

Causality of Credit Distribution in Indonesian Banking

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Received: January, 31, 2022

Revised: March, 27, 2022

Accepted: March, 31, 2022

Abstract

This study aims to examine the effect of third-party funds, Capital Adequacy Ratio (CAR), return on assets (ROA), Operating Expenses on Operating Income (BOPO), and NPL (Non-Performing Loans) on Credit Distribution to commercial banks listed on the Stock Exchange. Indonesian Securities for the period 2018-2021. The type of research used in this research is associative research. Associative research is research to know the relationship between two or more variables. Thus, Dabat builds a theory that functions to predict and control a phenomenon. The researcher explains whether TPF, CAR, ROA, BOPO, NPL, and Credit Distribution in this study. The population of this study is the banking sector companies listed on the Indonesia Stock Exchange, as many as 42 banks. The sample selection method used is purposive sampling. So the total sampled is 120 samples. The data were analyzed using multiple linear regression analysis with the Ordinary Least Square model using the Eviews Version 12 software. The results of this study found that Third Party Funds (DPK), Capital Adequacy Ratio (CAR), and Return on Assets (ROA) had a positive and significant effect on Credit Distribution to banking companies listed on the Indonesia Stock Exchange (IDX). Meanwhile, Operating Expenses on Operating Income (BOPO) and NPL (Non-Performing Loans) have a negative and significant effect on Credit Distribution to banking companies listed on the Indonesia Stock Exchange (IDX)

Keywords: Third Party Funds; Capital Adequacy Ratio; Return on Assets; Operating Expenses on Operating Income; Non-Performing Loans; Credit Distribution.

DOI : <https://doi.org/10.33096/atestasi.v5i1.1077>

p-ISSN : 2621-1963

e-ISSN : 2621-1505

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Introduction

The banking industry is a risk industry, primarily because it involves managing public funds in the form of various investments, including providing credit, purchasing securities, and investing, among others. There is a correlation between increased public trust in banks and a bank's good management performance. Performance evaluation for management is an evaluation of accomplishments. It is essential for shareholders, management, government and other stakeholders (Dewi, 2017). Profitability reveals the magnitude of the accomplishments earned. Eighty to ninety percent of all funds managed by banks are public funds, and credit activities account for seventy to eighty percent of total bank assets. If you examine the balance sheet of the bank, you will notice that the asset side is dominated by the amount of credit extended. If you examine the bank's income statement, you will notice that the income side is dominated by interest and credit provision income. The nature of the bank's business as an intermediary institution between surplus and deficit units is one of the reasons for the concentration of bank business in Credit Distribution. The primary source of bank funds is the public; therefore, banks have a moral obligation to return those funds to the community through credit (Siringoringo, 2017). As in most developing nations, bank Credit Distribution continues to dominate business financing in Indonesia, which is expected to stimulate economic growth. 2020 witnessed a decline in the growth of various types of bank credit, including consumption credit, working capital credit, and investment credit. The decline was caused by the effects of the COVID-19 pandemic, which led to a decrease in economic activity across multiple sectors. OJK reported that the growth of credit disbursements in 2019 reached 11.05 percent, while in May of 2020, the growth was only 3.04 percent. Credit growth for debtors has decreased from 5.8 percent to 3.9 percent (konsultanku.co.id, 2021). Despite the decline in credit growth, the bank's liquidity and capital were in good shape.

Credit Distribution is the most critical bank activity for generating profits, but it also poses the greatest threat to banks. Credit provision must therefore be accompanied by stringent risk management. Credit distribution enables the public to invest, distribute, and consume goods and services, given that all investment, distribution, and consumption activities involve the use of currency (Murdianti, 2018). The activities of investment, distribution and consumption are nothing more than community economic development. Through this function, the bank serves as a Development Agent. One of the measures taken by banks to facilitate public Credit Distribution is the collection of funds from third parties (DPK). Third-Party Funds are funds from the public, both as individuals and as business entities, obtained by banks using various deposit product instruments owned by banks (Jatnika, 2020). The bank collects public funds using the following deposit products: Demand Deposits (Hendratni, 2018).

