ANALYSIS OF FACTORS INFLUENCE THE NON PERFORMING LOAN BASED ON 5C’S PRINCIPLE AT PT. BPR TUTUR GANDA, SUBANG

By

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A skripsi presented to the Faculty of Business President University in partial fulfillment of the requirements for Bachelor Degree in Economics Major of Management

March 2015
The Panel of Examiners declares that the Skripsi entitled “ANALYSIS OF FACTORS INFLUENCE THE NON PERFORMING LOAN BASED ON 5C’S PRINCIPLE AT PT.BPR TUTUR GANDA, SUBANG” that was submitted by Novia Utami Suharnia majoring in Management from the Faculty of Business was assessed and approved to have passed the Oral Examinations on March 17th, 2015.

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This Skripsi entitled “ANALYSIS OF FACTORS INFLUENCE THE NON PERFORMING LOAN BASED ON 5C’S PRINCIPLE AT PT.BPR TUTUR GANDA, SUBANG” prepared and submitted by Novia Utami Suharnia in partial fulfillment of the requirements for the degree of Bachelor of Economics in the Faculty of Business has been reviewed and found to have satisfied the requirements for a Skripsi fit to be examined. I therefore recommend this Skripsi for Oral Defense.

Cikarang, Indonesia, March 17th 2015

Acknowledged by, Recommended by,

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Head of Management Study Program Advisor
DECLARATION OF ORIGINALITY

I declare that this Skripsi, entitled “ANALYSIS OF FACTORS INFLUENCE THE NON-PERFORMING LOAN BASED ON 5C’S PRINCIPLE AT PT.BPR TUTUR GANDA, SUBANG” is, to the best of my knowledge and beliefs, an original piece of work that has not been submitted, either in a whole or in a part, to another university to obtain a degree.

Cikarang, Indonesia, March 17th 2015

NOVIA UTAMI SUHARNIA
ABSTRACT

The objective of this research to analyze factors influence Non-Performing Loans at PT. Bank Perkreditan Rakyat Tutur Ganda. The Independent variables that are character, capacity, capital, collateral and condition, the dependent variable is Non-Performing Loan. In this research, the data collected are primary data, by spreading questioner to the 97 respondents. Inside the questioner, tool for measure the degree of agreement from respondents is Likert Scale. Test that include in quantitative analysis are reliability and validity test, classical assumptions test, and multiple regression linear to conclude the hypothesis testing through F-test, T-test, and coefficient determination ($R^2$). This research found in that 3 variables (Character, Collateral and Condition) in this research have significant influence towards Non-Performing Loans. As for capacity factor and capital factor shows the result different where the variable have no significant influence towards Non-Performing Loans. There is simultaneously a significant influence of character, capacity, capital, collateral, condition towards Non-Performing Loans, The level of influence was 69.2%, while 30.8% are influenced by other factors.

Keywords: Character, Capacity, Capital, Collateral, Condition and Non-Performing Loans.
ACKNOWLEDGMENT

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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPLs</td>
<td>Non-Performing Loans</td>
</tr>
<tr>
<td>BI</td>
<td>Bank Indonesia</td>
</tr>
<tr>
<td>BPR</td>
<td>Bank Perkreditan Rakyat</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small Medium Enterprise</td>
</tr>
<tr>
<td>VIF</td>
<td>Variance Inflation Factor</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Science</td>
</tr>
</tbody>
</table>
CHAPTER I
INTRODUCTION

This chapter will explain about background of study, problem identification, statement of problem, research objectives, research benefit, scope and limitation and also definition of term.

1.1 Background of Study

Today, in Indonesia the banking sector is growing. Bank participate in the economic development efforts in the country, especially in the banking sector. Government policies and banking management must participate in economic development, especially in the real sector so no shortage of funds from the banking world.

Banks provide good service to the community in raising funds, disbursement of funds and other services of the bank itself. Bank to collect funds from the public that the excess funds, banks also provide loans to people in need of funds. In addition, Bank is a financial institution that engages in providing credit and payment services in the traffic and circulation of money. Bank as an intermediary institution served to accelerate national development through lending activity. The proportion of lending decisive role of the size of the bank's operating income received. The proportion of deposits that are not ideal will drive losses at the bank. Therefore, the credit management should be done with the best of planning the amount of credit, organization, implementation and supervision of credit is performed continuously. The credit management aims to reduce the degree of risk of bank credit activity such as high non-performing loans (NPLs).

From the definition above can be concluded that the function of banks in general are receiving various forms of deposits from the public, provide good credit sourced from funds received from the community and funds obtained from the bank's owners (shareholders), the government and Bank Indonesia. Banks are intermediaries that raise funds and place them in the form of productive assets,
namely credit. In carrying out its function, activities of daily bank cannot be separated from credit problems. In fact it can be said the activities of banks as financial institutions the interest income on the provision of credit is a source of revenue main. Distribution of funds should be maximized because if the funds collected from many customers while loans extended it means that the bank yet its intermediary function properly.

