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Assessing the Impact of Microfinancing on Economic Growth in Papua Province: An Analysis of KUR and UMi Programs (2019-2023)

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ABSTRACT

Credit plays a vital role in supporting economic growth by aligning with development priorities to promote equitable outcomes. The People's Business Credit (KUR) and Ultra Microfinancing (UMi) programs are government initiatives designed to support Micro, Small, and Medium Enterprises (MSMEs) in Papua by providing financing for working capital and investment. Although the distribution of KUR and UMi in Papua has shown consistent annual growth, their contribution at the national level remains relatively small. This study examines the impact of these programs on economic growth in Papua Province from 2019 to 2023 using quantitative analysis and panel data regression. Findings reveal that KUR distribution, while significantly increased in Jayapura City, has a minimal impact on economic growth, as indicated by an R-squared value of 0.0058. The statistically insignificant coefficients for KUR and UMi suggest their limited contribution to economic development. External factors such as infrastructure and government support are likely more influential, underscoring the need to enhance program accessibility and explore broader determinants of Papua's economic growth. Recommendations include enhancing program accessibility and exploring other variables influencing Papua's economic dynamics.

Keywords: Credit Distribution; Economic Growth; MSMEs; People's Business Credit (KUR); Ultra Microfinancing (UMi)

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a significant strategic role in the Indonesian economy (Lombogia et al., 2022). MSMEs and cooperatives form the largest part of various economic activities in society, including those involving farmers, ranchers, miners, craftsmen, traders, fishermen, and providers of various services. Moreover, MSMEs are a pillar of the Indonesian economy, contributing significantly to Gross Domestic Product (GDP), employment, and exports.

According to data from the Coordinating Ministry for Economic Affairs of the Republic of Indonesia (2023), the contribution of the MSME sector to national GDP reached 61%, or equivalent to IDR9,580 trillion, and even the contribution of MSMEs to employment reached 97% of the total workforce. Indonesia has 65.5 million MSMEs, which amounts to 99% of all business units. In addition, MSMEs have proven to be resilient during the monetary crisis in 1997-1998. Another crucial role of MSMEs is in the distribution of development results, as well as a solution to reduce inequality and gaps in community income.

MSMEs are generally rooted in local economic resources and do not depend on imports. In addition, the results of these efforts can be exported due to their uniqueness. Therefore, MSME development is considered to be able to strengthen the national economic foundation, as believed by Widyaresti and Setiawan (2012). When an economic crisis occurs, Small and Medium Enterprises (SMEs) are proven to be able to accommodate 99.45 percent of the total workforce, which is equivalent to 73.24 million workers (Salahuddin et al., 2021). The contribution made by SMEs during the economic crisis is considered to be the mainstay in the national economic recovery process. This can be seen from the rate of national economic growth and the increase in employment opportunities generated.

On the other hand, MSMEs also face obstacles, especially related to the difficulty of accessing capital and high interest rates. Sufficient capital plays a crucial role in ensuring the seamless operation of business activities, as it allows traders to invest in inventory, equipment, and other essential resources that contribute to increased sales and profitability. Conversely, a lack of capital can lead to interruptions in business operations and reduced income. This study emphasizes that trader capital, sourced from both personal funds and loans, is vital for the success of business ventures, underscoring the significance of financial resources in driving business growth and stability (Sinolungan & Kimbal, 2024).

Therefore, the government continues to strive to create and support community-based economic empowerment programs, such as government credit financing programs such as the People's Business Credit (KUR) and Ultra-Microfinancing (UMi). This support is considered very important because it is expected to stimulate the growth of new business actors and increase the competitiveness of MSMEs so that they can develop into a larger business scale.

The government has launched various types of financing, from ultra-micro to medium-sized businesses, as a form of support for MSMEs. One form of support is the KUR, which offers low interest rates and easy requirements for MSMEs. In addition, funding for UMi is also provided through the APBN, revolving funds, and sharia financing, and channeled through Microfinance Institutions (LKM).

In recent years, the government has consistently implemented policies to encourage the growth and development of MSMEs. This has proven effective in preventing negative

impacts on the economy during times of crisis. These policies include the implementation of fiscal and tax reforms, the provision of working capital assistance with lower interest rates through the KUR and UMi, as well as entrepreneurship training and development programs. All of this is expected to increase the resilience and growth capacity of MSMEs, especially for ultra-micro businesses that are very vulnerable and easily affected by economic shocks.