The research findings (Amelia & Murtiasih, 2017; Sihlestari et al., 2020; Amelia & Murtiasih, 2017; Sihlestari et al., 2020) found that third-party funds were beneficial and significant for Credit Distribution. A healthy bank must be able to meet Bank Indonesia's liquidity requirements. According to Regulation Number 3/21/PBI/2001 of the Bank of Indonesia, As determined by the Capital Adequacy Ratio, the minimum capital requirement for commercial banks is 8 percent of risk-weighted assets (CAR). If this provision is not followed, Bank Indonesia will place the institution under its special supervision. In conclusion, it can be stated that the substantial CAR value will increase banks' confidence in credit distribution. A high CAR reflects

the stability of the bank's capital and the low risk it assumes, allowing it to extend more credit. According to Kasim and Hasiara (2021), CAR had a significant negative impact on Credit Distribution. According to Zacharias et al., (2019) CAR had no positive effect on Credit Distribution (Haryanto & Widyarti, 2017). Furthermore, (Amrozi & Sulistyorini, 2020) discovered that CAR had no negative impact on Credit Distribution. In addition, it is essential to focus on the bank's profitability and ability to optimize its assets to generate revenue. Regarding measuring profitability, we can use the return on assets ratio (ROA).

Return on assets (ROA) indicates that if this ratio rises, the bank's assets have been optimally utilized to generate profits. Bank Indonesia Circular Letter Number 13/24/DPNP/2011 specifies a minimum ROA value of at least 1.5% to fulfill obligations to shareholders, evaluate leadership performance, and increase the attractiveness of investments to investors. With a high ROA, the bank can provide credit to obtain the benefits, which is required to strengthen its capital structure to expand its credit. Therefore, banks can channel credit more effectively if their ROA is high. Researchers discovered that ROA had a positive and significant impact on Credit Distribution (Handayani, 2018; Sihlestari et al., 2020). Meanwhile, (Harun, 2016) discovered that ROA had no bearing on Credit Distribution. When operational performance is frequently measured using the Operating Expenses to Operating Income ratio, the level of operational performance efficiency also plays a crucial role (BOPO). This pertains to the primary functions of banks that lend to the public. This ratio will be compared between operating expenses and income; the lower the ratio, the more efficiently the bank spends expenses to generate income.

Theory of Currency Supply According to Haryanto & Widyarti's (2017) theory of money supply, credit can be compared to banks offering the public money. Classical money supply theory and contemporary money supply theory comprise the theory of money supply. In accordance with the classical supply theory, the government can influence the money supply by establishing interest rates. If interest rates are increased, the money supply will be diminished, and vice versa. According to the modern money supply theory or to Keynes, interest rates do not entirely influence the money supply. However, there are other factors, particularly economic conditions, that do influence the money supply. Despite high interest rates, the demand for money will remain high if economic growth is robust and capital goods can be utilized to their full potential.

Liquidity theory includes Commercial Loan Theory, Shift ability Theory, Anticipated Income Theory, and The Liability Management Theory. Commercial Loan Theory bank in disbursing credit is short-term credit; this is intended so that the credit is "self-liquidating" and reduces bank risk in non-performing loans. Shiftability Theory, banks can transfer their assets to other people or expenses at predictable prices so that at any time the bank needs funds, both for Credit Distribution and withdrawing funds from bank customers, they can immediately withdraw them. Anticipated Income Theory Credit Distribution has its own risk, or there is no self-liquidating credit; this shows that banks can channel loans both short and long term while still considering non-performing loans. The Liability Management Theory attempts for banks to provide liquidity in the form of liabilities. Banks can do this to increase liquidity and reduce bank operating expenses, namely by providing liquidity with short-term interbank loans or Call Money.

Third-Party Funds are public funds that account for most demand deposits, savings, and deposits collected by banks during normal business operations (Jatnika, 2020). Following the collection of funds from the larger community, the bank redistributes these funds to those in need in the form of loans or credit (Yoga & Yuliarmi, 2013). The research findings (Amelia & Murtiasih,

2017; Sihlestari et al., 2020; Amelia & Murtiasih, 2017; Sihlestari et al., 2020) found that third-party funds were beneficial and significant for Credit Distribution. The greater the external funding, the greater the credit distribution. Credit is channeled through third-party funds; the more third-party funds collected, the easier it is for banks to channel credit to those in need (Ratnasari, 2016). Moreover, (Krisdayanti et al., 2021) suggest that banks can utilize these third-party funds to place them in positions that generate income for the bank, including credit. The expansion of third-party funds will increase bank Credit Distribution.

