

DISTRIBUTION OF PEOPLE'S BUSINESS CREDIT (KUR) IN INDONESIA: IDENTIFYING MISTARGETING PHENOMENA DUE TO ADVERSE SELECTION

Nyoman Diah Praba Anggari¹, I Wayan Sukadana²

¹ Faculty of Economics and Business, Udayana University,
diahanggari29@gmail.com

² Faculty of Economics and Business, Udayana University

* Corresponding Author : Nyoman Diah Praba Anggari

Abstract: The People's Business Credit (KUR) is a subsidized financing instrument initiated by the Indonesian government aimed at increasing access to capital for eligible but unbankable entrepreneurs. However, in practice, the distribution of KUR still faces targeting challenges due to adverse selection, which arises from information asymmetry among the government, financial institutions, and borrowers. This study aims to identify the presence of adverse selection in KUR distribution across Indonesia, which potentially leads to mistargeting in the subsidized credit market. The study utilizes data from the March 2024 National Socio-Economic Survey (SUSENAS) with a total sample of 65,535 households. The analysis employs binary logistic regression, simultaneous testing, partial testing, and marginal effect estimation. Data collection was conducted using a non-participant observation technique. The results indicate that all research variables—business ownership, region, savings account ownership, asset ownership, main income source, and occupation—simultaneously have a significant effect on the probability of a household becoming a KUR recipient. The findings also reveal that access to KUR, particularly for micro and small enterprises (MSEs), remains limited despite being the primary target of the program. Furthermore, the presence of adverse selection is identified, wherein households with existing assets are more likely to obtain KUR financing. This highlights the need for policy reforms in the KUR distribution mechanism to ensure that eligible productive businesses without additional collateral can access financing in a fair and inclusive manner across all regions of Indonesia.

Keywords: People's Business Credit (KUR), business ownership, region, savings account, assets, main income source, occupation

INTRODUCTION

Poverty is a challenge to development and a global issue, particularly in developing countries like Indonesia. One of the government's policies to improve public welfare is through the development of the micro, small, and medium enterprise (MSME) sector, which is a crucial pillar of the national economy due to its enormous potential and contribution. According to data from the Ministry of Cooperatives and SMEs in 2023, MSMEs contributed approximately 61 percent to gross domestic product (GDP), with a value reaching IDR 9,580 trillion. Furthermore, MSMEs are also a major provider of employment, with a national workforce absorption rate reaching 97 percent of the total workforce in Indonesia. (Ministry of Cooperatives and SMEs, 2024) This proves that MSMEs are a key factor in supporting the economy and creating jobs in Indonesia. However, the majority of MSMEs are run by individuals or lower-middle-class households, either as a primary or supplementary source of income. (Adha, 2023) This is in line with data from the Indonesian Ministry of Cooperatives and SMEs, which states that by 2024