The Influence of Savings and Loans Credit and Interest Rates on Community Small Business Income (Case Study on Prohibited Community Independent Cooperatives)

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ARTICLE INFO	ABSTRACT
	The purpose of this study is to determine the effect of providing savings and loans and interest rates on the income of small businesses in the community. This research was conducted at the Ban Society Independent Cooperative with a population of 220 people. With the Slovin formula, the sample taken was 73 respondents. The data collection method in this study was carried out by distributing questionnaires to respondents who made savings and loans in the cooperative. The data analysis used is an instrument test which includes validity tests and reliability tests, classical assumption tests which include normality tests, multicollinearity tests, and heteroscedasticity tests. Hypothesis test which includes t test and F test and determination correlation test. From the results of the tests conducted, it was concluded that there was a significant influence of the savings and loans credit variable on the business income variable with a significant value of 0.000 <0.05, and the interest rate variable had a significant influence on the business variable income with a significant value of 0.000 > 0.05. *This is an open access article under the CC BY-SA license.*

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Abstract

The purpose of this study was to determine the effect of lending credit and interest rates on the income of small businesses in the community. This research was conducted at the Independent Cooperative The Prohibition Society with a population of 220 people . With the Slovin formula, the samples taken were 73 respondents. The data collection method in this research was carried out by distributing questionnaires to respondents who made savings and loan loans at the cooperative. The data analysis used is an instrument test which includes validity and reliability tests, the classic assumption test which includes the normality test, multicollinearity test, and heteroscedasticity test. Hypothesis testing which includes the t test and F test and the correlation test of determination. From the results of the tests conducted, it was concluded that there was a significant influence of the savings and loan credit variable on the business income variable with a significance value of 0.000 <0.05, and the interest rate variable had a significant effect on the business income variable with a significance value of 0.000 > 0. 05.

Keywords : credit savings and loans, interest rates **,** business income

1. INTRODUCTION

In an effort to strengthen the economic position of the population, the economic growth of a nation requires regulation of available economic resources so that they are directed and integrated. Requires resources prepared from scratch [1] . The aim is to improve the welfare of society. One of the ways taken by the government to improve people's welfare is to establish people's economic institutions, one of which is cooperatives. Cooperative is a collection of people to work together for

the common good [2] . Based on Law number 12 of 1967, Indonesian cooperatives are people's economic organizations that have a social character and consist of people, cooperative legal entities which are an economic structure as a joint venture based on the principle of kinship [3] . The purpose of the cooperative is to make the social and economic conditions of its members better than before joining the cooperative. Cooperatives provide credit for business capital on easy terms and with simple procedures, the interest given is relatively very low [4] . So that later it will provide wider opportunities and opportunities for small traders to develop and expedite their business [5] . With the development of the traders' business, the profits obtained also increase so that they can increase income or income for small traders

One of the government's efforts in developing small business entrepreneurs is to provide credit assistance. Therefore, it is necessary to have a financial institution, namely a bank. According to Article 1 number 2 of the Indonesian Banking Act 1992/1998, the definition of a bank is as follows. A bank is a business entity that collects funds from the public in the form of savings and distributes them to the community in order to improve the standard of living of the common people [6] . To expedite its operations, banks set up branches in regions with the aim of providing banking services to the public, especially to the economically weak group. The provision of credit can benefit all parties including the government, namely the achievement of one of the national development goals in the form of general welfare [7] . For banks, the existence of these branches will enlarge and expand lending, especially to small traders. For the community, having a bank branch will make it easier to get credit services [8] .

Providing savings and loan credit to the public is considered to be able to increase income and employment opportunities [9] . Cooperative business is a business that is directly related to the interests of the welfare of its members by applying for credit to cooperatives to meet their respective needs [10] . According to Law Number 25 of 1992 concerning cooperatives, cooperatives are legal entities consisting of people or cooperative legal entities with the basis of their activities based on economic principles as well as a people's economic movement based on the principle of kinship [11] . Since the beginning of its introduction in Indonesia, cooperative institutions have indeed been directed to the interests of people with a weak economy [12] . And from the background that has been presented, the authors are interested in giving the title of this study, namely "The Influence of Savings and Loans Credit and Interest Rates on Community Small Business Income (Case Study in the Independent Cooperative of the Larangan Village Community)".

