Analysis of External Factors that Affect Non-Performing Loans to Bank Customers in Boyolali

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Keywords   : External factors, Non-performing loans, Bank, Customer, Boyolali.

Abstract   : *This study aims to determine the external factors of the customer, namely the character of the debtor, managerial ability, business conditions, the use of credit that is not good for non-performing loans at commercial banks in Boyolali. The method used is by using a questionnaire to 70 respondents. Purposive Sampling was done by purposive sampling method. Data were analyzed using Multiple Linear Regression Analysis with the help of the Statistical Package for the Social Sciences (SPSS.Ver 19) program. The results of data analysis research show that external factors on the character of the debtor have no significant effect on non-performing loans, managerial ability has a negative and significant effect on non-performing loans, business conditions have a positive and significant effect on problem loans, the use of bad credit has a positive and significant effect on non-performing loans.*

1   INTRODUCTION

Since the onset of the COVID-19 pandemic, the economy in Indonesia is currently experiencing a decline as well as in Boyolali. This is because the government has implemented Large-Scale Social Restrictions to prevent the spread of the COVID-19 virus, which causes limited mobility and community activities, resulting in a decrease in domestic demand. This pandemic caused most of the business sectors to experience drastic declines in income and bankruptcy which resulted in an increasing unemployment rate. Banking plays an important role in Indonesia's economic development by channeling money in the form of credit to individuals or business entities to advance their business in order to meet the needs of life and the community can apply for loans with certain conditions. According to Thamrin and Sintha (2018) credit means that the first party will give money to the second party, then the second party will accept and be obliged to return it on conditions that have been determined together (within a certain period of time). The thing that is not wanted by the bank or customer in providing credit is the occurrence of non-performing loans. Non-performing loans, apart from being detrimental to the bank, can also be detrimental to the debtor because the bank in question will no longer be given credit facilities. The factors causing the occurrence of non-performing loans are internal factors and external factors.

According to Yanti, et al. (2019), bank internal factors are factors that come from banks which include personal interests, unhealthy credit policies, lack of mastery of credit techniques, lending that exceeds the limit, etc. There are two elements of external factors, namely intentional and unintentional factors. The element of intentionality, for example, the debtor intentionally does not make payments to creditors, the use of the credit provided is contrary to the original plan. Meanwhile, accidental elements such as the debtor's business unable to compete with the market, rising prices of raw materials, as well as natural disasters, deaths, accidents that cause the business to not thrive. Sakila (2021) examines that the factors that cause non-performing loans are the character of capacity, capital, economic conditions and collateral which have a significant effect on non-performing loans and among these variables, collateral is the variable that has a greater effect on non-performing loans. Credit problems that usually arise when customers are given loan funds by the bank are unfriendly natural conditions or unfavorable security conditions in the debtor's business, which will make it difficult for the debtor

to carry out his business processes. Second, it can also be caused by the bank, such as providing credit without a credit agreement, which of course violates bank rules. In some cases, it may be difficult for customers to run their business. The party providing the loan has a direct impact, as the party receiving the loan cannot fulfill its obligations.

Data was obtained from the 2020 financial statements from the Financial Services Authority (OJK) sources that at PT. Bank Rakyat Indonesia Tbk. has total assets of IDR 1,421,785,0007. The credit given was IDR 880.685.363 and experienced a Non Performing Loan of 2.94%. PT. Bank Mandiri Tbk. has total assets of IDR 1,209,045,441. The loan disbursed was IDR 763,603,416 and experienced a Non Performing Loan of 3.29%. PT. Bank Negara Indonesia Tbk. has total assets of IDR 818,227,668. The credit given was IDR 551,786,774 and experienced a Non Performing Loan of 4.25%. PT. State Savings Bank Tbk. has total assets of IDR 361,208,406. The loan disbursed was IDR 235,052,116 and experienced a Non Performing Loan of 4.37%. PT. BPR BKK Boyolali in 2020, the amount of credit given was IDR 2,243,388,769.00, substandard loans of IDR 29,594,838.00, doubtful of IDR 19,973,222.00 and bad loans of IDR 121,864,575.00. The number of substandard credit debtors is 1,646 customers, doubtful loans are 1,064 customers, and bad loans are 6,317 customers. This indicates that the fund is in a problematic condition. The existence of non-performing loans causes banks to experience a shortage of reserve funds which makes it difficult for other people to get credit loans in advancing their business. The main purpose of this research is in line with the existing problems, namely to determine the character of the debtor, managerial ability, business conditions, and the use of credit that is not good by the debtor. The benefits of this research for writers can increase knowledge about problems with customers who make credit loans and for readers or the public, can be used as references or information for researchers in the same field of study in the future.

