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Analysis Of Factors Affecting The Amount Of People's Business Credit Loans In Lubuk Pakam District, Deli Serdang Regency, North Sumatra Province

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ABSTRACT

The objective of this study was to examine the influence of business tenure, collateral, number of family dependents, customer age, and the presence of an internal control system on bank credit lending practices. The methodology utilized was a quantitative approach, utilizing primary data sources, namely, information obtained directly from the first source. The sample size for this study was 133 respondents, all of whom were customers of KUR loans. A random sampling technique was employed to select the sample, with data collection carried out using a questionnaire. A Structural Equation Modeling with Partial Least Squares (SEM-PLS) approach was then used to analyze the data, with the results of this process then processed through the Smart PLS tools. This entailed examining both the results of the Measurement Model Analysis Test (outer model) and the Model Analysis Test (inner model). The findings revealed a negative association between business tenure and credit lending, with no impact on credit lending. Collateral demonstrated a positive and statistically significant impact on credit lending. Conversely, the number of dependents exhibited a negative correlation with credit lending. Furthermore, customer age demonstrated an inverse association with credit lending, with no impact. The internal control system, however, exhibited a positive and statistically significant influence on credit lending.

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INTRODUCTION

The role of banking in supporting a country's economy is significant. Individuals in developed and non-industrialized countries require banks for the exchange of money. In accordance with Indonesian Law Number 10 of 1998, a bank is defined as a commercial entity that accepts wealth from the public and lends it back to the public in the form of credit or other forms of financial support. In Indonesia, banking plays an instrumental role in financial advancement. One of the key functions of banking is the distribution of financial assets for monetary transactions, including the provision of credit to individuals and businesses. The administration of credit facilitates the contributions, dissemination, and consumption of labor

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and products by empowering individuals. It is important to recognize that all business activities, transportation, and use are inextricably linked to the use of money. The smooth functioning of society is dependent on the efficient management of investment, distribution, and consumption activities (Dwi Anjeli, 2021).

In the regions, banks have continued to distribute People's Business Credit (KUR), which serves to keep the wheels of the economy turning. The administration of credit provided by the bank is the largest resource; as such, the greatest bank payments are derived from KUR administration. With the increase in credit volume, there is an increase in potential yield for bank profitability. However, this activity also entails a risk of financial loss due to the Bank's provision of numerous credit services. It is believed that skillful credit executives can build the liquidity and productivity of the bank (W Elfiza, 2022).

The KUR is a financing program designed to support cooperatives, micro, small, and medium enterprises (UMKM-K) in the form of investment capital and working capital, with guarantee facilities available for eligible businesses. KUR is intended for organizations that demonstrate both practical value and potential to become bankable. The program objectives include accelerating improvement in key areas, facilitating access to credit and monetary institutions, reducing poverty levels, and creating employment opportunities. The term "credit" is derived from the Latin word "credere," which means "trust." For banks, the importance of trust is to provide credit recipients with the assurance that the credit will be repaid in a timely manner. In return, the credit recipient is expected to fulfill their financial obligations within the agreed-upon period. In the public's perception, the concept of recognition is often equated with credit, suggesting that assuming someone has credit means they have credit (Safa'atillah nurus, 2020).

In order to ascertain the reliability of prospective customers, it is advisable to undertake a thorough examination of their credit history, which should include an analysis of the length of time the business has been operational, the value of any collateral, the number of dependents, the age of the customer, and the effectiveness of the internal control system in place. In addition to this, other supporting variables should be considered. The standard that should be applied is the 5C model, which encompasses character, capacity, capital, the condition of the economy, and collateral. It is of the utmost importance to conduct a 5C assessment (Safa'atillah Nurus, 2020).

Although numerous individuals are capable of fulfilling their financial commitments, the implementation of the KUR loan program, with 80% of loans directed towards the agriculture, marine and fisheries, forestry, and industrial sectors and 70% to other government-managed areas, has prompted a reticence to repay the loans, as many perceive the government as responsible for the debt. This often results in non-performing loans at banks. Furthermore, instances of bad debts may arise as a consequence of a client's inability to meet their obligations, particularly in cases where the interest rate is exorbitant or the loan is extended without sufficient due diligence. This can result in a significant increase in the value of the overdue debt or NPL (non-performing loan), as observed in June 2022.

The KUR non-performing loan (NPL) ceiling at the bank should not surpass 4% (four per cent) if it exceeds that threshold. The NPL issue is contingent upon a range of variables that influence lending, with particular emphasis on the duration of the business's operation, collateral, the number of dependent family members, the customer's age, and the internal control system. The longer a borrower's enterprise has been operational, the greater the likelihood of continued business viability. This is because, with time, the debt holder will have developed an increasing understanding and ability to run the business. Consequently, the loan amount may be higher if profits are greater, and the credit lending process may be influenced by the value of the collateral. The latter offers considerable potential to secure credit repayments. Those customers who prioritize the security of their credit advance have an excellent chance of receiving advance payments.

