

FACTORS AFFECTING NON-PERFORMING LOANS PT. BPR ARTO MORO SEMARANG

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Abstract: Credit is a high-risk business activity in which uncollectible credit occurs for various reasons. Many debtors who pay credit must pay attention to the provisions of interest rates, time periods, and several provisions that make debtors object to paying their credit. The purpose of this study is to determine three factors from debtors that cause problem loans to become bad loans. Three debtor factors that cause bad credit are debtor character, business conditions (most BKK debtors are MSME entrepreneurs from small to large scale), and managerial ability (in managing their own business). This type of research is explanatory research with a total sample of 51 respondents to customers of PT. BPR Arto Moro Semarang, located in Semarang, has experienced bad credit from 2018-2022. The results showed that only Business Conditions were accepted, and had a positive effect of 10.354 and a sig value > 0.05. Meanwhile, Managerial Character and Ability have no influence and significance on Bad Debt. It is recommended for the bank to do more internal analysis of prospective borrowers in providing credit financing. Researching the current and future conditions of the debtor's business, as well as paying attention to the debtor's managerial ability in running the business or business.

Keywords: *Debtor Character, Business Conditions, Managerial Capabilities, Bad Loans*

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1. Introduction

According to the Law of the Republic of Indonesia Number 10 of 1998 article 1 paragraph 2, 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 other forms in order to improve the standard of living of the common people. While credit is the provision of money or bills that can be equated with it, based on a loan agreement or agreement between a bank and another party that requires the borrower to pay off the debt after a certain periode of time with interest. The Bank has a goal to improve people's living standards in developing the economy in the field of work of its customers. Usually, banks generate profits from transaction costs for services that have been provide along with interest from loans that have been use by customers. Banking in Indonesia is based on Economic Democracy and uses the precautionary principle that has been regulate by law. Therefore, many countries or private companies have offered various products and one of them is credit or term loans (Widyatmoko & Dibyo Adi Wibowo, 2022).

Armed with a passion to serve and provide solutions to improve the economic life of the people of Semarang and its surroundings, PT. BPR Arto Moro Semarang continues to push

itself to improve the competence, quality and service of its products. Dynamics and progressivity based on a clear and measurable vision and mission and business plan, in 2020 PT. BPR Arto Moro Semarang has skyrocketed to become one of the top 5 BPRs in the city of Semarang.

PT. BPR Arto Moro Semarang has various banking products ranging from savings, time deposits and loans. PT BPR Arto Moro Semarang has several loan or credit products that apply low interest to the lower middle class to meet the community's financial needs. Some of the credit products offered are: Investment Loans, Business Capital Loans, Mortgage Loans, Multipurpose Loans, Consumptive Loans, Umrah Financing, General Pilgrimage Financing Loans. Each credit package has a different interest rate. PT. BPR Arto Moro Semarang will provide credit loans to customers if the bank feels confident that the debtor is deemed capable and meets the requirements. But in reality, many debtors do not comply and pay monthly or seasonal credit loans in an orderly manner. This can have an adverse impact in the future, loans that are not paid according to the date can cause loan arrears which will certainly harm the bank and the debtor himself.

2. Literature Review

Bad Credit

Definition of credit according to Law no. 10 of 1998 concerning Amendments to Law no. 7 of 1992 concerning Banking is: "Provision of money or bills that can be equated with it, based on a loan agreement or agreement between the bank and another party that requires the borrower to repay the debt by providing interest, compensation or profit sharing within a predetermined period of time". According to the Indonesian Bankers Association (2015) non-performing loans can be described as follows: Credit which in its implementation has not reached or met the target desired by the bank, credit which has the possibility of future risks, experiencing difficulties in settling obligations both in the form of credit financing back anyway

Debtor Character

The character of the debtor is a belief that the nature or character of the people who will be given financing can really be trusted, this is reflected in the background of the customer, both work and personal, such as the way of life or lifestyle he adheres to, circumstances family, hobbies, and social status. These are all measures of "willingness" to pay. The character of the debtor determines that financing or credit can run according to the agreement that was made at the beginning (Sutrisno et al., 2023)

Business Conditions

The debtor's business condition is greatly affected by current economic conditions. To see general economic conditions with the condition of the debtor's business sector, taking into account economic conditions that will affect the development of the debtor's business, the condition of the debtor's business by comparing it with other similar businesses in the area and location of its environment. The marketing situation of the debtor's business results, future business prospects for the possibility of credit processing, government policies that affect the prospects of the industry where the business is included (Ena, Zet dan Djami H., 2020)

Managerial Ability

Managerial ability is an analysis of management's ability to manage a company so that the company can generate payable profits in the present and in the future. Meanwhile, the

understanding of managerial ability according to (Elisabeth, 2020) is the ability or expertise of leaders to carry out management functions. In the field of management, the factor of managerial ability is very important and decisive because this factor is related to the main activities of an organization, namely leading the organization concerned in its efforts to achieve its goals.

