



# Rice Farmers' Perspectives on the People's Business Credit (KUR) as an Alternative Financing Option for Cultivation in Gorontalo

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## Abstract

This study aims to analyze the perspectives of rice farmers on the People's Business Credit (KUR) program as an alternative source of cultivation financing in Gorontalo Province. The KUR program, provided by the government through banking institutions, is expected to enhance farmers' access to capital, reduce dependence on the *ijon* (advance selling) system, and promote increased productivity and farmer welfare. This research employs a descriptive qualitative approach, with data collected through in-depth interviews, field observations, and documentation involving several rice farmers in the Bone Bolango and Gorontalo districts. The findings indicate that most farmers hold a positive perception of the KUR program due to its relatively low interest rates and increasingly simplified distribution procedures. However, some farmers remain hesitant to utilize this facility because of limited administrative knowledge, concerns about crop failure risks, and reliance on traditional financing patterns. These findings highlight the importance of the role played by local governments and financial institutions in strengthening financial literacy and providing assistance to farmers so that the KUR program can be optimally utilized to support the sustainability of rice cultivation in Gorontalo.

## Keywords:

People's Business Credit,  
Agricultural Financing,  
Farmers' Views,  
Paddy Cultivation,  
Gorontalo.

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## INTRODUCTION

Agriculture is a strategic sector in Indonesia's economy, as it plays a vital role in food security, employment generation, and poverty alleviation in rural areas. However, one of the persistent challenges faced by farmers—particularly rice paddy farmers—is limited access to formal financing sources (Yadav & Sharma, 2015). Most farmers still rely on informal financing systems such as *ijon* (advance selling) or loans from middlemen, which are high-risk and unsustainable in the long term. This condition hampers improvements in farmers' productivity and welfare, despite various government programs aimed at supporting the agricultural sector.

As part of efforts to expand financing access for micro, small, and medium enterprises (MSMEs), including those in agriculture, the government—through the Coordinating Ministry for Economic Affairs—issued Coordinating Ministerial Regulation No. 1 of 2022 concerning the Guidelines for the Implementation of the People's Business Credit (Kredit Usaha Rakyat, KUR). This regulation reinforces the direction of

inclusive financing policies by defining mechanisms for fund distribution, interest subsidy schemes, guarantees, and the prioritization of productive sectors targeted by the KUR program. It specifically emphasizes agriculture as one of the primary sectors eligible for KUR financing, aiming to strengthen food security and improve farmers' welfare through more affordable capital access, low interest rates, and simplified administrative procedures (Mustofa et al., 2024).

The agricultural sector—particularly rice cultivation—remains the backbone of the local economy in Gorontalo Province. Most rural residents depend on rice farming both for household consumption and as their primary source of income. However, in practice, farmers often face capital constraints that hinder smooth operations from planting to harvest. Limited funds for purchasing seeds, fertilizers, and labor costs have compelled many farmers to depend on non-formal financing sources (Yadav & Sharma, 2015), such as the *ijon* system or personal loans from local moneylenders. Although these informal methods are quick and accessible, they often trap farmers in long-term dependency, as the selling price of their crops is determined below market value.

The government has attempted to address this issue through the People's Business Credit (KUR) program—an affordable loan facility designed to help farmers access capital without requiring substantial collateral. The program is expected to provide a fairer and more sustainable financing mechanism for agricultural activities. However, in reality, the utilization rate of KUR among farmers in Gorontalo remains low. Many farmers are still reluctant to access bank-based financing due to perceptions that the process is complex, involves excessive administrative requirements, and carries high risk in the event of crop failure. Additionally, social factors such as limited financial literacy, fear of bank debt, and stronger trust in traditional financing systems have prevented farmers from considering KUR as their primary funding option.

This situation raises an important question regarding how farmers perceive the KUR program as an alternative financing option for rice cultivation (Hadrich et al., 2018). Farmers' perceptions and experiences are key to understanding why this government initiative has not been fully embraced by the farming community. Are the barriers primarily economic, social, or psychological? How do farmers who have utilized KUR perceive it compared to those who have not? And to what extent is the program considered relevant to the agricultural needs and practices in Gorontalo?

Based on these issues, this study aims to explore and analyze rice farmers' perspectives on the People's Business Credit (KUR) program as an alternative financing mechanism for cultivation in Gorontalo. The study is expected to provide a comprehensive overview of farmers' perceptions of the KUR program, identify the factors influencing its acceptance or rejection, and propose potential strategies for the government and financial institutions to enhance farmers' participation in more productive and sustainable formal financing schemes.

