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THE EFFECT OF OWN CAPITAL AND PEOPLE'S BUSINESS CREDIT ON THE INCOME OF MICRO, SMALL AND MEDIUM ENTERPRISES IN THE SOUTH TAMBUN AREA: KAB. BEKASI

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ABSTRACT

The purpose of this study was to determine the effect of own capital and people's business credit on the income of MSMEs in the South Tambun area. This study uses primary data with a sample of 325 MSMEs in the South Tambun area calculated using the Taro Yamane formula. Quantitative method was used as the research method. The data analysis used in this research is PLS-SEM using SmartPLS 4.0 software. The results of hypothesis testing show that (1) Own Capital has a positive and significant effect on MSME income; (2) People's Business Credit has a positive and significant effect on MSME income; (3) (3) Own capital has a positive and significant effect on People's Business Credit; (4) Own Capital and People's Business Credit have a positive and significant effect on MSME income. This research is limited because it was only conducted in South Tambun District with variables of Own Capital, People's Business Credit and MSME Income.

Keywords: Own Capital, People's Business Credit, Micro, Small, and Medium Enterprises Income.

ABSTRAK

Tujuan dari penelitian ini adalah untuk mengetahui pengaruh modal sendiri dan kredit usaha rakyat terhadap pendapatan UMKM di daerah Tambun Selatan. Penelitian ini menggunakan data primer dengan sampel sebanyak 325 UMKM di wilayah Tambun Selatan yang dihitung menggunakan rumus Taro Yamane. Metode kuantitatif digunakan sebagai metode penelitian. Analisis data yang digunakan dalam penelitian ini adalah PLS-SEM dengan menggunakan software SmartPLS 4.0. Hasil pengujian hipotesis menunjukkan bahwa (1) Modal Sendiri berpengaruh positif dan signifikan terhadap pendapatan UMKM; (2) Kredit Usaha Rakyat berpengaruh positif dan signifikan terhadap pendapatan UMKM; (3) Modal Sendiri berpengaruh positif dan signifikan terhadap Kredit Usaha Rakyat; (4) Modal Sendiri dan Kredit Usaha Rakyat berpengaruh positif dan signifikan terhadap pendapatan UMKM. Penelitian ini terbatas karena hanya dilakukan di Kecamatan Tambun Selatan dengan variabel Modal Sendiri, Kredit Usaha Rakyat dan Pendapatan UMKM.

Kata Kunci: isi, format, artikel. Modal Sendiri, Kredit Usaha Rakyat, Pendapatan Usaha Mikro, Kecil, dan Menengah

1. INTRODUCTION

Indonesia's economy is still facing challenges in recovery and rapid progress, especially in terms of increasing income and human welfare in the long term. Micro, Small, and Medium Enterprises (MSMEs) can make a great contribution to economic growth, and MSMEs in Indonesia are one that can boost the country's economy and play an important role in the country's economic development. MSMEs can adapt quickly to market changes, which allows them to thrive even when the economy gets tough. To encourage economic growth, the government must pay special attention to supporting micro, small, and medium

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enterprises (MSMEs). Before providing empowerment, such as training or financial assistance, the government must determine the type of business (Santoso et al., 2022). Micro, Small, and Medium Enterprises continue to grow significantly in several regions, one of which is Bekasi Regency. Based on data taken from Opendata.Jabarprov, it can be seen that from 2016 the number of MSMEs increased continuously by 231,042 units, this figure is with no decrease until 2021 of 311,927 units. It is predicted that the number of MSMEs in the coming years will continue to increase significantly.

The income condition of MSMEs in Bekasi Regency had decreased due to the Covid-19 Pandemic. There was a decrease in income from 2020 to 2021. Based on a survey from UNDP and LPEM UI, the results obtained at that time were that more than 48% of MSME players experienced raw material problems, 77% of MSME players had decreased income, 88% of MSMEs experienced a decrease in demand, and 97% of MSME players experienced a decrease in asset value. Therefore, the government issued a new policy to maintain and restore MSMEs from the downturn caused by Covid-19. One of the programs is People's Business Credit, which is credit or financing to Micro, Small and Medium Enterprises in the form of providing working capital and investment supported by guarantee facilities for productive businesses.

One of the problems often faced by MSMEs is the amount and source of capital they have, lack of managerial skills, especially in managing capital, which should be used for business and non-business purposes, and poor marketing (Saragih & Nasution, 2015). MSME entrepreneurs usually face difficulties in developing business skills that are complex and cover various aspects that relate to each other. These include lack of capital in both amount and source, lack of management and operational capabilities, lack of corporate formalities, weak organization, and financial pressures resulting in limited business scope.