The KUR Program stands as a key initiative of the Indonesian government to empower MSMEs. This program is specifically designed to offer credit or financing options that support working capital and investment needs. Through the KUR Program, financial assistance is extended to individuals, business entities, or groups deemed productive and viable but lacking adequate or additional collateral to secure traditional loans. The program's primary goal is to enhance and broaden access to financing for productive enterprises, thereby enabling MSMEs to overcome financial barriers. By doing so, it seeks to bolster the competitiveness of MSMEs in both domestic and global markets. Furthermore, the KUR Program is instrumental in driving economic growth by fostering entrepreneurial activities and creating a more dynamic business environment. Another critical objective is to contribute to job creation, thereby reducing unemployment and promoting inclusive economic development across the nation.

The KUR Program began in November 2007 and has since undergone several changes in government policy, especially regarding the distribution scheme. In the 2007-2014 period, KUR used the Guarantee Service Fee (IJP) scheme, while the second generation KUR, which has been distributed since August 2015 until now, uses an interest subsidy scheme. The implementation of KUR financing is regulated by the Regulation of the Coordinating Minister for Economic Affairs Number 11 of 2017 concerning Guidelines for the Implementation of KUR (DJPB Kemenkeu, 2019).

The UMi is a financing initiative originating from the State Budget (APBN), either independently or through cooperation with local governments and/or other parties. The goal is to provide financing facilities to micro businesses that are difficult to reach by banking facilities. The implementation of the UMi Program is handled by the Public Service Agency of the Government Investment Center (PIP) as the fund coordinator, which collects and distributes funds through cooperation with Non-Bank Financial Institutions (LKBB).

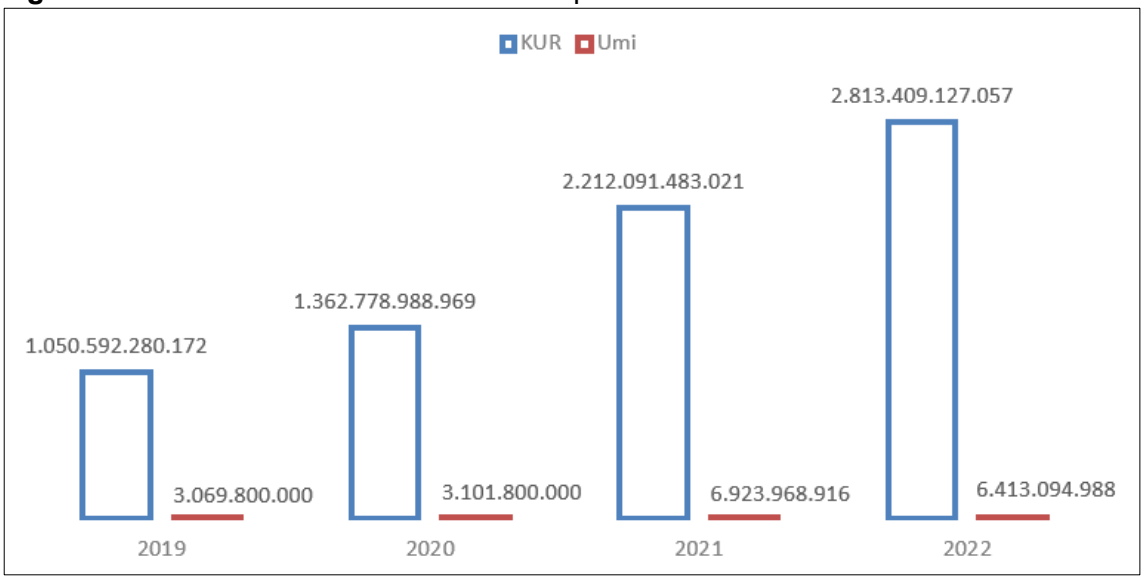
The UMi program provides financing to people who cannot access banking facilities, with a maximum loan limit of IDR10 million per person. The main characteristic of UMi is the emphasis on ease and speed in the financing process, by eliminating requirements such as business permits or information, which are mandatory requirements for MSMEs. Unlike the KUR, UMi is intended for micro business actors who are at the lowest level, do not yet have a business permit or information, and cannot access banking facilities, with the aim of increasing the number of new entrepreneurs.

