# The Effect of Inflation and Taxes on Business Development at Brother Store Dili, Timor-Leste

**Jose da Silva[1] Romeu Marques Daci[2] Alegandria Da Silva[3]**
**[123]UNPAZ, Dili, Timor Leste**
Correspondent: josedasilva1207@gmail.com [1]

**ABSTRACT:** This study aims to analyze the effect of inflation and taxes on business development at Brother Store Dili, Timor-Leste. This research was conducted at Maun Alin Dili, Timor-Leste with the topic Influence and Taxes on Business Development at Brother Store Dili, Timor-Leste. The reason for taking this topic is that the researcher sees the existing problems, these problems are Inflation and Taxes on Business Development. This study used quantitative methods and used data analysis techniques, namely multiple linear regression with the formula $Y = a + b1x1 + b2x2 + e$. The results of the Hypothesis Test T (H1) Inflation (X1) on Business Development (Y) from the SPSS output show, for the table above it can be seen that the value of the independent variable Inflation (X1) with a level of - With a confidence level of 95%. Based on the above findings it can be concluded that: Thitung <= Table, then Ho or null hypothesis is accepted and Ha (alternative technique) is not accepted, meaning that there is no influence and significant relationship between Inflation (X1) on Business Development Hypothesis Test Results (Y).T (H2) Tax (X2) on Business Development (Y) from the results of the SPSS output, for the table above it can be seen that the Thitung value of the independent variable Tax (X2) is 6.964> and the Table value is 1.694. Thitung> Table with a significance level of 0.000 or 0.0% lower than the error rate of 0.05 or 5%. With a confidence level of 95%.

**Keywords:** Inflation and Taxes on Business Development

## INTRODUCTION

The financial era in the business sector sees how much competition occurs in the microeconomic sector so that it requires improvement to ensure business development (Almeida & Terra, 2019a; Liu & Cheung, 2016; Smith, 2016). The economic development of a region or country is based on the interaction of several variables including human resources, natural resources, capital, technology and so on. Timor-Leste is a country whose national development has a specific goal, which is to improve the welfare of the people. The country is currently living in an inflationary situation that has a strong impact on the lives of small businesses (Ghandri et al., 2021; Kufta et al., 2023; Mucuk & Evren, 2023).

Inflation is a process of general price increases, so inflation does not mean that the prices of goods and services are increasing (Cavusoglu & Alsabr, 2017; Zhang et al., 2022). And inflation as a state of the country's economy that tends to increase the overall price of goods and .Taxes are a major contribution to the state treasury, through the goods produced (Ahmad et al., 2023; Goel, 2018; Rastogi & Kanoujiya, 2022; Warsame et al., 2023). Taxes are a country's revenue that helps the country's economy. The revenue received will be used for the benefit of the people, through the construction of public buildings and facilities. Considering the taxes paid is very important because it is a source for the government to run programs to create development in the country (Bressan, 2023; Kashefi Pour & Lasfer, 2019; Zhou et al., 2021). Taxes can also be interpreted as a mandatory contribution to the state that is in accordance with procedures and is coercive in accordance with taxable laws and can be used to finance budgets related to the development and interests of the state, As a source other than state revenue, taxes will also be used to run routine state services and contribute to the development of the country (Blickenstorfer & Lichtsteiner, 2014; Drucker et al., 2020; Solleder, 2020).

Business development as one of the tools to increase people's purchasing power will ultimately become a safety value from the monetary crisis situation (Almeida & Terra, 2019b; Sanchez-Planelles et al., 2022a, 2022b). Business development is very strategic in driving the national economy, increasing business activities that cover almost all business fields so that the greater the contribution of small businesses to increase income for small income groups (Abu Adi et al., 2021; Ivanova & Vardanyan, 2021; Krasniqi, 2019).

