Journal of Tourism Economics and Policy
ISSN 2775-2283 (print); ISSN 2807-2839 (online)
https://journalkeberlanjutan.com/index.php/jtep

THE INFLUENCE OF NUMBER OF CREDIT, GROWTH OF THE NUMBER OF CUSTOMERS, AND CAPITAL ADEQUACY ON THE PROFITABILITY OF LPD IN KINTAMANI DISTRICT

Volume: 1
Number: 2
Page: 35 - 40

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Article History:
Received: 2021-06-28
Revised: 2021-07-25
Accepted: 2021-08-31

Abstract:
Profitability is the ability of a financial institution (company) to earn a profit during a certain period, this study aims to determine whether the amount of credit, growth in the number of customers, and capital adequacy affect the profitability of LPD in Kintamani District. Sampling using purposive sampling method. The population in this study consisted of 61 villages in Kintamani District. The number of samples that meet the criteria are 20 LPDs in Kintamani District. The data analysis method used is multiple linear regression. Based on the results of analysis and hypothesis testing, it was found that the amount of credit did not have a positive effect on the profitability of LPDs in Kintamani District, while the growth in the number of customers had a positive and significant effect, and capital adequacy also had a positive and significant effect on the profitability of LPDs in Kintamani District.

Keywords: The Amount Of Credit, The Growth Of The Number Of Customers, Capital Adequacy, Profitability.

Cite this as: WIRIASTINI, N. L. P., RINI, G. A. I. S., & KAWISANA, P. G. W. P. (2021). "The Influence Of Number Of Credit, Growth Of The Number Of Customers, And Capital Adequacy On The Profitability Of LPD In Kintamani District." Journal of Tourism Economics and Policy, 1 (2), 35-40

INTRODUCTION

Profitability is the company's ability to earn profits in relation to sales, total assets and own capital. In general, companies prefer the income they receive to be used as the main source of financing for investment (Sara et al., 2020). The company's ability to earn profits will describe the level of effectiveness of the company's management (Akinwumi et al., 2019). Credit is one of the activities carried out by banking organizations with the aim of providing money or bills with an agreement from two parties (Kawisana & Jayanti, 2021), between the banking organization and the borrower (Jayawarsa et al., 2021). This also proves that credit growth with a note that the lower the percentage of bad loans suffered, the higher the profitability growth ratio will also be (Saputra, Trisnadewi, et al., 2019). If the credit growth rate is high, this indicates that the quality of credit is getting better and this provides an opportunity for banking organizations to channel these funds back to the public or debtors, so that the profit to be obtained will also be greater (Saputra & Kawisana, 2021).

Agency theory is a theory that deals with agreements between members in the company. This theory explains the monitoring of various types of costs and imposes relationships between these groups (Lerner et al., 2009; Tran, 2019). Management will try to maximize welfare for itself by minimizing various agency costs, this is one of the hypotheses in agency theory (Boučková, 2015). Therefore, companies are expected to choose accounting principles to maximize their interests by choosing appropriate accounting principles (Maestrini et al., 2018).

The amount of credit is the amount of money provided by the bank to the borrower based on a loan agreement and repayment period (Lew et al., 2020). Research conducted by Seo (2016), says that the amount of credit has a positive effect on the profitability.

