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The Influence of Profitabiliti, Capital Adequacy and Liquidity on Credit Management

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ABSTRACT

This research aims to determine the influence of Profitability, Capital Adequacy, Liquidity on Credit Management in conventional commercial banking companies listed on the Indonesia Stock Exchange in the 2019-2022 period. The results of this research show that in particular Profitability, Capital Adequacy, Liquidity have a significant positive effect on Credit Management. Profitability has a significant negative effect on credit management. Capital adequacy has a significant positive effect on credit management. Liquidity has a significant positive effect on credit management. not examined in this research.

Keywords: Profitability, Capital Adequacy, Liquidity, Credit Management

INTRODUCTION

Indonesia's economy is strengthened by financial infrastructure which plays a strategic role in supporting economic activity. This financial infrastructure includes financial institutions that regulate the flow of public funds and have the authority to accept deposits such as current accounts, deposits and savings from business entities.

The central role of banking in supporting the Indonesian economy lies in its function as a provider of crucial financial support. By disbursing credit, banks contribute to encouraging investment and economic growth. In particular, banking plays a significant role in supporting financing for micro and medium enterprises, which have a strategic role as a source of income for Indonesia.

Credit Management is a source of income in order to gain profits, as a result in this credit management a company must form a strategy in distributing credit so that it can continue to increase its credit growth. For creditors, managing finances by managing credit is important so that debtors do not experience delays in paying their debts so that money can continue to circulate and will affect the amount of profit earned and increased credit growth (Eo et al. 2020). In the Credit Management process, there are various factors that can influence credit growth, such as Capital Adequacy, Profitability and Liquidity. Credit Management here is measured by Performing Loans (PL).

With high profitability, the company shows that it has the ability to utilize sufficient internal funding sources. In funding credit with the aim of high growth and carrying out product innovation without having to rely completely on external funding sources such as loans or investments from third parties.

Capital adequacy plays an important role in the context of credit growth, because seeing that adequate levels of capital in banks can be the basis for developing a healthy credit portfolio. When facing the needs of economic growth, these institutions must maintain a balance between increasing credit provision to support banking activities.

Liquidity is the condition of how a company is able to make financial payments on time in a short period of time. Those who can fulfill their obligations in paying their debts on time will gain high trust from creditors. Creditors will be more confident in channeling their capital by looking at the company's liquidity level.

A financial institution that has a crucial role in the Indonesian economic sector is banking. This is because this agency is an agency that operates in the financial sector whose existence is really needed by the national government in view of the Too Big to Fail theory. The government has a policy of trying to protect a large capacity financial institution from some or all of the losses it incurs (Juliani, 2022).

The main function of banking is to collect public funds so that they can be distributed back to them or borrowers in the form of credit. Credit granting activities are very important in carrying out banking operations. However, lending activities also have risks, so good and effective credit management is needed.

LITERATURE REVIEW

Credit Management

According to Anwar, credit is an activity that provides loans of funds to certain parties who need them through an agreement on the return of funds and also a counter-performance or remuneration. Meanwhile, Hasibuhan stated that all forms of credit are loans that must be paid with interest based on an agreement that has been approved by the lender or lender (Andrianto, 2020).

Profitibility

The financial ratios held by banks to show profits on the capital they own are called profitability. According to Kasmir (2017) Profitability is a company's ratio to see its capacity to make a profit.

Capital Adequacy

A tool for measuring the extent to which a bank or financial institution meets the minimum capital requirements set by the banking supervisory authority is called the capital adequacy ratio (Christopher Hartawan Bengawan, 2020). This ratio shows the bank's ability to bear the risks that arise in its operations, as well as providing protection for customers and creditors in the event of bankruptcy. The financial condition of the bank or financial institution is getting better as the CAR ratio value increases. The supervisory authority usually sets a CAR ratio of at least 8% or 10% of Total Risk Weighted Assets. Broadly speaking, capital can be interpreted as financial resources provided by the owner to start or develop a business with the aim of creating added value or profits (Mukaromah, 2020).

Liquidity

Joseph E. Burns explained that bank liquidity refers to the capacity of a financial institution to raise the necessary funds within a certain period. William M. Glavin defines liquidity as the existence of sufficient sources of funds to cover all obligations owned by a financial entity. Wahdi explained that liquidity refers to the ratio between total cash and the value of assets that are easily converted into cash, compared to total liabilities that must be settled immediately. The greater the ratio, the higher the company's liquidity level; conversely, the smaller the ratio, the lower the level of liquidity. Bank liquidity refers to the capacity to provide easily convertible assets to carry out all bank obligations that must be settled.

RESEARCH METHOD

Dependent variable

The dependent variable (Y) acts as the focus of an observation, which will have an influence or consequence from the existence of variable X (Sugiyono, 2014). In this research the dependent variable is credit management.

