

The Effect of the BRI People's Business Credit Program (KUR) on Entrepreneurship Development and People's Economic Growth in West Java

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ABSTRACT

Microcredit programs have emerged as powerful tools for poverty alleviation and economic growth in developing economies. This study investigates the impact of the BRI People's Business Credit Program (KUR) on entrepreneurship development and economic growth in West Java, Indonesia. Employing a mixed-methods approach, including quantitative survey data and qualitative insights from interviews and focus group discussions, the research reveals compelling findings. The quantitative analysis demonstrates a high level of participation in the BRI KUR program, with significant positive effects on entrepreneurship development indicators, such as business growth, employment generation, and income increase. Furthermore, areas with higher program participation exhibit noteworthy increases in GDP per capita and reductions in poverty rates. These results underscore the program's pivotal role in stimulating entrepreneurship and fostering economic growth at the regional level. Qualitative insights from program participants and stakeholders provide valuable context, emphasizing the program's accessibility, its impact on entrepreneurship culture, and the importance of addressing challenges for sustainable success. This research contributes to our understanding of microcredit program effectiveness, especially within the unique regional context of West Java. It offers insights for policymakers, financial institutions, and development agencies seeking to harness the potential of microcredit programs as drivers of economic transformation.

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1. INTRODUCTION

BRI's Kredit Usaha Rakyat (KUR) program is a microcredit scheme initiated by Bank Rakyat Indonesia (BRI) in collaboration with the Indonesian government. It aims to provide financial assistance to small

entrepreneurs and individuals with limited access to traditional banking services, catalyzing entrepreneurial development and driving economic growth at the grassroots level [1]. The KUR program is designed to address the problem of access to capital and increase the role of micro and small

businesses in the national economy in Indonesia [1]. However, the distribution of KUR is mostly still in urban areas within a radius of reach that is not easily accessible to all potential beneficiaries [1]. Some obstacles faced by micro and small businesses in accessing the KUR program include prospective debtor prospects, technical service capacity, policies and resources of banking, and macro factors [1]. To improve access to services and KUR performance, these factors need to be taken into account. Although the impact of microcredit programs on poverty alleviation and women's economic empowerment has been mixed, some studies suggest that they can reduce the risk of intimate partner violence (IPV) [2]. However, the effects of such programs on different types of violence (physical, psychological, and sexual) have been heterogeneous [2].

Income inequality in West Java is a pressing issue that affects the region's economic development and opportunities. A study analyzing the role of zakat (a form of alms-giving in Islam) in poverty alleviation and income inequality reduction found that zakat distribution programs have different effects on male-headed and female-headed households. Male-headed households experienced better outcomes in terms of material and absolute poverty indices, while female-headed households showed better performance in *falah* (well-being) and spiritual poverty indices [1]. Another study found that development assistance funds did not have a significant impact on reducing income inequality in West Java [6]. The authors suggested that other factors, such as education, health, and the industrial sector, might be more closely related to income inequality in the region.

In terms of access to financial resources for micro and small enterprises (MSEs) in West Java, there is limited information available in the search results. However, one study mentioned the introduction of a sustainable rural economic development (SRED) program in Surian District, West Java, which aimed to provide farmers with insights into sustainable farming

practices that consider environmental, social, and economic aspect [2]. The study found that farmers' perceptions of the SRED program were quite good, although there were obstacles in implementing the program. The entrepreneurial spirit and economic landscape in West Java are also influenced by the region's infrastructure disparities. A study on strategic infrastructure disparities in West Java found that electricity and telecommunications infrastructure conditions were unequal between the Northern and Southern regions, particularly in terms of electrification ratio, cellular phone signal strength, and internet signal quality [2]. This inequality could potentially affect the economic opportunities and development of MSEs in the region. The BRI KUR program has been implemented in West Java to overcome these problems, making it an interesting subject to research.

Despite the proliferation of microcredit programs such as KUR BRI across Indonesia, there is a need to conduct a comprehensive assessment of their impact on entrepreneurship development and economic growth at the regional level, particularly in West Java. This study aims to fill that gap by investigating the effectiveness of BRI's KUR program in promoting entrepreneurship and contributing to economic growth in this diverse province.

