

The Effects of Fiscal Policy and Monetary Policy on Borrowing Costs and Credit Access for SMEs: An Empirical Study

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Abstract

The objective of this study is to investigate the impact of fiscal policies (FP) on borrowing costs and credit access (BCAC) for SMEs, considering the role of monetary policy (MP) as the second independent factor. This research aims to understand more deeply how fiscal and monetary policies can be utilized to support growth and access to finance for SMEs, as well as identify remaining barriers to access to finance. Through comprehensive analysis, this study is expected to provide effective policy recommendations to improve access to credit for SMEs, which in turn can support economic growth and job creation. This study adopts a quantitative research design using statistical analysis to examine the impact of fiscal policies on borrowing costs and credit access for Small and Medium Enterprises (SMEs). The analysis will be conducted using the SMARTPLS 3.0. Sample size based on valuable samples are 120 of SME. The sampling technique used in this study will be purposive sampling. This approach will involve selecting SMEs that meet specific criteria, such as size, sector, and eligibility for relevant government programs or incentives. The result of this study state Fiscal Policy (FP) and Monetary Policy (MP) have a significant effect on Borrowing Costs and Access to Credit (BCAC).

Keywords: Fiscal Policy, Monetary Policy, Borrowing Costs and Access to Credit.

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Introduction

Research on the impact of fiscal policy on borrowing costs and credit access for Small and Medium Enterprises (SMEs) reveals a complex relationship (Andreeva & García-Posada, 2021; Neaime & Gaysset, 2022; Sirin et al., 2022). At a general level, fiscal and monetary policies are important instruments that influence the economy, particularly in terms of growth and access to finance for SMEs. SMEs, as the backbone of the economy, face various challenges in accessing financing which is key to their growth and expansion Neaime & Gaysset (2022)

highlight the importance of monetary policy in influencing SME growth and credit constraints, with Neaime & Gaysset finding strong effects on employment growth and Gül & Taştan (2020) identifying scale discrimination in SME financing. In a more specialized context, Ferrando et al (2022; Wang et al (2023) explored the impact of fiscal and monetary policies on credit markets, with Auerbach showing a decline in consumer lending rates in response to fiscal stimulus and Ferrando finding an increase in credit access for SMEs following an unconventional monetary policy announcement. This phenomenon suggests that policy interventions can have a significant impact on financing conditions for SMEs, but their effectiveness may vary depending on the design and implementation of the policy. Jha et al (2014; Shui (2023) provide additional insights, with Jha et al identifying lack of collateral, high interest rates, and complicated loan application procedures as barriers to SME financing, and Shui demonstrating the detrimental effects of credit constraints on SME employment during the European sovereign debt crisis. This suggests that, despite policy efforts, there are still significant barriers hindering SMEs' access to affordable finance. The state of the art in the literature shows that many studies have explored the effects of fiscal and monetary policies on the macroeconomy and credit markets. However, there are research gaps in the in-depth understanding of how these policies specifically affect SMEs in different contexts and economic conditions. In addition, the long-term impact of these policies on the growth and sustainability of SMEs still needs to be further explored. Based on these gaps, the objective of this study is to investigate the impact of fiscal policies on borrowing costs and credit access for SMEs, considering the role of monetary policy as the second independent factor. This research aims to understand more deeply how fiscal and monetary policies can be utilized to support growth and access to finance for SMEs, as well as identify remaining barriers to access to finance. Through comprehensive analysis, this study is expected to provide effective policy recommendations to improve access to credit for SMEs, which in turn can support economic growth and job creation.

Literature Review

This literature review focuses on the effect of fiscal policy on borrowing costs and credit access for Small and Medium Enterprises (SMEs), a topic that has attracted widespread attention and been the subject of numerous studies. The objective of this review is to provide a comprehensive overview of existing studies that examine the complex relationship between fiscal policy, borrowing costs, and credit access for SMEs. In order to achieve this objective, the review explores the works of (Berger et al., 2024b, 2024a; Ferrando et al., 2022; Le et al., 2021; Li et al., 2024; Sahoo & Bishnoi, 2023; R. Wang et al., 2021; Y. Wang et al., 2023), each of which provides a unique perspective on the factors affecting borrowing costs and credit access for SMEs.

Wehinger (2014) specifically look at the role of monetary policy and its impact on growth and credit constraints faced by SMEs. Their research shows that monetary policy not only affects general macroeconomic conditions but also has direct implications on the ability of SMEs to access financing. This highlights the importance of understanding the relationship between monetary policy, fiscal policy, and the SME sector. Monetary policy plays a crucial role in shaping the overall macroeconomic conditions of a country. It involves the determination and implementation of policies by the central bank to regulate money supply, interest rates, and

credit availability to achieve various objectives such as controlling inflation, stabilizing the economy, and promoting growth. While the impacts of monetary policy on the economy are widely studied and recognized, there is a growing recognition of its direct implications on the ability of Small and Medium Enterprises (SMEs) to access financing. This literature review aims to explore the relationship between monetary policy, fiscal policy, and the SME sector. Monetary policy is an essential tool for managing the overall financial environment. It affects interest rates, which in turn influences borrowing costs for both individuals and businesses. The interest rates set by the central bank serve as a benchmark for the entire financial system and impact the cost of credit across the board. When monetary policy tightens, i.e., the central bank raises interest rates to control inflation or stabilize the economy, borrowing costs increase for businesses, making it more expensive for them to obtain financing (Auer et al., 2021; Hafezalkotob et al., 2023). This can directly impact SMEs, as they heavily rely on credit to finance their operations and investments (Gur et al., 2023).

Several studies have investigated the relationship between monetary policy and SME financing. For instance, Beck et al (2008) found that tighter monetary policy leads to a reduction in SME access to credit. Their study, which examined data from over 50 countries, suggests that an increase in the interest rate spread negatively affects SMEs' ability to obtain external financing, leading to lower investment and growth. Similarly, Crocco et al (2014) analyzed the impact of monetary policy on SME financing in Latin American and Caribbean countries. The study found that higher interest rates reduce SME lending, hindering their ability to expand and create jobs. Moreover, monetary policy is closely linked to fiscal policy, which involves the use of government spending and taxation to influence the economy. The coordination between these two policies is vital for achieving macroeconomic stability and sustainable growth. Fiscal policy can affect the overall financial conditions and the availability of credit, thereby impacting SME financing. For instance, expansionary fiscal policy, characterized by increased government spending and lower taxes, can stimulate economic activity and increase credit availability for SMEs (Berger et al., 2024b; Le et al., 2021). On the other hand, contractionary fiscal policy, characterized by reduced spending and higher taxes, can have adverse effects on SME access to financing. The interaction between monetary and fiscal policy is complex and varies across countries and economic contexts. A study by Huang et al (2021) examined the joint effects of monetary and fiscal policy on SME lending in China. The findings indicated that monetary policy has a more pronounced impact on SME financing compared to fiscal policy. Tighter monetary policy, characterized by higher interest rates, was found to significantly reduce SME lending, while the impact of fiscal policy was relatively weaker. This suggests that Central Banks have a more direct influence on SME financing compared to fiscal authorities. However, it should be noted that the relationship between monetary policy, fiscal policy, and SME financing is not universally consistent (A. H. P. K. Putra, 2022). Factors such as the structure of the financial system, the regulatory environment, and the overall economic conditions can mediate the impact of these policies on SME access to credit. Additionally, the effectiveness of monetary and fiscal policies may vary depending on the stage of the business cycle, with different responses during booms and recessions. Loučanová et al (2022); Peñarroya-Farell et al (2023) take this a step further by exploring how fiscal and monetary policies specifically affect credit markets, highlighting that fiscal stimulus and unconventional monetary policy announcements can result in lower consumer lending rates and improved

access to credit for SMEs. This finding is important as it suggests that government policies can play a key role in addressing the financing constraints faced by SMEs.

