Credit Allocation and Credit Interest Affect Small Business income in the Non-Governmental Organization KIF (Kaebauk Investimentu Finansas) Dili, Timor-Leste

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ABSTRACT: This study aims to determine the effect of credit allocation and credit interest on small business income in Dili, Timor-Leste. The type of research used in this scientific work is a type of survey conducted by the KIF Organization Agent on credit customers before and after receiving credit, while the population is used as the number of customers and the sample used is 55 credit customers to represent credit survey data in Dili City. The method of using samples in this study is probability sampling, namely sampling quotations (Census). The analysis material used in this scientific work is multiple linear regression. The results of this study are interpreted as changes in poverty levels and levels of difficulty, so from 55 respondents, namely changes from poor to non-poor. The results of this study indicate that: (1) The SPSS output score shows the T value of the credit allocation variable (X1) of 2.696 with a significance level of 0.000 below 5%, the T value of 2.696> 2.006, the t table confidence level is 95% and the standard error is 5%, with the alternative hypothesis (Ha) being accepted. The results of the analysis between the level of credit allocation (X1) and credit interest (X2) are valid or adequate as a measure of small business income (Y). The results of the statistical test show that there is a difference in income before and after receiving credit for positive credit customers. These results also indicate a positive and significant correlation and influence simultaneously between the credit allocation and credit interest variables on small business income.

Keywords: Credit Allocation, Credit and Small Business Income

INTRODUCTION

The progress of citizens is a dream for a nation. Economic potential in all fields needs to be developed in order to realize equitable welfare for all people. As the smallest country in Asia that is only in the development stage, the principles and actions of the RDTL State are the main priority in building an inclusive financial system for the people and the nation (Harjo et al., 2021). Good economic development, in order to improve the welfare of its citizens and in order to achieve the goals of the State, namely the implementation of the rights and obligations of society fairly and well, both physically and spiritually, must develop the economic sector in the country. Economic

growth as a result of economic development needs to be implemented and improve the progress of society (Harris, 2015; Zhao & Yuan, 2020; Zikargie & Cochrane, 2022).

Basic human needs consist of biological and social needs, biological needs such as eating, drinking, and sleeping, and social needs, namely a sense of security and social roles. In the Basic Law/Constitution of the Democratic Republic of Timor-Leste (KRDTL) Chapter III Article 53 paragraph 1 states that "consumers have the right to obtain quality goods and services, and have the right to obtain correct information, have the right to protect their health, safety, and economic interests, and have the right to improve their health." Therefore, the government is obliged to provide a sense of security to all people living in this Democratic Country (Hanson, 2021; Kabeer, 2020; Lieberknecht et al., 1998; Radmehr et al., 2022).

Domestic economic growth requires the government to provide support to the private sector, especially young entrepreneurs with an innovative, creative spirit and dedication to good programs, so that the implementation of small and medium enterprises can contribute to domestic economic development as part of the implementation of development programs. To improve the quality of life as has been achieved and increase income through various economic activities. The government carries out activities for all citizens providing Non-Governmental Organizations (NGOs) operating in Timor-Leste, through international NGOs and national NGOs, the implementation of programs to serve the community through Microcredit for small and medium enterprises. To meet citizenship needs and access to all microcredit organizations, the State and Nation of Timor-Leste has four banks from other countries and one Bank Negara (Government-Owned bank) of the Democratic Republic of Timor-Leste (RDTL) (Hossain & Roy, 2019; Keevers, 2022; Shen & Tsai, 2016; Sirag et al., 2018).

To facilitate the economy of communities in rural and urban areas, KIF invests money or finances in branch offices, opening up to 12 districts to provide credit to clients who have access to credit as many as 12,725 clients. KIF, from the beginning *(TRM),* changed to KIF in 2002. The transformation of *TRM* into KIF, due to the decision of the Central Bank of Timor-Leste (BCTL) on 23 August 2016, the Central Bank approved *(KIF)* by saying that the KIF institution accepts people's savings to do nothing else, if investment and finance are part of a system that has the same function as providing credit to small businesses in Timor-Leste (Haller et al., 2018; Jenkins, 2014; Khambule & Gerwel-Proches, 2019).

The implementation of credit distribution is part of capital training carried out by financial institutions, in this case the bank is part of society which has efforts to motivate work performance so that it can be useful for increasing income (Asri et al., 2023; Din & Wahyudhi, 2021). business in the real sector carried out by the community, both individuals and groups. In allocating credit to small businesses, KIF organizations invest and finance distribute credit to the public as ordinary credit and special credit. Normal credit distributed when clients start to generate total credit/credit of $1,000.00 with credit interest set at 9% provided by the Financial Investment Organization (KIF). After the client can empower and manage their business and even develop their business, the KIF will increase the total amount/credit ceiling by $. 2,000.00 and above as special credit. For each credit allocation there will be a time limit and credit to pay all debts so that the Capital Investment and Finance Organization (KIF) provides a time limit of five (5) months, and pays a

little every month. To implement the first credit, there needs to be an analysis of credit allocation which will be based on 5C (Character, Capacity, Collateral, Capital, Conditions).