The requirements for obtaining UMi are relatively easy, only requiring an electronic ID card, and not currently receiving financing from the KUR program. The UMi program also requires assistance for debtors. This program is regulated based on the Regulation of the Minister of Finance number 22/PMK.05/2017 and its revision, namely PMK number 95/PMK.05/2018 (DJPB Kemenkeu, 2021).

Although the distribution of KUR and the UMi in Papua has increased every year, its contribution nationally is still relatively small. KUR distribution in Papua in 2022 only reached 0.5 percent of the national total, while UMi distribution has only reached 0.02 percent. At the national level, KUR distribution has reached IDR150 trillion, while in

Papua it is only around IDR2.8 trillion. Likewise, the distribution of UMi credit, nationally is estimated to reach around IDR26 trillion, while in Papua it is only around IDR6 billion. Figure 1 shows the distribution data for KUR and UMi in all regions of Papua Province for 2019-2022.

Figure 1. Distribution of KUR and UMi in Papua Province 2019-2022



Source: SIKP, Ministry of Finance (processed data, 2024)

The distribution of UMi credit is expected to create a ripple effect that benefits businesses and the broader community. With access to funding, business owners can generate profits, leading to increased economic activity in their local areas. This growth can, in turn, boost economic development in Papua while allowing the regional government to allocate its budget more efficiently.

A region's development success is often reflected in its economic growth, which is measured by the increase in real output. To achieve this growth, businesses need reliable funding sources, and the role of banks becomes critical in providing that capital. The development of bank credit as a key funding source has a direct impact on various sectors, fueling economic expansion at both regional and national levels.

This background motivates the researcher to investigate how the distribution of government credit programs through the financial sector contributes to economic growth in Papua Province. The study aims to uncover the mechanisms through which these programs drive local development, emphasizing the critical role of accessible funding in empowering regional economies and fostering sustainable growth. By focusing on the period from 2019 to 2023, this research employs quantitative analysis and panel data regression to provide a comprehensive understanding of the programs' impact.

The significance of this study lies in its ability to bridge the gap in the existing literature by providing region-specific insights into the effectiveness of government credit initiatives in Papua, a province often characterized by unique economic challenges and opportunities. The novelty of this research stems from its focus on a critical yet underexplored region, offering a nuanced perspective on how financial sector interventions can support economic resilience and inclusivity.

Moreover, the study contributes to both policy and practice by delivering evidence-based recommendations that can guide policymakers in optimizing credit distribution strategies. By evaluating the outcomes of these programs, the research offers a valuable framework

for assessing and enhancing similar initiatives in other regions, ultimately contributing to the broader discourse on sustainable regional development in Indonesia.

LITERATURE REVIEW

Acceleration Theory is an investment concept based on a consistent relationship between the amount of capital goods and the level of national income that can be generated. Initially, this theory was developed by Clark and Bickerdike in the 1910s and later developed by Keynes. This theory also explains net investment in the context of aggregate expenditure growth. This theory assumes that overall, a country maintains a constant relationship between capital stock and aggregate output levels (Diulio, 1993). Waluyo and Yuliati (2022) explain that the main concept of this theory can be formulated in two main ideas. First, there is a proportional relationship between the amount of capital goods available and the level of national production that can be achieved. Second, to increase production in the future, investment is needed with a value several times greater than the desired increase in production.

The Harrod-Domar view, as explained by Fatihudin (2019), emphasizes the important role of investment in economic development, especially because it has a significant impact. First, investment can generate income through the effect on demand. Second, the effect of capital stock can be increased through investment, which in turn increases the production capacity of the economy. As a result, real income and output will continue to increase as long as net investment continues. Fatihudin (2019) also stated that real income and production in the sector must increase at the same rate as the increase in capital production capacity. This is necessary to maintain equilibrium income levels and full employment opportunities from year to year. Thus, investment has a central role in supporting economic growth and achieving optimal income levels.

Banking credit plays an important role in financing the national economy and as an engine of economic growth. Credit can be interpreted as the provision of goods, services, or money from one party, known as a creditor or lender, to another party, known as a customer or debtor (Kepramareni et al., 2022). This transfer is based on trust, with a promise that the recipient of the credit will repay the creditor on a date agreed upon by both parties (Atikah, 2021).