## METHOD

This study employed quantitative research methods, utilizing various data analysis techniques to examine the relationship between variables. The key components included multiple linear regression analysis with the formula $Y = a + b1x1 + b2x2 + e$, which allowed the researchers to investigate the impact of independent variables on the dependent variable of Business Development. The results of the Hypothesis Test T, conducted using SPSS software, showed that the independent variable of Inflation, at a 95% confidence level, did not have a significant influence on Business Development. Based on these findings, the null hypothesis was accepted, and the alternative hypothesis was not, indicating an absence of a significant relationship between Inflation and Business Development. To provide a more comprehensive understanding of the dynamics, the study also incorporated additional data analysis techniques, such as a survey questionnaire as the data collection method. This multi-faceted approach enabled the researchers to gain deeper insights into the complex interplay between the examined factors.

## RESULT AND DISCUSSION
### Validated and Rehabilitated Inflation Outcomes

### Validity Test Results

| NO | Demand Code | Demand Code Item-Total Corrected Variable | Cronbach's alpha standard | Information |
|---|---|---|---|---|
| | **Validity Test Results Inflation X1** | | | |
| 1. | Consumption Price Indication | 0,736 | 0,30 | Valid |
| 2. | Selling Price Indication | 0,472 | 0,30 | Valid |
| 3. | Production Price Indication | 0,848 | 0,30 | Valid |
| 4. | Stock Price Indication (Wealth) | 0,532 | 0,30 | Authorized |

From the results of the SPSS X1 variable output which has 4 items, one of the indicators tested is all valid as seen from the corrected total item correlation of the Inflation variable question items (X1) with a value of more than 0.30.

| NOT | Demand Code | Demand Code Item-Total Corrected Variable | Standard Cronbach's alpha | Information |
|---|---|---|---|---|
| | **Tax Validity Result X2** | | | |
| 1. | **Pay taxes on time** | **0,605** | **0,30** | **Valid** |
| 2 | **Paying taxes without coercion (no one forces);** | **0,451** | **0,30** | **Valid** |
| 3. | **Compliance and tax obligations.** | **0,371** | **0,30** | **Valid** |
| 4. | **Report required information** | **0,438** | **0,30** | **Authorized** |

**Tax Validity Test**

In this study, the Tax Variable (X2) together has four question rules, namely the results of the validation value seen from the total correlation column of the correct items, by comparing the standard validation value of 0.30.

**Business Development**

| NOT | Validity Results of Business Development Policy Y | | | |
|---|---|---|---|---|
| | Demand Code | Demand Code Item-Total Corrected Variable | Standard Cronbach's alpha | Information |
| 1. | Sales growth | 0,391 | 0,30 | Valid |
| 2. | Capital growth | 0,434 | 0,30 | Valid |
| 3. | Labor force growth | 0,558 | 0,30 | Valid |
| 4. | Market growth | 0,668 | 0,30 | Legal |

From the results of the SPSS output, the Y Business Development variable which has 4 items, one of the indicators tested is all valid, seen from the total correlation of the corrected items on the question items for the Business Development Variable (Y) with a value of more than 0.30.

**Reliability Test**

| No. | Inquiry Code | Cronbach's alpha | Standard of Reliability | Information |
|---|---|---|---|---|
| 1. | Infallibility X1 | 0,790 | 0,60 | Reliable |
| 2. | Tax X2 | 0,632 | 0,60 | Reliable |
| 3. | Business Development Policy Y | 0,710 | 0,60 | Reliable |

The rehabilitation test results show that X1, Debt if the rehabilitation value is the Inflation variable X1. Double Linear Regression Analysis Test) Multiple linear regression is a tool to detect and explain the relationship between the dependent variable (Y) and the three independent variables (X1, X2) which will be displayed on the diagram and the linear relationship between the independent and dependent variables. The two linear regression formulas are as follows:

### Business Development Policy Hypothesis Results

**Coefficient** [a]

| Model | | Not standardized Coefficient | | Standardized Coefficient | | Signature. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.719 | 1.823 | | 1.491 | ,146 |
| | Inflation | -,088 | ,078 | -,147 | -1.117 | ,272 |
| | Tax | ,940 | .135 | ,915 | 6.964 | ,000 |

*A. Dependent Variable: Business Development Policy*

Based on the results of the formulation, the multiple linear regression is the same; y = + e, is the result of the study, with two linear regression formulations as follows: 2.719 + -0.088 X1 + Where:

A = 2.719 is a constant value, meaning that Business Development before being changed by Inflation and Taxes, Business Development with a constant value of 2719.

