EFFECT OF NON-PERFORMING LOAN AND BI RATE ON THE CREDIT AMOUNT OF MSME: A CASE STUDY OF SOE BANKING COMPANIES

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Article Info	Abstract:
	This research was conducted with the aim to better understand whether there are variables and how much the variables of Non Performing Loans (NPL) and BI Rate that affect the amount of MSME Credit distributed by the Persero in the 2014-2018 observation period. The population used in this research was the financial statements of SOE banking companies that belonged to as many as 4 banks consisting PT. Bank Negara Indonesia Tbk, PT. Bank Rakyat Indonesia Tbk, PT. Bank Mandiri Tbk, and PT. Bank Tabungan Negara Tbk. Sampling was carried out using the purposive sampling method, the data used came from the OJK annual report and the financial statements attached to the websites of each state-owned bank during 2014-2018. The methods used include multiple linear regression analysis, coefficient of determination, f test (simultaneous test), and t test (partial test). The results of this study indicate that NPL partially has a significant effect on the number of MSME loans. While the BI Rate partially has no significant effect on the number of MSME loans. Then from the results of the F test it was concluded that the NPL and BI Rate had a simultaneous effect on the number of MSME loans.
	Keywords: Non-performing loan, capital adequacy ratio, operating expenses, return on asset, credit.

INTRODUCTION

MSME (Micro, Small and Medium Enterprises) is a business segmentation that utilizes its resources from the plantation, trade, animal husbandry, and agriculture sectors. Absorption of labor is one of the advantages of, so that it can help the process of equity which is part of the country's economic development (Anggraini and Nasution, 2013). The difficulty of getting bank credit has various factors, one of which is the lack of collateral provided by the MSMEs which causes the bank to refuse to provide credit (Domeher, 2012).

UMKM credit is one type of credit that is channeled by banks to micro, small and medium business (MSME) debtors according to definitions and criteria. These definitions and criteria have been regulated in Law No. 20 of 2008 concerning SMEs. UMKM credit is one of the government's policies in an effort to advance the national economy which is run through banks. The purpose of giving credit to MSMEs is to encourage the community to be more independent and productive.

Non-performing loans in the banking industry are known as Non-Performing Loans (NPLs), this happens because the customer is late in paying, or defaults. Based on BI Circular Letter No.6 / 23 / DPNP dated May 31, 2004 bank health will be disrupted if the NPL ratio of a bank is> 5%. The effect of high NPLs is the decline in the ability of banks to extend credit, banks cannot get back the capital that has been issued to provide credit to debtors. The smaller the NPL ratio, the health of the bank and the function of the bank has been going well. One of the things that causes credit disruption is the occurrence of inflation that can not be controlled. The government overcame the rising money circulation by raising the benchmark interest rate (BI Rate), which will affect the increase in deposit rates and be followed by loan interest rates. Since the beginning of July 2005, Bank Indonesia (BI) announced the target of the SBI interest rate that BI wanted for the auction in the specified period. Then this BI rate is used as a guideline for market participants in participating in auctions.

State-owned banks are owned by Indonesian Government, these banks are trusted by the government as the leading bank in carrying out MSME credit distribution, because it has an extensive network in all corners of Indonesia and the capital itself comes from the government for the benefit of the wider community. Bank Persero Tbk consists of PT. Bank Negara Indonesia, PT. Bank Rakyat Indonesia, PT. Bank Mandiri, and PT. State Savings Bank. It can be seen in table 1. the development of NPL, BI Rate, in the MSME loan segment at Bank Persero from 2014 - 2018:

Table 1 – The Development of NPL, BI Rate, CAR, OEOI, and ROA in MSME in 2011-2014 Period

Tahun	NPL UMKM (%)	BI Rate (%)	Kredit UMKM (Miliar Rp)
2014	3,55	7,52	671,7
2015	3,50	7,50	383,1
2016	3,28	4,75	446,8
2017	3,53	6,00	495,2
2018	2,54	5,00	551,9

Source: Indonesian Banking Statistics, processed.