H1: Third Party Funds have a positive and significant effect on Credit Distribution

The smooth continuity of a bank's operational performance is reliant on capital. Capital Adequacy Ratio is a ratio that indicates the extent to which all risky bank assets (credit, investments, securities, claims on other banks) are financed by the bank's capital funds, in addition to obtaining funds from outside sources, such as community funds, loans (debt), and others (Setiawan & Indriani, 2016). The higher the CAR, the greater the financial resources that can be used to anticipate potential losses caused by Credit Distribution (Harun, 2016); in other words, a substantial CAR value will boost the confidence of banks in Credit Distribution. In the meantime, (Putri, 2016) and (Suryawati et al., 2019) discovered that CAR had a positive and statistically significant impact on Credit Distribution. Meanwhile, Kasim & Hasiara, (2021) discovered that CAR had a significant and negative impact on Credit Distribution. In contrast to Zacharias et al., (2019) conclusion that CAR has no effect on Credit Distribution, we find the opposite.

H2: Capital Adequacy Ratio has a positive and significant effect on Credit Distribution

Return on assets (ROA) is a ratio used to determine a bank's ability to generate a net profit (Dendawijaya, 2003). The higher the ROA, the more efficiently bank assets are utilized to generate income. Seventy to eighty percent of a bank's business activities consist of credit activities, so Credit Distribution is a relatively dominant source of bank profitability (Setiawan & Indriani, 2016). Therefore, if the bank's ROA ratio has a high value, the bank's ability to channel credit will increase (Handayani, 2018). In addition, Sihlestari et al., (2020) discovered that ROA had a positive and statistically significant impact on Credit Distribution. Meanwhile, Harun, (2016) discovered that ROA had no bearing on Credit Distribution.

H3: Return on assets (ROA) has a positive effect on Credit Distribution

The ratio of operating expenses to operating income (BOPO) is utilized to determine the operational efficiency of a bank. According to Purba et al., (2016), if the ratio of operating expenses to operating income (BOPO) decreases, the bank effectively allocates costs to generate revenue. If the BOPO decreases or is low, the interest income from credit distribution can cover the depositors' interest payments. The lower the banking BOPO ratio, the more efficient the operational costs incurred by the bank, thereby decreasing the likelihood of a bank being in a problematic condition and increasing the amount of credit that can be disbursed (Harun, 2016). This relates to the operational activities of the bank; if the bank continues to incur losses, its capital will continue to depreciate. Then, according to Budiutami et al., (2015) if the bank is in trouble,

its operational activities, including its intermediation function activities, will be disrupted. According to (Purba et al., 2016; Haryanto & Widyarti, 2017), BOPO had a significant and negative impact on Credit Distribution.

H4: Operating expenses on operating income (BOPO) have a negative effect on the amount of credit distribution

Non-Performing Loans or non-performing loans are loans that have difficulty repaying due to gaps and external factors beyond the debtor's control (Amrozi & Sulistyorini, 2020). So NPL can be interpreted as an indicator used to determine the risk of customer default on loan repayment. (Handayani, 2018) NPL has a negative and significant effect on Credit Distribution. If the NPL is getting bigger, it shows the declining health of the bank and will also have an impact on decreasing the level of Credit Distribution due to the lack of professionalism of the bank in managing credit. While the NPL ratio is decreasing, it can be indicated that the bank has made improvements in credit quality which an increase will follow in Credit Distribution (Sadi 'yah et al., 2021). The study results (Handayani, 2018; Nasedum et al., 2020) found that NPLs were negative and significant in Credit Distribution. Meanwhile (Mokodompit et al., 2018) found that Non-Performing Loans had a positive and insignificant effect on commercial banks.

H5: Non-Performing Loans have a negative effect on the amount of Credit Distribution

Research Design and Method

This is quantitative research, in which theory testing is emphasized through the measurement of variables and indicators. This research employs an associative research methodology. The purpose of an associative analysis is to determine the relationship between two or more variables. Therefore, we construct a theory that can predict and control a phenomenon. We describe the relationship between TPF, CAR, ROA, BOPO, NPL, and Credit Distribution in this study. The population of this study consists of the 42 banks listed on the Indonesia Stock Exchange in the banking sector. Purposive sampling is the method used to select samples. This data can be obtained by accessing the site www.ojk.go.id on the banking statistics page. The data were analyzed using multiple linear regression analysis with the Ordinary Least Square model using the Eviews Version 12 software.

