

THE INFLUENCE OF INITIAL CAPITAL AND PROVIDING CREDIT ON THE INCOME LEVEL OF SMALL AND MEDIUM ENTERPRISES IN THE VILLAGE SIMPANG MAMPLAM BIREUEN DISTRICT

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Abstract

Empowering small and medium businesses is a strategic step to improve and strengthen the economy of some communities in Indonesia. This research aims to determine how initial capital and credit provision affect the income level of small and medium businesses. This research was conducted in Simpang Mamplam village in October – February of the 2023/2024 academic year. The samples taken in the research were 47 MSMEs. This research uses a quantitative research approach. The research instrument is a questionnaire. The research results show that initial capital and the provision of credit both influence the establishment of SMEs so that they can increase the income of small and medium businesses in Simpang Mamplam village, Simpang Mamplam District, Bireuen Regency.

Keywords: *Initial Capital, Providing Credit, Small and Medium Enterprises*

INTRODUCTION

Empowering small and medium enterprises is a strategic step to improve and strengthen the economy of some communities in Indonesia, the development of SMEs (Small and Medium Enterprises) will expand the economic base and can make a significant contribution in accelerating structural, namely improving the regional economy and national economic resilience . This is because SMEs are business units that are more numerous than large-scale industrial businesses. Another advantage that SMEs have is that they are able to absorb more workers and speed up the equalization process as part of development. The role of banking in economic development is as a business entity that collects funds from the community in the form of savings, and distributes them to the community in the form of credit or other forms in order to improve the standard of living of many people (Ratna Dewi, 2015).

Basically, the obstacles and obstacles faced by SME entrepreneurs in improving their business capabilities are very complex and cover various aspects, one of which is interrelated, including: lack of capital in both quantity and source, lack of managerial ability and operating skills and lack of form of capital. formality of the company, weak organization and economic pressures resulting in limited business scope.

Initial capital is important in a business that will be built because with this capital a business is started and only developed later. According to (Pratiwi & Sudirman, 2014) in a business not only requires initial capital but also loan capital, weak capital will not be able to build a business for small traders and will not be able to develop the business, because capital is a combination of long-term funding sources used by entrepreneurs or companies. According to (Khoirun, 2012) states that with high capital, entrepreneurs are able to produce more business results, so that it will increase income from their business.

Capital is a basis in the form of money or goods that is useful for starting or building a business in general which can also be a barrier. Capital is usually one's own or assistance from outside parties. Even though the trader's capital is relatively small, if the business turnover is appropriate and used correctly, the turnover of income from capital will run well. It is not surprising that traders in traditional markets usually sell goods for daily needs which are needed and much sought after so that capital circulation runs smoothly, but not all traders in the market sell goods which are only temporary, but there are also some traders who sell daily equipment which if

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If it doesn't sell, you can still save it for resale later. According to Suparmoko in (Hanum, 2017) emphasizes that capital is a type of goods or money obtained personally or from external parties. With this additional capital, it is hoped that it can increase the income earned by small and medium business entrepreneurs so that their businesses become more advanced. Additional capital for small and medium businesses aims to increase business volume, so that by increasing business volume it is hoped that income can be increased. Lack of capital causes low results received. Weak capital will not be able to build a business for small traders and will not be able to develop their business, because capital is a combination of long-term funding sources used by the company. The way to overcome the weaknesses of small and medium businesses in terms of working capital is of course that banks have a very important role in the development of their business, namely by providing credit facilities.

Credit is needed by society, both individuals and business entities. Banks as financial institutions have an important and strategic role in the economic life of society because banks are tasked with collecting and distributing funds to society. According to (Nurbayani, 2018) giving credit is giving a loan to someone based on an agreed agreement and is obliged to pay off the debt within a certain period of time with interest that has been determined according to the agreement. Providing credit is certainly very useful for small and medium businesses because they get additional capital. According to Kasmir in (Purnamayanti et al., 2014) credit from banks is earning assets and risk assets, which means that these assets produce results but also contain an element of risk in them. So far, banking credit distribution to the community has not been distributed optimally and evenly. Many problems arise in credit, such as difficult credit lending procedures which make people less enthusiastic about taking credit from banks and choose to seek loans through other alternative institutions.