KUR is a form of credit or financing for working capital or investment provided to MSMEs that have productive and feasible performance but do not yet meet the requirements for support from financial institutions. Productive performance in this context refers to the ability of an ongoing business to produce goods or services with added value and increase the profits of the business owner.

UMi is a program that has developed from a social assistance program towards independent efforts in business, aimed at micro businesses that are at the lowest level and have not yet met the requirements for support from banks through the KUR program. The UMi program provides financing facilities with a maximum limit of IDR10 million per customer and is distributed through LKBB.

The Acceleration Theory has been further expanded in modern economic studies, particularly in how it intersects with financial intermediation and the role of banking credit in national development. Solow (1956) introduced the Solow-Swan growth model, emphasizing that long-term economic growth relies not only on capital accumulation but also on technological progress and labor force growth. His work underscored the importance of savings and investment as catalysts for capital stock expansion, which in turn enhances production capacity. The Solow model complements the acceleration

theory by adding that the accumulation of physical capital alone is not sufficient for sustained growth; technological advancement is also necessary for long-term prosperity.

Schumpeter (1934) highlighted the role of entrepreneurs and innovation in driving economic development. He posited that credit facilities provided by financial institutions allow entrepreneurs to innovate, thereby leading to "creative destruction," where outdated processes are replaced with more efficient ones, further fueling economic growth. This view aligns with the intent of programs like KUR and UMi, which aim to empower micro and small enterprises by providing them with access to financing, thus enabling them to innovate and expand their operations.

Studies by Stiglitz and Weiss (1981) on credit rationing demonstrate that credit markets often fail to provide sufficient funds to small and micro businesses due to information asymmetry and perceived risk, despite these businesses having significant potential to contribute to economic growth. Programs like KUR and UMi address this gap by offering financing solutions to businesses that may otherwise be excluded from formal banking systems, thereby facilitating inclusive economic development. Armendáriz and Morduch (2010) also explored the role of microfinance in alleviating poverty and promoting entrepreneurship, showing that access to microfinance helps low-income individuals build businesses, which in turn contributes to broader economic growth.

Ghatak and Guinnane (1999) examined the role of microfinance in economic development and argued that microcredit programs are particularly effective in rural areas where traditional banking services are limited. They concluded that access to credit enables households and microenterprises to smooth consumption, invest in business ventures, and enhance income-generating activities, thereby increasing economic resilience and productivity. This is relevant to the discussion of KUR and UMi, as both programs seek to target underserved areas and facilitate business expansion, particularly in regions with limited access to traditional banking, such as Papua.

In addition, Banerjee and Duflo (2012) provided empirical evidence in their research showing that access to credit has a significant impact on poverty alleviation and income generation, but they also caution that without proper support mechanisms such as financial literacy training and business development services, the benefits of credit may not be fully realized. This finding is particularly relevant when discussing the role of KUR and UMi, as providing credit alone may not lead to economic growth unless accompanied by capacity-building programs for entrepreneurs to maximize the use of the funds.

Finally, Beck and Levine (2004) found that financial development, including the expansion of access to credit, plays a significant role in economic growth by enabling more efficient allocation of resources, reducing transaction costs, and facilitating greater investment. Their findings support the notion that programs like KUR and UMi are crucial for fostering financial inclusion and supporting the growth of MSMEs, which are essential contributors to national economic growth.

Based on the theoretical review above, this study formulates the following hypotheses:

H1: The distribution of KUR has a significant positive impact on economic growth in Regencies/Cities in Papua from 2019 to 2023.
H2: The distribution of UMi has a significant positive impact on economic growth in Regencies/Cities in Papua from 2019 to 2023.

