IOSR Journal of Economics and Finance (IOSR-JEF)
e-ISSN: 2321-5933, p-ISSN: 2321-5925. Volume 12, Issue 5 Ser. II (Sep. - Oct. 2021), PP 41-48
www.iosrjournals.org

The Influence Of Non-Performing Loans, Number Of Customers, And Loans Granted On The Profitability Of Village Credit Institutions In Mengwi District Period 2017-2019

L.G.P Sri Ekajayanti[1], Ni Nyoman Suriani[2], I Made Yogiarta[3]
1,2,3 Lecturer of Faculty of Economics and Business, Warmadewa University, Bali, Indonesia
Corresponding Author: L.G.P Sri Ekajayanti

Abstract: *The Village Credit Institution is a financial institution that collects and distributes public funds operating in a village administrative area based on kinship. VCI development to support national development, one of which is the VCIs in Mengwi District. This study aims to determine the effect of non-performing loans, number of customers, and loans granted on the profitability of VCIs in Mengwi District for the 2017-2019 period. This research was conducted in VCIs located in Mengwi District with a population of 38 VCIs. The sampling technique of the Non Probability Sampling method is a saturated sampling technique where all members of the population are used as samples. Based on this, the sample used in this study was 38 VCIs located in Mengwi District. Data testing is done by using multiple linear regression analysis with SPSS program. The results of this study indicate that non-performing loans have a significant negative effect on the profitability of VCI in Mengwi District for the 2017-2019 period. The number of customers has a significant positive effect on the profitability of VCIs in Mengwi District for the 2017-2019 period. The loans granted have a significant effect on the profitability of VCIs in Mengwi District for the 2017-2019 period.*

Keywords*: profitability, non-performing loans, number of customers, loans granted*

Date of Submission: 22-08-2021 Date of Acceptance: 06-09-2021

I. Introduction

The Village Credit Institution (hereinafter abbreviated as VCI) is a financial institution that collects and distributes community funds operating in a customary village administrative area based on kinship. The role of the VCI is increasingly showing significant developments, as can be seen from the public's belief that the VCI is one of the financial institutions capable of supporting all activities in productivity activities such as the formation of micro-enterprises whose capital and management are influenced by the VCI. In addition, the failure and success of the VCI is judged by the growth of public trust and being able to attract support that the institutions they have are healthy and can be trusted.

In order to strengthen public confidence in choosing VCI as a sound financial institution and in accordance with applicable and regular regulations, which at the end of each month the VCI is required to report financial position such as balance sheet, profit and loss, and other necessary reports so that it can make monthly reports and reports. annual. These reports will be submitted and reported at the customary meeting at the Village Credit Institutions Empowerment Institution. With this report, it will be known how the financial condition or financial position of the VCI concerned is.

Non-performing loans is a condition where debtors, both individuals and companies, are unable to pay bank loans on time. Bad loans are non-performing loans where credit users are unable to pay the minimum payment that is due more than 3 months. In the banking world, bad loans are better known as Non-Performing Loans (NPL). This term may sound foreign, but it is very important for banks to maintain their NPLs. NPL is an indicator in assessing the performance of an VCI, if the NPL is low, then the VCI is considered healthy. If the NPL is high, the risk borne by the VCI is high.

The number of customers are parties who use VCI services, both those who have loan and savings accounts, where the bank's income is from transactions made by customers. So that the number of customers has an effect on profitability. The more customers who trust a financial institution, the higher the profitability. At VCI customers consist of debtor customers, savings customers, and time deposit customers. Debtor customers are customers who obtain credit facilities and are a source of income for the VCI. The customer is one of the factors that can affect the high or low profitability of a financial institution. Customers are the bank's source of income, where the bank's main profit comes from transactions made by its customers.

Loans granted are often interpreted as obtaining goods by paying in installments or installments in the future or obtaining loans whose payments are made in the future in installments or installments in accordance with the agreement.