Meanwhile, Rakshit et al (2022) identified factors such as lack of collateral, high interest rates, and complicated loan application procedures as key barriers to access to finance for SMEs. This research highlights the need to simplify the loan application process and lower borrowing costs as important steps to support SMEs. Access to finance is crucial for the growth and development of small and medium-sized enterprises (SMEs). However, numerous studies have identified various barriers that hinder SMEs from accessing the necessary funds to expand their businesses. This literature review aims to explore the factors that impede SMEs' access to finance, with a particular focus on the lack of collateral, high interest rates, and complicated loan application procedures. Furthermore, it will highlight the importance of simplifying the loan application process and lowering borrowing costs as essential steps to support SMEs.

One of the primary barriers faced by SMEs is the lack of collateral. Traditional lending institutions often require collateral as security for the loans provided. However, many SMEs lack sufficient assets to offer as collateral, making it challenging for them to secure external financing. According to Alo et al (2023); Kopalle et al (2022); Wichmann et al (2022), the lack of collateral reduces the credibility of SMEs in the eyes of lenders, leading to their loan applications being rejected. This inability to meet collateral requirements limits the funding options available to SMEs, hindering their growth potential. Another significant barrier to accessing finance for SMEs is the high interest rates imposed by lenders. SMEs often face higher interest rates compared to larger firms due to their perceived higher risk and lack of credit history. Research by Telci et al (2011) suggests that high interest rates can deter SMEs from borrowing, as the cost of servicing the debt becomes unsustainable. The burden of high interest rates limits the profitability of SMEs and restricts their ability to invest in expansion initiatives, hindering their overall growth prospects.

Furthermore, complicated loan application procedures act as a significant impediment for SMEs seeking finance. The complexity of paperwork, numerous requirements, and lengthy approval processes make it challenging and time-consuming for SMEs to access funds. This can be particularly burdensome for small business owners who already have limited resources and time available to allocate towards administrative tasks. According to Mittal & Sridhar (2020); Singh et al (2020), the complexity of loan application procedures leads to a significant decrease in the probability of SME loan approval. Simplifying the loan application process can, therefore, alleviate this burden and facilitate SMEs' access to finance. Recognizing these barriers, several studies emphasize the need to simplify the loan application process and lower borrowing costs as crucial steps to support SMEs. For instance, Savrul et al (2014) advocate for the use of technology and digital platforms to streamline the loan application process, reducing administrative burdens and minimizing the time required for approval. Simplifying the loan application process through digitization can significantly enhance SMEs' access to finance.

Moreover, lowering borrowing costs is also crucial for SMEs' access to finance. Research suggests that reducing interest rates for SME loans can positively impact their ability to secure external funding. For example, Domonkos et al (2023); Sensarma & Bhattacharyya (2016) found that interest rate reductions can increase SMEs' credit demand and lead to higher investment rates, benefiting both the SME sector and the economy as a whole. On the other hand, Shui (2023) provides insight into the negative impact of credit constraints on employment in

the SME sector during the period of the European sovereign debt crisis. The research emphasizes that financial crises and economic instability can worsen credit access conditions for SMEs, thus affecting overall economic growth and job creation. But the opposite view from another in economics theory states. According to monetarist theory, financial crises and economic instability are natural occurrences within the economic cycle. They argue that these events are necessary to correct imbalances and excesses within the market (Sapiri & Putra, 2023). From this viewpoint, although SMEs may face credit access challenges during these periods, it may be a temporary setback that will ultimately lead to a more stable and efficient economic system in the long run (A. H. P. K. Putra, Mansur, et al., 2023).

Structuralist Perspective: This perspective focuses on various structural factors in the economy that may hinder credit access for SMEs during financial crises (Mandung et al., 2023). It suggests that addressing these underlying structural issues, such as bureaucratic hurdles, regulatory barriers, or inadequate infrastructure, is crucial to improve credit conditions for SMEs (A. H. P. K. Putra, 2023); (A. H. P. K. P. Putra & Adawiah, 2023). Thus, from this standpoint, focusing on long-term structural reforms should be prioritized over short-term interventions during crises.

Keynesian economics suggests that during financial crises and economic instability, government intervention through fiscal stimulus can play a vital role in supporting SMEs and promoting overall economic growth. This perspective argues that increased government spending, reducing interest rates, and providing targeted financial support to SMEs can mitigate the negative effects of the crisis by enabling them to access credit and stimulating job creation (Mariam et al., 2023). Some theorists argue that financial crises and economic instability can present opportunities for SMEs to innovate and adapt to changing market conditions. They contend that during such periods, businesses that can creatively anticipate and respond to new demands and challenges can even thrive (A. H. P. K. Putra, Rahmi, et al., 2023); (A. H. P. K. Putra & Rahmi, 2023). This perspective emphasizes the role of entrepreneurship, resilience, and adaptation in minimizing the adverse impact of crises on credit access and economic growth.

Structuralist Perspective state focuses on various structural factors in the economy that may hinder credit access for SMEs during financial crises. It suggests that addressing these underlying structural issues, such as bureaucratic hurdles, regulatory barriers, or inadequate infrastructure, is crucial to improve credit conditions for SMEs. Thus, from this standpoint, focusing on long-term structural reforms should be prioritized over short-term interventions during crises. Besides that, **institutional Perspective** suggests that the functioning and effectiveness of institutions, such as banks, regulatory bodies, and credit agencies, significantly influence credit access conditions for SMEs during financial crises. Supporters of this viewpoint argue that enhancing and reforming these institutions, such as reducing corruption, improving transparency, and strengthening regulations, can play a vital role in mitigating the negative effects of crises on credit access for SMEs and, consequently, on overall economic growth and job creation (Agarwal et al., 2023); (A. H. P. K. Putra & Elpisah, 2023). Through this comprehensive review, it becomes clear that fiscal and monetary policies play an important role in determining credit access and financing conditions for SMEs (Sultan et al., 2023); (Juniansyah et al., 2023). The studies reviewed offer valuable insights into how policies can be designed and implemented to support the growth and sustainability of SMEs through more accessible and affordable financing. Further research is needed to explore innovative and effective ways of using policies to facilitate access to credit for SMEs, given their critical role

in the economy.

Research Method

Study Design

This study adopts a quantitative research design using statistical analysis to examine the impact of fiscal policies on borrowing costs and credit access for Small and Medium Enterprises (SMEs). The analysis will be conducted using the SMARTPLS 3.0. A quantitative approach is suitable for this research as it allows for the collection of numerical data that can be analyzed and interpreted using statistical techniques, providing objective and reliable results.

Sample Frame

The sampling frame for this study will consist of SMEs operating in a specific in Indonesia region. This will ensure that the findings are applicable to a specific context, considering the varying economic conditions and policy environments that may exist within different jurisdictions. The specific region or country will be determined based on the availability of data and the relevance to the research question. The sample size will be determined based on the statistical power analysis, which takes into consideration factors such as the desired level of precision, the significance level, and the effect size. The aim is to achieve a sample size that is large enough to detect meaningful effects while ensuring statistical reliability. The sample size will be calculated using the appropriate formula for determining sample size in quantitative research studies. Sample size based on valuable samples are 120 of SME. The sampling technique used in this study will be purposive sampling. This approach will involve selecting SMEs that meet specific criteria, such as size, sector, and eligibility for relevant government programs or incentives. Purposive sampling will help ensure that the sample represents the SME population of interest and facilitates the collection of relevant and meaningful data for analysis.

Data Collect

Primary data will be collected through structured surveys administered to SME owners or managers. The survey questionnaire will be designed to gather information on variables such as borrowing costs, credit access, and the impact of fiscal policies on these factors. The questionnaire will be developed based on the findings of the literature review and will include both closed-ended and open-ended questions. Closed-ended questions will allow for quantitative analysis, while open-ended questions will provide qualitative insights. The surveys will be distributed electronically using online survey platforms or via email. This method of data collection will ensure efficiency and convenience for respondents, as well as allow for easy data management and analysis. Secondary data will be collected from reputable sources such as government reports, central bank publications, and academic journals. This secondary data will provide additional information on fiscal policies, monetary policies, borrowing costs, and credit access for SMEs. Such data will complement the primary data collected through surveys and strengthen the analysis and interpretation of the findings.

