

# ANALYZE FACTORS DETERMINANT OF TOTAL CREDIT RECEIVED ON THE DEBITORS OF BANK PERKREDITAN RAKYAT IN SURAKARTA

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## ABSTRACT

*This study aims to analyze the influence of profitability, collateral, and the long business to total credit received on the debtors. This study use sample of debtors who took the General Loan (Kredit Umum) of Bank Perkreditan Rakyat (BPR) in Surakarta the respondents were 62 debtors. Data collection techniques using documentary techniques. While the technique of data analysis using multiple linear regression analysis, t test, F test and determination coefficient test.*

*Based on the results of data analysis: (1) Profitability, collateral, and long business in individually have a positive and significant effect on the total credit received on the debtors of BPR in Surakarta, then hypothesis 1 was confirmed. (2) Profitability, collateral, and long operating in simultaneously have a positive and significant effect on the total credit received on the debtors of BPR in Surakarta, then hypothesis 2 was confirmed. (3) In this study, indicate that profitability variable was the most dominant influence to the total credit received on the debtors, then hypothesis 3 was confirmed. (4) Results of determination coefficient test is  $R^2 = 0.620$ ; it means that the profitability, collateral, and long business are explain is 62% while the rest 38% influenced by other variables outside the model that is not investigated such as current capital or demographic factors like age and education level.*

*Based on this research for the debtors are advised to increase the value profitability so as to obtain an opportunity to obtain a larger loan amount. To improve profitability, in addition to increasing sales is expected employers to manage costs efficiently. In deciding the bank credit, especially in this case the BPR in Surakarta to continue to apply prudential banking principles with the aim of effectively controlling the occurrence of bad credit problems.*

*Key word : profitability, collateral, long business, total credit, debtor*

## INTRODUCTION

In the national and regional economy , the existence of Bank Perkreditan Rakyat (BPR) is very important in the effort to improve the standard of living through the collection and distribution of funds, particularly for small and micro enterprises. According to UU Number 10, 1998, BPR is a bank conducting business in a conventional or based on syariah principles not provide services in payment traffic.

According to the research of Hamdan and Wijaya (2006) that during the period 1999-2003 (March) operational activities of BPR BPR has a fairly stable development. Based on data Bank Indonesia, during the period, total assets grew from Rp. 3,462 billion to Rp. 9723 billion, an increase of an average of 35% per year, loans of Rp. 2,452 to Rp. 7088 billion (up an average of 35.7%), third party funds of Rp. 2,038 billion to Rp. 6629 billion (up an average of 39.3%). During the period, profit for the current year is still continues to grow where the number of loans exceeds the amount of third party funds, financial intermediation means it can run well.

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The existence of BPR in Surakarta for supporting the society-economic development has a very important role, especially through lending to agriculture, commerce, industry, and services. Objects granting of loan in Surakarta are small entrepreneurs and micro entrepreneurs provided through group or directly to individuals and small entrepreneurs micro-entrepreneurs expanding the business. Commercial credit is one of the credit facility provided by BPR Surakarta for developing or improving a small business viable. The Conditions is that venture capital constraints often experienced by small and medium entrepreneurs so that business management and productivity become less optimal. One alternative to meet the capital adequacy employers should seek additional capital through credit retrieval in BPR.

The Identification of the problems above shows that the small and medium entrepreneurs applying for loans in BPR in Surakarta generally have constraints on capital. On the other hand BPR as financial institutions need to optimize the mechanism of lending for avoiding of the bad credit. Several factors are taken into account in the granting of bank loans of which the willingness of borrowers in obtaining profit (profitability), collateral (collateral), and consideration of long-run business debtor. Credit analysis carried out BPR In Surakarta by taking into account profitability, collateral, and the long effort will affect the amount of credit received by the debtor.

