

EFFECTIVE INTEREST RATE COMPARATION OF HONDA AND YAMAHA MOTORCYCLE CREDIT

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Abstract: This research was conducted to analyze the comparisons between credit's effective interest rate on Honda and Yamaha motorcycles based on the level of down payment and credit tenures during 2016. The sampling technique used was purposive sampling method. Data analysis techniques used was comparative analysis proposed by Nazir (2005) in Hamdi and Bachruddin (2014) which explain that the purpose of the comparative analysis investigates the relationship between one variable to another variable in order to find a comparison between two or more variables in a research. The results showed that the value average of the effective interest rate on Honda motorcycle was lower than Yamaha motorcycle. Based on the level of down payment and credit tenures; the lowest average of effective interest rate was at a level of 17,5 % from motorcycle the on the road price with credit tenures for 36 months.

Keywords: effective interest rate, level of the down payment, credit tenures, and credit of motorcycles



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Malang is the second largest city in East Java province after Surabaya city. This city is often dubbed as "Education City, Industrial City, and City of Tourism (Tri Bina Cita)" which became the vision and mission of Malang city itself. Malang City as Tri Bina Cita has the potential of areas that have the value of selling and competitiveness both at regional and national level. In the era of globalization, Malang city continues to experience rapid growth. Now, Malang city has been filled by vari-

ous schools, colleges, and excellent colleges. Even to support it, Malang city helped establish partners with institutions in the field of assessment, development of science and etc. Data from the Education Department of Malang City in 2015 recorded there are 4 state universities and 58 private colleges and other high schools. In addition, 2 of the state universities in Malang are in the top 13 in Indonesia, that is Universitas Brawijaya and Universitas Negeri Malang (Kemenristekdikti). In addition to the field of education, developments in the field of tourism and industry also increased. Here is the statistical data of the development of tourism and industry in the city of Malang.

Therefore, to support the existing development, Malang city itself needs to improve the city infrastructure as an effort to improve the available facilities and infrastructure. Certainly in the realization of infrastructure improvements in the city

Table 1 Tourism Performance Indicators of Malang City 2011 - 2013

No	Performance Indicators	2011	2012	2013
1.	Tour Visit (people)	1.561.870	1.765.100	1.899.254

Source: Department of Culture and Tourism Malang City, 2015

Table 2 Industry Performance Indicators of Malang City 2011 - 2013

No	Indikator Kinerja	2011	2012	2013
1.	Industrial Growth	3249	3273	3278

Source: Department of Industry and Trade of Malang City, 2015

of Malang, also balanced with the growth in the use of motor vehicles in the community as well as the existence of public transportation modes. Motor vehicles are vital in supporting the daily activities of the people to access from one place to another. In this modern era, personal transportation such as motorcycles become the most popular transportation because it is very practical and efficient. In addition, with the credit or installments in buying a motor vehicle can make people can have the vehicle with an easy payment process.

Based on the survey data of Samsat Malang City Office (2015) shows that every year the frequency of motorcycles in Malang continues to increase. During 2012 the total number of motorcycles in Malang as many as 366,504 units. This number continues to increase to 391,282 units in 2013 and 410,177 units in 2014. Honda is the 1st motorcycle brand with 72.8% market share in Indonesia in January - May 2016 followed by Yamaha brand with 24.2% market share. As for other motorcycle brands have a market share of less than 10% (AISI (*Asosiasi Industri Sepeda Motor Indonesia*), 2016). In general Based on AISI (*Asosiasi Industri Sepeda Motor Indonesia*), motorcycle segmentation is divided into 3 types based on market share of its sales, *bebek*, *matic* and *sport*. Motor *matic* has the highest sales market share in Indonesia followed by motor *sport*. Based on data AISI from January to May 2016, the distribution of motorcycle sales in Indonesia can be seen in the table below.

Table 3 Types of Motorcycles in Indonesia based on Sales Market Share according to AISI in January-May 2016

Motorcycle Type	Total Sales
<i>Bebek</i>	268.070 units
<i>Matic</i>	1.918.422 units
<i>Sport</i>	257.518 units
Total	2.444.010 units

Source: AISI (*Asosiasi Industri Sepeda Motor Indonesia*), 2016

Credit is a facility provided to customers as one of the funding alternatives that is great demand almost all circles of society in Indonesia. Based on Law no. 1 year 2016 Article 1 paragraph 14 of the guarantee is explained that Credit is the provision of money or bills that can be equalized with it, based on approval or loan-borrowing agreement between the bank and another party requiring the borrower to repay the debt after a certain period of time with the giving of interest. Related to that, now various credit service companies, both banks and private companies continue to innovate in providing competitive credit services.

