

## Implementation of the Prosperous Home Credit Policy in Minahasa Regency

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### ARTICLE INFO

#### Article history:

Received 13-08-2025

Accepted 09-09-2025

Published 10-09-2025

#### Keywords:

Policy; Home Credit;  
Prosperity; Minahasa.

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#### Competing interest:

The author(s) have declared that no competing interests exist

### ABSTRACT

This research uses a qualitative approach with a case study. This approach aims to gain a deep understanding of the meaning and dynamics of the implementation of the Prosperous Home Ownership Credit (KPR Sejahtera) program. Implementation of the Prosperous KPR policy for MBR with non-fixed incomes in Minahasa Regency, The current program is not inclusive. Banking schemes and procedures – which require formal proof of income (pay slips, tax returns, bank statements) – exclude informal sector low-income earners, even those with the ability to make installment payments. This creates an exclusion error, making the program more effective for low-income earners, but failing to reach the core target group of low-income earners. Consequently, the program's achievements risk insignificantly reducing the housing backlog.

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**Citation:** Kessek, N. L. ., Tumbel, G. H., & Siwij, D. S. (2025). Implementation of the Prosperous Home Credit Policy in Minahasa Regency. *Abdurrauf Science and Society*, 1(4), 952-971. <https://doi.org/10.70742/asoc.v1i4.381>

## INTRODUCTION

According to data from the Central Statistics Agency (BPS) through the National Socio-Economic Survey (Susenas), the gap between the number of housing units built and the number of housing units needed (backlog) in 2020 reached 12.75 million units. This figure decreased to 9.9 million units by the end of 2023. The Ministry of Public Works and Public Housing stated that 87.25% of the backlog came from low-income communities, with a breakdown of 19.6% low-income communities with fixed incomes and 74% low-income communities with non-fixed incomes. In North Sulawesi, the housing backlog in 2023 reached around 200,000 units, while in Minahasa Regency it was recorded at 15,457 units. Low-income earners with irregular income. This amount does not exceed 1% (one percent) of the approved amount of the Prosperous Home Ownership Credit.

The Prosperous Home Ownership Credit Program was initiated in 2010, as a development of the Subsidized Home Ownership Credit (KPRS) which has been running since 1974. Initially, this program emerged as a response to the failure of the

approach mechanism from the developer side as a provider of housing units that applied high sales margins so that it did not match the purchasing power of MBR.

As a form of government intervention, the Prosperous Mortgage Program (KPR Sejahtera) aims to create broader access to housing through interest subsidies and easy financing. Government intervention is not only justified but also essential to ensure equal opportunity, especially in the provision of basic needs such as housing (Stiglitz, 2012). Over the course of its existence, the KPR program has undergone changes to address implementation challenges. This policy has undergone various adjustments based on policy evaluations and reforms, as proposed by Charles O. Jones (1975). Each change takes into account social and environmental impacts, implementation, and inter-agency coordination (Hayat, 2018). KPR Sejahtera is also a medium-term program for specific target groups, as conceptualized by Hoogwood and Gunn (1984).

In the context of the Prosperous Home Ownership Credit (KPR Sejahtera), public policy is designed to provide access to housing for low-income communities, as part of fulfilling the basic rights of citizens. Public policy is driven by providing equal access to public services for historically marginalized groups. Social justice is the foundation for equitable access to public services, and public policy must explicitly address inequalities in access (Gooden, 2015).

The Prosperous Home Ownership Credit (KPR Sejahtera) is the result of a complex public policy formulation process, reflecting the dynamics of interactions between actors, interests, and the socio-political context. This process includes problem identification, formulation of policy alternatives, decision-making, implementation, and policy evaluation. As explained by Nugroho (2017), the public policy model involves a series of systematic activities aimed at producing effective solutions that are responsive to community needs. Therefore, KPR Sejahtera is not merely seen as an end product, but rather as the outcome of a deliberative and participatory policy process.

In the implementation of KPR Sejahtera, the implementation process involves the central government (Ministry of Public Works and Housing and BP Tapera) as policy makers and subsidy providers, local governments and banking institutions as operational implementers, developers as housing providers, and low-income families (MBR) as beneficiaries. This process is supported by derivative policies at the operational level (Nugroho, 2011), starting from the application stage, document verification, to the disbursement of KPR funds.

The implementation of this program is aimed at MBR who are differentiated based on the type of income, namely fixed and non-fixed income, while still considering the monthly income limits based on zoning as stipulated in BP Tapera Regulation Number 9 of 2021. For MBR with non-fixed income, for example informal workers, the credit application mechanism requires a more flexible approach, such as assessment based on average income or evidence of economic activity (transaction notes, business certificates, and so on).