Table 1. Research Sample

| No | Criteria | Number of Companies |
|---|---|---------------------|
| 1. | Commercial banks listed on the IDX during 2018 to 2021. | 42 |
| 2. | Commercial banks that were delisted from 2018 to 2021 | (10) |
| Number of Samples | | 40 |
| Total samples sampled during 2018-2021 = (40x4) | | 120 |

Table 2. Operational Definitions of Variables and Measurements

| Variable | Indicator | Scale |
|---|--|-------|
| Credit Distribution | Credit Distribution = Ln Amount of Credit Disbursed | Ratio |
| Third-party funds (DPK) | DPK = Ln (saving+giro+deposit) | Ratio |
| Capital Adequacy Ratio (CAR) | $CAR = \frac{Bank\ Capital}{Weighted\ Assets} \times 100\ percent$ | Ratio |
| Return On Asset (ROA) | $ROA = \frac{Profit\ before\ tax}{Total\ Asset} \times 100\ percent$ | Ratio |
| Operating Expenses on Operating Income (BOPO) | $BOPO = \frac{Total\ Operating\ Expenses}{Total\ Operating\ Income} \times 100\ percent$ | Ratio |
| Non Performing Loan (NPL) | $NPL = \frac{Total\ Non-performing\ Loans}{Total\ Credit} \times 100\ percent$ | Ratio |

Results and Discussion

Statistical Result

The classical assumption test that must be met in the regression analysis is that the data is normally distributed, there is no multicollinearity, and there is no autocorrelation. The results of the normality test indicate that the data has a normal distribution; this can be seen from the Jarque-Bera probability value greater than 0.05 in both structures, as shown in figure 1.

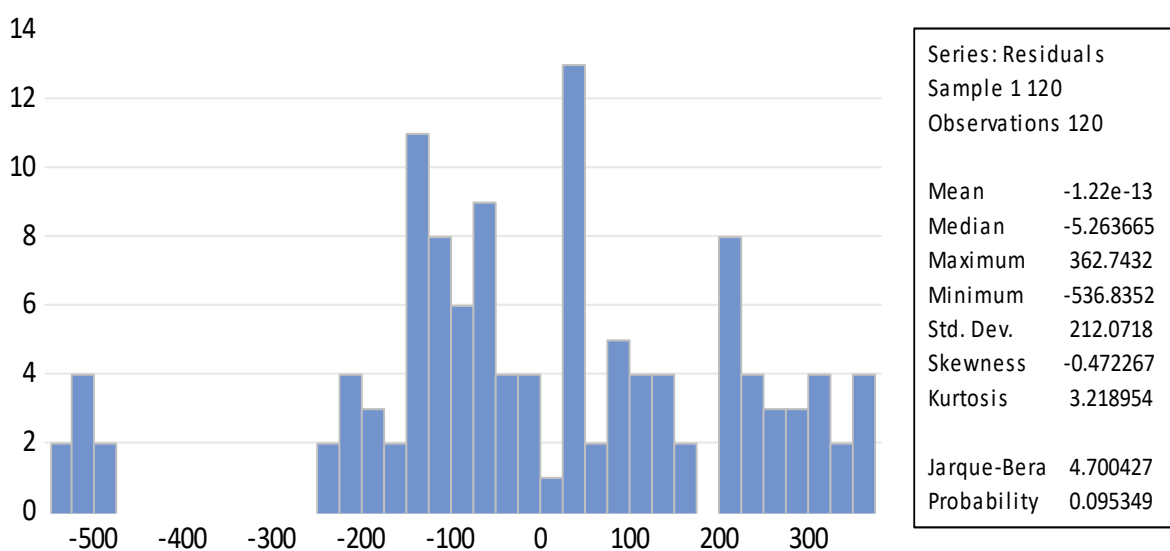


Figure 1. Normality Test Results

Source: Output Views V.12 (2022)

Figure 1 shows the Jarque-Bera value of 4.700427 and a significance of 0.095349 or 9.53 percent is higher 5percent significance level, meaning that the research variables are normally distributed. The results of the multicollinearity test show that the data does not occur multicollinearity; this can be seen from the value of VIF being lower than ten, as presented in table 3.