Credit as an alternative to motorcycle financing is much more desirable to the public as it offers term payment system that can provide relief for customers or buyers. In addition, motor vehicles purchased on credit can be used first, although not

paid in full. Credit also offers more benefits than cash purchases with additional insurance facilities that make customers or buyers feel secure.

According to Sitohang (2014), Interest is the cost charged for the use of money, while the interest rate is the ratio of the amount of interest to the base money in a given year. Usually, the interest rate is expressed in a certain percentage of the year. The interest rate becomes an element that needs to be considered when doing credit because it is very influential on other elements contained in the credit.

In addition to interest rates that become a fairly important element, in doing the credit there are two things to note are the down payment and credit tenor. Both of these are very decisive and have an impact on the determination of the effective interest rate policy normally imposed by the finance company. Under the Regulation of the Financial Services Authority No. 19 / POJK.05 / 2015 Article 17 paragraph 3 concerning Down Payment Motor Vehicle Financing for Financing Company states that down payment of motor vehicle financing is advance payment or cash advance from the debtor (Self-financing) in the framework of motor vehicle procurement using installment payment system. Advances are also commonly referred to as an agreed sign between the service provider, in this case, the finance company and the consumer.

When making a credit required an agreement to determine the desired credit tenor by consumers. Tenor credit is the maturity of the loan time shown in the month. This means there is a certain time limit that has been agreed by the end of the credit process (Sholihin, 2010). Based on the facts that already exist, it can not be denied that the rapid growth in the number of motor vehicles in circula-

tion is not balanced with the rapid development of infrastructure.

Based on the review in Table 4. it can be seen that the ratio of road capacity is not proportional to the number of vehicles in circulation, which is only about 4% of the total number of vehicles. On the other hand, from the 10-point target that congestion should be handled, only about 50% can be handled by 2013. This is what automatically causes congestion because the growth of existing infrastructure is not proportional to the number of motor vehicles in circulation.

Therefore, the effective interest rate for the motor vehicle also become the consideration for the community. The finance service companies scattered in the city of Malang continues to do strategy in providing the best service and credit quality for consumers, on the other hand, the government and financial services authorities continue to perform various ways including performing some new regulations related to effective interest rate regulation in order to control the number of vehicles circulating in the community.

In previous research interest rates, down payment, and credit terms became the main focus of the researchers and used as a variable in the study. The purpose of this study was to analyze the influence of variable used to motorcycle credit sales. Baykal (2014) in his research using variable interest rates, credit terms, and down payment with the aim to see its influence on motorcycle credit sales. This research is also supported by Yasa (2015) using interest rate and down payment as research variable in order to see the effect of the variable used to motorcycle credit sales. Different things are proposed by Sinaga (2014) and Setiawan and W.

Table 4 Achievement of *Dinas Perhubungan Kota Malang* Service Performance 2009-2013

No	Performance Indicators	Target	2009	2010	2011	2012	2013
1.	Ratio of Road Capacity with Number of Vehicles	4,34 %	4,8 %	4,80 %	4,8 %	4,8 %	4,34 %
2.	Reduced Number of Congestion	10 points	1 points	1 points	1 points	3 points	5 points

Sources: *Dinas Perhubungan Kota Malang*, 2014

Alexander (2015) who prefer the use of variable crediting procedures and the application of lease accounting in order to see credit sales growth. In terms of the object under study, previous research mostly uses leasing companies and banks as research objects studied. For example, in the research of Setiawan and W. Alexander (2015) and Swasnita, Suparti, and Sugito (2015) each using research objects at PT Federal International Finance, leasing companies, and banks. If looking from the point of view of data analysis used most of the previous research is more dominant in the use of data analysis with multiple linear regression and descriptive qualitative analysis. The use of multiple linear regression analysis is used in Baykal (2014) and Yasa (2015) studies. While in research Setiawan and W. Alexander (2015); Panjaitan (2014); And Sinaga (2014) are more dominant in the use of descriptive qualitative analysis in their research.