## LITERATURE REVIEW

### Farmers' Perceptions and Behavior

Farmers' perceptions of financing reflect how they evaluate, understand, and respond to various funding schemes offered by both formal institutions (such as banks) and informal sources (such as local financiers). Among rural rice farmers, these perceptions are shaped by past experiences, levels of financial literacy, and trust in financial institutions. Many farmers view bank credit procedures as complex, requiring difficult collateral, and risky due to potential debt burdens in case of crop failure. As a result, they tend to rely on informal systems like *ijon* (advance selling) or peer-to-peer loans, which are faster and simpler but often less profitable.

Farmers' financial behavior is also influenced by socio-cultural and psychological factors. Many exhibit risk-averse tendencies toward debt, perceiving borrowing as morally undesirable, especially given

uncertainties in harvest outcomes. Consequently, despite the availability of subsidized credit programs like KUR with low interest rates, some farmers prefer using personal savings, selling small assets such as livestock, or borrowing from relatives and neighbors as part of social solidarity.

### **Types of Rice Cultivation Financing**

Financing in rice cultivation—crucial for agricultural productivity and sustainability—can be classified into formal and informal schemes. Formal financing originates from official institutions such as banks, government programs, and cooperatives. A key instrument is the People's Business Credit (KUR), a subsidized loan program designed to provide working capital to farmers who lack sufficient collateral (Lailaa & Kurniawati, 2018). Microfinance institutions and farmer cooperatives also play an important role in offering both conventional and Islamic-based financing. Meanwhile, informal financing remains common in rural areas, such as *ijon* systems where farmers pre-sell crops at lower prices, and profit-sharing (*paron*) schemes between landowners and capital providers. Although easily accessible, informal financing often weakens farmers' bargaining position due to the lack of legal protection.

### **Components of Rice Production Costs**

Rice cultivation involves various production costs from land preparation to post-harvest activities. Initial costs include land tilling, irrigation, and soil processing—ranging from one to two million rupiahs per hectare. Planting costs cover seed purchases and labor wages, followed by maintenance expenses for fertilizers, pesticides, and water channel upkeep. Finally, harvest and post-harvest costs include equipment rental or labor for harvesting, transportation, and rice milling fees.

## **METHOD**

This study employed a descriptive qualitative approach to deeply understand rice farmers' perceptions, experiences, and interpretations of the People's Business Credit (KUR) program in Gorontalo. This approach was chosen for its ability to explore the social, cultural, and economic contexts shaping farmers' perceptions, rather than merely measuring quantitative aspects. It allows the researcher to interpret phenomena from the farmers' perspectives within their everyday lives (Creswell & Creswell, 2018).

The research was conducted in several rice-producing villages in Gorontalo and Bone Bolango Regencies, areas known for their agricultural potential and access to microfinance facilities. Participants included rice farmers who had and had not used KUR, varying in age, farm scale, and education. Informants were selected using purposive sampling, targeting those most knowledgeable and relevant to the study.

Data were collected through in-depth interviews, observations, and documentation related to land management and farmers' social interactions. The researcher served as the main instrument, supported by interview guides and field notes. Data validity was ensured through source and method triangulation by comparing interview, observation, and policy document results related to agricultural KUR.

Data analysis was conducted interactively and continuously, including three stages: data reduction (organizing and simplifying data), data display (descriptive narratives), and conclusion drawing—identifying patterns, themes, and meanings behind farmers' perceptions of KUR (Miles & Huberman).

## **RESULT AND DISCUSSION**

The People's Business Credit (Kredit Usaha Rakyat, KUR) program is one of the Indonesian government's policies aimed at expanding access to financing for productive sectors, including paddy farmers in regions such as Gorontalo. However, the level of KUR utilization among farmers remains relatively low compared to its potential. This indicates a gap between financial inclusion policies and the socio-economic readiness and perceptions of farmers in the field.

Research findings show that most paddy farmers in Gorontalo still rely on non-formal financing sources, such as *ijon* systems (advance payment for crops), peer-to-peer lending among farmers, or capital assistance from family members (Aura Kartika Dunya et al., 2025). Although the KUR program has been promoted by local governments and banking institutions such as BRI, its utilization remains limited. Interviews reveal that only a few respondents have directly accessed KUR for farming capital, while the majority have not applied due to various reasons such as incomplete administrative documents, fear of interest rates, and a lack of understanding of credit procedures (Khafifah et al., 2022).