In table 1. it can be seen that when the NPLs of state-owned banks in 2018 were valued at 2.54%, the amount of loans extended tended to increase from the previous year, in 2017 NPLs were 3.53% and the amount of loans extended was Rp. 551.9 billion. The effect of NPL on the amount of credit in 2014-2018 tended to be volatile. In the BI Rate column it appears that an increase in the amount of credit in 2018, the increase in the amount of credit is inseparable from the BI Rate which dropped significantly from the previous year.

Research Problems:

- What is the effect of NPL, BI Rate, CAR, OEOI, and ROA on the total amount of credit that is simultaneously distributed?
- What is the effect of NPL, BI Rate, CAR, OEOI, and ROA on the total amount of credit that is partially distributed?

Research Objectives:

- To determine the effect of NPL, BI Rate, CAR, OEOI, and ROA on MSME Credit distribution simultaneously?
- To determine the effect of NPL, BI Rate, CAR, OEOI, and ROA on MSME Credit distribution partially?

RESEARCH METHOD

The population used in this study is the financial statements of Bank Persero as many as 4 banks, namely PT. Bank Negara Indonesia Tbk, PT. Bank Rakyat Indonesia Tbk, PT. Bank Mandiri Tbk, and PT. Bank Tabungan Negara Tbk Sources of data obtained from the official website of the Financial Services Authority (www.ojk.go.id), Bank Indonesia and annual financial reports from Bank Persero in Indonesia for the period 2014 - 2018.

Samples were taken using the purposive sampling method, the sample criteria include: a publicly listed Persero Bank listed on the Indonesia Stock Exchange and has a complete financial report during the period 2014 - 2018.

Data were analyzed using multiple linear regression methods. Before conducting the multiple regression test the classical assumptions were tested for the variables. After the data has passed the classic assumption test, then the hypothesis test is then performed using the regression method, both simultaneously (partial F test) (T-test) and as a result. Data processing was performed using SPSS for Windows version 20.

RESEARCH RESULTS AND DISCUSSION

Regression analysis is used to analyze the effect of independent variables on the dependent variable. In this research, multiple regression analysis is used to analyze the effect between Non Performing Loans (NPL) and the BI Rate on the Amount of Credit disbursed by BUMN banks in the period 2014 - 2018. The coefficient of the independent variables in the multiple regression equation will be interpreted using Standardized Beta Coefficients. The complete data using the SPSS program is in the appendix and further explained in Table 1:

Table 2 – Regression Analysis

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	136,433	116,732
	Non Performing Loan (X1)	-37,684	16,994
	BI Rate (X2)	63,377	10,013

By looking at the table 2, we get the regression equation:

Total MSME credit (Y) = 136,433 - 37,684 (X1) + 63,337 (X2)
Where: The number of MSME loans disbursed (Y)
NPL (X1)
BI Rate (X2)

The results of the analysis can be interpreted as follows:

1. A constant of 7,363 indicates that if the Non Performing Loan (NPL), BI Rate, Capital Adequacy Ratio (CAR), BOPO, Return On Assets (ROA) are zero then the number of loans extended is 136.433.
2. Non Performing Loans worth - 37,684 means, if the NPL variable increases by one unit, the number of MSME Credit Amounts will decrease by - 37,684 assuming that the other independent variables from the regression model are fixed.
3. The BI Rate has a value of 63.333, meaning that if the BI Rate variable increases by one unit, the MSME Credit Amount variable will increase by 63.333 with the assumption that the other independent variables of the regression model are fixed.