Credit interest is a donation given by the bank or banks to customers based on conventional principles. There are two types of interest given to customers, namely: The first interest is interest given as a symbol or donation to customers who make bank deposits. Savings interest is the price that a bank or banks must pay to its customers, such as savings interest and deposit interest at the same price as the purchase price. The second credit interest is paid on a debt or the price that must be paid on the debt to the bank or credit interest and in other words the bank is the selling price. Credit interest can be interpreted as the price that must be paid by the public for the provision of services or services provided through any translation carried out by both parties between credit and debt.

Objective

As a researcher, this research has the following main objectives:

1. To test and Analysis the influence of credit and interest allocation on low business income. At *(KIF)*.

2. To examine and Analysis in more detail the younger generation's interest in *(KIF)* credit on small business income

3. To further test and Analysis the effect of credit allocation and credit interest on small business income simultaneously

Research Structure.

Research Structure Model.
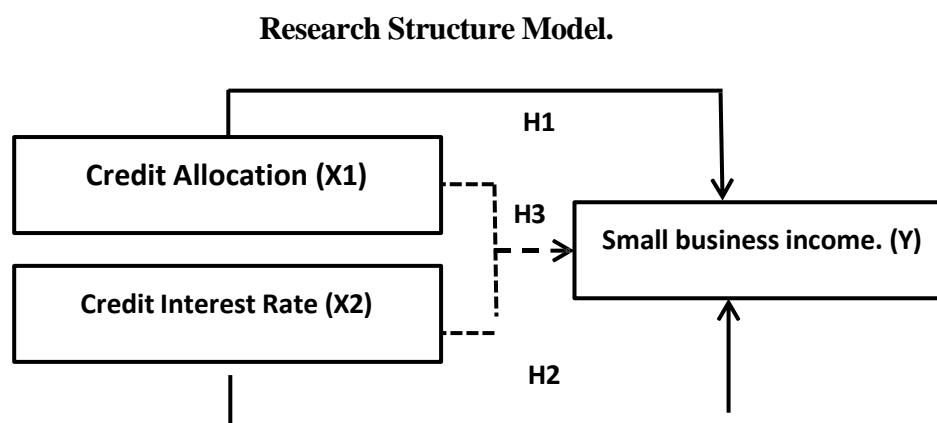
Sources: Research source 2022
Figure 1. Graph of Research Structure Model.

METHOD

Research methodology is a way to find real facts in a scientific way to obtain valid data systematically. Quantitative research methods are a type of research whose specifications are systematic, planned and structured from the beginning to the research design. According to Sugiyono (2013: 13), quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to examine populations and samples, sampling techniques are generally carried out randomly so the MOE formula can be used, data collection uses research instruments, data analysis quantitative descriptive/statistical in nature. with the aim of providing a definite hypothesis test, the data source used is primary data.

The analysis technique used is Multiple Linear Regression Analysis, where Multiple Linear Regression Analysis is an analytical technique that can explain variables with the following

Multiple Linear Regression (Linear Regression Linear regression formula:

$$Y = a + b1X1 + b2X2 + ... + e$$

Information:

$$Y = \text{Dependent Variable}$$

$$a, b1, b2 = \text{Regression Coefficients}$$

$$X1, X2 = \text{Independent Variables}$$

e   = Error interference, namely values of other variables that are not included in the formula.

RESULT AND DISCUSSION

Data Quality Test Results

Data quality testing is used to provide adequate testing and data that can be used in research. Research data has no benefits if the instruments used to collect research data do not have high reliability and validity. Data quality testing was carried out using validity tests and reliability tests using Cronbach.

a. Validity Test Results.

Table 1.
Variable Credit Allocation (X1)

Item-Total Statistics

Indicator	Corrected Item-Total Correlation	Standard	Justification
X1.1	0,663	0,30	Valid
X1.2	0,877	0,30	Valid
X1.3	0,792	0,30	Valid
X1.4	0,766	0,30	Valid
X1.5	0,872	0,30	Valid

Source of data: Data Management Results SPSS version 16.

Table 2.
Variable Credit Interest Rate (X2)

Item-Total Statistics

Indicator	Corrected Item-Total Correlation	Standard	Justification
X2.1	0,641	0,30	Valid
X2.2	0,467	0,30	Valid
X2.3	0,836	0,30	Valid
X2.4	0,766	0,30	Valid
X2.5	0,856	0,30	Valid

Source of data: Data Management Results SPSS version 16.