Various forms of business that some people in general do to increase their income are starting by opening a small business and the like which will have a good impact. There are various types of merchandise on the market, including daily necessities, household tools and goods needed by the household. According to the theory of Kasmir and Mubiyanto in (Ni Wayan Ana Purnamayanti et al, 2014) it is stated that credit can positively increase income, because the provision of credit distributed by the bank can increase business capital. According to Atun in (Allam et al., 2019) his opinion that influences the income variable is that the types of merchandise are varied and needed by buyers, a seller must recognize the interests and interests of consumers.

Income is one of the most important factors in measuring the level of success of small and medium business entrepreneurs. The greater the income earned, the greater the profits earned by the entrepreneur and the greater the taxes received by the state. Income can be defined as the total amount of money received by an individual or household during a certain period of time (usually one year). According to (Nurmansyah, 2015) income is a tool used as a measuring tool to measure the level of success of small and medium entrepreneurs. The greater the income earned, the greater the profits the entrepreneur will earn and the greater the taxes the state will receive. Income is also referred to as the total amount of money received by a business entity or person during a certain period of time. Income consists of: income from assets (interest, rent and dividends, as well as transfer payments or receipts from the government) and wages. According to Samuelson and Nordhaus in (Nurmansyah, 2015) there are several factors that influence income, namely (1) limited job opportunities, (2) skills and expertise, (3) motivation, (4) work tenacity, and (5) more or less capital used.

Consumer needs which will later be bought and sold by business actors will become income for traders. The opinion itself is a result in the form of money obtained from the use of funds and the provision of personal services or both over a certain period of time. The use of capital is used as a determinant of how a business that is started will run (Setiaji & Fatuniah, 2018). The phenomenon that occurred, based on initial observations made by researchers, was that the income of several small and medium businesses in Simpang Mamplam Village experienced a decrease in income after getting credit from the bank, some businesses even went bankrupt and started from zero again. All this happens because small and medium business entrepreneurs manage the credit

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funds they obtain, the lack of business knowledge of small and medium entrepreneurs and also the capital obtained from credit is not fully used for business capital.

One of the problems and obstacles faced in developing small and medium businesses in Simpang Mamplam Village is that apart from limited abilities and skills, there are also limited funds and capital to be used as business capital. Limited capital will limit the space for small entrepreneurs to run and improve their businesses. Very limited capital ownership and the difficulty of obtaining capital from outside make it difficult for small traders to develop their businesses. Therefore, SME entrepreneurs can increase their capital by borrowing money from banks and cooperatives. Small and medium businesses in Simpang Mamplam Village also have weaknesses that make it difficult for these businesses to develop compared to large businesses. Weaknesses include lack of ability to utilize business networks, limited capital, lack of use of information and technology, weak management and minimal access to markets.

Based on the problems stated above, the author is interested in finding out how big the influence of initial capital and providing credit is in increasing small business income, therefore the author is interested in researching in the form of a scientific description entitled "The Influence of Initial Capital and Providing Credit on Small Business Income Levels and Middle School in Simpang Mamplam Village, Bireuen Regency."

LITERATURE REVIEW

Accountancy

Companies need information to expedite the business activities carried out by the company. The more complex the activities it has, the more it will reflect that the company needs an accurate recording and calculation system for the business activities it carries out, namely accounting. According to Jusup (2011) accounting is an information system for business activities that processes data into reports and communicates the resulting information to decision makers.

Financial Accounting

Financial accounting is one of the various areas of accounting in companies. Financial accounting can play a role in providing information about the company's finances. According to Kieso (2013) financial accounting is a series of processes related to financial reporting by users of financial reports that comply with accounting standards for the benefit of third parties.

Initial capital

Initial capital is the first capital paid in starting a business, namely in the form of money. A business cannot be built if there is no initial capital first. In general, what is meant by capital is the amount of money used for business. If someone intends to run a business, he will need a certain amount of money to buy the goods that will be used in his business. In the above definition, capital is said to be a sum of money. In fact, the definition of capital is not only limited to a certain amount of money, but also includes goods used for business. Kasmir (2012) defines capital as investment invested in current assets or short-term assets, such as cash, banks, securities, receivables, inventories and other current assets. According to Zaelani (2013) capital is funds that should remain in the company so that company operations become smoother and the company's ultimate goal of generating profits can be achieved.

