

## FACTORS INFLUENCE THE DECISION OF RUBBER FARMERS IN TAKING KUR IN LUBUK RAJA DISTRICT OKU REGENCY

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### ABSTRACT

Capital is needed to procure production facilities (seeds, fertilizers, pesticides and equipment), plant maintenance costs, storage, marketing and transportation costs. In rubber farming, a lack of capital causes a lack of input, which raises the risk of failure or low productivity. KUR is MSME credit/financing in the form of working capital and investment supported by guarantee facilities for productive businesses whose distribution is through banks but the source of funds comes entirely from government bank funds with a ceiling of up to IDR 25 million per debtor. This farm credit facility is felt to have helped farmers in carrying out agricultural production activities better in order to achieve higher farmer income. This study examines the factors that influence rubber farmers in taking people's business credit (KUR) to help farmers' capital. The research was carried out deliberately in Lubuk Raja OKU District as a rubber center where many farmers took KUR for capital. The research method used is the survey method and the sampling method uses a simple random method using the slovin formula. The number of samples taken were 83 farmers from 482 farmers. Data analysis using logistic regression. The results of the analysis show that the variables of total family income (X1), land area (X2), production costs (X3) and price (X4) have a significant effect on rubber farmers' decisions in borrowing KUR funds at Bank BRI. Meanwhile, the land ownership status variable (X5) has no significant effect on rubber farmers' decisions in borrowing BRI Bank KUR funds in Lubuk Raja District, OKU Regency.

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## 1. INTRODUCTION

The plantation sector in South Sumatra, one of which is rubber, is a part of the agricultural sector which plays an important role in contributing to regional income in South Sumatra Province. Several types of other superior plantation commodities cultivated in South Sumatra are oil palm, coffee, pepper, and cocoa which also contribute significantly to GRDP. The rubber commodity is a mainstay commodity and plays an important role in driving the people's economy and growing the industrial sector which processes natural rubber into semi-finished and finished goods such as foam rubber, tires, shoes and other types of goods which can indirectly absorb labor and increase productivity. export volumes.

OKU Regency is one of the five biggest districts with a rubber plantation area in South Sumatra Province. Based on land suitability, plantation is a sector with the potential to be developed with the superior commodity of rubber. The smallholder plantation sector with the commodity of rubber is a leading commodity in the Ogan Komering Ulu Regency area. Meanwhile, coconut, pepper, cinnamon, and other types of commodities are supporting commodities.

Capital is needed to procure production facilities (seeds, fertilizers, pesticides and equipment), plant maintenance costs, storage, marketing and transportation costs. In rubber farming, a lack of capital causes a lack of input, which raises the risk of failure or low productivity. KUR is MSME credit/financing in the form of working capital and investment supported by guarantee facilities for productive businesses whose distribution is through banks but the source of funds comes entirely from government bank funds with a ceiling of up to IDR 25 million per debtor. This farm credit facility is felt to have helped farmers in carrying out agricultural production activities better in order to achieve higher farmer income. This study examines the factors that influence rubber farmers in taking people's business credit (KUR) to help farmers' capital. The research was carried out deliberately in Lubuk Raja OKU District as a rubber center where many farmers took KUR for capital

## 2. RESEARCH METHOD

This research was carried out in Lubuk Raja District, Ogan Komering Ulu Regency. This location determination was carried out purposively, with the consideration that the area has the largest population of borrowers who make KUR loans at Bank BRI. This research was conducted in December 2022. In this study, survey methods and literature studies will be used as the object of study. The survey method is limited to sample surveys, namely observing phenomena with data and information from a group of respondents as a representative embodiment of the object under study. The sampling method uses a simple random method using the slovin formula. The number of samples taken were 83 farmers from 482 farmers. Data analysis using logistic regression with this formula :

$$\text{Log} \left( \frac{Y}{1-Y} \right) = b_0 + b_1 \text{Log}X_1 + b_2 \text{Log}X_2 + b_3 \text{Log}X_3 + b_4 \text{Log}X_4 + b_5 \text{Log}X_5 \dots + e$$

Where :