As a way of supporting the stability and progress of banking, the bank continues to develop its various products, such as capital lending, in accordance with the development of technology and information. Distributing working capital loans for micro, small and medium enterprises. People's Business Credit (KUR) does have an important role in supporting Micro, Small and Medium Enterprises (MSMEs). However, there are several obstacles that are often faced in KUR distribution, namely when customers want to apply for KUR funds. The KUR application process often involves quite strict requirements, including the necessary collateral, documents that must be submitted, and a complicated administrative process. Another problem is that banks consider some MSMEs “unbankable”, as KUR is a credit without collateral or with relatively light collateral, which can be an obstacle for debtors who do not have adequate collateral funding (Maryatmo et al., 2009).

Overall, this research has a great impact on the economy and the welfare of society, and helps in making better policies. This is supported by studies that have been conducted by previous researchers. Referring to the explanation above, this study aims to examine the effect of own capital and people's business credit on the income of micro, small, and medium enterprises in the South Tambun Region, Bekasi Regency. This study discusses Production Theory, Pecking Order Theory, and Fisher's Interest Theory as supporting theories to complement the research discussion to make it more interesting and comprehensive.

Penulis harus memastikan bahwa tulisannya tidak mengandung unsur plagiasi. Artikel yang sudah terbit sebagai prosiding, tidak diterima untuk terbit di jurnal ini tanpa melalui proses lebih lanjut untuk melengkapi tulisan dan data hasil akhir penelitian.

2. LITERATURE REVIEW

2.1 Production Theory

In production theory, both Smith and Ricardo argued that economic growth is influenced by three factors of production, namely land, labor, and capital. Smith believed that the growth of these three components determines the increase in output, while Ricardo believed that the value of a good is determined by the amount of labor used to produce it (Ricardo, 1817). The process of adding capital in Adam Smith's classical economic theory also emphasizes capital addition rather than division of labor. Adam Smith said, venture capital is an absolute requirement in building the economy. By doing so, the problems in economic development will certainly occur widely. In addition, the ability of individuals and also humans to invest more capital (Adams, 1776). It can be concluded that production theory explains the relationship between inputs (including capital and credit) and outputs in a production process. The more inputs used in the production process, the greater the output produced.

2.2 Pecking Order Theory

In Pecking Order Theory, companies will choose funding based on order preference. First, the company will try to get funds that are not risky, starting from no risk to minimal risk. If riskless funding cannot be obtained, the company will choose funding with less risk. If funding with less risk cannot be obtained, the company will eventually seek funding with higher risk. The company will choose retained earnings as the main funding option because it is not risky or has the least risk compared to other funding options. Internal funding obtained from the company's operating profit in the previous period is known as retained earnings. In this theory, it is similar to capital including own capital and loan capital, namely KUR to income. If a business owner's capital increases, they will sell more goods or equipment, so their income increases. With the increase in income, the debt level of business actors will become lower (Myers & Majluf, 1984).

2.3 MSME Income

MSME income is the amount of money or economic value earned or received by individuals, companies, or other legal entities during a certain period of time. Income comes from various sources and originates from employment, investment, business, property rental, remittances from the government, etc (Mankiw, 2006). Income is an inflow or receipt that allows a person or entity to meet needs, fund expenses, save, invest, pay debts, or engage in other economic activities (Lestari, 2020). Income can also be an important indicator of the economic well-being of a person, household, or country. According to (Albana, 2022) MSME income indicators can be mentioned as follows: (1) Average revenue from sales per day; (2) With maximum profit, welfare will increase; (3) Income can meet family needs.

2.4 Own Capital

Tohar (2000) defines own capital as capital whose source of income is obtained from the company itself which is planted and for investment needs. For operational purposes, a certain amount of capital is needed. Own capital is defined as capital that has income obtained from the company itself without mixture from outside parties. Own capital is usually to develop business and maximize production. With the company's own capital, the company itself has maximum profit without any interest expense and has no obligation to return the capital used (Ambarsari, 2021). Own capital consists of several components, such as paid-up capital, common shares, and preferred shares. In research conducted by Marfuah & Hartiyah (2019), the following are indicators of own capital: (1) Source of own capital; (2) Effect on income; (3) Smoothness in business.

2.5 People's Business Credit (KUR)

According to Banking Law Number 10 of 1998, credit is the provision of money or bills that can be equated with it, based on an agreement or loan and borrowing agreement between a bank and another party that requires the borrower to pay off his debt after a certain period of time with interest. According to Minister of Finance Regulation Number 135/PMK.05/2008 concerning People's Business Credit Guarantee Facilities, the definition of KUR is credit or financing to MSMEs in the form of providing working capital and investment supported by guarantee facilities for productive businesses. KUR is a credit facility specifically provided to Micro, Small and Medium Enterprises and cooperatives whose businesses are quite feasible but do not have sufficient collateral in accordance with the requirements set by the bank. According to (Taha et al., 2022) the following are some indicators of People's Business Credit: (1) Aspects of accuracy of use; (2) Aspects of accuracy of credit amount; (3) Aspects of accuracy of credit burden.

