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The Factors Influencing MSME Credit Application Decisions at Bank BPD

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Abstract:
This study looks at the impact of credit procedures, collateral, credit requirements and interest rates on MSME credit application decisions at PT BPD Kaltimtara, East Kalimantan, Indonesia. A quantitative explanatory design was used with primary data collected via both online and offline questionnaires between April and June 2025. A purposive sampling technique was used which produced 133 valid responses from MSME operators who have experience in applying for bank credit. The data were analysed using multiple linear regression, with validity, reliability and classical assumption tests also conducted. The results show that credit procedures do not have a significant effect on MSME credit application decisions, suggesting that the ease of the credit procedures is not a major factor when the MSME has a significant need for credit. Collateral, credit requirements and interest rates all have a positive and significant effect on credit application decisions. Credit requirements are the most important of the four variables. The four independent variables taken together have a significant effect on the decision to apply for credit and explain 49.1% of the variation in the dependent variable. The findings point to the need for a more integrated approach to improving MSME access to formal credit with an emphasis on having accessible credit requirements, flexible collateral and competitive interest rates. The study makes a contribution to the understanding of MSME financing behaviour and has practical implications for regional banks in their efforts to improve financial inclusion and support the sustainable development of MSMES.

Keywords: Collateral, Credit Decisions, Credit Procedures, Credit Requirements, Interest Rates

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) occupy a strategic position in the Indonesian economy, including in East Kalimantan, because they contribute to job creation, regional development, and sustainable economic growth (Prabowo et al., 2020) . Nevertheless, a considerable number of MSMEs still encounter obstacles when attempting to obtain financing from formal institutions, particularly banks. Restricted access to credit can constrain business expansion and threaten operational sustainability. Complicated lending procedures, demanding collateral provisions, extensive administrative documentation, and relatively high interest rates are frequently viewed as barriers to formal borrowing. Identifying the factors that shape MSMEs' credit application decisions is therefore important for strengthening financial inclusion and widening access to bank financing (Nugraeni et al., 2023) .

Data from the Department of Industry, Trade, Cooperatives, and MSMEs of Kalimantan Province for 2025 recorded 293,525 MSME units in the province, while only 24,888 had formal credit accounts. Thus, only about 8 percent of MSMEs were connected to formal financing facilities. This contrast between the large economic presence of MSMEs and their limited use of bank financing points to a contextual problem: banking-related constraints may continue to discourage formal credit applications. Rahmawati & Widodo (2023) explains that MSMEs often have difficulty

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reaching banking institutions because banking networks and branch offices remain limited, particularly in remote urban and rural locations. Restricted access to financial information and limited capacity to prepare adequate business proposals also hinder formal financing. Lengthy and complicated procedures may further reduce willingness to seek bank loans, emphasizing the importance of accessibility and administrative simplicity.

Because working capital needs can be urgent, some MSME operators turn to informal lenders, including moneylenders or bank plecit, even when the interest charged is comparatively high. Informal borrowing may be regarded as faster and less complicated than formal bank credit, which is often associated with extensive documentation and longer approval periods. This pattern suggests that ease of access, procedural simplicity, collateral provisions, and borrowing costs can influence the choice of financing source(Hana & Supriyadi, 2019). A clearer understanding of these determinants is therefore necessary to reinforce financial inclusion and reduce dependence on informal lending.

MSME credit applications are influenced by perceptions of whether bank financing is accessible, affordable, convenient, and suitable for business needs. Customers may evaluate the simplicity of procedures and requirements, the availability of collateral, convenience of service, and affordability of interest rates before deciding to borrow. These banking characteristics influence how business owners assess the feasibility and expected benefits of formal financing. Consequently, MSMEs are more likely to consider financial institutions that provide accessible services, reasonable financing costs, and credit conditions that support business continuity and growth (Pradnyawati & Sulindawati, 2023; Putri & Dewi, 2022) .

Prior research on credit application decisions has produced inconsistent results. Several studies identify a significant relationship between credit procedures and borrowing decisions (Pradnyawati & Sulindawati, 2023; Sena et al., 2025) , whereas report no statistically significant effect (Fauzi & Hamidi, 2015). Prabowo et al., (2020) ; Pradnyawati & Sulindawati (2023) find that collateral affects MSME credit decisions, while Putri & Dewi (2022) indicate that commercial banks tend to exercise greater prudence when financing start-up businesses without adequate collateral.