Activity bank credit quality, health and provide the highest operating income for the bank when compared with other activities such as the provision of services. Therefore, to increase revenues and sustain the lending bank is continuously activity will be carried out. Lending activity on the other hand is the risk that is not the return of funds / loans extended because not all customers are able to repay the loan to credit properly and timely. Impact degree of credit risk accepted by the bank will interfere with the bank's level of liquidity. The degree of credit risk can be reduced by way of a comprehensive credit analysis and depth in terms of both quantitative and qualitative against any credit applications received by the bank. Comprehensive credit analysis will determine the success of lending activity and suppress the degree of credit risk.

The bank has provided certain credit form with the requirements that must be met by the applicant credit, despite the credit applicant has met the requirements put forward, not necessarily of the bank providing credit facilities. The bank must examine and analyze the state of the credit applicant beforehand (Astuti, 2009) Bad credit happens if the banks find it difficult to ask for the installment of the debtor for any reason. Bad debts are doubtful receivables or loans that have criteria substandard, doubtful due to repayment difficulties due to certain factors (Herman, 2006). In the event of such things then the bank should not just impose on borrowers to repay their debts immediately. The debtor is obliged to repay the loan he had received the following with interest as stated in the agreement (Astuti, 2009).

Banks provide credit to be really careful, because in this case the bank gives credence to the debtor to return the money received by the bank from those who
believe in the bank to save money in the bank so that the banks to provide credit must conduct an examination of prospective debtors.

Banking in fulfilling credit needs of the community will obtain funding from the public, so that the source of banking funds channeled to the public in the form of loans not owned banks own funds, but funds from the public. This led banks to conduct credit must do so with the precautionary principle through an accurate and in-depth analysis, lending right and tight credit control, as well as the credit agreement lawful binding assurance strong and regular administrative and complete loan. all actions are solely intended to make loans extended by the bank to the public can go back in time and in accordance with the credit agreement. The extension of credit by the bank must is observed the principle of credit-granting. To obtain the assurance that, as mentioned in the explanation 2 of Article 8 of Law No. 10 of 1998 on banking, namely:

“Dalam memberikan kredit, bank wajib melakukan penelitian yang seksama terhadap watak (character), kemampuan (capacity), modal (capital), agunan (collateral), kondisi ekonomi debitur (condition of economy). Hal ini untuk menjaga kemungkinan-kemungkinan yang tidak diharapkan terjadi.”

The credit analyzed with the precautionary principle will be put credit on the credit quality of the performing loans so as to provide income for the bank. The income derived from the magnitude of the difference between the cost of funds with interest income paid by credit applicants so as to achieve such gains since the beginning of the loan application must be accurate and in-depth analysis by officials who work on the unit / credit department.

A lots of going loans to problematic due to various reasons, such enterprises are financed with credit bankruptcy or declining sales revenue. The economic crisis, unable to compete or intentional debtor irregularities in the use of such credits to finance businesses that do not clear the future, resulting in operating revenue sources are not able to develop their business and ultimately shut down the debtor's business. Conditions where bank credit has been distributed to the public in large numbers were not paid back to the bank by the debtor in a timely manner

3
appropriate credit agreements which include; principal and interest led to the credit can be classified as non-performing loan. The number of NPLs will result in the disruption of the bank's liquidity. "With the credit crunch, banks are facing the risk of bank business credit risk types are at risk due to the inability of customers debtor to repay the loan received from banks and interest in accordance with a predetermined time period.

1.2 Problem Identification
As has been mentioned previously that the presence of non-performing loans, the bank was facing default risk. Non-performing loans are always therein the lending activities of banks, because banks can not avoid the presence of non-performing loans, the banks imply trying to reduce to a minimum the amount of non-performing loans that do not exceed the provisions of Bank Indonesia as the banking supervisor. The extension of credit by the bank must is observed the principle of credit-granting. To obtain the assurance that, as mentioned in the explanation 2 of Article 8 of Law No. 10 of 1998 on banking, namely: “In providing loans, banks are required to conduct careful study of character, capacity, capital, collateral, condition. This is to keep the possibilities that are not expected to occur.” PT.BPR Tutur Ganda is one of the banks that are facing credit crunch that occurred in 2014, where debtors who filed lending money to credit banks have difficulties in terms of payments and repay the loan.

For more specifically, the development of Non-Performing Loans in 2014 at PT.Bank Perkreditan Tutur Ganda can be seen in table 1.1.
Table 1. Non-Performing Loans 2014 (in thousands)

<table>
<thead>
<tr>
<th>No</th>
<th>Collectability Debtor</th>
<th>Total Debtor</th>
<th>Total Outscredit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pass</td>
<td>1,025</td>
<td>4,850,409</td>
</tr>
<tr>
<td>2</td>
<td>Substandard</td>
<td>405</td>
<td>1,910,311</td>
</tr>
<tr>
<td>3</td>
<td>Doubtful</td>
<td>49</td>
<td>471,846</td>
</tr>
<tr>
<td>4</td>
<td>Loss</td>
<td>74</td>
<td>272,688</td>
</tr>
<tr>
<td>5</td>
<td>NPL</td>
<td>123</td>
<td>1,173,744</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1,676</td>
<td>8,678,998</td>
</tr>
</tbody>
</table>

Source: Bank Perkreditan Rakyat Tutur Ganda

Based on the data in the end of 2014, the total NPL is 123 from the total debtor is 1,676 or Rp 1,173,744,000,- from the total outs credit is Rp 8,678,998,000,-.