Profitability is a measure or ratio to measure the company's performance in generating profits from sales, assets, investments and own capital, besides that profitability is also used to measure the effectiveness of a company's management to achieve company goals. Profitability growth also provides an overview of the company's ability to earn profits within a certain period. The greater the profitability, the better, because the prosperity and soundness of the VCI increases with the greater the profitability.

In this regard, this research will examine some financial secrecy that affects the profitability of VCIs in Mengwi District. This study will use the analysis of several financial ratios that are considered to be able to affect the profitability of VCI, namely non-performing loans, number of customers, and loans granted. These ratios were chosen because the previous research conducted by Sukmawati and Purbawangsa (2016) stated that the variable amount of savings or third party funds had a significant effect on profitability. Heryanti's research (2018) states that savings have a significant effect on profitability. In contrast to the results of research conducted by Silvia (2019), which states that the variable amount of savings has no effect on profitability.

The results of research conducted by Heryanti (2018) which states that deposits have a significant effect on profitability and research by Andini, et al (2019) which states that deposits have an effect on increasing profitability. However, it is different from the results of Arsini's research (2017) which states that deposit growth has no effect on profitability.

Research conducted by Sedana, et al (2017) stated that the variable amount of credit had a positive and significant effect on profitability and research conducted by Silvia (2019) stated that the credit variable had an effect on profitability. There is a difference with the results of research conducted by Andini, et al (2019) which states that credit growth has no effect on profitability. Arsini's research (2017) states that the number of customers has a positive effect on profitability, research conducted by Andriani, et al. (2017) states that the number of customers has a positive effect on profitability, while research conducted by Yuliana and Pertiwi (2020) states that the growth in the number of customers has a significant negative on profitability. However, it is different from the research results of Sedana, et al (2017) which states that the number of customers has no significant effect on increasing profitability.

Based on the description above as for the motivation to re-examine with the title “The Influence of Non-Performing Loans, Number of Customers, and Loans Granted on The Profitability of Village Credit Institutions in Mengwi District for the 2017-2019 Period”.

II. Literature Review

2.1. Non-Performing Loans

Non-performing loans is a condition where debtors, both individuals and companies, are unable to pay bank loans on time. In the banking world, bad loans are better known as Non-Performing Loans (NPL). NPL is an indicator in assessing the performance of a bank, if the NPL is low, then the bank is considered healthy. If the NPL is high, the risk borne by the bank is high. The Bank always maintains that its NPL value is always at a low number if it wants to continue operating. This NPL is not judged from the performance of the bank only, but especially from its debtors. The main focus of non-performing loans often occurs among debtors. This can be avoided if the debtor has the initiative to return the existing funds in accordance with established regulations.
Bank Indonesia (BI) through a Bank Indonesia Regulation stipulates that the ratio of non-performing loans (NPL) is 5%. The formula for calculating NPL is as follows:

$$NPL\ Ratio = \frac{\text{Total NPL}}{\text{Total Credit}} \text{ x } 100\%$$

2.2. Number of Customers

The customer is one of the factors that can affect the high or low profitability obtained by a financial institution. Customers are a source of bank income, where the bank's main advantage is from transactions made by its customers (Kasmir, 2010:2008). In VCI customers consist of customers, debtors, savings customers, and time deposit customers. Debtor customers are customers who obtain credit facilities and are a source of income for the Bank. The customer is one of the factors that can affect the high or low profitability obtained by a financial institution. Customers are the bank's source of income, where the bank's main profit is from transactions made by its customers.

2.3. Loans Granted

Loans/credit is a term that we often encounter in everyday life, especially in terms of trading activities or buying and selling goods or services. The loans granted which means trust is a translation of the Greek word "chedere". The following is the definition of credit according to experts: Loans are often defined as obtaining goods by paying in installments or installments at a later date or obtaining a loan of money whose payment is made at a later date, with installments or installments in accordance with the agreement.

