ANALYSIS OF FACTORS AFFECTING THE LEVEL OF CREDIT DISTRIBUTION

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Abstract

The success of economic development in Indonesia will depend on the role of banks in providing financial services that can encourage increased economic activity to achieve successful growth in various sectors. This study aims to determine and examine the magnitude of the effect of inflation, bank interest, promotions, information technology, third-party funds, and SBI rates on the credit distribution of commercial banks that go public. The study uses a descriptive and verification approach by analyzing Time Series data over 20 years period. The analysis method in this study uses multiple regression analysis. There is a positive and significant effect of the variables of Inflation, Bank Interest, Promotion, Information Technology, Third Party Funds, and SBI rates simultaneously on credit where the six independent variables are the dominant variables that form credit together. There are positive and negative and significant effects of each variable Inflation, Bank Interest, Promotion, Information Technology, Third Party Funds, and SBI rates on credit. The variable that has the biggest influence on credit is the Promotion variable, while the variable with the smallest absolute influence on credit is Bank Interest. All models in this study obtained both positive and negative and significant results.

Keywords : *Credit Distribution, Inflation, Interest Rate.*

INTRODUCTION

National development that has been carried out so far is a sustainable development effort in the context of realizing a just and prosperous society based on Pancasila and the 1945 Constitution of economics and finance. The development of the national economy today shows a direction that is increasingly integrated with regional and international economies that can both support and have a less favorable impact (Veithzal & Veithzal, 2007).

Efforts to restructure the national banking system are a shared responsibility between the Government, the banks themselves, and the public using banking services. The existence of shared responsibility can help maintain the health level of the national banking system so that it can play a maximum role in the national economy. For bank guidance and supervision to be carried out effectively, the authority and responsibility regarding bank licensing, which was original with the Minister of Finance, becomes the leadership of Bank Indonesia so that Bank Indonesia has complete authority and responsibility to determine bank licensing, guidance and supervision as well as the imposition of sanctions on banks that do not comply with applicable banking regulations (Sebopetji & Belete, 2009).

Bank credit is the main source of financing for the business world which is expected to stimulate economic growth. However, in practice, not all funds collected from the public are channeled by banks optimally and following predetermined benchmarks. In 2008, there was a decline in the amount of credit for the period from December 2008 to January 2009. The amount of credit which originally reached 1,371.90 trillion rupiahs in November 2008, decreased in December 2008 and January 2009 respectively to 1,353.60 trillion rupiahs and 1,325.30 Trillion Rupiah (Bank Indonesia: National Banking Indicator) (Sarap, 1990).

To strengthen banking institutions as institutions of public trust, regulations regarding shareholder responsibilities are needed that intentionally cause non-compliance with banking

regulations and are subject to the threat of severe criminal sanctions. In line with the above developments, with Indonesia's commitment to various international forums such as the World Trade Organization (WTO), Asia Pacific Economic Cooperation (APEC), and the Association of South East Asian Nations (ASEAN), various adjustments are needed in national banking regulations including opening access to banking services. market and non-discriminatory treatment of foreigners. Efforts to liberalize the banking sector are carried out in such a way that it can simultaneously improve the performance of the national banking system. Therefore, it is necessary to provide greater opportunities for foreign parties to participate in owning a national bank so that partnerships with national parties continue to occur (Rahayu, 2017).

Meanwhile, through the financial market channel, despite pressure from the post-monetary crisis, financial system resilience was maintained through a strong financial sector foundation to absorb risk and maintain macroeconomic stability supported by stabilization measures undertaken by the Bank of Indonesia and the government. Domestically, economic resilience is also supported by strong purchasing power relative to income and a growing demographic structure, most of which are of productive age (Rehman et al., 2019).

The preliminary analysis conducted, shows that BUK assets grew by 5.95% (YoY), slowing down compared to the previous year of 9.18% (YoY). This asset growth was supported by growth in deposits and several components of capital, including capital reserves and additional paid-in capital. However, the resilience of BUK is still solid with the level of capital continuing to increase. However, it should be noted that BUK's credit risk increased compared to the previous year.

Where the slowdown in asset growth mainly occurred in the BUMN and Foreign Exchange BUSN groups, which are a group of banks with a large portion of assets. On the other hand, BPD and BUSN Non-Foreign Exchange recorded an increase in asset growth, even though these two bank groups had a fairly small portion, namely 9.29% of total banking assets. For more details, a general description of the development of Conventional Commercial Banks in 2019 (Omboi & Wangai, 2011).

