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Influence Of Third Party Funds on Credit Distribution

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Abstract

The purpose of this research is to identify the influence of Third-Party Funds, Non-Performing Loans (NPL), and Return on Assets on Credit Distribution. As well as the role of ROA which becomes mediation in PT. XYZ. This study uses samples in the form of publication balance sheet reports from PT. XYZ in the period 2019-2021. This research is a quantitative research using SEM PLS techniques through the help of smart pls 3.0 software. The results of the study found that DPK significantly affects PK, with a statistical T value of 6,556 > 1.96 and the original sample of -0.773. The absence of influence of NPL on PK due to its statistical T value of 0.868 < 1.96 and the original sample of -0.146 has a negative relationship to credit distribution. ROA has no direct influence on PK with a statistical T value of 0.006 < 1.96 and the original sample of -0.002 has a negative relationship meaning to PK. DPK had a significant negative influence on ROA with a statistical T value of 2,966 > 1.96 and the original sample of -0.657 having a negative relationship direction. There is no effect of NPL on ROA with a Statistical T value of 0.205 < 1.96 and the original sample of 0.056 has a positive relationship to ROA. NPL has no influence over PK through ROA mediation with its Statistical T value of 0.001<1.96.

Keywords: Third Party Funds, Non Performing Loan, Return On Asset, Credit Distribution

1. Introduction

Banks are institutions in which there are financial transactions, and banks also guarantee the security of the public in storing money [1]. Law No. 10 article 1 states that banks are bodies that collect funds from the community in the form of deposits and distribute them to the community in the form of loans or other forms to increase them [2]. From the statement, it can be seen that the Bank becomes an intermediary for funds received from the community to be channelled back in the form of credit. The operations carried out in the collection are savings and term deposits [3].

The main activity of the Bank is to fund people who need funds in the form of loans. Some loans offered by banks are generally in the form of consumer credit, working capital and investment. However, banking as a means of community development needs to be balanced with the Bank's ability to manage existing risks. The borrower is obliged to repay the loan given within the specified period. The Bank analyses customer history, business, collateral provided, and others to state that the customer can fulfill his obligations. Loan repayment is a very important thing to improve the performance of the Bank. Therefore the need for the role of credit analysis is anticipated in sorting out loans, whether canceled or forwarded, to minimize the occurrence of losses [4], [5].

Credit is the loan in the form of money to another party with a loan agreement between the first party and the second party, in which, in the agreement, the community must pay off its debts at the same time as agreed [6]. Some factors in this study that are considered to influence credit distribution include Third Party Funds, Non-Performing Loans, and Return on Assets and Credit Distribution [7]. Credit is defined as giving, lending money, or goods to others within a certain period. Either with guarantees or without guarantees.

Table 1. Publication Balance Report of PT. XYZ Year of 2019.

Year	Month	Outposts	Fluent	Less Smooth	Doubt	Bad	Amount (Rp)	Ratio NPL Net
2019	**March**	Non-Bank - Related Parties	2,083,630	-	-	-	2,083,630	7.29
		Non-Bank - Unrelated Party	116,978,980	4,311,676	5,740,526	1,693,452	128,724,634	
	June	Non-Bank - Related Parties	2,120,933	-	-	-	2,120,933	8.53
		Non-Bank - Unrelated Party	114,260,345	3,830,334	6,820,126	2,196,720	127,107,525	
	September	Non-Bank - Related Parties	1,985,054	-	-	-	1,985,054	6.44
		Non-Bank - Unrelated Party	116,176,717	2,641,873	4,787,493	2,840,684	126,446,767	
	December	Non-Bank - Related Parties	1,960,262	-	-	-	1,960,262	7.17
		Non-Bank - Unrelated Party	106,514,751	2,970,770	4,399,174	3,635,239	117,519,934	

Based on table 1, the publication balance sheet report of PT. XYZ that there is a significant increase in the position of December 2020 and a decrease back in December 2021. The provision of bank credit requires third-party funds to run their business [8]. Therefore, Third Party Funds must be maximized to generate income and channel more credit. In Law No. 10 of 1998, third-party funds are deposited in the form of current accounts, deposits, savings, or others in which the public entrusts the bank as a depository of the funds by the agreement that has been agreed upon [9].

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Table 2. Development of Third Party Funds (Term Deposits and Savings).