2.4. Profitability

Profitability is the ability of a company to earn a profit (profit) in a particular product. The profitability of a company will affect the policies of investors on the investments made. The company's ability to generate profits will be able to attract investors to invest their funds in order to expand their business, otherwise a low level of profitability will cause investors to withdraw their funds. As for the company itself, profitability can be used as an evaluation of the effectiveness of the management of the business entity. Profitability also has an important meaning in an effort to maintain its survival in the long term, because profitability shows whether the business entity has good prospects in the future. Thus, every business entity will always try to increase its profitability because the higher the profitability of a business entity, the survival of the business entity will be more guaranteed.

Profitability or called profitability is the ability of a company to generate profits during a certain period. The company's profitability shows the comparison between profit and assets or capital that generates the profit. So it can be concluded that profitability is the ability of a company to achieve profit.

2.5. Conceptual Framework and Research Hypotheses

Based on the theoretical study and the results of previous research, a research conceptual framework was developed as shown in Figure 1.

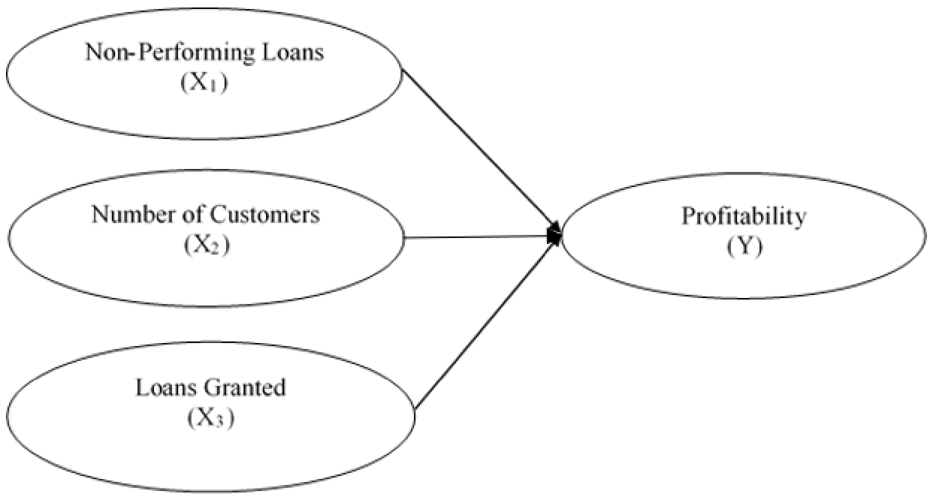

Figure 1: Research Concept Framework

Referring to the research concept framework, the research hypothesis is as follows:

Hypothesis 1: Significant influence between non-performing loans on profitability at Village Credit Institutions in Mengwi District

Hypothesis 2: Significant influence between the number of customers on profitability at Village Credit Institutions in Mengwi District

Hypothesis 3: Significant influence between loans granted on profitability at Village Credit Institutions in Mengwi District

III. Research Method

3.1. Research Site

The place of this research is VCI in Mengwi District, Badung Regency, Bali Province, Indonesia. The reason for choosing this location is because of the ease and availability of the data needed to conduct research. The object of this research is the growth of non-performing loans, number of customers, and loans granted to profitability at VCIs in Mengwi District.

3.2. Population and Sample Research

The population of this research is VCI which is located in Mengwi District, which is 38 VCI. The sampling method used in this study is Non-Probability Sampling, which is a sampling technique that does not provide equal opportunities or opportunities for each element or member of the population to be selected as a sample (Sugiyono, 2017). The technique used from the Non Probability Sampling method is a saturated sampling technique. According to Sugiyono (2017) saturated sampling is a sampling technique when all members of the population are used as samples. Based on this, the samples used in this study were 38 VCIs located in Mengwi District.

