
Factors Impacting Indonesian State-Owned Banks' Ability to Disburse Credit

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Received Date : 30.01.2024

Revised Date : 24.05.2024

Accepted Date : 27.05.2024

ABSTRACT

This study aims to determine the effect of non-performing loans (NPL) on credit distribution to Indonesian State-Owned Banks listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. Non-performing loans (NPL) were used in this study to measure the credit risk given by banks. The descriptive and quantitative research methods were used in this research. The data used is derived from secondary sources, specifically utilizing the financial report of each bank. The subject in this study is limited to each audited financial report of four Indonesian State-Owned Banks listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022. The research result finds that Non-Performing Loans (NPL) did not have a significant impact on credit distribution in Indonesian State-Owned Banks listed on the Indonesia Stock Exchange (IDX) during the period of 2018 to 2022. This research provides an important contribution to understanding the dynamics of credit disbursing in Indonesian State-Owned Banks listed on the Indonesia Stock Exchange (IDX).

Keywords : NPL; Credit Distribution; BUMN; Banking Sector; Indonesia Stock Exchange

ABSTRAK

Penelitian ini bertujuan untuk mengetahui pengaruh non performing loan (NPL) terhadap penyaluran kredit pada Bank BUMN Indonesia yang terdaftar di Bursa Efek Indonesia (BEI) tahun 2018 sampai dengan tahun 2022. Kredit bermasalah (NPL) digunakan dalam penelitian ini untuk mengukur risiko kredit yang diberikan oleh bank. Metode penelitian deskriptif dan kuantitatif digunakan dalam penelitian ini. Data yang digunakan sumber sekunder, khususnya memanfaatkan laporan keuangan masing-masing bank. Subjek dalam penelitian ini dibatasi pada setiap laporan keuangan yang telah diaudit dari empat Bank BUMN yang terdaftar di Bursa Efek Indonesia (BEI) dari tahun 2018 sampai dengan tahun 2022. Hasil penelitian menemukan bahwa Non-Performing Loans (NPL) tidak memiliki pengaruh yang signifikan terhadap penyaluran kredit pada Bank BUMN Indonesia yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2018 sampai dengan 2022. Penelitian ini memberikan kontribusi penting dalam memahami dinamika penyaluran kredit pada Bank BUMN yang terdaftar di Bursa Efek Indonesia (BEI).

Kata Kunci : NPL; Penyaluran Kredit; BUMN; Sektor Perbankan; Bursa Efek Indonesia

INTRODUCTION

COVID-19 began in 2019 and impacted banks in Indonesia, particularly state-owned banks. According to a financial report, PT. Bank Rakyat Indonesia (BRI) experienced a significant decrease of 45,78% in 2020. PT. Bank Rakyat Indonesia (BRI), PT Bank Negara Indonesia (BNI), and PT Mandiri have experienced declines. Impact of the Covid-10 pandemic has significantly affected the banks' profitability, and they will face risks such as credit risk, market risk, and liquidity risk. Credit risk can be caused by a drastic economic, leading to debtors being unable to repay their debts, resulting in loan defaults or failures to pay for a bank. The consequences arising from this can make a bank unhealthy such as high non-performing loans, low liquidity, or financial institutions' inability to meet their obligations. Nita Kurniawati and Bagana (2022) stated that one of the factors causing the occurrence of bank non-performing loans (NPL) is looking at its significance, where if the NPL increases, it indicates a high-risk level of lending, resulting in a decrease in bank profits. Conversely, if the NPL level decreases, it indicates a low-risk level of bank lending, resulting in bank profits. Problematic loans are caused by several factors, including internal factors within the bank, external factors related to the bank, and issues with the debtor. According to Priharta et al. (2023), NPL reflects credit risk, the higher the NPL level, the greater the credit risk borne by the bank.

Credit represents the largest fund allocation for a bank because it provides significant profits. However, it also faces substantial risks in the credit disbursement process. Therefore, a bank must exercise caution in its credit allocation, considering its liquidity level to maintain profitability. Prudent operational management is crucial to avoid excessive withdrawals of deposits or loans. This situation can arise due to two factors: internal factors within the banking institution itself and factors related to its customers, as explored in research conducted by Salamah (2023).