2   LITERATURE REVIEW

Grand Theory

This study uses the theory of Productize Theory of Credit, namely how banks provide loans to the public. In providing a loan or credit, the bank is expected to make a profit to meet the bank's operational costs. If the debtor/customer experiences an unfavorable economic situation, the debtor/customer will have difficulty making credit payments (Sudiyono and Suroso, 2010). Based on the theory used in this study, it can be explained that if the customer's business conditions are not going well, it will affect the smooth payment of obligations for the funds that have been given. When the obligation is due, the customer will have difficulty making payments, from this condition it has an impact on the smooth return of credit so that the credit process will experience non-performing loans. This can be detrimental and hamper loan funds to banks. So that the operational costs of banks/institutions will decrease.

Non-Performing Loans

Non-performing loans are loans allocated by the bank to customers, where the customer is unable to pay off their obligations in a timely manner in accordance with the initial agreement that has been mutually agreed upon. In the opinion of Nursyahriana, et al (2017) non-performing loans cause losses to the bank because the bank does not get back the funds lent and the bank will lose the opportunity to earn interest which has an impact on a total decrease in income. Meanwhile, according to Putri, et al (2021) non-performing loans are conditions where there is a delay or no payment of obligations made by the debtor. According to the provisions of Bank Indonesia No. 7/2/PBI/2005 Non-performing loans in the rating quality of commercial banks are loans classified as collectibility: Substandard (KL), Doubtful (D), Bad (M). Non-performing loans in accounting and finance are part of receivables that can no longer be received or billed, usually called accounts receivable or loans.

Character

According to Nursyahriana, et al (2017) the debtor's character is the character, nature or behavior of the prospective customer who will be given a loan whether it is truly trustworthy and responsible, this can also be observed in customers who have a work background or who have personal behavior such as living habits. , BI-Checking history, family circumstances, hobbies, good faith and status in society. Putri, et al (2021) argue that the debtor's character is the personality or nature of the prospective customer which is used to measure the

possibility of granting credit. Sampurnaningsih (2021) argues that the character or character of a person to be given a loan must be truly trustworthy. Therefore, failure in providing funds will not occur. Meanwhile, the debtor is the recipient of the loan and the payment is determined by a mutually agreed period.

Managerial Ability

According to Putri, et al (2021) managerial ability is the ability of management to allocate funds provided by the bank properly, so that the company earns profits and can pay all its obligations. Meanwhile, the debtor's ability to influence non-performing loans in banks is due to the debtor's failure to manage the business and the lack of ability and experience that will affect the debtor in obtaining income to pay his obligations. According to Firmansyah (2017) managerial ability is an assessment of the ability of prospective debtors to pay off debts from business activities carried out or to be carried out. Meanwhile, according to Chosyali and Sartono (2019) managerial ability is the ability of management in financial reporting both inputs, expenses and payment obligations to other parties. It is proven from reports/transactions in conducting business activities because banks need to know the financial statements as a clear picture when analyzing credit applications.