The data collection method used in this research is documentation. Data collection in this study was carried out by observing, recording, and studying descriptions and books, scientific works in the form of articles, journals, and documents contained in the VCI Trustees of Mengwi District. The data obtained is in the form of the Mengwi District VCI financial statements consecutively from 2017-2019.

3.3. Data Analysis

This research uses Multiple Linear Regression data analysis technique with classical assumption test to determine whether the model can be used or not, which includes normality test, autocorrelation test, multicollinearity test, heteroscedasticity test, t-test statistic, and f-statistical test.

IV. Result And Discussion

4.1. Analysis Results

4.1.1 Classic Assumption Test Results

Before the regression model is carried out to test the hypothesis, of course the regression model is free from the classical assumption test. Classical assumption test is used to find out the regression model passes the classical assumption test. The following is the classic assumption test used.

a. Normality test

The normality test aims to test whether the regression model, the dependent variable and the independent variable have a normal distribution or not. The method used is the Kolmogorov-Smirnov statistic. This test tool is often referred to as K-S which is available in the SPSS program. In the K-S test, the data can be said to be normally distributed if the significant number is > 0.05, otherwise if the significant number is < 0.05, the data is not normally distributed. A good regression model is to have a normal distribution or close to normal.

Table 1. Normality Test Results One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		114
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.13880221
Most Extreme Differences	Absolute	.073
	Positive	.073
	Negative	-.073
Test Statistic		.073
Asymp. Sig. (2-tailed)		.190[c]

a. Test distribution is Normal.

b. Calculated from data.

Source: Data processed with SPSS Version 21 program

Based on the results of the normality test using the Kolmogorov-Smirnov statistic, it can be seen that Asym. Sig (2-tailed) 0.190 is greater than = 0.05, meaning that it can be concluded that the multiple linear regression data model is normally distributed.

b. Multicollinearity Test

To detect the presence or absence of multicollinearity, it can be seen from the tolerance value and variance inflation factor (VIF). The commonly used cut off value is the tolerance value > 0.10 and the VIF value < 10 so that the data used is not exposed to multicollinearity.

Table 2. Multicollinearity Test Results

	Collinearity Statistics	
Model	Tolerance	VIF
X1	0.992	1.008
X2	0.988	1.012

X3	0.995	1.005

Dependent Variable: Y

Source: Data processed with SPSS Version 21 program

The results of the multicollinearity test show that the tolerance value for the non-performing loans variable, the number of customers, and loans granted, is more than 0.10 and the VIF value is less than 10, so it can be concluded that the regression model is free from multicollinearity symptoms.

c. Heteroscedasticity Test

Heteroscedasticity testing in this study was carried out with a scatterplot which aims to test whether there is an inequality of variance from the residuals of one observation to another observation.

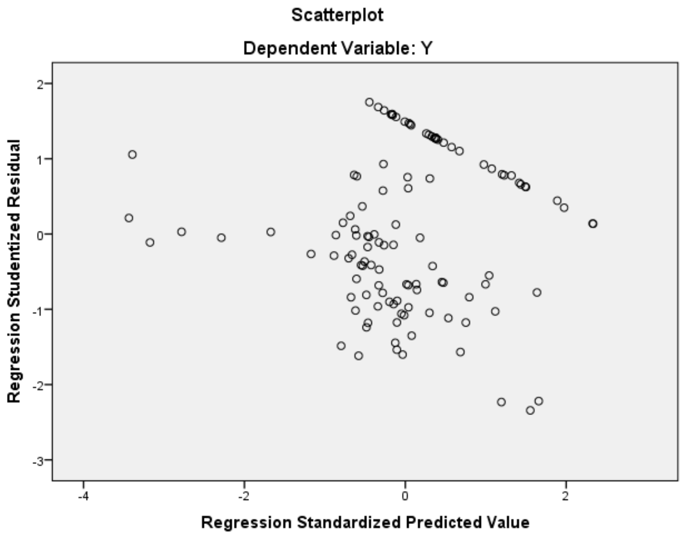

Figure 2: Scatterplot Graph

Source: Data processed with SPSS Version 21 program

The results of the heteroscedasticity test carried out show that there is no certain pattern formed and the points spread above and below the number 0 on the Y axis so it can be concluded that there is no symptom of heteroscedasticity in the regression model in this study.

d. Autocorrelation Test

A good regression model is one that does not occur autocorrelation. It is said to be free from autocorrelation if DU< DW<(4-DU).