B1 = -0.088 as the inflation regression coefficient (X1), meaning that Business Development is changed by inflation (X1) by 0.088 assuming tax (X2) is constant.

B2 = 0.940 as the tax regression coefficient (X2), meaning that the quality of inspection is changed by tax (X2) by 0.940 assuming inflation (X1) is constant.

### Determinant Coefficient Results

The coefficient of determination analysis in regression is used to determine the presentation or contribution of the independent variables (X1, X2) to the dependent variable (Y) regression results, see the summary model output and produce the following.

### Determination Test Results  Coefficients

**Model Summary**

| Model | R | R square | Customized R Square | Std. Estimation Error |
|---|---|---|---|---|
| 1 | 0.827 [a] | ,684 | ,664 | 1.446 |

*A. Predictors: (Constant), Tax, Inflation*

*B. Dependent Variable: Business Development Policy*

From the results of the SPSS output on the summary model, the correlation (R) is 0.827 or 82.7% In addition, the coefficient of determination (R)

### Hypothesis Test Results

For this study, researchers used hypothesis testing, this test is to determine the value of the effect of being able to accept alternative decisions accordingly, with a risk value or error rate/tare to income below 5%, with a confidence level of 95%.

### Hypothesis Result Test (H1)

Influence (X1) on Business Development (Y) from the results shown in the SPSS output, for the table above shows that the T-count value of the independent variable, namely Inflation (X1) with a level of - With a level of 95% confidence. Based on the above findings it can be concluded that:

T-count < = Table, whether Ho or null hypothesis is accepted and Ha (alternative technique) is not accepted, meaning that there is no influence and insignificant between Inflation (X1) on Business Development (Y).

**Hypothesis Result Test (H2)**

Taxes (X2) on Business Development (Y) from the results of the SPSS output, for the table above, it can be seen that the Thitung value of the independent variable Tax (X2) level 6.964> and the Table value level 1.694 or Count> Table means 0.000 or 0% below the error / error rate of 0.05 or 5%. Based on the above findings it can be concluded that: Thitung > = Table, then the Ho or null hypothesis is not accepted and Ha (alternative hypothesis) is accepted, meaning that there is a positive and significant influence between Taxes (X2) on Business Development (you).

The hypothesis in this study shows that inflation (X1) and taxes (X2) have a positive and significant effect on Business Development (Y). with partial variables X1 and X2 showing Ha is accepted and Ho is not accepted and can be explained below.

**Influence of Inflation on Business Development**

Inflation (X1) on Business Development (Y). From the results of the SPSS output, for the table above, it can be seen that the value of the independent variable, namely inflation (X1) with a level of - With a confidence level of 95%. Based on the above results, it can be concluded that; Count < = Table, whether Ho or the null hypothesis is accepted and Ha (alternative hypothesis) is not accepted, meaning that there is no influence and no significant relationship between Inflation (X1) on Business Development (Y). This result shows that Inflation X1 can reduce Business Development in your shop.

**Effect of Tax on Business Development**

Tax (X2) on business development (Y) the results show the SPSS output, for the table above it can be seen that the Thitung value of the independent variable Tax (X2) with a level of 6.964> and the Table value with a level of 1.694 or Thitung> Table with an error rate of 0.05 or 5%. With a confidence level of 95%. Based on the above findings it can be concluded that: Thitung > = Table, whether the Ho or null hypothesis is not accepted and Ha (alternative technique) is accepted, meaning that there is a significant influence between Tax (X2) on Business Development (Y). This result shows that Tax X2 can guarantee the development of business in your shop.

**CONCLUSION**

Based on the research findings and discussion, the researcher concludes that:

1. Based on the results of the first hypothesis test, it is concluded that the Inflation variable has no significant influence on Business Development. This means that good inflation can encourage the development of the business world in Tore, Dili, Timor-Leste. The results of the study can be explained by the indicators of the Inflation variable which consists of

consumption price indicators, selling price indicators, production price indicators and stock price indicators (Wealth will ensure business development.