Research on credit requirements also remains inconclusive. Nugraeni et al., (2023) report that lending requirements significantly influence MSME access or credit application decisions, while other evidence indicates that such requirements are not invariably significant. A similar lack of consensus exists for interest rates. Pradnyawati & Sulindawati (2023) document a significant effect, whereas Fauzi & Hamidi (2015) indicate that borrowing costs are not always decisive. In addition to these empirical inconsistencies, a contextual gap is apparent in regional banking settings such as Bank BPD Kaltimtara. Previous studies have not sufficiently integrated administrative considerations credit procedures and requirements with economic considerations collateral and interest rates within one model explaining MSME borrowing decisions.

Taken together, the contradictory findings reveal an empirical gap concerning the determinants of MSME credit applications. A contextual gap also remains because relatively limited attention has been directed to MSMEs in East Kalimantan, particularly those interacting with Bank BPD where formal financing access remains low relative to the number of MSMEs operating in the region. The continued presence of financing constraints further represents a practical gap, suggesting that business owners may still struggle with documentation, financing costs, and collateral when seeking bank loans.

Accordingly, this research is designed not only to respond to inconsistencies in earlier findings but also to provide an integrated assessment of the administrative and

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economic considerations underlying MSME credit applications in a regional banking setting. Credit procedures represent the simplicity, transparency, and efficiency of the application process. Collateral and lending requirements indicate the extent to which prospective borrowers can satisfy bank standards, while interest rates represent a central financial consideration because higher borrowing costs can alter financing decisions. On this basis, the study proposes that credit procedures, collateral, credit requirements, and interest rates influence MSME credit application decisions at Bank BPD, both individually and collectively.

LITERATURE REVIEWS

MSME Credit Decisions

Credit decisions among Micro, Small, and Medium Enterprises (MSMEs) represent a process through which business owners evaluate the need, feasibility, cost, and expected benefits of obtaining external financing. Access to credit is particularly important for MSMEs because external funds can support working capital, business expansion, investment in productive assets, and the continuity of business operations. Nevertheless, the decision to apply for bank credit is not determined solely by the need for additional capital. Credit decision is a rational evaluation process and the selection of actions by prospective debtors/customers to choose one loan facility from two or more available financing alternatives. This decision begins with problem recognition or the identification of capital/funding needs, the collection and processing of financing product information, and culminates in the determination of a loan commitment considered most appropriate, secure, and beneficial for personal needs or business continuity (Sena et al., 2025).

Credit Procedures

The credit procedure is a series of stages, protocols, and administrative and operational mechanisms established by financial institutions that prospective borrowers must complete before a loan can be approved and disbursed. From a banking and credit management perspective, this sequence of mechanisms serves as an internal control instrument to objectively assess the applicant’s business feasibility while minimizing the risk of future non-performing loans or defaults (Fauzi & Hamidi, 2015) .

Operationally, the credit procedure encompasses preparation stages, analysis or assessment of application documents and field surveys, decision-making, contract signing along with disbursement administration, and ongoing supervision and guidance of the debtor. Credit procedures are generally measured by indicators such as the simplicity and clarity of the process, promptness and timeliness in processing and disbursement, transparency of administrative requirements, and the creditor’s openness in evaluating creditworthiness. Concise, transparent, and efficient procedures have been shown to provide certainty and significantly encourage borrowers’ confidence in obtaining financing facilities (Rahmawati & Widodo, 2023) .

Collateral

Collateral is the transfer of control rights or the retention of certain assets of economic value and legal validity from the debtor to the creditor, which acts as evidence of and security for the debtor's ability and obligation to meet their debt obligations. Collateral functions as a safeguard and as the primary recourse for the bank in the event of non-performing loans or default, giving the creditor the right to either execute or sell the asset as a form of compensation in the event of default (Sena et al., 2025) .