There has been a consistent decline in credit growth. It has an unfavorable impact on Indonesia's overall economic growth. Meanwhile, credit quality, in general, is still excellent under the provisions of the percentage of Bank Indonesia, where credit quality is below 5%, indicating that banking conditions are still healthy (Oboh & Ekpebu, 2011).

Conventional banking and Islamic banking both have an important role in building the economy in Indonesia. The vital role of banking requires banks to improve their performance, especially their financial performance. Banking performance can be assessed from several indicators, and the financial report of the bank concerned is one of the indicators that can be used as a basis for assessment (Rahayu, 2017).

According to Taswan, the banking challenges ahead related to the ability to disburse bank credit are still low (Bagus & Taswan, 2019) To achieve sufficiently high economic growth, substantial credit growth is required. Meanwhile, the current financial capacity of Indonesian banks indicates that this high credit growth will be difficult to achieve if domestic banks do not improve their capital conditions. In addition to bank capital constraints, credit activities are also hampered in many ways because some banks are reluctant to provide credit due to relatively better risk management and basic banking skills, as well as low expenditures and relatively high operational costs (Motsoari et al., 2015).

The community assesses that the community's need for banking services is still lacking. Although credit to businesses and SMEs have begun to increase, credit penetration is still relatively low. In addition, the increasing complexity of financial products and services due to the globalization of the financial sector also requires adequate responsiveness from various stakeholders. It is increasingly important because users of financial services, especially banks, are increasingly demanding better quality of service and accessibility to banking services (Loo et al., 2022).

Weak banking capacity is reflected in the majority of banks which still lack basic banking skills regarding corporate governance, so there is a need for fundamental improvements in this regard. The capacity of several large banks is quite strong, but in general, the capability of these banks is still not by international best practice. Likewise, the banks' ability to respond to increased operational risk

must be further enhanced, particularly by emphasizing the importance of internal control and respect for prudential principles (Lemessa & Gemechu, 2016).

METHOD RESEARCH

The research is a quantitative study using secondary data published by Bank Indonesia, the Central Statistics Agency, and the Ministry of Finance. The secondary data was collected from the Bank Indonesia library and the Central Bureau of Statistics Library relating to the factors affecting TPF and their implications for credit and GDP by business field. The data used for this study is secondary data with a time series of 20 years (2000-2019) that was conducted in October 2021.

The method used in this research is descriptive and verification techniques in which the research will describe each variable and explain the influence between the variables studied.[3] While the type of influence between the variables used in the study is causality, namely the independent variable affects the dependent variable.

The sampling method used a purposive sampling technique, namely the sampling method based on the terms and criteria specified to obtain the desired data. The specified criteria are general banking companies listed on the IDX. General banking companies listed on the Indonesia Stock Exchange during 2000 - 2019.

The analytical method used to test the research hypothesis is Multiple Linear Regression Analysis (Multivariate Linear Regression Analysis). Regarding the adequacy of data, the OLS method requires that the amount of data used must be greater than the total number of variables involved in the model (Damodar, 2003).

RESULTS AND DISCUSSION

1. Result

Table 1. Effect of Inflation, Bank Interest, Promotion, Information Technology, Third Party Funds and SBI rates on Credit

Dependent Variable: KREDIT
Method: Least Squares
Date: 12/05/21 Time: 08:38
Sample: 2000S1 2019S2
Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.351382	1.998572	-4.178674	0.0002
INFLASI	0.479778	0.060617	7.914908	0.0000
BUNGA	-0.186300	0.072809	-2.558750	0.0183
PROMOSI	0.612757	0.213846	2.865412	0.0091
TI	0.462395	0.134255	3.444155	0.0021
DPK	-0.227668	0.068877	-3.305429	0.0031
SBI	0.206643	0.097699	2.115098	0.0456

R-squared	0.791080	Mean dependent var		14.06014
Adjusted R-squared	0.784625	S.D. dependent var		1.142158
S.E. of regression	0.141619	Akaike info criterion		-0.913723
Sum squared resid	0.661847	Schwarz criterion		-0.618169
Log likelihood	25.27447	Hannan-Quinn criter.		-0.806860
F-statistic	7.287564	Durbin-Watson stat		2.363992
Prob(F-statistic)	0.000000			

