The Effect of KUR and BLT Programs on MSME Performance with Differentiation Strategy as A Mediation Variable

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ABSTRACT

This study aims to examine the impact of the People's Business Credit (KUR) and Direct Cash Assistance (BLT) programs on MSME performance through differentiation strategy mediation. This study involved MSME actors in Salatiga City using a purposive sampling method to determine the sample. Data were processed using Partial Least Square- Structural Equation Modeling (PLS-SEM). The reported findings are that the KUR and BLT programs have a significant positive effect on differentiation strategies and also on MSME performance. It is also proven that differentiation strategies mediate the effect of KUR and BLT programs on MSME performance. This can be a reference for MSME actors to increase their business capital by using the KUR and/or BLT programs wisely to support the implementation of differentiation strategies to improve their business performance.

Keywords: KUR; BLT; MSME Performance; Differentiation Strategy

Fields: Macro Economics, MSME, Economy

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SDGs: Quality Education (4); Decent Work and Economic Growth (8); Peace, Justice and Strong Institutions (16)

INTRODUCTION

The economic crisis that hit Indonesia in 1997 had a negative impact on the Indonesian economy, one of which was the weakening of the rupiah exchange rate against the US dollar (Anggraini & Nasution, 2013). The Covid-19 pandemic has caused the economy in Indonesia to also be estimated to grow negatively, in addition to increasing unemployment and poverty rates. Based on calculations from year to year, economic growth in the first quarter of 2020 showed a weakening of 2.97% compared to the achievement in the first quarter of 2019 of 5.07%. Data in the second quarter also showed a decline of -5.32%. Data in the third quarter experienced a growth contraction of 3.49%. One of the impacts of the declining percentage of the economy in Indonesia is the increasing unemployment and poverty rates caused by layoffs during the Covid-19 pandemic (Damayanti, 2021). This has encouraged the government to improve the Indonesian economy by relying on income from Micro, Small and Medium Enterprises (MSMEs). This is because MSMEs are able to survive during the economic crisis (Riawan & Kusnawan, 2018). Currently, the existence of MSMEs is also being exacerbated by the Covid-19 pandemic which has caused several MSME sectors to experience a decline in performance, such as a decrease in sales turnover which will also have an impact on production levels. This is because MSMEs are experiencing difficulties in terms of capital (Rizqi, 2020). One of the areas whose MSMEs were affected by the Covid-19 pandemic was Salatiga City. This can be seen from the existence of ± 124 MSMEs that experienced a decline in their business performance, such as production capacity and sales. In addition, there are ± 200 MSMEs in Salatiga that have closed their businesses completely due to bankruptcy. During this pandemic, there are also ± 243 MSME actors in Salatiga who need debt restructuring and capital assistance (Dinkopukm, 2020). Several MSMEs in Salatiga are still experiencing capital constraints due to the pandemic. Capital constraints will affect the performance of Micro, Small and Medium Enterprises (MSMEs), such as decreased production, reduced workforce, and thus will reduce their business income (Mayuni & Rustariyuni, 2015). The government is trying to improve the performance of MSMEs by providing a People's Business Credit (KUR) program with low interest managed by banks to MSME actors (Nugroho, 2020). In addition, the government also provides capital assistance by providing a Direct Cash Assistance (BLT) program for MSME actors amounting to IDR 2.4 million with certain conditions to improve their business (Pramanik, 2020). This assistance is expected to help MSMEs increase production volume and sales turnover, so as to minimize bankruptcy in MSMEs due to the Covid-19 pandemic. However, there are several MSMEs that misuse the funds for daily needs (Nurcahyadi, 2021). Findings from Nakabili et al. (2020) and

Santoso et al. (2015) stated that credit does not affect the performance of MSMEs. The credit does not have an effective effect on business performance if the provision of credit is not supported by other factors. In line with that, Widodo et al. (2021) also stated that government assistance did not have a significant effect on MSME performance. The contradictory findings of the effects of KUR and BLT on MSME performance prompted researchers to further analyze the possibility of the role of other variables that made the findings inconsistent. One of the variables that can affect business performance is the business strategy implemented in the business (Suriyanti & Binangkit, 2019), namely the differentiation strategy as an intermediary for the influence between the KUR and BLT programs on MSME performance. There are several studies that discuss the influence of the KUR program on MSME performance and the influence of the BLT program on MSME performance, but there are still limited studies that combine the two variables into one research model, by adding the mediation effect of differentiation strategy. In this case, the existence of differentiation strategy mediation is thought to be able to optimize the influence of KUR and BLT on MSME performance.