2. Based on the results of the second hypothesis test, it is concluded that the tax variable has an effect on business development. This means that an increase in taxes will affect business development at Brother Store Dili, Timor-Leste. The research results can be explained by the variable indicators of Tax Characteristics. Paying taxes on time, paying taxes without coercion (no one forces), compliance and tax obligations and reporting the necessary information will not guarantee business development.

**REFERENCE**

Abu Adi, W., Hiyassat, M., & Lepkova, N. (2021). Business strategy development model for applying knowledge management in construction. *Journal of Civil Engineering and Management*, *27*(4), 246–259. https://doi.org/10.3846/jcem.2021.14651

Ahmad, N., Jaysawal, M. K., Sangal, I., Kumar, S., & Alam, K. (2023). Carbon Tax and Inflationary Conditions under Learning Effects: A Green EOQ Inventory Model. *Macromolecular Symposia*, *407*(1). https://doi.org/10.1002/masy.202200117

Almeida, M., & Terra, B. (2019a). Technological strategies and sustainable management for small businesses in the Brazilian innovation context. *International Journal of Innovation and Sustainable Development*, *13*(1), 20–35. https://doi.org/10.1504/IJISD.2019.096703

Almeida, M., & Terra, B. (2019b). Technological strategies and sustainable management for small businesses in the Brazilian innovation context. *International Journal of Innovation and Sustainable Development*, *13*(1), 20–35. https://doi.org/10.1504/IJISD.2019.096703

Blickenstorfer, M., & Lichtsteiner, H. (2014). Impacts of Income Distribution, Taxes, and Direct Democracy on Foundation Activity. *Voluntas*, *26*(6), 2604–2619. https://doi.org/10.1007/s11266-014-9533-3

Bressan, S. (2023). ESG, Taxes, and Profitability of Insurers. *Sustainability (Switzerland)*, *15*(18). https://doi.org/10.3390/su151813937

Cavusoglu, B., & Alsabr, M. (2017). An ARDL co-integration approach to inflation, FDI and economic growth in libya. *Journal of Advanced Research in Law and Economics*, *8*(8), 2373–2382. https://doi.org/10.14505/jarle.v8.8(30).07

Drucker, J., Funderburg, R., Merriman, D., & Weber, R. (2020). Do local governments use business tax incentives to compensate for high business property taxes? *Regional Science and Urban Economics*, *81*. https://doi.org/10.1016/J.REGSCIURBECO.2019.103498

Ghandri, M., Soltani, H., & Maktouf, S. (2021). Inflation targeting as a future framework for Tunisian monetary policy: Between perception and reality in an inflationary context. *Journal of International Studies*, *14*(4), 174–186. https://doi.org/10.14254/2071-8330.2021/14-4/12

Goel, R. (2018). Partial backlogging EOQ model with trade-credit facility and inflationary environment. *International Journal of Mathematics in Operational Research*, *13*(3), 303–319. https://doi.org/10.1504/IJMOR.2018.094848

Ivanova, T. B., & Vardanyan, A. A. (2021). *Improvement estimation accuracy of futures for small business effective functional development*. *2830*, 1–15. https://www.scopus.com/inward/record.uri?eid=2-s2.0-85103210679&partnerID=40&md5=e565765d20e1d6a0f5f02b2d923d3116

Kashefi Pour, E., & Lasfer, M. (2019). Taxes, governance, and debt maturity structure: International evidence. *Journal of International Financial Markets, Institutions and Money*, *58*, 136–161. https://doi.org/10.1016/J.INTFIN.2018.09.011

Krasniqi, I. (2019). Strategic management for regional economic development and business sustainability: Countries in transition. *International Journal of Economics and Business Administration*, *7*(4), 47–67. https://doi.org/10.35808/ijeba/331

Kufta, A. Y., Maldonado, D. R., Go, C. C., Curley, A. J., Padilla, P., & Domb, B. G. (2023). Inflation-Adjusted Medicare Reimbursement for Hip Arthroscopy Fell by 21.1% on Average Between 2011 and 2022. *Arthroscopy, Sports Medicine, and Rehabilitation*, *5*(1), e67–e73. https://doi.org/10.1016/j.asmr.2022.10.009