Interest Rates

The interest rate is the remuneration that must be paid as a result of using funds in the amount of rupiah [13] . The interest rate is also the percentage that must be paid from a loan obtained from the amount of interest received each year divided by the amount of the loan [14] . Loan interest is interest that must be paid by customers or borrowers to creditors for borrowing funds [15] . Interest rates in the market and the strength of competitors can be one of the causes of the high interest rates charged for various loans to borrowers [16] . Because the high rate of interest charged to customers is one of the factors that influence whether customers will take credit or not. So that the lower the interest rate charged will increase the amount of credit requested, and vice versa. This interest rate refers to the BI Rate, which is a policy regarding interest rates that reflects the monetary policy stance or stance set by Bank Indonesia and announced to the public [17] . The existence of interest greatly affects the ability of customers to pay off their credit. Because if there is an increase in interest rates it will have an impact on customers who have difficulty repaying their credit [18] .

Credit Savings and Loans

Savings and loan business activities are activities carried out to raise funds and distribute them through savings and loan activities from and for the members of the cooperative concerned [19] . In carrying out its activities, the savings and loan cooperative collects a certain amount of money from each member of the cooperative in the form of savings. Then it is used as capital to be managed by cooperative management, and to be borrowed back for members in need [20] . In carrying out its activities, it is also necessary to go through a good credit granting procedure, namely by going through the stages, including credit applications, approval decisions or application rejections, credit

agrements, credit disbursement, administration, supervision and guidance, and credit repayment. This is also based on principles and policies which certainly provide benefits for both parties [21] .

Business Income

Income is income arising from the activity of selling merchandise [22] . The amount of capital available will determine the availability of consumer demand for production. By increasing business capital, entrepreneurs will be able to increase their production capacity so that production volume will increase, so production value will also increase [23] . Own capital will determine how much income a business will receive depending on the results of its production [12]

2. RESEARCH METHODS

Quantitative research method is the research method used in this research. Quantitative research method is an analysis that emphasizes the discussion of data and research subjects by presenting data systematically in the form of numbers and does not conclude the results of the study. Data analysis techniques in this study used instrument tests which included validity and reliability tests, classic assumption tests which included normality tests, multicollinearity tests, and heteroscedasticity tests, hypothesis tests which included t tests and F tests and correlation tests of determination. There are 3 variables in this study, namely the independent variable with Savings and Loans as (X1) and Interest Rates as (X2), and the dependent variable as Business Income (Y). The following is a picture of the conceptual framework model of this research.
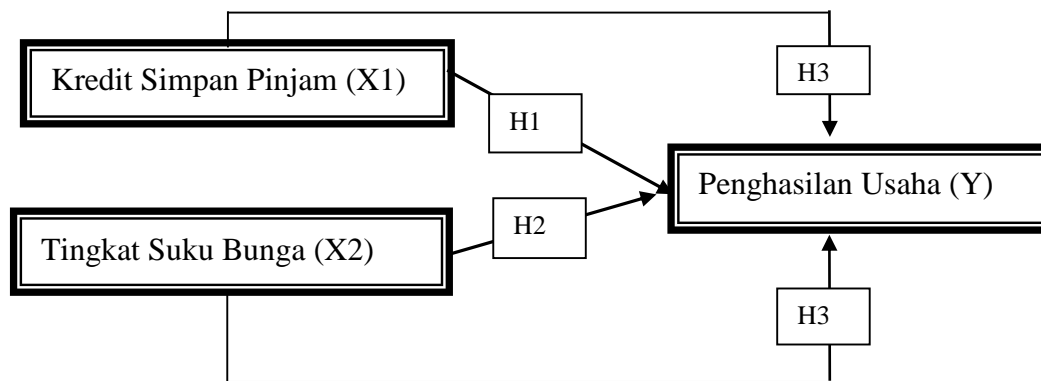

Figure 2. Thinking Framework

Population and Sample

The location in this study was carried out at the Prohibition Community Independent Cooperative located at Jalan. Larangan Village Scouts RT 02 RW 02 No. 64, Larangan District, Brebes Regency, Central Java. The total population is 220 customers, then processed using the Slovin formula by determining a significance level of 10%. The calculation results show that the number of samples taken in this study were 73 respondents. The type of data used in this study uses primary data with data collection techniques using a questionnaire consisting of multiple choices. Each item provides 5 (five) answer choices or a score which is commonly called a Likert scale and respondents can choose from these 5 (five) answer choices. The following is a table of Likert scale scores and data collection instruments in this study.

