



# CIREBON INTERNATIONAL CONFERENCE ON EDUCATION AND ECONOMICS (CICEE)

## THE INFLUENCE OF *CAPITAL ADEQUACY RATIO (CAR)* AND *NON-PERFORMING LOAN (NPL)* ON *LOAN DISBURSEMENT* (AT FOREIGN EXCHANGE NATIONAL PRIVATE COMMERCIAL BANKS LISTED ON THE IDX FOR THE 2014-2018 PERIOD)

Lara Diniyanti<sup>1</sup> Arif Maulana<sup>2</sup> Rega Mawarni Nur Hendarin<sup>3</sup>

<sup>1-3</sup> Swadaya Gunung Jati University, Cirebon, Indonesia

\*Corresponding author: [Laradiniyanti5@gmail.com](mailto:Laradiniyanti5@gmail.com)

### Abstract

*Banks are business entities that collect funds from the public in the form of deposits and distribute them to the public. The phenomenon that occurs in weak foreign exchange national private commercial banks operating in Indonesia is the poor performance of banks in maintaining the principle of prudence to channel credit funds. Banks concentrate credit on certain individuals or companies so as to encourage high credit risk and have an impact on reducing the quality of productive assets. The purpose of this study was to determine and analyze the effect of Capital Adequacy Ratio (CAR) and Non Performing Loan (NPL) on Lending to Foreign Exchange National Private Commercial Banks listed on the IDX 2014-2018. With a population of 23 companies, sample selection was carried out by using purposive sampling method. This type of research itself is a type of quantitative associative research, which is research that aims to determine a relationship between two or more variables (dependent and independent variables), through data processing in the form of numbers obtained through a study, in this study using secondary data in the form of financial reports of foreign exchange National Private Commercial Bank companies in 2014-2018, then analyzed with several tests. The results showed partially that the Capital Adequacy Ratio (CAR) had a significant effect on Lending, while Non Performing Loan (NPL) had no significant effect on Lending. Simultaneously, the Capital Adequacy Ratio (X1) and Non Performing Loan (X2) variables have a significant effect on Lending. Bank management should pay more attention to information about the bank's financial performance and other financial ratios that are useful as an illustration of how the company's financial condition and analyze banking companies.*

**Keywords:** Capital Adequacy Ratio (CAR), Non Performing Loan (NPL) and Lending

### INTRODUCTION

Today's modern global economy requires institutions that have a major role in improving the economic development of a country. One of the financial institutions that have an important role in the country's economy is banking.

According to (Law No. 10/1998) on banking states that a Bank is a business entity that collects funds from the public in the form of deposits and distributes them to the public in the form of credit and or other forms in order to improve the lives of many people. Thus,

banks are part of financial institutions that have an intermediary function that bridges the interests of parties with excess funds (depositors or creditors) and parties who need funds (borrowers or debtors). Parties with excess funds, both individuals, business entities, foundations, and government agencies can deposit their excess funds in the bank in the form of checking accounts, tabu-ngan, or time deposits according to their needs and preferences.

One of the main activities of banking is to channel funds to people who need funds in the form of credit or other forms. (Article 1 PBI No. 7/2/PBI, 2005) Article 1 PBI No. 7/2/PBI, 2005) states that credit is the provision of money or what can be equated, based on an agreement or loan and borrowing agreement between a bank and another party which obliges the borrower to repay his debt after a certain period of time with interest, taking over bills in the context of receivables activities, and taking over or buying credit from other parties.

Banking companies included in Commercial Banks in Indonesia include Government Banks (Persero), Foreign Exchange National Private Commercial Banks, Non-Exchange National Private Commercial Banks, Regional Development Banks, Mixed Banks and Foreign Banks. The bank used in the study is the Foreign Exchange National Private Commercial Bank listed on the Indonesia Stock Exchange during the 2014-2018 period. Foreign Exchange National Private Commercial Bank is a bank incorporated under Indonesian law which part or all of its capital is owned by Indonesian citizens or Indonesian legal entities which in its business activities can carry out transactions in foreign currencies after obtaining approval from Bank Indonesia, including accepting deposits and providing credit in foreign currencies including financial services related to foreign exchange.