Based on the statement above, the title of this study is “Analysis of Factor Influence the Non-Performing Loans Based on 5C’s Principle at BPR Tutur Ganda”

1.3 Statement of Problem

Specifically, it answer the following question:

1. Is there significant influence of character towards Non-Performing Loans?
2. Is there significant influence of capacity towards Non-Performing Loans?
3. Is there significant influence of capital towards Non-Performing Loans?
4. Is there significant influence of collateral towards Non-Performing Loans?
5. Is there significant influence of condition towards Non-Performing Loans?
6. Is there influence of character, capacity, capital, collateral, condition towards Non-Performing Loans?
1.4 Research Objective

The objective of this research are as follows:

1. To analyze character has significant influence towards non-performing loans.
2. To analyze capacity has significant influence towards non-performing loans.
3. To analyze capital has significant influence towards non-performing loans.
4. To analyze collateral has significant influence towards non-performing loans.
5. To analyze condition has significant influence towards non-performing loans.
6. To analyze character, capacity, capital, collateral, and condition have significant influence towards non-performing loans.

1.5 Research Benefit

Through this research could hopefully expand knowledge, information, and suggestion for:

1. Researcher
   Can enrich the science and knowledge that has been acquired in the lecture, as a preparation that can be applied in the workplace as well as valuable experience in the convergence of scientific theories with phenomena in the field. And develop research that already exists.

2. Bank
   This study is expected to provide feedback to the company and becomes an input to take acts that need to be done in the procedure of granting credit to debtor. besides that, this research is also expected to benefit the bank officials, as it will provide a means of making objective decisions and to support the bank’s operations.
3. Future Research
The output of the research would become a baseline and additional knowledge to enhance the needs of people who would do future research about the non-performing loans based on 5C's theory.

1.6 Scope and Limitation

Scope
The Study is conducted to “Analysis of Factor Influence the Non-Performing Loans Based on 5C’s Principle at PT.Bank Perkreditan Rakyat Tutur Ganda”

Limitation
This Study is focused on 5 factors to analyze that relation with Non-Performing Loans, Such as character, capacity, capital, collateral and condition. Questionnaires are distributed to 97 debtors.

1.7 Definition of Term

1. Character is the lender should assess the debtors character before granting a loan. This assessment is often examined on the intangibles reasons such as honesty, integrity, competence, courtesy, determination, intelligence, and ability.

2. Capacity is basically debtors’ strength to apply the credit in the corporate or manage the funds. That way, the strength can measure of how the debtor will do the payment.

3. Collateral is any asset which the debtor possesses to pledge against the debt. It is represent the alternative payment for the bank. Collateral is generally divided into personal and physical collateral. The examples of personal collaterals are suretyship, collateral promise, guarantee and letter of support. In the case of physical collateral, the bank receives a specific security interest in certain assets of the borrower or the collateral provider. And the examples of physical collateral are the following
mortgage, pledge of movable assets (on securities, goods, bills of exchange), security assignment and retention of title

4. Capital is the money a borrower personally invested in the business and also an indication of how much the borrower has at risk should the business fail.

5. Condition refers to borrowers’ external forces. Such as economic, social, or even political.

6. Credit is a transaction between two parties which one (the creditor or lender) supplies money or monetary equivalent goods, services, etc., in return for a promise of future payment by the other (the debtor or borrower).

7. NPLs is a loan that is in default or close to being in default. Many loans become non-performing after being in default for 90 days, but this can depend on the contract terms.
CHAPTER II
REVIEW OF LITERATURE

This chapter explains about theoretical review, the theories regarding the topics in this chapter. Include the definition of bank, loan, previous research, theoretical framework, operational definition and hypothesis.

2.1 Theoritical Review

2.1.1 Bank

Bank is a financial institution whose main activity is to collect funds from the public and distribute the funds back to the community as well as providing other banking services (Kasmir, 2002). Statement of Financial Accounting Standards No.31, explained that the bank is an institution that acts as a financial intermediary between those who have money and those who need funding, as well as the institutions that serve the traffic expedite payment. Law No.10 year 1998 about banking, giving understanding that banks are business entities that raise funds from the public in the form of savings and channel them to the public in the form of loans or other forms in order to improve the standard of living of the people.

Banking business includes three main activities, namely:

a. Raise funds
b. Channeling funds
c. Provide other banking service

The intention is to raise funds to collector seek funds(money) by buying from the general public in the form of demand deposits, savings and time deposits. Fund raising activity is often referred to as funding. While the definition of funds is cast back the funds obtained through demand deposits, savings, and time deposits to the public in the form of loans(credit) for the bank based on the principle of conventional or financing for banks based on Islamic principles. Fund distribution
activities is often referred to as lending. Referred to other bank services is appropriate complementary support services, especially banking activities to support the smooth operation of collecting and distributing funds, either directly related to savings and credit activities and indirectly.

According to Law No. 10 year 1998 on Banking, the bank based on its type can be divided into two, namely:

1. Commercial Bank, the bank conducting conventional business and or based on sharia principles in its activities providing services in payment traffic. The activities carried out for commercial banks, among others:
   a. To collect funds from the public in the form of deposits in the form of demand deposit, time deposits, certificates of deposit, savings.
   b. Give credit.
   c. Issue a letter of acknowledgement of debt.
   d. Buy, sell, insure their own risk as well as interest and at the behest of its customer.
   e. Transfer of money either for its own account of customer.