Based on the review of the previous research, researchers wanted to examine something different from previous research. The difference of research that will be done with previous research is on data analysis and the purpose of the research to be lifted. The objective of this research is to see the comparison of the effective interest rate of motorcycle based on advance rate and credit tenor. In previous research most have a research purpose to see the influence and see the growth of motorcycle credit sales and for data analysis to be used is descriptive quantitative analysis with comparative method.

METHOD

This type of research is comparative research with a quantitative data type. Research compara-

tive research aims to identify the comparison between two or more related variables, while the quantitative data focus primarily on processing figures. The variables used in this study are the effective interest rate, the rate of down payment, and credit tenor, with secondary data sources obtained. The effective interest rate refers to the down payment rate and the credit tenor imposed on Honda and Yamaha motorcycles. Population in this research is installment credit of Honda and Yamaha motorcycle in Malang City 2016. Sample selection using purposive sampling technique with criterion Motorcycle installment Honda and Yamaha period 2016, limit of advance rate consist of 17,5%; 20%, 22.5%; 25%; 27.5% and 30% of the on-road motorcycle price adjusted to Yamaha Motor Indonesia provisions, and the last is credit limit consisting of 12 months, 18 months, 24 months, 30 months and 36 months. Data collection methods used in this study is the method of literature study and documentation through data collection in the field. Data analysis techniques used using comparative analysis or comparison methods based on comparable data results.

RESULTS

Comparative Results Effective Interest Rate of Honda and Yamaha Motorcycles

The results in Table 5 show that Honda motorcycles have average effective interest rates smaller than Yamaha motorcycles that amounted to 40.31%. This is in accordance with motorcycle sales distribution data in Indonesia from January to May 2016 according to AISI. Honda motorcycle sales market share is much more dominant compared to Yamaha motorcycles that amounted to 72.8 percent. There-

Table 5 Summary of Effective Interest Rate of Honda and Yamaha

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Honda	90	35,27	50,64	40,3131	2,83403
Yamaha	90	30,26	53,54	40,5180	6,15644
Valid N (listwise)	90				

Sources: SPSS processed (2016)

Comparative ResultsEffective Interest Rate Motorcycle Type *Bebek*, Matic, and Sport

Table 6 Summary of Effective Interest Rates of *Bebek*, Matic, and Sport

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
<i>Bebek</i>	60	36,07	53,54	44,8294	5,11228
Matic	60	35,41	50,64	42,1937	4,31050
Sport	60	30,26	41,56	37,2235	2,99922
Valid N (listwise)	60				

Sources: SPSS processed (2016)

fore with large sales of Honda motorcycles dare to compete in applying the effective interest rate. This is also supported by Mankiw's theory, et al. (2013) which states that if the demand for good increases then the tendency is that the price of the goods will tend to decrease. Therefore, in this case, Honda motorcycles as the largest market share holders dare to compete to provide low-interest rates due to market demand for Honda motorcycles are increasing dramatically.

The results show that the type of sports bike has the lowest average effective interest rate compared to the other 2 types of motor that is equal to 37.22% with a minimum value of 30.26%. This indicates an unsuitable situation in table 3 which explains that the market share of matic motorcycle sales is much higher than other types of motorcycle

sales. The analysis that can be taken in this case is the application of a smaller average effective interest rate on the motor sport to be an opportunity to increase sales. As is known motorsport itself is a type of motorcycle with a fairly expensive price plus it has a different market segmentation compared with other motorcycles. So to boost sales strategy needs to be done is to provide a lower interest rate. This in itself is also supported by Mankiw's theory, et al. (2013) which states that when if the supply of a good decrease then the tendency is that the price of the goods will tend to decrease. This is given that the market share of motorsport is only for some people only so that the supply of goods is also not too much. Therefore to boost the company's sales provide a much lower effective interest rate as a sales strategy.