This study aims to examine the effect of KUR and BLT programs on MSME performance through differentiation strategy mediation. To operationalize this objective, it is reduced to several questions as follows: a) What is the Program. KUR has a significant positive effect on MSME performance?; b) Does the BLT Program have a significant positive effect on MSME performance?; c) Does the KUR Program have a significant positive effect on differentiation strategy?; d) Does the BLT Program have a significant positive effect on MSME performance?; e) Does the differentiation strategy have a significant positive effect on MSME performance?; f) Does the differentiation strategy mediate the effect of the KUR program on MSME performance?; and g) Does the differentiation strategy mediate the effect of the BLT program on MSME performance?

The theoretical contribution of the study is to enrich the literature in the field of financial management for MSMEs through the utilization of funding (KUR and BLT) from the government to improve business performance (Napitupulu et al., 2021; Renaldo et al., 2021; Sari et al., 2021). While the managerial contribution applies to MSME entrepreneurs to be proactive and wise in using financial assistance from the government to implement different and valuable business strategies, which lead to improving their performance (Junaedi, Panjaitan, et al., 2024; Renaldo, Junaedi, Musa, et al., 2024; Renaldo, Junaedi, Suhardjo, et al., 2024). For the government, the policies designed are those that are pro-strengthening MSMEs through easily accessible and cheap funding (Agusta & Yusnidar, 2024; Mahmood et al., 2024; Yenni et al., 2024). Meanwhile, for other stakeholders, they should work together to provide support for resources that are not owned by MSMEs so that MSMEs can rise and develop (Nyoto et al., 2024).

LITERATURE REVIEW

The KUR program is a government program to support the development of small and medium enterprises by providing credit facilities or financing from creditors to viable and productive businesses, but lacking the collateral required by creditors (Marfuah & Sri Hartiyah, 2019). The KUR program as a source of capital from banking institutions aimed at MSMEs, where some of the capital is assisted by the government so that the interest on the credit will be relatively small (Riawan & Kusnawan, 2018). The provision of the KUR program in increasing business capital will be able to improve business performance for MSME actors, such as increasing the amount of production, sales turnover, and profits (Junaedi, Suhardjo, et al., 2024; Mukhsin et al., 2023; Syahputra et al., 2023). The additional capital from KUR can be used to develop their business, such as purchasing raw materials, equipment, and/or expanding the business (Widiastuti & Rita, 2017). Previous research from Mayuni et al. (2015) stated that there was a significant influence of People's Business Credit (KUR) on the performance of Micro, Small and Medium Enterprises (MSMEs) (Hutahuruk et al., 2024; Renaldo, 2023; Suhardjo et al., 2023). This can be seen from the differences in business performance which are increasing in several aspects, such as production levels, workforce, income, and costs after the KUR (Fadrul et al., 2024; Hadi et al., 2024; Mukhsin et al., 2024). Gafur (2019) stated that there was a significant positive influence of providing KUR on improving the performance of MSMEs.

H1: The KUR program has a positive and significant effect on MSME performance.

The BLT program is distributed through the government with certain conditions to help the community's economy and business capital (Pramanik, 2020). The BLT program can be used to increase business capital so that it is expected to increase work productivity so that MSME income will increase (Riinzani et al., 2020). Lestari et al. (2021) stated that there is an influence of government stimulus assistance in cash assistance on improving MSME performance (Hadi et al., 2023; Hocky et al., 2023; Infante et al., 2024). Assistance from the government to MSMEs can help increase business working capital which can be used to purchase raw materials and reduce other costs in their businesses, so that their business performance can increase (Lestari et al., 2021). In line with that, Iping (2020) also stated that the provision of BLT has a significant impact on MSME performance. This

assistance is provided for the sustainability of MSME businesses by helping to reduce business costs, thereby minimizing layoffs.