3. METHOD

This research uses quantitative research methods. The data used in this research is primary data. In this study, the primary data used is data that has been collected from questionnaires that have been distributed to MSME actors in the South Tambun Region, Bekasi Regency. The technique used in this research is SEM-PLS analysis assisted by SmartPLS 4.0 software. This study uses primary data with a sample of 325 MSME players in the South Tambun area calculated using the Taro Yamane formula.

4. RESULT AND DISCUSSION

4.1 Own Capital on MSME Income

Based on the test results, it is known that the t-value of H_1 2.547 > 1.96 and p-value 0.011 < 0.05 which means positive and significant. Therefore, H_1 of this study is accepted. The relationship with positive results indicates that Own Capital affects MSME income. The conclusion in the first hypothesis which states "There is an effect of Own Capital on MSME Revenue" is proven to be accepted. Own capital is proven to affect MSME revenue. This is supported by research conducted by Aji & Listyaningrum (2021) which states that the effect of business capital has a positive value and is able to affect MSME income because the more business capital, the more income is generated. Business capital can be used to purchase goods or equipment used by entrepreneurs.

Marfuah & Hartiyah (2019) also argue in their research that the more capital the owner has which is used for the production process, the more income is obtained. One of the things that is very important for an entrepreneur when starting a business is his own capital. Without capital, an entrepreneur will not be able to run his business properly. Based on the results of this study, it is concluded that if the own capital invested for business investment is large, the income earned is also large from the investment made. Vice versa, if the own capital invested for business investment is small, the business income that will be obtained is also small, so that the return on the investment that has been made will be low.
Proposition 1: There is a positive and significant effect of own capital on MSME income.

4.2 People's Business Credit (KUR) on MSME Income

Based on the test results, it is known that the t-value of H_2 is 15.516 > 1.96 and the p-value is 0.000 < 0.05, which means positive and significant. Therefore, H_2 of this study is accepted. The relationship with positive results indicates that People's Business Credit has an effect on MSME income. The conclusion in the first hypothesis which states “There is an effect of People's Business Credit (KUR) on MSME Income” is proven to be accepted. People's Business Credit is proven to affect MSME income. This is supported by research conducted by Atin (2018) which states that the higher the effectiveness of KUR, the more it will increase business profits or profits obtained by the micro business actors.

Irfinanda (2022) also argues that the more the number of people's business credit loans (KUR) taken, the more business income is obtained. In this case, KUR capital loans are very helpful for business actors, especially those who want to grow their businesses. People who want to start a business but have limited capital can utilize KUR loans to develop their business. Based on the results of this study, it is concluded that business income will increase along with the amount of capital loans (KUR). The role of business capital loans for investment purposes in this case is very influential on the amount of income that will be obtained. Business actors usually use people's business credit capital (KUR) for things such as business expansion, working capital, and other things related to their business.
Proposition 2: There is a positive and significant effect of people's business credit on MSME income.

4.3 Own Capital on People's Business Credit (KUR)

Based on the test results, it is known that the t-value of H_3 is 3.419 > 1.96 and the p-value is 0.001 < 0.05 which means positive and significant. Therefore, H_3 of this study is accepted. The relationship with positive results indicates that Own Capital affects People's Business Credit. The conclusion in the third hypothesis which states “There is an effect of Own Capital on People's Business Credit (KUR)” is proven to be accepted. Own Capital is proven to affect People's Business Credit. This is supported by research conducted by Yupita & Syamsurizaldi. (2020) which shows that own capital and people's business credit are positively correlated with the income of MSME entrepreneurs. This means that the more own capital owned by MSMEs, the more likely it is to get People's Business Credit, which in turn can increase their income. The positive correlation between these two variables suggests that they work together to support the financial well-being of micro, small and medium enterprises.

