

The Effect of Collateral, Debtor Character, Business Conditions and Managerial Ability on Non-Performing Loans At PT BPR Duta Paramarta

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Abstract

This study aims to examine the influence of collateral, debtor character, business conditions, and managerial ability on non-performing loans at PT. BPR Duta Paramarta. The research methodology employed is quantitative research with a descriptive approach. Data collection techniques utilized in this study involve survey methods with questionnaire instruments. The population in this research comprises all debtors of PT. BPR Duta Paramarta, with a sample size of 30 debtors. Data analysis consists of data quality tests, classic assumption tests, and hypothesis testing (T-test and F-test). The results of this study indicate that: 1) Collateral has a significant negative effect on non-performing loans, 2) Debtor character has a negative but insignificant effect on bad credit, 3) Business conditions have a significant negative effect on managerial performance, and 4) Managerial ability has a significant negative effect on non-performing loans.

Keywords : *Collateral, Debtor Character, Business Conditions, Managerial Ability, Non-Performing Loans*

1. INTRODUCTION

Banks are financial institutions that work based on trust in the community, in their operational activities the bank collects funds from the community and distributes them back to the community in the form of credit. Law of the Republic of Indonesia no. 10 of 1998 article 1 paragraph 11 concerning banking explains that "the provision of money or bills that can be equated with it is based on lending and borrowing between banks and other parties which requires the borrower to pay off the debt after a certain period of time with interest."

PT. Duta Paramarta People's Credit Bank (BPR) manages funds obtained from customer savings in the form of savings and deposits which are distributed back to the community in the form of. Limited capital limits the space for business activities carried out by the community whose aim is to increase income. Having limited funds and external sources of funds that are difficult to obtain make it difficult for people to try to improve their standard of living.

PT. PR Duta Paramarta prioritizes microcredit loan services for small entrepreneurs with the aim of facilitating production activities in order to achieve prosperity and a better standard of living, because small entrepreneurs are one part of the economic structure that supports increased economic growth, before microcredit loan facilities are provided. then PT. BPR Duta Paramarta must feel confident that the loans provided will actually be returned. This confidence is obtained from the results of the credit assessment before credit is disbursed.

PT. BPR Duta Paramarta provides credit to borrowers, if the bank feels confident that the credit given to prospective customers will be received according to the time period and conditions agreed by both parties. If there are one or several debtors who do not comply with these rules, it

could have repercussions in the future, namely that the kupedes given will not be in accordance with the stipulated time or the payment will be in arrears. Based on its provisions, the Financial Services Authority (OJK) classifies credit quality as (1) Current, meaning the credit disbursed does not cause problems, (2) special attention, meaning the credit provided has started to have problems, so it needs attention, (3) substandard. This means that if the credit provided has begun to falter, but the customer is still able to pay, (4) it is doubtful, that is, the customer's ability to pay is increasingly uncertain, and (5) it is in trouble if the customer is no longer able to pay the loan, so it needs to be saved. We understand that one of the risks faced by every bank in running its business is credit risk. Credit risk is the risk that arises as a result of the debtor's failure to fulfill obligations. Credit risks that arise in providing credit are still very dominant because most bank activities are still in the credit sector. The existence of credit risks that threaten banks must be anticipated appropriately.

In banking practice, non-performing loans are all loans that have a high risk because the debtor has failed/faced problems in fulfilling predetermined obligations. Problematic Kupedes are non-performing loans with substandard, doubtful and bad collectability (Suriya, 2012).

According to Ismail (2010), in general there are two factors that cause credit problems, namely internal factors and external factors of the bank. Internal bank factors such as inappropriate analysis, collusion between bank officials who handle credit and customers, limited knowledge of bank officials regarding the type of debtor's business, too much interference from related parties, weaknesses in providing guidance and monitoring of debtor credit, etc.

External factors consist of intentional elements carried out by customers and unintentional elements. The element of intent, for example, is that the customer deliberately does not make installment payments to the bank, the debtor expands too much, the use of funds is not in accordance with the objectives, etc (Suyatno et al., 1999). Meanwhile, unintentional elements such as the debtor's business being limited, the debtor's business not being able to compete with the market, changes in government policy, and natural disasters, etc (Mukhsinati, 2011).

Credit problems that usually arise can occur when the bank disburses funds for the first time to the debtor, such as granting credit that is carried out without a credit agreement, which of course is a very unreasonable event and will clearly be very detrimental to the debtor, or can also the credit was problematic in the middle of the credit period. Problematic credit in the middle of the credit period, for example, is like a debtor experiencing financial difficulties so that payment of credit obligations cannot be made in accordance with previously agreed terms (S. et al., 2002).

Then it can also be caused by conditions outside the debtor's business, such as security conditions that do not support the running of the debtor's business processes or also hostile natural conditions such as disasters nature, bad weather and so on, of course all of these conditions will greatly hamper the progress of the debtor's business processes and will of course have a direct impact on the bank as the debtor by not being able to fulfill the debtor's obligations to the creditor.