Table 3. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.505[a]	.255	.235	.14068	2.420

a. Predictors: (Constant), X3, X1, X2

b. Dependent Variable: Y

Source: Data processed with SPSS Version 21 program

The test results show that the value of dw (durbin-watson) is 2.420. Where the value of du in this study is: DU < DW, where du = 1.7488 and dw = 2.420, then the result is 1.7488 < 2.025). These results prove that the regression model is free from autocorrelation.

4.1.2 Multiple Linear Regression Analysis

After performing the classical assumption test which includes the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test, the results show that the data are normally distributed, there is no multicollinearity problem, there is no heteroscedasticity, and there is no autocorrelation, then proceed with multiple linear regression analysis.

Table 4. Multiple Linear Regression Test Results

Coefficients[a]

Variable	Coefficient	t	Sig.
X1	-0.256	-3.698	0.000
X2	1.611E-5	3.720	0.000
X3	0.009	2.487	0.014
R			0,505
R^2			0,235
F Test			0,000

Source: Data processed with SPSS Version 21 program

Based on Table 4 above, it can be written into the multiple linear regression equation as follows:
Y= 0.236 - 0.256X1 + 1.611E-5 X2 + 0.009X3
The equation can be explained as follows:
a. A constant value of 0.236 means that if non-performing loans, the number of customers and loans granted are said to be constant or the growth is equal to zero, then profitability (Y) has increased by 0.236%.
b. Non-performing loans (X1) has a negative regression coefficient of 0.256 indicating that if non-performing loans increase by 1%, then profitability (Y) will decrease by 0.256%, provided that the number of customers (X2) and loans granted (X3) are constant.
c. The number of customers (X2) has a positive regression coefficient value of 1.611E-5 indicating that if the number of customers increases by 1%, then profitability (Y) also increases by 1.611%, provided that non-performing loans (X1) and loans granted (X3) constant.
d. Loans granted (X3) has a positive regression coefficient of 0.009 indicating that if the loans granted increases by 1%, then profitability (Y) also increases by 0.009%, provided that the non-performing loans (X1) and number of customers (X2) is constant.

4.1.3 F Test (Model Fit)
Based on the results of the ANOVA test, the F value of 12.555 was obtained with a significance of 0.000b <0.05, this indicates that the regression model used in this research is feasible and meets the Goodness of Fit.

4.1.4 t-Statistical Test
Based on the t-statistical test, the t-count value obtained by non-performing loans is -3.698 with a significant value of 0.000 <0.05, which means that there is a significant effect of non-performing loans on profitability. In the regression equation shows the coefficient of non-performing loans is negative, which means that there is a negative influence between non-performing loans and profitability. So that the proposed H1 is accepted, meaning that non-performing loans have a significant effect on the profitability of the Mengwi District VCI for the 2017-2019 period.
Based on the t-statistical test, the t-count value obtained by the number of customers is 3.720 with a significant value of 0.000 <0.05, which means that there is a significant effect of the number of customers on profitability. In the regression equation, the coefficient on the number of customers is positive, which means that there is a positive influence between the number of customers and profitability. So that the proposed H2 is accepted, meaning that the number of customers has a significant effect on the profitability of the Mengwi District VCI for the 2017-2019 period.
Based on the t-statistical test, the t-count value obtained from the loans granted variable is 2.487 with a significant value of 0.014 <0.05, which means that there is a significant effect of the loan on profitability. In the regression equation, the coefficient of the loans granted is positive, which means that there is a positive influence between the loan and profitability. So that the proposed H3 is accepted, meaning that loans granted has a significant effect on the profitability of the VCI in Mengwi District for the 2017-2019 period.