Independent Variable

The independent variable (X) plays a role in influencing or causing changes in the dependent variable (Y). In this case the independent variables are Profitability, Capital Adequacy and Liquidity.

Population

Researchers apply secondary data sources in the form of annual reports published by conventional general banking companies listed on the IDX 2019-2022.

Sample

According to Sugiono (2013:118), a sample is a small group of individuals from a population who have specific attributes and are selected to represent the entire population. The sample for this study is large general banking companies listed on the IDX during 2019-2022. Researchers applied purposive sampling techniques to collect samples. In collecting samples using this technique, the researcher determines the sample according to certain considerations (Sugiono, 2016)

Method of collecting data
Researchers apply secondary data as intermediate data available from many documents or other results according to Sugiono (2016). The data includes banking financial reports registered on the IDX for the 2019-2022 period through the official website and literature studies in the form of journals, articles, previous studies and books discussing credit management and the intermediation function.

Analysis method
Data analysis involves steps such as grouping data according to variables and characteristics of respondents, arranging data according to variables for all respondents, presenting data for each variable, measuring to find out answers to study questions, and testing proposed hypotheses (Sugiono, 2013).

RESULTS

Descriptive Statistics
Descriptive Statistics is a section that provides data in the form of collecting or presenting data which will make it easier for readers to understand the character of the data. In another sense, descriptive statistics is a stage that describes or describes the presentation of data (Nasution, 2017: 49).

Tabel 1. Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitablitas	126	-5.20	6.27	.9953	1.79914
Kecukupan modal	126	.21	67.15	26.1594	11.08647
Likuiditas	126	20.53	146.77	80.3001	18.99546
Manajemen kredit	126	-9.78	13.65	5.9251	2.89693
Valid N (listwise)	126				

Sumber: data primer yang diolah, 2024

Table 2. Multicollinearity Test Results

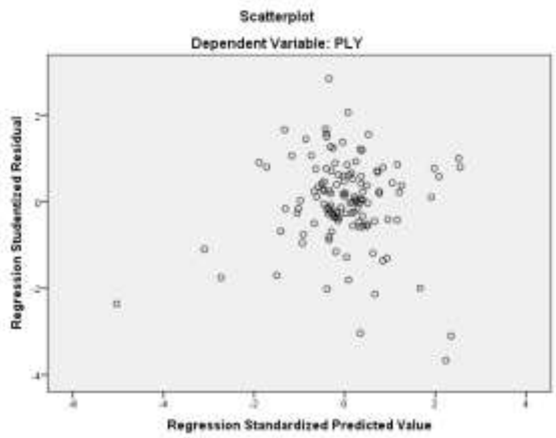
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Profitabilitas (X1)	.975	1.025
	Kecukupan Modal (X2)	.924	1.082
	Likuiditas (x3)	.939	1.065

a. Dependent Variable: Manajemen Kredit (Y)

Source: processed data, 2024

Shows that all independent variables, namely Profitability, Capital Adequacy, and Liquidity, have a VIF value < 10 and a tolerance value > 0.1. For the Profitability variable, and a tolerance value of 0.924, while Liquidity shows a VIF value of 1.065 and a tolerance value of 0.939. From the results of the multicollinearity test, the regression model does not have multicollinearity problems.

Table 3. Heteroscedasticity Test Results



Source: processed data, 2024

From the image shown above, it can be seen that the data points are randomly distributed around the value 0 on the Y axis.

Tabel 4. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		126
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.42597589
Most Extreme Differences	Absolute	.106
	Positive	.050
	Negative	-.106
Kolmogorov-Smirnov Z		1.189
Asymp. Sig. (2-tailed)		.119
a. Test distribution is Normal.		
b. Calculated from data.		

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Source: processed primary data, 2024

The results of the Kolmogorov-Smirnov normality test revealed that the data had a normal distribution. This can be seen from the significance value of Asymp. Sig. (2-tailed) 0.119, which indicates it is not statistically significant (0.119 > 0.05). For this reason, the data is normally distributed.

Tabel 5. Multiple Linear Regression Test Results

	Model	Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-2.631	.718		-3.663	.000
	Kecukupan modal	.054	.012	.206	4.496	.000
	Likuiditas	.093	.007	.611	13.243	.000
	Profitabilitas	-.481	.030	-.708	-15.769	.000

a. Dependent Variable: Manajeman Kredit

Source: processed primary data, 2024

The resulting value:Constant (α) (-2.631), Profitability = (-0.481)

Capital Adequacy = 0.054, Liquidity = 0.093

Table 6. Statistical Test Results t

	Model	Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-2.631	.718		-3.663	.000
	Kecukupan Modal	.054	.012	.206	4.496	.000
	Likuiditas	.093	.007	.611	13.243	.000
	Profitabilitas	-.481	.030	-.708	-15.769	.000

a. Dependent Variable: PLY

Source: processed primary data, 2024

In accordance with the data in table 6, profitability is 0,000 < 0.05), capital adequacy is 0.000 < 0,05, and liquidity is 0.000 < 0.05. This shows that each variable has discriminant validity in the good category.

