

MICROCREDIT AND INFORMAL TRANSPORT WORKERS: EVALUATING THE IMPACT OF KUR ON MOTORCYCLE TAXI DRIVERS' WELFARE IN COLO VILLAGE, INDONESIA

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Abstract

This study explores the impact of the People's Business Credit (Kredit Usaha Rakyat or KUR) on the income levels and financial welfare of motorcycle taxi drivers (ojek) in Colo Village, Kudus Regency. Located in a mountainous area and reliant on ojek for local transportation, the village presents a unique case of informal labor dynamics in rural Indonesia. Using a descriptive approach with data from 30 KUR recipients, the research identifies variations in credit utilization—productive versus consumptive—and their corresponding economic outcomes. Findings indicate that while nearly half of the respondents experienced significant income increases, many others saw little to no financial improvement due to non-strategic credit use and low financial literacy. The study concludes that microcredit alone is insufficient without complementary financial education, flexible repayment models, and entrepreneurial support. These insights inform more inclusive financial policies tailored to the realities of informal sector workers in rural highland communities.

Keywords: KUR, Microcredit, Informal economy

Introduction

Colo Village is a highland settlement located on the slopes of Mount Muria, within the Dawe District of Kudus Regency. Situated at an altitude of 1,602 meters above sea level and approximately 18 kilometers from the city center of Kudus, the village is widely recognized as a center for religious tourism. This reputation stems from the presence of the tomb of Sunan Muria, one of the revered Wali Songo, which draws pilgrims from various regions across Indonesia.

Due to its winding roads and steep mountainous terrain, access to the village is limited, particularly for large vehicles. As a result, motorcycle taxis—locally known as ojek—have become the primary mode of transportation. For many local residents, working as ojek drivers is not only a practical response to the geographical challenges but also a vital source of income. Despite their essential role in the local economy, ojek drivers in Colo often face financial instability and income insecurity. To support their livelihoods and meet daily expenses, a significant number have turned to the People's Business Credit (Kredit Usaha Rakyat or KUR). This microcredit program offers accessible financing intended to support small-scale entrepreneurs.

However, the impact of KUR on drivers' welfare varies considerably. While some recipients use the credit productively—such as for vehicle maintenance, business expansion, or investment in income-generating activities—others tend to allocate the funds toward consumptive spending. These differing approaches have led to mixed economic outcomes among borrowers (Juwita, 2014; Maherika et al., 2019).

This study seeks to explore the extent to which access to bank credit, particularly through KUR, affects the income levels and overall welfare of motorcycle taxi drivers in Colo Village. In addition, the research investigates the financial behaviors of credit recipients and identifies key factors that contribute to the effective—or ineffective—use of credit facilities. By understanding these dynamics, the study aims to offer insights that can inform policies for improving financial inclusion and sustainable income generation in rural highland communities (Ridha et al., 2024).

This study aims to examine the patterns of financial decision-making among motorcycle taxi drivers in Colo Village, particularly focusing on whether these decisions are rational or irrational, and whether the credit they receive is used for productive or consumptive purposes. The research is expected to contribute theoretically to the literature on the informal economic sector and to offer practical benefits for various stakeholders. For banking institutions, the findings may serve as a reference for developing more targeted and effective credit distribution policies. At the same time, for the local government of Kudus Regency, this research could support efforts to expand inclusive access to microfinance and encourage financial mechanisms that meaningfully enhance community welfare—especially for motorcycle taxi drivers who play a crucial role in sustaining the local economy (Karim et al., 2019).

Economics, in its broadest sense, is the study of how individuals and societies manage limited resources to meet unlimited human needs. As stated by Samuelson and Nordhaus (2009), economics is the science of decision-making under conditions of scarcity. The Indonesian Kamus Besar Bahasa Indonesia (KBBI) defines economics as the process encompassing production, distribution, and consumption of goods and wealth. The word economy itself originates from the Greek term *oikonomia*, which means household management. As such, economic principles apply to individuals, households, firms, and governments alike in managing resources. Moreover, each region's economic structure is shaped by cultural, legal, historical, and geographical contexts, making economic behavior highly contextual and locally driven (Todaro & Smith, 2020).

The ultimate goal of an economic system is to fulfill human needs efficiently and fairly, improve the quality of life, and foster sustainable growth. Broader objectives include reducing social inequality, generating employment opportunities, and increasing productivity and innovation. According to Omar and Inaba (2020), financial inclusion plays a critical role in reducing poverty and income inequality in developing countries, thereby supporting an economy that enhances human welfare through optimal resource utilization. These functions are fundamental to ensuring that all segments of society can participate meaningfully in economic activity, promoting resilience and long-term sustainability.