Table 3. Multicollinearity Test Results

| Variable | Coefficient Variance | Uncentered VIF | Centered VIF |
|----------|----------------------|----------------|--------------|
| C | 1310.47 | 36.37603 | NA |
| DPK | 1.00214 | 23.98482 | 1.040841 |
| CAR | 5.95563 | 8.520040 | 1.020361 |
| ROA | 81.5667 | 1.558238 | 1.454203 |
| BOPO | 2.21054 | 5.128786 | 1.054375 |
| NPL | 64.4007 | 3.843469 | 1.428072 |

Source: Processed Secondary Data, 2022

In table 3, the results of the multicollinearity test show that the coefficient value between variables is less than 0.9, so this research data does not have a multicollinearity problem.

Table 4. Autokorelasi Test Results

| Model | Durbin Watson Stat | dL | dU |
|-------|--------------------|--------|--------|
| 1 | 2.586 | 1.6164 | 1.7869 |

From the results in table 4, the Durbin Watson value is 2,586 while the dW table with a significance of 0.05 and the amount of data (n) is 120, the independent variable (k) is 5, the dL value is 1.6164, and the dU value is 1.7869. Because the dW value of 2,586 is between min 2 to 2, it can be concluded that there is no autocorrelation problem. The heteroscedasticity test in this study used the Harvey test, as presented in table 5.

Table 5. Heteroscedasticity Test Results

| No | Info | Harvey's Test |
|----|---------------------------------------|--------------------|
| 1 | F. Statistics Prob. F (5.114) | 3.096722 0.1170 |
| 2 | Obs* R-Square Prob. Chi-Square (5) | 14.34956 0.1350 |

Prob value. From the calculated F and Chi-Square counts from all tests that are greater than the 5 percent significance value, there is no heteroscedasticity in the equation model.

Table 6. Partial Test Results

| Variable | Coefficient | t-Statistic | Prob. | Hypothesis |
|----------|-------------|-------------|-------|------------|
| Constant | 0.866 | 7.152 | 0.000 | Accepted |
| DPK | 0.523 | 8.963 | 0.000 | Accepted |
| CAR | 0.148 | 3.631 | 0.004 | Accepted |
| ROA | 0.278 | 2.287 | 0.024 | Accepted |
| BOPO | -0.101 | -2.166 | 0.032 | Accepted |
| NPL | -0.971 | -2.461 | 0.013 | Accepted |

Credit Distribution = 0.866 + 0.523 DPK + 0.148 CAR + 0.278 ROA – 0.101 BOPO – 0.971 NPL

The third-party fund variable for Credit Distribution shows that the tcount value is smaller than the t-table (8,963 is lower than 1,658) with a significance level (p-value) is 0.000 (lower than 0.05). Because the p-value is lower than a (5percent) and the coefficient is positive 0.523, H1 is

accepted, meaning that third-party funds have a positive and significant effect on Credit Distribution.

The variable Capital Adequacy Ratio for Credit Distribution shows that the tcount value is smaller than the t-table (3,631 is lower than 1,658) with a significance level (p-value) of 0.004 (greater than 0.05). Because the p-value is lower than (5 percent) and the coefficient is positive 0.148, H2 is accepted, meaning that the Capital Adequacy Ratio has a positive and significant effect on Credit Distribution.

The Return on Assets (ROA) variable on Credit Distribution shows that the t-count is smaller than the t-table (2,287 is lower than 1,658) with a significance level (p-value) of 0.024 (is lower than 0.05). Because the p-value is lower than (5 percent) and the coefficient is positive 0.278, H3 is accepted, which means that Return on assets (ROA) has a positive and significant effect on Credit Distribution.

The variable operating expenses on operating income (BOPO) on Credit Distribution shows that the t-count is smaller than the t-table (-2.166 is lower than 1.658) with a significance level (p-value) of 0.032 (greater than 0.05). Because the p-value is lower than (5 percent) and the coefficient is negative -0.101, then H4 is accepted, which means that operating expenses on operating income (BOPO) has a negative and significant effect on Credit Distribution.