Years	Third Party Savings		Amount of Deposits
	Deposits	Savings	
2018	Rp 223,823,496	Rp 30,239,448	Rp 254,062,944
2019	Rp 195,872,323	Rp 24,437,953	Rp 220,310,276
2020	Rp 188,160,191	Rp 27,440,524	Rp 215,600,715

It can be seen in Table 2 that there is a decrease in the deposit rate of third-party funds at PT. XYZ every year. Non-Performing Loans or problem credit is one of the factors that can affect the performance or function of the bank [10]. If the Non-Performing Loans are high, then they should be more considered because a high NPL can affect low profitability. Conversely, if the Non-Performing Loans are low, then the profit generated will be high and have an impact on maximum credit [11].

Table 3. Data of Non-Performing Loan (NPL) PT. XYZ Year of 2020-2021.

Year	Month	Outposts	Fluent	DPK	Less Smooth	Doubt	Bad	Amount (Rp)	Ratio NPL Net
2020	March	Non-Bank - Related Parties	1,784,065	-	-	-	-	1,784,065	7.39
		Non-Bank - Unrelated Party	109,246,194		4,381,212	3,179,083	2,945,031	119,751,520	
	June	Non-Bank - Related Parties	3,853,060		-	-	-	3,853,060	6.61
		Non-Bank - Unrelated Party	118,443,454		4,610,156	2,503,490	3,147,171	128,704,271	
	September	Non-Bank - Related Parties	3,438,943		-	-	-	3,438,943	5.46
		Non-Bank - Unrelated Party	122,774,078		3,624,487	2,149,531	3,423,035	131,971,131	
	December	Non-Bank - Related Parties	3,218,335	-	-	-	-	3,218,335	6.67
		Non-Bank - Unrelated Party	114,673,224	11,719,427	4,730,694	2,320,552	4,037,517	137,481,414	

Year	Month	Outposts	Fluent	DPK	Less Smooth	Doubt	Bad	Amount (Rp)	Ratio NPL Net
2021	March	Non-Bank - Related Parties	3,532,752	-	-	-	-	3,532,752	6
		Non-Bank - Unrelated Party	117,343,890	13,826,710	3,693,295	2,794,593	3,949,816	141,608,304	
	June	Non-Bank - Related Parties	3,368,281	-	-	-	-	3,368,281	10.1
		Non-Bank - Unrelated Party	110,864,253	12,586,435	9,516,403	2,240,437	4,540,076	139,747,604	
	September	Non-Bank - Related Parties	2,972,831	-	-	-	-	2,972,831	8.95
		Non-Bank - Unrelated Party	110,134,090	9,509,686	6,012,686	4,625,757	3,924,662	134,207,036	
	December	Non-Bank - Related Parties	2,914,360	-	-	-	-	2,914,360	7.43
		Non-Bank - Unrelated Party	116,247,503	7,297,170	6,901,016	2,376,693	2,709,188	135,531,569	

Banking is everything about the bank, which in which there are activities or processes in carrying out its business [12]. Bank is an institution that collects funds from the community in the form of deposits, returns them to the community, and provides other banking services. As quoted from the OJK website, the bank's main task is as a collection and distributor of funds to support the implementation of development to improve the equalization of development. According to Brigham & Houston [13], the signal theory is a shareholder's view of a company's ability to increase its value in the future. This is an action taken by a company to signal to its shareholders about the management of the company. For investors, the existence of this information is so important because it presents the required information. Signaling Theory can be an analytical tool for investors in making the right decisions [14], [15].

Credit can be interpreted as a payment. Credit is also interpreted as giving, borrowing money, or goods to the community with in a specified period [16]. Heather there is a given or not [17]. According to Cashmere (2002:105), the purpose of credit depends on the goals or achievements desired by the bank itself [18]. The purpose of credit is a). The main purpose is to benefit the bank from the interest earned from the customer and the management costs borne by the customer. b) Support customer efforts. Support entrepreneurs or other customers who need capital. So that they can be helped in carrying out their business, and c) Support the government [19]. The amount of credit channeled by banks has a good impact also, considering there is a flow of funds in increasing development in various sectors [20].

DPK is a deposit in the form of current accounts, deposits, savings, or others in which the public entrusts the bank as a depository of the funds by the agreement that has been agreed upon [21]. According to Kasmir, DPK is the source of funds used in the bank's operational activities where the funds come from the community. The purpose of the source of funds is a). Giro is a type of deposit where funds can be disbursed at any time. Withdrawals can be made by check, checking, and so on. b). Deposits are a type of deposit whose disbursement is limited and adjusted to the agreed time. c). Savings is a type of deposit in which the money withdrawal system cannot use checks, checking current accounts, or other tools. Withdrawals can only be made under certain conditions [22].