The debtor's family includes more dependents, leading to greater expenditures. Furthermore, implementing effective internal controls in the credit area has implications for the rigor with which credit is granted. A satisfactory internal control system serves to protect the resources of the organization from the potential consequences of bad liabilities. It does so by limiting the likelihood of such liabilities occurring and enhancing the efficacy and productivity of operations within the organization. The system should ensure the strategic process of granting credit and avoid errors or abuse in the approach to granting credit. (Afriyeni, 2019). A primary objective of this inquiry is to ascertain the efficacy of credit-granting practices, thereby enabling the facilitation of credit-granting processes and preventing the occurrence of suboptimal credit outcomes.

METHODS

This study employs a quantitative research method. The primary data sources were generated through a data collection technique, namely a questionnaire. This was completed by providing respondents with a set of questions to answer. The questionnaire was distributed to customers of a particular bank. The bank in question is the KUR Bank Unit. The questionnaire was distributed to 199 of the bank customers. The population was then sampled, with a total of 133 respondents selected at random. In addition, the data in this study were processed using statistical methods, specifically structural equation modelling (SEM) with partial least squares (PLS) estimation, implemented through the SmartPLS 4.0 software.

The hypotheses are:

H1: The length of time a business has been operational has a positive effect on the provision of KUR loans.
H2: Collateral has a positive effect on KUR lending.
H3: The number of dependents in the family has a negative effect on KUR lending.
H4: The age of the customer has a positive effect on the provision of KUR loans.
H5: The Internal Control System exerts a positive influence on the provision of KUR loans.

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RESULTS AND DISCUSSION

The characteristics of respondents are described in terms of gender and the age of customers. The results obtained from the distribution of questionnaires to respondents are presented in the form of a distribution histogram. This distribution includes a total of 133 questionnaires, which can be considered as a representative sample of the population under investigation

Table 1. Provides a detailed description of the identity of respondents based on gender

Gender	Total	Percentage
Men	48	48%
Women	85	85%
Total	133	133%

A review of the data in the above table reveals that 48% of the respondents were male, while 85% were female. This distribution suggests that the study population was comprised primarily of female respondents.

Table 2. The respondent's identity was described based on the customer age.

Age	Total	Percentage
20-30 years old	36	36%
30-40 years old	55	55%
40-50 years old	42	42%
Total	133	133%

A review of the data revealed that 36% of respondents fell within the age range of 20 to 30 years. Another 55% of respondents were aged 30 to 40 years, and 42% were aged 40 to 50 years. Collectively, these figures correspond to a total of 133 respondents. A total of 50 respondents, or 42%, were aged between 40 and 50 years. This study was dominated by respondents within this age bracket, specifically those aged between 30 and 40 years, which constituted the majority (42 respondents or 50% of the total).

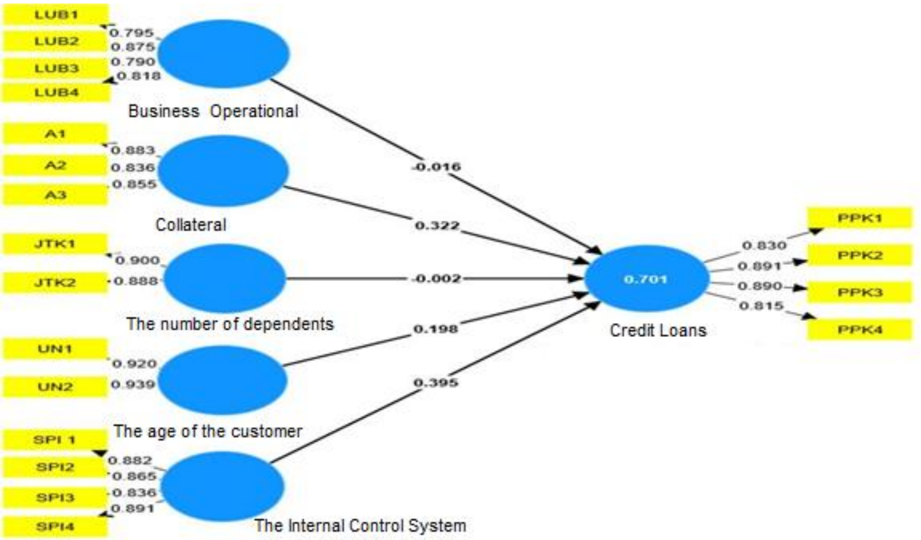

Figure 1. Outer Model Evaluation

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As illustrated in Figure 1, the majority of indicators for the research variable exhibit outer loading scores exceeding 0.7. According to Ghozali (2015), an indicator is deemed to exhibit convergent validity when its outer loading value is above 0.7. The data demonstrate that no variable indicator exhibits an outer loading score of less than 0.7. Consequently, all indicators are deemed suitable for research use and can be employed in subsequent analysis.

