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Analysis of the Credit Policy of Banking Companies Listed on the LQ45 Index on the Indonesia Stock Exchange for the November 2021 Period

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Abstract

This study examines credit policies of banking companies listed on the Indonesia Stock Exchange by comparing asset allocation for credit and asset allocation overall, using liquidity factors such as the NPL (Non-Performing Loan) ratio and LDR (Loan to Deposit Ratio) as independent variables. The secondary data used is from banking companies in the LQ45 index group from 2015-2020, and the data is analyzed using multiple linear regression to determine the effect of independent variables on the dependent variable of credit policy. Researchers uses multiple linear analysis to investigate the relationship between liquidity, represented by Non-Performing Loans (NPL) and Loan to Deposit Ratio (LDR), and credit policies of banking companies listed in LQ45 index for the period of November 2021-January 2022. The data completeness is for six years. The credit policy is measured by the percentage of allocation for credit in the asset structure of banking companies. The results show that NPL and LDR have a significant impact on credit policy with a 5% significance level, indicating the importance of credit management in banking activities.

Keywords *: Credit Policy, Bank, Liquidity, LQ45, NPL, LDR.*

1. INTRODUCTION

Bank is one of the business entities that has the main task of collecting funds from the public in the form of demand deposits, savings and deposits and then channeling these funds to people in need in the form of credit. When allocating funds in the form of credit, the bank must have confidence based on an in-depth analysis of the debtor's ability and ability to repay the credit according to the agreed agreement. Credit disbursed by the bank has risks so that in its implementation the bank must establish sound credit principles.

In allocating funds, the bank must be able to determine from the various alternatives available. As stated by According to Hariyani (2010: 58) as it is known that the essential element of bank credit is the trust of the bank as a creditor to borrowing customers as creditors to borrowing customers as debtors. Credit activities are a series of main activities of commercial banks. In credit policy, there are various issues as stated by Sawaldjo Puspopranoto (2004:138), namely credit volume, credit mix, cost of credit, and other factors. Credit costs are costs that will be *charged to credit facilities and several other factors that become issues in credit policies such as credit arrangements, bank administration and debtors.*

For this study, the authors describe credit policies with banking companies listed on the Indonesia Stock Exchange through a comparison between asset allocation for credit and asset allocation for the whole. The condition of the company can be seen using one of the factors, namely the liquidity factor. The stability of the company's own liquidity position can demonstrate the bank's ability to meet its short-term obligations. The liquidity used in this study was measured using the ratio of NPL (Non-Performing Loan) and LDR (Loan to Deposit Ratio). Where the independent variables are the two ratios and the dependent variable is credit policy. Then the data used for this study is secondary data from banking companies included in the LQ45 index group from 2015-2020 in the November 2021 period, the data is then processed using multiple linear regression to determine the effect of the independent variable on the dependent variable.

2. LITERATURE REVIEW

Law of the Republic of Indonesia Number 10 1998 article 1 (2) states that a Bank is a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and or other forms in order to improve the standard of living of the people at large.

The word credit comes from the Roman word "credere" which means to believe, credit can also be interpreted as giving achievements (eg money, goods) with a return for achievements (contra-achievements) that will occur in the future (Dwi Riyadi, 2009).

Kasmir (2002:92), defines financing as the provision of money or an equivalent claim, based on an agreement or agreement between the bank and another party that requires the party being financed to return the money or bill after a certain period of time with compensation or profit sharing.

According to Sawaldjo Puspopranoto (2004:137), credit is a vital activity in the banking industry. The role of this credit is reflected in the allocation of bank funds and the large share of income from the credit portfolio in the total income obtained by the bank. In addition, the credit function generally bears the greatest risk. Commercial bank failures are usually related to problems in the credit portfolio and less often caused by the shrinking value of other assets.

According to Van Horne and Wachowicz (2012: 205), liquidity is: "The ratio used to measure the company's ability to meet its short-term obligations. This ratio compares short-term liabilities with short-term resources (current assets) available to meet these short-term obligations. " According to Kasmir (2012: 110), the definition of liquidity is: short-term liabilities (debt). Not much different from the opinion above, according to Subramanyam (2012: 185) the definition of liquidity is: "Liquidity is the company's ability to meet its financial obligations that must be met immediately (short term)"

According to Herman Darmawi (2011:16) the notion of non-performing loan (NPL) is one of the measurements of the bank's business risk ratio which shows the magnitude of the risk of non-performing loans that exist in a bank. Understanding Loan to Deposit Ratio (LDR) according to Martono (2002:82) states that: "Loan to Deposit Ratio is a ratio to determine the ability of banks to repay obligations to customers who have invested their funds with credits that have been given to debtors." Meanwhile, according to According to Mulyono (2001:101), the Loan to Deposit Ratio (LDR) is a comparison ratio between the amount of funds distributed to the public (credit) with the amount of public funds and own capital used. Loans This ratio describes a bank's ability to repay withdrawals made by depositors by relying on loans as a source of liquidity.