H2: The BLT program has a positive and significant effect on MSME performance.

The provision of KUR and BLT programs motivates and encourages MSMEs to improve their businesses. One of them is by improving the business strategy that has been owned by MSME actors (Nakabili & Prabowo, 2020). Business strategy is a plan in a company that is seen from the company's vision and mission as a guide to achieving a company's goals through the preparation, determination of methods and implementation appropriately (Maryani & Chaniago, 2019). One of the business strategies that can be carried out by MSME actors is a differentiation strategy. Differentiation strategy is a series of plans that will be carried out to produce new innovations, both products and services at standard prices in order to maintain business continuity (Maryani & Chaniago, 2019; Porter, 1994). In a study conducted by Pangestika et al. (2016) the provision of KUR has a positive effect on the planning of the right strategy for MSMEs. The strategy that is implemented appropriately is to innovate products, maintain and preserve the quality of business products, and improve facilities and infrastructure for developing MSMEs. According to Riinzani et al. (2020), government assistance has a positive impact on MSME strategies in online marketing activities. In addition, it encourages MSME actors to improve strategies in adding new products and services that are different from before.

H3: The KUR program has a positive and significant effect on MSME differentiation strategies.

H4: The BLT program has a positive and significant effect on MSME differentiation strategies.

By improving the business strategy implemented in a business, it will potentially improve the performance of the business (Nakabili & Prabowo, 2020). Yuliana et al.'s study (2018) states that business strategy has a significant positive effect on business performance, because business strategy is the determination of a policy in competing in a business and with the right strategy it will affect business performance to be better. Moreover, when MSMEs implement a differentiation strategy, the company will bring the pace of the organization to achieve the goals that have been set, and respond to competition in a healthy and intelligent way by elaborating the uniqueness of the resources owned by which are not found in its competitors.

H5: Business strategy has a positive and significant effect on MSME performance.

Nakabili et al. (2020) stated that credit facilities have a positive effect on MSME performance through business strategy, because MSME actors will get more benefits so that they will improve business performance better. In Prastowo's study (2019), it appears that the role of the government in helping MSMEs has a positive effect on MSME performance with marketing business strategies as mediating variables. In addition to being supported by financial factors from banks or the government, a good business strategy will also improve performance in a business. One strategy that can be used to distinguish the uniqueness of a company's products/services from its competitors is a differentiation strategy (Sulistiani, 2013). Although generally this strategy offers a more premium cost than a low-cost strategy. MSME entrepreneurs consider that by providing different products/services to consumers, it will create a positive impression from customers which will lead to repeat purchases, thus leading to increased turnover and profit.

H6: The KUR program has a positive and significant effect on MSME performance with business strategy as a mediating variable.

H7: The BLT program has a positive and significant effect on MSME performance with business strategy as a mediating variable. From the 7 (seven) hypotheses that have been formulated above, they can be summarized into Figure 1.
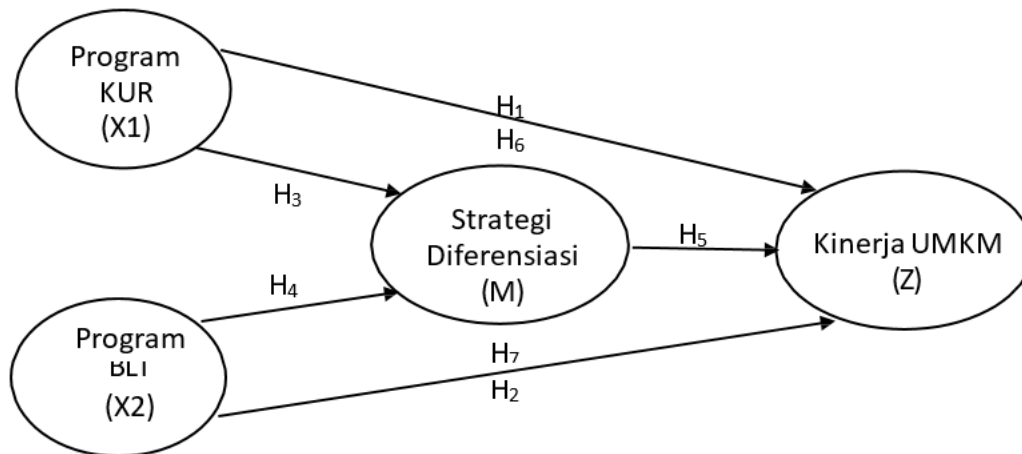
Picture 1. Model Study