2. Bank Perkreditan Rakyat, the bank conducting conventional business and or based on sharia principles in their actions do not provide services in payment traffic. From understanding the above it can be seen that the activity of Bank Perkreditan Rakyat narrower when compared with the activities of commercial banks. Bank Perkreditan Rakyat activities only includes activities to raise funds and channeling funds, and in the activities of collecting funds Rural Banks are forbidden to accept deposits in the form of demand deposits. When viewed from the operational range, Bank Perkreditan Rakyat are only restricted in certain areas and also not allowed to participate clearing and foreign exchange transactions.

BPR business include efforts to raise and distribute funds with the purpose of obtaining a profit. BPR advantages derived from the spread effects and interest income. The BPR business are:
1. Raise funds from the public in the form of deposits in the form of
time deposits, savings, and/or other equivalent form with it.
2. Give credit.
3. Providing financing for customers based on the principle of profit
sharing in accordance with the provisions stipulated in
Government Regulation.
4. Placing funds in Bank Indonesia Certificates (SBI), time deposits,
certificates of deposit, and/or savings in other banks. SBI is
offered by Bank Indonesia certificates to RB when RB
experienced over liquidity.

There are several types of business as that of commercial banks, but not to
do BPR. business should not be done BPR are:

1. Receiving such as demand deposits.
2. Conducting business activities in foreign currencies.
3. Equity with the principles of prudent banking and concern to
service the needs of the lower middle.
5. Perform other business outside business activities as stipulated
in the BPR effort.

Specifically the bank can act as an agent of the trust, an agent of development,
and the agent of service (Sigit Triandaru and Totok Budi Santoso, 2006).

1. Agents of Trust
   As an agents of trust, the bank has a financial intermediary function is
collecting funds from the public that the excess funds (depositors or
creditors) and distribute to those in need of funds (funds borrower or
debtor). The function of this financial intermediary will be able to run
smoothly if there is an element of trust (trust). In this case the people will
save their money when based element of trust and the bank itself will be
placing and distributing the funds to the debtor or the public when based on the element of trust as well.

2. Agent of Development

Monetary and real sector scores cannot be separated in the economic activities of society. Both these sectors interact mutually influence one another. The real sector will not work properly if the monetary sector is not working properly. The task of the bank as a collector and distributor of funds is very necessary for the smooth operation of which is intended for community economic development, such as production, distribution, investment, and consumption of goods and services.

3. Agent of Services

The banks offers a wide range of services in addition to conducting the collection and distribution of funds, the bank also offers banking services to the public other. Services offered by banks such as money transfer, collection, letters of credit, automated teller machines, money market, capital markets, etc. The services offered are closely related to smooth operation of the community’s economy in general.

2.1.2 Loan

Many people assume that the term loans in the banking or financial contexts have the same meaning as accounts payable generally, but if further visits both have a much different sense. Kashmir (2002) stated credit has diverse dimensions, starting from the meaning of the word "credit" comes from the Greek word "credere" meaning trust or in Latin "creditum" the which means belief in the truth. Black's Law Dictionary definition of loan as "One's ability to borrow money: the faith in one's ability to pay debt: while bank credit is" credit that a bank makes available to a borrower "

According to Veithzal Riva’i (2007) “Loan is a supply of goods, services or money from a creditor on the basis of trust in the other party or the debtor with a
promise to pay from the loan recipient to the lender on the date agreed upon by both parties.

Based on the above definitions can be seen that the credit transaction arising as a result of a borrowing party to the other party, either in the form of money, goods and so on which may generate claims for creditors. Another thing that can cause credit transactions in the form of buying and selling activities for which payments will be suspended within a specified period of time either in part or in whole. Credit transactions mentioned above will bring receivable or billing for creditors and incur obligations to pay for the debtor.

Basic of Loan is trust. So if the person already gets a credit, means that they get trust from the lender. Law no of 1992 as amended by Law No. 10 of 1998 (the Banking Act) stated that credit as a supply of money or claims or other equivalent terms based on borrowing agreement or contract between the bank and other parties that requires the borrower to repay the debt after a certain period of time with interest.

According to Rivai (2006) in his book “Credit management Handbook”, there are several definition of credit, which are:

1. Credit is the delivery of goods, services, or money from one party (creditors or lender) on the basis of trust to another party (borrower) with an agreement that borrower will pay the loan to the lender on the date that has been agreed upon both parties.

2. Credit is to provide cash or equivalent claims based on borrowing agreement only between the bank and other parties that requires the borrower to pay off debts after a certain period of time in exchange or for the results.

3. Credit is the submission of the current economic value of trust in the hope of getting back the same economic value in future.
4. Credit is an action on the basis of an agreement where the agreement contained services and fringe benefits (Achievements and contra) that two elements are separated by the time.

5. Credit is a right, which the person can use for certain purposes, within certain time limits, and on certain consideration as well.