Table 3.

Variable Low Business Income (Y)
Item-Total Statistics

Indicator	Corrected Item-Total Correlation	Standard	Justification
Y1	0,643	0,30	Valid
Y2	0,671	0,30	Valid
Y3	0,686	0,30	Valid
Y4	0,728	0,30	Valid
Y5	0,688	0,30	Valid

Source of data: Data Management Results SPSS version 16.

The above validity test results for the Corrected item- The above results show that the five items of X1, the five items of X2 and the five items of Y, with the variable credit allocation, credit interest and the low business income variable show that the validity shown for the Corrected item- Item-Total Correlation, where its value is greater than 0.30 according to Nunnaly, (1967).

b.   **Reliability Test Results.**

Meanwhile, the data reliability test is used to determine the extent of the consistency of the measurement results in its implementation and to further determine the reliability of the questions in the questionnaire using Cronbach. This tool is considered reliable if the coefficient above is 0.60 (Nunnaly, 1967 in Ghozali, 2005:42). This test can be seen in the following table:

Table 4.
Reliability Statistics

Variabel	Cronbach's Alpha	Standard	Justification
Credit Allocation (X1)	0,919	0,60	Reliabel
Credit Interest Rate (X2)	0,867	0,60	Reliabel
Low Business Income (Y)	0,861	0,60	Reliabel

From the results of the reliability test above, it can be seen that the five (15) items consist of the Credit Attribution (X1), Credit variables. With Cronbach's value. alpha is naturally X1 (0.919 or 919.9%), X2 (0.867 or 86.7%) and Y (0.861 or 86.1%). Reliable In the reliability category, almost the three variables are reliable because they are considered to have a value of more than 0.0 (Nunnaly, 1967 in Ghozal, 2005: 42).

 Classic Assumption Test Results

a. **Normality Test**

The normality test aims to test whether the regression pattern between the dependent (non-independent) variable and the independent (independent) variable on both sides is normally distributed or not, which can be seen using a normal p-plot and histogram.
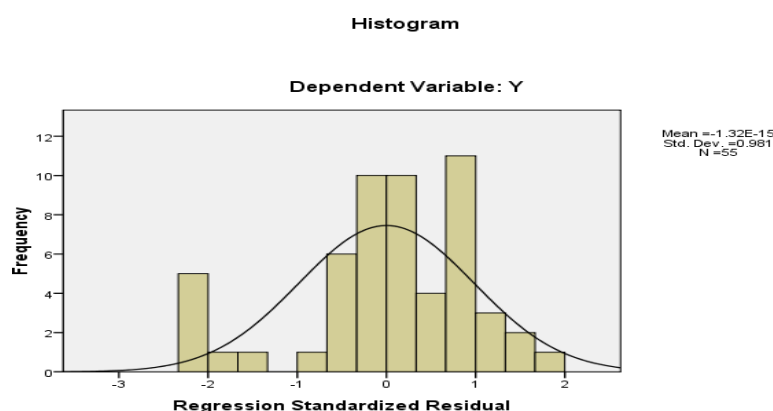
Figure 1.

Histogram

b. Multicollinearity Test

Multicolon testing shows that there is linearity between independent variable. The multicolological test in this research can use variable factors (VIF) obtained by hypothesis testing. Multicolosis criteria occur if the VIF value is more than 10 and tolerance is lower than 10

Table 5.
Coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Konstatnte)		
	Credit Allocation (X1)	0,368	2,719
	Credit Interest Rate (X2)	0,368	2,719

Sources: SPSS Version 16 Data processing results

From the SPSS output results above, it can be concluded that the results of calculating the Tolerance value also show that there are no independent variables with a Tolerance value > 1050 so there is no correlation between independent variables with a value of 95%. . The results of calculating the Inflation Factor (VIF) variable also show that there are no independent variables whose VIF value is > 10. Therefore, it can be concluded that there is no multicollation between independent variables in the regression model.

c. Autocorrelation Test

The independent correlation test aims to test whether in the regression model there is a correlation between the disturbance error in period t and the disturbance error in period t-1. If correlation occurs, it will be called a self-correlation problem. Self-correlation arises from successive observations at a time in relation to each other.

a. A DW number below -2 means positive self-correlation

b. The D-W number is between -2 to +2 so there is no self-correlation

c. The D-W number above + 2 means negative self-correlation. The results of testing the self-correlation assumption are shown in the following table

Table 6.
Modelu Summary[b]

Modelu	Durbin- Waston
1	1.669

a. Predictors: (Constant), X2, X1

b. Dependent Variable: Y

d. Heteroscedasticity Tests

The following graph provides an overview of the heteroscedasticity regression model.. From the scatterplot graph, it can be seen that the distribution points with the case letter (Random) are well below the number 0 on the Y-axis (candidial) and the conclusion is that heteroscedasticity does not occur in the regression model.To find out the results of the analysis of credit allocation as an independent variable (X1) and credit interest as an independent variable (X2) for the non-independent variable small business income variable (Y). So the following analysis is carried out:

Table 7.