Data Analysis

The collected data will be analyzed using the SMARTPLS software. The quantitative data

obtained from the surveys will be subjected to appropriate statistical techniques to test the hypotheses and answer the research questions. Descriptive statistics, such as means, frequencies, and percentages, will be used to summarize the data and provide an overview of the sample characteristics. To examine the relationship between fiscal policies, borrowing costs, and credit access for SMEs, inferential statistical techniques will be employed. Multiple regression analysis will be conducted to determine the impact of fiscal policies on borrowing costs and credit access, while controlling for the mediating effect of monetary policy. This analysis will help identify the specific fiscal policy variables that significantly influence borrowing costs and credit access for SMEs. A clear illustration of the dimensions and variable indicators is explained as in table 1 to table 3.

The first step in the data analysis process is to measure the linear regression factor of the independent variable Fiscal Policy with the regression equation is as follows:

$$FP = \beta_0 + \beta_1.TP + \beta_2.FA + \beta_3.FM + \beta_4.Inv + \beta_5.MA + \beta_6.E + \varepsilon$$

Where:

- FP = is the dependent variable representing the fiscal policy.
- TP = is the independent variable representing Tax Rate Simplification.
- FA = is the independent variable representing Access to Funding.
- FM = is the independent variable representing Facilitation and Mentoring.
- Inv = is the independent variable representing Incentives for Innovation and Expansion.
- MA = is the independent variable representing Market Access.
- EM = is the independent variable representing Measurement and Evaluation.
- β_0 = is the intercept, representing the average value of FP when all independent variables are zero. $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ are the regression coefficients, each representing the average change in FP associated with a one-unit change in the respective independent variable, holding all other variables constant.
- ε = is the error term, representing all other factors that influence FP but are not included in the model.

Below is a further explanation of how fiscal policy is applied to SMEs in Indonesia:

Table 1. Fiscal Policy (FP) Dimensions and Indicators

Dimension	Indicators
Tax Rate Simplification (TP)	<ul style="list-style-type: none"> - The Indonesian government has simplified the tax structure for SMEs by introducing a lower Final Income Tax (PPh) rate. - Allows SMEs to enjoy a lighter tax burden - Allowing them to allocate more resources to expansion and operations. - The implementation of this lower tax rate is also followed by a simplified tax administration process. - Helping SMEs save time and costs related to tax management.
Access to Funding (FA)	<ul style="list-style-type: none"> - The Kredit Usaha Rakyat (KUR) program is one concrete example of the application of fiscal policy in the form of access to funding - The government works closely with banks and financial institutions to ensure that KUR distribution can reach SMEs throughout Indonesia.
Facilitation and Coaching (FM)	<ul style="list-style-type: none"> - The government has implemented various coaching and training programs to improve the capacity of SME entrepreneurs. - These programs include managerial, technical, marketing, and information technology training. - The aim is to improve the competence and operational efficiency of SMEs, so that they can compete in an increasingly competitive market.

Dimension	Indicators
Incentives for Innovation and Expansion (INV)	<ul style="list-style-type: none"> - To encourage innovation and expansion, the government offers tax incentives for SMEs that invest in asset enhancement or business development. - These incentives can be in the form of tax deductions or other tax facilities aimed at stimulating investment in new technologies, research and development, and market expansion.
Access to Markets (MA)	<ul style="list-style-type: none"> - The government also facilitates access to markets for SME products through organizing exhibitions, promotional assistance, and export training. - This aims to expand the market reach of SMEs, both at home and abroad, and improve the competitiveness of Indonesian products.
Measurement and Evaluation (EM)	<ul style="list-style-type: none"> - To ensure the effectiveness of fiscal policies on SME development, the government regularly conducts measurement and evaluation. - Involves collecting data and feedback from SMEs, analyzing the impact of policies, and adjusting policies where necessary to ensure that the support provided is relevant and effective.

The second step is to measure the linear regression factor on the monetary policy variable (MP) with the following regression equation:

$$MP = \beta_0 + \beta_1.KMP + \beta_2.PMPE + \beta_3.AMP + \beta_4.PEM + \epsilon$$

Where:

MP = is the dependent variable representing Monetary Policy.

KMP = is the independent variable representing Knowledge of Monetary Policy.

PMPE = is the independent variable representing Perception of Monetary Policy Effectiveness.

AMP = is the independent variable representing Attitude towards Monetary Policy.

PEM = is the independent variable representing Personal Experience with Monetary Policy.

β_0 = is the intercept or the baseline level of MP when all independent variables are zero. $\beta_1, \beta_2, \beta_3, \beta_4$ are the regression coefficients for each independent variable, reflecting the expected change in MP for a one-unit change in the respective dimension, holding all other variables constant.

ϵ = is the error term, accounting for the variability in MP not explained by the model.

In this model, β_1 would measure the expected change in MP for each unit change in Knowledge of Monetary Policy, assuming other variables are held constant. Similarly, $\beta_2, \beta_3,$ and β_4 would measure the impact of Perception of Monetary Policy Effectiveness, Attitude towards Monetary Policy, and Personal Experience with Monetary Policy on MP, respectively.

Table 2. Monetary Policy (MP) Dimensions and Indicators

Dimension	Indicators
Knowledge of Monetary Policy (KMP)	<ul style="list-style-type: none"> - Understanding of monetary policy objectives. - Awareness of monetary policy instruments (e.g. BI 7-day Reverse Repo Rate). - Knowledge of the impact of monetary policy on inflation and economic growth.
Perception of Monetary Policy Effectiveness (PMPE)	<ul style="list-style-type: none"> - Perceptions of the effectiveness of monetary policy in controlling inflation. - Perceptions of the effectiveness of monetary policy in stabilizing the rupiah exchange rate. - Perceptions of the effectiveness of monetary policy in supporting economic growth. - Attitude towards Monetary Policy
Attitude	<ul style="list-style-type: none"> - Trust in the policies adopted by Bank Indonesia.

Dimension	Indicators
towards Monetary Policy (AMP)	<ul style="list-style-type: none"> - Attitude towards Bank Indonesia's transparency in communicating its policies. - Willingness to support tighter or looser monetary policy based on economic conditions.
Personal Experience with Monetary Policy (PEM)	<ul style="list-style-type: none"> - Personal experience with interest rate changes. - The impact of monetary policy on personal investment decisions.

The third step in the data analysis process is to measure the linear regression factor of the independent variable Borrowing Costs and Access to Credit (BCAC) with the regression equation as follows:

$$BCAC = \beta_0 + \beta_1.LC + \beta_2.CA + \varepsilon$$

Where:

BCAC is the dependent variable representing the combined factor of Borrowing Costs and Access to Credit.

LC is the independent variable representing Loan Cost, which may include interest rates, fees, and other charges associated with obtaining a loan.

CA is the independent variable representing Credit Access, which may include factors like the ease of loan application, approval rates, and availability of credit products.

β_0 is the intercept of the equation, representing the baseline level of BCAC when both LC and CA are at zero.

β_1 is the regression coefficient for LC, indicating the change in BCAC for a one-unit change in Loan Cost, assuming Credit Access remains constant.

β_2 is the regression coefficient for CA, indicating the change in BCAC for a one-unit change in Credit Access, assuming Loan Cost remains constant.

ε is the error term, capturing all other factors affecting BCAC that are not included in the model.

This model assumes a linear relationship between the dependent variable (BCAC) and the independent variables (LC and CA). To estimate this model, you would need data on the specified variables, which could be collected through surveys, financial records, or other data sources relevant to borrowing costs and credit access. Once the data is collected, statistical software can be used to perform regression analysis and estimate the coefficients β_0 , β_1 , β_2 , providing insights into how loan cost and credit access individually and collectively influence borrowing costs and access to credit.