Business Condition

Business conditions are conditions in which the debtor's business will change or not after receiving a loan from the bank. If the business run by the debtor has increased, then there will be no problem loans, and vice versa if the business being run experiences a continuous decline, there will be non-performing loans. Condition analysis to determine the development of the debtor's business directly to assess whether the business is developing or not (Amelia, 2018). Meanwhile, according to Yanti et al. (2019), business conditions are a condition of analyzing the ability to generate profits and manage the company so that it can pay all current and future obligations. Chosyali and Sartono (2019) argue that business conditions are the ability of the debtor's business. Is the business being run able to develop and compete with the closest competitors and generate profits.

Bad Credit Usage

The use of bad credit is negligence on the part of the debtor which is marked by credit abuse and lack of ability to manage finances so that non-performing loans will occur such as: credit used is not good outside the credit agreement (for vacations, maintenance, etc.). According to Yuniarti (2021) that the use of credit that is not good is where the debtor in the use of credit is not used as business capital, but to meet the needs of life. Therefore, the debtor in using credit to run his business is not carried out properly, so that profits in his business decrease and will have an impact on paying obligations. Debtors who have received loan funds from banks should manage these loans properly and these funds can provide benefits in order to be able to pay their obligations to the bank to avoid non-performing loans.

Research Gap

There are several researchers conducted to determine the occurrence of non-performing loans. The results of research from Nursyahariana, et al (2017) show that character, capacity, capital, condition of economy and collateral do not have a negative and significant effect on non-performing loans. Soekapdjo and Tribudhi (2020) show that external variables have no significant effect and internal variables (BOPO, LDR) have a significant effect, CAR has no significant effect on non-performing loans. Lana (2018) researched that character, capacity, capital, collateral, condition of economy showed that only the capacity variable had no significant effect on non-performing loans, while the other four variables had a negative and significant effect on non-performing loans. Saputro et al (2018) researched that loan interest rates, credit growth and types of credit have a positive effect on non-performing loans, while the inflation variable has a negative effect on non-performing loans. The uniqueness of this research from previous research is that this research focuses on external factors experienced by customers so that it can lead to non-performing loans.
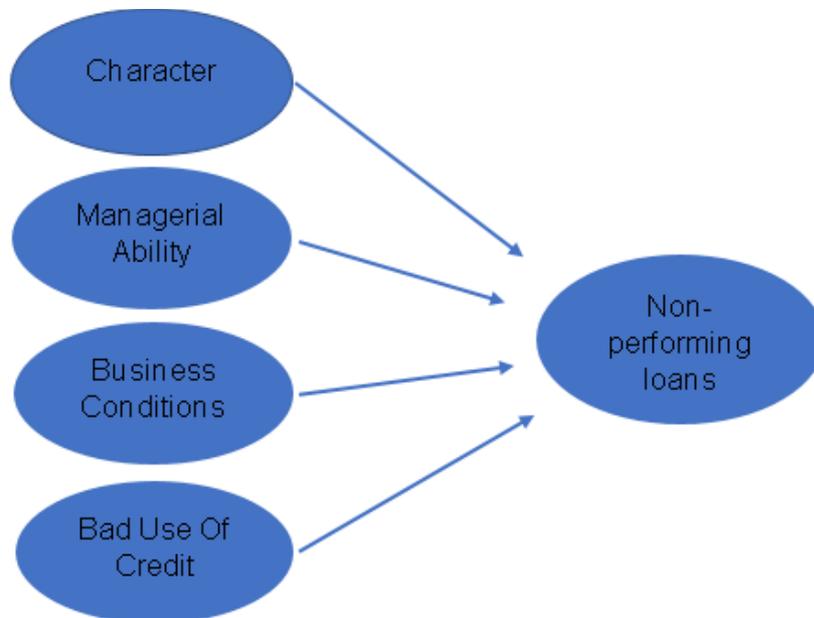
Framework

Figure 1. Research Framework

Hypothesis:
H1: The character of the debtor has an effect on non-performing loans
H2: Managerial ability has an effect on non-performing loans
H3: Business conditions affect non-performing loans
H4: The use of bad credit affects non-performing loans