Various economic and non-economic factors influence the performance and development of a country's economy. Economic variables include natural resources, capital, and labor, while non-economic influences range from political stability and legal frameworks to social and cultural dynamics. The quality of human resources is particularly crucial for driving innovation and efficiency in production processes. Natural resources, although abundant in some regions, require careful management to be utilized effectively. Meanwhile, the advancement of information and communication technology (ICT) has significantly accelerated production, marketing, and distribution. Governments play a central role in this ecosystem by implementing fiscal and monetary policies, managing inflation, and maintaining macroeconomic stability. Additionally, external factors such as globalization, global commodity prices, and foreign investment flows shape a country's economic competitiveness and resilience (Anindita, 2016; Haqiqi, 2016).

In this context, bank credit plays a pivotal role in facilitating economic activity. As a financial intermediary, credit serves as a mechanism for channeling funds from surplus to deficit units. The term credit stems from the Greek word *credere*, meaning to trust, reflecting the underlying expectation of repayment. According to Untung (2000), credit is a contractual agreement between lenders and borrowers that provides social and economic utility. The aims of bank lending include supporting economic growth, improving community welfare, ensuring financial system stability, and enhancing financial inclusion. In practical terms, credit serves several functions: it facilitates the distribution of capital, stimulates economic activity, reduces income inequality, and generates revenue for financial institutions. When managed effectively, credit systems become powerful instruments for national economic development—particularly through their role in financing micro, small, and medium enterprises (MSMEs) and other productive sectors (Case et al., 2012). In rural and informal economies such as that of Colo Village, access to well-structured credit can act as a catalyst for empowerment and economic mobility (Laratmase et al., 2024).

Methods

This research employs a descriptive qualitative approach. Data collection was conducted through questionnaires and interviews with 30 motorcycle taxi drivers who have received KUR from Bank BRI. The sample represents 15% of the estimated 200 active drivers in the area. The study used purposive sampling to select respondents who had been active in the profession for more than one year and had received credit within the past three years. The data were analyzed using descriptive statistics including percentage and average income comparisons before and after receiving the credit. The research also categorized the credit usage patterns (productive vs. consumptive) and assessed their correlation with income changes (Cahyaning P, 2016).

Results and Discussions

Results and Discussion This study surveyed 30 motorcycle taxi drivers in Colo Village. All respondents were male, with half (50%) aged between 25–35 years, and 63.3% having completed senior high school. In terms of experience, 42.9% of the respondents had worked as ojek drivers for more than six years, making them well-acquainted with the challenges and dynamics of informal transportation services in the region.

Table 1 Age

Age Range	Frequency	Percent
< 25	4	13,3%
25-35	15	50%
36 yea– 45	5	16,7%
> 45 years	6	20%

Total	30	100%
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Source: Data Processing result, 2025

Before obtaining credit, the majority of drivers (52.4%) earned a monthly income ranging from IDR 1,000,000 to IDR 1,500,000, with daily income most commonly between IDR 200,000 and IDR 300,000. This income level was often barely sufficient to meet basic living expenses, with most drivers having no alternative income sources. In such conditions, financial vulnerability was high, particularly during economic disruptions such as the COVID-19 pandemic or seasonal tourism downturns (Maherika et al., 2019).

Table 2 Education

Education Level	Frequency	Percent
SD	2	6,7%
SMP	2	6,7%
SMA	19	63,3%
College	7	23,3%
Total	30	100%

Source: Data Processing result, 2025

In response to this economic instability, 81% of the respondents reported having accessed banking credit, with 52.1% specifically opting for Kredit Usaha Rakyat (KUR). The KUR program appealed to many due to its relatively easy application process and minimal collateral requirements. Most drivers received credit ranging from IDR 15,000,000 to IDR 30,000,000, with typical loan terms spanning 24 months. The credit was secured using either other valuable documents (52.4%) or house certificates (28.6%). However, credit utilization varied significantly among respondents. Only 28.6% of the drivers reported using the funds for productive purposes such as motorcycle maintenance or starting small side businesses. In contrast, the majority (52.4%) admitted to using the funds primarily for consumptive needs—covering household expenses, paying off debts, or financing children's education. This contrast had direct implications for the economic outcomes observed (Karim et al., 2019; Cahyaning P, 2016).

Table 3 Duration of Working (Years)

Duration Range	Frequency	Percent
< 1	0	0
1- 3	10	33,3%
4- 6	7	23,8%
> 6	13	42,9%
Total	30	100%

Source: Data Processing result, 2025

Following credit access, 47.6% of respondents experienced an increase in monthly income, with average earnings rising from IDR 1,750,000 to approximately IDR 4,517,241. This represents a notable income increase of 158.13%. These individuals typically allocated their loans toward income-generating activities, such as opening small grocery store, engaging in livestock farming, or investing in online businesses. Many of them also reported improvements in psychological well-being, financial stability, and confidence. In contrast, 52.4% of respondents reported stagnant incomes, with no significant improvement after receiving credit. Factors contributing to this stagnation included the use of credit for non-productive purposes, limited financial literacy, and failure to develop sustainable business plans (Harun, 2010).