Table 3. Borrowing Costs and Access to Credit (BCAC) Dimensions and Indicators

Dimension	Indicators
Loan Cost (LC)	<ul style="list-style-type: none"> - Competitive interest rates on loans - Affordability of administrative fees and provisions - Reasonableness of credit insurance and other related cost - Flexibility of repayment terms
Credit Access (CA)	<ul style="list-style-type: none"> - Simplicity of the loan application process - Flexibility of collateral requirements - Speed of loan approval process - Availability and diversity of loan products

Result and Discussion

Fiscal Policy for SMEs in Indonesia

Fiscal policy for Small and Medium Enterprises (SMEs) in Indonesia is one of the strategic pillars used by the government to support this vital sector. As the backbone of the national economy, SMEs need a conducive environment to grow and thrive. Fiscal policy, which includes the use of government revenues and expenditures to influence the economy, is geared towards creating such conditions through various incentives, facilities, and support. One key aspect of this policy is the implementation of a lower Final Income Tax (PPH) rate for SMEs. The objective of this policy is to reduce the tax burden faced by SMEs, making it easier for them to manage their finances and focus resources on expansion and growth. In addition, the government also provides a Value Added Tax (VAT) exemption facility for certain products produced by SMEs, in the hope of lowering production costs and improving product competitiveness in the market. The Kredit Usaha Rakyat (KUR) program is another important initiative, which provides working capital or investment funds at low interest rates to SMEs. The program aims to improve the production capacity and operational efficiency of SMEs, while opening up opportunities for business expansion. The government also offers various tax incentives for SMEs that invest in asset enhancement or expansion, in an effort to encourage further growth and development.

In addition, the government seeks to facilitate SMEs' access to markets through fiscal and non-fiscal policies. These include support for participation in trade shows, export training, as well as promotional financing, all aimed at expanding the market reach for SME products. In addition, there are various coaching and training programs organized by the government to improve the competencies of SME entrepreneurs, including the enhancement of managerial and technical skills. Encouraging innovation and technology is also a focus of fiscal policy, with the government supporting research and development and the adoption of information technology among SMEs. The aim is to improve operational efficiency and introduce innovative products or services to the market. Fiscal policy for SMEs in Indonesia is thus designed to create an ecosystem that supports the growth and sustainability of small and medium-sized enterprises. Through tax incentives, funding facilities, and coaching programs, the government seeks to strengthen the SME sector as a pillar of the national economy, drive economic growth, and create jobs. These efforts are continuously monitored and assessed to ensure that the support provided can meet the needs of the SME sector and adapt to changing market dynamics. The implementation of fiscal policy for Small and Medium Enterprises (SMEs) in Indonesia has been carried out through various programs and initiatives designed to support the development and growth of SMEs. The implementation of this policy includes several concrete measures geared towards ensuring that SMEs can access the various forms of support offered by the government. The implementation of fiscal policies for SMEs in Indonesia is a dynamic process, which requires coordination between various government agencies, the private sector, and the SME community itself. Through targeted and continuously adjusted implementation, the government seeks to create a supportive ecosystem for the growth and sustainability of SMEs in Indonesia.

Monetary Policy in Indonesia

Monetary policy in Indonesia is regulated by Bank Indonesia (BI) as the country's monetary authority. This policy is designed to achieve and maintain rupiah stability, which includes price stability and financial system stability. This is done through various instruments

and operational mechanisms that affect the level of liquidity circulating in the market, interest rates, and ultimately, inflation and economic growth. One of the most frequently used monetary policy instruments is the setting of the benchmark interest rate or BI 7-day Reverse Repo Rate. This interest rate is used as a reference for commercial banks in determining lending and deposit rates, which then affects consumer and investor behavior in the economy. If inflation is deemed too high, BI may raise the benchmark interest rate to suppress liquidity in the market and cool inflationary pressures. Conversely, if economic growth needs to be boosted, interest rates may be lowered to stimulate lending and investment. Monetary policy is also conducted through open market operations, which is the purchase or sale of government securities in the market to manage liquidity circulating in the banking system. By absorbing liquidity through the sale of securities, BI can contain inflationary pressures. Conversely, by purchasing securities and injecting funds into the market, BI can encourage increased liquidity and stimulate the economy.

In addition, Bank Indonesia also uses monetary policy to control the rupiah exchange rate. A stable exchange rate is considered important to maintain investor confidence and manage imported inflation. Bank Indonesia can intervene in the forex market by selling or buying foreign currency to influence the rupiah exchange rate. Monetary policy is also closely related to macroprudential policy, which aims to reduce systemic risk in the financial sector and prevent financial crises from occurring. This could include policies such as Loan to Value (LTV) limits for property loans or capital requirements for banks. Over the past few years, Indonesia has faced various challenges in monetary policy, including the impact of global economic fluctuations, exchange rate pressures, and changes in cross-border capital flows. In the face of these challenges, Bank Indonesia actively communicates its policies and works closely with the government to support sustainable economic growth and manage inflation.

Data Statistical

1. *Fiscal Policy (FP)*

Table 4. FP Construct Validity and Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Access to Funding (FA)	0,777	0,778	0,900	0,818
Access to Markets (MA)	0,453	0,453	0,785	0,646
Facilitation and Coaching (FM)	0,646	0,655	0,810	0,589
Fiscal Policy (FP)	0,894	0,897	0,910	0,389
Incentives for Innovation and Expansion (INV)	0,632	0,677	0,841	0,727
Measurement and Evaluation (EM)	0,709	0,717	0,873	0,774
Tax Rate Simplification (TP)	0,799	0,801	0,862	0,555

In the given table 4 from a SmartPLS output, we have a comprehensive overview of the validity and reliability assessments for various components of a Fiscal Policy (FP) construct. These assessments are crucial in ensuring the rigor and robustness of a measurement model in structural equation modeling. Starting with Access to Funding (FA), the data suggests a high level of internal consistency and reliability with a Cronbach's Alpha of 0.777 and a rho_A of 0.778, both of which are well above the acceptable threshold of 0.7. This is further substantiated by an impressive Composite Reliability score of 0.900, indicating excellent reliability. The Average Variance Extracted (AVE) for FA is 0.818, which surpasses the benchmark of 0.5, signifying that the majority of the variance in the items is explained by the construct. Moving to Access to Markets (MA), the internal consistency is lower, with a Cronbach's Alpha and rho_A of 0.453. This figure suggests that the items may not be as strongly related to one another,

thus requiring a review of the construct's items. However, the Composite Reliability is still acceptable at 0.785, and the AVE is 0.646, indicating a fair amount of variance explained by the construct.

Facilitation and Coaching (FM) shows an improvement in internal consistency with a Cronbach's Alpha of 0.646 and rho_A of 0.655. The Composite Reliability here is 0.810, and the AVE is 0.589, both of which are above acceptable levels, suggesting that FM has a good level of construct reliability and validity. Fiscal Policy (FP), the central construct, shows a very high level of internal consistency with a Cronbach's Alpha of 0.894 and rho_A of 0.897. Its Composite Reliability is also very high at 0.910. However, the AVE is notably lower at 0.389, which is below the desired level of 0.5, indicating that the items may not be sufficiently capturing the variance of the FP construct. For Incentives for Innovation and Expansion (INV), the Cronbach's Alpha of 0.632 and rho_A of 0.677 are moderately satisfactory, suggesting some room for improvement. The Composite Reliability is robust at 0.841, and the AVE is strong at 0.727, which indicates a solid construct validity. Measurement and Evaluation (EM) presents a good internal consistency with a Cronbach's Alpha of 0.709 and rho_A of 0.717. The construct also exhibits a high Composite Reliability of 0.873 and an AVE of 0.774, indicating a reliable and valid measurement. Lastly, Tax Rate Simplification (TP) has strong internal consistency and reliability with a Cronbach's Alpha of 0.799 and rho_A of 0.801, alongside a Composite Reliability of 0.862. The AVE at 0.555 is above the acceptable threshold, pointing to a valid construct.