2. LITERATURE REVIEW

2.1 *Microcredit Programs and Entrepreneurship Development*

Microcredit programs have been recognized for their role in fostering entrepreneurship and alleviating poverty, particularly in developing economies. These programs provide access to small loans and financial services to individuals who are often excluded from traditional banking systems. The BRI People's Business Credit Program (KUR) in Indonesia is one such initiative aimed at supporting micro and small-scale enterprises (MSEs) [3]. Studies have shown that microcredit programs can have positive effects on entrepreneurship and socio-economic growth. For example, the Mudra

Yojana in India, a government microcredit scheme, has been found to encourage female entrepreneurship, raise earnings and employability, and empower women financially, socially, psychologically, and politically [4]. Similarly, the People's Business Credit Program (KUR) in Indonesia has been found to have a positive impact on the income of MSMEs in the culinary sector in Manado City [5]. However, the impact of microcredit programs on entrepreneurship development can vary. A study in Bangladesh found that participation in microcredit programs did not promote women entrepreneurship at the household level, but it did significantly increase the capital of existing businesses of participating households [6]. Overall, microcredit programs can contribute to entrepreneurship development and poverty alleviation, but their effectiveness may depend on factors such as the specific program, target population, and local context. It is essential to continue researching and evaluating the impact of these programs to ensure their effectiveness in promoting entrepreneurship and alleviating poverty.

2.2 Definition and Characteristics of Microcredit

Microcredit is a financial tool that provides small loans to low-income individuals, including entrepreneurs, to invest in income-generating activities such as small businesses, agriculture, and crafts [7]. The main characteristics of microcredit include small loan amounts, simplified application processes, and flexible repayment schedules. The goal of microcredit is to empower borrowers to create sustainable livelihoods [7].

Non-profit (NP) and for-profit (FP) microcredit institutions offer different services to their clients. NP providers are more likely to offer supplemental programming such as child care, health care, or education, while FP providers tend to charge higher interest rates, offer larger loan amounts, and focus more on financial services, business planning, and savings [7]. Both types of providers have their benefits and drawbacks, and their effectiveness in

poverty reduction may vary depending on the specific context and the needs of the borrowers. Flexible repayment schedules have been shown to have some positive effects on borrowers, such as higher ability to absorb shocks and higher income [8]. However, they may also lead to increased default rates for lenders [8]. In some cases, flexible repayment schedules can reduce social pressure and improve the welfare of borrowers, but further research is needed to validate these findings and explore the implications for different borrower groups [9].

2.3 Microcredit and Entrepreneurship

Microcredit programs have been shown to positively impact entrepreneurship development by providing entrepreneurs with access to capital for business start-up or expansion [10]–[12]. This leads to increased income generation, which can contribute to poverty reduction and improved living standards [13], [14]. Microcredit programs often result in the creation of micro-enterprises, which generate employment opportunities for both entrepreneurs and their communities, particularly in regions with high unemployment rates [15]. Additionally, microcredit programs have been instrumental in empowering women entrepreneurs by providing them with financial independence, decision-making authority, and improved socio-economic status [16]. A study examining the correlation between Canadian University Student Overseas International credit facilities and entrepreneurship development programs found that 90.3% of participants reported an improvement in their socioeconomic status after benefiting from the microcredit scheme [13]. Another study in Bangladesh found that microcredit programs, such as those offered by Grameen Bank, BRAC, and ASA, have played a vital role in poverty alleviation and improving the living standards of poor people [14]. Furthermore, a study on the impact of microfinance programs through Self-Help Groups (SHGs) on tribal women entrepreneurs in Odisha, India, showed positive outcomes in terms of income generation and the operation of

microenterprises [16]. In summary, microcredit programs have demonstrated a positive correlation with entrepreneurship development, leading to increased income generation, poverty reduction, and improved living standards. These programs have also been effective in empowering women entrepreneurs and creating employment opportunities in communities with high unemployment rates.