Liu, S., & Cheung, L. T. O. (2016). Sense of place and tourism business development. *Tourism Geographies*, *18*(2), 174–193. https://doi.org/10.1080/14616688.2016.1149513

Mucuk, M., & Evren, S. (2023). What Drives Inflation in High-inflation Countries? Evidence from Haiti, Sudan, Türkiye and Zambia. *Politicka Ekonomie*, *71*(3), 238–266. https://doi.org/10.18267/j.polek.1385

Rastogi, S., & Kanoujiya, J. (2022). The volatility spillover effect of macroeconomic indicators and strategic commodities on inflation: evidence from India. *South Asian Journal of Business Studies*. https://doi.org/10.1108/SAJBS-10-2021-0387

Sanchez-Planelles, J., Segarra-Oña, M., & Peiro-Signes, A. (2022a). Identifying different sustainable practices to help companies to contribute to the sustainable development: Holistic sustainability, sustainable business and operations models. *Corporate Social Responsibility and Environmental Management*, *29*(4), 904–917. https://doi.org/10.1002/csr.2243

Sanchez-Planelles, J., Segarra-Oña, M., & Peiro-Signes, A. (2022b). Identifying different sustainable practices to help companies to contribute to the sustainable development: Holistic sustainability, sustainable business and operations models. *Corporate Social Responsibility and Environmental Management*, *29*(4), 904–917. https://doi.org/10.1002/csr.2243

Smith, R. (2016). Did the Community Renewal Tax Incentives Pirate Businesses From Other Places? *Economic Development Quarterly*, *30*(1), 46–61. https://doi.org/10.1177/0891242415620008

Solleder, J. M. (2020). Market power and export taxes. *European Economic Review*, *125*. https://doi.org/10.1016/J.EUROECOREV.2020.103425

Warsame, Z. A., Hassan, A. M., & Hassan, A. Y. (2023). Determinants of Inflation in Somalia: An ARDL Approach. *International Journal of Sustainable Development and Planning*, *18*(9), 2811–2817. https://doi.org/10.18280/ijsdp.180919

Zhang, Y., Hyder, M., Baloch, Z. A., Qian, C., & Berk Saydaliev, H. (2022). Nexus between oil price volatility and inflation: Mediating nexus from exchange rate. *Resources Policy*, *79*. https://doi.org/10.1016/j.resourpol.2022.102977

Zhou, X., Wei, X., Lin, J., Tian, X., Lev, B., & Wang, S. (2021). Supply chain management under carbon taxes: A review and bibliometric analysis. *Omega (United Kingdom*, *98*, 102295. https://doi.org/10.1016/j.omega.2020.102295

Abdul Halim , Pengaruh Pertumbuhan Usaha Mikro Kecil Menengah Terhadap Pertumbuhan Perekonomian Kabupaten Mamuju Jilid 1 No.2 Tahun 2020

Aditya Nugroho, No 2. Mei 2016. Arikunto 2002 :

Azwar 2013, Metode Reliabilitas dan Validitas Edisi 4 Kajian Perpustakaan Yogyakarta .

We Salim , Fagina , 2021, Pengaruh Inflasi Terhadap Pertumbuhan Ekonomi Indonesia volt 7 No1 Editi Agustus 2021.

Arfah Habib Saragih, Pengaruh Penerimaan Pajak Terhadap Pertumbuhan di Indonesia Vol 3 (No1). 2018. Haman 17 -. Ary   Prasetyo1,

Azwar 2013, Metode Reliabilitas dan Validitas Edisi 4 Kajian Perpustakaan Yogyakarta .

Boediono 2014, Halaman Dan 1. April 2018.

Di'an Triastuti, Dudi Pratomo, Pengaruh Pertumbuhan Ekonomi, Pembangunan Belanda/modal, Dan Inflasi Tinkat    Terhadap Penerimaan Pajak Daerah   (Studi Pada Pemerintah Daerah Kota Bandung Periode 2007 – 2014) Jilid 3,       No    1.    April 2016/Halaman

Julasmo 2016, Pengaruh Inflasi, Pemeriksaan Jumlah Pajak Yang Harus Dibayar Terhadap Penerimaan Pajak Penghasilan Pada Kantor Pelayanan Pajak Pratama Luwuk.