Figure 1 illustrates that the AVE scores for the variables pertaining to the length of the business, collateral, number of family dependents, customer age, internal control system, and credit lending are greater than 0.5. This indicates that each variable has a satisfactory model. Discriminant validity is the extent to which a construct is truly distinct from other constructs (Juliandi, 2018).

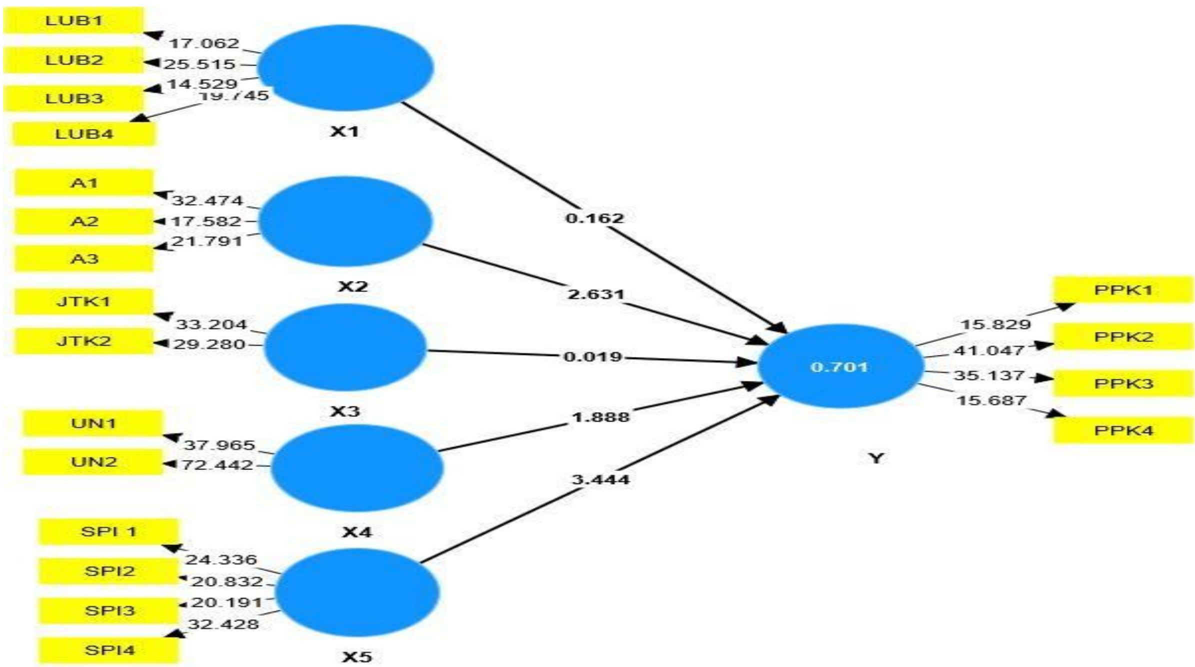

Figure 2. Inner Model Evaluation

The data presented above indicates that each indicator within the research variable exhibits the highest cross-loading score on the variable created, exceeding that of the cross-loading score on other variables. The results demonstrate that the indicators utilized in this study exhibit satisfactory discriminant validity.

The results of testing the R-square value in Figure 2 indicate a model R-square of 0.701. This implies that the explanatory power of the period of business being run, collateral, number of family dependents, customer age, and internal control system in understanding credit lending accounts for 70.1% of the variation in the dependent variable, which can be considered a robust model.

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Table 3. Direct Effect.

	Original Sample	Mean	Std Deviation	T Stat	P Values
X1 -> Y	-0.016	0.000	0.099	0.162	0.871
X2 -> Y	0.322	0.316	0.122	2.631	0.009
X3 -> Y	-0.002	0.005	0.093	0.019	0.985
X4 -> Y	0.198	0.192	0.105	1.888	0.059
X5 -> Y	0.395	0.389	0.115	3.444	0.001

The length of time the business has been in operation providing credit loans was found to be insignificant (Coefficient = 0.016, P Values = 0.871 (>0.05)). The presence of collateral for granting credit loans was found to be significant (Coefficient = 0.333, P Values = 0.009 (<0.05)). The number of family dependents on credit loan granting was also found to be insignificant (Coefficient = 0.002, P Values = 0.985 (<0.05)). Coefficient = 0.002, P Values = 0.985 (<0.05), concluded negative and not significant. Age of customer on credit loan granting: Coefficient = 0.198, P Values = 0.059 (<0.05), concluded positive and not significant. Internal control system on credit lending: The coefficient was found to be 0.395, with a p-value of 0.001, indicating a positive and significant result.