RESEARCH METHOD

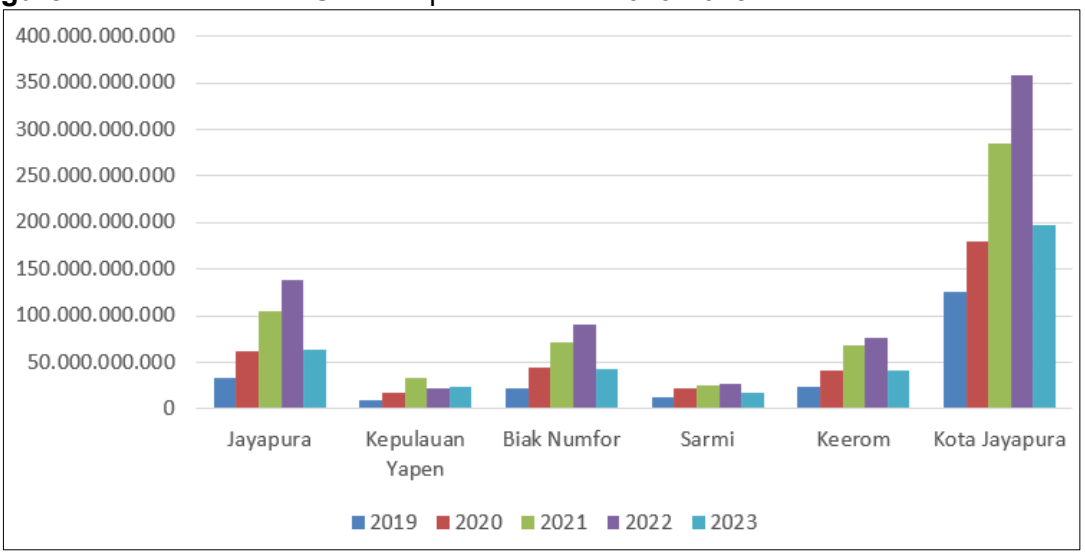
This study follows a quantitative research approach, utilizing secondary data obtained from the Credit Program Information System (SIKP) of the Ministry of Finance and the Central Statistics Agency. The data consists of panel data on the distribution of KUR and UMi across Regencies and Cities in Papua from 2019 to 2023. The independent variables in this study are the distribution of KUR and UMi, while the dependent variable is economic growth.

Quantitative analysis methods were employed to process and analyze the data. These methods involve using mathematical, statistical, and econometric models to derive numerical results, which are subsequently explained in a narrative format. The researcher applied a descriptive statistical approach alongside panel data regression to analyze the findings. According to Widarjono (2018), using panel data offers several advantages, such as increasing the available data, which enhances the degree of freedom in the analysis and helps address potential issues arising from omitted variables.

RESULTS

The overview of KUR and UMi funding in the Regencies of Papua Province shows several important trends and characteristics. The following figures are pictures and explanations of KUR and UMi distribution trends in Papua Province.

KUR Distribution in Papua Province 2019-2023
Figure 2. Distribution of KUR in Papua Province 2019-2023

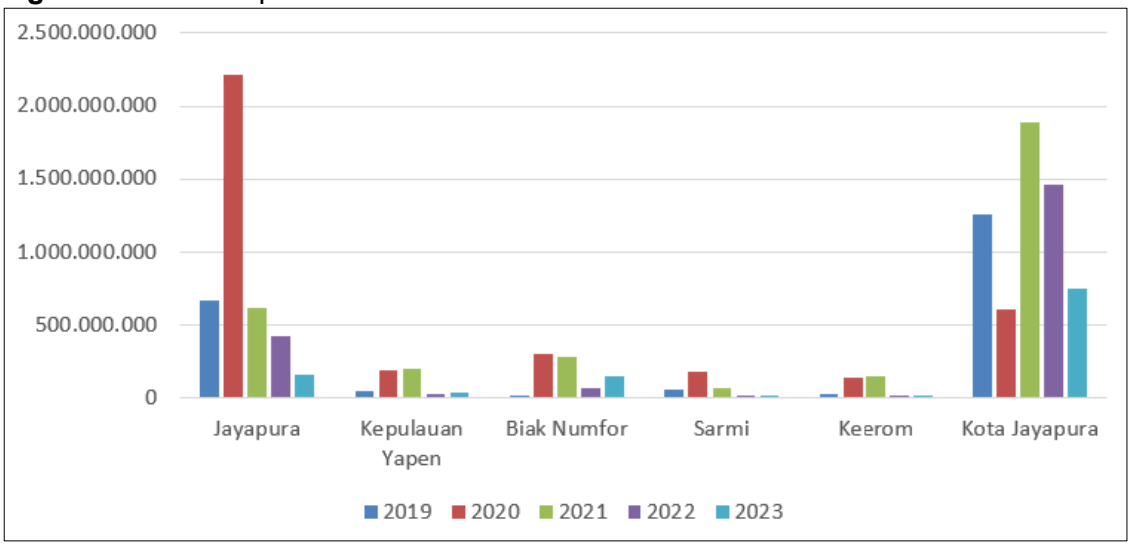


Source: SIKP, Ministry of Finance (processed data, 2024)