The Non-Performing Loan (NPL) variable on Credit Distribution shows that the tcount value is smaller than t-table (-2.461 is lower than 1.658) with a significance level (p-value) of 0.013 (greater than 0.05). Because the p-value is more significant than a (5 percent) and the coefficient is negative 0.971, then H5 is accepted, which means that the Non-Performing Loan (NPL) has a negative and significant effect on Credit Distribution.

Discussion

The results of the first hypothesis test we conducted supported the earlier-proposed hypothesis. These results indicate that third-party funds have a substantial positive impact on the Credit Distribution practices of Indonesia Stock Exchange-listed banks (IDX). The increase in third-party funds indicates that the bank has successfully attracted public funds and confidence. The distribution of credit by banks to the public will increase; Third-Party Funds are funds generated by the community and lent back to it. Distribution of credit is a priority or a bank's primary profit-generating activity. This is consistent with banks' role as financial intermediates. A bank's willingness to take risks and distribute credit will be enhanced by its ability to regulate and manage credit distribution effectively. According to the findings of this study, the increase or decrease in Third Party Funds (DPK) during the study period significantly impacts credit distribution. The greater the amount of Third-Party Funds (TPF) collected by banks, the greater the number of loans disbursed, and vice versa. According to research (Amelia & Murtiasih, 2017; Parenrengi & Hendratni, 2018; Sihlestari et al., 2020), credit distribution will also increase if third-party funds increase. This contradicts the study's findings (Noor et al., 2018), which concluded that third-party funds had no significant impact on Credit Distribution. This occurs due to the extremely short maturities of Third-Party Funds (TPF) and the emergence of bank vigilance in credit distribution, where it is known that the real sector has enormous potential for bad loans.

The results of the second hypothesis test we conducted supported the earlier-proposed hypothesis. These results indicate that the Capital Adequacy Ratio significantly positively impacts

Credit Distribution to Indonesia Stock Exchange-listed banks (IDX). The Capital Adequacy Ratio (CAR) can increase Credit Distribution when it is high. Financial Position is one of the internal factors affecting the banking industry's budgeted credit volume. The Capital Adequacy Ratio (CAR) indicates the availability of adequate financial resources when it is high (capital). The Capital Adequacy Ratio (CAR) is high because most funds obtained from banking activities are allocated to the bank's minimum reserves or utilized to cover potential losses resulting from banking activities. By the theory of liquidity management, the findings of this study indicate that as the Capital Adequacy Ratio (CAR) increases, so does the ability of bank capital to maintain the risk of business activity loss without necessarily affecting the increase in bank Credit Distribution. Previous research (Putri, 2016; Suryawati et al., 2019) found that CAR had a positive and statistically significant effect on credit distribution; the current study's findings support these findings. A high Capital Adequacy Ratio (CAR) enables banks to have sufficient capital, channeling their capital into credit assets and reducing the risk of their business activities. However, this study's findings contradict previous research (Zacharias et al., 2019) that concluded CAR did not affect Credit Distribution. Similarly, research (Kasim & Hasiara, 2021) revealed that CAR had a negative and statistically significant impact on Credit Distribution. The Capital Adequacy Ratio (CAR) is believed to restrict the bank's ability to channel credit. Although the effect is negligible, banks cannot disregard the Capital Adequacy Ratio (CAR) ratio when Credit Distribution because excessive Credit Distribution frequently disrupts bank capital adequacy.

The results of the third hypothesis test we conducted supported the earlier-proposed hypothesis. These results indicate that Return on Assets positively affects Credit Distribution to Indonesia Stock Exchange-listed banks (IDX). This indicates that Return on Assets (ROA) measures bank management's ability to generate overall profits (Dendawijaya, 2003). The greater the Return on Assets (ROA) of a bank, the greater the level of profit realized by the bank, allowing it to extend more credit. According to Kusnandar (2012), banks' high return on assets will increase profits, so Credit Distribution will also increase due to the bank's relatively strong position. According to the findings of this study and the theory of liquidity management, the greater the profit generated indicates that the bank has effectively managed its assets. Therefore, it will be easier for the bank to approve the customer's proposed loan, as the bank's ability to generate profits is already strong, and the high ROA will increase Credit Distribution. This study supports previous findings (Handayani, 2018; Sihlestari et al., 2020) that ROA positive and statistically significant impact on credit distribution. Assuming a positive relationship between Return on Assets (ROA) and credit, if the Return on Assets (ROA) ratio increases, this indicates that bank assets have been utilized optimally to generate income. Contrary to the findings of a study (Harun, 2016), ROA was not significant for Credit Distribution.