In the context of policy implementation, the role of implementers on the ground is crucial. Michael Lipsky (1980), in his concept of street-level bureaucracy, emphasized that lower-level bureaucrats, such as bank officers, notaries, housing department employees, and developers, have significant discretion in determining the success of policy implementation because they must adapt policy implementation to real conditions on the ground. Berman (1978), through adaptive implementation, explained that complex public policies targeting vulnerable groups must have flexible mechanisms to adapt to changing local conditions.

Distributing banks, as financial institutions, also apply prudential banking principles in assessing borrowers' creditworthiness. The assessment generally encompasses five main aspects, known as the 5Cs: character, capacity, capital, collateral, and economic condition (Andrianto, 2019). This demonstrates that the implementation of KPR Sejahtera focuses not only on funding availability but also on the reliability of the risk assessment system.

The administrative requirements for the Prosperous Home Ownership Credit program established by the Distributing Bank for Low-Income Communities with irregular incomes require significant flexibility to accommodate their unstable financial circumstances. For example, the creditworthiness assessment mechanism must take irregular income into account, such as using an average-income or seasonal-income-based approach.

In contrast, a bottom-up approach emphasizes the role of local actors, or street-level implementers, in policy implementation. In the KPR Sejahtera program, this approach is reflected in the selection process for prospective borrowers by the distributing bank and the technical implementation of home construction by housing developers. These local actors have a better understanding of community conditions, including Low-Income Communities (MBR), the program's primary beneficiaries.

This approach is reinforced by Winter's (2012) perspective, which emphasizes that local actors have the autonomy and capacity to adapt policies to local contexts. He argues that implementation is not mechanistic, but rather adaptive and highly dependent on social interactions, local institutional capacity, and field dynamics.

The KPR Sejahtera implementation model combines the two approaches above into a hybrid model, also known as the integrated implementation model. This model aligns with the theory developed by Hill and Hupe (2014), which emphasizes the importance of viewing implementation as a multi-level process involving various actors from the central to the local level. They argue that interactions between actors, the institutional context, and policy structures dynamically influence implementation outcomes.

Furthermore, Berman's (1978) adaptive implementation theory suggests that in policies with moderate levels of ambiguity and low conflict (such as the KPR Sejahtera program), an adaptive model will be more effective. This means that implementation flexibility and adaptation to local conditions are key factors for success.

The implementation of KPR Sejahtera produces a collaborative interaction pattern between:

- Central Government: policy maker, subsidy provider, and set MBR criteria.
- Distributing Bank: responsible for verifying data, educating prospective debtors, and disbursing funds.
- *Developer*(Developer): carries out house construction according to the specified technical standards and location.
- Low-Income Communities (MBR): as beneficiaries, as well as end users of the policy.

The interactions between these actors reflect an implementation model that demands network governance, as explained by Klijn & Koppenjan (2016), where public policy is implemented within a collaborative network of government, private, and civil society institutions. Successful implementation in this model depends on clear roles, communication between stakeholders, and effective coordination mechanisms.

- KPR Sejahtera adopts a fixed interest rate financing model with a maximum installment period of 20 years, in accordance with the Decree of the Minister of Public Works and Public Housing No. 242/KPTS/M/2020. This aims to provide payment certainty for low-income residents (MBR). Other variations of the general mortgage financing scheme include: fixed-installment mortgages, savings-based mortgages, and mortgages with a flexible installment system.

While not all of these schemes are adopted in KPR Sejahtera, the variations reflect a response to the community's varying needs. According to Banerjee & Duflo (2011), policy design that is responsive to the needs of the poor must be flexible and adaptive so that the policy can truly reach and meet their needs.

The legal basis that serves as the primary reference for the implementation of the prosperous mortgage program is stipulated in Ministerial Regulation No. 35 of 2021, Ministerial Regulation No. 1 of 2021, and Ministerial Decree No. 995/KPTS/M/2021. This policy establishes housing financing facilities and assistance, low-income housing (MBR) criteria, income limits, interest rate limits, loan terms, floor area limits, land area limits, selling price limits, and down payment subsidy limits. Furthermore, income limits are regulated by regional/zonal divisions as the basis for differentiating income limits. The determination of income limits is divided into two groups: unmarried individuals and married individuals.

This zoning aims to align people's purchasing power with housing prices in various regions, given the economic disparities between regions in Indonesia. Therefore, this income restriction policy serves as a screening tool to ensure targeted subsidies.

Researchers	Research Title	Research methods	Research result
Hibatullah Fauzan Takalamingan (2018)	Analysis of the Implementation of Credit Granting Systems and Procedures Home Ownership (HOME OWNERSHIP CREDIT) Subsidized at the State Savings Bank Manado Branch	Case study	The implementation of the system and provision of credit by Bank BTN Manado is good
Indrawan (2019)	Analysis of Barriers to Implementing Housing Policies for Low-Income Communities	Case study	The main obstacles include budget limitations and coordination between agencies.
Nurhayati (2020)	Implementation of the Prosperous Home Ownership Loan in Surabaya City	Qualitative	The policy has succeeded in increasing access to housing for low-income communities but is hampered by

			administration.
Jerri Saputra (2023)	The Relationship Between Low-Income Communities and the Distribution of Subsidized Housing in Palembang City	Case study	Low-income communities have a significant impact on the distribution of subsidized housing.
Nonhi Lucky Kessek (2025)	Implementation of the Prosperous Home Ownership Credit Program in Minahasa Regency	Qualitative-case study	

## METHOD

This research uses a qualitative approach with a case study. This approach aims to gain a deep understanding of the meaning and dynamics of the implementation of the Prosperous Home Ownership Credit (KPR Sejahtera) program for low-income communities with irregular incomes in Minahasa Regency.