Based on this description, the author summarizes several points as dependent variables in this research, namely Collateral (X1), Debtor Character (X2), Business Conditions (X3) and Managerial Ability (X4).

As an initial illustration of the development of credit distribution at PT. BPR Duta Paramarta can be seen in table 1.1 below.

Table 1.1

Credit Distribution Development Data at PT BPR Duta Paramarta Year 2020-2022

Year	Debtor (Person)	Credit (Rp)	%	Problem Debtor (Person)	Problem Loans (Rp)	%	NPL (%)
2020	900	22,499,158,732		113	1,111,060,453		4.94
2021	959	23,624,116,669	5.00	125	1,111,338,218	0.03	4.70
2022	1018	24,687,201,919	4.50	137	1,111,866,104	0.05	4.50

Source: PT. BPR Duta Paramarta (data processed), 2023

Based on the data in table 1.1, it is known that the amount of credit increased from 2020 to 2022. This increase was in line with the increase in the number of debtors using credit from 900 customers in 2020, increasing to 959 customers and in 2021 increasing to 1018 customers. Thus, the increase in debtors from 2020 to 2022 has increased quite significantly with an increase in debtors of 108 debtors.

Of the total number of debtors, several customers experienced problems in repaying credit. In the table it can be seen that Non-Performing Loans (NPL) have increased but the NPL percentage has decreased, this proves that the number of non-performing loans (NPL) has increased, but in reality the NPL percentage has not followed suit or has decreased.

Reducing the risk of problem credit can be attempted by examining the factors that cause problem credit. Over the past three years, there has been a significant increase in non-performing loans. This increase in non-performing loans is one of the basic factors that influence non-performing loans at PT. BPR Duta Paramarta

Based on the description above, the author is interested in raising the title: *“The Influence of Collateral, Debtor Character, Business Conditions and Managerial Capabilities on Problem Loans at PT. BPR Duta Paramarta”*.

2. LITERATURE REVIEW

According to Kuncoro & Suhardjono (2002:68) banks are financial institutions whose main business is to collect funds and distribute these funds back to the community in the form of credit and provide services in payment traffic and money circulation. Therefore, in carrying out daily business activities, banks must have funds to be able to provide credit to the public. These funds can be obtained from bank owners (shareholders), the government, Indonesian banks, parties abroad, and domestic communities. Funds from bank owners are in the form of capital deposits made at the time the bank was founded.

According to Thamrin (2012:162) the word credit comes from language *“Believe”* which means trust, in the sense that a person or an entity that provides credit (creditor) believes that the credit recipient (debtor) in the future will be able to fulfill everything that has been promised, if someone obtains credit it means they have trust, therefore the basis of credit is trust.

According to Kasmir (2013:113) the definition of credit according to Banking Law Number 10 of 1998 is the provision of money or bills that can be equivalent to it, based on an agreement

or loan agreement between the bank and another party which requires the borrower to pay off the debt after a certain period of time with interest.

According to Kasmir (2010:75) the elements contained in providing a credit facility are trust, agreement, time period, risk and remuneration. According to Ismail (2010) in credit distribution, the credit given by the bank to the debtor will not always run smoothly as expected in the credit agreement. In general, there are two factors that cause problematic credit, namely internal bank factors and external bank factors.

3. RESEARCH METHOD

The type of research used is descriptive research (*descriptive research*) namely research into problems in the form of current facts from a population. The type of data in this research is subject data, namely the type of research data in the form of opinions, attitudes, experiences or characteristics of a person or group of people who are research subjects (respondents) (Purwanto, 2012). Data collection was carried out using a survey method. The survey method is a method (research) that uses questionnaires as the main instrument for collecting data (Nazir, 2003). Meanwhile, the data source used in this research is primary data. Primary data is research data obtained directly from original sources (Sugiyono, 2019)).

The population of this research is all debtors of PT. BPR Duta Paramarta. Meanwhile, the sample is part of the number and characteristics of the population. The sample selection method used in this research is *Purposive Sampling* namely sampling with certain considerations (Suharyadi, 2004). These considerations are based on the interests or objectives of the research. The sample that will be used in the research is 30 (thirty).

This research uses primary data directly obtained from debtors or employees selected as research samples. Researchers used survey data collection techniques to obtain opinion data for each debtor or employee. Surveys are a method of collecting primary data by asking questions to individual respondents (Jogiyanto, 2018). The survey method in this research was carried out using *mail survey*, namely by sending a questionnaire to PT. BPR Duta Paramarta was the sample in this research.