Source: Developed in Research (2021)

METHODOLOGY

The data sources in this study use secondary data and primary data with a quantitative approach. Secondary data was obtained from data.salatiga.go.id to find out the number of MSMEs in Salatiga in 2021. Primary data were obtained from distributing questionnaires onsite with respondents who are MSME actors in Salatiga. The questionnaire used a Likert scale to accommodate respondents' answers that were neutral or hesitant, because using a 7-point or 13-point Likert scale would make it more difficult for respondents to distinguish each scale point and respondents would have difficulty processing information (Hair & F, 2007). The questionnaire used contained several statements regarding KUR, BLT, business strategy, and performance in MSMEs. The population in this study were MSME actors in Salatiga City with a total of 14,288 MSMEs (Regional Secretariat, 2021). Sampling was carried out using certain criteria that would be the sample (Sugiyono, 2018). The criteria used in this study were MSME actors who had or were still using KUR, MSME actors who had received BLT, and MSMEs who were still active in business. The determination of the number of samples depends on the number of indicators used in all variables, so it can be calculated by multiplying 5 to 10 by the number of indicators (Hair et al., 2010; Hilaliyah, 2017). The number of samples that can be calculated in this study:

Number of samples = Number of indicators x 8 = 9 x 8 = 72 samples

Based on the calculation above, the number of samples to be used for the study is 72 respondents. In finding respondents, the researcher added 10% of the number of samples to minimize the number of incomplete or unprocessable questionnaires (Chandra et al., 2024; Junaedi, Renaldo, et al., 2024; Zulkifli et al., 2023). However, before looking for respondents for the main research, the researcher conducted a Pilot-Test on 15 respondents (Chandra et al., 2018; Renaldo & Murwaningsari, 2023). The Pilot-Test is used to test the validity and reliability of the indicators used. This study uses the Partial Least Square-Structural Equation Modeling (PLS-SEM) analysis technique. PLS-SEM is a powerful analysis method because it can be applied to all data scales, does not require many assumptions, and the sample size is relatively small. The program used is SmartPLS 3.0 to assess the structural model (inner model) and measurement (outer model). PLS-SEM analysis has the ability to perform path analysis with latent variables (Jaya & Sumertajaya, 2008). Based on the research model and discussion conducted in the literature review, the operational definition of the variables can be formulated in table 1. This study uses purposive sampling technique or sample determination.

Table 1. Definition Operational Variables

Variables	Definition	Indicator	Source
MSME Performance	Performance Business is the benchmark used to determine the success of a business.	• Size Financial	(Widiastuti & Rita, 2017)
Credit Program People's Business (KUR)	The KUR program is a government program to support the development of small and medium businesses by providing credit facilities or financing from creditors to businesses that are eligible for it, but do not have the collateral required by the creditor.	• Aspect Correct Use • Aspect Credit Amount Accuracy • Aspect Credit Load Accuracy	(Marfuah & Sri (Hartiyah, 2019)

Variables	Definition	Indicator	Source
Cash Assistance Program (BLT)	The BLT program is a cash assistance program distributed through the government with certain conditions to help the community's economy and business capital.	• It's been distributed BLT in general Direct and True • Accuracy of BLT Recipient Status • Targeted BLT Distribution	(Pramanik, 2020)
Differentiation Strategy	Strategy differentiation is a series of plans that will be carried out to produce new innovations, both products and services at standard prices to maintain business continuity.	• Innovation on Product • Innovation on Service	(Maryani & Chaniago, 2019; Porter, 1994)

RESULT AND DISCUSSION

Before looking for respondents for the main research, the researcher conducted a pilot test with 15 respondents. The trial was conducted to test the validity and reliability of the instruments used in the research. Table 2 below shows the results of the effectiveness test. Based on Table 2, it can be seen that the calculated R value of all indicators is greater than the R Table, which is 0.514. Therefore, all indicators of the research questionnaire are declared valid and can be used to conduct the main research. Furthermore, a reliability test was conducted on the structure of this research model. The results of the reliability test are shown in Table 3.