In a qualitative approach, reality is viewed as complex, contextual, and shaped by social experiences. Therefore, this approach allows researchers to understand social phenomena from the perspective of those who directly experience them, in this context, beneficiaries, program implementers, and relevant policymakers.

Documentation is used to obtain secondary data that supports field findings such as: a) Policies and regulations related to KPR Sejahtera; b) Brochures or program promotional media; c) Data from banking institutions regarding credit realization and statistical data on beneficiaries from banking institutions; d) As well as technical documents related to KPR Sejahtera in Minahasa Regency.

Data analysis was conducted using a qualitative case study approach using the interactive analysis model from Miles and Huberman (1994), which consists of three main stages:

## RESULT AND DISCUSSION

From the beneficiary's perspective, Israel Taroreh, a MBR with an irregular income (business: grocery store) expressed his views regarding the Administrative Requirements for the Prosperous KPR.

"The income threshold requirement should be reviewed, as for those of us whose income is sometimes lower, sometimes higher, banks often ignore or reject us. The reason is that we don't meet the ability to repay. Furthermore, the requirement for regular transaction records, which for those of us with daily transactions, is a significant barrier to credit applications. Perhaps general requirements, such as not owning a home or having never received a housing subsidy, along with business information, should be prioritized." (interview, June 30, 2025)

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From the local government's perspective, Franklin S. Montolalu, a staff member of the Minahasa Regency PUPR Service, expressed the following opinion:

"For groups working in the informal sector, proof of income or business transactions is usually the biggest obstacle in meeting credit administrative requirements. Financing institutions, such as distributing banks, require these documents as a basis for analyzing a prospective borrower's ability to repay the loan." (interview, June 19, 2025)

From the Legislative Institution side, Rommy P. Leke, Chairman of the CommissionThe Minahasa DPRD's Development and Economics Committee responded to questions regarding the Administrative Requirements for the Prosperous KPR

"The requirements for the Prosperous Mortgage (KPR Sejahtera) program for the MBR target group with a fixed income are generally not problematic as long as their financial condition is healthy. This means there are no other credit arrears, the final income after deducting other installments still meets the standard of 30% of total income, and there is no bad record on SLIK (formerly known as BI Checking). However, for the MBR group with an irregular income, the administrative requirements are a major obstacle for prospective borrowers. These requirements include pay slips/income statements/business certificates, sources of information on financial transaction records, or bank statements." (interview June 16, 2025)

From the developer's perspective, Subhan, PT. Cipta Permai Sejati, provided an opinion on the administrative requirements for KPR Sejahtera.

"Our challenge as developers is processing credit requirement data from prospective buyers with informal sector backgrounds, such as street vendors (meatball, fried noodle, fried rice sellers), online motorcycle taxi drivers, and smallholder farmers. They must prepare documents that have never been created before, including transaction records, let alone bank statements. For those who own stalls, both small food stalls and stalls selling daily necessities/groceries, they must have a business certificate in addition to the above requirements (proof of recorded transactions). This has prompted sales and marketing personnel to seek other alternatives to assist them, as sometimes the documents are not legally prepared or fabricated." (interview June 16, 2025)

This is similar to the view of William Tanos, Chairman of the DPD REI North Sulawesi 2015 - 2018 regarding the administrative requirements for KPR Sejahtera.

"The requirements requested by the Distributing Bank, based on the PUPR Ministerial Regulation, are more focused on the comfort zone of prospective borrowers. They prefer a safe option, one that can afford installment payments with a risk close to 'zero.' However, the majority

of people who truly need housing are those with irregular incomes, while the primary requirement favored by banks is a steady income, especially one with automatic debit. Therefore, the PUPR Ministerial Regulation/Decree needs to be re-examined to adapt it to MBRs with irregular incomes." (interview, June 17, 2025).

Table 4.3. Research Findings on Administrative Requirements for KPR Sejahtera

Sub Focus	Research Findings
Administrative Requirements for Prosperous Mortgage	- The main challenge at the verification stage for informal workers is the administrative requirements: KTP, KK, NPWP, pay slip/income letter, bank statement/savings, business/practice permit.
	- Administrative requirements are an obstacle for MBR with irregular incomes, creating the risk of document manipulation.
	- Income limits need to be reviewed, it is difficult to fulfill transaction records, fluctuating income is an obstacle.
	- The main obstacle facing the informal sector is proof of income and business transactions. However, banks require these documents to analyze repayment capacity.
	- The group that needs a house, but the income is not still.