The disbursement of credit carries risks that can affect the health and sustainability of the banks. Factors that can affect credit distribution are Non-Performing Loans (NPL). Rachman et al. (2018) on their research found that the NPL ratio can affect credit disbursement and then according to Martiana *et al.* (2022), the influence of Non-Performing Loans (NPL) on credit disbursement in banks is crucial to be observed. If a bank has a high NPL level, it may encounter difficulties in disbursing new credit due to the higher risk of default. This is further reinforced by research results by Kurniawati and Bagana (2022) that the factors contributing to the occurrence of problematic loans in a bank can be seen, in part from Non-Performing Loans (NPL) and its significance. Higher NPL indicates a higher risk associated with credit disbursement, potentially resulting in a decrease in the bank's profit. Conversely lower NPL suggests a lower risk in credit disbursement, which may lead to profit for the bank. Arsyad and Haerudin (2022) explain that NPL has a negative effect and significant on credit disbursement, this is also reinforced by research findings from Khairiyah et al. (2022) show that NPL hurts credit disbursement. It means that if the NPL figures are high value, the bank's credit disbursement will be low and vice versa. This research is expected to be able to find out how Bank BUMN can provide loans by minimizing the risks that occur. In previous research, it was stated that NPL has a quite significant impact on the bank's own income. Therefore, it is hoped in this research can see the risks that occur when providing credit by paying attention to several factors, one of which is by looking at the non-performing loans side.

Non-Performing Loan (NPL) commonly known as bad debt, is one of the problems frequently faced by various banking sectors, including Bank BUMN). Bad debt can occur when a debtor is unable to repay the loan or experiences delays in payment. This situation

can cause a bank to incur losses and may impact the bank's ability to disburse credit. According to Harahap et al. (2022) in their research level of Non-Performing Loans (NPL) reflects whether the bank's credit disbursement is going well or not. It also helps in determining whether the bank is making a profit from these activities. The higher the level of problematic loans, the lower the profitability of the bank.

Maulana et al. (2023) found that Non-Performing Loans (NPL) and lending have a significant and simultaneous impact on profitability. This means that if Non-Performing Loans increase, profitability will decrease, and if lending increases, profitability will also increase. Problematic loans, as indicated by NPL have a strong negative impact on profitability. Therefore, if problematic loans grow, profitability will decline, and if they decrease, profitability will increase. Otherwise, a Non-Performing Loan (NPL) indicates that does not affect the credit disbursement. According to Sari and Yuningsih (2022) that Non-Performing Loan (NPL) does not affect credit disbursement means that the size whether large or small of NOL value held by the company does not influence the company in extending credit to the public, then on Fayaupon (2021) research showed that NPL does not affect credit disbursement. In this study, researchers try to explore the factors that influence lending in Islamic banking, especially the impact arising from COVID-19. All this

Therefore, a bank must manage credit risk effectively and minimize NPL level. This can be achieved through rigorous evaluations of prospective borrowers, meticulous monitoring of granted credits, and swift handling of payment delays by debtors. Hence a need to have an effective credit recovery strategy to reduce the incidence of higher NPL levels. This study aims to (1) determine the impact of Non-Performing Loans (NPL) on credit disbursement in BUMN Bank's listed on IDX period 2018-2022, and (2) to understand the Non-Performing Loan (NPL) situation in credit disbursement at BUMN Bank's listed on IDX period 2018-2022.

RESEARCH METHOD

The research object is a problem that is then used as a topic for writing in the preparation of a report. In this study, the object used is a Non-Performing Loan (NPL) on credit disbursement in BUMN Bank listed on the Indonesia Stock Exchange period 2018-2022. The research method used is a quantitative method, according to Narimawati et al. (2020), quantitative research is based on positivism (concrete data) where its statements can be tested rationally, must be scientifically verifiable, and can be logically proven through mathematical evidence. The variables used in this research are NPL (non-performing loan) as the independent variable and credit disbursement as the dependent variable.