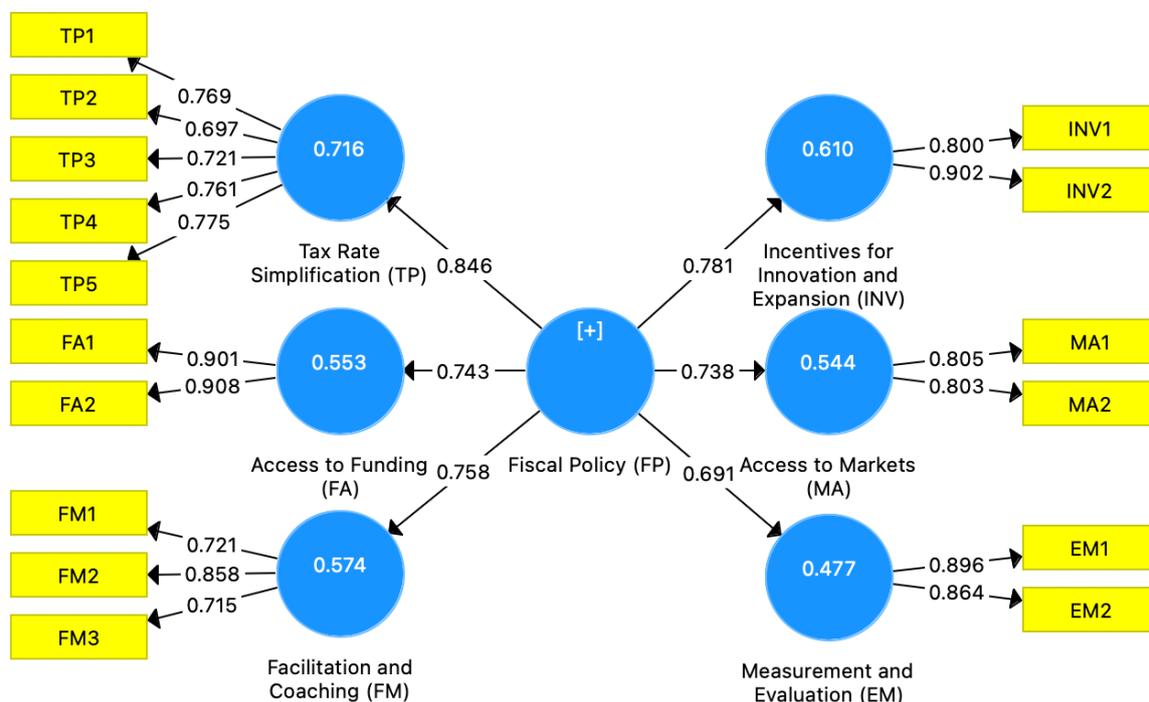


Figure 1. Fiscal Policy (FP) Outer-model

Table 5. FP R-Square

	R Square	R Square Adjusted
Access to Funding (FA)	0,553	0,549
Access to Markets (MA)	0,544	0,540
Facilitation and Coaching (FM)	0,574	0,570
Incentives for Innovation and Expansion (INV)	0,610	0,607
Measurement and Evaluation (EM)	0,477	0,473

Tax Rate Simplification (TP)	0,716	0,713
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Table 5 from a SmartPLS output presents the R Square and R Square Adjusted values for different constructs related to Fiscal Policy (FP). These statistics measure the explained variance in the dependent variables by the independent variables in the model. The construct of Access to Funding (FA) has an R Square value of 0.553, which means that approximately 55.3% of the variance in Access to Funding can be explained by the independent variables included in the model. The R Square Adjusted value, which accounts for the number of predictors in the model, is slightly lower at 0.549, suggesting that the model fits the data well and the predictors are relevant. Access to Markets (MA) has an R Square of 0.544, indicating that 54.4% of the variance is explained by the model. The R Square Adjusted is 0.540, also reflecting a good fit. For Facilitation and Coaching (FM), the R Square is 0.574, showing that the model explains 57.4% of the variance in the FM construct. The R Square Adjusted value of 0.570 reaffirms the strength of the model in explaining the variance in FM. Incentives for Innovation and Expansion (INV) has a higher R Square of 0.610, which means that 61% of the variance in INV is accounted for by the model. The R Square Adjusted is very close at 0.607, indicating a very strong model fit. Measurement and Evaluation (EM) has an R Square value of 0.477, with the model explaining 47.7% of the variance. The R Square Adjusted is 0.473, which is still substantial and indicative of a solid model. Tax Rate Simplification (TP) stands out with an R Square of 0.716, meaning that 71.6% of the variance in TP is explained by the independent variables. The R Square Adjusted is very close at 0.713, suggesting that the model has an excellent fit and the variables included are highly predictive of TP.

Table 6. FP F-Square

	Access to Funding (FA)	Access to Markets (MA)	Facilitation and Coaching (FM)	Fiscal Policy (FP)	Incentives for Innovation and Expansion (INV)	Measurement and Evaluation (EM)	Tax Rate Simplification (TP)
Fiscal Policy (FP)	1,235	1,193	1,347		1,567	0,913	2,517

In assessing the influence on Fiscal Policy (FP), we find that Access to Funding (FA) has an F-Square value of 1.235, indicating a medium-to-large effect size, suggesting that FA has a substantial impact on FP. Similarly, Access to Markets (MA) with an F-Square value of 1.193 also exhibits a meaningful impact on FP, falling into a comparable medium-to-large effect size bracket. Facilitation and Coaching (FM) shows an F-Square value of 1.347, which implies a large effect size, highlighting its significant influence on the FP construct. This indicates that facilitation and coaching are key drivers in shaping fiscal policy. Incentives for Innovation and Expansion (INV) presents an F-Square value of 1.567, signifying one of the strongest impacts on FP among the constructs listed, with a large effect size. This underscores the importance of innovation and expansion incentives in the realm of fiscal policy. Measurement and Evaluation (EM) shows an F-Square value of 0.913, which suggests a medium effect size, pointing to a noteworthy but less pronounced influence on FP compared to other constructs. Tax Rate Simplification (TP) has the highest F-Square value of 2.517, indicating a very large effect size and establishing it as the most influential factor affecting Fiscal Policy within this model. This suggests that simplification of tax rates is a critical component in the formulation and effectiveness of fiscal policy.

Table 7. FP Regression Analysis

	Sample Mean	Standard Deviation	T Statistics	P Values
Fiscal Policy (FP) -> Access to Funding (FA)	0,746	0,039	19,266	0,000
Fiscal Policy (FP) -> Access to Markets (MA)	0,736	0,047	15,528	0,000
Fiscal Policy (FP) -> Facilitation and Coaching (FM)	0,761	0,052	14,471	0,000
Fiscal Policy (FP) -> Incentives for Innovation and Expansion (INV)	0,785	0,046	16,884	0,000
Fiscal Policy (FP) -> Measurement and Evaluation (EM)	0,693	0,061	11,319	0,000
Fiscal Policy (FP) -> Tax Rate Simplification (TP)	0,849	0,043	19,475	0,000

The regression analysis demonstrates the strength and significance of the relationship between Fiscal Policy and each of the dimensions. Each dimension's sample mean indicates the average effect of Fiscal Policy on that dimension, with the standard deviation providing a measure of the variability of these effects. For Access to Funding (FA), the mean effect size is substantial at 0.746, and with a very low standard deviation of 0.039, this effect is consistent across the sample. The T-statistics value of 19.266 and a P-value of 0.000 suggest that Fiscal Policy has a highly significant impact on FA. Similarly, Access to Markets (MA) has a strong mean effect size of 0.736, with a standard deviation of 0.047. The T-statistics of 15.528 further confirm the significance of the impact, as indicated by the P-value of 0.000.

Facilitation and Coaching (FM) also shows a significant relationship with Fiscal Policy, with a mean effect size of 0.761 and a standard deviation of 0.052. The T-statistics are 14.471, and the P-value is 0.000, highlighting a highly significant effect. Incentives for Innovation and Expansion (INV) have a mean effect size of 0.785, which is among the highest, reflecting the strong influence of Fiscal Policy. The standard deviation is 0.046, and the T-statistics reach 16.884, with a P-value of 0.000, indicating a very significant relationship. Measurement and Evaluation (EM) has a mean effect size of 0.693, which is lower compared to other dimensions but still significant. The standard deviation is relatively higher at 0.061, yet the T-statistics of 11.319 and a P-value of 0.000 underscore a significant impact. Lastly, Tax Rate Simplification (TP) shows the strongest relationship with Fiscal Policy among the dimensions, with the highest mean effect size of 0.849 and a low standard deviation of 0.043. The T-statistics stand at 19.475, with a P-value of 0.000, signifying an exceptionally significant effect.

