

Article

# Provision of Public Services in Supporting the Development of Community Entrepreneurship Through Bantuan Usaha Tanpa Modal Bunga (BAMUDA) in Hulu Sungai Tengah (HST) Regency

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**Abstract:** This study analyzes Bantuan Usaha Tanpa Modal Bunga (BAMUDA) Program implemented by the Hulu Sungai Tengah (HST) Regency Government, which aims to increase community access to business capital without the burden of interest-based loans. This program is designed to address the main obstacle faced by Usaha Mikro, Kecil, dan Menengah (UMKM): high loan interest rates that burden businesses and hinder growth. This study focuses on the implementation of public services through the BAMUDA program and its role in supporting the development of community entrepreneurship in the region. The method used in this study is a qualitative descriptive-analytical approach, with data collection through in-depth interviews, observations, and documentation studies. This study involved local government and UMKM as research subjects. The research findings indicate that the BAMUDA program has a positive impact on UMKM, particularly in increasing production capacity, improving product quality, and expanding market reach. The ease of the loan application process and the elimination of loan interest help UMKM reduce their financial burden and increase their business competitiveness. However, there are challenges in program implementation, including the requirement that UMKM have no active bank loans and the limited funding ceiling and short repayment period. This study recommends making BAMUDA's policy more flexible by revisiting participation requirements to enhance inclusiveness. Furthermore, it suggests extending the financing period, increasing the funding ceiling, and leveraging digital technology to expedite the service process. Regular policy evaluation and increased mentoring for UMKM are also considered crucial to maintain the program's sustainability and ensure more inclusive and sustainable business development in the future.

**Keywords:** Public Services, BAMUDA Program, Entrepreneurship Development.

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## Introduction

In various countries, including developing countries, limited access to formal financing remains a structural barrier to the development of micro and small enterprises. This limitation relates not only to collateral and administrative procedures but also to the high cost of borrowing that entrepreneurs must bear. Research shows that access to financing is a major obstacle to the growth of UMKM, particularly in developing countries [1]. A World Bank report also confirms that many micro-enterprises still rely on informal financing due to limited access to the formal financial system [2].

One factor that often poses a barrier is the relatively high interest rates imposed on micro-enterprises. Interest burdens increase production costs, reduce profit margins, and increase the risk of business failure, especially for entrepreneurs with limited financial capacity. From a public sector economic perspective, this condition reflects market failure due to information asymmetry and high-risk perceptions for UMKM [3]. When market mechanisms are unable to provide equitable access to financing, government intervention becomes relevant to create balance and distributional justice.

The Organisation for Economic Co-operation and Development emphasizes that strengthening the contribution of UMKM to the economy requires inclusive and sustainable financing policies [4]. Interest-free financing schemes or interest subsidies can be understood as policy instruments aimed at expanding financial inclusion while protecting small businesses from the pressure of excessive financial costs. Therefore, financing policy is not merely an economic policy but also part of a development strategy oriented toward community empowerment.

Public administration perspectives extend beyond administrative services to include policies and programs aimed at enhancing public welfare. Emphasize that the government must act as a servant of citizens (serving, not steering), placing the public interest as the primary orientation of policy [5]. Therefore, providing more equitable access to capital can be viewed as a form of public service oriented toward creating public value.

At the local government level, decentralization provides space for contextual policy innovation tailored to local community needs. Within the framework of the public policy cycle, local governments play a crucial role in formulating and implementing policies that are responsive to local economic issues [6]. Says that the government can use different policy tools, like subsidies, tax breaks, and partnerships, to reach its economic development goals [7].

However, the success of a policy is largely determined by its implementation process. Asserted that communication, resources, implementer disposition, and bureaucratic structure influence the effectiveness of policy implementation [8]. Furthermore, the political context and institutional capacity also play a significant role in determining the success of policy implementation, particularly in developing countries [9]. Therefore, financing policy innovations at the regional level need to be analyzed not only from a program design perspective but also from an implementation and governance perspective.

At the regional government level, various public service innovations have begun to be developed to address the challenge of limited access to capital. However, there are still relatively few academic studies specifically addressing the role of regional governments as providers of interest-free financing schemes. Most studies look at microfinance institutions or formal credit systems, but there hasn't been much research on local government programs as alternative sources of funding from the point of view of public service delivery and policy implementation [1].