Research Hypothesis

The research hypothesis, according to Karim et al. (2019) & Sugiyono (2016), is a temporary answer to the proposed research problem formulation, so the starting point for formulating a hypothesis is the problem statement and a framework for thinking. It is said temporarily because the new answers given are only based on relevant theory, not yet on empirical facts obtained through data collection (Oberhuber & Maurer, 2019). The hypothesis proposed in this study is:

H1: There is an influence of the character of the debtor on bad credit at PT. BPR Arto Moro Semarang

H2: There is an influence of the debtor's business conditions on bad credit at PT. BPR Arto Moro Semarang

H3: There is an Effect of Managerial Ability on Bad Loans at PT. BPR Arto Moro Semarang

3. Research Method

This research method uses an explanatory research type with a total sample of 51 respondents from PT. BPR Arto Moro Semarang, located in Semarang, which experienced bad credit from 2018 to 2022. Data collection will use two methods, namely interviews and field surveys by filling out a questionnaire. Then the data is converted into documentation in the research results. The data analysis method in this study uses the classic assumption test, multiple linear analysis.

Validity Test

Table 1. Validity Test Results

Variabel	Item	r count	r ukur	Description
Debtor Character (X1)	(X1.1)	0,873	0,60	Valid
	(X1.2)	0,741	0,60	Valid
	(X1.3)	0,863	0,60	Valid
Business Conditions (X2)	(X2.1)	0,864	0,60	Valid
	(X2.2)	0,749	0,60	Valid
	(X2.3)	0,845	0,60	Valid
Managerial Ability (X3.1)	(X3.1)	0,815	0,60	Valid
	(X3.2)	0,733	0,60	Valid
	(X3.3)	0,792	0,60	Valid
Bad Debt (Y1)	(Y1.1)	0,870	0,60	Valid
	(Y1.2)	0,752	0,60	Valid
	(Y1.3)	0,897	0,60	Valid

Based on table 1 it can be concluded that the 12 statement items have a calculated r value greater than r table (0.60). This shows that the instrument variable statement is Debtor Character, Business Conditions, Managerial Capability and Bad Debts are valid.

Reliability Test

Table 2. Reliability Test Results

Variabel	Cronbach's Alpha	Description
Bad Debt (Y1)	0,745	reliabel
Debtor Character (X1)	0,751	reliabel
Business Conditions (X2)	0,682	reliabel
Managerial Ability (X3)	0,773	reliabel

The results of the reliability test in the data table 2 above show that all the instruments used in this study are reliable. This is indicated by the alpha coefficient which exceeds 0.6

4. Results and Discussion

Multiple linear regression analysis was carried out in this study to find the effect of the independent variables on the dependent variable

Table 3. Results of Multiple Linear Regression Analysis Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.219	1.417		.860	.394
Debtor Character	.095	.087	.099	1.091	.281
Business Conditions	.851	.082	.845	10.354	.000
Managerial Ability	-.039	.097	-.037	-.405	.687
a. Dependent Variable: Bad Debt					

From table 3 above it can be formulated that the regression model in this study is:

$$Y = 1,219 + 0,095X1 + 0,851X2 - 0,039X3$$

The interpretation of the multiple linear regression equation above is as follows:

- The constant value of the regression equation above is 1.219 which means that the value of the Bad Loans variable is 1.219 if the Debtor Character, Business Conditions and Managerial Capability variables have a value of 0.
- The regression coefficient value of the Debtor Character variable = 0.095 means that if the Debtor Character increases by 0.095, the Bad Loans will increase by 0.095, assuming that the variables of Business Conditions and Managerial Capability are considered constant.
- The value of the regression coefficient of the variable Business Conditions = 0.335, meaning that if the Business Conditions increase by 0.335 then Bad Loans will increase by 0.335, assuming that the Characteristics of the Debtor and Managerial Capability are considered constant.
- The regression coefficient value of the Managerial Ability variable = -0.039, meaning that if Managerial Ability decreases by -0.039, bad loans will decrease by -0.039 assuming that the Debtor's Character and Business Conditions are considered constant.

t test

Based on table 3 with the provisions of significance it can be seen that:

- The character of the debtor is rejected because the t-count value of 1.860 is smaller than the t-table, the sig value is $0.281 > 0.05$ which means that it has no effect and is not significant on bad loans.
- Business Condition is accepted with a t count of $10.354 > 2.01174$, a sig value of $0.000 < 0.05$ and has a positive effect on bad loans
- Managerial ability is rejected with a t-count of -0.405 which is smaller than 2.01174 and a sig value of $0.687 > 0.05$

Determination Coefficient Test

Table 4. Determination Coefficient Test Results

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.837 ^a	.700	.681	.783223

a. Predictors: (Constant), Managerial Ability, Business Conditions, debtor Character

b. Dependent Variable: Bad Debt

Based on table 4, it is known that the determination number on R Square shows 0.681, which means that the independent variable clearly explains the dependent variable. And the effect on the dependent variable is 68.1%, while the remaining 31.9% is influenced by other variables.

5. Conclusion

Based on the results of testing and data analysis that has been done, the conclusions that can be drawn from this study are as follows:

- The character of the Debtor has no influence and significance on the Bad Credit that occurred at PT. BPR Arto Moro Semarang
- Business conditions have a positive and significant effect on bad loans that occur at PT. BPR Arto Moro Semarang
- Debtor Managerial Ability has no effect on Bad Credit that occurred at PT. BPR Arto Moro Semarang

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