Based on Figure 2, Jayapura City experienced a significant increase in KUR distribution every year, with the highest peak reaching around IDR400 billion in 2022. Although there was a slight decrease in 2023, this figure remains high compared to previous years, indicating a rapid increase in access and distribution of KUR. On the other hand, regencies such as Sarmi and Keerom showed a relatively low number of KUR, reflecting limitations in access or demand for KUR in the region. This indicates that there is development potential that has not been fully utilized.

Biak Numfor Regency showed a stable upward trend in KUR distribution, with a large spike in 2021. However, in 2023, the number of KUR decreased slightly compared to 2022. This shows that Biak Numfor also has quite rapid business development. The same is true in Jayapura Regency which experienced a fairly stable trend, with a slight increase from year to year. Meanwhile, for areas such as the Yapen Islands, there were fluctuations but without drastic changes from year to year. The increase from 2021 to 2022 looks quite significant, but KUR in 2023 decreased slightly.

UMi Distribution in Papua Province 2019-2023
Figure 3. UMi in Papua Province 2019-2023



Source: SIKP, Ministry of Finance (processed data, 2024)

Based on Figure 3, UMi in Papua Province shows significant variation between districts, reflecting differences in access and support for micro-enterprises. UMi in Jayapura City is particularly high, with a spike in 2020 reaching more than IDR2 trillion, although it experienced a sharp decline in the subsequent years. Jayapura City demonstrated stable financing growth, peaking in 2021 and maintaining a high figure in 2022.

Biak Numfor Regency exhibited a steady upward trend in UMi receipts, particularly in 2021 and 2022. This reflects positive developments in the micro-enterprise sector, with financing figures increasing significantly compared to previous years. Although not as high as Jayapura City, Biak Numfor remains one of the districts with the largest UMi amounts after Jayapura City.

Conversely, Yapen Islands Regency displayed a much smaller amount of UMi compared to Jayapura City and Biak Numfor. Funding levels were very low, with only a slight increase in 2021. While there are minor fluctuations in funding from year to year, overall growth remains insignificant. Financing limitations were also observed in Sarmi and Keerom Regencies, both of which have shown relatively constant and low UMi funding levels over the past five years. Although there was a slight increase in 2022, the figures remain far below those of other regencies. These limitations suggest untapped development potential, possibly due to restricted access or uneven government support.

Random-Effects Generalized Least Squares (GLS) Model
The results and discussion of this study provide detailed insights into the impact of KUR and UMi on economic growth in Papua. The analysis was conducted using the Random-Effects Generalized Least Squares (GLS) model on panel data spanning several years. This model was chosen to account for variations between units (in this case, years) that may influence the results. The findings from the analysis include the coefficients of the

independent variables, R-squared values, and the statistical significance of the models applied. Through the regression analysis performed using STATA 16 software, several key findings were identified. The following are the results of the analysis.

Table 1. Random-Effects Generalized Least Squares (GLS) Results

Measure		Value				
Group variable		Year				
Number of observations		30				
Number of groups		5				
Observations per group		min = 6, avg = 6.0, max = 6				
R-squared		within = 0.0234, between = 0.4192, overall = 0.0058				
corr(u_i, X)		0 (assumed)				
Wald chi2(1)		.				
Prob > chi2		.				
Y	Coef.	Std. Err.	z	P>|z|	[95% Conf.	Interval]
KUR	2.66e-13	5.31e-12	0.05	0.960	-1.02e-11	1.07e-11
UMi	3.06e-10	7.44e-10	0.41	0.681	-1.15e-09	1.76e-09
_cons	2.28989	1.308924	1.75	0.080	-0.2755541	4.855334
sigma_u	2.7850375					
sigma_e	1.4985349					
rho	0.77548513	(fraction of variance due to u_i)				

Source: SIKP, Ministry of Finance (processed data, 2024)

The results in Table 1 indicate that the explanatory power of the model, as measured by the overall R-squared value of 0.0058, is extremely low. This suggests that only 0.58% of the variation in economic growth can be attributed to the independent variables KUR and UMi, implying that these factors are not sufficient to explain the changes in economic growth in Papua within the study period.