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In research terms credit collateral is generally assessed on the basis of the legality of the asset's ownership, the criteria and type of the collateralised goods, the adequacy of the asset's economic value in relation to the loan ceiling and its liquidity (to ensure it can be liquidated easily). For the customer and the business in general having assets which are eligible to be pledged as collateral provides a degree of certainty in the ability to access capital and will increase the chances of the customer being approved for credit. Flexible, realistic and non-onerous collateral requirements have been shown to provide a sense of security and have a very significant positive impact on the customer's decision to take out a loan (Herman, 2020) .

Credit Requirements

Credit requirements are essentially benchmarks, standards, criteria and formal rules set by the lender which the prospective borrower must meet in order to be able to access a lending facility. From the lender's point of view they are the tools by which they can carry out a credit appraisal, assess the borrower's capacity and ability to repay the loan and in turn manage their own risk of default or of having uncollectible loans (Nugraeni et al., 2023). Excessively complex, onerous or non-transparent requirements can be a significant barrier to entry and can in fact act to reduce the number of prospective borrowers or business actors who are interested in applying for a formal loan.

Operationally the credit requirements cover a number of areas: the ability to meet the interest, the tenor of the loan, the availability and value of the collateral, the completeness of the administrative documentation. Requirements are also often used as a key indicator in the credit decision process. Where a lender applies clear and realistic requirements that the borrower can in fact meet, access to credit is improved and borrowers are more likely to take out a loan(Sirait et al., 2025) .

Interest Rates

Interest rate is the price, the cost or the compensation that the borrower has to pay to the lender for the use of a given amount of loanable funds over a period of time, which is normally expressed as an annual or monthly percentage (Fauzi & Hamidi, 2015) . In the research context the interest rate is generally measured by a number of different indicators including the percentage rate, the affordability of the rate, the competitiveness or comparative rate with that of the competing financial institutions, the suitability of the rate in relation to the loan ceiling and the tenor, and the method of interest calculation. From the customer's point of view the interest rate is a dual factor in that it can be either an incentive or a disincentive. A low, competitive and transparent rate will be a significant factor in increasing the attractiveness of a loan and in encouraging customers to take it; on the other hand a very high rate will increase the risk of default and will be a financial burden to the customer, which will in turn reduce the appeal of the loan to the customer (Hambali & Rizqi, 2025) .

Hypothesis Development

Credit Procedures and MSME Credit Decisions

Credit procedures refer to the stages and administrative processes that prospective borrowers must complete when applying for financing, beginning with the submission of an application and continuing through document verification, credit analysis, approval, and loan disbursement. Procedures that are transparent, straightforward, and efficient may improve the accessibility of formal financing because they reduce the time and administrative burden faced by prospective borrowers.

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Conversely, lengthy or complicated procedures may discourage MSMEs from using formal financial institutions, particularly when alternative financing sources provide faster access to funds.

Previous empirical studies have produced different conclusions regarding the influence of credit procedures Sena et al., (2025) ; Artana et al., (2026) found that credit procedures significantly affect customers' credit decisions. Fauzi & Hamidi (2015) findings suggest that easier and more efficient procedures may strengthen customers' willingness to obtain formal financing. However, reported that credit procedures do not significantly influence financing decisions. This difference indicates that procedural convenience may not always constitute the principal consideration for MSMEs, particularly when business capital is urgently required.

Theoretically, MSME owners are likely to compare the administrative burden associated with obtaining credit with the economic benefits expected from the financing. When access to additional capital is perceived as highly beneficial for business continuity or development, borrowers may remain willing to complete relatively demanding procedures. Nevertheless, simpler procedures are generally expected to improve financing accessibility. Based on this reasoning, the following hypothesis is proposed:
H_1: Credit procedures have a significant effect on MSME credit decisions.

Collateral and MSME Credit Decisions

Collateral refers to assets pledged by borrowers as security for credit obtained from financial institutions. In banking activities, collateral constitutes an important component of credit assessment because it provides additional protection against the possibility that borrowers fail to fulfill their repayment obligations. For MSMEs, the availability and adequacy of collateral can therefore influence both the possibility of receiving credit approval and the willingness to submit a credit application.

Empirical studies also demonstrate the importance of collateral in MSME financing. Prabowo et al., (2020) ; Pradnyawati & Sulindawati (2023) found that collateral has a positive and significant influence on credit decisions. On the other hand, collateral does not influence MSME credit decisions (Efriyenty & Janrosl, 2017). Adequate collateral may increase borrowers' confidence that their applications will be accepted, whereas insufficient collateral may discourage MSMEs from applying for formal bank credit. Accordingly, the following hypothesis is formulated:
H_2: Collateral has a significant effect on MSME credit decisions.