Indonesia is currently experiencing economic development that is getting better. Development cannot be separated from the role of the bank sector as an institution that finances existing economic development. The existence of the banking sector as a sub-system in the economy of a country that has a quite important role, even in the daily life of modern society can mostly involve the services of the banking sector. This is because the banking sector carries out the main function as a financial intermediary between economic units that are surplus funds, with economic units that lack funds.

The development of the banking sector in Indonesia is interesting to watch. The strength of the banking system is an important requirement to ensure economic stability and growth. Banks are the main part of the financial sector that survives in the midst of economic conditions in Indonesia. Banking has a very vital role in achieving national goals related to improving and equalizing people's lives (Pratiwi, 2012).

However, with the development of a good economy due to the role of banking, economic units that are surplus funds, and economic units that lack funds will certainly look for banking companies whose financial performance is good and can extend credit to economic units that need funds, because credit is currently the main support in people's lives, especially economic units that lack funds. If a bank cannot extend credit, the banking company is in a bad position so that it can reduce the reputation of the banking company in the community, and will certainly hamper the financial performance of the banking company.

The problem of lending is a problem that banking companies really need to consider. A bank will be doubted by economic units if banks cannot carry out their duties as institutions that finance the economic development of society. Vice versa, economic units that request surplus funds to banking companies must pay their obligations on time so as to reduce the risks that will be experienced by banking companies, so that banking companies can carry out their duties as institutions that finance the economic development of society. With

smooth credit, banking companies can provide lending to economic units that are surplus funds, because the greater the NPL, the risk and performance of credit activities will be worse.

The phenomenon that occurs in weak foreign exchange national private commercial banks operating in Indonesia is the poor performance of banks in maintaining prudential principles for channeling credit funds. Banks concentrate their loans to certain individuals or companies, which leads to high credit risk and a decline in the quality of earning assets. The Financial Services Authority noted that the credit market share of private banks has continued to decline since the last three years. This can be seen from OJK's Indonesian banking statistics in December 2016. From the data, it can be seen that the market share of private banks in credit since 2014, 2015, and 2016 amounted to 18%, 15% and 9.14% of total banking micro credit, respectively. Finally, in December 2016, private banks recorded a decline in microcredit disbursement of 30.64% *year on year* (yoy) to IDR 16.7 trillion. This decline was higher than the decline in private bank microcredit in 2015 of 30.64% yoy. Based on the recently published fourth quarter 2016 *analyst meeting* document, it appears that almost all private banks experienced a decline in micro credit growth. (Kotan.co.id, 2016)

The slowing credit growth can be caused by supply factors, namely the unwillingness of a bank to extend credit. The closure of a number of banks during the crisis is an important lesson for existing banks because it means that the government acts decisively and does not even hesitate to close those that have poor performance. Banks must be more careful in determining the policies taken, especially in credit policy. Because credit policy is a place for channeling the largest funds raised by banks, even banks do not want to extend credit if the condition of the prospective debtor is not certain of its *feasibility*.

Management of its funds to issuers who are members of the capital market, this is evidenced by the increasing number of companies listed on the Indonesia Stock Exchange. The companies in the capital market are classified into several sectors including the financial sector, agricultural sector, mining sector, miscellaneous industry sector, industrial and chemical sector, consumer goods industry sector, property sector, infrastructure sector, service trade and investment sector.

## Overview

### Capital Adequacy Ratio

Lukman Dendawijaya (2009: 121) states that: "CAR is a ratio showing how far all banking assets that contain risk (credit, investment, securities) are financed from the bank's own capital funds, in addition to obtaining funds from sources outside the bank, such as public funds, loans and others". The formula for calculating CAR is as follows:

$$\text{Capital Adequacy Ratio} = \frac{\text{Modal}}{\text{ATMR}} \times 100\%$$