Table 4.4. Research Findings on the Implementation of the Prosperous KPR Program

Informant / Materi	RDP	A	AD	IT	FSM	RPL	S	WT	FGW
MBR criteria	√	√	√	√	√	√	—	√	√
Non-fixed income	√	√	√	—	√	√	√	—	√
Administrative Requirements for Mortgage	√	√	√	√	√	√	√	√	—

RDP : informant 1, Raja David Pasaribu (Branch Manager of BTN Manado)

A A : Informant 2, Agus Arsyad (BRI Tondano Branch Manager)

- AD : Informant 3, Albar Din (BP Tapera Field Officer)  
 IT : Informant 4, Israel Taroreh (Beneficiary/MBR with Non-Fixed Income)  
 FSM : Informant 5, Franklin S. Montolalu (Minahasa Regency PUPR Service)  
 RPL : Informant 6, Rommy P. Leke (Chairman of the Development and Economic Commission of the Minahasa DPRD)  
 S : Informant 7, Subhan (PT. Cipta Permai Sejati/Puri Manado Permai Housing Complex)
- WT : Informant 8: William Tanos (Chairman of the North Sulawesi REI DPD 2015-2018, Developer)
- FGW : Frederik G.Worang, Commissioner of BSG and Chair of the BSG Audit Committee for the 2017-2021 period

#### 4.2.2. Determining Factors in the Implementation of the Prosperous KPR Program for MBR with Non-Fixed Income in Minahasa Regency

The Prosperous Home Ownership Credit (KPR Sejahtera) is part of the government's housing program to provide decent and affordable housing for low-income communities (MBR). However, MBR groups with irregular incomes (such as small traders, online motorcycle taxi drivers, sharecroppers, and freelancers) often face serious obstacles in accessing this financing.

##### 4.2.2.1. Bank Assessment System and Criteria: Preference for Income Stability

Financial institutions, particularly banks, employ a conservative assessment system and prioritize applicants with a steady income and a low-risk profile. Key criteria include proof of stable income, a maximum installment ratio of 30% of monthly income, and a clean credit history (SLIK/BI Checking). Fluctuating income tends to be deemed unsuitable, even if the applicant's business is otherwise sustainable. This results in low-income families with irregular incomes being systematically eliminated from the mortgage application process.

Interview with Raja David Pasaribu (RDP) - Branch Manager of Bank BTN Manado regarding Bank Assessment Systems and Criteria.

"The scoring system we apply to Home Ownership Loans refers to a prudent credit risk assessment approach that prioritizes financing security. In this context, we set strict standards or criteria and tend to avoid risk, especially for prospective borrowers deemed to have a higher risk of default. Therefore, proof of income is used as the primary indicator of repayment capacity. Prospective borrowers from the formal sector (e.g., civil servants, permanent private sector employees, the Indonesian National Armed Forces/Indonesian National Police) are the most preferred for mortgage applications." (interview, June 10, 2025)

With the same question, about Bank Assessment Systems and Criteria, Agus Arsyad (AA), Branch Manager of BRI Tondano, said the following:

"Basically, the KPR Sejahtera loan assessment system at all the distributing banks is the same; the only difference is the approach to the MBR. For us..."We are more open to informal MBR (low-income earners) because BRI's customer base is largely from the micro and rural sectors. We have experience assessing informal businesses. However, document verification is often a barrier, especially for informal sector workers, especially regarding income and business transaction records. Essentially, we maintain a prudent approach, even though, as a micro and people's bank, we are more accustomed to dealing with informal customers and have a more contextual approach to income." (interview dated June 12, 2025)

Albar Din (AD), BP Tapera Field Officer, provided an opinion on the bank assessment system and criteria as follows:

"Most lending banks use the same criteria when assessing prospective KPR Sejahtera borrowers. Income is the primary factor in their assessment. They strongly favor low-income borrowers (MBR) with a fixed income. This is understandable because the risk of default is considered low, even though some MBR with variable incomes have better repayment capacity." (interview, June 11, 2025)

In addition, there was also a response from the beneficiary, Israel Taroreh (IT), a grocery store owner, after being asked about the bank's assessment system and criteria.