2. Monetary Policy (MP)

Table 8. MP Construct Validity and Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Attitude towards Monetary Policy (AMP)	0,745	0,778	0,851	0,656
Knowledge of Monetary Policy (KMP)	0,690	0,689	0,829	0,617
Monetary Policy (MP)	0,878	0,887	0,901	0,835
Perception of Monetary Policy Effectiveness (PMPE)	0,842	0,845	0,894	0,679
Personal Experience with Monetary Policy (PEM)	0,827	0,838	0,920	0,852

The construct of Attitude towards Monetary Policy (AMP) shows good internal consistency, as indicated by a Cronbach's Alpha of 0.745, which is above the commonly accepted threshold of 0.7. The rho_A, a measure similar to Cronbach's Alpha but based on the

loadings from the PLS analysis, is 0.778, suggesting that the items are reliably measuring the same underlying construct. The Composite Reliability of 0.851 and the Average Variance Extracted (AVE) of 0.656 both exceed the recommended cutoffs of 0.7 and 0.5, respectively, confirming the reliability and convergent validity of the AMP construct. Knowledge of Monetary Policy (KMP) has a slightly lower Cronbach's Alpha of 0.690 and rho_A of 0.689, indicating an acceptable level of internal consistency. The Composite Reliability stands at 0.829, which is satisfactory, and the AVE is 0.617, signifying that a considerable proportion of the variance in the indicators is captured by the construct. Monetary Policy (MP), the central construct, exhibits strong reliability with a Cronbach's Alpha of 0.878 and rho_A of 0.887. The Composite Reliability score of 0.901 and an AVE of 0.835 indicate that the construct is measured with high reliability and that there is a strong convergence of the items on the common construct. Perception of Monetary Policy Effectiveness (PMPE) shows robust internal consistency with a Cronbach's Alpha of 0.842 and rho_A of 0.845. The Composite Reliability score of 0.894 and AVE of 0.679 both suggest that PMPE is a reliable construct and the items have a high degree of shared variance. Personal Experience with Monetary Policy (PEM) has the highest internal consistency measures among all constructs, with a Cronbach's Alpha of 0.827 and rho_A of 0.838. Its Composite Reliability is outstanding at 0.920, and the AVE is very high at 0.852, indicating that the PEM construct has excellent internal consistency, reliability, and convergent validity.

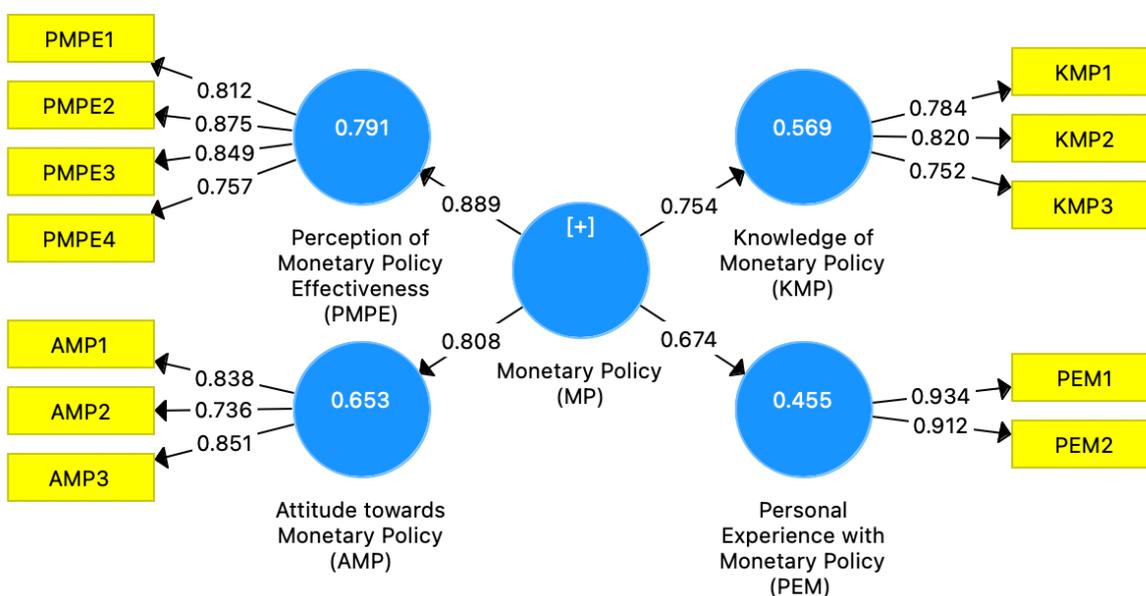


Figure 2. Monetary Policy (FP) Outer-model

Table 9. MP R-Square

	R Square	R Square Adjusted
Attitude towards Monetary Policy (AMP)	0,653	0,650
Knowledge of Monetary Policy (KMP)	0,569	0,565
Perception of Monetary Policy Effectiveness (PMPE)	0,791	0,789
Personal Experience with Monetary Policy (PEM)	0,455	0,450

For the construct Attitude towards Monetary Policy (AMP), the R Square value is 0.653, which means that approximately 65.3% of the variance in AMP is explained by the variables or constructs that precede it. The R Square Adjusted is slightly lower at 0.650, which takes into account the number of predictors in the model and suggests a very good fit. The Knowledge of

Monetary Policy (KMP) has an R Square value of 0.569, suggesting that 56.9% of its variance is captured by the predicting variables. The R Square Adjusted is close at 0.565, again showing a strong model fit with consideration of the number of predictors. Perception of Monetary Policy Effectiveness (PMPE) has a high R Square value of 0.791, indicating that 79.1% of the variance in PMPE is explained by its predictors, which is quite substantial. The R Square Adjusted is 0.789, confirming that the fit remains robust when adjusted for the number of predictors. Lastly, Personal Experience with Monetary Policy (PEM) has an R Square value of 0.455, which means that the model explains 45.5% of the variance in PEM. The R Square Adjusted is 0.450, which is slightly less but still indicates that a substantial portion of the variance in PEM is accounted for by the model.

Table 10. MP F-Square

	Attitude towards Monetary Policy (AMP)	Knowledge of Monetary Policy (KMP)	Monetary Policy (MP)	Perception of Monetary Policy Effectiveness (PMPE)	Personal Experience with Monetary Policy (PEM)
Monetary Policy (MP)	1,880	1,318		3,784	0,834

Attitude towards Monetary Policy (AMP) has an F-Square value of 1.880 in its relationship with Monetary Policy, indicating a large effect size. This suggests that the attitude individuals or entities have towards monetary policy significantly influences the overall concept of Monetary Policy in the model. This high F-Square value highlights the importance of stakeholders' attitudes in understanding or predicting the dynamics of monetary policy. Knowledge of Monetary Policy (KMP) has an F-Square value of 1.318, which also suggests a large effect size, albeit slightly lower than that of AMP. This value signifies that knowledge or awareness of monetary policy mechanisms and principles has a strong impact on the Monetary Policy construct. It underscores the role that education and information dissemination play in shaping the overall monetary policy framework. Perception of Monetary Policy Effectiveness (PMPE) shows the highest F-Square value of 3.784, indicating a very large effect size. This is the strongest relationship observed in the table, emphasizing that perceptions of how effective monetary policy is have a profound influence on the overarching Monetary Policy construct. This could reflect the confidence that businesses, consumers, and investors have in the central bank's ability to manage the economy effectively through its monetary policy decisions. Personal Experience with Monetary Policy (PEM) has an F-Square value of 0.834, which represents a medium-to-large effect size. It suggests that personal experiences with monetary policy, which could include interactions with interest rates, credit availability, and other monetary conditions, are significant but have a somewhat smaller impact on the Monetary Policy construct than the other variables listed.