### Non Performing Loans

Darmawi (2012: 126) Stating that: "*Non Performing Loans* (NPL) include loans where the borrower is unable to carry out the requirements of the credit agreement he has signed, which is caused by various things so that it needs to be reviewed or the agreement changed. Thus, there is a possibility that credit risk can increase. The formula for calculating NPL is as follows:

$$NPL = \frac{\text{Kredit Bermasalah}}{\text{Total Kredit}} \times 100\%$$

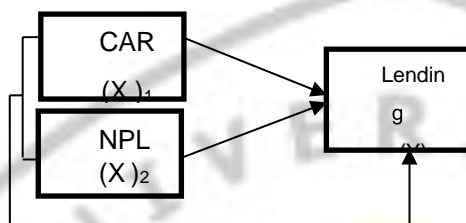
## Lending

Article 8 Paragraph (1) of the Banking Law refers to the distribution of credit: "In providing credit, commercial banks must have confidence based on in-depth analysis of the intention and ability and ability of customers to repay their debts in accordance with what has been

$$\text{Total loan disbursement} = L_n (\text{Total loans}$$

agreed". The following is the formula for calculating credit disbursement:

## Frame Of Mind



## METHOD

### Type Of Research

The type of research used in this study is causal associative. Causal associative research is research that asks about the causal relationship between two or more variables. (Sugiyono, 2017: 62).

The method used in this research is quantitative method. Quantitative methods are methods used to research on certain populations or samples, data collection using research instruments, data analysis is quantitative or statistical, data analysis is quantitative / statistical, with the aim of testing predetermined hypotheses. (Sugiyono, 2017: 11). The calculation tool used is the IBM SPSS 25 program because it has been studied previously in the statistical computing course.

### Population And Sample

The population in this study were all companies in the mining sector companies listed on the Indonesia Stock Exchange for the 2014-2018 period, namely 23 companies. Sampling in this study was carried out by *purposive sampling* method. The samples used in this study were 11 companies.

### Data Types And Sources

The data source used in this research is secondary data. Secondary data is data obtained not directly from the company. The data used are financial statements and closing stock prices originating from the Indonesia Stock Exchange published by the company in 2014-2018 which can be accessed through the official website [www.idx.co.id](http://www.idx.co.id) and [www.investing.com](http://www.investing.com).

### Data Collection Method

The data collection method used is using the documentation method, because the data collection method is carried out by collecting data obtained from literature sources related to the problem under study.

### Data Analysis Method

Multiple linear regression analysis is a study of variable dependence dependent (bound) with one or more independent variables (explanatory / free) (Ghozali, 2018: 93). This analysis is used to determine the effect of the independent variable (independent) on the dependent variable.

## RESULTS AND DISCUSSIONS

### Classical Assumption Test

#### Multicollinearity Test

Multicollinearity testing aims to determine whether the regression model found a correlation between independent variables. To test the presence or absence of multicollinearity, it can be seen from the *tolerance inflation factor* (VIF) value of each independent variable. If the tolerance value  $\geq 0.10$  and the VIF value  $\leq 10$ , it can be concluded that the regression model is free from multicollinearity.

Coefficients <sup>a</sup>			
Model		Collinearity Statistics	
		Tolerance	VIF
1	CAR	,998	1,002
	NPL	,998	1,002

a. Dependent Variable: LnY

From the test results above, it is proven that there is no multicollinearity between the independent variables.

#### Multiple Regression Analysis Test

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,662	,062		43,094	,000
	CAR	,055	,021	,342	2,646	,011

a. Dependent Variable: LnY

Source: Data processed SPSS output. 25 (2020)

Based on the multiple regression results above, the multiple linear regression analysis equation is as follows:  $PK = 2.662 + 0.055 \text{ CAR} - 0.011 \text{ NPL} + e$

1. The constant value ( $\alpha$ ) of 2.662 indicates that if the change in the CAR and NPL variables is constant or zero (CAR and NPL = 0) is considered constant, then the value of lending is 2.662.
2. The regression coefficient value of the *Capital Adequacy Ratio* (CAR) variable shows a value of 0.055 and is positive. Which means that if the value of the other independent variables remains constant and CAR increases one time, lending (Y) will increase by 0.055. The coefficient is positive, meaning that there is a positive relationship between CAR and Lending, the more CAR increases, the more lending will increase by 0.055.
3. The regression coefficient value of the *Non Performing Loan* (NPL) variable shows a value of 0.011 and is negative. Which means that if the value of the other independent variables is constant and NPL increases one time, lending (Y) will decrease by - 0.011.