2.1.3 Elements of Loan

As already mentioned above that the credit means trust, where the trust is the trust of the bank as a credit or to lend to borrowers in which the debtor will repay the loan with interest to be paid to creditors in the agreed time period previously. The confidence a rising from compliance with all terms and conditions for obtaining bank loans by debtors include clear objectives for the allocation of credit, guarantees or collateral existence of things, and others.

According to Kasmir (2008) on his book, *Bank dan Lembaga Keuangan Lainnya*, the elements of credit are:

1. Trust, the lenders give credit in the form of money, goods, or services will be totally received back in the future.
2. Agreement, the agreement contained in agreement where by each party signed the rights and obligations of each.
3. Period, the period covering the agreed credit payment.
4. Risk, the risk of loss can be caused by two things: the risk of losses resulting from clients intentionally refused to pay his credit when there is the capability and the risk of losses caused by things such unintended calamities and natural disasters and it is to be borne by the creditor.
5. Remuneration, which is an advantages over the provision of credit or services that are known as interest for conventional banks. As for Islamic Bank is determined by remuneration system for the result.

The elements that consist in for giving credit facility according to Suyatno (2007) in his book, “Dasar-Dasar Perkreditan”, are as follows:
1. Trust, a lender belief that credit granted in the form of money, goods, or services will be received back in a certain period in the future.

2. Grace period, a period that separates between the granting achievements and contra achievements that will be received in the future. In this elements, embodied understanding the premium value of money, which is money that is now of greater value than the money to be received in the future.

3. Degree of risk, level of risk that will be faced as a result of the period of time that separates between the granting achievements and contra achievement that will be received in the future. The longer the loan, the higher given level of risk, as far as the human ability to break through the future, then there is always an element of uncertainty that can be taken into account. This had led to the emergence of the risk element. With the element of risk, thus, there is guarantee in granting credit.

4. Achievement or credit objects that are not only given credit in the form of money, but it also can take the form of goods, or services. However, because of modern economic life nowadays is based on money, then credit transaction involving money that every time we meet in lending practices.

5. Time period, time period consist of maturity date of credit that already agreed. The time period could be in short term period, intermediate term period, or long term period.

6. Risk, grace period of payback loan will cause in credit loss. The longer the credit payment, greater the risk and vice versa. This kind of risk is increasing bank’s liability, both intentional and unintentional.

7. Fringe benefits, advantage of grant a credit or the service that well known as interest. For conventional bank interest and credit administration fee is kind of benefit that received by bank as a fringe benefit in granting credit facility.
2.1.4 Purpose and Function of Loan

According to Kasmir (2008) in his book “Bank dan Lembaga Keuangan Lainnya”, the purpose to grant credit are:

1. Looking for profits
   The result mainly in the form of interest received by banks as a reward credit and administration fees are charged to customers.

2. Helping business customers
   Help business customers who require funds, both investment funds as well as funds for working capital. With these funds, the debtor will be able to develop and expand its business.

3. Government help
   More loans are granted by the banks, increasing the development across various sectors. Benefit of credit for government are:
   a. Tax revenue, profits earned by customers and banks
   b. Employment opportunities, for a new business or development credit expansion will require new workers so that they can absorb workforce which are still unemployed.
   c. Increase the amount of goods and services.
   d. Save foreign exchange, especially for products that were previously imported and when it can be produced domestically with existing credit facilities will clearly be able to save foreign exchange.

Tjoekam (1999) in his book, “Perkreditan Bisnis Inti Bank Komersial: Konsep, Teknik & Kasus” defined that credit involving several parties such as creditor (bank), debtor (credit receiver), monetary authority (government), and society. Hence, the purpose of credit to each party related such as:

1. For Creditor (Bank)
   a. Credit is the main revenue of a bank
b. Credit is a main instrument to keep up liquidity, solvability, and profitability of bank.

2. For Debtor

a. Credit as a facility to create or expand business activity and performance become better and more smoothly.

b. Credit enhances passion for business and profits as a guarantee of continuation of company’s business.

c. Credit widens business opportunity and work in company.

3. For Government

a. Credit as a monetary instrument.

b. Credit can create business opportunity and working opportunity for people needed and increasing revenue of a country as well.

c. Credit as an instrument to enhance quality of management in business sector, therefore there is efficiency and lowering thriftless in all sector.

4. For society

a. Credit could decrease unemployment rate, because open up for business opportunity.

b. Credit could enhance market function, because increasing buying ability.

According to Kasmir (2013), in his book “ManajemenPerbankan”. There are several types of credit on some view. They are:

1. Investment Credit

   Investment credit is a long-term loan that is usually used for business purposes or build projects / new plants or for rehabilitation purposes. Example of such an investment loan is to build a factory or buy machines. the maturity of credit is usually for a relatively longer period and it takes a relatively large capital.
2. Working Capital Loan

working capital loan is loan that is used for the purpose of increasing production in its operation. For example, working capital loans are given to buy raw materials, pay wages or other costs associated with the production process of the company.

In term of the purpose of credit:

1. Credit Earning

Credit are used to increase to business or production or investment. This credit is given to produce goods and services. For example, credit to build a plant that will produce goods and agricultural credit will produce agricultural products, mining credit will produce mineral and industry credit will produces industrial goods.