Based on the above background, the formulation of the problem in there search are as follows:

1. Does the profitability, collateral, and old businesses partially affect the amount of credit received by the debtor on BPR in Surakarta ?
2. Does the profitability, collateral, and old businesses simultaneously affect the amount of credit received by the debtor on BPR in Surakarta ?
3. What variabel does have a dominant influence on the amount of credits received by the debtor on BPR in Surakarta.

Credit control must be implemented absolutely to avoid bad credit and loan resolution. According to Harold Koontz (Hasibuan, 2001), the control is a measurement and improvement work on the implementation of subordinates to the plans to achieve the objectives of the company can be held. While the credit control are efforts to keep the loans remains smooth, productive and not bogged down. Smooth and productive credit can mean that the loans granted by the bank can be withdrawn along the interest in accordance with the agreement that has been approved by both parties. Credit smoothness is very important because if the bad loans means that banks will lose money. Therefore, credit must be based on the precautionary principle and the good dan right control system. While bank credit control objectives are as follows:

- a. To keep lending remains safe
- b. To determine whether the loans it is smoothly or not.
- c. To take preventive measures and the completion of stalled or non-performing loans.
- d. To evaluate whether procedures performed lending have either or still need to be refined.
- e. To fix the mistakes employees credit analysis and put forth the error does not reoccur.
- f. To determine the percentage of collectability position of bank credit disbursed.
- g. To improve employee morale and responsibilities of bank credit analysis.

Credit control system of the bank categorized into three systems, namely:

- a. Internal Control of Credit

The Internal Control of Credit is a credit control system carried out by employees of the bank concerned. The scope includes the prevention and settlement of bad debts.

- b. Audit Control of Credit

The Audit Control of Credit is a control system or assessment issues related to the book keeping. So control over specific issues, namely the truth book keeping bank credit..

c. External Control of Credit

The External Control of Credit is a credit control system performed outside parties, either by Bank Indonesia as well as a public accountant.

## RESEARCH METHODS

The type of research is a survey on BPR in Surakarta with emphasis on the relationship among the variables. The data used in the study comes from secondary data on the realization of the common credit application of BPR in Surakarta. The form data are the data of profitability, collateral value, and the old business of the debtor as well as the data of the loan applicant submitted a credit of four sectors namely agriculture, trade, services and industry. Based on this sampling technique, set the number of samples used in this study as many as 62 people debtors.

## DATA ANALYSIS METHODS

### Classical Assumption Test

Classical assumptions goal is to test whether the regression model happen for problems or deviations, while a good regression model should not be contained irregularities. To detect any irregularities or concerns are performed classical assumption test consists of four parts as follows:

a. Normality Test

The Normality test is to test whether the regression model, or residual confounding variables as a normal distribution assumption. Testing is done through a statistical test is the Kolmogorov-Smirnov test. The criteria, if statistically significant value resulting from the calculation of Kolmogorov-Smirnov test resulted in  $p \text{ value} > 0.05$  then the residual confounding variable or normal distribution. (Imam Ghozali, 2005: 115).

b. Test Multicollinearity

Multicollinearity test is to test whether the regression model found a linear correlation between independent variables. A good regression model should not happen correlation between the independent variables. One way to detect the presence of multicollinearity is to look for Variance Inflation Factor (VIF) and the value of tolerance. If the value of  $VIF < 10$  and tolerance values  $> 0.10$ , then it is not multicollinearity. Conversely, when the value of  $VIF > 10$  and the tolerance value  $< 0.10$ , then there are multicollinearity (Imam Ghozali, 2005: 91).

c. Heteroscedasticity Test

One of the assumptions of the classical linear regression model is that there is no heteroscedasticity. Heteroscedasticity test is to test whether the regression model occurred inequality residual variance from one observation to another observation. If the variance of the residuals of the observations to other observations remain so called homoscedasticity and if different is called heteroscedasticity. A good regression model is that homoscedasticity or not Heteroscedasticity (Imam Ghozali, 2005: 105).