In light of the results of the analysis and hypothesis testing conducted, it can be concluded that the duration of the business's operation exerts a detrimental but inconsequential influence on the provision of credit. This is due to the fact that while duration of business may be a significant factor in this regard, numerous other considerations are taken into account in the process of approving business credit loans. A long-standing enterprise that lacks robust financial data or an efficacious business plan may still encounter challenges when seeking credit. Conversely, nascent businesses with robust business models and a promising growth trajectory can still obtain loans with relative ease.

The findings of this investigation diverge from those of earlier studies by Nurus Safa'atillah (2020) and Juni Sasmiharti (2022), which indicated that the longevity of a business enterprise has a positive influence on credit lending. For hypothesis Collateral has a positive effect on KUR lending, the hypothesis testing and analysis has demonstrated that collateral exerts a positive, significant effect on credit lending. This is because collateral is one of several factors utilized by banks or financial institutions in the process of evaluating loan risk. The objective of collateral assessment is to provide protection to lenders from potential losses in the event of borrower default.

This study's results align with those of previous research conducted by Juni Sasmiharti (2022) and Nurus Safa'atillah (2020). These studies have demonstrated that collateral has a positive effect on credit lending. This suggests that the higher the level of collateral/guarantee, the better the quality in granting credit loans. The results of the analysis and hypothesis testing indicate that the number of dependent relatives in a household has a positive but insignificant effect on credit lending. This suggests that the assertion that the number of dependents has no effect on individuals' business credit lending is not always accurate. In fact, the number of family dependents can influence the lending process, but the impact can

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vary depending on various factors, including the policies and practices of the financial institution concerned and the type of loan requested.

The findings of this study are inconsistent with those of previous research conducted by Afreyeni Yosef (2019) and Nurus Safa'atillah (2020), which concluded that the number of family dependents has an effect on credit lending. This implies that the greater the number of family dependents owned by KUR loan actors, the higher the KUR loan actors will receive credit loans.

The results of the analysis and hypothesis testing conducted indicate that the age of the customer has a positive and insignificant effect on the provision of credit loans. However, it should be noted that the statement that customer age has no effect on the provision of people's business credit loans may not always be accurate. The age of the customer can influence the provision of people's business credit loans, but the impact of this varies depending on a number of factors, including the financial institution's policies and practices and the type of loan requested. While the age of the customer can be one of the factors considered in the granting of a people's business credit loan, it is not an absolute criterion and is highly dependent on various other factors. The most crucial factor is the customer's ability to present a robust business plan, demonstrate the capacity to repay the loan, and align with the financial institution's specified requirements.

The results of this study diverge from those of previous research conducted by Nurus Safaatilah (2020) and N Wayan Febyana (2019). These studies have demonstrated that customer age has an effect on the amount of credit lent. Therefore, it can be inferred that the greater the age of the customer, the higher the amount of credit that will be lent. The results of the conducted analysis and hypothesis testing demonstrate that the internal control system exerts a positive and significant influence on credit lending. In essence, the internal control system is a set of procedures, policies and practices that serve to guarantee the efficient, accountable and compliant operation of business processes, while ensuring their alignment with applicable rules. To obtain a commercial lending, it is crucial for borrowers to comprehend that financial institutions will meticulously examine their internal control systems in an attempt to ascertain the reliability of the loan, ensuring it is granted in accordance with the stipulations. Therefore, it is of the utmost importance for borrowers to also ensure that they fulfill the requirements and maintain a sound internal control system within their own business.

This hypothesis is supported by research conducted by Maryana (2017) and Siti Sahrotun Musarofah (2021), which indicates a positive and significant correlation between an effective internal control system and lending. Therefore, one can hypothesize that the higher the internal control system, the higher the likelihood of obtaining loans. This hypothesis is then tested using the following explanation.

CONCLUSION

The results of this study demonstrate that the variable length of business running has a negative, insignificant effect on credit lending. Conversely, the independent variable collateral has a positive, significant effect, while the dependent variable, number of family dependents, has a positive, insignificant effect. Furthermore, the independent variables customer age and the internal control system have a positive, significant effect on credit lending, while the dependent variable, the number of family dependents, is insignificant.

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