Credit Requirements and MSME Credit Decisions

Credit requirements refer to the administrative, legal, financial, and business-related conditions that prospective borrowers must satisfy before receiving financing. Such requirements may include personal identification, business documentation, financial information, evidence of business activities, collateral documents, and other supporting records required by financial institution. The clarity and feasibility of these requirements can influence MSMEs' perceptions regarding their ability to obtain formal credit. Nugraeni et al., (2023) ; Permana & Mustafidah (2026) also found that credit requirements affect formal credit access, while the importance of financing requirements in determining MSMEs' access to credit. Therefore, when credit requirements are understandable, realistic, and attainable, MSME operators are expected to demonstrate a greater willingness to apply for formal financing. Based on this reasoning, the hypothesis is:
H_3: Credit requirements have a significant effect on MSME credit decisions.

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Interest Rates and MSME Credit Decisions

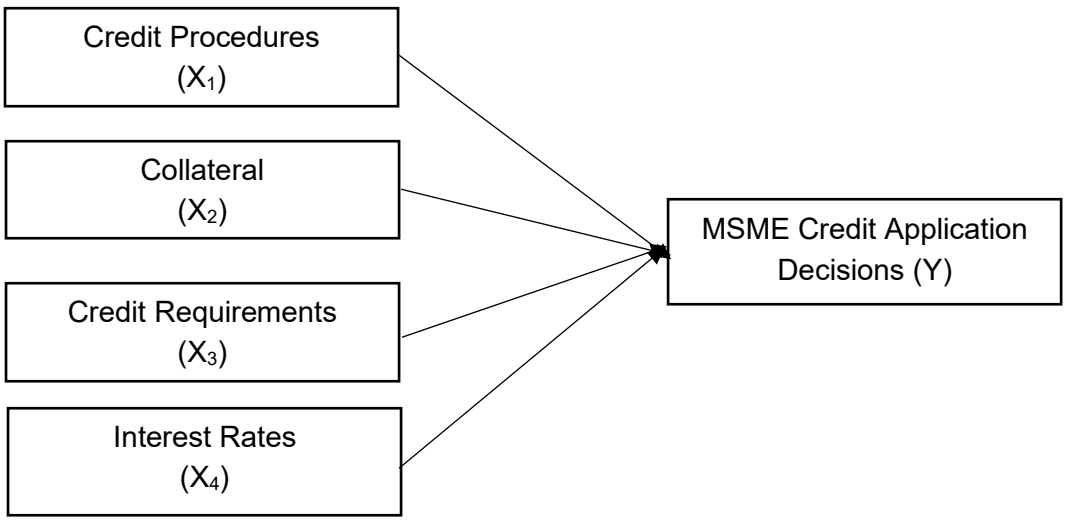
Interest rates represent the financial cost that borrowers must bear for using funds provided by banks. For MSMEs, interest rates are particularly important because borrowing costs directly affect repayment obligations, cash flows, profitability, and the economic feasibility of financing. A competitive interest rate can make formal credit more attractive, whereas a relatively high rate may increase the financial burden associated with borrowing.

From an economic perspective, borrowers generally compare the expected return generated from the use of borrowed funds with the cost of obtaining those funds. When interest rates are affordable relative to expected business returns, credit becomes more economically feasible. Conversely, increasing borrowing costs can reduce credit demand because a greater portion of business income must be allocated to loan repayment. This consideration may be particularly important for MSMEs whose income and cash flows are relatively unstable.

Empirical findings concerning interest rates are not entirely consistent. Pradnyawati & Sulindawati (2023) found that interest rates significantly influence MSME credit decisions, indicating that the cost of borrowing represents an important consideration in financing choices. However, Sena et al., (2025) indicate that interest rates are not always the sole or dominant determinant of borrowing decisions. Such inconsistencies suggest that the effect of interest rates may depend on the urgency of financing needs, repayment capacity, business profitability, and the availability of alternative financing sources. Nevertheless, because interest constitutes a direct cost of borrowing, the following hypothesis is proposed:

H_4: Interest rates have a significant effect on MSME credit decisions.

