

The Effect of the Effectiveness of People's Business Loans (KUR) Distribution on Traders' Welfare Through Increased Working Capital in Traditional Markets in Tasikmalaya City

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Article History

Received: 14-09-2026

Revised: 19-09-2026

Published: 30-09-2026

Keywords: *KUR distribution effectiveness; working capital; trader welfare; traditional markets; PLS-SEM*

ABSTRACT

This study aims to analyze the effect of the effectiveness of People's Business Credit (KUR) distribution on the welfare of traditional market vendors through working capital as an intervening variable in Tasikmalaya City. The study employed a quantitative approach with an explanatory design. Data were collected via a Likert-scale questionnaire administered to 225 traditional market vendors who received KUR and analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The effectiveness of KUR distribution scored an average of 3.25 with an index of 65.05%; working capital scored 3.21 with an index of 64.19%; and well-being scored 3.21 with an index of 64.27%, all falling into the “moderate” category. The path coefficient for the effect of KUR effectiveness on working capital was 0.874, that for working capital on welfare was 0.887, and the direct effect of KUR effectiveness on welfare was 0.105. The indirect effect via working capital was 0.775, the total effect was 0.880, and the VAF was 88.1%. The model explains 76.3% of the variation in working capital and 96.0% of the variation in welfare. These results indicate that working capital is the dominant mediating mechanism. However, the bootstrapping outputs—including the t-statistic, p-value, and confidence interval—are not available in the source, so statistical significance and the decision regarding hypothesis acceptance cannot yet be determined. Discriminant validity has also not been met, so the structural results must be interpreted with caution.

INTRODUCTION

Access to financing is a critical issue for microenterprises due to limitations in collateral, financial record-keeping, financial literacy, and information asymmetry. The government developed the People's Business Credit (KUR) as a financing instrument for viable productive businesses that are not yet fully bankable. The success of KUR cannot be assessed solely by the amount of funds disbursed but also by the accuracy of targeting, the amount, timing, use, and benefits received by borrowers.

Traditional market vendors are highly dependent on working capital for purchasing inventory, facilitating transactions, meeting operational needs, and maintaining cash flow.

Additional KUR financing is expected to provide economic benefits if it is channeled into productive working capital. Working capital can then increase business capacity, income, the ability to meet family needs, and overall well-being.

Previous studies summarized in this thesis have largely examined the KUR program's impact on productivity, income, profit, or the development of MSMEs. Lastina and Budhi (2018), Putra and Saskara (2019), Maslikhah et al. (2021), Nadia (2024), Suswati et al. (2024), and Anggraeni and Rahayu (2024) reportedly found positive effects on various performance indicators. However, the impact of financing on well-being has not always been consistent. These differences indicate that there is room to examine the mechanisms that explain how credit translates into well-being.

The main research gap in this study is the limited number of studies that position working capital as an intervening variable between the effectiveness of KUR disbursement and the well-being of traditional market vendors, particularly in Tasikmalaya City. This study examines these direct and indirect relationships using PLS-SEM. Financial Intermediation Theory explains the role of financial institutions in allocating funds to productive sectors, while Resource-Based Theory views capital as a strategic resource for business performance.

The objectives of this study are to analyze the effect of the effectiveness of KUR distribution on working capital, the effect of working capital on welfare, the direct effect of KUR effectiveness on welfare, and the role of working capital as an intervening variable.

METHOD

This study employs a quantitative approach with an explanatory design. The population consists of traditional market vendors in Tasikmalaya City who have received or are currently receiving KUR. A sample of 225 respondents was selected using purposive sampling based on the following criteria: traditional market vendors; having previously received or currently receiving KUR; using KUR funds for business activities; having operated a business for at least one year; and being willing to participate as respondents. The sample size was determined based on the requirements of SEM-PLS and 45 indicators.

The instrument used a 1–5 Likert scale. The effectiveness of KUR distribution was measured in terms of target accuracy, amount, timing, usage, and benefits. Working capital encompassed capital adequacy, inventory, operational smoothness, business development, and cash flow. Well-being encompassed economic indicators and quality of life.

The analysis was conducted using SmartPLS 4 through an evaluation of the outer model and the inner model. The outer model includes outer loadings, Cronbach's alpha, rho_A, composite reliability, AVE, and HTMT. The inner model uses R², path coefficients, f², as well as direct, indirect, and total effects. The significance of the paths should be determined through bootstrapping. Since the bootstrapping output is not yet available, p-values and t-statistics are not reported in this article.