Table 2. Results Test Validity *Pilot- Test*

Indicator	R-Count	Information
Credit Business People		
X1.1	0.988	Valid
X1.2	0.933	Valid
X1.3	0.988	Valid
X1.4	0.828	Valid
X1.5	0.975	Valid
X1.6	0.920	Valid
X1.7	0.917	Valid
X1.8	0.958	Valid
Help Direct Cash		
X2.1	0.600	Valid
X2.2	0.785	Valid
X2.3	0.951	Valid
X2.4	0.881	Valid
X2.5	0.919	Valid
X2.6	0.656	Valid
Differentiation Strategy		
Z1.1	0.861	Valid
Z1.2	0.926	Valid
Z1.3	0.934	Valid
Z1.4	0.740	Valid
Z1.5	0.717	Valid
Performance MSMEs		
Y1.1	0.867	Valid
Y1.2	0.909	Valid
Y1.3	0.854	Valid

Data source: Primary Which processed (2022)

Table 3. Results Test Reliability Pilot- Test

Variables	Cronbach's Alpha	Information
Credit Business People	0.978	Reliable
Help Direct Cash	0.882	Reliable
Differentiation Strategy	0.889	Reliable
Performance MSMEs	0.845	Reliable

Data source: Primary Which processed (2022)

Before looking for respondents for the main research, the researcher conducted a pilot test on the respondents. The trial was conducted to test the validity and reliability of the instruments used in the research. The results of the efficacy test are shown in Table 2 below. Based on Table 2, the R value of all indicators is greater than the R Table, which is 0.514. Therefore, all indicators of the research questionnaire are declared valid and can be used to conduct the main research. Furthermore, a reliability test was conducted on the structure of this research model. The results of the reliability test are shown in Table 3.

Table 4. Outer Loading

	Direct Assistance Cash	Credit People's Business	Performance MSMEs	Differentiation Strategy
X1.1		0.968		
X1.2		0.935		
X1.3		0.939		
X1.4		0.820		
X1.5		0.913		
X1.6		0.924		
X1.7		0.878		
X1.8		0.920		
X2.2	0.871			
X2.3	0.972			
X2.4	0.925			
X2.5	0.870			
Y1.1			0.880	
Y1.2			0.944	
Y1.3			0.889	
Z1.1				0.913
Z1.2				0.852
Z1.3				0.887
Z1.4				0.753
Z1.5				0.767

Data source: Primary Which processed (2022)

Table 5 Discriminant Validity

	Direct Assistance Cash	Credit People's Business	MSME Performance	Differentiation Strategy
X1.1	0.625	**0.968**	0.846	0.692
X1.2	0.541	**0.935**	0.789	0.592
X1.3	0.663	**0.939**	0.811	0.658
X1.4	0.702	**0.820**	0.743	0.767
X1.5	0.479	**0.913**	0.729	0.600
X1.6	0.636	**0.924**	0.835	0.709
X1.7	0.448	**0.878**	0.769	0.584
X1.8	0.669	**0.920**	0.836	0.685
X2.2	**0.871**	0.505	0.637	0.562
X2.3	**0.972**	0.670	0.791	0.766
X2.4	**0.925**	0.657	0.749	0.720
X2.5	**0.870**	0.545	0.682	0.788
Y1.1	0.808	0.776	**0.880**	0.700
Y1.2	0.717	0.789	**0.944**	0.750
Y1.3	0.613	0.803	**0.889**	0.763
Z1.1	0.713	0.767	0.806	**0.913**
Z1.2	0.600	0.607	0.624	**0.852**
Z1.3	0.709	0.603	0.717	**0.887**
Z1.4	0.589	0.504	0.629	**0.753**
Z1.5	0.668	0.532	0.613	**0.767**

Data source: Primary Which processed (2022)