Table 1. Research Variable Indicators

No	Indicator	Rating Score (+)	Rating Score (-)
1	Strongly agree	5	1
2	Agree	4	2
3	Simply Agree	3	3
4	Don't agree	2	4
5	Strongly Disagree	1	5

Source: From various references

Table 2. Research Instruments

Variable	Statement
Savings and Loan Syahutama and Rishi Nanda (2017)	The location of the cooperative is in a strategic place
	The savings and loan procedure is not complicated
	The service system provided when applying for credit is good
	Always ensure the quality of the guarantee if bad credit occurs at any time
Interest Rates Sapto Nowo Asmoro (2010)	Cooperatives provide interest rates to customers who take credit
	The interest rate provided by the cooperative is quite affordable by the community
	You don't mind the interest rate given
	The interest rate is determined by the standard with government regulations
	Unlike loan sharks, which always burden customers
Business Income Syahutama and Rishi Nanda (2017)	Income is in line with what I expected
	My business capital is from credit loans
	Savings and loans that are used are very useful for the development of my business
	The loan that I got was able to boost my business productivity

3. RESULTS AND DISCUSSION

a. Validity and Reliability Test

The following are the results of testing the validity and reliability for each indicator for each research variable.

and Reliability Test Results

Variable	Indicator	Validity Results	Information	Reliability Results	Information
Credit Savings and Loans	KSP1	0.801	Valid	0.866	Reliable
	KSP2	0.769			
	KSP3	0.748			
Interest Rates	TSB1	0.715	Valid	0.875	Reliable
	TSB2	0.544			
	TSB3	0.657			
	TSB4	0.723			
	TSB5	0.752			
Business Income	PU1	0.861	Valid	0.871	Reliable
	PU2	0.832			
	PU3	0.871			
	PU4	0.841			

Source: Research Results (2022)

b. Classical Assumption Test

Normality test _

The following are the results of the normality test in this study, which can be seen in the graphic plot image below:
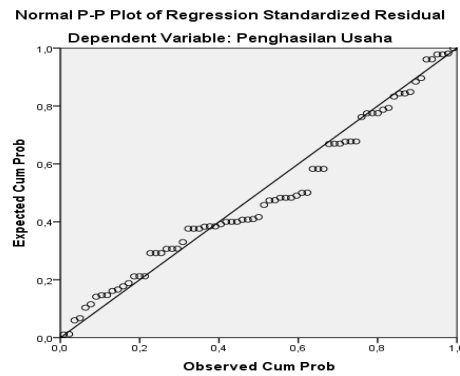
Figure 2. PP Plot Diagram for Normality Test Results

Based on the picture above it can be seen that the data spreads around the diagonal line and follows the direction of the diagonal line, this indicates that the data is normally distributed.

Multicollinearity Test
The following are the results of the multicollinearity test in this study, which can be seen in the table below:

Table 4. Multicollinearity Test Results

Coefficients [a]							
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
Model	B	std. Error	Betas			tolerance	VIF
1 (Constant)	1,670	,867		1,926	.058		
Credit Savings and Loans	,695	,099	,550	7.004	,000	,419	2,386
Interest Rates	,333	,063	,413	5,255	,000	,419	2,386
a. Dependent Variable: Business Income							

Source: From processed data

From the calculation results in the table of multicollinearity test results, the independent variable shows that the VIF value = 2.942 where the value is smaller than 10, so it can be concluded that there is no multicollinearity problem.