"Our experience applying for a home loan through the government's subsidized housing credit program was very long, about two years. The challenge we encountered was the assessment system for our shop, which didn't meet the credit requirements. This included transaction records and bank statements. Looking at fellow employees/civil servants who also applied for subsidized mortgages, they felt like they had it easy because they had salaries and easy paperwork." (interview, June 30, 2025)

From the PUPR Service of Minahasa Regency, Franklin S. Montolalu gave his opinion regarding the system and criteria:

"Based on personal observations, the residents/owners of houses in subsidized housing complexes are primarily uniformed, i.e., office workers. Some are civil servants, members of the Indonesian National Armed Forces (TNI), Indonesian National Police (POLRI), and those employed by companies. This suggests that the bank's system and assessment criteria for the Prosperous Mortgage (KPR Sejahtera), or better known as Subsidized Mortgage, are targeted at people with fixed incomes. While those with irregular incomes are often overlooked." (interview, June 19, 2025)

Another response was also delivered by Rommy P. Leke (RPL), Chair of the Development and Economic Commission of the Minahasa Regency DPRD regarding the Bank Assessment System and Criteria.

"With the principle of prudence, the bank strives to implement a system and assessment criteria for prospective KPR Sejahtera beneficiaries. A thorough assessment of repayment capacity (through analysis of income, employment, expenses, and credit history) prevents the extension of credit to those who are unable to repay it. This encourages the distributing bank" Maintaining a low non-performing loan (NPL) ratio. However, if the assessment system and criteria are too rigid, many informal sector workers will fail."

Table 4.5. Research Findings on Bank Assessment Systems and Criteria

Sub Focus	Research Findings
Bank Assessment Systems and Criteria	- The bank's bias towards Fixed Income MBR is because the assessment system prioritizes financing security.
	- The income factor as the main assessment is the reason for greater preference for fixed income.
	- A long and difficult process for informal sector groups
	- The overly rigid comprehensive assessment system makes it difficult for the informal sector as a result of maintaining NPL (Non Performing Loan)
	- <i>Credit Scoring System</i> more targeted at the fixed income market.

#### 4.2.2.2. Supervision of the Implementation of the Prosperous KPR

Supervision of the implementation of KPR Sejahtera is carried out to ensure that this government housing subsidy program is on target and runs according to regulations.

Interview with Raja David Pasaribu (RDP), Branch Manager of BTN Manado regarding Supervision of the Implementation of KPR Sejahtera

"Supervision of the distribution of KPR Sejahtera at BTN is carried out by three external parties (Bank Indonesia, the Financial Services Authority, and the Ministry of Public Works and Public Housing), which has the potential to overlap, including with internal supervision.

"Furthermore, in certain cases, such as houses that are not occupied by the legal owner, sold or rented, we have difficulty conducting periodic verification due to the lack of a periodic reporting system integrated

with the Ministry of Public Works and Public Housing." (interview, June 10, 2025)

Another view was expressed by Agus Arsyad, Branch Manager of BRI Tondano when interviewed about the supervision of the implementation of KPR Sejahtera.

"We have a Risk Management Oversight Committee, which is under the responsibility of the Board of Commissioners. Its task is to ensure compliance with Bank Indonesia and Financial Services Authority regulations and to periodically evaluate the implementation of risk management. In terms of risk management, we will apply the principle of prudence, which sometimes becomes rigid during the implementation stage.

Supervision of the implementation of KPR Sejahtera is also carried out through the SiKasep application, with verification of GPS location, KTP selfies and income documents, which sometimes clashes with moral hazard among internal individuals and developers." (interview June 12, 2025)

Interview with Albar Din (AD), Field Officer of BP Tapera for North Sulawesi Region regarding Supervision of the Implementation of KPR Sejahtera

"The implementation of the Sejahtera mortgage program has been carefully regulated, from the filing process to the credit agreement, including the transfer of funds from the Sejahtera mortgage fund manager to the distributing bank. Frequent problems arise in the application process, such as fabricating documents for prospective borrowers, deceiving the developer information system by entering built-unit data, using prospective borrower data, and the lack of adequate infrastructure in the area, such as roads, drainage, and public lighting. This is further exacerbated by the quality of the houses, including structural strength, materials used, and work methods. All of these are the result of inadequate oversight." (interview, June 11, 2025)

Interview with Rommy P. Leke (RPL), Chairman of the Development and Economic Commission of the Minahasa Regency DPRD regarding Supervision of the Implementation of the Prosperous KPR

"Policies resulting in regulations at both the ministerial and regional levels require oversight instruments. This is generally applicable to achieving the objectives of the regulations. In the case of the KPR Sejahtera program, which involves multiple stakeholders, structured coordination is necessary to implement the regulations. This includes relevant ministries, provincial governments, city/district governments, legislative bodies, and financing/banking institutions. The occurrence of downstream cases is due to a lack of oversight instruments from both

the central and regional governments, as well as related institutions. For example, a special division has not yet been established to oversee the implementation of KPR Sejahtera at the distribution and utilization levels." (interview, June 16, 2025)

From the perspective of economic practitioners, Fredrik G. Worang, BSG Commissioner and Chairman of the BSG Audit Committee for the 2017-2021 period responded to questions regarding the Supervision of the Implementation of KPR Sejahtera as follows:

"Supervision is related to the process. In the context of KPR Sejahtera, the process starts from the selection of application documents to the agreement, which involves several parties. In reality, each stage of the process must be supervised by the relevant parties, for example, by assigning authority to which party oversees which stage. So far, supervision seems to focus on quantitative aspects, such as the number of houses built, the selling price, and collectibility, with very little oversight of qualitative aspects such as debtor satisfaction, the suitability of the dwelling, and the sustainability of the home's use. This also leaves little room for addressing moral hazard among internal individuals and developers, such as cases of manipulation of prospective debtor data. This demonstrates...Internal oversight is sometimes not strong enough to identify such cases preventively." (interview July 4, 2025)

#### 4.2.2.3. Financial Literacy and Prosperous Mortgage Information

**Financial literacy** is a person's ability to understand and manage personal finances effectively. This includes knowledge, skills, and attitudes regarding:

- **Manage income and expenses**
- **Saving and investing**
- **Understanding financial products and services** such as savings, credit, insurance and loans (including mortgages)
- **Making wise financial decisions** and as needed

Interview with Raja David Pasaribu (RDP), Branch Manager of BTN Manado, about Financial Literacy and KPR Sejahtera Information.

"The administrative requirements for KPR Sejahtera require proof of financial transactions from the prospective borrower's business or income. These transactions can be in the form of financial statements or monthly salary/income. This information is used as a basis for assessing repayment capacity. However, it presents a significant obstacle for those working in the informal sector. Therefore, it is crucial for people to understand how to manage their daily, weekly, or monthly income. A

good understanding of financial management, also known as financial literacy, will streamline the loan process." (interview, June 10, 2025)

In line with the RDP, Agus Arsyad (AA), Branch Manager of BRI Tondano, expressed his opinion regarding Financial Literacy and KPR Sejahtera Information as follows:

"Most prospective borrowers understand how to manage their business funds or salaries during the loan application process. This is sometimes considered a barrier to the loan process if documents related to recording business transactions are not available. This is different for civil servants (ASN) or members of the Indonesian National Armed Forces (TNI) or the Indonesian National Police (POLRI), whose salaries are automatically reflected when asked for proof of monthly income. Therefore, knowledge of financial management is crucial for groups working in the informal sector." (interview, June 12, 2025)

Interview with Franklin S. Montolalu (FSM) of the Minahasa Regency PUPR Service regarding Financial Literacy and Prosperous KPR Information.

"The difficulty in getting used to recording transactions among entrepreneurs in the small business category is a barrier to applying for credit, in this case the Sejahtera mortgage. This is because their financial patterns are daily, weekly, or monthly, with variable/fluctuating amounts." (interview, June 19, 2025)

Another view was expressed by Rommy P. Leke (RPL), Chair of the Development and Economic Commission of the Minahasa Regency DPRD regarding Financial Literacy and KPR Sejahtera Information:

"Financial literacy among low-income communities (MBR) is very lacking when it comes to understanding financial products, including savings, deposits, loans, credit cards, and investments. For example, understanding savings and similar matters is often overlooked by the MBR group, especially those with irregular incomes. This type of transaction involves fluctuating business income.

Interview with Agus Arsyad (AA), Branch Manager of BRI Tondano regarding KPR Sejahtera Regulations and Information.

"Every regulation and policy requires an implementation evaluation, and the same applies to regulations related to the Prosperous Mortgage (KPR Sejahtera) sector. Experience with implementing KPR Sejahtera has shown that the income limits and house prices sometimes don't align with local conditions, especially in large cities with high land prices. Furthermore, stringent verification procedures can slow down the loan disbursement process. Furthermore, the target group needs to

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be further clarified for low-income earners (MBR) with variable incomes. Taking income fluctuations into account could influence the KPR Sejahtera regulations, particularly regarding income limits and tenor periods." (interview, June 12, 2025)

Another view was expressed by Albar Din (AD), Field Officer for BP Tapera in the North Sulawesi Province region.

"In the field, we still find many applicants with backgrounds in street vendors, traveling vendors, food stalls, and online motorcycle taxis whose applications are frequently rejected. It seems the regulations need to further clarify the criteria for low-income (MBR) and the mortgage scheme. By expanding the target audience to include low-income (MBR) residents with non-fixed incomes, the credit scheme will also be adjusted."

From the regional command side, the PUPR Service, Franklin S. Montolalu (FSM) gave his opinion.

"The regulations on the Prosperous Mortgage (KPR Sejahtera) are designed for low-income (MBR) residents who meet several criteria: income below Rp. 8 million, no homeownership, no housing subsidy receipts, and a Taxpayer Identification Number (NPWP) and an annual personal tax return. Many informal workers lack these requirements, such as documented business transaction records, a Taxpayer Identification Number (NPWP), and even an annual tax return. Given these conditions, most mortgage loan applications from low-income (MBR) residents with non-fixed incomes are rejected. This is despite the fact that the number of low-income (MBR) residents is much larger than that of fixed-income (MBR) residents." (interview, June 19, 2025)

From the beneficiary's perspective, Israel Taroreh (IT), the owner of the shop, expressed his opinion regarding the regulations and policies of KPR Sejahtera.