Based on the results in Table 4, it is known that the external loading value of all research variable indicators, namely the variables of People's Business Credit, Direct Cash Assistance, MSME Performance and Differentiation Strategy, is > 0.7 so that the next test can be run. Namely the discriminant validity test. The discriminant validity test is a measurement model for all indicators that are evaluated based on the mutual loading of constructs and measurements. Measurement is said to be good if the correlation value of the components of all

indicators is greater than the values of the components of other blocks (Ghozali, 2014). From Table 5, it can be seen that the correlation value produced by all variable indicators in each construct is greater than the correlation value of the indicators in other construct blocks. Therefore, each indicator in the block can be said to be a component of the block because it has better indicators compared to the indicators in other blocks. After conducting the indicator validity test, you can proceed to and conduct a reliability test. Reliability testing can be measured using Composite Reliability. The composite reliability test is used to measure the consistency of indicators in a construct. Evaluation of construct reliability value can be measured in two ways, namely Cronbach's alpha value and composite reliability value. A variable is said to be reliable or consistent if its value is > 0.7 (Ghozali, 2014). Below are the results of the Cronbach's alpha composite reliability and Table 6 shows that all variables in this study are reliable. or can be said to be reliable because the Cronbach's alpha value of all variables is and composite reliability > 0.7. Consistent in measuring constructs. This study uses primary data in the form of respondents' responses to the questionnaire. The number of respondents in this study was 80 people. Table 7 is presented below to determine the demographic characteristics.

Table 6. Cronbach's Alpha and Composite Reliability

	Cronbach's Alpha	Composite Reliability
Help Direct Cash	0.931	0.951
Credit Business People	0.971	0.976
Performance MSMEs	0.889	0.931
Differentiation Strategy	0.891	0.921

Data source: Primary Which processed (2022)

Table 7. Profile Respondents

Information	Amount Respondents	Presentation
Type Sex		
Man	26	32.50%
Woman	54	67.50%
Total	**80**	**100%**
Age Owner		
< 30 Years	11	13.75%
30 - 40 Years	43	53.75%
> 40 Years	26	32.50%
Total	**80**	**100%**
Length of Business		
< 3 Years	19	23.75%
3 - 5 Years	42	52.50%
> 5 Years	19	23.75%
Total	**80**	**100%**
Duration use KUR		
< 1 Year	28	35.00%
12 years old	25	31.25%
> 2 Years	27	33.75%
Total	**80**	**100%**
Duration using BLT		
< 6 Months	14	17.50%
6 - 12 Months	46	57.50%
> 12 Months	20	25.00%
Total	**80**	**100%**

Data source: Primary Which processed (2022)

From Table 7 above, it can be seen that 67.50% of respondents are female and the rest of the respondents, 32.50% are male. The majority of entrepreneurs (53.75%) are between 30 and 40 years old (person). 52.50% of MSMEs have been running their businesses for 3-5 years. In addition, 33.75% of MSMEs utilize People's Business Credit (KUR) <1> 2 years. MSMEs utilize Direct Cash Assistance (BLT) <6> up to 25% for 12 months. This can be seen from the number of MSMEs that utilize People's Business Credit (KUR) and Direct Cash Assistance (BLT) during the Covid-19 pandemic. The purpose of testing the path coefficient is to determine the importance of the relationship between variables, or to determine how much influence an independent variable has on the dependent variable. Path coefficients are divided into two types, namely direct influence analysis and indirect influence analysis. Direct effect analysis tests the direct effect of an independent variable on the dependent

variable. Hypothesis testing is declared significant if the T Statistic value ≥ 1.96 and P Value ≤ 0.05 (Ghozali, 2014). The following are the results of the direct effect analysis in Table 8.