Table 7. F Statistical Test Results

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	794.847	3	264.949	127.171	.000[b]
	Residual	254.176	122	2.083		

Total	1049.02 3	125	
a. Dependent Variable: PLY			
b. Predictors: (Constant), ROAX1, CARX2, LDR X3			

Source: processed primary data, 2024

In accordance with Table 7, it was found that *Composite Reliability* for price was 0.833 (> 0.70), product quality was 0.833 (> 0.70), purchasing decisions were 0.881 (> 0.70), and *brand image was* 0.884 (> 0.70). This shows that all variables are included in the reliable category.

Table 8. Coefficient of Determination Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.911[a]	.831	.827	3.16856	1.819
a. Predictors: (Constant), LDR X3, CAR X2, ROA X1					
b. Dependent Variable: PL Y					

Source: processed primary data, 2024

The above is influenced by the R square coefficient (R2) value of 0.831 or 83%, where this value can be interpreted as the magnitude of the influence of the independent variables, namely Profitability, Capital Adequacy and Liquidity, which is 83%, while the remaining 17% is influenced by other variables outside the research model.

DISCUSSION

The Effect of Profitability on Credit Management

Study findings related to Profitability of Credit Management in Conventional General Banking Companies for the 2019-2022 period. The calculated t value is -15.769 and the t table is 1,657 with a probability value of 0.00 < 0.05 because the calculated t < t table with a significance level smaller than 0.05. so that H1 which states that Profitability has a significant negative influence on Credit Management is rejected.

The Effect of Capital Adequacy on Credit Management

Study findings related to Capital Adequacy on Credit Management in Conventional General Banking Companies for the 2019-2022 period. The calculated t value is 4.496 and t table is 1.657 with a probability value of 0.000 < 0.05 because t calculated > t table with a significance level smaller than 0.05 so that H2 which states Capital Adequacy has a significant positive influence on Credit Management is declared accepted.

The Effect of Liquidity on Credit Management

Based on the results of research that has been carried out and obtained regarding Liquidity in Credit Management in Conventional General Banking Companies for the 2019-2022 period. The calculated t value is 13.243 and the t table is 1.657 with a probability value of 0.00 < 0.05 because t calculated > t table with a significance level smaller than 0.05. so that H3 which states that Liquidity has a significant positive influence on Credit Management is declared accepted

The Influence of Profitability, Capital Adequacy and Liquidity on Credit Management

Based on the results of the tests that have been carried out, the F test has obtained an F table value of 2.68. So it can be said that the calculated F is (127.171) with a significant probability value of 0.00 < 0.05. So it can be concluded from the statistical test that the independent variables (Profitability, Capital Adequacy and Liquidity) simultaneously or together have a significant positive influence on credit management, so with these results Hypothesis 4 is accepted

CONCLUSION

Based on the results obtained from the research, conclusions can then be given in the form of :

1. Hypothesis 1 (H1), namely the influence of Profitability on Credit Management, shows a calculated t value of -15.769 and a t table of 1.657 with a probability value of 0.00 < 0.05. So H1 is rejected.
2. Partial test results for Capital Adequacy are stated to have a significant positive effect. Hypothesis 2 (H2), namely the influence of Capital Adequacy on Credit Management, shows a calculated t value of 4.496 and a t table of 1,657 with a probability value of 0.00 < 0.05. So H2 is accepted
3. Partial test results revealed that liquidity had a significant positive effect. Hypothesis 3 (H3), namely the influence of Liquidity on Credit Management, shows a calculated t value of 13.243 and a t table of 1,657 with a probability value of 0.00 < 0.05. So H3 is accepted
4. The results of simultaneous testing (F Test) state that Profitability, Capital Adequacy and Liquidity together have a positive and significant effect. The calculated F value is 127.171. So it can be said that the calculated F (127.171) > F table (2.68) and the significance probability value is 0.00 < 0.05. So H4 is accepted
5. The resulting R2 adjusted R square value is 0.758 or 76%, which means the influence of the independent variables (Profitability, Capital Adequacy and Liquidity) is 76% while the remaining 24% is influenced by other variables from outside the research model.

SUGGESTIONS

Then, according to the conclusions obtained, the suggestions that researchers can give to companies and for future research are:

1. By looking at the results of the coefficient of determination test, we get quite large results. If other variables are added, it will be more perfect in this research
2. With profitability results using the ROA proxy producing negative values, this can be influenced by factors such as not thinking about risks when assets are entirely channeled to credit and can also be influenced by natural factors, where in 2020-2021 there was a civil outbreak, so for further research, please more accurate from 2020-2021

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