Coefficients^aModel		Unstandarized coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	Constant	3.132	1.851		1.692	.097		
	X1	.337	.125	.372	2.696	.000	.368	2.719
	X2	.504	.148	.470	3.405	.001	.368	2.719

a.   Dependente Variavel (Y)

Based on the linear regression equation $y = a + b1x1 + b2x2 + e$, the following linear regression is obtained: $y = 3.132 + 0.337 \, X1 + 0.504 \, X2 + 1.851$ error.

Coefficient of determination R2.

Analysis of the coefficient of determination (R2) is used to find out how much influence the percentage contribution of the independent variable has on the dependent variable (Gujarati, 2006).

Table 8.
Coefficient of determination R2.

Model	R	Rsquare	Adjusted R Square	Std. Error of the Estimate
1	.798^a	.636	.622	2.07931

a.   Predictors: (Constant), X2, X1
b.   Dependente Variabel: Y

From the SPSS output results in the Summary Model, R Square contributes 0.636 to the problem referred to in the low business income variable, explaining two independent variables, namely the credit allocation variable (X1) and the credit interest variable (X2), namely 0.636 or 63.6%, while the remaining (100% - 63.6%) = 36.4% other variables can be explained from the existing model

Hypothesis Testing

Based on the results of the research analysis, an interpretation of the hypothesis test was carried out. Interpretation and hypothesis testing can be partially descriptive and simultaneous as follows: Credit Allocation (X1) Influence on Small Business Income (Y)

Credit Allocation (X1) Influence on Small Business Income (Y)

The T statistical test is basically used to determine whether the independent variable has a partial influence on the dependent variable with the characteristics of determining whether it is significant (Ghozali, 2005). From the SPSS output results above, it shows the T-count value in the credit allocation variable (X1). The T-count value is 2.696 with a significant standard of 0.000 below 0.5/5%, the T-calculate value is 2.696 > 2.006. T- table has a confidence level of 95% and a standard error of 5%.

Effect of Credit Interest (X2) on Small Business Income (Y)

The SPSS output results above show the T-calculate value of this variable. The Effect of Credit Interest (X2) on Small Business Income (Y), From the SPSS output results above, the T-calculate value for the Credit Interest (X2) variable is T-calculate value and 3.405 with a significant level. In conclusion, Credit (X2) has a positive effect on low business income (Y). Credit Allocation (X1) and Credit Interest (X2).

Credit Allocation (X1) and Credit Interest (X2) Influence on Small Business Income (Y)

The F statistical test is basically used to determine the effect of all independent variables (credit allocation and credit interest) which are included in the regression model with the dependent variable simultaneously (low negotiation income) which is tested with a significance level of 0.05 (Gugarati, 2006). To find out whether the analysis results between the level of credit allocation (X1) and credit interest (X2) are valid or adequate as a measure of low business income (Y), they will be announced in the following table:

Table 9.

ANOVA[b]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	393.285	2	196.642	45.482	.000[a]
	Residual	224.824	52	4.324		
	Total	618.109	54			
a. Predictors: (Constant): X2, X1						
b. Dependent Variable: Y						

Based on the findings in the table above, credit allocation (X1) and credit interest (X2) are measures to measure Low Business Income (Y), so the calculated F-value is 45.482 with a significant standard of 0.000, as well as an F-table of 2.393 which means F - calculate 45.482 > 2.393, F-

calculate has a confidence level of 95% and an error rate of 5%. In this case it is concluded that F - calculate > F-table (45.482 > 2.393), namely H0 is not accepted, meaning Ha is accepted which has a significant influence between Credit Allocation and Credit Ledge which has an influence Small Business Income to (KIF) Micro Credit Business Income.

CONCLUSION

Based on the analysis and discussion, several conclusions can be drawn as follows:

1. Credit allocation has a positive and significant effect on small business income at *(KIF)* Dili, Timor - Leste. This means that in people's lives, of course, there are various ways of consuming to meet life's needs. Likewise, the income they earn is of course different even though they have the same main job.
2. Credit interest has a positive and significant effect on small business income at *(KIF)* Dili, Timor - Leste. This means that income really determines the amount customer needs. However, it is argued that as customer income increases, customers will increase, but in this research there will be a positive influence on the three variables, namely credit allocation and credit interest, which have a partial and simultaneous effect on small business income in the KIF non-governmental organization.

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