Comparative ResultsEffective Interest Rate by Rate of Advance and Tenor of Credit

Table 7 Summary of Effective Interest Rate by Rate of Advance

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
17,5 %	30	30,44	51,68	39,3260	4,57290
20 %	30	30,69	51,69	39,8519	4,58266
22,5 %	30	30,26	51,73	40,0845	4,65253
25 %	30	30,49	51,89	40,5327	4,74181
27,5 %	30	30,68	52,89	41,1155	5,00300
30 %	30	31,83	53,54	41,5826	5,13423
Valid N (listwise)	30				

Sources: SPSS processed (2016)

Table 8 Summary of Effective Interest Rates by Credit Tenor

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
12 months	36	30,26	53,54	42,5344	7,48102
18 months	36	34,15	51,69	43,1035	5,44910
24 months	36	36,20	43,23	39,9246	2,06400
30 months	36	35,41	41,59	38,8110	1,56910
36 months	36	35,64	40,49	37,7042	1,40313
Valid N (listwise)	36				

Sources: SPSS processed (2016)

The results show that the advance rate of 17.5% of the on the road price, the motorcycle has the lowest effective rate of 39.32% compared to other advanced rate criteria. While based on the credit tenor average - the lowest effective interest rate is on credit tenor 36 months amounted to 37.70%. In general, the tendency of the community is to choose a low down payment rate and long loan tenor, which in this case precisely demand motorcycle credits will increase. Therefore there will be a tendency where the company will provide a much lower effective interest rate on the advance and tenor levels. This is also reinforced by Saputra and Muhandi (2016) that Federal International Finance (FIF) data released in viva.co.id explains that the ideal time for a person to credit is a 2-year tenor and a maximum of 3 years. While for a tenor time under 1 year is not ideal.

DISCUSSION

The effective interest rate in this study is used to see the fluctuation of credit competition offered between both parties, in this case, Yamaha and Honda. Effective interest rates alone are taken into account in order to find out which of the most effective options consumers can choose to do motorcycle credit.

Effective interest rate is applied as a form of the fee charged or charged by the company to the consumer when making a motorcycle purchase in installments or credit. This is related to the theory of Case and Fair (2011), interest rates are payments made on the use of money, the interest rate is usu-

ally expressed as a percentage of the loan, and is almost always expressed in annual terms. The effective interest rate itself imposed by both Honda and Yamaha depends on each policy adjusting to the down payment rate and the agreed tenor of credit. So basically the consumer will only agree on the down payment rate and tenor of credit chosen at the beginning of the agreement, as well as know the final total price to be paid when buying a motorcycle.

The results of the existing research indicate that the average effective interest rate of Honda motorcycles is much lower than that of Yamaha motorcycles. Meanwhile, according to its type, it is a sports type motorcycle that has an average effective interest rate is much lower than other types of motorcycles. The results also show that based on the down payment rate and the average credit tenor the lowest effective rate is at an advance rate of 17.5% of the on-road motorcycle price with a 12-month credit tenor. This refers to a theory brought by Mankiw, et al. (2013) which says that when demand for goods rises, the price of goods will fall. It is different if the supply of goods decreases, the price of goods will also tend to decrease. Therefore, in comparison to Honda and Yamaha motorcycles precisely Honda motorcycles are much more daring to lower the effective interest rate due to market demand for Honda motorcycles much larger. The same applies to the effective interest rate based on the down payment rate and the credit tenor. At low down payment rates and low credit tenor, motorcycle demand will increase further because com-

panies are brave to provide low-interest rates at these levels.

This study is supported by Baykal (2014) and Yasa (2015) research which emphasizes on the use of interest rate, credit period, and down payment. In this study, the use of variable interest rates, advance rates, and credit tenor is also emphasized. While Setiawan and W. Alexander (2015) and Swasnita, Suparti, and Sugito (2015) each using research objects at PT Federal International Finance and leasing companies and banks contradict this research because this research focuses on main companies such as Honda and Yamaha.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the results of research and discussion of the effective interest rate based on advance rates and credit tenor can be concluded that, Honda motorcycles have an average effective interest rate lower than Yamaha motorcycles that are equal to 40.3131% with a minimum value of 35, 27%, sport has the lowest average effective interest rate compared to 2 types of matic and bebek that are equal to 37,2235% with minimum value equal to 30,26%, advance rate equal to 17,5% from The price of on the road motorcycles has the lowest average interest rate among all criteria for the down payment rate of 32.3960% with a minimum value of 30.44%, and the 36 month credit tenor has an average interest rate Effective the lowest among all credit tenor criteria set that is equal to 37,7042% with minimum value equal to 35,64%

Recommendations

For the next researcher is expected to always update or update information about credit installment data to get valid data and complete, For company is expected to follow regulation which has been applied by government and also authority of financial service related to credit mechanism and interest rate determination, and For the Government and the Financial Services Authority is expected to cooperate, control and oversee the credit mecha-

nism especially related to the effective implementation of the effective interest rate imposed by the company.

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