Suriani & Zenniar (2023) also stated that in the context of MSME capital management practices, the influence of own capital on people's business credit can be seen. This research emphasizes the importance of effective capital management in ensuring the financial stability and growth of MSMEs, and includes the strategic use of own capital and people's business credit to support business operations and expansion. Based on the results of this study, it is concluded that the effect of own capital on people's business credit in MSMEs is an important component of their financial performance. There is a positive correlation between these two factors, indicating that they support each other in improving the financial well-being of MSMEs. To maximize the use of resources and achieve financial goals, effective capital management practices are essential for MSMEs.
Proposition 3: There is a positive and significant influence of own capital on people's business credit

4.4 Own Capital and People's Business Credit (KUR) on MSME Income

Based on the test results, it is known that the t-value of H_4 is 3.186 > 1.96 and the p-value is 0.002 < 0.05 which means positive and significant. Therefore, H_4 of this study is accepted. The relationship with positive results indicates that Own Capital and People's Business Credit have an effect on MSME income. The conclusion in the first hypothesis which states “There is an effect of Own Capital and People's Business Credit (KUR) on MSME Income” is proven to be accepted. Own Capital and People's Business Credit are proven to affect MSME income. This is supported by research conducted by Riawan & Kusnawan (2018) which states that the higher the investment capital to finance the business will increase the income that will be obtained. Capital can also be obtained from KUR loans. If KUR loans are utilized as well as possible, this can increase the value of income to be obtained. Both the use of own capital and KUR loans have advantages and disadvantages. If you use your own capital, you will not face the risk of returning capital with interest. If KUR loan capital is used, there is a risk of not paying the installments and interest charged. In terms of amount, KUR loan capital is unlimited, making it suitable for business expansion needs.

Kerihi (2021) also argues that in running a business, the capital spent, whether from own capital or KUR loans, can have a positive impact on business income. According to the theoretical statements from Mulyono (2014) and Simorangkir (2014), the provision of credit and high capital can increase small business income. This is because a high level of credit can increase business working capital, which has an impact on business income. Based on the results of this study, it can be concluded that capital spent, both from own capital and from KUR loans, can have a positive impact on business income. The more investment capital used to finance the business, the higher the income earned. Capital for business can also be obtained from KUR loans, and if KUR loans are used as well as possible, the value of income that will be obtained can increase.

Proposition 4: There is a positive and significant effect of own capital and people's business credit on MSME income.

Based on the literature review and discussion above, the MSME Income variable is proposed to be related to capital and credit. In this study, the positively influential variables are own capital and people's business credit. Figure 1 shows the relationship between each proposed construct, as follows:

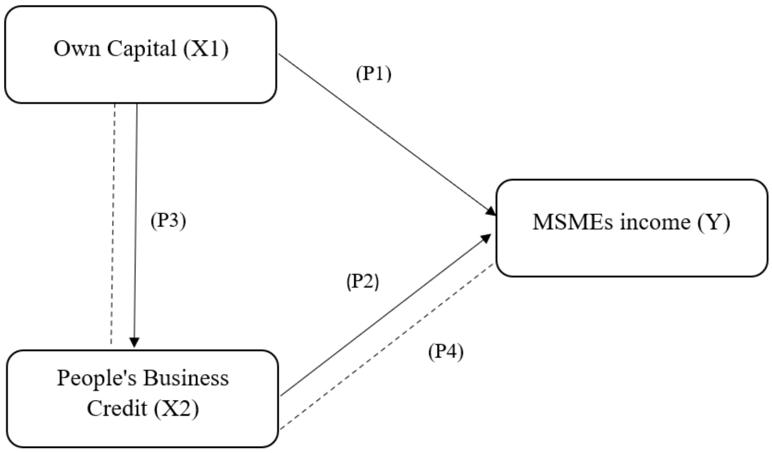

Figure 1: Relationship between each construct
Source: Data Processed by researchers (2024)

5. CONCLUSION AND RECOMMENDATION

This research was conducted on 325 respondents of MSME players in the South Tambun Region with various types of businesses. This research uses SmartPLS4 software to process data. Based on the results of data processing and analysis that has been carried out and described by researchers, the following are the conclusions of this study:

1) Own capital has a positive and significant effect on the income of MSMEs in the South Tambun Region. It is concluded that if own capital is invested in large business investments, the income earned

from these investments will be large. Conversely, if the own capital invested for business investment is small, the income earned from the business will be small.

2) People's Business Credit (KUR) has a positive and significant effect on the income of MSMEs in the South Tambun Region. It is concluded that the role of business capital loans for investment purposes is very influential on the amount of income to be obtained, because business income will increase along with the amount of capital loans (KUR).
3) Own capital has a positive and significant effect on People's Business Credit (KUR). It is concluded that own capital to people's business credit in MSMEs is an important component of their financial performance. There is a positive correlation between these two factors, which suggests that they support each other in improving the financial well-being of MSMEs.
4) Own capital and People's Business Credit (KUR) have a positive and significant effect on the income of MSMEs in the South Tambun Region. It is concluded that the capital spent, both from own capital and from KUR loans, can have a positive impact on business income. The more investment capital used to finance the business, the more income earned.

Recommendations for further research to be able to examine other factors and aspects that affect MSME income to get other more satisfying results. Then it is hoped that further research can increase the number of previous reference sources that support research in direct and indirect effects.

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