The negative coefficient means that there is a positive relationship between NPL and lending, the more NPL increases, the more lending will decrease by - 0.011

**F Test (ANOVA)**

ANOVAa						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	,042	2	,021	3,923	,026 <sup>b</sup>
	Residuals	,279	52	,005		
	Total	,322	54			
a. Dependent Variable: LnY						
b. Predictors: (Constant), CAR, NPL						

Source: Data processed SPSS output. 25 (2020)

Based on the results of the data table above 4.12 simultaneous test (F test), it states that in the table there is a calculated F value of 3.923 > F table 3.17 and based on the significance value of the F test for the effect of CAR and NPL simultaneously on lending, the probability value is 0.026 < 0.05. So it can be concluded that  $H_3$  which states that the *Capital Adequacy Ratio* (CAR) and *Non Performing Loan* (NPL) together have a significant effect on Lending.

**Coefficient of Determination ( $R^2$ )**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,362a	,131	,098	,07331
a. Predictors: (Constant), CAR, NPL				
b. Dependent Variable: LnY				

Source: Data processed SPSS output. 25 (2020)

Based on the results of the data table 4.13, the coefficient of determination test ( $R^2$ ), it can be seen that the magnitude of the value  $R^2$  (R Square) in the model is obtained at 0.131 or 13.1%. This means that 13.1% of lending can be explained by each of the two independent variables, namely *Capital Adequacy Ratio* (CAR) and *Non Performing Loan* (NPL), while the rest (100% - 13.1% = 86.9%) is explained by other factors outside the model.

**CONCLUSION**

The research conducted by researchers aims to analyze the effect of *Capital Adequacy Ratio* (CAR) and *Non Performing Loan* (NPL) on Lending at Foreign Exchange National Private Commercial Banks for the 2014-2018 Period. The samples used were 11 bank companies with 5 years of research so that the samples used in the study were 55 samples. based on the results of data analysis conducted by researchers, the results showed that:

- a. The results showed that the *Capital Adequacy Ratio* (CAR) had a significant effect on Lending at Foreign Exchange National Private Commercial Banks for the 2014-2018 Period.

- b. The results showed that *Non Performing Loan* (NPL) had no significant effect on Lending at Foreign Exchange National Private Commercial Banks for the 2014-2018 Period.
- c. The results showed that the *Capital Adequacy Ratio* (CAR) and *Non Performing Loan* (NPL) together had a significant effect on Lending to Foreign Exchange National Private Commercial Banks in 2014-2018.