3   RESEARCH METHOD

In this research, data sourced from primary sources were obtained by distributing questionnaires containing a list of questions related to the variables studied, namely external debtor factors and by conducting interviews, namely face-to-face interviews with respondents. The population that is applied in this study is some of the non-performing credit customers at commercial banks and rural credit banks in Boyolali. According to Roscoe's theory in Sugiono, to determine the sample, the number of samples is at least 10 times the number of variables studied, there are 5 variables in the study (independent + dependent), so the number of samples = 10 x 5 = 50. The sample used in this study amounted to 70 respondents. The sampling technique in this research is purposive sampling by applying certain considerations or criteria that must be met by the sample to be used in research, so that the data obtained is more representative by conducting a competent research process in their field. The criteria for determining the sample are customers who have bad credit and customers who are domiciled in Boyolali. The analysis applied to the research examines the debtor's character, managerial ability, business conditions, the use of bad credit for non-performing loans using SPSS 19.0 for windows, with multiple linear regression techniques.

4   FINDINGS AND DISCUSSION

Validity Test

The validity test serves to determine whether a questionnaire is valid or not (Ghozali, 2018). A data or questionnaire can be said to be valid if the items from the question are able to show the results that the questionnaire wants to measure (r count > r table).

Table 1. Validity Test

Vriables	Item	Validity
Character	5	Valid
Managerial Ability	5	Valid
Business Conditions	5	Valid
Bad Use Of Credit	5	Valid
Non Performing Loan	5	Valid

From the questions obtained the value of r table is 0.2352. The magnitude of the correlation between debtor character variables, managerial ability, business conditions, bad credit use, and non-performing loans states that the calculated r value is greater than the table. From the research data concluded that all of the statements are valid.

Reliability Test

The reliability test serves as a tool to measure consistently a questionnaire which is an indicator of the variables to be studied (Ghozali, 2018). To find out the results of the reliability test can be seen in the Cronbach's Alpha column, it can be declared reliable if the Cronbach's Alpha value > 0.060.

Table 2. Reliability Test

Variabels	Cronbach's Alpha	Validity
Character	0.642	Reliabel
Managerial Ability	0.681	Reliabel
Business Conditions	0.613	Reliabel
Bad Use Of Credit	0.619	Reliabel
Non Performing Loan	0.738	Reliabel

From table 2, Cronbach's Alpha value on the debtor character research variable is 0.642, managerial ability 0.681, business conditions 0.613, bad credit use is 0.619, and non-performing loans are 0.738, it can be seen that Cronbach's Alpha value of all variables is greater than 0.60. So it can be said to be reliable and can be used to process further data.

Multiple Linear Regression

According to Ghozali (2018), the multiple linear regression test is used as a tool to find out how the independent variable affects the dependent variable and is tested using the SPSS 19.0 application for windows.

Table 3. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.113	2.499		2.046	0.045
	Character	0.147	0.101	0.149	1.461	0.149
	Managerial Ability	-0.334	0.105	-0.341	-3.183	0.002
	Business Conditions	0.245	0.086	0.287	2.868	0.006
	Bad Use Of Credit	0.493	0.114	0.429	4.309	.000

From the calculation table obtained:

$$Y = 5.113 + 0.147 - 0.334 + 0.245 + 0.493$$

Then the interpretation of each coefficient is significant, Constant = 5.113. Shows that the independent variable debtor character (X1) has no effect on non-performing loans, managerial ability (X2), business conditions (X3), and use of bad credit (X4) has an effect on non-performing loans (Y). In this case, non-performing loans will still occur caused by other factors outside of this study. The debtor character coefficient (X1) = 0.147. Shows the value of the character coefficient of the debtor, which has no effect on non-performing loans. This means that the higher the character of the good debtor, the less non-performing loans, and vice versa, if the debtor's character is not good, the risk of non-performing loans will increase. The coefficient of managerial ability (X2) = -0.334. Shows that the value of the managerial ability variable has a negative effect on non-performing loans. This means that if the debtor is getting better at managing his finances, it will reduce the level of risk of non-performing loans, and vice versa, if the debtor is not professional in managing or budgeting these funds, problem loans will still occur. Coefficient of business conditions (X3) = 0.245. Shows that the value of the business condition variable has a positive effect on non-performing loans. This means that if the business run by the debtor suffers losses, there will be non-performing loans, and vice versa, if the business run by the debtor is smooth, it will reduce the risk of non-performing loans. The coefficient on the use of bad credit (X4) = 0.493. Shows that the value of the variable use of credit that is not good has a positive effect on non-performing loans. This means that the higher the level of use of credit provided, it always varies from time to time, it will lead to the occurrence of non-performing loans, and vice versa, if the use of credit provided is balanced, it will reduce the risk of non-performing loans.