"The existing regulations regarding the Prosperous Mortgage (KPR Sejahtera) are still rigid in their implementation. Credit requirements, such as annual tax reports, neatly recorded transactions, and limited monthly income, are often major obstacles for those of us who run small businesses, like me, who run a food stall. Many of my friends are interested in buying subsidized housing but are hampered by the administrative requirements." (interview, June 30, 2025)

Interview with Rommy P. Leke, Chairman of the Development and Economic Commission of the Minahasa Regency DPRD regarding the Regulation and Policy of KPR Sejahtera.

"The regulations on Prosperous Mortgages (KPR Sejahtera) already stipulate criteria for low-income housing loans (MBR) based on a fixed

monthly income, requiring documents such as pay slips, tax returns, and tax identification numbers (NPWP). These regulations fail to accommodate the fluctuating incomes of informal sector workers. Furthermore, banks' credit assessment systems, such as BI Checking and credit scoring, further hinder their loan applications from being approved. This is because banks view irregular income as a high risk for non-performing loans (NPLs)."

With the same question, regarding the Regulation and Policy of KPR Sejahtera, William Tanos, Chairman of the DPD REI for 2015-2018, expressed the following opinion:

"The role of financial institutions, including banks, is very dominant in the KPR Sejahtera (Prosperous Mortgage) process. They adhere strictly to existing regulations, plus risk management as the final step before credit approval. In practice, the decision to approve or reject a mortgage application rests solely with the bank. In practice, many informal worker applicants fail to meet administrative requirements such as pay slips, bank statements, annual tax reports, let alone recorded financial transactions. Therefore, coordination between regulators across government ministries and agencies is necessary to ensure smooth downstream implementation of the KPR Sejahtera program." (interview, June 17, 2025)

From an academic perspective, Frederik G. Worang (FGW), BSG Commissioner and Chair of the BSG Audit Committee for the 2017-2021 period, expressed his opinion regarding the KPR Sejahtera Regulation and Policy.

"Looking at the existing regulations and policies for KPR Sejahtera, there are several issues, including the limited ability to pay assessment, which still uses a fixed income-based approach that requires formal proof (pay slips, bank statements, and tax returns). This can be addressed with an alternative credit scoring approach based on expenses and cash flow (cash-flow-based lending). Furthermore, regions have not been given strategic authority to verify MBRs tailored to local characteristics. Then there's the question of why only banks are financial institutions chosen to distribute KPR Sejahtera? It could be cooperatives, rural banks, or fintech companies under OJK supervision.

"Further issues that may be far from existing regulations include gender equity and vulnerable households. This relates to women as heads of households, people with disabilities, and other vulnerable groups who certainly struggle to meet formal criteria." (interview, July 4, 2025)

Table 4.8. Research Findings on KPR Sejahtera Regulations and Policies

Sub Focus	Research Findings
KPR Sejahtera	- Difficulties in document verification and assessing

Regulations and Policies	ability to pay, income limitations are obstacles for MBR with irregular incomes.
	- Income and house price restrictions are not aligned with local conditions; verification procedures slow down the process.
	- Informal workers such as traders and online motorcycle taxis are often rejected.
	- Informal MBRs do not have documents such as NPWP and SPT.
	- Administrative requirements are burdensome for small businesses.
	- Regulations are only accommodating for fixed incomes; the banking system burdens the informal sector.
	- Credit decisions are ultimately in the hands of banks; informal workers find it difficult to qualify.

Table 4.9. Determining Factors of KPR Sejahtera Implementation

Informant Materi	RDP	A	AD	IT	FSM	RPL	S	WT	FGW
Bank Assessment Systems and Criteria	√	√	√	√	√	√	√	-	-
Supervision of the Implementation of the Prosperous KPR	√	√	√	-	-	√	√	-	√
Financial Literacy and Prosperous Mortgage Information	√	√	√	-	√	√	-	√	√
Regulations and Policies for the Implementation of	√	√	√	√	√	√	-	√	√

the Prosperous Mortgage Program									
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Information:

- RDP :Informant 1, Raja David Pasaribu (Branch Manager of BTN Manado)
- A A :Informant 2, Agus Arsyad (BRI Tondano Branch Manager)
- AD :Informant 3, Albar Din (BP Tapera Field Officer)
- IT :Informant 4, Israel Taroreh (Beneficiary/MBR with Non-Fixed Income)
- FSM :Informant 5, Franklin S. Montolalu (Minahasa Regency PUPR Service)
- RPL :Informant 6, Rommy P. Leke (Chairman of the Development and Economic Commission of the Minahasa DPRD)
- S :Informant 7, Subhan (PT. Cipta Permai Sejati/Puri Manado Permai Housing Complex)
  
- WT :Informant 8: William Tanos (Chairman of the North Sulawesi REI DPD 2015-2018, Developer)
  
- FGW : Frederik G.Worang, Commissioner of BSG and Chair of the BSG Audit Committee for the 2017-2021 period

Current criteria do not accommodate informal workers, who constitute the largest segment of low-income families (MBR). Many of them have fluctuating incomes, but enough to cover mortgage payments, but they cannot formally prove it. Access for self-employed individuals with higher but irregular incomes is even more difficult, even if they have sufficient repayment capacity.