NPL is a benchmark in evaluating bank quality. NPL is a clue about the problems that exist in the bank. If it is not moved to solve, it has the potential to cause a dangerous impact. The triggering factor of NPL in financial institutions is the result of a multi-dimensional crisis that, until now, caused bank customers to be unable to solve their bad credit problems [23].Besides, there's nothing to solve the problem [24]. Here are the ways that can be used in solving the problem, namely: a). Rescheduling, efforts to change the loan requirements regarding the details of loan installment or maturity and the number of installments. b) Recondition, making changes to the credit terms either in whole or in part. c) Restructuring, making changes to the credit terms related to the addition of funds and then converting into new credit principal. Return on Asset (ROA) is a measure of the company's capability to obtain profits. ROA can help in assessing the level of ability of the company to generate profits earned in the previous period and then projected to be better in the next period [25].

2. Research Method

Research design is a guideline or direction that is used accurately and precisely as a determinant of direction in the research process in order to achieve aligned goals. Without research design, researchers could not do this study well [26]. This research is a quantitative research that is structured research on parts and events and causation between the two. Publication Balance Sheet report owned by PT. XYZ within a span of three years from 2019-to 2021 became the population in this study. To determine the sample of authors using the publication balance sheet report consisting of the number of deposits (Savings + Deposits), credit reports provided, and non-performing loan reports for three years from 2019 to 2021.

This study uses data analysis with the help of Smart PLS 3 software [27]. It uses the bootstrap resampling method developed by Geisser & Stone. Using the t-test as a statistical test, using resampling, data can be freely distributed (without distribution), so there is no need to assume a normal distribution, and large sample size is required. It was concluded that if the

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test is run on one test obtaining a p-value of 0.05 (α = 5%) it means significance and vice versa. If the external hypothesis test is significant, this proves that the indicator can be used as a measure of latent variables [28]. However, if the internal model test results are significant, then the latent variable can be interpreted to have a significant influence on other variables.

3. Results And Discussions

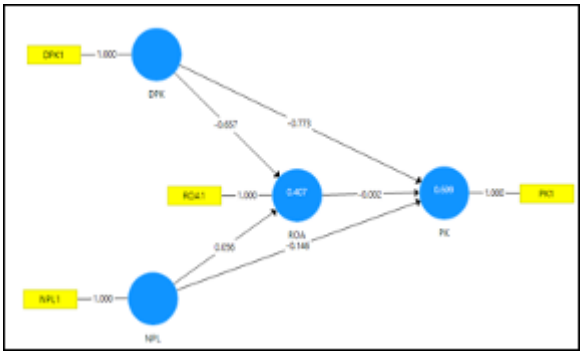

Figure 1. Research Model

Judging from figure 1, there appear to be two models, namely internal models, and external models [29]. There is a way between Third Party Funds, Non Performing Loans, and Return on Assets, and Credit Distribution relationship to credit distribution [30]. In data processing measurements there are dimensional paths in each variable to test the reflectiveness of a data processing own. In the figure above there is a variable dimension that has a loading factor > 0.50, so it can be said that the dimensions of the variables are valid.

Table 4. Convergent Validity.

	DPK	NPL	ROA	PK
DPK	**1000**			
NPL		**1000**		
ROA			**1000**	
PK				**1000**

In table 4 it can be seen in this study has an association, based on the results proving that the variable is valid and the researcher can proceed to the next stage.

Table 5. Reliability Test Results.

Construct	Composite Reliability	Cronbach Alpha	Note
Third Party Funds (DPK)	1	1	Reliable
Non Performing Loan (NPL)	1	1	Reliable
Return On Asset (ROA)	1	1	Reliable
Credit Distribution (PK)	1	1	Reliable

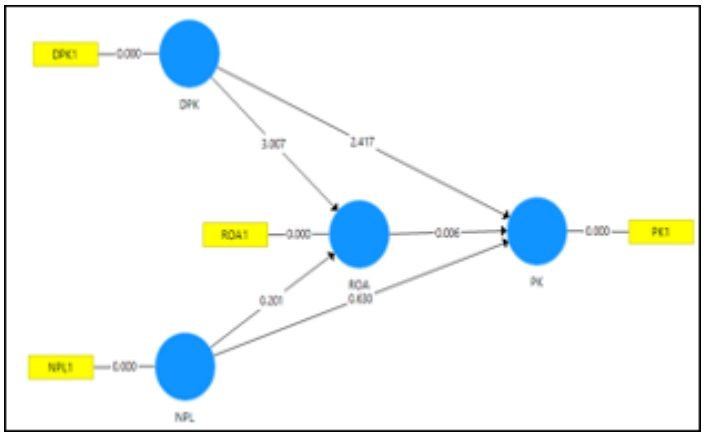

Figure 2. Bootstrapping Results.

