The Influence of the Amount of Credit Disbursement on Profitability in State-Owned Banking in Indonesia

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ABSTRACT

This research aims to determine the effect of the amount of credit disbursement on profitability at state-owned banks in Indonesia. This research uses quantitative methods with simple linear regression analysis. The object of this research is state-owned banks listed on the IDX in the 2019-2021 period. By using secondary data from quarterly financial reports in 2019-2021. The results of this research are that the amount of credit disbursement significantly positively affects banking profitability.

Keywords: Credit disbursement, ROA, Banking

Introduction

The banking world is currently developing progressively and rapidly, where the field that has the greatest impact on a country's financial development is the financial sector. In a country, of course the financial sector plays a major role in completing credit distribution capabilities in the monetary sector. Therefore, it is important to have a healthy bank condition so that these capabilities can be fulfilled. Banking is also a type of organization that can influence a country's monetary dependence.

A bank is a business entity that collects the assets of the general public as reserve funds, bookkeeping, savings, or other structures which will later be distributed back to the general public as advances or credit. The fundamental activity of banking is collecting and distributing funds. In the meantime, support activities for collecting and transporting reserves include providing other financial administration.

Banking is one of the fields affected by the Corona virus pandemic, where the financial sector itself has an impact on monetary development in a country. Indonesia was hit by the Covid-19 pandemic at the beginning of 2020. This corona virus pandemic had an impact on general welfare, but also had an impact on the financial condition, education, and public activities of the Indonesian people. Facing this situation, the Indonesian government has established different guidelines and arrangements to stem the spread of the Corona virus, which
continues to develop consistently. Public authorities are starting to implement activity restriction strategies that cause groups and individuals to stay at home, and even invite several organizations to carry out Work From Home (WFH) activities, to break the chain of the spread of the Corona virus.

The Indonesian government has established a strategy to focus on three areas, namely the welfare sector, the financial sector and also the health sector during the ongoing Corona virus pandemic. Many studies show that the Corona virus pandemic has had a negative impact on the monetary and financial sector. The widespread impact of the Corona virus pandemic has caused a decline in regional financial activities due to the large number of workers being laid off. This increasing unemployment rate has caused a decline in the financial health of people in Indonesia. So this has an impact on high levels of bad credit, considering that the majority of Indonesian people are facing a decline in financial levels due to the Corona virus pandemic.

The public authority created a financial strategy in the financial sector, where the public authority took a strategy to expand credit rebuilding for all Indonesian residents who were adversely affected by the Anggraeni Corona virus pandemic (2021). The easing of the credit installment period provided by the government to people affected by the corona virus was carried out considering that many people's salaries were reduced during the corona virus pandemic. The strategy of expanding credit rebuilding in the financial sector is certainly very effective, where the main business activity for banking is credit. The credit distributed by banks to the public is adjusted to the bank's fundamental capabilities, especially in collecting and allocating reserves.

In accordance with Banking Regulation Number 10 of 1998, credit is the arrangement of cash or bills that can be equated with it, considering that there is an understanding or understanding of the credit process between the bank and other parties that require the borrower to pay off his obligations. looking at a certain period of time with premium arrangements. Providing credit to the public. It is better to carry out an inspection and review before making joint arrangements so that it can be seen properly whether the client deserves the credit. There is a big possibility of bad credit if an error occurs in the client inspection process.

Banks will generate profits by offering credit to the general public. This profit comes from the difference between loan interest given to customers and interest on savings held by customers. Spread-based is a term for profits from income differences in banks. If a financial institution experiences losses from differences in collected income, the accumulated difference in interest from deposits is greater than credit interest, then the bank will experience a negative spread.

As time goes by, bank loans to the general public usually increase in size. This is triggered by the expansion of monetary movements over time. As can be seen in the graphic data in Figure 1. This implies that banks must have sufficient funding to meet the credit demand of the general public. The large amount of credit disbursed by banks will increase loan costs and increase salaries so that benefits will increase. This shows the important role of credit in expanding benefits, therefore credit boards are basically important in the financial sector. From this picture, it is clear that the amount of credit given can be used as a marker to determine the size of a bank's profits.

When the credit portion increases, bank profits will also increase. Credit management is a priority in the banking sector. Company profits are one of the bases for assessing the company's condition, whether the company has good hopes or not for the future. Profitability is an indicator to measure the size of profits. One of the ratios in measuring the level of profitability is Return on Assets (ROA). ROA is a ratio to measure a company's ability to generate profits compared to the assets it owns. Therefore, it is interesting to examine how the amount of credit disbursement influences the profitability of state-owned banks in Indonesia.

There are research results which state that there is no influence between the provision of credit and the level of profitability (Haqiqi & Fadli, 2020). However, on the other hand, several previous studies stated that there is an influence between the provision of credit and the level of profitability (Fahmi et al., 2017;
Latumahina et al., 2021; Puspawati et al., 2016; Suputra et al., 2018). This shows the inconsistency of the results of previous research so that related research needs to be carried out.