Farmers' perceptions of the KUR program are diverse. Most farmers who have never accessed KUR hold negative views, perceiving the program as complicated and potentially leading to debt traps if crop failure occurs. They feel more comfortable with traditional, trust-based mechanisms such as borrowing from middlemen or relatives (Aura Kartika Dunya et al., 2025). This reflects strong psychological and socio-cultural factors influencing farmers' financial behavior.

Conversely, farmers who have previously received KUR financing have more positive perceptions (Fahrudin et al., 2025). They view KUR as a convenient source of business capital, offering relatively low interest rates and flexible repayment schedules aligned with planting seasons. They also consider the program fairer, as it avoids price deductions typical of *ijon* systems. These findings highlight that direct experience and financial literacy are key factors shaping positive attitudes toward formal financial institutions.

In terms of financial literacy, many farmers still lack a comprehensive understanding of KUR's mechanisms and benefits. Banking procedures are perceived as complex, particularly by those without formal collateral such as land certificates or documented business histories. This situation underscores the need to enhance rural financial literacy through continuous mentoring and training by agricultural extension officers and microfinance institutions (Khafifah et al., 2022).

Nevertheless, younger farmers with higher digital literacy are beginning to show positive attitudes toward KUR, especially following community-based outreach and farmer group support (Handayani Amaliah, 2025). They see KUR as an opportunity to scale up their farming operations, purchase quality seeds and fertilizers, and expand their cultivated land. This suggests a generational shift in perceptions toward productive financing sources.

The financing decisions of paddy farmers in Gorontalo are generally influenced by economic, social, and psychological factors. Farmers with low incomes and limited assets exhibit risk-averse behavior, tending to avoid financial risks (Tukan et al., 2023). They are reluctant to take loans due to fears of being unable to repay them in case of crop failure. To mitigate such risks, Sharia-based financing with a profit-sharing system could be offered as an alternative (Daud and Sharif, 2024). Meanwhile, farmers with larger landholdings, higher education, and active involvement in farmer organizations tend to display more rational, opportunity-oriented behavior.

Interestingly, field observations also show that farmers' financing behavior is not solely determined by economic capacity but also by the responsiveness and friendliness of financial institutions. Farmers who have had positive experiences with banks—such as fast processing and transparent explanations—are more likely to reuse KUR services in subsequent planting seasons.

The research supports Ellis's (1993) theory of farmers' economic behavior, which states that farmers' decisions are not purely based on economic rationality but also on social and psychological considerations. In the Gorontalo context, the reluctance of some farmers to utilize KUR reflects information asymmetry and limited financial literacy (Tengkeran et al., 2025). Negative perceptions of banking institutions are not merely due to interest rates but stem from the incompatibility between bureaucratic formal systems and local cultures rooted in trust and mutual cooperation.

To increase farmers' participation in KUR utilization, a more contextual approach that considers local socio-economic and cultural characteristics is needed (Kurnia et al., 2024). Strategies such as farmer group-based approaches, digital technology for outreach, and simplification of administrative procedures could effectively expand access to productive financing in Gorontalo's agricultural sector (Putra P et al., 2024). The integration of financing, mentoring, and financial literacy initiatives will be crucial in building farmers' trust and transforming their behavior toward more productive and sustainable financing systems.

## CONCLUSION

This study concludes that the perceptions and behaviors of paddy farmers in Gorontalo toward the People's Business Credit (KUR) program remain diverse, influenced by social, economic, psychological, and institutional factors. Some farmers view KUR positively, recognizing its low-interest financing (Oloukoi, 2022), simpler procedures (Iniovorua et al., 2016), and tangible benefits for improving productivity and income (Handayani Amaliah, 2025). However, others maintain negative perceptions, citing complicated application processes (Ankrah Twumasi et al., 2019), collateral requirements, and debt risks in the event of crop failure.

Farmers' financing behavior is shaped by their financial literacy (Puspita Sari et al., 2023), banking experience, and institutional support from farmer groups and agricultural extension services. Those with higher education and organizational experience tend to act more rationally and are open to formal financing, while those with low financial literacy remain dependent on traditional systems such as *ijon* or family loans.

Despite KUR's potential benefits, challenges persist in financial management, recordkeeping, and credit understanding. Thus, KUR's effectiveness depends not only on fund availability but also on continuous mentoring, financial education, and strengthening local institutions that bridge farmers and financial bodies.

Overall, KUR holds strong potential as a sustainable financing option for rice farming in Gorontalo—provided it is supported by inclusive, human-centered policies and collaborative efforts among local governments, banks, and agricultural facilitators to build trust, expand access, and enhance farmers' financial capacity (Panekenan et al., 2017).

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