H1: KUR's Impact on Economic Growth

The coefficient for KUR is 2.66e-13, with a p-value of 0.960. This indicates that a one-unit change in KUR distribution has no statistically significant impact on economic growth. The p-value, being far above the conventional threshold of 0.05, confirms that the effect of KUR on economic growth is not statistically significant. This finding does not support H1, which hypothesized that KUR would have a significant positive impact on economic growth. The lack of significance might stem from inefficiencies in the allocation or utilization of KUR funds, structural challenges in Papua's economy, or other external factors not captured in this model.

H2: UMi's Impact on Economic Growth

Similarly, the coefficient for UMi is 3.06e-10, with a p-value of 0.681, indicating an insignificant relationship between UMi and economic growth. This result suggests that changes in UMi distribution do not have a meaningful impact on the dependent variable. With a p-value well above 0.05, H2 is also not supported, showing that UMi does not significantly contribute to economic growth in Papua. The insignificant impact of UMi could be due to limited coverage, ineffective targeting, or the small scale of UMi funding relative to the broader economic challenges in the region.

Other Observations

The constant coefficient (_cons) is 2.28989 with a p-value of 0.080, suggesting that if both KUR and UMi distributions were zero, economic growth would be projected at 2.29%. Although this constant approach has significance at the 10% level, it does not meet the 5% significance threshold, limiting its interpretative value. The rho value of 0.77548513 reveals that approximately 77.55% of the total variation is attributed to

differences between years rather than within years. This dominance of between-year variation suggests that factors unrelated to KUR and UMi, such as macroeconomic conditions, government policies, or external shocks, may play a more substantial role in influencing economic growth in Papua.

DISCUSSION

From the results of this analysis, it can be concluded that neither KUR nor UMi have a significant effect on economic growth in Papua, as indicated by the high p-value for both variables. This is in line with previous studies which noted that the success of microfinance programs is often influenced by external factors such as infrastructure and government support (Ullah & Khan, 2017).

Research by Siregar et al. (2024) shows that the distribution of KUR in areas with limited access tends not to have a significant impact on economic growth. They noted that despite the increase in the amount of KUR disbursed, other factors such as infrastructure and government support were more influential in driving economic growth. This is in line with the results of this study which show that the coefficient for KUR is not statistically significant.

In a study by Hia et al. (2021), it was found that UMi can help micro-enterprises, but its impact on overall economic growth is still limited. The study emphasized that although UMi provides access to capital for micro-entrepreneurs, the success of this program is highly dependent on the capacity of entrepreneurs and external support such as management and marketing training. This finding is in line with the results of the regression analysis in this study, where the coefficient for UMi was also not significant ($P>|z| = 0.681$).

Research by Yolanda (2024) highlights the importance of external factors such as infrastructure and government policies in determining the success of microfinancing programs. They found that areas with better infrastructure and strong policy support showed better economic growth even though they had the same level of KUR or UMi disbursement as other areas. This supports the findings of this study which showed a low overall R-squared (0.0058), indicating that many other factors outside of KUR and UMi influence economic growth.

Previous studies have also noted variability in the distribution of KUR and UMi in various regions, similar to the results of this study which show that Jayapura City dominates in the amount of financing, while other districts such as Sarmi and Keerom have much lower distribution. Research by Cull and Morduch (2018) noted that areas with limited access to microfinance programs tend to experience slower economic growth, reflecting development potential that has not been fully utilized.

Tambunan (2020) highlights that while microfinance initiatives like KUR and UMi aim to reduce poverty and foster economic growth, their effectiveness in driving macroeconomic indicators remains limited unless they are complemented by adequate infrastructure and institutional support. This study echoes the results from the current analysis, suggesting that regions with better access to transportation, markets, and digital infrastructure often see more tangible benefits from such programs, as businesses can expand their operations and reach larger markets. In regions like Papua, where infrastructure challenges remain significant, the impact of these programs on economic growth is understandably muted.