**Literature Review**

**Credit Distribution**

Credit is part of the funds provided by banks to the community to boost the economic level or as a form of working capital/business capital so that it can be used to increase the efficiency of business activities directed by the bank for the community, both individually and in groups (companies). (Ramadhany 2017:928) states that the greater the amount of credit distributed to the community, the greater the profits obtained so that existing businesses can be maintained and expanded. Meanwhile, according to (Dewi and Budiasih 2016:791) one of the main activities of banking is providing credit, because from the credit provided, the bank will generate profits in the form of interest which is the main source of bank income.

According to (Rakhmawati et al. 2021:3) providing credit is an activity of distributing funds in the form of savings from the community to the community within a predetermined period of time. The activity of providing credit from banks to the public will bring profits to banking companies, where these profits are obtained from the difference between interest on customer deposits and the difference between interest on loans given to customers.

**Profitabilitas**

Company profitability is one aspect of assessing the condition of a company which shows whether the business entity has good prospects in the future. According to (Firdaus et al. 2021:141) profitability or the ability to make a profit is a measurement in the form of a percentage which is used as a measuring tool to the extent to which a company is able to generate profits from its income. Meanwhile, according to (State and Sujana 2014:326) profitability is the ability to generate profits in a certain period, it can be used to find out how effective and efficient the measures used by the company are on banking performance. One indicator that can be used to assess the profitability of a company is:

\[
(ROA) = \frac{\text{Profit after tax}}{\text{Total Assets}} \times 100\%
\]

The greater the Return of Assets (ROA) percentage of a bank, the greater the level of profit achieved by that bank.

**Materials and Methods**

This research uses quantitative methods with simple linear regression analysis. The object of this research is banking companies listed on the IDX in the 2019-2021 period. By using secondary data documented by taking quarterly financial reports for 2019-2021 which are accessed from the official IDX website and the official websites of BRI, Mandiri, BNI, and BTN banks. This research has an independent variable, namely the Number of Credit Distributions and a dependent variable, namely Profitability (ROA).

**Population dan Sample**

The population in this research is all banking companies registered on the IDX, totaling 47 banks. Then samples were taken using a purposive sampling technique using several criteria, namely:

a. Banking companies registered on the IDX for the 2019-2021 period.

b. State-owned banking companies registered on the IDX for the 2019-2021 period.

c. Banking companies presenting quarterly reports for the 2019-2021 period.

This resulted in a sample of four banks, namely Bank BRI, Bank Mandiri, Bank BNI, and Bank BTN.

**Conceptual framework**

Based on the description previously explained, the following research conceptual framework can be created below:

![Figure 2. Conceptual Framework](image-url)
The hypothesis in this research is H1: The amount of credit disbursement has a significant positive effect on the profitability of state-owned banks in the 2019-2021 period.

Results and Discussion

Classic assumption test

Normality

The normality test is used to measure whether the data used is normally distributed or not. The normality test itself is used to test whether in a regression model, the confounding or residual variables have a normal distribution. In this study, to see whether the data was normally distributed or not, the One-Sample Kolmogrov-Smirnov test was used. The following table presents the results of the normality test:

<table>
<thead>
<tr>
<th>Table 1. Autokorelasi Test</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>One-Sample Kolmogorov-Smirnov Test</strong></td>
</tr>
<tr>
<td>Unstandardized Residual</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>Normal Parameters&lt;sup&gt;a,b&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Most Extreme Differences</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Test Statistic</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

<sup>a</sup> Test distribution is Normal.

<sup>b</sup> Calculated from data.

<sup>c</sup> Lilliefors Significance Correction.

<sup>d</sup> This is a lower bound of the true significance.

Based on Table 1 of the normality test results, it can be seen that the Sig value is 0.200 > 0.05. So it can be concluded that the data in this study is normally distributed.

Autocorrelation

The autocorrelation test is used to determine whether in the linear regression model there is a correlation between the level of confounding errors in period t and period t-1 (previously). The following is a table of autocorrelation test results:
Table 2. Autokorelasi Test

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

*<sup>a</sup> Predictors: (Constant), Penyaluran Kredit

*<sup>b</sup> Dependent Variable: ROA

Source: Data processed with SPSS 25.

Based on Table 2, the results of the autocorrelation test, it can be seen that the Durbin Watson (DW) value is 1.657. and for the DU value, it is 1.5776. So it can be concluded that in this study there was no autocorrelation because du (1.577) < DW (1.657) < 4 - du (2.423).

Simple Linear Regression Analysis

This research uses simple linear regression analysis. Simple linear regression is a linear regression that only has one independent variable and one dependent variable. Below is a table of simple linear regression test results.