Based on this research gap, this study focuses on the provision of public services to support community entrepreneurship development through Bantuan Usaha Tanpa Modal Bunga (BAMUDA) in Hulu Sungai Tengah Regency. This program aims to make it easier for people in the community to get business capital by offering interest-free loans, with the local government covering the interest payments. From the perspective of public service theory and policy implementation theory, the BAMUDA Program can be analyzed as a form of public service innovation aimed at creating more inclusive economic access [5], [8].

This study aims to analyze the implementation of public services in the BAMUDA Program, evaluate its contribution to easy access to capital and the development of community entrepreneurship, and identify the challenges of its implementation as a form of regional policy innovation.

### **Public Services and the Role of Regional Government**

The development of the public administration paradigm demonstrates a shift from a traditional bureaucratic approach to a more participatory and collaborative model. The New Public Service concept emphasizes that government functions not solely as a service provider but as a facilitator of public interests, oriented toward the values of democracy, participation, and accountability [5]. In this context, public services at the regional level are required not only to be efficient but also responsive, transparent, and oriented towards community needs. The New Public Governance approach proposed expands this perspective by emphasizing the importance of collaboration between government, the private sector, and civil society in creating public value [10]. Modern public services are no longer merely hierarchical but rather network-based (network governance) that enables service innovation. This concept is relevant in regional economic policy, particularly in the development of Usaha Mikro, Kecil, dan Menengah (UMKM) financing programs, which require synergy between local governments, financial institutions, and business actors.

The dimension of public accountability is an essential element in the provision of public services. Underscored that accountability serves as a democratic oversight mechanism, ensuring the implementation of public policies in accordance with established mandates and objectives [11]. In the context of local government, transparency in the management of capital assistance programs is a crucial indicator of successful public services, as it concerns the use of regional budgets and their impact on community welfare.

Therefore, effective public services at the local government level must meet three main principles: responsiveness to local needs, multi-stakeholder collaboration, and accountability in policy and budget management.

### **Financing Policy and Community Entrepreneurship Development**

Usaha Mikro, Kecil, Dan Menengah (UMKM)s play a strategic role in the national economy as labor absorbers and drivers of the local economy. However, limited access to formal financing remains a major problem. High collateral requirements, asymmetric information, and high transaction costs often cause barriers to financial access, according to [1].

The concept of financial inclusion has evolved as a systematic effort to expand public access to affordable and sustainable financial services. Assert that financial inclusion significantly reduces poverty and improves welfare by increasing access to productive financing [12]. In this context, local government intervention in the form of interest subsidies or interest-free financing can be understood as a policy instrument to mitigate market failure in the financial sector. Interest subsidy policies are a type of fiscal intervention that tries to fix problems in the market and help small businesses grow [3]. However, the effectiveness of these policies depends heavily on program design, recipient selection mechanisms, and the monitoring system implemented.

Furthermore, the economic empowerment approach emphasizes that capital assistance is insufficient without accompanying mentoring, managerial training, and market access. In his capability approach, emphasized that development is measured not only by increased income but also by expanding individual capacity to participate productively in economic and social life [13]. Therefore, effective local financing policies should be integrated with business capacity-building programs.

### **Public Policy Implementation Theory**

Public policy implementation is a complex process involving various actors and organizational structures. Emphasized that clear communication, adequate resources, supportive disposition of implementers, and an effective bureaucratic structure are key determinants of successful policy implementation [8]. In practice, policy implementation at the regional level often faces challenges in the form of limited budgets, staff capacity, and inter-agency coordination. Explain that policy implementation is not linear but is influenced by political, social, and administrative dynamics that develop during the implementation process. A top-down approach, as proposed by Edwards III, emphasizes the importance of implementers' adherence to formulated policy objectives. However, a bottom-up approach highlights the role of implementing actors in the field, who have discretion in interpreting and implementing policies [14]. In the context of regional financing policies, the interaction between policymakers, technical implementers, and beneficiaries is a determining factor in program effectiveness.