Table 8. Path Coefficient Direct Effect

Track (Path)	Original Sample	T Statistics	P Values
BLT → MSME Performance	0.265	3,373	0.001***
BLT→ Strategy Differentiation	0.542	10,044	0.000***
KUR → MSME Performance	0.545	8,510	0.000***
KUR → Strategy Differentiation	0.372	5,386	0.000***
Strategy Differentiation → Performance MSMEs	0.211	2,369	0.018**

Source: Processed Primary Data (2022) Description: **, *** significant on α 5%, 1%

Based on Table 8 above, it is known that the KUR program has a significant positive effect on the performance of MSMEs with a t-statistic value (8.510) ≥ 1.96 and a P-value (0.000) ≤ 0.05, so H1 is accepted.. The provision of the KUR program has an impact on increasing the performance of MSMEs because it can be used by MSME managers to develop their businesses. This is also in line with the research of Widiastuti et al. (2017) Additional KUR capital can be used for business development, such as purchasing raw materials, equipment, and/or business expansion, so that it can improve the performance of MSMEs. For example, through increasing production, sales, turnover, and profits. In the research of Mayuni et al. (2015) also stated that additional capital from the KUR program can lead to increased performance which is influenced by several aspects such as production levels, workforce, income and costs after the existence of KUR. Gafur's research (2019) stated that providing the KUR program to MSMEs can increase their financial resources, which can be used for business development, thereby increasing performance and profits. From the results of the study, it is known that the BLT program has a significant positive effect on the performance of MSMEs as the t-statistic value (3.373) ≥ 1.96 and P-value (0.001) ≤ 0.05. accepted. The implementation of the BLT program has been proven to improve business performance and support the sustainability of MSME businesses. This is in accordance with research by Lestari et al. (2021) Government support in the form of the BLT program for MSMEs helps companies increase working capital that can be used to purchase raw materials and reduce costs.

Support others in your organization to improve their business performance. A study conducted by Iping (2020) found that the BLT program had an impact on MSME performance. This assistance will contribute to the continuity of MSME business actors by helping to reduce business costs so as to minimize layoffs of workers. Furthermore, the KUR program is known to have a significant positive effect on differentiation strategy, because the t-statistic (5.386) ≥ 1.96 and P-value (0.000) ≤ 0.05, then H3 is accepted. The implementation of the KUR program will enable MSME actors to grow innovation by developing differentiation strategies in their businesses. In the research of Nakabili et al. (2020) that the provision of KUR for additional working capital in companies will motivate and encourage business entities to improve their strategies so that they have an impact on improving the business strategy of the business entity. This figure is also consistent with the research of Pangestika et al. (2016) which states that in order to optimally utilize the provisions of the KUR program, business entities must prepare a replacement plan that is appropriate and necessary for their business strategy. One of them is to spin off its operations to utilize funding from the KUR program. Strategies that can be implemented well are product innovation, maintenance and maintenance of product quality, and improvement of MSME development infrastructure. This also shows that the BLT program has a significant positive effect on differentiation strategy with T-statistic (10.044) ≥ 1.96 and P-value (0.000) ≤ 0.05 so that H4 is accepted. The implementation of the BLT program allows MSME actors to grow innovation by developing differentiation strategies in their businesses. This is in line with Wahyuningtyas' research (2020) which states that the BLT program expects MSME actors to be able to adjust their strategies, such as product and service differentiation strategies, to the current pandemic situation. In the research of Riinzani et al. (2020) also found that government support in the form of cash made SMEs improve their strategies to be better. With this support, SME stakeholders will be motivated to improve their strategies in launching new products and services that are different from those previously offered, such as improving SME strategies in the world of online marketing. Then the differentiation strategy has a significant positive effect on SME performance with a t-statistic value (2.369) ≥ 1.96 and P-value (0.018) ≤ 0.05, then H5 is accepted. The presence of the right differentiation strategy by SME actors will improve business performance. both in terms of production volume, sales and profits. This study is consistent with the research of Nakabili et al. (2020) stating that improving the right business strategy for a company will improve or increase its business performance. In the research of Yuliana et al. (2018) this also improves the performance of MSMEs because with the right differentiation or innovation strategy, MSMEs can develop their business through innovation both in terms of business products and services from the business, this will have an impact on increasing After we know the results of the direct influence analysis, let's look at the indirect influence analysis. Indirect influence analysis is used to test the indirect influence of an independent variable on the dependent variable through an intermediary or mediation variable. Hypothesis testing is considered significant if the *T Statistic value* ≥ 1.96 and *P Value* ≤

0.05 (Ghozali, 2014).