Table 11. MP Regression Analysis

	Sample Mean	Standard Deviation	T Statistics	P Values
Monetary Policy (MP) -> Attitude towards Monetary Policy (AMP)	0,805	0,038	21,411	0,000
Monetary Policy (MP) -> Knowledge of Monetary Policy (KMP)	0,758	0,049	15,473	0,000
Monetary Policy (MP) -> Perception of Monetary Policy Effectiveness (PMPE)	0,891	0,019	47,418	0,000
Monetary Policy (MP) -> Personal Experience with Monetary Policy (PEM)	0,671	0,073	9,295	0,000

The regression analysis reveals a strong relationship between Monetary Policy and Attitude towards Monetary Policy (AMP), as evidenced by a high sample mean of 0.805. This suggests that for each unit increase in the MP construct, there is a corresponding increase of 0.805 units in AMP. The standard deviation is quite low at 0.038, indicating little variability around this mean effect. The T Statistics value of 21.411 is significantly high, and the P Value of 0.000 indicates that this relationship is statistically significant. Similarly, the Knowledge of Monetary Policy (KMP) is positively influenced by the MP construct with a sample mean of 0.758. This implies a robust and significant relationship, as supported by the T Statistics of 15.473 and a P Value of 0.000. The standard deviation of 0.049 shows a slightly higher variability in the effect on KMP compared to AMP but remains low overall. The strongest relationship is observed between MP and Perception of Monetary Policy Effectiveness (PMPE), with an impressive sample mean of 0.891. This indicates that changes in the MP construct have a substantial effect on how effective monetary policy is perceived. The very low standard deviation of 0.019 points to a highly consistent effect across the sample, and the extremely high T Statistics value of 47.418, coupled with a P Value of 0.000, underscores the significance of this relationship. Lastly, Personal Experience with Monetary Policy (PEM) shows a sample mean of 0.671, suggesting a positive and significant relationship with the MP construct. The standard deviation of 0.073 is higher, indicating more variability in the impact on PEM. Nevertheless, the T Statistics value of 9.295 and a P Value of 0.000 confirm that the relationship is statistically significant.

3. *Borrowing Costs and Access to Credit (BCAC)*

Table 12. BCAC Construct Validity and Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Borrowing Costs and Access to Credit (BCAC)	0,899	0,910	0,920	0,595
Credit Access (CA)	0,841	0,844	0,894	0,678
Loan Cost (LC)	0,785	0,831	0,866	0,627

The Borrowing Costs and Access to Credit (BCAC) construct has exhibited strong internal consistency with a Cronbach's Alpha of 0.899, which is well above the accepted threshold of 0.7 for reliability. The rho_A, which is another reliability measure, is even higher at 0.910, indicating a very reliable set of items. Composite Reliability, an alternative to Cronbach's Alpha that takes into account the different loadings of items, is 0.920, reinforcing the strong internal consistency of the construct. Moreover, the Average Variance Extracted (AVE) stands at 0.595, which is above the minimum benchmark of 0.5, suggesting that the construct has good convergent validity as more than half of the variance in the items is accounted for by the BCAC construct. Credit Access (CA) also shows robust validity and reliability metrics. With Cronbach's Alpha of 0.841 and rho_A of 0.844, the items within the CA construct are consistently measuring the same underlying concept. The Composite Reliability of 0.894 further confirms the reliability of the construct. Furthermore, the AVE is 0.678, indicating excellent convergent validity and implying that a significant portion of the variance in CA is explained by the construct it represents. Loan Cost (LC) presents a Cronbach's Alpha of 0.785, which is slightly lower than the other constructs but still indicates acceptable internal consistency. The rho_A is higher at 0.831, suggesting reliability in the construct. The Composite Reliability score of 0.866 assures the internal consistency, and the AVE of 0.627 suggests that the construct captures a substantial amount of the variance in the items measuring Loan Cost.

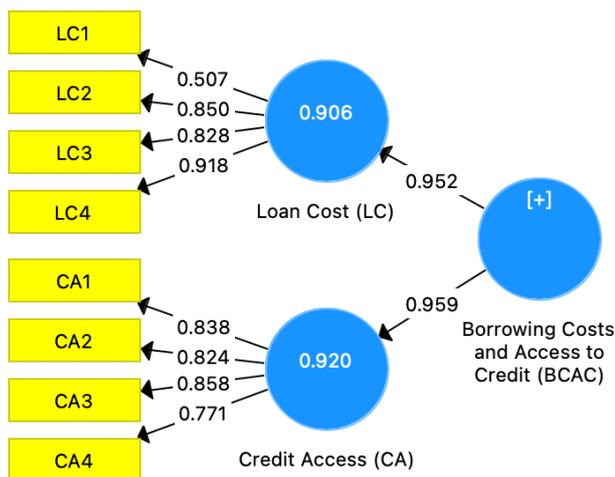


Figure 3. Borrowing Costs and Access to Credit (BCAC) Outer-model

Table 13. BCAC R-Square

	R Square	R Square Adjusted
Credit Access (CA)	0,920	0,919
Loan Cost (LC)	0,906	0,905

The Borrowing Costs and Access to Credit (BCAC) construct has exhibited strong internal consistency with a Cronbach's Alpha of 0.899, which is well above the accepted threshold of 0.7 for reliability. The rho_A, which is another reliability measure, is even higher at 0.910, indicating a very reliable set of items. Composite Reliability, an alternative to Cronbach's Alpha that considers the different loadings of items, is 0.920, reinforcing the strong internal consistency of the construct. Moreover, the Average Variance Extracted (AVE) stands at 0.595, which is above the minimum benchmark of 0.5, suggesting that the construct has good convergent validity as more than half of the variance in the items is accounted for by the BCAC construct. Credit Access (CA) also shows robust validity and reliability metrics. With Cronbach's Alpha of 0.841 and rho_A of 0.844, the items within the CA construct are consistently measuring the same underlying concept. The Composite Reliability of 0.894 further confirms the reliability of the construct. Furthermore, the AVE is 0.678, indicating excellent convergent validity and implying that a significant portion of the variance in CA is explained by the construct it represents. Loan Cost (LC) presents a Cronbach's Alpha of 0.785, which is slightly lower than the other constructs but still indicates acceptable internal consistency. The rho_A is higher at 0.831, suggesting reliability in the construct. The Composite Reliability score of 0.866 assures the internal consistency, and the AVE of 0.627 suggests that the construct captures a substantial amount of the variance in the items measuring Loan Cost.

Table 14. BCAC F-Square

	Credit Access (CA)	Loan Cost (LC)
Borrowing Costs and Access to Credit (BCAC)	11,450	9,638

The table 14 from the SmartPLS output provides the F-Square values, which are measures of effect size for the relationships between the main construct, Borrowing Costs and Access to Credit (BCAC), and two of its predictive constructs: Credit Access (CA) and Loan Cost (LC). The F-Square value for Credit Access (CA) in its relationship with BCAC is exceptionally high at 11.450. This indicates that CA has a very large effect on BCAC, suggesting that changes in Credit Access contribute significantly to changes in Borrowing Costs and Access to Credit. Such a high value can be interpreted to mean that among the factors influencing BCAC, Credit

Access is possibly one of the most impactful. Similarly, the F-Square value for Loan Cost (LC) is 9.638, which is also indicative of a very large effect size. This suggests that the Loan Cost has a substantial impact on BCAC, confirming that the cost associated with borrowing is a major factor in the overall borrowing and credit access experience.