4.1.5 Coefficient of Determination (R^2)
Based on table 3, the results of testing the coefficient of determination (R^2), the magnitude of R Square is 0.255, this indicates that 25.5% of profitability (dependent variable) can be explained by non-performing loans, number of customers, and loans granted (independent variable), while the other 74.5% is determined or influenced by other variables and factors not detected in this study.

4.2 Discussion

1. The effect of non-performing loans on the profitability of VCIs in Mengwi District for the 2017-2019 period
Non-performing loans can reduce the profitability received by VCIs, this is because loan interest which is one of the main sources of income in VCIs is hampered and not infrequently non-performing loans are one of the factors that cause VCIs to go bankrupt, therefore according to the results of the study it can be said that credit traffic jams have a negative effect on profitability. A negative effect means that the increasing non-performing loans experienced by the VCI will reduce the profitability obtained, because if there are non-performing loans, the VCI will experience losses as a result of not getting loan interest and not returning the loans. Thus the first hypothesis (H1) can be accepted, namely, non-performing loans has a significant effect on profitability. The results show that the higher the non-performing loans that occurs, the profitability will decrease, on the contrary if the non-performing loans that occurs decreases, the profitability will increase. The results of this study are in line with the research of Sukmawati and Purbawangsa (2016) regarding the effect of non-performing loans on profitability, showing negative results, which have a significant effect, which means that non-performing loans have an effect on profitability growth.

2. The effect of number of customers on the profitability of VCIs in Mengwi District for the 2017-2019 period
The increase in profitability will certainly be able to improve the performance of the VCI, so that the role of customers in advancing the VCI is very large, therefore according to the research results it can be said that the growth in the number of customers has a positive effect on profitability. Positive effect means that the higher the number of customers at the VCI will increase its profitability because the more customers the VCI has, the higher the opportunity to increase profitability. Thus the second hypothesis (H2) can be accepted, namely, the number of customers has a significant effect on profitability. The results showed that the higher the number of customers, the profitability will increase, otherwise if the number of customers decreases, profitability also tends to decrease. The results of this study are in line with research conducted by Arsini (2017) regarding the effect of the number of customers on profitability, showing the results have a significant effect, which means that there is an effect of the number of customers on profitability.

3. The effect of loans granted on the profitability of VCIs in Mengwi District for the 2017-2019 period
In accordance with the results of the study, it can be seen that the loan provided will affect the profitability received by the VCI, in providing loans of course there is interest on the loan that must be paid by the customer, this will certainly affect the profitability of the VCI, it can be seen that the loan provided has a positive effect on profitability. Positive influence means that the higher the loan provided by the VCI will increase its profitability. Thus the third hypothesis (H3) can be accepted, namely, the loan has a significant effect on profitability. The result of the research shows that the higher the loan, the higher the profitability, on the other hand, if the loan decreases, the profitability will decrease. The results of this study are in line with research conducted by Sedana, et al. (2017) and research by Silvia (2019) which obtained that the results of loans granted had a significant effect on profitability, meaning that there was an effect of loans granted on profitability.

V. Conclusions

Based on the results and discussion above, it can be concluded that the non-performing loans variable has a significant effect on the profitability of VCIs in Mengwi District for the period 2017-2019, the level of non-performing loans affects the profitability of VCIs in Mengwi District. The higher the non-performing loans, the lower the profitability, and vice versa. The variable number of customers has been proven to have a significant effect on the profitability of VCIs in Mengwi District for the period 2017-2019, the high and low number of customers affect the profitability of VCIs in Mengwi District. The higher the number of customers will increase profitability, and vice versa. The loans granted variable provided was proven to have a positive effect on the profitability of the VCI in Mengwi District for the period 2017-2019, the level of loans granted had an effect on the profitability of the VCI in Mengwi District. The more loans granted will increase profitability, and vice versa.