Based on the Cobb Douglass model, it can be translated into the following analysis:

a. Return to Scale Analysis

Based on the calculation of the Return to Scale value in model 1, the number is 0.934319. These results indicate that the RTS value < 1. Then the results of the model denote that the scale of production decreases (decreasing return), which means that every 1% addition of the variables of Inflation, Bank Interest, Promotion, Information Technology, Third-Party Funds, and SBI rates can increase 0.932856% Credit Variable.

b. Output Elasticity Analysis of Production Input

Based on the calculation results obtained the value of the coefficient of elasticity (β_i) of each variable is as follows:

1. Inflation variable (X1) has a regression coefficient value of 0.479778. This figure shows that every 1% increase in Inflation will increase Credit by 0.479778%. In the Cobb-Douglas model, the value of the regression coefficient is the same as the elasticity coefficient, the value of 0.479778 indicates that inflation is in the inelastic category (e < 1). Thus, it can be interpreted that every 1% increase in Inflation will not provide a 1% increase in Credit. Credit cannot increase if it is only caused by inflation, but other factors are needed to increase credit.

2. Bank Interest Variable (X2) has a regression coefficient value of -0.186300. The negative symbol can be ignored because it only shows the direction of movement of production output. This figure shows that every 1% increase in Bank Interest will reduce Credit by 0.186300%. In the Cobb-Douglas model, the value of the regression coefficient is the same as the elasticity coefficient, the value of 0.186300 indicates that bank interest is in the inelastic category (e < 1). Thus, it can be interpreted that every 1% increase in Bank Interest will not result in a 1% decrease in Credit. Credit cannot be lowered if it is only caused by bank interest, but other factors are needed to reduce credit.

3. The promotion variable (X3) has a regression coefficient value of 0.612757. This figure shows that every 1% increase in the Promotion will increase Credit by 0.612757%. In the Cobb-Douglas model, the value of the regression coefficient is the same as the elasticity coefficient, the value of 0.612757 indicates that the promotion is in the inelastic category (e < 1). Thus it can be interpreted that every 1% increase in the Promotion will not provide a 1% increase in Credit. Credit cannot increase if it is only driven by Promotion, but other factors are needed to increase Credit.

4. The Information Technology variable (X4) has a regression coefficient value of 0.462395. This figure shows that every 1% increase in Information Technology will increase Credit by 0.462395%. In the Cobb-Douglas model, the value of the regression coefficient is the same as the elasticity coefficient, the value of 0.462395 indicates that Information Technology is in the inelastic category (e < 1). Thus, it can be interpreted that every 1% increase in the amount of Information Technology will not provide a 1% increase in Credit. Credit cannot increase if it is only driven by Information Technology, but other factors are needed to increase Credit.

5. The Third Party Fund's variable (X5) has a regression coefficient value of -0.227668. The negative symbol can be ignored because it only shows the direction of movement of production output. This figure shows that every 1% increase in Third Party Funds will reduce Credit by 0.227668%. In the Cobb-Douglas model, the value of the regression coefficient is the same as the elasticity coefficient, the value of 0.227668 indicates that Third Party Funds are in the inelastic category (e < 1). Thus, it can be interpreted that every 1% increase in the Inflation Rate will not result in a 1% decrease in Credit. Credit cannot decrease if it is only driven by Third Party Funds, but other factors are needed to reduce Credit.

6. Variable SBI rates (X3) have a regression coefficient of -0.206643. This figure shows that for every 1% increase in SBI rates, a credit will decrease by 0.206643%. In the Cobb-Douglas model, the value of the regression coefficient is the same as the elasticity coefficient, the value of 0.206643 indicates that SBI rates are in the inelastic category (e < 1). Thus, it can be interpreted that every 1% increase in SBI rates will not result in a 1% decrease in Credit. Credit cannot decrease if it is only driven by SBI rates, but other factors are needed to reduce credit.

The Promotion variable which has the largest output elasticity value from the input shows that the addition of Promotion can encourage better credit compared to other variables. Meanwhile, the output elasticity value of the input for the Bank Interest

variable gets the smallest value in absolute value. It shows that bank interest can only contribute a small amount to credit.