Conceptual Framework



RESEARCH METHODOLOGY

The research applied a quantitative explanatory design to evaluate the effects of credit procedures, credit collateral, credit requirements, and interest rates on MSME credit application decisions. Primary data were collected directly from respondents by means of online and offline questionnaires measured with a Likert scale (Sugiyono, 2018). Questionnaire statements were adapted from earlier research and adjusted to correspond with the study variables and the characteristics of the research setting. Data

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collection took place between April and June 2025. Of 150 questionnaires distributed, 133 were returned and considered suitable for analysis.

The study population comprised MSME operators in who had received credit, had previously submitted a credit application, or were applying for a loan facility at PT BPD Kaltimtara. Respondents were selected through purposive sampling, a non-probability technique, with eligibility requiring experience in applying for a loan or being involved in an ongoing credit application at the branch. Because the exact population size was unavailable, sample adequacy followed Hair et al. (2019), who recommend a minimum of five to ten observations for each indicator in multivariate analysis. With 19 measurement indicators and 133 valid responses, the resulting sample satisfied this guideline and was considered adequate for estimating the model and testing the hypotheses.

Prior to hypothesis testing, the research instruments and classical regression assumptions were evaluated. Validity and reliability analyses were performed to establish that the questionnaire items appropriately and consistently represented the constructs. Normality, multicollinearity, and heteroscedasticity tests were then undertaken to determine whether the data met the assumptions required for regression. Hypotheses were assessed using multiple linear regression together with partial tests, a simultaneous test, and the coefficient of determination. This analytical technique was appropriate because the model contained several independent variables and sought to estimate their individual as well as joint effects on MSME credit application decisions.

Table 1 Operational Definition

No	Variabel	Indicators	Journal
1	Credit Procedures	a. Document Requirements/Submission b. Document Examination & Analysis c. Procedural Simplicity d. Process Speed e. Credit Disbursement	(Sena et al., 2025)
2	Credit Collateral	a. Collateral Ownership Status b. Collateral Item Criteria c. Nature/Value of Collateral d. Ease & Flexibility of Providing Collateral	(Artana et al., 2026; Sena et al., 2025)
3	Credit Requirements	a. Ability to Meet Interest Rates b. Appropriateness of Loan Utilization c. Suitability of Loan Tenure d. Availability & Appropriateness of Collateral e. Completeness of Documents & Business Legality	(Sirait et al., 2025)
4	Interest Rates	a. Interest Rate Level/Amount b. Interest Rate Competitiveness c. Suitability for Tenor & Ceiling d. Interest Rate Determination & Charging	(Nur'avita & Alamsyah, 2024)
5	Credit Decision	a. Satisfaction & Confidence in Credit Products b. Provision of Information c. Accessibility & Location Distance d. Consideration of Service Quality e. Impact on Business/Problem Resolution	(Sirait et al., 2025)

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Drawing on decision-making behavior theory and banking intermediation theory, the model assumes that MSME financing decisions reflect perceptions of access to finance, credit risk, and borrowing costs. Straightforward and understandable procedures are expected to facilitate financing access, while less demanding requirements and more adaptable collateral arrangements may reduce barriers to applying for loans. Interest rates represent the price of borrowing and are therefore expected to affect financing choices; more affordable rates should make formal credit more attractive to MSME operators.

RESULTS AND DISCUSSION

Table 2 Validity Test

Variabel	r hitung	Hasil
Credit Procedures	0,785	Valid
Collateral	0,845	Valid
Credit Requirements	0,830	Valid
Interest Rates	0,780	Valid
MSME Credit Application Decisions	0,812	Valid

(Source: IBM SPSS 25, 2026)

Table 3 Reliability Test

Variabel	Cronbach's Alpha	N	Hasil
Credit Procedures (X_1)	0,885	5	Valid
Collateral (X_2)	0,825	4	Valid
Credit Requirements (X_3)	0,834	5	Valid
Interest Rates (X_4)	0,880	4	Valid
MSME Credit Application Decisions (Y)	0,842	5	Valid

(Source: IBM SPSS 25, 2026)

Initial testing suggested the research instruments met the required standards for validity and reliability. The items had acceptable validity and the variables had adequate internal consistency. The questionnaire was therefore deemed appropriate for use in measuring credit procedures, collateral, credit requirements, interest rates and MSME credit application decisions.