The secondary data sources are those that do not directly provide data to the data collector. The author employs secondary data because the researcher gathers information from data that has been processed by others, specifically information related to the influence of Non-Performing Loan (NPL) and credit disbursement. The sampling method used in this research is purposive sampling, was carried out using purposive sampling, namely to get a representative sample according to the criteria determined, which is divided into several criteria, (1) companies that remained listed on the Indonesia Stock Exchange (BEI) during the years 2018 to 2022, (2) companies categorized BUMN Bank's, and (3) reporting the audited financial statements for 2018 to 2022.

Hypothesis testing in this study will be conducted using a partial test, by examining the t-value with critical t-table value and the significance level. Based on theory, previous research, and conceptual framework hypothesis, the researcher formulated the research hypothesis as follows Non-performing Loan (NPL) affected significantly on credit

disbursement on BUMN Bank's. To test the proposed hypotheses. The researcher employed a simple regression model as outlined in Equation 1.

$$CD (Y) = \alpha + \beta NPL \quad (1)$$

In this model in Equation 1., several variables are considered. First, CD (Y) stands for the and Credit Disbursement, Second, NPL (X) represents Non Performing Loans.

RESULTS AND DISCUSSION

Non-Performing Loan (NPL) reflects a credit ratio, meaning that the higher the Non-Performing Loan (NPL) ratio, the poorer the credit quality, which can lead to an increase in the amount of problematic loans.

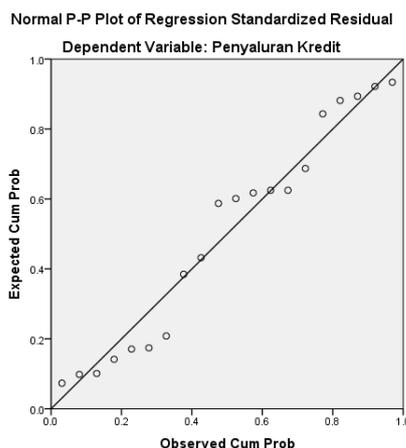
Table 1. NPL BUMN Bank's 2018-2022

| No. | Bank | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----|---------|------|------|------|------|------|
| 1 | BRI | 2,16 | 2,62 | 2,94 | 3,08 | 2,82 |
| 2 | MANDIRI | 2,79 | 2,39 | 3,29 | 2,81 | 1,88 |
| 3 | BNI | 1,9 | 2,3 | 4,3 | 3,7 | 2,8 |
| 4 | BTN | 2,81 | 4,78 | 4,37 | 3,70 | 3,38 |

Source: Data Analysis, 2023

Based on Table 1, the Non-Performing Loan (NPL) for BUMN banks listed on the Indonesia Stock Exchange during the period 2018-2022 can be observed. The highest NPL for Bank BRI occurred in 2021 at 3.08, while the lowest was in 2018 at 2.16. For Bank Mandiri, the highest NPL was in 2020 at 3.29, and the lowest was in 2022 at 1.88. Bank BNI had the highest NPL in 2020 at 4.3 and the lowest in 2018 at 1.9. Meanwhile, Bank BNT had the highest NPL in 2019 at 4.78 and the lowest in 2018 at 2.81. Non-Performing Loan (NPL) is one of the ways to assess the performance of a bank in managing its business. A high Non-Performing Loan (NPL) can lead to liquidity problems (inability to pay third parties), reduced profitability (uncollected debts), and solvency issues (reduced capital). As indicated by research from Ambarawati (2018), a high NPL is a form of problematic loan, representing a risk of loss related to borrowers who cannot meet their payment obligations.

Before conducting regression analysis, researchers ensure that the data used has a normal distribution so that the resulting value is not biased. The data can be said to have a normal distribution by looking at the distribution of values close to the normal line, can be seen on Figure 1.



Source: *Data Analysis, 2023*

Figure 1. Normality Test

Based on Figure 1, the results show that the standardized residual observation values are around the normal line, so can be concluded that data are normally distributed.

In this test, the regression model is considered not heteroskedasticity if the significance probability for the independent variable is > 0.05 . It will be considered to experience heteroskedasticity if the significance probability for the independent variable is < 0.05 . Based on the table above, it can be observed that the research variables have independent significance values > 0.05 . Therefore, it can be concluded that the research data does not experience heteroskedasticity because the significance value is 0.611.