It can be seen through table 5 that the value of composite reliability is > 0.70 can be interpreted as the variable used to have good composite reliability. Likewise, with Cronbach alpha in DPK of 1.000, NPL of 1.000, ROA of 1.000, and Credit Distribution (Y) of 1.000, these values > 0.70 can be interpreted as the variable having high reliability.

Table 6. Value of Path Coefficient Direct Influence Hypothesis.

Hypothesis	Variable		Direct	Indirect	Total	T-Statistic	Note
	Exogenous	Endogenous	Effect	Effect	Effect	(>1,96)	
1	DPK	PK	-0.773	-	-0.771	6.556	Significant
2	NPL	PK	-0.146	0.001	-0.146	0.868	Insignificant
3	ROA	PK	-0.002	-	-0.002	0.006	Insignificant
4	DPK	ROA	-0.657	-	-0.657	2.966	Significant
5	NPL	ROA	0.056	-	0.056	0.205	Insignificant

It can be known through the data of the analysis of the direct influence between variables, both significant and not. The results of direct influence testing can be described as follows: *First*, data analysis shows that DPK against PK obtained a Statistical T value of 6,556 > 1.96, and the original sample of -0.773 has a negative relationship direction; therefore, the first hypothesis with third party fund statements affects the distribution of received credit. *Second*, the acquisition of data analysis shows a statistical T value of 0.868 < 1.96 means that NPL has no influence on credit distribution. And the original sample of -0.146 has a negative relationship to credit

distribution. This refutes the second hypothesis that NPL has an effect on credit distribution. *Third*, the acquisition of ROA statistical T value on credit distribution of 0.006 < 1.96, which means that ROA has no influence on credit distribution but has a negative influence because the original sample value of -0.002 So that the third hypothesis is rejected.

Fourth, the statistical value of 2,966 > 1.96 and the original sample of -0.657 has a negative relationship direction, has a significant negative relationship meaning so that the fourth hypothesis is rejected. *Fifth*, statistical T produces a value of 0.205 < 1.96, meaning that NPL has no direct effect on ROA, and the original sample value of 0.056 has a positive relationship to ROA. So the fifth hypothesis that states NPL affects ROA is rejected. *Sixth*, this test is based on the results of the specific indirect effect test on PLS. NPL to credit distribution with ROA mediation gets a statistical T value of 0.001 < 1.96. This proves that there is no indirect influence of NPL on PK through ROA. The sixth hypothesis is not accepted.

4. Conclusion

In the discussion above, it can be concluded that DPK has a significant negative effect on PK, with a statistical T value of 6,556 > 1.96 and the original sample of -0.773. The absence of influence of NPL on PK due to the statistical T value of 0.868 < 1.96 and the original sample of -0.146 has a negative relationship meaning to credit distribution. ROA does not have a direct influence on PK with a statistical T value of 0.006 < 1.96, and the original sample of -0.002 has a negative relationship meaning to PK. DPK has a significant negative influence on ROA with a statistical T value of 2.966 > 1.96, and original The sample of -0.657 had a negative relationship direction.

There is no effect of NPL on ROA with a Statistical T value of 0.205 < 1.96, and the original sample of 0.056 has a positive relationship to ROA. NPL has no influence over PK through ROA mediation with its Statistical T value of 0.001 < 1.96. *Fourth*, the statistical value of 2,966 > 1.96 and the original sample of -0.657 has a negative relationship direction, has a significant negative relationship meaning so that the fourth hypothesis is rejected. *Fifth*, statistical T produces a value of 0.205 < 1.96, meaning that NPL has no direct effect on ROA, and the original sample value of 0.056 has a positive relationship to ROA. So the fifth hypothesis that states NPL affects ROA is rejected. *Sixth*, this test is based on the results of the specific indirect effect test on PLS.

NPL to credit distribution with ROA mediation gets a statistical T value of 0.001 < 1.96. This proves that there is no indirect influence of NPL on PK through ROA. The sixth hypothesis is not accepted.

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