Providing Credit

Providing credit can help small communities, especially for people who are starting their business. Usually credit is really needed here and is preferred for micro, small and medium enterprises (MSMEs). Credit is a money lending and borrowing agreement made between a bank and another party, namely the customer borrowing funds. Money lending and borrowing agreements are made on the basis of trust that the borrower within a predetermined period of time will repay or repay the loan or bill to the bank accompanied by interest payments as compensation for his services. According to Thamrin (2012) the term credit comes from the Greek word

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"credere" which means trust. This means that if someone gets credit, it means they have gained trust. Meanwhile, giving credit means giving someone confidence that the money they will lend will be returned.

Income Level

The income level of a person or business entity is a reflection of the success of his business. If a business has a relatively high level of income, the level of prosperity and progress of that business will also be high. Revenue is the main element in forming a profit and loss statement in a company. Regarding the term income, many people are confused because income is often referred to as revenue and income. income is income while revenue is income or profit. According to Hery (2011) identified two criteria that should be considered in determining when income and profits should be recognized. Revenue and gains are recognized when: (1) they have been realized or can be realized and (2) they have been generated/have occurred.

METHOD

The contents of the study method are data collection techniques, data sources, methods of data analysis, correlation tests, and so on, written in Times New Roman 12 font. This chapter can also include the scientific formula used for data analysis/correlation testing.

RESULTS AND DISCUSSION

Research Approach

This research uses a quantitative research approach. According to Sugiyono (2017) states that quantitative research methods can be interpreted as research methods that are based on the philosophy of positivism, used to research certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative/ statistics with the aim of testing predetermined hypotheses.

Place and Time of Research

This research was conducted in Simpang Mamplam village, Simpang Mamplam District, Bireuen Regency in October – February of the 2023/2024 academic year.

Research Population

According to Sugiyono (2017) population is a generalized area consisting of: objects/subjects that have certain qualities and characteristics determined by researchers to be studied and then conclusions drawn. The population selected in this research were all traders/entrepreneurs of small and medium enterprises in Simpang Mamplam village, Bireuen Regency, totaling 47 MSMEs.

Research Sample

According to Sugiyono (2017), the sample is part of the number and characteristics of the population. If the population is large, and it is impossible for researchers to study everything in the population, for example due to limited funds, energy and time, then researchers can use samples taken from that population. Thus the sample was taken by purposive sampling. According to Sugiyono (2017) purposive sampling is a technique for sampling data sources with certain considerations. The samples taken were traders/entrepreneurs of small and medium enterprises in Simpang Mamplam village, Bireuen Regency, totaling 47 MSMEs.

Testing Research Instruments

Before carrying out regression analysis, it is necessary to carry out previous testing. This is done so that the sample data processed can truly represent the population as a whole. The research instrument tests are validity tests, reliability tests, normality tests, multicollinearity tests, heteroscedasticity tests, data analysis methods and hypothesis tests.

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Contents of Discussion Results

Testing Research Instruments

Validity Test

According to Ghozali (2013:45) validity tests are used to measure whether a questionnaire is valid or not. Testing the validity of the research instrument was carried out by calculating the correlation number or rcount of the answer value of each respondent for each question, then comparing it with the rtable. The rtable value is 0.242, obtained from a sample size of $N-2-1$, or $47-2-1 = 44$, with a significance level of 10%, so an rtable value of 0.245 is obtained.

Table 4.1 Validity Test Results

Variable	Items	Mark Rcount	Mark Rtale	Information
Initial capital (X1)	1	0,774	0,245	Valid
	2	0,629	0,245	Valid
	3	0,559	0,245	Valid
	4	0,774	0,245	Valid
Providing Credit (X2)	1	0,896	0,245	Valid
	2	0,896	0,245	Valid
	3	0,372	0,245	Valid
	4	0,508	0,245	Valid
	5	0,503	0,245	Valid
	6	0,896	0,245	Valid
Income Level (Y)	1	0,752	0,245	Valid
	2	0,337	0,245	Valid
	3	0,774	0,245	Valid
	4	0,337	0,245	Valid
	5	0,784	0,245	Valid
	6	0,732	0,245	Valid
	7	0,612	0,245	Valid
	8	0,624	0,245	Valid

Based on table 4.7 above, it can be seen that the validity test results of 18 (eighteen) questions all have rcounts above rtable (0.245). The results of the validity test show that all questionnaire questions on 2 independent variables and 1 dependent variable are declared valid. Question items are said to be valid because $rcount > rtable$ with a significant value for each question of 10%. This shows that each questionnaire question is valid and can be trusted for obtaining research data.