According to the Imam Ghozali Gujarati (2005: 108) Heteroscedasticity testing can be done with Test Glejser, by predicting the residual absolute value of the independent variable. If a statistically significant independent variables affect the dependent variable, then there is indication of Heteroscedasticity. While the non heteroscedasticity if the  $p \text{ value} > 0.05$  conversely if the  $p \text{ value} < 0.05$  then there is heteroscedasticity.

d. Test Autocorrelations

The autocorrelation test is to test whether the linear regression model neither correlation between bullies error in period t with bullies error in period t-1 (previously). If there is a correlation then there is a problem called autocorrelation. It is often found in the time series data (Imam Ghozali, 2005: 95). Autocorrelation test can be done with the test Runs (Runs Test) is whether the data residual occur randomly or not. Criteria test, if the probability that emerges from the test Runs is significant or p value > 0.05 then there is no autocorrelation.

## Multiple Regression Analysis

The Multiple regression analysis is determine the effect of profitability, the collateral, and the long efforts against the debtor the amount of credits received expressed in the regression model as follows:

$$Y = a + b_1x_1 + b_2X_2 + b_3X_3 + e$$

Where:

Y = The number of credits earned debtor (dollars)

X1 = Profitability (dollars)

X2 = Collateral (dollars)

X3 = Length of business (years)

a = constanta

b1 ... b3 = coefficient of regression

e = errors

a. F test

The F test is to test the accuracy of the model for predicting the effect of profitability, collateral, and simultaneously long effort to total loans received by the debtor. Wheither Ho rejected or accepted.

b. Hypothesis Testing

The Hypothesis testing is computed through the t test to for test the significance of parsial effect profitability, collateral, and a long effort of credit the amount received by the debtor. The t -test step are as follows:

a) Formulate a null hypothesis (H0) and the alternative hypothesis (Ha)

Ho:

effect on the amount of credits received by the debtor.

Ha: profitability, collateral, and old businesses partially significant effect on the amount of credit received by the debtor.

$\beta_i = 0$  profital

b) Level of Significance  $\alpha = 0.05$

Degrees of freedom (df): n-2

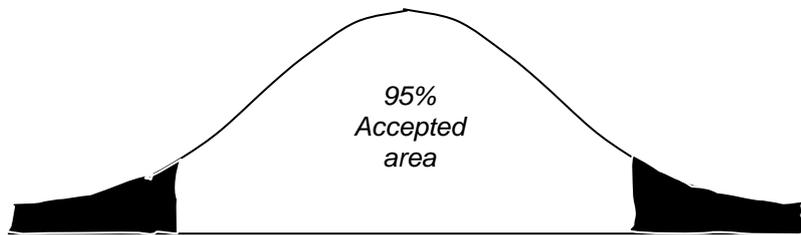
t table: t ( $\alpha/2$ ); n

c) criteria and testing rules

- t table

Ho accepted if:  $-t_{table} < t < t_{table}$  or  $p\ value > 0.05$

Ho is rejected if:  $t > t_{table}$  or  $t < -t_{table}$  or  $p\ value < 0.05$



d) The calculation of the t-value

t- value by the formula:

$$t = \frac{b}{s_b}$$

Specification:

b = regression coefficient

$s_b$  = standard error of the regression coefficients

e) Conclusion

Comparing between t –value with t table or compare the p value at the 0.05 level, it can be determined whether Ho rejected or accepted.

c. Coefficient of Determination

The coefficient of determination ( $R^2$ ) in this study is to determine the effect of the contribution of independent variables (profitability, collateral, and old businesses) on the dependent variable (the number of credits received by the debtor) in the percentage value.

## RESULTS AND DISCUSSION

The Hypothesis testing is calculated by multiple linear regression analysis for examining the effect of the profitability, the collateral, and the long effort to credit the amount received by the debtor. The Calculation of regression analysis, in this case, use the computer software of SPSS version 12.