The coefficient of determination is used to find out how big is the relationship of several variables in a clearer sense. The coefficient of determination will explain how much change or variation in a variable can be explained by changes or variations in other variables. This coefficient value is between 0 and 1, if the result is closer to 0 it means that the ability of the independent variables in explaining the variation of variables is very limited. But if the result is close to number 1 it means that the independent variables provide almost all the information needed to predict the variation of the dependent variable. The following are the results of the coefficient of determination test:

Table 3 - coefficient of determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,757a	,573	,558	51,434

a. Predictors: (Constant), BI Rate (X2), Non Performing Loan (X1)

From Table 3 it can be seen that the Adjusted R Square value is 0.558. Adjusted R Square is also called the coefficient of determination so that in this case it means that 55.8% shows that the percentage of the influence of the independent variable Non-Performing Loans, BI Rate, on the dependent variable is the number of MSME loans by 55.8%. While the remaining 44.2% is influenced or explained by other variables not analyzed.

This test is used to determine whether the independent variable simultaneously significantly influences the dependent variable. The basic criteria for decision making are through significant probability figures as follows:

1. If the probability is f> 0.05 then H0 is accepted and Ha is rejected.

2. If the probability is f <0.05, then H0 is rejected and Ha is accepted.

Test results f can be seen in the following tables 4:

Table 4 – Test Results F

ANOVAᵃ

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	202534,433	2	101267,216	38,279	,000ᵇ
	Residual	150792,874	57	2645,489		
	Total	353327,307	59			

a. Dependent Variable: Kredit UMKM (Y)

b. Predictors: (Constant), BI Rate (X2), Non Performing Loan (X1)

Based on the F test or Analysis of Variance (ANOVA), the calculated F value of 38.279 while the F table value (at a significance level of 5% with df1 = 2 and df2 = 57) (F (0.05; 2; 57)) is 4, 38. The calculated F value is in the H0 reception area because the calculated F value is greater than the F table value (38.279> 4.38). These results are reinforced by a significance value of 0,000 which is smaller than 0.05. It was concluded that the NPL and BI Rate simultaneously affect the number of MSME loans.

T test was conducted to determine whether the regression model of independent variables (X1, X2, ..., Xn) partially had a significant effect on the dependent variable (Y). The independent variable can explain the dependent variable that can be seen from each of the independent variables. If the significance value is 0,000, it is said to be very significant. For testing in SPSS the following criteria are used:

1. If a significant number of research results <0.05; then the relationship between variables is significant.
2. If a significant number of research results> 0.05; then the relationship between variables is not significant.

T test results can be seen in the following tables:

Table 5 – Test Result T

Model		Standardized Coefficients Beta	t	Sig.
	(Constant)		4.037	.000
	NPL	.767	1.985	.000
	BI_RATE	.142	1.828	.081

a. Dependent Variable: KREDIT_UMKM

Here the authors describe the results of the T test based on the table above:

1. Variable Non-Performing Loans Against the Number of MSME Credit
   The test results from table 4.7 obtained the value of t for the NPL variable shows the value of t arithmetic = 1.985. Significance value of 0,000 <0.05, significance value below 0.05 indicates that Non-Performing Loans have a significant effect on the number of MSME loans. This means that, Hypothesis 1 is accepted.
2. BI Rate Variable on Amount of UMKM Credit

The test results from table 4.7 obtained the value of t for the BI Rate variable shows the value of t = 1.828 with a significance value of 0.081 <0.05. With a significance value greater than 0.05, it indicates that the BI Rate does not have a significant effect on the number of MSME loans. These results indicate that, Hypothesis 2 was rejected.

CONCLUSION

Based on the results of the partial test (t test) states that the NPL ratio has a significant effect on the number of MSME loans. So the hypothesis which states that NPL has a significant effect on the amount of MSME credit received.

The results of the partial test (t test) state that the BI Rate has no significant effect on the amount of BUMN bank loans. So the hypothesis which states that the BI Rate has a significant effect on the number of MSME loans is rejected.

Simultaneous testing results (test f), namely NPL variables and BI Rate simultaneously affect the number of MSME loans. So the hypothesis which states that as well as the BI Rate simultaneously influences the amount of MSME credit is received.

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