Reliability Test

According to Ghozali (2006), reliability testing is used to measure a questionnaire which is an indicator of a variable or construct. A questionnaire is said to be reliable if a person's answers to the questions are consistent or stable. Reliability testing in this research is by using the alpha formula as follows: (1) if the Croanbach alpha result value is > 0.60 ; then the item or variable is reliable. (2) if the Croanbach alpha value < 0.60 ; then the item or variable is not reliable. To find out the results of the reliability test in this research, it can be seen from table 4.8 below:

Table 4.2 Reliability Test Results

Variabel	Alpha	Batasan	Keterangan
Initial capital (X ₁)	0,629	0,60	Reliabel
Providing Credit (X ₂)	0,765	0,60	Reliabel
Income Level (Y)	0,764	0,60	Reliabel

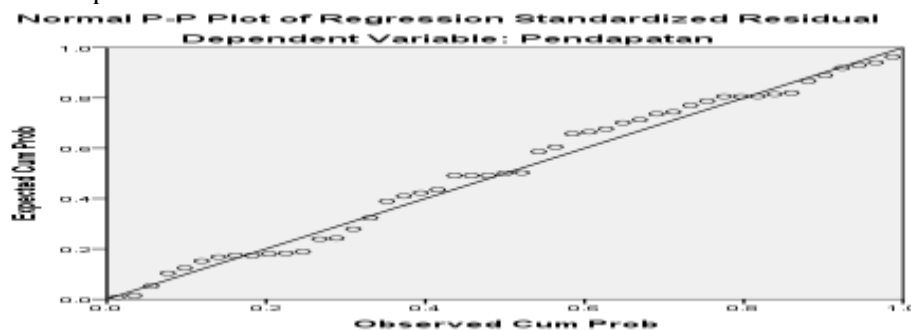
Based on table 4.8, it is known that the initial capital variable (X1) has a Croanbach alpha value of $0.629 > 0.60$, for the credit granting variable (X2) the Croanbach alpha value is $0.765 >$

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0.60, and for the income level variable (Y) the Croanbach value alpha of 0.764 > 0.60. All variables have a value greater than 0.60. So it can be concluded that the research questionnaire has met the reliability requirements.

Normality Test

The normality test aims to test whether in the regression model the dependent variable and the independent variable both have a normal distribution or not. The normality test in this research will be tested using a normal probability plot. According to Arfan Ikhsan et.,al, (2014) if the data spreads around the diagonal lines and follows the direction of the diagonal line then the regression model meets the assumption of normality whereas if the data spreads far from the diagonal or does not follow the direction of the diagonal line then the regression model does not meet the assumption of normality . Based on the results of the normality test using the SPSS 24 program, it can be seen in the picture:



Based on Figure 4.1, the normality test in this research was tested using a normal probability plot. From the plot above it can be seen that the data is spread around the diagonal lines and follows the diagonal lines, so the regression model meets the normality assumption. Based on Kolmogorov-Smirnov (S-K), the results of the normality test using the SPSS 24 program can be seen in the table:

Table 4.3 Kolmogorov-Smirnov (S-K)

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One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		47
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	2.84544863
Most Extreme Differences	Absolute	.087
	Positive	.072
	Negative	-.087
Test Statistic		.087
Asymp. Sig. (2-tailed)		.200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Based on Table 4.7, the normality test in this study was tested using the Kolmogorov-Smirnov (S-K) normal. From the plot above, it can be seen that it is significant > 0.05 or $0.200 > 0.05$, meaning the variable is normal.

Multicollinearity Test

The multicollinearity test aims to test whether in the regression model a correlation is found between the independent variables. The test criteria are if the tolerance value is > 0.10 or the same as the VIF value < 10 then there is an indication that multicollinearity is not occurring. The results of the multicollinearity test for each independent variable can be seen in table 4.8 below:

Tabel 4.4 Multicollinearity Test

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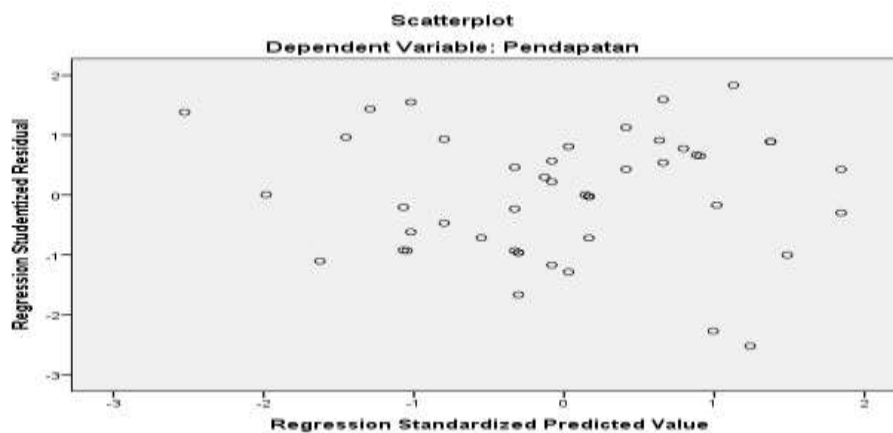
Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	9.548	3.451		2.767	.008		
	Modal Awal	.315	.244	.176	2.288	.205	.608	1.645
	Pemberian Kredit	.699	.165	.581	4.243	.000	.608	1.645

a. Dependent Variable: Pendapatan

Based on table 4.8 above, it can be seen that the tolerance value and VIF value for each research variable are as follows: (1) the VIF value for variable (X1) is 1.645 < 10 and the tolerance value is 0.608 > 0.10 so that the variable (X1) stated that there were no symptoms of multicollinearity. (2) the VIF value for the variable (X2) is 1.645 < 10 and the tolerance value is 0.608 > 0.10 so that the variable (X2) is declared to have no symptoms of multicollinearity.

Heteroscedasticity Test

The results of heteroscedasticity testing using the scatter plot method can be seen in Figure 4.2 as follows:



From Figure 4.2 above, it can be seen that the points in the scatter plot graph are spread randomly and spread both above and below the number 0 on the Y axis. This can be concluded that heteroscedasticity does not occur in the regression model, so the regression model is suitable for use to predict dependent variable based on the entered independent variable.

Data Analysis and Hypothesis Testing Methods

Data Analysis Methods

The analysis used to test the hypothesis in this research is multiple linear regression analysis which aims to see the effect of initial capital, credit provision on the income level of small and medium businesses in Simpang Mamplam village, Bireuen district, which was processed using SPSS Version 24.

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Table 4.5 Results of Multiple Linear Regression Analysis

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	9.548	3.451		2.767	.008		
	Modal Awal	.315	.244	.176	2.288	.205	.608	1.645
	Pemberian Kredit	.699	.165	.581	4.243	.000	.608	1.645

a. Dependent Variable: Pendapatan

From the multiple linear regression equation above, we can see that the constant value (a) of the Y variable is 9.548, meaning that if the value of the SME income level is considered constant (with a value of 0), then the value of the SME income level is 9.548. The regression coefficient X1 of 0.315 shows a positive (unidirectional) relationship which means that every 100% increase in Then the regression coefficient X2 of 0.699 shows a positive (unidirectional) relationship which means that every 100% increase in

Coefficient of Determination Test (R²)

This test needs to be carried out to determine the percentage contribution of the independent variable to the dependent variable. This test is carried out by looking at the coefficient of determination (R²). The R² value that is getting closer to 1 means that the contribution of the influence of the independent variable to the dependent variable is getting bigger and more perfect.

Tabel 4.6 Uji Koefisien Determinasi R²

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.705 ^a	.498	.475	2.90940

a. Predictors: (Constant), Pemberian Kredit, Modal Awal
b. Dependent Variable: Pendapatan

The R² value for equation 1 of this research can be seen in table 4.10, namely 0.475. This means that 47.5% of the dependent variable for the income level of small and medium businesses can be explained by the two independent variables in this research, namely initial capital, credit provision. Meanwhile, the remaining 52.5% (100%-47.5%) is explained by other variables not included in this study. Therefore, other research can be carried out to look for other factors that might influence the income level of small and medium businesses.

Hypothesis Testing

Uji Signifikan Parsial (Uji t)

Partial tests are carried out to determine the influence of individual independent variables (partial) on the dependent variable (Ghozali, 2009).