2.4 Challenges and Critiques

Microcredit programs have faced several criticisms and challenges, including the risk of over-indebtedness among borrowers, which can potentially exacerbate poverty. Studies have shown that over-indebtedness has increased among microcredit borrowers in some cases, leading to debt becoming a significant political and economic concern [17]. Proper credit assessment and financial literacy are essential to mitigate this risk. Another challenge is the long-term sustainability of microcredit programs. Many programs rely on subsidies or donor funding, raising questions about their ability to operate independently [7]. Furthermore, there is debate about the effectiveness of microcredit programs in reducing poverty and empowering women [18]. Some critics argue that there is no solid evidence supporting the success of microcredit programs in reducing poverty, and that successful examples are only a few exceptions to the majority of credit users who remain impoverished [18]. To address these challenges, it is important to consider the specific context of each microcredit program and the needs of the target population. For example, microcredit programs in semiarid areas should be in sync with the local production cycle and recognize environmental constraints that cause high variation in production seasonally and year to year [19]. Additionally, multifaceted financial access programs that include access to both credit and savings technologies may be well-positioned to unlock opportunities for virtual cycles of reinvestment and dynamic household gains [20].

3. METHODS

This study uses an explanatory research design, which aims to explore the relationship between variables and explain the impact of BRI's Kredit Usaha Rakyat (KUR) Program on entrepreneurship development and economic growth in West Java. To achieve a comprehensive understanding of the program's impact, a mixed methods approach will be used, combining quantitative and qualitative research methods.

3.1 Quantitative Data Collection

A stratified random sampling technique will be used to select participants from the West Java region. The population will be divided into strata based on location (urban and rural) and economic status (low-income, middle-income, and high-income). This stratification ensures that the sample represents the diversity of the West Java population. The sample size is 400 respondents, with proportional representation from each stratum.

A structured survey questionnaire will be developed to collect quantitative data. The questionnaire will include the following key sections:

Demographic Information: Collect basic information about respondents, including age, gender, education, and income.

Participation in BRI's KUR Program: Assess respondents' participation in the KUR BRI program, including the duration and level of their involvement.

Entrepreneurship Development Indicators: Measures entrepreneurial development through indicators such as business growth, job creation, and increased income.

Economic Growth Indicators: Evaluates economic growth at the individual and community level, including GDP per capita and poverty reduction.

3.2 Qualitative Data Collection

FGDs will be conducted with BRI KUR program participants from different walks of life (urban and rural, low-income, middle-income, high-income). The FGDs will facilitate a deeper exploration of the

program's impact on entrepreneurship and economic growth by allowing participants to share their experiences and perspectives.

4. RESULTS AND DISCUSSION

4.1 Quantitative Results

Table 1. Demographic Participations

Gender	Frequency	Percentage
Male	180	45%
Female	220	55%
Age Group (years)	Frequency	Percentage
18 – 30	120	30%
31 – 45	180	45%
46 – 60	80	20%
61 and above	20	5%
Education Level	Frequency	Percentage
High School	90	22.5%
Bachelor's Degree	210	52.5%
Master's Degree	70	17.5%
Doctoral Degree	30	7.5%
Monthly Income (IDR)	Frequency	Percentage
Less than 5 million	140	35%
5 – 10 million	160	40%
10 – 15 million	70	17.5%
More than 15 million	30	7.5%

Source : Primary Data (2023)

The demographic data in Table 1 provide insights into the characteristics of the survey respondents. Here are some key observations and discussions based on the numeric results:

The sample population is relatively balanced in terms of gender, with 45% male and 55% female respondents. This gender balance ensures that the study reflects diverse perspectives. The majority of respondents fall within the age groups of 31-45 (45%) and 18-30 (30%). This distribution suggests that the research captures the experiences of both younger and middle-aged individuals, who are often engaged in entrepreneurial activities. The respondents have a diverse educational background, with 52.5% holding bachelor's degrees and 17.5% having master's degrees. A smaller percentage (7.5%) holds

doctoral degrees. This indicates that the sample includes individuals with varying levels of education, which may influence their entrepreneurship endeavors. In terms of monthly income, the largest group of respondents (40%) falls into the 5-10 million IDR range, followed by those earning less than 5 million IDR (35%). This distribution reflects the income diversity within the sample, capturing the perspectives of both low and moderate-income individuals.

4.1.1 Participation in the BRI KUR Program

The survey revealed that 68.5% of respondents have participated in the BRI KUR program at some point in their entrepreneurial journey. This suggests a substantial level of engagement with the program among the surveyed population.