Goodness of Fit (F Test)

The F test aims to determine whether the independent variables simultaneously or jointly affect the related variables (Ghozali, 2018). How to know this test can be observed in the Anova table. If the value of Sig is less than 0.05, then the hypothesis is accepted, meaning that the independent variables simultaneously affect the related variables.

Table 4. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	108.266	4	27.066	10.414	.000
	Residual	168.934	65	2.599		
	Total	277.200	69			

It can be seen that in table 4 the sig value of 0.000 is less than 0.05, because the sig value is less than 0.05, the regression model can be used to predict non-performing loans or simultaneously (simultaneously) that the variables of debtor character, managerial ability, business conditions, the use of bad credit has an effect on non-performing loans.

Partial Significance Test (t-Test)

According to Ghozali (2018), the partial test (t test) is to find out whether or not there is a real influence and how big is the relationship between the independent variable and the dependent variable. To find out the results of the t test can be observed in the Corfficient table. If the table shows that the significance value is smaller (Sig) <0.05, the hypothesis is accepted.

Table 5. Partial Significance (t-Test)

No	Variables	t-value	Sig.
1	Character	1.461	0.149
2	Managerial Ability	-3.183	0.002
3	Business Conditions	2.868	0.006
4	Bad Use Of Credit	4.309	.000

Based on the output table 5 obtained from the significance (Sig) of the debtor character variable (X1) there is a probability value of 0.149, managerial ability (X2) has a value of 0.002, business conditions (X3) has a value of 0.006, the use of bad credit (X4) has a value of 0.000. Of the four variables that have an influence on non-performing loans (Y) are managerial abilities (X2), business conditions (X3), bad credit use (X4) because the sig value is less than 0.05.

Coefficient of Determination (R2)

According to Sugiono (2017) Test the coefficient of determination (R2) to measure how much the independent variable "Ability" explains the dependent variable "Success". The coefficient of determination ranges from 0 to 1 for more. The closer the number to 1, the greater the independent variable (X) is able to describe the dependent variable (Y). The value of the coefficient of determination can be determined by the value of R2 and for analysis it can use the output and can be seen in the R square Model Summary.

Table 6. Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.625[a]	0.391	0.353	1.612

From the calculations in table 6, the R Square value is 0.391 or 39.1%, which means that if 39.1% of non-performing loans are influenced by variables from this study, the remaining 60.9% is influenced by other variables outside the research.

5 CONCLUSION

This study seeks to answer the research objectives, namely to determine the effect of debtor character, managerial ability, business conditions and use of bad credit at banks in Boyolali. Based on the results above, it can be ascertained that the following things do not affect the problem of managerial ability on credit, business conditions that affect non-performing loans. The limitations of this study only consist of four variables, namely the character of the debtor, managerial ability, business conditions and the use of credit that is not good while there are many more that affect non-performing loans. The number of respondents is only 70 people, of course it is not enough to know the actual conditions. During the data filling process, the information submitted to respondents using a questionnaire did not state the respondent's true opinion. This can happen because the dishonesty and views of each respondent in filling out the questionnaire are different. Suggestions from researchers for further research regarding the factors that affect non-performing loans in banks can add independent variables and the number of samples to produce better data accuracy in research.

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