Table 9. Path Coefficient Indirect Effect

	Original Sample	T Statistics	P Values
KUR → Strategy Differentiation → MSME Performance	0.078	1,991	0.047**
BLT → Strategy Differentiation → Performance MSMEs	0.114	2,311	0.021**

Source: Data Primary Which processed (2022) Note: ** significant at α 5%

From Table 9, it is known that the differentiation strategy has a significant effect on the impact of KUR on MSME performance, with a T-statistic value (1.991) ≥ 1.96 and a P-value (0.047) ≤ 0.05, so H6 is accepted. With the implementation of the KUR program, MSMEs will be motivated to improve their performance, including developing their business through differentiation strategies and new innovations in their business. This is in accordance with research by Nakabili et al. (2020) who stated that providing the KUR program to MSMEs will increase the working capital of business actors and motivate and encourage MSMEs to work hard to improve the performance of business actors. One of them is to perfect the business strategy through product differentiation and innovation to utilize funding from KUR. In the research of Pangestika et al., (2016) stated that the differentiation strategy is carried out to adjust to the needs and desires of consumers so as to increase people's purchasing power. This helps maintain business continuity and improve MSME performance. From the research results, it is also known that differentiation strategy can mediate the impact of BLT on MSME performance with a t-statistic value (2.311) ≥ 1.96 and P-value (0.021) ≤ 0.05, thus H7 is accepted. With the implementation of the BLT program, MSMEs will be motivated to improve their performance, including developing their business through differentiation strategies and new innovations in their business. This is in accordance with research by Lestari et al. (2021) who stated that the provision of the government BLT scheme by MSME actors aims to increase the working capital of business entities and improve their performance. One of them is by implementing a differentiation strategy and product innovation to utilize the financial support provided by the company. In a study conducted by Suriyanti et al., (2019) stated that in addition to high working capital support, there are other factors that support companies to improve their performance, namely company strategy. One of the business strategies carried out is to differentiate or innovate products to meet the needs and desires of consumers so as to increase people's purchasing power (Andriani et al., 2024; Kurnia et al., 2024; Supriadi et al., 2024).

CONCLUSION

Conclusion

Based on the results of the research and discussion, the following conclusions can be drawn: First, the KUR program has a significant positive impact on MSME performance. Second, the BLT program also has a significant positive impact on MSME performance. Third, the KUR and BLT programs have a significant positive impact on differentiation strategy. Fourth, the BLT program has a significant positive impact on differentiation strategy. Fifth, differentiation strategy mediates the impact of the KUR and BLT programs on MSME performance. Government support in the form of financing will encourage MSME entrepreneurs to improve their business strategies in the form of differentiation and ensure that their products/services are in demand by the market, especially during the COVID-19 pandemic to improve business performance. The crisis situation forces MSME entrepreneurs to take creative action in managing their businesses in order to survive during the pandemic. This study will be a reference for MSME actors to utilize the government's KUR and BLT programs effectively in increasing their business capital for business expansion. Additional business capital will also enable MSME actors to improve their business strategies, including differentiation strategies. During the current Covid-19 pandemic, business owners need to pay attention to strategies based on consumer needs and desires as well as how to market their business products. The reason is, even though business owners make several new innovations, the impact on MSME performance may be small if they do not pay attention to marketing strategies. The government can continue to provide vaccinations to MSMEs so that they can survive during the pandemic, including by providing cheap and easily accessible financial support to companies. Efforts to strengthen MSMEs include providing digital-based product/service innovation training to help businesses survive during the pandemic, as well as productive financing support for products offered by educational communities and practitioners.

Innovation of Bill from MSMEs. This research is not without limitations. In addition to differentiation, MSMEs can implement two business strategies, namely low-cost strategies that are not analyzed in this study. Therefore, it is interesting to further study the moderating effect of this low-cost strategy on the impact of the KUR and BLT programs on MSME performance. In addition, this study does not include control variables such as entrepreneur characteristics (e.g. business age, length of use of KUR and BLT) in this research model, so it is

expected to provide more comprehensive results. Helping entrepreneurs know whether their business products are suitable for marketing.

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