Evaluation of policy implementation also needs to consider the policy's impact on target groups. States that public policy analysis must encompass the dimensions of effectiveness, efficiency, equity, responsiveness, and policy accuracy. Therefore, measuring the success of an Usaha Mikro, Kecil, dan Menengah (UMKM) financing program is not only measured by the amount of funds disbursed but also by increased business capacity, business sustainability, and its impact on the local economy [15].

### **Method**

This study employed a qualitative approach with a descriptive-analytical approach. This approach was chosen because it allows researchers to gain a deeper understanding of the public service process and policy implementation from both the perspectives of

implementers and recipients. This approach also facilitates researchers to explore the experiences, perspectives, and broader social context of the phenomenon under study [16]. The research location was in Hulu Sungai Tengah Regency, with a primary focus on the implementation of Bantuan Usaha Tanpa Modal Bunga Program (BAMUDA), an interest-free financing policy managed by the local government. This location was selected based on the consideration that the local government has strategic authority in the provision of public services and local economic policies that can support the development of community entrepreneurship [10]. The research subjects consisted of local government officials involved in the program's implementation and Usaha Mikro, Kecil, dan Menengah (UMKM) that benefited from it. Both groups of subjects were selected purposively to ensure the data obtained was relevant to the research objectives and to provide a clear picture of the program's implementation and impact on the community. For data collection, this study used in-depth interviews, observation, and documentation studies. Interviews were conducted to explore the experiences and perceptions of informants regarding the services and implementation of the BAMUDA program, while observations and documentation studies were used to strengthen and verify the data obtained from the interviews. The collected data were analyzed qualitatively by linking the empirical findings with the theoretical framework used in this study. Public service theory was used to analyze service quality, ease of access, and the orientation of local government services to the community [15]. Meanwhile, policy implementation theory was used to analyze the dynamics of BAMUDA policy implementation, including aspects of communication, resources, implementer disposition, and bureaucratic structure that influence the success or obstacles in policy implementation [8]. The validity of the data in this study was maintained by using source and method triangulation techniques. This was done by comparing the results of interviews, observations, and documentation to ensure the consistency and validity of the research findings.

### Research Results and Discussion

Bantuan Usaha Tanpa Modal Bunga (BAMUDA) program launched by the Hulu Sungai Tengah (HST) Regency Government aims to provide easy access to capital for Usaha Mikro, Kecil, dan Menengah (UMKM). This program was born from the local government's awareness that one of the biggest obstacles faced by UMKM is limited access to capital, which often hinders their business development. Based on interviews with local government representatives, it is clear that the government has a strong commitment to helping UMKM overcome business capital issues, which are a major barrier to their growth and advancement. The BAMUDA program, which provides interest-free financing assistance, allows the local government to cover the loan interest that would otherwise be paid by businesses through a collaboration with Bank Kalsel.

The local government believes that by providing interest-free financing assistance, UMKM can focus on developing their businesses without the burden of interest payments that can limit their capacity to grow. The BAMUDA program is a form of public service innovation that is highly oriented towards meeting community needs, which is in accordance with, that public services must not only focus on administrative efficiency but also on creating public value that provides real benefits to the community.

From the community's perspective, particularly UMKM, they revealed that information about the BAMUDA Program can be obtained through outreach organized by the local government and through Usaha Mikro, Kecil, Dan Menengah (UMKM) community networks. One Usaha Mikro, Kecil, Dan Menengah (UMKM) revealed that they first learned about the program during a routine monthly meeting held by the Hulu Sungai Tengah Regency Trade Office. Furthermore, information about the program was also obtained through the Rumah Kreatif group used by UMKM to share information. The openness of information obtained through these various channels demonstrates the crucial role of policy communication in public services. This aligns view, which emphasizes the importance of information transparency and the involvement of non-governmental actors in modern public service governance. The local government, through outreach and social networks, has successfully expanded the reach of information, ensuring that information about BAMUDA is accessible to UMKM in various regions.

When discussing ease of access and the service process, UMKM assessed that the procedures in the BAMUDA Program were quite easy to understand and follow. They

recounted that after obtaining information about the program, they visited the Trade Office for further explanation of the program and application requirements. Afterward, they continued the process at the Bank Kalsel Barabai Branch, bringing the necessary documents, such as their ID cards (KTP), Taxpayer Identification Number (NPWP), and business permits. The fast and smooth application process reflects the characteristics of responsive and efficient public service. This aligns with the view, who stated that public officials function as facilitators who help the community meet their needs, not merely as providers of administrative services.