Table 15. BCAC Regression Analysis

	Sample Mean	Standard Deviation	T Statistics	P Values
Borrowing Costs and Access to Credit (BCAC) -> Credit Access (CA)	0,958	0,011	85,290	0,000
Borrowing Costs and Access to Credit (BCAC) -> Loan Cost (LC)	0,951	0,013	71,736	0,000

Table 15 presents a regression analysis output from SmartPLS, focusing on the relationships between Borrowing Costs and Access to Credit (BCAC) and its two predictor variables: Credit Access (CA) and Loan Cost (LC). In the model, Credit Access (CA) has a sample mean of 0.958 when predicting BCAC, which is very close to 1, indicating a very strong positive relationship. This high mean is accompanied by a very small standard deviation of 0.011, suggesting that the variability around this estimate is minimal and the relationship is consistent across the sample. The T Statistics value is extremely high at 85.290, and the P Value is 0.000, which in conventional statistical analysis denotes a relationship that is highly statistically significant. Similarly, Loan Cost (LC) also shows a very strong positive relationship with BCAC, with a sample mean of 0.951. This means that changes in Loan Cost are almost equally associated with changes in BCAC as changes in Credit Access are. The standard deviation for LC is slightly higher than CA at 0.013, but it is still very low, indicating a stable relationship. The T Statistics value for LC is 71.736, which is also very high, and the P Value of 0.000 again indicates a highly statistically significant relationship.

4. Common Effect

Table 16. Common Effect Regression Analysis

	Sample Mean	Standard Deviation	T Statistics	P Values
Fiscal Policy (FP) -> Borrowing Costs and Access to Credit (BCAC)	0,267	0,109	2,272	0,024
Monetary Policy (MP) -> Borrowing Costs and Access to Credit (BCAC)	0,476	0,105	4,573	0,000

In the analysis, Fiscal Policy (FP) shows a sample mean impact of 0.267 on Borrowing Costs and Access to Credit. This suggests that for every unit increase in FP, there is an average increase of 0.267 units in BCAC. The standard deviation of 0.109 indicates some variability in this effect. The T Statistics value is 2.272, which crosses the conventional threshold for statistical significance, as reflected by the P Value of 0.024. This signifies that FP has a statistically significant, although not particularly strong, positive effect on BCAC. For Monetary Policy (MP), the impact is stronger, with a sample mean of 0.476 on BCAC. This larger effect size implies that changes in MP have a more substantial average increase on BCAC than changes in FP do. The standard deviation is slightly lower than that for FP at 0.105, indicating a more consistent effect across the sample. The T Statistics for MP is 4.573, which is considerably high, and a P Value of 0.000 strongly suggests that the relationship between MP and BCAC is highly significant and robust.

Discussion

The Indonesian government has taken significant steps to support the growth of Small and Medium Enterprises (SMEs) through various fiscal policies. One important dimension is the simplification of tax rates through the implementation of a lower Final Income Tax (PPh) rate for SMEs, which allows them to allocate more resources for expansion and operations. Simpler tax administration processes also help SMEs save time and costs in tax management. On the other hand, access to funding was expanded through the Kredit Usaha Rakyat (KUR) program, which demonstrates the application of fiscal policy in the form of access to funding. The government worked closely with banks and financial institutions to ensure that KUR distribution could reach SMEs across Indonesia. In addition, the government also implemented various training and coaching programs to improve the capacity of SME entrepreneurs. These programs include managerial, technical, marketing, and information technology training, with the aim of improving the competence and operational efficiency of SMEs to compete in an increasingly competitive market. To encourage innovation and expansion, the government offers tax incentives for SMEs that invest in asset upgrades or business development. These incentives may take the form of tax rebates or other tax facilities aimed at stimulating investment in new technologies, research and development, and market expansion. Access to markets is also facilitated by the government for SME products through the organization of exhibitions, promotional assistance, and export training, with the aim of expanding the market reach of SMEs, both at home and abroad, and improving the competitiveness of Indonesian products. The government also regularly conducts measurement and evaluation to ensure the effectiveness of its fiscal policies on SME development. This involves collecting data and feedback from SMEs, analysing policy impacts, and adjusting policies when necessary to ensure that the support provided is relevant and effective. From the statistical analysis, it is seen that these policies have a positive and significant influence on the variable Borrowing Costs and Credit Access (BCAC), with a statistical T value of 2.272 and a P Value of 0.024. Dimensions of BCAC include competitive borrowing costs, affordability of administration and fees, fairness of credit insurance and other related costs, and flexibility of repayment terms. Access to credit is also improved by a simpler loan application process, flexibility in collateral requirements, speed of loan approval process, and availability and diversity of loan products. All of these efforts create a more conducive environment for SMEs to grow and thrive, strengthening the economic foundation and making a positive contribution to Indonesia's overall economy.

A deep understanding of monetary policy and perceptions of its effectiveness play an important role in the economy, particularly in the context of borrowing costs and access to credit. Knowledge of Monetary Policy (KMP), which includes an understanding of the objectives of monetary policy, awareness of monetary policy instruments such as the BI 7-Day Reverse Repo Rate, and knowledge of the impact of monetary policy on inflation and economic growth, are fundamental factors that influence perceptions and attitudes towards the policy. Perception of Monetary Policy Effectiveness (PMPE) is another important indicator. This includes perceptions of how effective monetary policy is in controlling inflation, stabilizing the rupiah exchange rate, and supporting economic growth. This perception is closely linked to the public's attitude towards the monetary policy implemented by Bank Indonesia. Attitude towards Monetary Policy (AMP) reflects the level of trust in the policies adopted by Bank Indonesia and attitudes towards Bank Indonesia's transparency in communicating its policies. It also includes the willingness to support tighter or looser monetary policy based on economic conditions. Personal Experience with Monetary Policy (PEM) also influences how individuals respond to interest rate changes and decide on their personal investments. This experience includes the direct influence of monetary policy on personal investment decisions and reactions to interest rate changes.

The statistical analysis shows that a strong understanding of monetary policy and a positive perception of its effectiveness have a significant influence on the Cost of Borrowing and Credit Access (BCAC). This is evidenced by a statistical T value of 4.573 and a P Value of less than 0.01, indicating a strong relationship. Dimensions of BCAC include competitive lending rates, affordability of administration and fees, fairness of credit insurance and related costs, and flexibility of repayment terms. Access to credit is also improved through simpler loan application processes, flexibility in collateral requirements, speed of loan approval processes, and availability and diversity of loan products. Thus, the understanding and perception of monetary policy not only increases trust in Bank Indonesia as a policymaking institution, but also directly contributes to more favourable conditions in terms of lending costs and access. This creates a virtuous circle that strengthens the overall economic ecosystem and supports sustainable economic growth.

Concluding

From the discussion, it can be concluded that a comprehensive understanding of monetary policy and a positive perception of its effectiveness have significant consequences on economic conditions, particularly in the aspect of borrowing costs and credit access for economic agents. The statistical analysis showing a significant relationship between these variables and the Cost of Borrowing and Credit Access (BCAC) confirms the importance of monetary policy that is not only well designed but also understood and accepted by the public. Theoretically, this finding reinforces the existing literature on the relationship between monetary policy and the microeconomy, particularly in relation to SMEs and individuals. It suggests that when monetary policy is perceived as effective and trusted by the public, there will be a positive reaction that creates a more conducive environment for economic growth. This positive perception facilitates lower borrowing costs and improved access to credit, both of which are important catalysts for investment and business expansion. The managerial implications of these findings are quite broad. For policymakers, particularly Bank Indonesia, it is important to not only focus on the design and implementation of monetary policy but also on the communication of such policy. Transparency and education regarding monetary policy should be improved to ensure that public understanding is aligned with the stated policy objectives. This includes facilitating a more open dialog between Bank Indonesia and various stakeholders, including businesses, investors, and consumers. In the context of SME and individual management, this knowledge emphasizes the importance of monitoring monetary policy and adjusting business and financial strategies in line with policy changes. Businesses need to strengthen their capacity in economic analysis to make more informed decisions in this changing context. In conclusion, a deep understanding and positive perception of monetary policy plays a key role in optimizing borrowing costs and credit access, which in turn supports healthier economic dynamics and sustainable growth. Therefore, a holistic approach that integrates policy design, communication, and education to the public is a critical aspect that should be continuously developed and strengthened by Bank Indonesia and other stakeholders in the economic ecosystem.

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