Apart from that, some variables can reduce the value of the credit. Variables Inflation, Third Party Funds, and SBI rates have a negative value on the elasticity of output from the input. It shows that by controlling inflation, effective Third-Party Funds and SBI rates can reduce a significant decline in credit.

c. Hypothesis Test
1. Simultaneous Test

To test the joint effect of Inflation, Bank Interest, Promotion, Information Technology, Third Party Funds, and SBI rates on Credit, the Snedecor F test statistic is used. The result of F-statistics or Fcount is 7.287564 (Table 4.25) and Prob (F-statistics) is 0.000000 at a significance level of 5%, while the value of F table with the number of n = 40 and the number of independent variables = 6 variables and the dependent variable = 1 variable, then df1 = k-1 = 6-1 = 5, and df2 = n – k - 1 = 40 – 6 -1 = 33, using a significance level of 5%, the result is F table = 2.5026.

The research hypothesis, regarding the simultaneous influence: tested with the F test. Ho.j is rejected if Tcount > T table (k, n-k-1), at a level (significant α = 0.05 and degrees of freedom db1 = k and db2 = n – k – 1), where n = sample size and k = number of independent variables. Or if the probability value of statistical error (p-value) $<\alpha$ = 0.05. In this condition, the alternative hypothesis Ha.j is accepted.

Based on the results of the calculations in Table 1, it is found that the value of Fcount 7.287564 is greater than the value of Ftable 2.5026. Thus, it can be concluded that Inflation, Bank Interest, Promotion, Information Technology, Third Party Funds, and SBI rates have a significant effect on Credit.

2. Partial Test

Table 2. Simultaneous Test Results

Partial Influence	β_1	t count	p-Value	Conclusion
The Effect of Inflation on Credit	0,479778	7,914908	0,0000	Reject H_0, accept H_1. There is a significant and positive effect of Inflation on Credit
The Effect of Bank Interest on Credit	-0,186300	-2,558750	0,0183	Reject H_0, accept H_1. There is a significant and positive effect of Bank Interest on Credit
Effect of Promotion on Credit	0,612757	2,865412	0,0091	Reject H_0, accept H_1. There is a significant and positive effect of Promotion on Credit
The Effect of Information Technology on Credit	0,462395	3,444155	0,0021	Reject H_0, accept H_1. There is a significant and positive influence of Information Technology on Credit
Effect of Third Party Funds on Credit	-0,227668	-3,305429	0,0031	Reject H_0, accept H_1. There is a significant and positive influence of Third Party Funds on Credit

The Influence of SBI rates on Credit	-0,206643	-2,115098	0,0456	Reject H_0, accept H_1. There is a significant and positive effect of SBI rates on credit

Table 3. Results of the Coefficient of Determination

Simultaneous Influence	R^2	F_{count}	p-Value	Standard Error of Reg
Effect of Inflation, Bank Interest, Promotion, Information Technology, Third Party Funds and SBI rates on Credit	0,791080	7,287564	0,000000	0,141619

2. Discussion

The magnitude of the effect of Inflation, Bank Interest, Promotion, Information Technology, Third Party Funds, and SBI rates on Credit, is 79.1080 percent, and the remaining 20.8920 percent is influenced by other variables outside the research variables.

Thus, the simultaneous influence of the independent variables, namely Inflation, Bank Interest, Promotion, Information Technology, Third Party Funds, and SBI rates on Credit in Indonesia, has a positive and significant effect. It is understandable, considering that the six variables that affect Indonesia's credit are the dominant variables that can affect the level of credit.

However, the total influence of other variables outside the research model that has been determined is still quite large, amounting to 20.8920 percent. The other variables that affect Indonesian Credit but are not examined, include the Rupiah Exchange Rate, ROA, and other supporting factors of the Capital Adequacy Ratio.

The results of this study stated that of the six research variables that were determined, all variables had a significant positive or negative effect on credit. In line with the large potential contribution of the six research variables to credit provided by commercial banks in Indonesia, especially for Indonesian Banking Regulators such as the Financial Services Authority, they must begin to pay attention to these six variables to increase credit. Apart from that, with the ability to control Inflation and Third-Party Funds, a significant decline in credit will not occur, and Commercial Banks in Indonesia will continue to carry out their performance well and maximally.