## REFERENCES

- Budisantoso, T. (2019). *Banks and Other Financial Institutions*. Jakarta: Salemba Empat. Budisantoso, T. (2019). *Banks and Other Financial Institutions* (Fifth). Jakarta: Salemba Empat. Indonesia Stock Exchange. (n.d.). Annual Financial Statements of Banks listed on the IDX. Darmawi, H. (2012). *Banking Management*. Bumi Aksara.
- Darmawi, H. (2012). *Banking Management* (2nd ed.). Jakarta: Bumi Aksara.
- (Cand.) Taswan, S.E., M. S. (2017). *Banking Management* (Second Edition). Yogyakarta: UPP STIM YKPN YOGYAKARTA.
- Fadli, A. A. Y. (2019). *No Title*. 2(2), 1-14.
- Fadli, A. A. Y. (2019). THE EFFECT OF RETURN ON ASSETS (ROA), LIQUIDITY FUNDING RATIO (LFR), NON-PERFORMING LOANS (NPL), AND CAPITAL ADEQUACY RATIO (CAR) ON LENDING TO BUMN BANKS LISTED ON THE BEI FOR THE PERIOD 2013 - 2017. *Business Management Analysis Journal (BMAJ)*, Vol 2 No.2.
- Fahmi, I. (2016). *introduction to Financial Management*. Bandung: Alfabeta, cv. Frianto Pandia, S.E., M.. (2012). *Fund Management and Bank Health*. Rineka Cipta.
- Imam Ghozali, m.Com, A. (2016). *APPLICATION OF MULTIVARIETE ANALYSIS WITH IBM SPSS 23 PROGRAM*. SEMARANG.
- Imam Ghozali, m.Com, Akt. (2016). *APPLICATION OF MULTIVARIETE ANALYSIS WITH IBM SPSS 23 PROGRAM*. SEMARANG: Undip.
- Cashmere. (2014). *Banks and other financial institutions*. JAKARTA: PT. Raja Grafindo Persada. Cashmere. (2014). *Banking Management* (Revised 12). Jakarta: Rajawali Press.
- Cashmere. (2017). *Financial Statement Analysis*. Depok: PT Rajagrafindo Persada.
- Kotan.co.id. (2016). the market share of private bank loans has continued to decline since the last three years.
- Lukman Dendawijaya, M. . (2009). *Banking Management* (Second). Bogor: Ghalia Indonesia.
- Lukman Dendawijaya, M. . (2009). *Banking Management*. JAKARTA: Ghalia Indonesia.
- Mamahit, E.. Y. (2018). THE EFFECT OF CAR, NPL AND ROA ON LENDING TO STATE BANKS. *Management and Accounting*, Vol 6.
- Munawir. (2014). *Financial Statement Analysis*. Yogyakarta: Liberty.
- Permana, A. L. (2019). THE EFFECT OF RETURN ON ASSETS, CREDIT INTEREST, INFLATION, AND NONPERFORMING LOAN ON BANK LENDING (Empirical Study of Conventional Commercial Banks Listed on the Indonesia Stock Exchange 2014-2017). *E-Proceeding of Management*, Vol 6 No.2.
- Primasari, N. S. (2015). INFLUENCE OF CAPITAL ADEQUACY RATIO (CAR), RETURN ON ASSETS (ROA), THIRD PARTY FUNDS (DPK), NON PERFORMING LOAN (NPL) AND NET INTEREST MARGIN (NIM) ON BANK LENDING (Study on Commercial Banks listed on the IDX for the period 2009-2013). *JOURNAL OF MANAGEMENT*, Vol 4 No.2, 1-11.
- Pujiati, D. (2013). *INFLUENCE OF NON PERFORMING LOAN CAPITAL ADEQUACY RATIO AND THIRD PARTY FUNDS ON LEND DISTRIBUTION AT PT. BANK CENTRAL ASIA*, Tbk. 5, 4.
- Putri, Y. M. W. (2016). INFLUENCE OF CAR, NPL, ROA AND LDR ON CREDIT DISTRIBUTION IN

- BANKING (Study on Banking Companies Listed on the Indonesia Stock Exchange for the Period 2011-2015). *Journal of Balance, Vol 8 No.*
- Rivai, P. D. H. V. (2012). *Commercial Bank Management: Banking Management from Theory to Practice*. JAKARTA: PT. Raja Grafindo Persada.
- Sekaran, U. (2017). *Research Methods for Business* (6th ed.). Jakarta: Fourth Edition.
- Suartini, S. (2019). THE EFFECT OF CAPITAL ADEQUACY RATIO, NON-PERFORMING LOANS, AND RETURN ON ASSETS ON LENDING TO COMMERCIAL BANKS LISTED IN 2013-2017. *Economics and Business, 6 No.1, 79.*
- Suartini, S. (2019). THE EFFECT OF CAPITAL ADEQUACY RATIO, NON-PERFORMING LOANS, AND RETURN ON ASSETS ON LENDING TO COMMERCIAL BANKS LISTED ON THE INDONESIAN STOCK EXCHANGE IN 2013-2017. *Economics and Business, Vol 6 No.1, 73-82.*
- Sugiyono, P. D. (2017). *Combination Research Methods (Mixed Methods)* (9th). Bandung: Alfabeta
- Bank Indonesia Circular Letter (SE) No. 13/24/DPNP. *Assessment of the Health Level of Commercial Banks Against RGEK Factors.*
- Suryawati, N. M. A. N. (2018). Analysis of the Effect of Third Party Funds (DPK), Capital Adequacy Ratio (CAR), Non Performing Loan (NPL), and Loan to Deposit Ratio (LDR) on the Amount of Lending (Case Study at LPD Desa Pakraman Pamaran). *Journal of Management, Vol 4 No.1.*
- Syafri Harahap, S. (2015). *Critical Analysis of Financial Statements*. Jakarta: PT Rajagrafindo Persada.
- Wiratna Sujarweni, V. (2017). *Financial Management*. Yogyakarta: New Library Press.
- Yua, M., Putri, W., Akmalia, A., & Management, P. S. (2016). *No Title. XIII(2)*