2. Customer credit

Credit is used for personal consumption. In this credit no accretion of goods and services producted. Because it is to be used or occupied by a person or business entity. For example, for housing loans, personal car loan, furniture loans, and household consumer credit other.

3. Trade credit

Credit is given to the merchant and used to buy trade activity such as to purchase goods for which payment is expected from the sale of such merchandise. This credit is often given to suppliers or trading agents that will buy goods in large quantity. Example of credit is export and import.

In term of period:

1. Short-Term Loans

A loan that has a period of less than 1 year or a maximum of 1 year and normally used for working capital purposes. For example is in breeding, such as chicken farm credit or if for agricultural crops such as rice or pulses.
2. Medium-Term Credit
Credit period ranging from 1 year to 3 years and this credit is usually used to make an investment. For example credit for agricultural such as citrus or a goat farm.

3. Long-Term Credit
A repayment period of the longest loan term. Long term credit repayment period is above 3 years or 5 years. This loan is usually for long term investment such as rubber, oil palm or manufacturing and for customer loans such as mortgages.

In term of collateral:

1. Secured Credit
Represent loans with a guarantee. The guarantee may take the form of tangible goods or intangible or person as the collateral. It means any credit issued will be protected for a minimum worth of credit guarantees in certain credit; limited warranties must exceed the amount of the proposed loan by the borrowers.

2. Unsecured Credit
It represents loans without collateral in the form of goods or person. This type of credit is given based on the prospects for the business, as well as the character with the loyalty or good name of the debtor for dealing with a bank or other parties.

In term of the business sector:

1. Agricultural Credit, a credit-financed for plantations or agricultural sector. The main sectors of agricultural can be either short term or long term.

2. Farm Credit, credit is given to the farming sector both short term and long term, in short term such as chicken farm or long term such as goat or cattle.

3. Industry Credit, represent loans to finance industry, such as small industries, medium or large industries.
4. Mining Credit, credit is given to the mining business. The types of the mining business that usually financed is in the long term, such as gold mining, oil, or tin.

5. Education Loans, credit is given for the building of educational facilities or it can also be a credit to the students.

6. Profession Credit, is a credit given to the professional such as teachers, doctors, or lawyers.

7. Housing Loans, which are loans to finance the construction or purchase of housing and usually loan term.

8. And other sector.

2.1.5 Collectibility Classification

Loans in reality not all credit extended to run well, there is less current portion and partly to the congestion. For good measure a loan, it is necessary to take measures to classify loans based on the smoothness. It is very necessary to perform credit control tasks in order to run smoothly. State of the payment of principal or the principal and interest of loans by customers, the bank looks at the administration and it is the collectibility of the loan. Information from collectibility rate will depend to a bank to supervise the activities of each customer individually and as a whole. Collectibility is a payment of principal or interest on loans by customers as the bank looks administration based on the Decree of Bank Indonesia (BI) No.32/268/KEP/DIR dated 27 February 1998, the credit can be divided into:

1. Performing Loans

Performing loans are loans repayment of loan principle and interest payment on time, the development of both account and no arrears an in accordance with the term of credit. Performing loans have the following criteria:

a. Payment of principle and interest on time.

b. Having an active account mutation.

c. Part of the loans secured by cash.
2. Substandard Loans

Substandard loans are loans repayment of loan principle and interest payment are in arrears have exceeded 90 days to 180 days from the agreed time. Substandard Loans have the following criteria:

a. There are arrears of principal and interest has exceeded 90 days.
b. Low mutation frequency.
c. There was a mutation of the financial problems faced by the debtor
d. There was breach of the contract that has been promised more than 90 days.
e. Weak loan documentation.

3. Doubtful Loans

Doubtful loans are loans repayment of loans principle and interest payment are in arrears that have exceeded 180 days to 270 days from the agreed time. Doubtful loans have the following criteria:

a. There are arrears of principal or interest has exceeded 180 days.
b. The occurrence of default more than 180 days.
c. There is a permanent overdraft.
d. There was capitalized interest.
e. Documentation weak legal and binding agreement is good for loan.

4. Bad Loans

Bad loans are loans repayment of loan principle and interest payment are in arrears have exceeded 270 days from the agreed time. Bad Loans have the following criteria:

a. There are arrears of principal that has exceeded 270 days.
b. The operating loss is charged with a new loan.
c. Guarantee can not be availed at fair value, both in terms of the law and in terms of market conditions.

2.1.5 Non-Performing Loans

Non-performing loans is situation where the customer is not able to pay part or all of its obligation to the bank as it has been agreed (Mudrajad Kuncoro and
Suhardjono, 2002). Loans are classified in non-performing loans if they meet the following criteria:

1. Based on the business prospects
   a. Very doubtful viability of the business, the industry has decreased and it is difficult to recover.
   b. Loss of markets in line with deteriorating economic conditions.
   c. The management were very weak.
   d. There was breakdown of labor that is very difficult to overcome.

2. Based on the debtor’s financial
   a. Having a great loss.
   b. The debtor is not able to fulfill all obligations and business activities can not be maintained.
   c. The ratio of debt to equity ratio is very high.
   d. The new loan is used to cover operating losses.

3. Based on the ability to pay
   a. There are arrears of principal and interest payments that have exceeded 270 days.
   b. Documentation binding credit or no collateral.