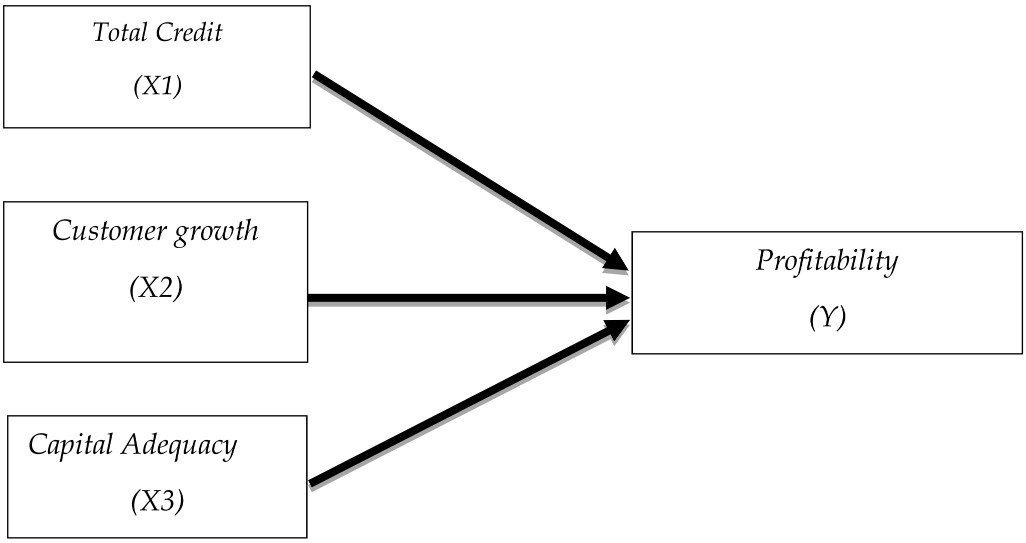
The growth that occurs in the number of customers will also affect the level of profitability which will also increase. On the other hand, if the growth in the number of customers decreases, the level of profitability will also decrease. Research conducted by Lin & Yi (2011) shows that the growth in the number of customers has a positive effect on the profitability. Another study conducted by Atmadja et al. (2021) stated that the growth in the number of customers had a positive effect on the profitability (Handayani et al., 2021).

The level of operational efficiency has the greatest influence on the profit ratio compared to other variables. The movement of the BOPO ratio must be a special concern so that the bank is always at a level of efficiency that can generate maximum profit. Another research conducted by Damayanti (2019) which states that capital adequacy has a positive effect on the profitability.

The customer is a person who is a customer of the bank (Prodanova et al., 2015). The more customers who trust a financial institution, the higher the chance for that financial institution to gain profitability (Utami & Sutejo, 2012). The growth rate of the number of customers is not only measured by the number of people, but can also use the nominal number of these customers (Gupta et al., 2019). Capital adequacy is the ability of a financial institution to maintain sufficient capital and the ability of bank management to identify, measure, monitor, and control the risks that arise that can affect the amount of capital of financial institutions (Munoz-Leiva et al., 2017; Saputra, Jayawarsa, et al., 2019).

METHODS

This type of research is quantitative data, namely numerical data or qualitative data that is numbered. Quantitative data in this study is the financial statements of LPD in Kintamani District. Sources of data used in this study is secondary data. Secondary data is data obtained directly from research subjects in the form of financial reports in the LPD Kintamani District.



The analytical tool in hypothesis testing carried out in this study is to use multiple linear regression analysis techniques. Before carrying out the analysis, it is necessary to test the classical assumptions first. Normality test, aims to determine whether in the regression model, the confounding variable or residual (Kawisana et al., 2019). As it is known that the t test and F test assume that the residual value follows a normal distribution. If this assumption is violated, the regression model is considered invalid with the number of samples available (Atmadja et al., 2021).

Heteroscedasticity test is used to test whether in the regression model there is an inequality of variance from the residual of one observation to another observation. A good regression model is one with homoscedasticity or no heteroscedasticity. Multicollinearity test, aims to test whether the regression model found a correlation between the independent variables (independent). As a guideline to find out between one variable and another, there is no multicollinearity if it has a VIF (Variant Inflation Factor) of more than 10 and a tolerance number of less than 0.1. Autocorrelation test is used to test whether in the linear regression model there is a correlation between the confounding error in period t and the confounding error in period t-1 or before (Stefan-Duicu & Stefan-Duicu, 2015; Westerman, 2006).

Autocorrelation test can be done using run test. In this test, the hypothesis is obtained if there is no correlation between the residuals, it is said that the residuals are random. The F statistic test is used to determine the effect of the independent variables simultaneously (simultaneously) on the dependent variable. Significant means that the relationship that occurs can apply to the population. This test was also carried out in order to determine the feasibility of the regression model used in this study. The hypotheses carried out in this study are formulated as follows: 1. If the F-count > F-table, then the X variable together (simultaneously) has a significant effect on Y. 2. If the F-count < F -table, then the X variable together (simultaneously) does not have a significant effect on the Y variable.