Table 3. Simple linear regression results

<table>
<thead>
<tr>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

*a Dependent Variable: ROA

Source: Data processed with SPSS 25.

Based on table 3, it is expressed in the form of a simple linear regression equation as follows:

\[ Y = 0.004 + 3.33E-6 \times X + 0.013 \]

Information:
- \( Y \) = Profitabilitas (ROA)
- \( \alpha \) = Konstanta
- \( b \) = Koefisien Regresi
- \( X \) = Credit Distribution
- \( e \) = Standart Error

The constant (\( \alpha \)) of 0.004 means that if Credit Distribution is zero (0), then a Profitability (ROA) value of 0.004 units is obtained. This can be interpreted as meaning that even though the value of Credit Distribution (X) to Profitability (Y) is zero (0), the value of Profitability (ROA) is still there and is positive.

The regression coefficient for the credit distribution level variable of 3.33E-6 is positive, meaning that if the credit distribution level increases by one unit, then profitability will increase by 3.33E-6.

Coefficient of Determination R2

The coefficient of determination R2 is used to test how well the independent variable explains the dependent variable. In other words, this test is used to see the magnitude of the influence of Credit Distribution (X) on Profitability (Y). The value ranges between 0-1 or 0% - 100%. The following table presents the results of the R2 coefficient of determination test:
Based on Table 4, the results of the R² coefficient of determination test show that the R² value is 0.468. This can be interpreted that credit distribution has an influence of 46.8% on profitability (ROA), while the remaining 53.2% or 53.2% is influenced by other variables not examined in this research.

**Table 5. t-Test**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.004</td>
<td>.013</td>
<td>.280</td>
<td>.780</td>
</tr>
<tr>
<td>Penyaluran Kredit</td>
<td>3.336E-6</td>
<td>.000</td>
<td>.684</td>
<td>.000</td>
</tr>
</tbody>
</table>

Based on Table 5, the results of the t-test show that the t-count value is 6.357 and the t-table is 0.000. This shows that the t-count (6.357) > t-table (2.024) and the sig value is 0.000 < 0.05. So it can be interpreted that Ho is rejected and Ha is accepted, which means that the amount of credit disbursement has a positive and significant effect on the profitability of state-owned banking in the 2019-2021 period.

**Discussion**

The Influence of the Amount of Credit Distribution on Profitability

Based on the results of partial hypothesis testing that has been carried out. So the results obtained are that credit distribution has a positive and significant effect on profitability in state-owned banking companies. It is said to have a positive and significant effect because the test showed that the t-count value (6.357) > t-table (2.024) and the significance level was 0.000 < 0.005.

The results of this research are relevant to previous research (Fahmi et al., 2017; Latumahina et al., 2021; Puspawati et al., 2016; Suputra et al., 2018). The main activities of banking include collecting funds, distributing funds and providing other banking services. In
bank operational activities between collecting funds and distributing funds, the bank will receive spread-based profits. Profits are obtained from the difference between customer savings interest and loan interest that has been distributed to customers. If banks can distribute credit well, bank profits will increase. However, this will happen the other way around, if the accumulated interest expense from deposits is greater than the interest income from lending, the bank will experience a loss or negative spread.

Based on the data in Figure 1, the development of total credit distribution from the four state-owned banks shows that Bank Rakyat Indonesia is the bank with the highest level of credit distribution, but in fact Bank Mandiri has a higher level of profitability compared to Bank
Rakyat Indonesia. This happens because the Non-Performing Loan (NPL) ratio at Bank Rakyat Indonesia is higher than at Bank Mandiri. Because this is what makes Bank Mandiri’s profitability level superior to Bank Rakyat Indonesia. This is in accordance with the results of research and theory which states that the higher the Non-Performing Loans (NPL), the lower the level of profitability of banking companies (Kasmir, 2019; Kumaralita & Purwanto, 2019; Supeno & Hendarsih, 2020).

Conclusion and Suggestions

Based on the analysis that has been presented, it can be concluded that the amount of credit disbursement influences banking profitability. Fund distribution activities are the main activities of banks that obtain profits in the form of loan interest. However, when the credit disbursed experiences problems or problems, it will reduce the bank’s profitability level. Based on the results of research that has been carried out, it is stated that the amount of credit disbursement has a positive and significant effect on the profitability of state-owned banks in Indonesia in the 2019-2021 period.

Suggestions for banking companies BRI, Mandiri, BNI, BTN are (1) banks are expected to maximize credit distribution to the public and optimize the management of company assets to obtain a higher level of profitability. (2) Bank Rakyat Indonesia, to pay more attention before providing credit to customers, such as analyzing the customer’s personality, economic level, occupation, and so on so that in the future it can minimize the high risk of problematic credit. Meanwhile, suggestions for future researchers, based on the results of the phenomenon in this research, it would be best to have additional research variables related to the NPL ratio as a moderating variable.

References