The implementation of the KPR Sejahtera program has so far tended to be exclusive to low-income families with irregular incomes, even though this group constitutes the majority in the informal sector in areas like Minahasa. Interviews with seven stakeholders from the banking sector, government, developers, and economic practitioners revealed various dimensions of the problem and opportunities for future policy reform.

1. Structural Challenges in Credit Verification and Assessment

The KPR Sejahtera creditworthiness evaluation system is still based on formal sector financial logic—namely, monthly income stability, verifiable through official documents such as pay slips or tax returns. In this case, the RPC (Revenue per Customer) approach requires a minimum allocation of 30% of fixed income for installments. However, MBRs with fluctuating incomes lack standard financial proof, thus disqualifying them in the initial stages of the risk analysis.

1. Socio-Economic Reality: Fluctuation Not Incompetence

From a field perspective, low-income households (MBR) with irregular incomes—such as farmers, street vendors, artisans, freelancers, and small-scale micro, small, and medium enterprises (MSMEs)—have actual economic capacity that is often not reflected in formal documents. Their income is irregular, but it can accumulate and

be sufficient to cover mortgage payments. They simply don't fit into the formal banking system, which is linear with income.

## 2. Financial Stigma Against Irregular Income

Developers and some banks still associate irregular income with a high risk of default. This approach is normative and generalizing, ignoring variations in business types and individual financial management capabilities. Yet, a single, formal salary-based approach has been proven to exclude millions of informal communities from the right to adequate housing.

## 3. Alternative Solutions: Average Earnings Approach and Multidimensional Evaluation

*Average Monthly Income Approach* This method calculates the annual income of informal workers and divides it into monthly estimates. This method allows financing institutions to create installment simulations based on more accurate potential real income. This approach can be integrated with other assessments such as savings history, digital transactions, or even verification from local communities/businesses.

Moreover, it is necessary to develop a multidimensional assessment model, which does not only rely on income but also takes into account: consumption history and routine expenditure, productive/business assets, financial behavior and saving habits.

Actual income can fluctuate, especially for those who do not have a permanent job, Milton Friedman (1957) - Permanent Income Hypothesis. Christopher D. Carroll (1997) - Buffer-Stock Saving Theory, explains that people with irregular incomes save reserve funds to face income fluctuations.

Research findings on the administrative requirements of the KPR Sejahtera program indicate a structural imbalance between the ideal regulatory framework and the socioeconomic realities of the primary target group, namely Low-Income Communities (MBR), particularly those working in the informal sector with irregular incomes. This imbalance is the root of the main problem that continues to hinder MBR's access to the basic right to adequate housing.

The requirements for the Prosperous KPR program adhere to official regulations, specifically PUPR Ministerial Regulation No. 1 of 2021, which stipulates identity, income limits, and home ownership status. However, in practice, informal groups such as street vendors or freelancers are often eliminated administratively due to their inability to provide required documents, such as business certificates, transaction receipts, or monthly income records.

Bank assessment systems do not provide fair play to informal low-income families. Banks' tendency to assess eligibility solely based on written proof of income and a stable monthly salary has resulted in many economically capable individuals who lack administrative documentation failing to apply for mortgages.

Within the Network Governance framework (Klijn & Koppenjan, 2016), policy implementation takes place within a network of actors with differing interests. The government's social interests, which seek to expand access to decent housing for low-

income families (MBR), will clash with the financial interests of banks, which prioritize risk mitigation and credit stability. Banks implement prudential banking principles and a 5C-based eligibility evaluation system (Character, Capacity, Capital, Collateral, Condition) (Andrianto, 2019), which systematically benefits fixed-income groups such as civil servants (ASN), the Indonesian National Armed Forces (TNI/Polri), and permanent private sector employees. Conversely, informal low-income families (MBR), despite their economic capabilities, are marginalized because they cannot demonstrate standard income administration evidence. Moral Hazard and Data Manipulation.

## CONCLUSION

Implementation of the Prosperous KPR policy for MBR with non-fixed incomes in Minahasa Regency, The current program is not inclusive. Banking schemes and procedures—which require formal proof of income (pay slips, tax returns, bank statements)—exclude informal sector low-income earners, even those with the ability to make installment payments. This creates an exclusion error, making the program more effective for low-income earners, but failing to reach the core target group of low-income earners. Consequently, the program's achievements risk insignificantly reducing the housing backlog.

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