The t-statistical test shows how much influence one independent variable has individually in explaining the variation of the dependent variable. The test is done by measuring the significance probability value. If the significance probability value is 0.05, then the hypothesis cannot be rejected. This explains that individually the independent variable has a significant influence on the dependent variable. The coefficient of determination (R2) is used to measure how far the model's ability to explain the variation of the dependent variable. The value of the coefficient of determination is between zero and one. According to Gujarati (2003) in Ghozali (2016: 96) states if in empirical test obtained that the adjusted R2 value is negative, then the adjusted R2 value is considered zero.

RESULTS AND DISCUSSION

Table 1. Test of Regression

Independent Variable	Test		
	Regression coefficient	t- test	Probability
Total Credit (X1)	5.92100	0,303	0,763
Customer Growth (X2)	0,096	2,796	0,007
Capital Adequacy (X3)	0,096	2,748	0,008
Constanta	0,040		
F-test	2,871		
Sig F/ probability	0,046		
R2	0,155		

The Effect of Total Credit on Profitability

The results showed that the amount of credit has no effect on profitability as indicated by a significance value of 0.763 greater than 0.05, then Ho is accepted, H1 is rejected and the regression coefficient is positive at 0.040. This means that the amount of credit (X1) has no effect on profitability (Y) at LPDs in Kintamani District 2016-2019, so the hypothesis that has been formulated is not in accordance with the results of the study (Pratiwi et al., 2020). This is contrary to the existing theory which states that the amount of credit disbursed will determine the bank's profit. If the bank is not able to distribute credit, it will cause the bank to lose (Juniariani & Saputra, 2020).

Effect of growth in the number of customers on profitability

The results show that the growth in the number of customers has a positive and significant effect on profitability as indicated by a significant value of 0.007 which is smaller than = 0.05 or 5%, then Ho is rejected, H1 is accepted and the regression coefficient is positive at 0.096. This means that the growth in the number of customers (X2) has a positive and significant effect on profitability (Y) at LPDs in Kintamani District 2016-2019. The influence of the growth in the number of credit customers on the profitability of the company is due to the growth in the number of credit customers each year followed by the higher interest generated from the profit on loan payments made by customers (Gupta et al., 2019). Customers are a source of income for LPD. The more customers who trust a financial institution, the higher the chance for that financial institution to gain profitability (Harelimana, 2017; Kawisana & Anggiriawan, 2020). This could be due to the growth in the number of customers in this study is the number of credit customers, so it will be accompanied by an increase in profitability because KSP's main income is from loan interest (Saputra, Trisnadewi, et al., 2019).

The effect of the level of capital adequacy on profitability

The results showed that the level of capital adequacy has a positive and significant effect on profitability as indicated by a significant value of 0.008 which is smaller than = 0.05 or 5%, then Ho is rejected, H1 is accepted and the regression coefficient is positive at 0.096. This means that the level of capital adequacy (X3) has a positive and significant effect on profitability (Y) at LPDs in Kintamani District 2016-2019. Capital Adequacy Ratio (CAR) which is an indicator of capital is used as a variable that affects profitability based on its relationship with the level of risk of the LPD itself (Juniariani & Saputra, 2020; Suardikha, 2013). Capital adequacy relates to the provision of own capital needed to cover the risk of losses that may arise from the movement of LPD assets, which basically comes from third party or public funds (Ekayani et al., 2020; Sara et al., 2019). The good or bad ability of the LPD in increasing public trust is in line with the high and low CAR of the LPD which in turn can increase the income of an LPD (Saputra, 2020; Saputra, Sara, et al., 2019). The minimum CAR limit that must be met at this time is 8% of capital for assets that contain risks (Suardhika et al., 2012).

CONCLUSION

The amount of credit does not affect the profitability of LPD in Kintamani District 2016-2019 which can be seen from the sig value of 0.763 which is greater than (0.05), so Hypothesis 1 is rejected. The growth in the number of customers has a positive and significant effect on profitability at LPDs in Kintamani District 2016-2019 which can be seen from the sig value of 0.007 which is smaller than (0.05), so Hypothesis 2 is accepted. The level of capital adequacy has a positive and significant effect on profitability at LPDs in Kintamani District 2016-2019 which can be seen from the sig value of 0.008 which is smaller than (0.05), so Hypothesis 3 is accepted.

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