



Government Investment Credit Programs and Local Own Source Revenue: A Literature Review of The Kredit Kukar Idaman Case In Kutai Kartanegara Indonesia

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Abstract. This article reviews literature on how local government investment and public credit programs contribute to local own-source revenue (PAD), using Kredit Kukar Idaman in Kutai Kartanegara as a contextual case. The review shows that public investment can improve infrastructure, productivity, and business expansion, while credit programs can ease SME liquidity constraints and support market participation. However, their fiscal effects on PAD are indirect and depend on implementation quality, financial literacy, institutional coordination, and tax administration. The article argues that these policies are most effective when directed to productive sectors, supported by mentoring, and integrated with local revenue management. Overall, the literature suggests that local credit programs should be treated as part of a broader development strategy linking economic growth with fiscal sustainability. This article reviews the literature on how local government investment and public credit programs contribute to local own-source revenue (Pendapatan Asli Daerah, PAD), using the Kredit Kukar Idaman program in Kutai Kartanegara as a contextual case. The review finds that government investment can strengthen local economic capacity through infrastructure, productivity gains, and business expansion, while credit programs can improve SME liquidity, production, and market participation. However, the literature also shows that the fiscal impact on PAD is indirect and depends on implementation quality, financial literacy, institutional coordination, and tax administration effectiveness. The article concludes that investment and credit policies are most likely to raise PAD when they are linked to productive sectors, accompanied by mentoring, and supported by a strong local revenue system.

Keywords: Kutai Kartanegara; Local Investment; Local Revenue; PAD; SME Credit.

1. INTRODUCTION

Local fiscal capacity remains a central issue in regional development, especially in resource-rich areas that still rely heavily on intergovernmental transfers. In Kutai Kartanegara, the policy challenge is not only to stimulate economic activity but also to translate that activity into stronger local revenue performance. Local government investment and the Kredit Kukar Idaman program are two strategic instruments for expanding the local economic base and, eventually, PAD (Halim, 2004; Mahmudi, 2010).

The policy logic is straightforward: investment improves infrastructure and productive capacity, while credit relaxes capital constraints faced by SMEs. Kredit Kukar Idaman is a local financing scheme intended to expand business access to capital and support micro and small enterprises. This article develops that argument into a journal-style literature synthesis for an academic audience (Bankaltimtar, 2026).

From a regional public finance perspective, PAD is not only a revenue category but also a marker of local economic resilience. Strong PAD indicates that a district can finance development with less dependence on central transfers. For that reason, the relationship

between investment, SME finance, and local revenue deserves to be reviewed as a single policy chain rather than as separate issues (Halim, 2004; Mahmudi, 2010).

2. REVIEW METHOD

This article uses a narrative literature review approach. The review draws on classical and contemporary theories of investment, financial intermediation, local revenue, and prior studies on SME credit and government investment. It also incorporates current web sources on government support for SMEs, the Kredit Kukar Idaman program, and local PAD developments in Kutai Kartanegara (Bankaltimtara, 2026; Kutai Kartanegara Government, 2022; KutaiRaya, 2026a, 2026b).

The literature was organized thematically around five issues: government investment, SME credit and financial intermediation, local revenue transmission, implementation quality, and the policy environment of Kutai Kartanegara. This structure is suitable for a literature review article because it allows conceptual synthesis rather than reporting primary empirical findings. The purpose is to identify the mechanisms through which public investment and credit may influence PAD, and to highlight the conditions under which that influence becomes visible.

The review also gives attention to program design details. Bankaltimtara describes Kredit Kukar Idaman as a zero-interest, low cost, fast processing credit facility for UMKM in agriculture, fisheries, processing, trade, and services, with a maximum plafond of Rp25 million and a maximum tenor of 24 months (Bankaltimtara, 2026). These design features matter because literature on SME finance repeatedly shows that access conditions shape not only uptake but also downstream economic effects (Crawford et al., 2024).

Investment and Growth

Classical and modern development theory consistently places investment at the center of economic growth. Smith, Ricardo, Mill, Todaro, and Aghion show that capital formation increases productive capacity, improves employment, and expands market activity. In regional settings, public investment is especially important because it can reduce bottlenecks in transport, coordination, and business access.