Table 4 Duration of Working (Years)

Purpose of Taking Credit	Frequency	Percent
Buying a vehicle for motorbike taxis	4	14,3%
Start a Business	8	28,6%
Other Personal Needs	16	52,4%
Other	2	4,8%
Total	30	100%

Source: Data Processing result, 2025

Despite these challenges, some positive shifts were observed. Around 57% of respondents reported using their credit to start or support side businesses. Of these, 17 respondents were able to generate additional income ranging from IDR 500,000 to IDR 3,500,000 per month. These side businesses—such as small coffee shop,

livestock farming, or online selling—thrived especially during weekends and long holidays, which attract larger tourist flows (Laratmase et al., 2024).

Table 5 Income Before Getting Funding from the Bank

Income Range	Frequency	Percent
Rp 1000.000 – Rp 1.999.999	16	52,4%
Rp 2.000.000 – Rp 2.999.999	6	19%
Rp 3.000.000 – Rp 3.999.999	4	14,3%
Rp 4.000.000 – Rp 5.000.000	4	14,3%
Total	30	100%

Source: Data Processing result, 2025

In terms of loan repayment, although most respondents found the credit application process accessible (71.4%), many emphasized the need for more flexible repayment terms. The majority (66.7%) felt that the credit was helpful, though not always significantly impactful. Only 23.8% reported that credit had strongly improved their quality of life, while 9.5% observed no tangible improvement.

Table 6 Income After Getting Funding from the Bank

Income Range	Frequency	Percent
Tidak ada perubahan pendapatan	16	52,4 %
Rp 3.000.000 – Rp 5.999.999	11	38, 1 %
Rp 6.000.000 – Rp 7.000.000	3	9,5%
> Rp 7.000.000	0	0%
Total	30	100%

Source: Data Processing result, 2025

From a behavioral standpoint, many drivers demonstrated rational intentions in seeking credit, aiming to supplement income and improve family welfare. However, actual execution often lacked strategic planning. While 47.6% showed awareness of the importance of saving and investment, others continued to misuse loans and accumulate repayment burdens. This discrepancy highlights the gap between financial intention and action—a pattern shaped by low financial literacy and limited entrepreneurial support (Schultz, 1961; Anindita, 2016; Ridha et al., 2024).

In conclusion, the findings underscore the potential of microcredit programs like KUR to enhance economic welfare in informal sectors—provided that borrowers are equipped with the necessary financial management skills. As 46.7% of drivers experienced significant income growth, the impact of credit can be substantial when used productively. However, to broaden these benefits, banks and local governments must collaborate in designing more inclusive financial education programs, flexible repayment schemes, and tailored credit products suited to the income variability of informal workers such as motorcycle taxi drivers.

Conclusions and Recommendations

This study concludes that access to microcredit through the People's Business Credit (KUR) program has the potential to significantly improve the economic welfare of informal workers, particularly motorcycle taxi drivers in Colo Village. When used productively, such as for business expansion, vehicle maintenance, or additional income-generating activities, credit contributed to notable increases in household income—up to 158.13% in some cases. These improvements were also associated with enhanced financial confidence and better family well-being. However, more than half of the respondents reported no significant change in income, primarily due to the use of credit for consumptive purposes and the absence of long-term financial planning. This highlights the critical gap between credit access and credit effectiveness, which is largely influenced by borrowers' financial literacy and behavioral decision-making (Samuelson & Nordhaus, 2009; Untung, 2000).

While the credit application process was generally viewed as accessible, many borrowers struggled with repayment due to income instability—a common characteristic of informal employment. The study also found that although most respondents demonstrated rational intentions in obtaining credit, the execution of those intentions was often hindered by a lack of entrepreneurial skills, planning capacity, and institutional support. As a result, some borrowers faced increasing debt burdens rather than achieving financial empowerment (Cahyaning P, 2016; Karim et al., 2019).

Based on these findings, several key recommendations emerge. First, credit programs like KUR must be accompanied by structured financial education and mentoring initiatives tailored specifically to informal sector workers. This should include training in basic financial planning, business management, and savings behavior. Second, banks and credit providers should consider adopting more flexible repayment schemes that reflect the

irregular income patterns of informal workers, such as income-based or seasonal repayment models. Third, local governments can play a critical role by facilitating access to entrepreneurship support services and promoting cross-sector collaborations that link credit access with sustainable livelihood opportunities (Juwita, 2014; Karim et al., 2019).

In addition, community-based financial literacy campaigns could help bridge the gap between financial intention and financial behavior, especially among rural populations. Encouraging the productive use of credit and strengthening informal entrepreneurs' decision-making capacity will be essential in ensuring that microfinance programs truly fulfill their goal of empowering underserved communities.

Ultimately, this study affirms that credit alone is not a panacea. To be effective, it must be part of an integrated system that empowers borrowers not just financially, but also strategically equipping them with the skills, knowledge, and support networks necessary to convert credit into lasting economic mobility. The experience of motorcycle taxi drivers in Colo Village offers important insights into how informal actors navigate financial access, and how policy innovations can be designed to more inclusively support their development (Todaro & Smith, 2020; Case et al., 2012).

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