Then it is suggested that further research is expected to examine other variables outside of this research variable, in order to obtain more varied research results such as interest rate variables, for example, capital adequacy and so on. The sample used in this study was limited to only VCI Mengwi District. Further research can develop larger samples such as Petang District, Abiansemal District and others, not only focusing on one area, and extending the research period so that it can be compared from one place to another.

Reference

[1]. Andriani, N. L. Y., Julianto, I. P., & Atmadja, A. T. (2018). Pengaruh pertumbuhan jumlah nasabah, tingkat perputaran kas, dan jumlah kredit bermasalah terhadap profitabilitas Koperasi Simpan Pinjam (KSP) Kabupaten Buleleng. JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha, 8(2).

[2]. Arsini, K., Yuniarta, G. A., Ak, S. E., & Dewi, P. E. D. M. (2018). Pengaruh Sistem Pengendalian Internal, Pemanfaatan Teknologi Informasi, dan Tingkat Profitabilitas terhadap Ketepatan Waktu Pelaporan Laporan Keuangan LPD di Kecamatan Banjar, Seririt, Busungbiu, dan Gerokgak. JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha, 8(2).

[3]. Heryanti, D. D. P. (2018). Pengaruh biaya dana giro, tabungan dan deposito terhadap Profitabilitas studi pada PT Bank Rakyat Indonesia (Persero) Tbk periode 2009-2016 (Doctoral dissertation, UIN Sunan Gunung Djati Bandung).

[4]. Kasmir, (2014), Bank Dan Lembaga Keuangan Lainnya Edisi Revisi Keenam, RajaGrafindo, Jakarta.

[5]. Sedana, K. A., Purnamawati, I. G. A., & Wahyuni, M. A. (2017). Analisis Tingkat Perputaran Kas, Jumlah Kredit, Jumlah Simpanan, Jumlah Nasabah, Jumlah Tenaga Kerja, Dan Jumlah NPL Terhadap Profitabilitas Pada PT. BPR Nusamba Kubutambahan Periode 2011-2015. JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Undiksha, 8(2).

[6]. Silvia, D. Pengaruh Efektivitas Kredit, Dana Pihak Ketiga Dan Fee Based Income Terhadap Kinerja Keuangan.

[7]. Sugiyono, (2013). Metode Penelitian Bisnis. Bandung CV. Alfabeta.

[8]. Sukmawati, N. M. E., & Purbawangsa, I. B. A. (2016). Pengaruh Pertumbuhan Dana Pihak Ketiga, Pertumbuhan Kredit, Risiko Kredit, Likuiditas, dan Kondisi Ekonomi Terhadap Profitabilitas (Doctoral dissertation, Udayana University).

[9]. Yuesti, A., Andini, A. M. P., Sudiartana, M., & Latupeirissa, J. J. P. (2019). Pengaruh Pertumbuhan Tabungan, Deposito, Kecukupan Modal Dan Kredit Terhadap Profitabilitas Pada Bank Perkreditan Rakyat Se-Kabupaten Badung Tahun 2016. JSAM (Jurnal Sains, Akuntansi dan Manajemen), 1(3), 283-316.

[10]. Yuliana, Y., & Pertiwi, D. A. (2020). Pengaruh Tingkat Suku Bunga Kredit dan Jumlah Nasabah Terhadap Profitabilitas pada KBPR Bumi Arta. JFAS: Journal of Finance and Accounting Studies, 2(1), 11-29.

L.G.P Sri Ekajayanti. "The Influence Of Non-Performing Loans, Number Of Customers, And Loans Granted On The Profitability Of Village Credit Institutions In Mengwi District Period 2017-2019." *IOSR Journal of Economics and Finance (IOSR-JEF)*, 12(5), 2021, pp. 41-48.