$b_i$  = Coefficient of regression equation or regression parameter (for  $i = 1, 2, \dots, k$ )

$X_i$  = Independent variable (for  $i = 1, 2, \dots, k$ )

$e$  = Error or disturbance in the equation

This study uses four independent variables, so the formulation can be written as follows:

$Y$  = Decision to borrow KUR (1)

Decision not to borrow KUR (0)

$b_0$  = Constant

$b_i$  = Coefficient of regression equation or regression parameter (for  $i = 1, 2, 3, 4, 5$ )

$X_1$  = Total Family Income (Rp/ton/year)

$X_2$  = Land Area (Ha)

$X_3$  = Cost of Production (Rp/ton/year)

$X_4$  = Price (Rp/ton/year)

$X_5$  = Land Ownership (Own : 1, Rent : 0)

## 3. RESULTS AND ANALYSIS

The results showed that there were several factors that influenced the decision of rubber farmers to borrow BRI Bank KUR in Lubuk Raja District. Based on logit regression analysis, the coefficient of determination R Square = 0.810 is obtained. It is shown that 81.0% of the variation in the purchase decision variable is influenced by total family income, land area, production costs, price and land ownership status. To analyze farmers' decisions to borrow KUR funds at BRI Bank, Lubuk Raja District, OKU Regency, it is explained descriptively using logit regression. Logit regression results of farmers borrowing BRI Bank KUR funds in Lubuk Raja District, OKU Regency are explained descriptively as can be seen in Table 1. as follows:

Table 1. Logit Regression Results of farmers borrowing KUR funds at BRI Bank, Lubuk Raja District, OKU Regency, 2023.

Variables in the Equation							95,0% C.for EXP (B)		
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 1	X1	.831	.475	16.109	2	.005*	1.812	2.423	17.326
	X2	4.325	.352	4.290	2	.002**	5.181	1.068	6.179
	X3	.789	.492	4.125	2	.001**	2.254	4.776	4.258
	X4	.328	.432	6.804	2	.004**	6.190	1.105	4.099
	X5	.102	.309	5.192	2	.006	-1.928		
	Constant	-1.116	.130	23.328	2	.000	.288		
R <sup>2</sup> = 0,810									

\*\* = Sig at 0,01

\* = Sig at 0,05

#### 1. Total family income (X1)

Based on the results of the logit regression, it shows that the Exp(B) value for the total family income is 1,812. That is, every additional total family income or increase by 1% will increase the chances of farmers' decisions to borrow KUR funds at BRI by 1.812%. After conducting the Wald test, it turns out that a significance of 0.005 is less than  $\alpha = 0.01$ . So the total family income has a significant or significant effect on the rubber farmer's decision to borrow KUR funds at BRI. This is in line with Rachmawati's research (2017), which shows that most of the respondent farmers who take credit have low income levels, so they need a source of capital such as the KUR program to carry out farming activities. Meanwhile, for farmers who have a high level of income, which is above IDR 208,000,000.00, they do not need a source of capital because they have been able to meet their needs in farming. This is in accordance with the statement of Sayaka (2011), that large-scale farmers are able to overcome capital constraints by using their own capital or income from farming. Meanwhile, small-scale or low-income farmers overcome capital limitations by sparingly using production inputs or borrowing capital from financial institutions. Thus, it is hoped that low-income farmers can continue their farming business and improve their welfare.

#### 2. Land area (X2)

The regression results show an Exp value (B) of 5.181. That is, every time the land area increases or increases by 1%, it will increase the chances of the rubber farmer's decision to borrow KUR funds at Bank BRI by 5.181%. After conducting the Wald test, it turns out that a significance of 0.002 is less than  $\alpha = 0.01$ . This means that land area has a significant or significant effect on rubber's decision to borrow KUR funds at BRI. Land area can be a factor influencing farmers in farmer decisions because the wider the rubber area, the more production will be obtained. This is also in accordance with Mujeyi's statement (2013), that land area can influence farmer decision-making through consideration of land area limits that must be achieved to achieve high production. In addition, Risal (2020) states, this land area can increase rubber production where the wider the land, the amount of production that will be produced will also increase and the land area is one of the factors that shows the seriousness of farmers in cultivating rubber to borrow KUR funds from banks. BRI.