Table 4.7 Hasil Uji Statistik t

Model		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	9.548	3.451		2.767	.008		
	Modal Awal	.315	.244	.176	2.288	.205	.608	1.645
	Pemberian Kredit	.699	.165	.581	4.243	.000	.608	1.645

a. Dependent Variable: Pendapatan

So, based on the hypothesis testing design that was found previously, the influence of initial capital and credit provision on the income level of small and medium enterprises in Simpang Mamplam village, Bireuen Regency is formulated as follows:

H1 : Initial capital influences the income level of small and medium businesses in Simpang Mamplam village, Bireuen Regency. From table 4.11 it can be seen that the t value of the initial capital variable is 2.288 with a significance of 0.205. Meanwhile, the ttable value at $\alpha = 0.1$ obtained a value of 1.68. So Ha1 is accepted, which means that initial capital has a significant effect on the income level of small and medium businesses in Simpang Mamplam village, Bireuen Regency.

H2 : Providing credit affects the income level of small and medium businesses in Simpang Mamplam village, Bireuen Regency. From table 4.12 it can be seen that the t-calculated value of the credit change variable is 4.243 with a significance of 0.000. Meanwhile, the ttable value at $\alpha = 0.1$ obtained a value of 1.68. So Ha2 is rejected. Providing credit has a significant effect on the income level of small and medium businesses in Simpang Mamplam village, Bireuen Regency.

Uji Signifikan Simultan (Uji F)

The results of the F test in this research can be seen in the table below:

Tabel 4.8 Hasil Penelitian Uji Statistik F

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	368.877	2	184.438	21.789	.000 ^b
	Residual	372.443	44	8.465		
	Total	741.319	46			

a. Dependent Variable: Pendapatan
b. Predictors: (Constant), Pemberian Kredit, Modal Awal

From the calculation results in the table above, it can be seen that the Fcount value is 21.789 > Ftable is 2.82 with a significant value of 0.000. Because the significant value is smaller than 0.05, the hypothesis is accepted and it can be concluded that the independent variables jointly influence the income level of small and medium businesses.

Discussion

The Effect of Initial Capital on the Income Level of Small and Medium Enterprises

The results of the significant test (t test) show that initial capital has a significant effect on the income level of small and medium businesses. This can be seen from the calculated value of the

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initial capital variable, namely 2.288, which is greater than the t table of 1.68. Thus, this research accepts H_{a1} and states that initial capital influences the income level of small and medium businesses. This means that the higher the initial capital in small and medium businesses, the higher the income level for small and medium businesses, and conversely, if the initial capital is small, the income level will also decrease.

The Effect of Credit Provision on the Income Level of Small and Medium Enterprises

The results of the significant test (t test) show that providing credit does not have a significant effect on the income level of small and medium businesses. This can be seen from the calculated value of the credit granting variable, namely 4,243 which is greater than ttable 1.68. Thus, this research accepts H_{a2} and states that providing credit has an effect on the income level of small and medium businesses. This means that the greater the credit provided, the greater the income level, and conversely, the smaller the credit provided, the income level will also decrease. Providing credit is one of the supporting factors for the establishment of a business, the size of the credit influences the size of the business. So the provision of credit has a big influence on the level of income. The higher the credit provided to a business, the bigger the business it has, which can affect the level of income.

The Effect of Initial Capital, Providing Credit on the Income Level of Small and Medium Enterprises

The results of the simultaneous test (f test) show that the Fcount value is 21.789 > Ftable is 2.82 with a significant value of 0.000. Because the significant value is smaller than 0.05, the hypothesis is accepted and it can be concluded that the independent variables jointly influence the income level of small and medium businesses. Initial capital variables, credit provision jointly influence the income level of small and medium businesses.

CLOSING

Based on the research results that have been analyzed previously, the following conclusions can be drawn:

The results of the significant test (t test) show that initial capital influences the income level of small and medium businesses. This can be seen from the calculated value of the initial capital variable, namely 2.288, which is greater than ttable 1.68. Thus, this research accepts H_{a1} and states that initial capital influences the income level of small and medium businesses in Simpang Mamplam village, Bireuen Regency. This is because initial capital is the basis for the establishment of a business.

The results of the significant test (t test) show that providing credit does not have a significant effect on the income level of small and medium businesses. This can be seen from the t-count value of the credit granting variable, namely 4.243 which is greater than t table 1.68. Thus, this research accepts H_{a2} and states that providing credit has an effect on the income level of small and medium businesses in Simpang Mamplam village, Bireuen Regency.

Then the results of the simultaneous test (F test) show that the Fcount value is 21.789 > Ftable is 2.82 with a significant value of 0.000. Because the significant value is smaller than 0.05, the hypothesis is accepted and it can be concluded that the independent variables jointly influence the income level of small and medium businesses.

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