredit can be more effectively utilized to improve productivity and competitiveness.
4. Collaboration Development
   Synergy is needed among the government, financial institutions, universities, and MSME players to create an ecosystem that supports the sustainable growth of MSMEs. Through collaboration, the best solutions can be generated to address various technical and strategic challenges related to microcredit.
5. Periodic Evaluation and Monitoring
   Equally important is conducting periodic evaluations of the microcredit programs that have been implemented. This monitoring will help identify program effectiveness, evaluate impacts, and make improvements as necessary.

The limitations of this research include the potential for sampling bias as it does not fully encompass the complete diversity of MSMEs in the city of Surakarta. Additionally, this study does not take into account external factors beyond the scope of microcredit such as market conditions and regulatory changes that could also affect MSME growth. This issue is important because regulatory changes like fiscal policy or monetary policy can be impactful towards many industries, including MSMEs [68] [69]. Furthermore, the research findings may not be generalizable to other areas as the study focuses on Surakarta City post-pandemic. The implications of this research are that optimizing the potential of MSMEs in Surakarta City can be achieved by equalizing distribution, simplifying operational processes, and providing capacity development initiatives by stakeholders, ensuring that microcredit reaches all segments of the MSME sector, especially micro-enterprises. Additionally, strengthening cooperation among various stakeholders and conducting periodic evaluations will facilitate the creation of an ecosystem that supports sustainable MSME growth.

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