The results obtained from the regression equation as follows:

$$Y = -1,409,057.2 + 2,402 X_1 + 0,171 X_2 + 168.953,371 X_3$$

The hypothesis test in this study conducted by t-test is to test the significance of the effect of partially between profitability, collateral, a long effort to credit the amount received by the debtor.

The Significance effect of profitability on the amount of credit received by the debtor obtained p value (0.007)  $< 0,05$ , hence Ho refused, it means that the profitability has a significant positive effect on the amount of credit received by the debtor. Thus it can be said that the higher profitability, the amount of credit received by the debtor will be higher.

The significance effect of collateral against the loan amount received by the debtor obtained p value (0.028)  $< 0.05$ , hence Ho is rejected, It means that the collateral has a positive and significant

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effect on the amount of credit received by the debtor. Thus it can be said that the higher collateral than the loan amount received by the debtor will be higher.

The significance effect of a long effort to total loans received by the debtor obtained p value (0.030) <0,05, hence  $H_0$  refused. It means that the long effort has a positive and significant effect on the amount of credit received by the debtor. Thus it can be said that the higher of the longer the business than the amount of credit received by the debtor will be higher.

Based on the t test concluded that the hypothesis 1, 2 and 3 proved significantly.

The F-test is to test the accuracy of the regression model for predicting the effect of profitability, collateral, long effort simultaneously to the amount of credit received by the debtor. The Significance effect of the profitability, collateral, and simultaneously the long effort to total loans received by the debtor obtained p value (0.000) <0.05, so that  $H_0$  is rejected. It means that the profitability, collateral, and simultaneously the long effort has the significantly effect the provision of credit.

Thus, the hypothesis of "The Profitability, collateral, and simultaneously the business a long time has the significant effect on the amount of credit received by the debtor on BPR in Surakarta" was proven.

The coefficient of determination used to know of the contributing of independent variables (profitability, collateral, and old businesses) to the dependent variable (the number of credits received by the debtor) in percentage-value. Based on the test of the coefficient of determination above, the value of R Square ( $R^2$ ) of 0.620, it means the contributions of independent variables (profitability, collateral, and old businesses) to the dependent variable (the number of credits received by the debtor) is approximately 62% ( $0.620 \times 100\%$ ) while the remaining 38% ( $100\% - 62\%$ ) is influenced by the other variables of the external model, for examples like the current capital, the credit retrieval frequency or the demographic factors such as age, and education level.

Based on the beta-regression coefficient (standardized coefficients) of the independent variables can be proved that the dominant variable affecting the amount of credit received by the debtor. Based on regression analysis (standardized coefficients) of each the variable are as follows:

The beta regression coefficient (standardized coefficients) of the profitability (1) is 0.418.

The beta regression coefficient (standardized coefficients) of the collateral (2) is 0.333.

The beta regression coefficient (standardized coefficients) of the long effort (3) is 0.186.

Based on these results, it is known that the beta-regression coefficient (standardized coefficients) of the profitability variable is greater than the collateral and the long effort. Thus the profitability variables have a dominant effect on the number of credits earned debtors at the BPR in Surakarta.

## CONCLUSION

Based on the data analysis, it can be concluded as following :

1. Given the value of profitability provide a dominant influence on the amount of credit, the debtor's employer is expected to increase the value profitabilitynya thus the opportunity to gain a greater credit amount.
2. To increase the number of bank lending, the entrepreneur / debtor is expected to optimize profits. The BPR will analyze the debtor's financial condition including the level of profitability. In addition, for increasing profits, the higher expected sales, employers are able to manage costs efficiently.
3. Given the long time taken into in the account analysis of business loans, for the experienced-debtur keep improving the business capabilities in order to achieve sustainable business

successfully. As for the lack experienced- employers can learn from the failures that have been experienced and learned through the experiences of others who have been successful.

4. In deciding of the bank credit, in case, especially in BPR in Surakarta still continue in applying of the principles of prudential banking effectively with the purpose for controlling of the bad credit problems.

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