RESULTS AND DISCUSSION

Variables	Mean	Index	Category	Highest	Lowest
KUR Effectiveness	3.25	65.05%	Moderate	Timeliness 3.34	Benefit Accuracy 3.10
Working capital	3.21	64.19%	Moderate	Development & operations 3.24	Capital Adequacy 3.15
Well-being	3.21	64.27%	Moderate	Basic needs 3.27	Income 3.18

All three constructs fall into the moderate category. KUR effectiveness is relatively the highest, but the appropriateness of benefits is the lowest dimension. In terms of working capital, business development and operational smoothness are relatively better, while capital adequacy remains low. Regarding welfare, the fulfillment of basic needs is relatively better than income growth.

Construct	Alpha	rho_A	rho_C	AVE
KUR Effectiveness	0.926	0.926	0.936	0.498
Well-being	0.957	0.957	0.961	0.624
Working capital	0.940	0.940	0.947	0.543

The reliability of all constructs is very high. The AVE for well-being and working capital meets the criteria, while the AVE for KUR effectiveness, at 0.498, is marginal. The outer loadings of indicators X1.1–X4.3 range from 0.708 to 0.782. The KUR benefit indicators X5.1, X5.2, and X5.3 have loadings of 0.514, 0.479, and 0.578, respectively. For working capital, Z1.3 at 0.651 and Z2.2 at 0.695 are marginal. All well-being indicators range from 0.757 to 0.818.

Construct Pairs	HTMT	Evaluation
KUR Effectiveness–Well-being	0.933	Does not meet <0.90
Effectiveness of KUR–Working Capital	0.935	Does not meet <0.90
Working Capital–Well-being	1.032	Does not meet

Discriminant validity has not been met. The high HTMT indicates conceptual closeness among the variables. Several KUR benefit indicators are very similar in content to welfare indicators, which has the potential to increase inter-construct correlations.

Relationships	Path	f ²	R ² of the objective
KUR Effectiveness → Working Capital	0.874	3.224	0.763
Working Capital →	0.887	4.703	0.960

Well-being			
KUR Effectiveness → Well-being	0.105	0.066	0.960

KUR effectiveness has a positive and very strong relationship with working capital (0.874). Working capital also has a positive and very strong relationship with welfare (0.887). The direct effect of KUR on welfare is relatively small (0.105). The model explains 76.3% of the variation in working capital and 96.0% of the variation in welfare.

Effect	Value
Direct X→Y	0.105
Indirect X→Z→Y	0.775
Total	0.880
VAF	88.1%

The indirect effect of 0.775 is much larger than the direct effect of 0.105. A VAF of 88.1% indicates the dominance of the mediation path. However, VAF is not a substitute for bootstrapping. Since the t-statistic, p-value, and confidence interval are not yet available, the type of mediation and statistical significance have not yet been declared as final conclusions.

DISCUSSION

The Effectiveness of KUR on Working Capital

The coefficient of 0.874 indicates a very strong relationship between the effectiveness of KUR disbursement and working capital. This finding is consistent with the financial intermediation function: financing allocated to productive enterprises increases recipients' ability to provide financial resources. For merchants, the benefits are primarily related to inventory, operations, and cash flow.

Working Capital and Well-Being

The coefficient of 0.887 represents the strongest relationship in the model. More adequate working capital allows merchants to maintain inventory, facilitate transactions, and expand their businesses. From the perspective of Resource-Based Theory, capital is a resource that can support business capabilities and economic outcomes.

Effectiveness of KUR on Well-being

The direct effect of 0.105 is relatively small compared to the channel through working capital. This indicates that access to credit alone does not necessarily result in a significant increase in well-being. Funds must be translated into business capacity and productive working capital for stronger economic benefits.

The Role of Working Capital as an Intervening Variable

The indirect effect of 0.775 and VAF of 88.1% indicate that working capital is the dominant mechanism bridging KUR and welfare. This pattern strengthens the study's contribution by explaining the process of transforming financing into welfare.

CONCLUSION

The effectiveness of KUR disbursement, working capital, and merchant well-being falls into the moderate category. Structural coefficients indicate a very strong positive relationship between KUR effectiveness and working capital (0.874), as well as between working capital and well-being (0.887). The direct effect of KUR on well-being is relatively small (0.105), while the indirect effect through working capital is 0.775 with a VAF of 88.1%. This pattern indicates that working capital is the dominant mechanism.

The main limitation is the lack of bootstrapping output, so statistical significance and hypothesis testing cannot yet be determined. Discriminant validity has also not been met, with an HTMT of 0.933–1.032, and the AVE for KUR effectiveness remains marginal. Before final submission, it is recommended to run bootstrapping with 5,000–10,000 subsamples, check the confidence intervals for indirect effects and inner VIF, and refine the KUR benefit indicators to avoid overlap with well-being.

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