

THE EFFECT OF MONETARY POLICY ON MICRO, SMALL AND MEDIUM ECONOMIC GROWTH

Robert Fransiska *¹

Sekolah Tinggi Ilmu Ekonomi Palangka Raya
robertfransiska@55.gmail.com

Lite

Sekolah Tinggi Ilmu Ekonomi Palangka Raya
liteaja17@gmail.com

Sri Hartini

Sekolah Tinggi Ilmu Ekonomi Palangka Raya
Sriha2489@gmail.com

Abstract

The effect of monetary policy on the economic growth of Micro, Small and Medium Enterprises (MSMEs) can be defined as the impact that policies implemented by the central bank, particularly those relating to interest rates and money supply, have on the operating conditions and growth capabilities of MSMEs. Monetary policy plays a role in determining borrowing costs and inflation rates, which directly affect the capacity of MSMEs to access funds, make investments, and manage their business costs and product selling prices. The study conducted in this research uses the literature research method. The results show that the provision of low interest rates and controlled inflation create favourable conditions that facilitate MSMEs to expand their businesses and make investments. Price stability resulting from sound monetary policy maintains or increases consumer purchasing power, benefiting the sales and service sectors of MSMEs. However, variable currency exchange rates and limited access to credit sources pose challenges that limit the full impact of monetary policy on MSMEs, especially in the case of unexpected policy changes that could destabilise MSME operations.

Keywords: Monetary Policy, Economic Growth, Micro, Small and Medium Enterprises.

Introduction

Economic growth is one of the important indicators in measuring the progress of a country. In a modern economy, Micro, Small and Medium Enterprises (MSMEs) are the backbone of the economy due to their significant role in job creation, income distribution, and contribution to Gross Domestic Product (GDP) (Ahmad et al., 2021). MSMEs are also known to have strong resilience to various economic uncertainties and are often a catalyst in post-crisis economic recovery.

¹ Correspondence author.