The effectiveness of KUR programs in driving economic growth is influenced by several key factors, with human capital playing a particularly critical role. Regions with higher levels of education and workforce skills tend to achieve more significant outcomes from microfinance programs due to their capacity to optimize funding utilization. In the context of Papua, disparities in educational attainment and business skills present a significant challenge to maximizing the benefits of KUR and UMi programs.

Without sufficient investment in capacity-building initiatives and the development of entrepreneurial skills, the potential of these programs to stimulate economic growth remains limited. Addressing this gap requires tailored interventions that focus on enhancing the knowledge and skills of local communities, enabling them to leverage financial assistance more effectively. Furthermore, strengthening local institutions, improving access to training, and fostering partnerships between government agencies and private sectors are essential steps in creating a more supportive ecosystem for microfinance recipients. Such efforts not only expand the reach and impact of KUR and UMi programs but also contribute to sustainable economic development by empowering local businesses to thrive and fostering resilience in the face of economic challenges.

Similarly, Muta'Ali et al. (2018) emphasize the importance of business support services in ensuring the success of microfinance initiatives. Their study found that in regions where micro-entrepreneurs receive ongoing business mentorship and access to networks, there is a greater chance of sustained business growth and, consequently, broader economic impact. This finding suggests that KUR and UMi programs should be accompanied by comprehensive business development services, particularly in areas with limited entrepreneurial ecosystems, such as Papua.

Furthermore, Maulida et al. (2023) argue that the role of local government in facilitating the integration of microfinance programs with regional economic development strategies is crucial. Their study points out that regions with more proactive local governments in promoting microfinance and creating favorable business environments tend to experience more positive economic outcomes. In contrast, areas with weaker governance structures and limited policy intervention, like certain districts in Papua, may not fully capitalize on the potential benefits of KUR and UMi. This further supports the low explanatory power (R-squared) observed in this analysis, indicating that microfinance alone cannot drive significant economic growth without the appropriate policy and governance frameworks.

Overall, these additional studies reinforce the notion that while microfinance programs such as KUR and UMi are important tools for promoting economic inclusion, their impact on broader economic growth depends heavily on external factors, including infrastructure, education, government support, and business development services. Without addressing these underlying issues, the ability of these programs to drive significant economic change in regions like Papua remains limited.

CONCLUSION

The dominance of KUR and UMi distribution in Kota Jayapura has shown a significant increase, especially in 2022. Although there was a slight decline in 2023, the distribution figures remain higher compared to other regions, such as Sarmi and Keerom, which have more limited access. However, the analysis of the impact on economic growth, using the Random-Effects GLS regression model, indicates that KUR and UMi do not have a significant effect on economic growth in Papua. The overall R-squared value is extremely low (0.0058), suggesting that the model explains only 0.58% of the variation in economic growth.

Furthermore, there is variability in the distribution of KUR and UMi across different regions. For instance, Biak Numfor shows a stable trend, whereas other areas like Kepulauan Yapen, Sarmi, and Keerom exhibit lower financing, reflecting challenges in access or the capacity of micro-enterprises in these regions. External factors are also highlighted in this study, indicating that the success of KUR and UMi programs may be influenced by external variables such as infrastructure, government support, and the capacity of micro-entrepreneurs, which have not been fully identified within the current model of analysis.

To enhance the impact of KUR and UMi on economic growth, several recommendations are proposed. First, accessibility must be improved in areas with lower distribution, such as Sarmi and Keerom, through program outreach, micro-business training, and improvements in supporting infrastructure. Second, micro-enterprise support programs are essential to ensure the effective utilization of funds received from KUR and UMi. Such support could include training in financial management, marketing, and product development. Third, regular program evaluations should be conducted to identify challenges faced by beneficiaries and to adjust policies for more effective support of economic growth. Finally, further research is recommended to explore other variables that may affect economic growth in Papua, such as socio-economic factors, education, and infrastructure, to provide a more comprehensive understanding of the impact of KUR and UMi. By implementing these recommendations, it is expected that KUR and UMi programs will become more effective in promoting economic growth in Papua and improving the well-being of local communities.

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DECLARATION OF CONFLICTING INTERESTS
The authors declare no potential conflicts of interest.

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