#### 3. Cost of production (X3)

Based on the regression results, the value of Exp (B) is 2.254. That is, every time production costs increase or increase by 1%, it will increase the chances of rubber farmers' decisions to borrow KUR funds at Bank BRI by 2.254%. After conducting the Wald test, it turned out that a significance of 0.001 was obtained, which was smaller than  $\alpha = 0.01$ . This means that production costs have a significant or very significant effect on rubber's decision to borrow KUR funds at BRI. The production cost in question is the sum of the variable costs and fixed costs used by rubber farmers in a production process. The size of the total production costs owned by rubber farmers will affect the income they earn. Rubber farming income is the difference between rubber farming revenue and all rubber farming production costs during the production process or fees paid. So that production costs greatly affect income. In line with Husna's research (2019) shows that there is an increase in farming costs incurred by farmers after obtaining People's Business Credit (KUR). Most of the cocoa farming costs incurred by farmers before and after obtaining the People's Business Credit (KUR).

#### 4. Price of product (X4)

The regression results show an Exp value (B) of 6.190. That is, every price increases or increases by 1%, it will increase the chances of rubber farmers' decisions to borrow KUR funds at BRI Bank by 6.190%. After conducting the Wald test, it turned out that a significance of 0.004 was obtained, which was less than  $\alpha = 0.01$ . This means that prices have a significant or very significant effect on rubber's decision to borrow KUR funds at BRI. The average price of rubber sold by farmers is around IDR 8,500 to IDR. 8,700 depending on the length of the rubber tapping period, the longer the tapping time, the more expensive the price of rubber. However, farmers in the field stated that usually they tapped rubber twice a week. Ginting (2008) in Rahmat (2021) states that a rise or fall in a price will affect the general state of the economy because with an advanced economy it will increase the income of farmers and the community so that demand or production will also increase and can help people's welfare, conversely, if a rubber price decreases, it will affect the income of a workforce and rubber production will also decrease. So that the price is very influential in the calculation of competitiveness and the calculation of the company's profit and loss.

#### 5. Land ownership (X5)

Based on the regression results, the value of Exp (B) is -1.928. That is, each time land ownership increases or increases by 1%, it will reduce the opportunity for rubber farmers to borrow KUR funds at Bank BRI by 1.928%. After conducting the Wald test, it turns out that a significance of 0.006 is greater than  $\alpha = 0.01$ . This means that land ownership has no significant or no significant effect on the rubber farmer's decision to borrow KUR funds from BRI. This is because some respondents stated that even though they had leased land ownership status, they did not make this an obstacle because the KUR lending system at BRI did not require farmers to guarantee their rubber certificates, they could also be replaced with land or house certificates. In addition, the sample farmers stated that some rubber land owners lend their certificates to be guaranteed by certain agreements and profit sharing. Although this reduces the total income of rubber farmers, they don't mind, on average, farmers who have borrowed land ownership status are farmers who borrow KUR funds from BRI Bank for under Rp. 50,000,000.

This was stated by Siregar (2021), Land in agricultural production has a sizeable remuneration in agricultural production as evidenced by the demand and supply of the land itself in society. There is a possibility that indirectly a plot of land is not used by the owner as business capital, but is used as a means of credit. Land will get profits or production results for the services provided in the production process, which are then known as land rent (rent). When viewed from another perspective, the factors of land production are not only limited to the area or narrowness. However, the productivity of the land itself, such as soil type, irrigation system, infrastructure and topographical conditions, will more or less affect production output.

#### 4. CONCLUSION

Based on the analysis of the results of the research that has been done, it can be concluded that the variables of total family income (X1), land area (X2), production costs (X3) and price (X4) have a significant effect on rubber farmers' decisions in borrowing KUR funds at banks. BRI. Meanwhile, the land ownership status variable (X5) has no significant effect on rubber farmers' decisions in borrowing BRI Bank KUR funds in Lubuk Raja District, OKU Regency.

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