The results of the fourth hypothesis test we conducted supported the earlier-proposed hypothesis. These results indicate that Operating Expenses to Operating Income (BOPO) significantly negatively impact Credit Distribution to Indonesia Stock Exchange-listed banks (IDX). This implies that a bank's Credit Distribution will decrease as a company's BOPO ratio increases. Cost control issues are related to efficiency issues. Operational efficiency indicates that the costs incurred to generate profits are less than the profits generated from using these assets. Operating Expenses to Operating Income (BOPO) is a ratio that indicates the proportion of a

company's operating expenses or costs to its operating income during a given period. This ratio, also known as the efficiency ratio, measures the ability of a bank's management to control operating expenses relative to operating income (Haryani, 2010). Based on the theory of liquidity management, the findings of this study indicate that the efficiency of a bank's operational costs increases as the ratio of operating expenses to operating income (BOPO) decreases, thereby reducing the likelihood of a bank being in a problematic situation. Previous researchers (Purba et al., 2016; Haryanto & Widyarti, 2017) discovered that BOPO significantly negatively affected credit distribution. These findings bolster those findings. This demonstrates that the bank can allocate the efficiency of bank profits to increase the distribution of its credit. Andini et al., (2016) asserts that Operating Expenses on Operating Income (BOPO) has no significant effect on Credit Distribution, which contradicts the findings of this study. This suggests that the advantages of the BOPO ratio's efficiency will not necessarily increase the distribution of credit. It may be the bank's policy to use these profits for other operational purposes.

The results of the fifth hypothesis test we conducted supported the earlier-proposed hypothesis. These results indicate that Non-Performing Loans (NPL) significantly negatively impact Credit Distribution to Indonesia Stock Exchange-listed banking companies (IDX). Therefore, NPL reflects credit risk; the higher the level of NPL, the greater the credit risk the bank bears. As a result of the high NPLs, banks are required to hold more massive reserves, ultimately eroding the bank's capital. At the same time, the amount of capital significantly impacts the rate of credit expansion. Nonperforming loans' size is one reason why banks have difficulty extending credit. According to the theory of liquidity management, the results of this study indicate that a bank's credit distribution to the public reflects its liquidity position and vice versa. This result bolsters the findings of previous researchers (Handayani, 2018; Nasedum et al., 2020) and (Handayani, 2018; Nasedum et al., 2020) that NPL is negatively and significantly related to credit distribution. High Non-Performing Loans (NPL) will result in a decline in credit disbursement because banks will be required to create more enormous write-off reserves, resulting in a decrease in the number of funds that can be channeled through Credit Distribution. According to (Mokodompit et al., 2018), Non-Performing Loans have a positive and insignificant effect on commercial banks, which is contrary to the findings of this study. The increase or decrease in the value of Non-Performing Loans (NPL) will not significantly impact Credit Distribution. Due to unfavorable global economic conditions, high NPLs may occur.

Conclusions

Third-Party Funds have a positive and significant impact on Credit Distribution to banking companies; therefore, an increase in third-party funds indicates that the bank has successfully attracted public funds and confidence. Capital Adequacy Ratio (CAR), which has a positive and substantial impact on Credit Distribution to financial institutions. Return on Assets has a significant positive impact on Credit Distribution to banking companies; this means that the higher the Return on Assets (ROA) of a bank, the higher the level of profit achieved by the bank, allowing the bank to extend more credit. Operating Expenses on Operating Income (BOPO) has a significant negative impact on Credit Distribution to banking companies; this means that the higher a company's BOPO ratio, the lower the bank's Credit Distribution will be. Non-Performing Loans (NPL) have a significant negative impact on Credit Distribution to banking institutions; as

a result, NPL reflects credit risk; the higher the NPL level, the greater the credit risk borne by the bank. We recommend that future research consider extraneous factors that can influence credit distribution and extend the research period to produce more precise results.

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