3. RESEARCH METHOD

The data used in this study is secondary data, namely data on the financial statements of banking companies included in the LQ45 stock group for the 2015 to 2020 period from the website of PT. Indonesia Stock Exchange, IDX Statistics Books, and other supporting media. And look at the completeness of the data and did not experience delisting in the study period. So that there are five banking companies that will be studied within a period of six years. The following are the empirical steps in this research:

1. *Banking companies listed in the LQ45 stock group for the period November 2021 to January 2022.*

2. *The observation period was carried out from 2015 to 2020 by looking at the completeness of the financial data of the banking companies that became the research sample. Thus, five banking companies were obtained, namely Bank Central Asia Tbk., Bank Negara Indonesia Tbk., Bank Rakyat Indonesia Tbk., Bank Tabungan Negara Tbk., and Bank Mandiri Tbk.*
3. *Calculating Non-Performing Loans (NPL) as an explanatory factor for liquidity by calculating the following:*
   NPL = Total Non-Performing Loans / Total Credit × 100%
4. *Calculating the Loan to Deposit Ratio (LDR) as an explanatory factor for liquidity by calculating the following:*
   LDR = Total Credit / Total DPK × 100%
5. *Credit policy is measured by the percentage of asset allocation for credit compared to overall assets.*
6. *After calculating the entire dependent variable and independent variable, a linear regression analysis was carried out to determine the relationship and influence between the independent variable on the dependent variable with the following formula;*

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Y = *Credit Policy*
α = *Regression Coefficient*
β_1, β_2 = *Variable Coefficient*
X_1 = *Non Performing Loan (NPL)*
X_2 = *Loan to Deposit Ratio*
$\mathcal{E}$ = *Residu*

4. RESULT AND ANALYSIS

Based on the method that will be used in this study, which has been described in the previous chapter, this chapter will discuss the results of the research methodology in explaining The Effect of Non-Performing Loans and Loans to Deposit Ratios on the Credit Policy of banking companies listed in the LQ45 index for the period November 2021- January 2022. In table 4.1 the related data is presented.

In table 4.1, it is known that the highest credit distribution in 2020 was by Bank Mandiri (Persero) Tbk. amounting to Rp. 834,293 billion or 28% of the total loan disbursement by the banking group listed in the LQ45 stock group in the same period. The lowest credit lender is known by Bank Tabungan Negara (Persero) Tbk. amounting to Rp217,711 billion or 7% of the total lending by the banking group listed in the LQ45 stock group in the same period. Overall the average lending from 2015 - 2020 from the smallest to the largest is the Bank Tabungan Negara (Persero) Tbk. then Bank Rakyat Indonesia (Persero) Tbk

Table 4.1 also presents processed data on credit policies from 2015 to 2020 for banking companies listed on the LQ45 index for the period November 2021-January 2022 and became the sample in this study, where credit policy can be measured by the percentage of allocation for credit in the company's asset structure. banking. It is known that the overall allocation of fund placements for credit reaches even more than half of the total assets of the banking company. The highest allocation in 2015 by BTN (Persero) Tbk. by 80% of its total assets because at that time it was the era of the Property Boom in Indonesia so that BTN got its blessings. This indicates that credit management is an important activity in banking activities.

Tables 4.2, 4.3, and 4.4 are presented with descriptive statistics of the data research, Model Summary, and ANOVA. It is known that the highest mean is found in the LDR dependent variable of 0.8967 with a standard deviation of 0.9827. The results of the partial test (t-test) show that all independent variables, namely NPL and LDR, affect the dependent variable of credit policy with a significant level of 5%. Then based on the results of the simultaneous test (f test) overall it is known that there is an influence of independent variables simultaneously influencing the dependent variable with a significance level of 5%, as evidenced by the calculated F value is greater than F table where calculated F is 10.940 and F table is 9.55. Where the value of r-square is 45%. Histograms, regression graphs P Plot and Scatterplot are shown in Figures 4.1, 4.2, and 4.3.

Based on the results of hypothesis testing, the multiple linear regression model in this study can be formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where X1 is Non Performing Loan, with X2 is Loan to Deposit Ratio with the dependent variable is credit policy. It is known that all independent variables affect credit policy with a significance level of 5%, so the linear regression equation model is as follows:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$
$Y = \alpha + (0,652)1 + (0,021)2 + 1,892$

5. CONCLUSION

In this study, multiple linear analysis is used to explain the relationship between liquidity represented by Non-Performing Loans (NPL) and Loan to Deposit Ratio (LDR) on credit policies of a group of banking companies that fall within the scope of LQ45 for the period November 2021-January 2022 with completeness of data for six years.

Credit policy can be measured by the percentage of allocation for credit in the asset structure of banking companies. It is known that the overall allocation of funds for credit has even reached more than half of the total assets of banking companies. So based on the results of the partial test and the simultaneous test, it shows that all independent variables, namely NPL and LDR, affect the dependent variable of credit policy with a significant level of 5%. Thus it is known that credit management is an important activity in banking activities.

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