Bad credit factors are things that contribute to a situation where the customer is not able to pay part or all of its obligations to the bank as it has been agreed. Factors that cause bad loans according Mudrajad Kuncoro and Suhardjono (2002) are as follows:

1. External factors bank
   a. There is no good intent of the debtor in question.
   b. The existence of difficulties or failures in the liquidity of the credit agreement has been agreed between the debtor and the bank.
   c. The condition for the debtor’s business and environmental management.
2. Internal factors bank
   a. Lack knowledge and skill of the manager of credit.
   b. The absence of the bank’s credit policy is concerned.
   c. Giving and credit monitoring undertaken by the bank to deviate from the established procedure.
   d. Lack of organization and management of the bank concerned.

2.1.6 The Principle of Legal Lending

Collateral Loans to Bank customers only is a great addition, especially to protect credit stalled due to a disaster. However, if a credit is given has been studied in depth, so that the customer has been said to be feasible to obtain credit, the credit guarantee function merely as a precaution. Therefore, the provision of bank credit should pay attention to the principles of giving proper credit. This means that for each credit facility granted the bank must be sure in advance that the loans will actually return. The confidence gained from the loan proceeds disbursed. Credit assessment by the Bank can be done with a variety of principles to gain the confidence of its customers.

There are several principles that credit assessment is often done with the analysis of 5C, which consist of:

1. Character
   According to Kasmir (2001) that character is the nature or character of a person in this case is a prospective borrower. The goal is to provide assurance to the Bank, that the nature or character of the people who will be given credit can be trusted. Other hands the character is Account officer must figure out the properties of the prospective borrower. This is mainly related to the willingness of the prospective borrower to perform its obligations. To that end, the bank will try to give credit only to borrowers who have a strong commitment to credit approval. This
analysis is more likely to be a qualitative analysis that is not read able by the figures presented. Without the good faith of the debtor, the better the credit is not given (Abdullah, 2005).

Then according to Anggraini (2008) stated character is to determine the positive qualities of the management company or individual, which is reflected in the strong will and is responsible for any that become obligations. These properties are a strong will, sense of responsibility, moral, diligent, do not gamble, saving efficient, patient, consultative and others. To determine the properties mentioned above is not so easy. But can be traced through the CV, curriculum vitae, family information and others. Then Johanes Ibrahim (2004) character is the provision of a loan based on a belief. Belief is meant here is trust the bank will return the borrowed money the customer (debtor).

2. Capacity

Capacity is in this analysis the bank trying to determine the ability of management operate the company so that it can fulfill its obligations to the bank on a regular basis and at maturity. To assess the ability of customers can be seen from the documents owned, the results confirm the party who has the authority to issue certain letters, interviews or through the calculation of financial ratios (Abdullah, 2005). According to Ibrahim (2004) stated that the capacity is meant here is the capacity of prospective clients in developing their business, as well as the ability in the use of credit facilities granted. This is related to the ability of a borrower to repay the loan, because the credit is expected to be returned from development efforts.

Then according to Kasmir (2001) stated that capacity is to look at the ability of a borrower to pay the loan associated with the ability to manage the business and the ability to seek profit. Besides that capacity is the bank must know the extent to which the capacity to run the business of the prospective borrower. This capability is quite important because it helps
determine the success or failure of a company in the future. If the company is run by people who are able to then the company is expected to increase so that payments to the bank credit will go smoothly, but if otherwise, the company will decline even suffer losses that mortgage payment will be disrupted (Anggraini, 2008).

3. Capital

Capital where to find sources of financing to businesses owned by their customers which will be financed by the bank (Kasmir, 2001). According to Abdullah (2005) that capital is analysis of aspects of this capital includes paid-in capital structure, reserves and retained earnings in the financial structure of the company. The amount of own capital shows a degree of risk borne by the debtor involved in the financing of a project. Banks will not finance 100% credit. This means that there must be the capital of the customer. The goal is if the customer also has the capital invested in these activities, customers will also find it has so motivated to work earnestly for the attempt is successful and able to pay its credit obligations.

Then according to Johanes Ibrahim (2004) stated capital is a venture capital prospective customer is also one of the principles that must be met. Expected to increase business capital bank loans that have been made by the prospective customer, not to create a new business, the risk of bad debts is less than the credit given to customers who use credit to expand its business. It is also to determine whether the amount of the proposed loan are reasonable, with a great view of existing capital, ie to look carefully the financial statements of accounting. According to Anggraini (2008) that capital is analysis of capital to be able to describe the capital structure, so that the bank can see large/little sense of responsibility of the debtor. Capital may consist of share capital, bank loans, loans other third parties. This can be seen balance sheets and other accounting evidence.
4. Collateral

According to Kasmir (2001) Collateral is guarantee given either the prospective customer physical and non-physical. Guarantee should exceed the amount of credit granted. Collateral is Credit guarantee a bank confidence on the ability of the debtor to pay off his credit (credit business activities as objects) as well as additional collateral if the bank confidence in the ability of the debtor is still weak (Anggraini, 2008).