Table 4 Multiple Regression Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,701	0,491	0,469	0,365

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	12,104	4	3,051	9.243	.000

Variabel	*B*	Std Error	t	Sig.
Constant	0,149	0,360	0,000	0,414

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Variabel	*B*	Std Error	t	Sig.
Credit Procedures	0,005	0,058	0,905	0,066
Collateral	0,178	0,063	4,031	0,001
Credit Requirements	0,104	0,170	5,672	0,000
Interest Rates	0,175	0,074	3,703	0,002

(Source: IBM SPSS 25, 2026)

The coefficient of determination demonstrates that the model possesses sufficient explanatory power for MSME credit application decisions at PT BPD. The four variables account for a substantial portion of the variation in credit decisions, while the remaining variation may be attributed to factors not included in the model, such as financial literacy, business income, service quality, trust in banking institutions, prior borrowing experience, and access to financial information. For regional banks, these findings underscore the need to enhance service accessibility, clearly communicate lending requirements, develop flexible collateral schemes, and offer interest rates aligned with MSME repayment capacity. At the policy level, financial inclusion initiatives should address both administrative and economic barriers to formal financing.

Based on Table 4, the regression analysis indicates that credit procedures do not significantly influence MSME credit application decisions at PT BPD Kaltimtara. Consequently, procedural factors are not the primary consideration for business owners when deciding to seek credit. While complex and lengthy procedures are often perceived as barriers to formal financing, MSME operators may still comply with bank procedures if capital needs are urgent or if bank loans are considered essential sources of business funding. Thus, their decisions are likely influenced more by substantive financial and administrative conditions than by procedural convenience alone. Although process simplification is beneficial, procedural improvements alone may be insufficient if collateral, credit requirements, and financing costs continue to challenge borrowers (Fauzi & Hamidi, 2015) . Given the statistical insignificance of credit procedures, the hypothesis that credit procedures affect credit decisions is rejected. This finding indicates that procedural arrangements are not the primary consideration for MSME operators applying for credit at Bank Kaltimtara Sebulu Branch. According to utility theory, economic actors aim to maximize utility. MSME operators may therefore be willing to submit credit applications when the anticipated economic benefit of obtaining funds surpasses the administrative burden of the process. The need for working capital can outweigh the inconvenience of complex procedures, rendering the perceived benefit of financing more influential than procedural complexity.

This result confirms that collateral remains important in formal lending because it is connected to bank risk assessment and the perceived probability of loan approval. MSME operators with acceptable collateral may feel more confident submitting applications because they can meet a major lending requirement. More flexible and proportionate collateral policies may therefore expand formal credit access, particularly for small businesses with limited access to collateral. The significant role of collateral demonstrates that the value and adequacy of assets pledged by customers are closely linked to credit decisions(Pradnyawati & Sulindawati, 2023; Sena et al., 2025) . MSMEs with sufficient, well-documented collateral have a higher probability of loan approval, while inadequate collateral reduces approval likelihood. In banking credit analysis, collateral constitutes a core component of the 5C framework and mitigates the risk of non-performing loans or default. Higher quality and more valuable collateral reduces the lender’s exposure to problematic credit, whereas insufficient collateral increases perceived default risk.Perceived default risk(Herman, 2020) .

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Collateral can also be analyzed through the framework of asymmetric information theory. Banks, as creditors, typically have less information about MSME borrowers' actual business conditions and repayment capacity than the borrowers themselves. This information gap can lead to adverse selection and moral hazard risks. Collateral helps banks manage this uncertainty and increases confidence that borrowers will meet repayment obligations. This result is consistent with Prabowo et al., (2020) ; (Putri & Dewi, 2022) who report a positive and significant relationship between collateral and credit decisions. Additionally, collateral may signal the borrower's commitment and credibility to the lending institution.