4. RESULTS AND ANALYSIS

Analysis

Uji Signifikansi Parsial (t-test)

Meanwhile, partially, the influence of the two independent variables (Collateral, Debtor Character, Business Conditions and Managerial Ability) simultaneously has a significant effect on the dependent variable (Bad Credit shown in Table 4.1

**Table 4.1
T Test**

Coefficients^a

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	51.389	1.760		29.206	.000
	X1	-.730	.196	-.323	-3.723	.001
	X2	-.162	.239	-.068	-.678	.504
	X3	-.327	.149	-.229	-2.198	.037
	X4	-.704	.177	-.454	-3.972	.001

a. Dependent Variable: Y

Data source: SPSS 2023

From the results of the multiple linear regression equation above, it can be seen that the constant value is 51.389. This indicates that Problem Loans have a value of 51.389 if the independent variables (Collateral, Debtor Character, Business Conditions and Managerial Ability) are considered constant, and the constant shows significant results. To see the magnitude of the influence of the independent variable on the dependent variable, it can be seen from the beta value unstandardized coefficient. Meanwhile, to see which independent variable has the most influence on the dependent variable, it is reflected in beta standardized coefficients.

The significance value for each independent variable can be seen in table 4.1. The guarantee cost variable has a significance value of 0,001 or 0.01% is smaller than 5% then H0 accepted, which means that the Guarantee has a negative and significant effect on Problem Loans. The Debtor Character variable has a significance value of 0.504 or 50.4%, so H0 rejected, which means that the Debtor Character variable has no effect on Problem Loans. The Business Conditions variable has a significance of 0.037 or 3.7% less than 5%, so H0 is accepted, which means that Business Conditions have a negative and significant effect on Problem Loans. The Managerial Ability variable has a significance of 0.001 or 0.01% less than 5%, so H0 is accepted, which means that Managerial Ability has a negative and significant effect on Problem Loans.

Simultaneous Significance Test (F-test)

Based on the calculation results, the F value is obtained to 65,108 and a significance value of 0.000. The results can be seen from Table 4.2 below:

**Table 4.2
F Test
ANOVA^a**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	836.044	4	209.011	65.108	.000 ^b
	Residual	80.256	25	3.210		
	Total	916.300	29			

a. Dependent Variable: Y

b. Predictors: (Constant), X4, X1, X2, X3

Meanwhile the F_{table} at the 95% confidence level ($\alpha = 5\%$), the F value is obtained $F_{0,05(4:30)}$ amounting to 2,701. Thus the $F_{\text{count}} > F_{\text{table}}$, namely $65,108 > 2.701$. Therefore, H_0 rejected, this means that the independent variables (Collateral, Debtor Character, Business Conditions and Managerial Ability) simultaneously have a significant effect on the variable dependent (Problematic Credit) means that the size of these three variables simultaneously influences Problematic Credit. The significant influence can also be seen from the significance value $F(0.000) < \alpha_{0,05}$.

Discussion

The test results of each independent variable on the dependent variable can be analyzed as follows:

The Effect of Collateral on Problem Loans

From the results of partial test calculations, a significance value of 0.001 was obtained. Because the significance value is smaller than 5%, the hypothesis which states that the Collateral variable has a negative and significant effect on Problem Loans is accepted. In other words, the collateral variable has a negative and significant effect on Bad Credit. In this research, collateral can be used to improve credit quality.

The Influence of Debtor Character on Problem Loans

From the results of partial test calculations, a significance value of 0.504 or 50.4% was obtained. Because the significance value is greater than 5%, the hypothesis is rejected, meaning there is an influence between the debtor character variables against bad credit. This means that the debtor character variable has a negative but not significant effect on bad credit.

The Effect of Business Conditions on Bad Credit

From the results of partial test calculations, a significance value of 0.037 or 3.7% was obtained. Because the significance value is smaller than 5%, the hypothesis which states that the Business Conditions variable has a negative and significant effect on managerial performance is accepted. In other words, the work motivation variable has a negative and significant effect on problematic credit. The size of the debtor's business conditions greatly determines the credit quality of the debtor concerned. This is because if the debtor's business becomes more advanced and successful, it will increase the ability of the debtor concerned to make payments on his loan.

The Influence of Managerial Ability on Bad Credit

From the results of partial test calculations, a significance value of 0.001 was obtained. Because the significance value is smaller than 5%, the hypothesis which states that the managerial ability variable has a negative and significant effect on Non-Performing Credit is accepted. In other words, the managerial ability variable has a negative and significant effect on Bad Credit. In this research, managerial abilities can be used to improve credit quality.

5. CONCLUSION

Based on the findings and discussions presented in the preceding chapter, several key conclusions emerge from this study. Firstly, simultaneous hypothesis testing reveals a significant influence of independent variables (Collateral, Debtor Character, Business Conditions, and

Managerial Ability) on Non-Performing Credit at PT. BPR Duta Paramarta. Secondly, partial hypothesis testing indicates a negative and statistically significant impact of the collateral variable on non-performing loans, signifying its role in improving credit quality.

However, the debtor character variable, while negatively influencing bad credit, does not reach statistical significance, suggesting its limited utility for enhancing credit quality at PT. BPR Duta Paramarta. Conversely, both the business condition and managerial ability variables demonstrate a negative and significant effect on bad credit, underscoring their importance in influencing credit quality within the organization. Overall, these findings highlight the complex interplay of factors affecting non-performing credit at PT. BPR Duta Paramarta and emphasize the need for targeted strategies to mitigate credit risks and improve overall credit quality.

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