Based on the data analysis in the Durbin-Watson (DW) table, the obtained dL value is 1.2015, and the dU value is 1.4107. With $dU < dW < 4-dU$ ($2.7885 < 1.2015 < 2.5893$) based on the provided data, it can be concluded that there is no autocorrelation between independent variables in this study. Therefore, the regression model is deemed appropriate for use.

Based on data analysis the correlation coefficient for Non-Performing Loan is 0.269. According to the interpretation guidelines for correlation values, this value falls within the range of 0.20-0.399, indicating a very low level of correlation between Non-Performing Loan (NPL) and Credit Disbursement.

Based on data analysis, the value of R indicates the multiple correlation between the independent variable and the dependent variable. From the above output, the R value of 0.260a indicates a simple correlation between the independent variable and the dependent variable, with a very low relationship due to the R value being below 0.5. Meanwhile, the R-squared (R²) value is 0.68, meaning that the correlation between the independent variable and the dependent variable has a very low relationship as the value is below 0.5. From the output, the adjusted R-squared (adjusted R²) is 0.016, indicating that only 1% of the variation in credit disbursement can be explained by the independent variable, while the remaining variation is explained by factors outside the model.

Based on data analysis, the hypothesis testing t-value can be seen in the t-column. The t-value for the NPL variable is -1.142 with a significance value of 0.269. From this significance value, it can be concluded that Non-Performing Loan (NPL) does not have a significant effect on the dependent variable, which is Credit Disbursement, as the significance value is greater than 0.05. Therefore, the conclusion from the hypothesis testing results in this study is that H₀ is accepted, and H₁ is rejected.

Problematic credit or what is called Non-Performing Loans (NPL) is the quality of credit assets that have problems resulting from someone's loan debtors who fail to make

payments due to certain factors such as external factors, for Non-Performing Loans (NPL) the minimum limit is 5%. The increase in Non-Performing Loans (NPL) will reflect this the credit risk that will be borne by the bank, if it is higher Non-Performing Loan (NPL), the credit interest arrears are higher, and Non-High Performing Loans (NPL) will increase costs and reserve costs productive assets and other costs that could potentially lead to losses bank. Such as the results of research from Sari et al. (2021) who explain that Non-Performing Loans (NPL) do not have a significant effect on credit distribution, while according to Fayaupon (2021) explains that Non-Performing Loans (NPL) have a influence positive and not significant to credit distribution.

CONCLUSION

The author can draw from several tests regarding the Influence of NPL on credit disbursement in conventional banks (BUMN) listed on the Indonesia Stock Exchange (BEI) as follows: There is a very low relationship between NPL and credit disbursement. This indicates that if a company can maintain the level of Non-Performing Loans (NPL) or reduce the NPL ratio, the amount of credit disbursement will remain stable or even increase. The conclusion obtained from this research is that H1 is rejected, meaning that there is no significant influence between Non-Performing Loans (NPL) and credit disbursement. This is consistent with other research results indicating that NPL does not affect credit disbursement, meaning that the size of the NPL value does not affect the bank in its credit. The weakness in this research is that it only looks at the influence of NPLs on credit distribution and does not consider other variables because researchers only look at the impact on credit distribution during the pandemic and after the pandemic.

RECOMMENDATION

For future researchers, a suggestion that the author can convey based on the results of this research is to broaden the sources of references even further for the development of research. Additionally, it is recommended to explore and further develop other variables that may have a greater impact on credit disbursement, apart from the variables used in this study, using the latest research methods and data. For the banking sector, it is advisable to carefully consider Non-Performing Loan (NPL) factors that may hinder the achievement of profit levels. This involves paying attention to the quality of credit disbursement and also focusing on cost efficiencies in operational expenses. For investors or prospective investors looking to make investments, it is advisable to be more selective when choosing banking companies as investment destinations. One consideration should be the Non-Performing Loan (NPL) of the banking companies, using it as a reference for stock value analysis.

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