Heteroscedasticity Test
Following are the results of the heteroscedasticity test in this study which can be seen in the graphic plot image below:
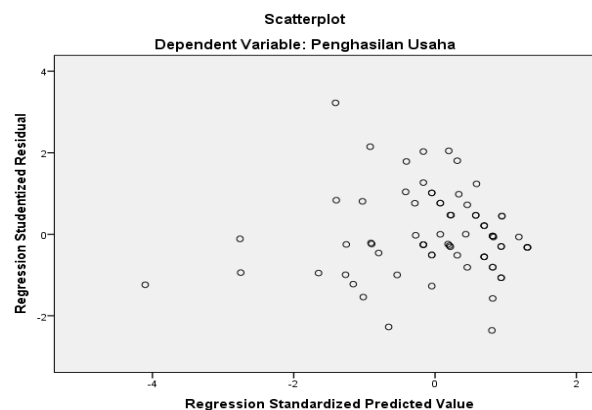

Figure 3. Diagram of the results of the bag heteroscedasticity test

From the results of this test the data points do not gather only above or below and do not form wavy patterns that widen, then narrow and widen again, so that heteroscedasticity does not occur.

c. Hypothesis Test

Hypothesis testing is done by t test and f test to predict the magnitude of the relationship between independent variables (independent) namely savings and loans (X_1), interest rates (X_2), with the dependent variable (dependent) namely business income (Y) which is explained in the following table:

t test

Following are the results of the t test in the study which can be seen in the table below:

Table 5 . Multiple Regression Analysis Test Results (t test)

Coefficients [a]					
	Unstandardized Coefficients		Standardized Coefficients		
Model	B	std. Error	Betas	t	Sig.
1 (Constant)	1,670	,867		1,926	.058
Credit Savings and Loans	,695	,099	,550	7.004	,000
Interest Rates	,333	,063	,413	5,255	,000
a. Dependent Variable: Business Income					

Source: From processed data

Based on the t test results table above, it can be seen that the significance value of the savings and loan variable variable is 0.000 < 0.05, then there is a significant influence on the business income variable and the significance value of the interest rate variable is 0.000 > 0.05, then there is a significant influence on the business income variable .

Based on the results of the analysis above, the regression model for the relationship between savings and loan loans (X_1), interest rates (X_2) and business income (Y) is obtained as follows:

Y = a + b1x1 + b2x2

Y = 1.670 + 0.695X_1 + 0.333X_2

Based on the t test results table above, it can be seen that:

a. First Hypothesis Testing (H_1)

Based on the t-test results table above, it can be seen that the significant value of the savings and loan credit variable on business income is 0.000 <0.05, so it can be concluded that H1 is accepted, which means that there is an effect of X1 on Y.

b. Second Hypothesis Testing (H_2)

Based on the t-test results table above, it can be seen that the significant value of the interest rate variable on business income is 0.000 <0.05, so it can be concluded that H2 is accepted, which means that there is an effect of X2 on Y.

Following are the results of the f test in the study which can be seen below:

Table 6 . Multiple Regression Analysis Test Results (F test)

ANOVA [a]					
Model	Sum of Squares	df	MeanSquare	F	Sig.
1 Regression	553,587	2	276,794	158,387	,000 [b]
residual	122,331	70	1,748		
Total	675,918	72			
a. Dependent Variable: Business Income					
b. Predictors: (Constant), Interest Rates, Savings and Loans					

Source: From processed data

    c. Testing the third hypothesis (H₃)

       Based on the F test results table above, it can be seen that the significant value is 0.000 <0.05, so it can be concluded that H3 is accepted, which means that there is a significant effect of the independent variables on the dependent variable of business income.

Determination Correlation Test

The following are the results of the correlation correlation test in the study which can be seen in the table below below

Table 6 . Determination Correlation Test

Summary models				
Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	,905 a	,819	,814	1.322
a. Predictors: (Constant), Interest Rates, Savings and Loans				

Source: From processed data

Based on the determination correlation test table above, it can be seen that the R square value is 81.90%, it can be concluded that the independent variables of savings and loan credit and interest rates affect the dependent variable of business income, the remaining 19.10% is influenced by other variables not examined in this research.

4. CONCLUSION

       Based on the results of the discussion, it can be concluded that: there is a significant influence of the savings and loan credit variable on the business income variable with a significance value in the t test of 0.000 which means <0.05, there is a significant effect of the interest rate variable on the business income variable by the significance value in the t test is 0.000 which means < 0.05, there is at least one independent variable that has a significant effect on the dependent variable business income with a significance value in the F test of 0.00 0 which means <0.05. Based on the results of the study showed that savings and loans and low interest rates can increase business income, but the increase obtained is still quite small. This is because the financing disbursed for working capital and investment is relatively small. So in further research can identify other variables that can affect the occurrence of business income such as the amount of the ceiling and so on.

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