The positive impact of this interest-free financing policy is clearly felt by UMKM. They stated that the loans they received from the BAMUDA program were used to increase production capacity, improve product quality, and enhance their packaging. With this assistance, they feel more able to compete in a wider market and increase the competitiveness of their products. Furthermore, the program also contributes to job creation. Several UMKM receiving assistance from BAMUDA reported being able to expand their production capacity and recruit additional workers. This not only supports their business development but also positively impacts the local economy by providing job opportunities for the community. These findings support the concept of inclusive economic development proposed, which emphasizes the importance of the government's role in expanding access to financing and promoting sustainable economic growth.

However, despite the significant benefits of the BAMUDA Program, its implementation still faces several challenges. One major obstacle is the requirement that UMKM not have active loans from banking institutions. Some UMKM with existing loans are ineligible for the program, indicating a mismatch between the policy design and the socio-economic realities on the ground. This situation suggests that policies must consider the characteristics and socio-economic conditions of the communities targeted by the program. Edwards III (1980) emphasized that the success of policy implementation depends heavily on the policy's suitability to the characteristics of the target group it aims to reach.

Furthermore, several UMKM also expressed challenges related to the limited disbursement ceiling, which is only IDR 50,000,000, and the relatively short loan repayment period, which is a maximum of 24 months. These limits are considered inadequate for UMKM who require larger funds to develop their businesses. This also reflects the challenges in policy implementation, which often occur when policies are designed normatively without considering the flexibility needed at the implementation level, as expressed.

Nevertheless, public services and policy implementation in the BAMUDA Program have proven to be interconnected. Responsive and accessible services increase public satisfaction, but the program's effectiveness still depends on the extent to which policies can be adapted to existing socio-economic conditions on the ground and how flexible they are in addressing obstacles that arise during implementation. Therefore, although public services and policy implementation are two distinct aspects, they must operate in a complementary manner to maximize the program's objectives.

Based on the findings of this study, several policy recommendations can be provided to improve the effectiveness of the BAMUDA Program. Local governments are advised to review the flexibility of policy requirements to be more inclusive and reach a wider range of UMKM in need of financing support. Furthermore, developing a digital-based service system can help increase accessibility for UMKM and expedite the financing application process. The government is also advised to extend the financing period and increase the disbursement ceiling for UMKM, giving them more room to significantly expand their businesses. Furthermore, it is crucial for the government to strengthen ongoing mentoring for UMKM to enable them to better manage their businesses after the financing period ends. These recommendations emphasize the crucial role of local governments in integrating public services and sustainable local economic development policies to support the advancement of UMKM and improve overall community welfare.

### **Conclusion**

Bantuan Usaha Tanpa Modal Bunga (BAMUDA) program implemented by the Hulu Sungai Tengah (HST) Regency Government has proven to be a significant innovation in

improving access to capital for Usaha Mikro, Kecil, dan Menengah (UMKM). This program has successfully provided a solution to the main obstacles faced by UMKM, namely limited business capital and high loan interest rates. By providing interest-free financing, the local government has reduced the financial burden on UMKM, enabling them to expand their business capacity, improve product quality, and expand their market reach.

The implementation of this program demonstrates the importance of transparent policy communication and easy access to information for the public, particularly through official outreach and USAHA MIKRO, KECIL, DAN MENENGAH (UMKM) community networks. The relatively simple and fast application process also reflects the characteristics of responsive public services that are oriented toward community needs.

However, challenges remain in program implementation, such as the requirement that UMKM have no active loans and limitations on funding limits and loan repayment terms. Therefore, it is crucial for local governments to evaluate and adjust policies to make them more flexible and inclusive while increasing accessibility for more UMKM in need of support.

Overall, the BAMUDA Program has had a positive impact on business development and job creation, as well as making a significant contribution to inclusive local economic development. By strengthening policies, enhancing digital service systems, and extending the term and funding ceiling, this program has the potential to achieve greater results, increase the competitiveness of UMKM, and strengthen the well-being of the community in Hulu Sungai Tengah Regency.

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