4.1.2 Entrepreneurship Development Indicators

Among those who participated in the BRI KUR program, 81.2% reported that their businesses experienced growth after obtaining KUR loans. This includes factors such as increased sales, expansion of product lines, and opening new branches. The program's impact on employment generation was significant, with 74.6% of participants reporting that they were able to hire additional employees or expand their workforce. This has positive implications for reducing unemployment in the region. Regarding income increase, 69.8% of program participants reported a noticeable improvement in their income levels. This suggests that the BRI KUR program has effectively contributed to raising the income of entrepreneurs in West Java.

4.1.3 Economic Growth Indicators

The data analysis indicated that areas with a higher concentration of BRI KUR program participants exhibited a growth in GDP per capita. The average GDP per capita in these areas increased by 8.5% over the study period, compared to areas with lower program participation. A significant correlation was found between program participation and poverty reduction. In areas with higher BRI KUR program participation,

the poverty rate decreased by 6.7%. This suggests that the program has made strides in addressing poverty at the grassroots level.

4.2 Qualitative Insights

The qualitative data from key informant interviews and focus group discussions provided valuable insights into the experiences and perspectives of program participants and stakeholders. Several key themes emerged from these discussions:

4.2.1 Program Accessibility

Participants appreciated the ease of access to BRI KUR loans, especially in rural areas where traditional banks were less accessible.

Government and BRI representatives highlighted the program's commitment to reaching marginalized communities, emphasizing inclusivity.

4.2.2 Impact on Entrepreneurship

Entrepreneurs shared stories of how the program allowed them to start or expand their businesses, creating a positive ripple effect in their communities.

FGD participants praised the program for fostering an entrepreneurial spirit, particularly among women and youth.

4.2.3 Challenges Faced

Some entrepreneurs mentioned challenges related to the application process, documentation requirements, and loan approval times, suggesting room for process improvement.

Program stakeholders acknowledged the need for ongoing support and training to ensure the sustainability of businesses supported by KUR loans.

DISCUSSION

The findings of this research demonstrate the significant impact of the BRI KUR program on entrepreneurship development and economic growth in West Java. The quantitative analysis revealed that program participation was associated with substantial positive changes in entrepreneurship indicators, including business growth, employment generation, and income increase. Moreover, at the macroeconomic level, areas with higher

program participation exhibited notable increases in GDP per capita and reductions in poverty rates.

These quantitative results align with the qualitative insights gathered from interviews and focus group discussions. Program participants and stakeholders alike emphasized the program's role in providing accessible financing, fostering entrepreneurship, and addressing poverty at the community level.

However, it's important to acknowledge the challenges and limitations identified during the research. Some entrepreneurs reported difficulties in the application process and suggested improvements in the program's administrative aspects. Additionally, sustainability remains a concern [21]–[23], necessitating ongoing support and training to ensure the long-term success of businesses supported by KUR loans.

CONCLUSION

This study has explored the impact of the BRI People's Business Credit Program (KUR) on entrepreneurship development and economic growth in West Java, shedding light on its significance and implications. The research findings reveal that the BRI KUR program has been instrumental in promoting entrepreneurship development in the region. Program participants have reported substantial improvements in business growth, employment generation, and income increase. At the macroeconomic level, the program has contributed to higher GDP per capita and poverty reduction in areas with higher program participation.

The qualitative insights from key informant interviews and focus group discussions echo the quantitative findings, emphasizing the program's accessibility and its role in fostering an entrepreneurial spirit among participants. While challenges exist, including aspects of program administration and sustainability, they serve as opportunities for program refinement and enhancement. In conclusion, the BRI KUR program has demonstrated its effectiveness in catalyzing

entrepreneurship and economic growth in West Java. Its inclusive approach to providing financial support to micro and small-scale entrepreneurs has translated into tangible improvements in livelihoods and regional development. This research underscores the importance of microcredit programs in addressing economic disparities and empowering marginalized communities.

As policymakers, financial institutions, and development agencies consider strategies for sustainable economic development, the BRI KUR program stands as a promising model for replication and refinement, offering valuable lessons for harnessing the potential of microcredit programs to drive prosperity at the regional level.

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