Credit requirements also exert a positive and significant effect on credit application decisions (Nugraeni et al., 2023). The clarity, attainability, and appropriateness of these requirements influence MSME operators' willingness to proceed with applications. Clear and manageable requirements can encourage participation in formal borrowing. This finding highlights the importance of administrative preparedness, such as the ability to provide supporting documents, business information, and financial records. Overly complex requirements may create administrative and psychological barriers, whereas transparent and accessible requirements can enhance confidence in the application process also significant. The more transparent, reasonable, and attainable the requirements are, the more likely MSME operators are to seek formal credit. Requirements that impose a relatively low burden can encourage access to financing, while highly complex or strict conditions could deter potential borrowers(Permana & Mustafidah, 2026) .

Interest rates also have a significant and positive influence on MSME credit application decisions. Borrowing costs are thus a critical economic consideration for business owners(Fauzi & Hamidi, 2015) . Competitive, affordable rates can make formal loans more attractive by reducing repayment pressure and supporting business sustainability. In contrast, high rates may discourage borrowing, especially among MSMEs with unstable income or limited cash flow . Lending-rate policies should therefore align with MSMEs' repayment capacity to promote greater utilization of formal credit. Interest rates are another significant determinant of credit decisions. More competitive and affordable lending rates increase the likelihood that MSME operators will apply for bank credit, whereas higher rates tend to suppress borrowing. Financial institutions should therefore preserve competitive pricing and deliver transparent information about lending rates to make formal credit more attractive and support the development of small and medium enterprises(Hambali & Rizqi, 2025) .

Interest rates reflect the prevailing conditions in the demand for and supply of money and are considered by individuals and businesses when making investment and financing decisions. For MSMEs, lower borrowing costs can stimulate investment intentions and credit demand, whereas higher rates may have the opposite effect. This finding is consistent with (Pradnyawati & Sulindawati, 2023) , who report a positive and significant relationship between interest rates and credit decisions. As the price paid for borrowed funds, the interest rate is a central factor in bank credit decisions; lower rates generally increase customers' willingness to borrow.

More flexible and straightforward requirements can enhance access, while excessive requirements and complex procedures may restrict formal financing opportunities. This finding is consistent with (Nugraeni et al., 2023), who report that credit requirements influence financing decisions. Together, collectively, credit procedures, collateral, credit requirements, and interest rates exert a positive and statistically significant effect on credit decisions at Bank BPD, thereby supporting the fifth hypothesis. Among these four predictors, credit requirements are identified as the dominant

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determinant of MSME credit application decisions. The data indicate that borrowing decisions result from the combined influence of multiple banking conditions. Well-organized procedures, clear and appropriate collateral provisions, attainable requirements, and competitive interest rates together enhance convenience, accessibility, and borrower confidence.

CONCLUSION

The study concludes that credit procedures have no statistically significant impact on the credit decisions of Bank BPD MSME customers. Procedural issues are therefore not the key factor in determining whether or not these business owners will apply for credit. This provides empirical evidence that for these MSMEs the issue of access to finance, the feasibility of the loan and the economic benefits are more important than the procedural complexity of the application.

In contrast collateral, credit requirements and interest rates all have a positive and significant impact on MSME credit decisions. Credit procedures, collateral, credit requirements and interest rates all have a combined effect on the decision to borrow. The findings suggest that MSME credit behaviour is the result of the combined effect of the bank's policies which in turn shape perceptions of convenience, accessibility, financial feasibility and confidence in the lending process.

The findings suggest that Bank BPD and other banks providing finance to MSMEs should be moving towards increasingly inclusive lending policies. Appropriate actions would include greater transparency around credit information, making the administrative requirements more transparent and accessible, maintaining competitive lending rates and adopting a more flexible approach to the assessment of collateral for MSMEs who have very limited assets. There should be a concerted effort from policymakers to improve financial inclusion in a way that is consistent with sound bank risk management. For the MSME operator and the wider community, better access to formal credit can be a major enabler of business continuity, reduce the need to turn to informal lenders and contribute to improved regional economic development.

The study is restricted to MSME operators who are customers of Bank BPD and examines only four explanatory variables. Future research could broaden the geographical scope, include other financial institutions nd incorporate additional determinants such as service quality, financial literacy, business income, digital banking access, and business experience. Such an approan approach would undoubtedly provide a more complete explanation of the factors that influence MSME credit decisions and access to formal finance.

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