Concerning efforts to increase credit, the Government, through the banking regulator or OJK, must prioritize various aspects to support the increase in credit distribution. In addition, OJK is expected to issue various regulatory studies that encourage increased lending. The study is related to the identification of factors capable of increasing lending to commercial banks in Indonesia, controlling inflation through various monetary policies, and increasing the competitiveness of commercial banks in Indonesia in providing financial services to the public (Kuwornu et al., 2012).

In addition to elements of the government and regulators, elements of Commercial Banks in Indonesia must intensively make various efforts to obtain benefits from loans distributed to the public as debtors (Kurniasari & Ghozali, 2013).

Therefore, to further improve various aspects that support the improvement of Indonesian banking, cooperation between the government regulator, commercial banks, and other "stakeholders" needs to sit together to build synergy in setting various incentives, setting strategies, and operational programs.

The success factor of banking in Indonesia, which is represented by an increase in the ability of banking capital, is more influenced by variables such: Inflation, Bank Interest,

Promotions, Information Technology, Third Party Funds, and SBI rates. However, in addition to the variables mentioned above, there are other variables, in between:

a. Dahlan said in his research that the level of Bonus Level of Bank Indonesia Certificates and the Inflation Rate harmed the distribution of financing funds (credit) in Islamic banks in Indonesia. The high level of Bonus Certificates of Bank Indonesia will cause banks to keep their funds instead of channeling these funds to the public, so lending will decrease (Kumar et al., 2007).

b. The role of the government in providing policies related to increasing credit distribution. The policy can be directed at increasing business assistance through credit relief, assistance in the development of banking information technology, and so on.

c. The results are in line with the field phenomenon which shows that along with the movement of fluctuations in Inflation, Bank Interest, Promotions, Information Technology, Third Party Funds, and SBI rates in Indonesia will result in higher lending.

The higher the credit, the wider the impact on the improvement of the Indonesian banking sector in various sectors, especially the level of public consumption that has implications for the movement of the Indonesian economy as a whole.

The results are supported by the theory of research by Setyawati et al., which states that the factors that influence lending to Islamic banks are Interest Rates, Profit Sharing, Inflation, NPL, and Promotional Costs which together significantly influence.

Anisa and Tripuspitorini who examined credit financing at Islamic banks in the 2016-2018 period stated in their research that TPF and inflation had a negative and significant influence on bank credit financing. An increase in inflation has an impact on a faster increase in the price of basic goods. In conditions of high inflation, people will prioritize meeting primary needs and reducing the use of consumer credit. Apart from that, the high level of TPF is usually used by the Bank to invest in Bank Indonesia (Damodar, 2003).

Another study from Siregar which aims to analyze Promotional Costs, Third Party Funds, and Inflation states that Promotional Costs have a positive and significant effect on financing distribution (Credit) while Inflation and TPF have a negative and significant effect on bank lending. With the increase in promotional costs, banking products can be known by the public as consumers of banking products. Apart from that, other promotions in the form of interest discounts and installments also encourage the interest of the public and other debtors to make credit (Bagus & Taswan, 2019).

Based on the results of the analysis and discussion, it can be concluded that with the increasing inflation, bank interest, promotions, information technology, third-party funds, and SBI rates would increase lending.

CONCLUSION.

There is a positive and significant effect of the variables of Inflation, Bank Interest, Promotion, Information Technology, Third Party Funds, and SBI rates simultaneously on credit in which the six independent variables are the dominant variables that form credit together.

There are positive and negative and significant effects of each variable Inflation, Bank Interest, Promotion, Information Technology, Third Party Funds, and SBI rates on credit. The variables that have the greatest impact on creditworthiness are promotional variables, and the variables that have the least absolute impact on creditworthiness are bank interest rates. All models in this study obtained both positive and negative and significant results.

To further increase the partial effect of the six variables; Inflation, Bank Interest, Promotions, Information Technology, Third Party Funds, and SBI rates on Loans. the following steps need to be taken:

1. For the Inflation variable as the variable with the greatest influence, the Government can make policies that are not able to suppress inflation as small and as stable as possible. Fluctuations in inflation that are too high will cause instability in prices, especially for basic commodities in the community, causing economic stagnation in Indonesia.

2. As for the Bank Interest variable as the variable with the smallest influence, the Banking Parties in Indonesia must be able to maintain the Bank Interest rate they apply to their banking products

so that they can always compete with government commercial banks, private commercial banks, rural credit banks, and Islamic banks

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