The logic of public investment is particularly relevant in local economies where infrastructure quality, market access, and production costs strongly affect business performance. Government investment improves roads, market facilities, irrigation, digital access, and other productive assets that lower transaction costs and expand the reach of local

businesses. When those improvements occur, SMEs are more likely to increase output and participate in broader market exchange, which in turn enlarges the tax base.

Recent literature supports this view. A study on local government support for SMEs in Indonesia found that policy support, financing, mentoring, and social programs significantly improve SME performance. Another review of government loan programs emphasized that public financing can ease credit constraints, but the benefits are strongest when government action is accompanied by institutional support and business guidance. A systematic review of government finance, loans, and guarantees for SMEs also concluded that awareness of government financial incentives remains uneven and that the policy purpose of lending should be more clearly defined (Aulia & Putri, 2025; Crawford et al., 2024).

The broader implication is that investment should not be treated as a standalone fiscal activity. Instead, it functions as a structural policy tool that shapes the conditions in which firms operate. If the local government invests in infrastructure while also improving access to formal finance, the local economy gains both supply-side and demand-side support. This dual support is essential for building a stronger revenue base over time (Aghion et al., 2021).

Credit Programs and SMEs

The financial intermediation perspective explains why credit programs matter for local development. Banks and public credit schemes channel funds from surplus units to productive users, especially SMEs that often face limited collateral and weak access to formal finance. In this context, Kredit Kukar Idaman functions as a local policy instrument that enables faster capital accumulation for micro and small firms (Mishkin, 2016).

The importance of credit is rooted in the behavior of SMEs themselves. Small enterprises usually operate with thin margins, limited working capital, and weak bargaining power. When access to finance is constrained, they are unable to expand inventory, buy equipment, hire additional workers, or enter new markets. Credit programs reduce these barriers by supplying capital at more affordable terms, which may then raise sales, production volume, and labor absorption (Crawford et al., 2024).

This is consistent with the current program design. Bankaltimtara states that Kredit Kukar Idaman is aimed at UMKM in agriculture, fisheries, processing, trade, and services, with zero interest, low cost, simple requirements, and a maximum plafond of Rp25 million (Bankaltimtara, 2026). Program information from Kutai Kartanegara also describes the scheme as a public credit facility intended to widen access to finance for local enterprises (Kutai Kartanegara Government, 2022). The design is especially relevant because it tries to address the common gap between formal banking and grassroots business needs.

Credit access may increase activity, but it does not automatically improve business quality. Without business training, record keeping, and repayment discipline, credit can become underutilized or generate default risk. This concern is echoed in the literature, which shows that credit programs are most effective when combined with capacity building and monitoring rather than treated as simple cash transfers (Crawford et al., 2024).

A further point is that public credit programs can create signaling effects in local markets. When the government supports SMEs through accessible credit, it can increase confidence among suppliers, consumers, and financial institutions. That confidence may generate additional economic activity beyond the direct recipients of the credit. This multiplier effect is one reason why credit programs are often positioned as development tools rather than merely financing instruments (Beck et al., 2020).

Pathway to PAD

The literature suggests that PAD rises not directly from credit disbursement or public investment, but through an economic transmission chain. Investment and credit raise business activity, business activity expands output and transactions, and broader economic transactions enlarge the tax and retribution base. This is the mechanism emphasized in the literature, where PAD is treated as the final output of a longer policy process.

In local public finance theory, the key issue is the conversion of economic activity into fiscal capacity. A district may experience business growth without a corresponding rise in PAD if the local tax system is weak, if firms remain informal, or if revenue administration is not able to capture the expanded base. Thus, the relevance of PAD lies not only in whether the economy grows, but also in whether growth is fiscally registered by the government (Halim, 2004; Mahmudi, 2010).

The challenge is that the transmission is not automatic. Higher credit realization does not necessarily guarantee higher PAD unless it is accompanied by stronger productivity, better implementation, and adequate local fiscal management. This aligns with broader evidence showing that public spending and financing can stimulate local economies, but revenue effects depend on administrative capacity and economic structure (Dewi & Santoso, 2025).

Recent local reporting also suggests that PAD performance in Kutai Kartanegara remains uneven. Reported 2025 PAD realization was around 60 to 74 percent of target in different updates, indicating that fiscal performance still faces pressure and that local revenue growth remains a policy concern (KutaiRaya, 2026a, 2026b). In that context, an instrument like Kredit Kukar Idaman may contribute to PAD only if it strengthens productive business activity that is later captured through taxes, fees, and related local income channels.

The literature therefore supports a cautious interpretation. Credit and public investment are best viewed as enabling factors. Their contribution to PAD is mediated by formalization, compliance, sectoral composition, and the effectiveness of local institutions. This makes PAD a lagging outcome rather than an immediate result (Halim, 2004).

3. DISCUSSION

The most important conclusion from the literature is that government investment and SME credit are complementary rather than substitutive. Investment creates the enabling environment, while credit gives firms the liquidity to respond to that environment. When both are aligned, SMEs are more likely to expand production, hire workers, and engage in taxable economic activities (Aulia & Putri, 2025).

At the same time, the literature warns against overestimating automatic fiscal effects. Public credit may improve SME output, but the translation into PAD depends on whether firms formalize their activities, whether local tax collection is effective, and whether the local government can maintain policy coordination across agencies. The qualitative review article on government loan programs similarly stresses that credit works best when accompanied by mentoring and capacity building (Crawford et al., 2024).

Kutai Kartanegara provides a useful policy case because the Kredit Kukar Idaman program has a clear institutional design and a strong local government role. According to the program information, applications can be made through the local cooperative office or village/urban ward channels, then verified by Bankaltimtara (Kutai Kartanegara Government, 2022; Bankaltimtara, 2026). This shows that the program is not only a financing channel but also a local administrative system that can shape access and outcomes.

The recent evolution of the program reinforces its policy importance. Public reporting indicates that the district plans to expand the scale of the program substantially, including a transition toward a newer version of Kredit Kukar Idaman Terbaik with higher plafonds and broader sectoral reach (KutaiRaya, 2025; Akupedia, 2026). This suggests that the government sees local credit as part of a larger economic transformation strategy, not merely a one-time intervention.

However, the literature also suggests that expansion alone is not enough. Larger plafond values can help firms grow, but they also require stronger risk management, better borrower selection, and a clearer link to sectors that can generate taxable output. If the goal is to improve PAD, then policy design must ensure that finance goes to productive and formalizable activities rather than only to temporary consumption support (Crawford et al., 2024).

There is also an institutional lesson from the case. Because the program is jointly connected to local government, Bankaltimtara, and technical local units, its effectiveness depends on coordination. If coordination weakens, the policy chain from credit to business growth to PAD can break at several points. The literature therefore supports integrated governance as a decisive variable in policy success (Aulia & Putri, 2025).

Policy Implications

For local governments, the literature implies that PAD-oriented development policy should prioritize productive public investment and targeted SME financing. However, financing alone is insufficient. The government also needs mentoring, financial literacy support, and monitoring to reduce default risk and improve business sustainability (Aulia & Putri, 2025).

For Kutai Kartanegara specifically, Kredit Kukar Idaman should be linked more tightly to sectors that have the greatest local revenue potential, such as trade, processing, and services. The local government should also connect program beneficiaries with tax registration, business licensing, and market access so that successful borrowers are more likely to become part of the formal revenue base (Kutai Kartanegara Government, 2022; Bankaltimtara, 2026).

A stronger policy design would also include periodic evaluation. Evaluation should track whether credit recipients increase production, hire labor, register businesses, and contribute to local taxes or retributions. Without that monitoring, the government may know how much credit was disbursed but not whether the credit improved PAD. This is a critical distinction for fiscal policy management (Mahmudi, 2010).

The broader policy implication is that local fiscal strategy must move from input-based success to outcome-based success. In other words, it is not enough to report how much money was spent or lent. The real question is whether the intervention strengthened the local economic base and improved the district's ability to finance itself over time (KutaiRaya, 2026b).

4. CONCLUSION

The literature shows that local government investment and credit programs can support economic activity and strengthen PAD, but only through an indirect and conditional mechanism. The strongest effects appear when investment improves the business environment, credit relaxes capital constraints, and the local government ensures effective implementation and fiscal follow through.

In the case of *Kredit Kukar Idaman*, the program has strong theoretical potential because it targets productive sectors and offers low-cost access to capital. Its contribution to PAD, however, will depend on whether the resulting SME growth becomes sustained, formalized, and fiscally captured by local institutions.

Future research should move beyond descriptive discussion and test the causal pathway between investment, credit, SME growth, and PAD using longitudinal or mixed-method designs. Such studies would help determine whether the fiscal effects suggested by the literature are visible in practice and under what administrative conditions they emerge.

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