Collateral is a Prospective customer providing guarantees to banks to minimize losses when the banks in the future turned out to customers can not repay the loan. In this case the position of the bank if it has a guarantee, the bank will get a position which take precedence over other creditors. The value of the guarantee provided by the debtor must exceed the amount of the loan, and carefully examined the validity of the ownership of that object of the loan guarantee (Johanes Ibrahim, 2004). The according to Abdullah (2005) stated collateral is an assessment of the guarantees given debtor as security for bank loans. The assessment includes trends in future collateral value and the ease convert them into cash (marketability). In addition, this warranty also serve as motivation customers in paying her credit for being held by a bank guarantee.

5. Condition

According to Anggraini (2008) that condition is banks should know the state of the economy is quite influential and related to the business of borrowers as well as how the possibility of business grow thin the future. A state that can be anticipated impact on the course of the debtor's business activities, by reasons of economic development, the financial monetary and banking as well as international or national bank policies.

Then according to Johanes Ibrahim (2004) that the condition is economic conditions in the sector in question is where prospective customers do business. Prospects should be considered the work done by considering the political economy. Businesses in the area are not too closely related to
the political economic conditions have an impact relatively more secure. And the condition according to Abdullah (2005) is an analysis of this aspect includes an analysis of the macro variables surrounding the company either variable regionally, nationally, and internationally. The variables considered are mainly economic variables (though not unconnected with political, legal, etc).

2.2 Previous Research

1. The research conducted by Rifat (2007), with the title “Analisis faktor-faktor penyebab non-performing loan BPR di wilayah kerja kantor Bank Indonesia Malang.” With the study variables, the dependent variable and independent variable NPL consists of a credit officer competence, character debtor, feasibility or business climate that occurred, coaching, supervision and involvement of director / commissioner / credit committee and general economic conditions. Research using Spearman rank correlation analysis and Kendall Tau correlation. Retrieved research negative between correlation with the level of competence resource NPL loan officers, character, feasibility or business climate and economic conditions. For involvement in the management of RBs in the loan approval and credit control factor actually has a positive correlation. But of the five factors, the only variable credit officer competence and character of debtors who have the relationship or significantly affect the level of NPLs.

2. The research conducted by Wisnu (2007), with the title “Analisis kredit macet UMKM di Sentra Konveksi Ulujami Pemalang.” In this research, the dependent variable is SMEs bad loans and independent variables are internal factors that consists of aspects of the use of capital, marketing, and financial income and external factors which consists of government policy and the level of competition. While analysis tools used factor analysis and an examination of the 97 SMEs convection Ulujami Pemalang. The results showed all significant variables. Variable
marketing, competition variables, the positive effect of financial variables while the variable capital utilization, revenue, and government policies negatively affect SMEs bad credit convection centers Ulujami Pemalang

3. The research conducted by Anita (2009), with the title “Analisa Kredit Macet Pada BPR Klaten”. In this research, the dependent is Non-Performing Loans and the independent variables are character, capacity, capital, collateral, condition. The result of this study indicate that the cause of the bad loans in BPR Klaten is due to that failure of business debtors and bankruptcy, as well as the poor debtor character.

4. The research conducted by Muslim (2012), with the title “Analisi Faktor-Faktor yang Mempengaruhi Kredit Macet (Kurang Lancar, Diragukan dan Macet) Pada UMKM Industri Mebel Di Kabupaten Jepara Tahun 2012”. In this research, the dependent variable is Non-performing Loans and the independent variables are Marketing management, level of competition, financial management, technical management, government policy level. The results showed that the variables negatively affect the marketing management of non-performing loans MSME furniture industry in Jepara, but not significant. Technical management variables have negative and significant. Then the variable level of competition and the level of government policy have a positive and significant impact on MSMEs of industrial non-performing loans in the Jepara furniture. While the financial management of the variable is positive but not significant effect on non-performing loans MSME furniture industry in Jepara. The predictive capability of the five variables against bad debts in the Jepara furniture industry MSMEs for 86.5%, while the rest is influenced by other factors outside the model study.

5. The research conducted by Sabrina (2013), with the title “Analisis Pengaruh Penilaian Prinsip 5C terhadap Kredit Macet pada PT.BPRS Attaqwa Garuda Utama”. In this research, the dependent variable is Non-Performing Loan and the independent variables are character, capacity,
capital, collateral and condition. The analytical method used is multiple regression. The result obtained from the researcher is that character(X1), capacity (X2), capital(X3), collateral(X4), and the condition of economy(X5) simultaneously influence of bad loans, and a great influence in the amount of 51%.

6. The research conducted by Stenly (2013), with the title “Analysis The Cause of Non Performing Loans at Bank XYZ”. In this research, the dependent variable is Non-Performing Loan and the independent variables are character, capacity, capital, collateral and condition. The analytical method used is multiple regression. The result obtained from the researcher is that character(X1), capacity (X2), collateral (X4) have significant towards Non Performing Loans. The capital (X3) and condition (X4) have not significant towards Non Performing Loans.

<table>
<thead>
<tr>
<th>No</th>
<th>Researcher</th>
<th>Title</th>
<th>Variable</th>
<th>Result</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Rifat (2007)</td>
<td>“Analisis faktor-faktor penyebab non-performing loan BPR di wilayah kerja kantor Bank Indonesia Malang”</td>
<td>Credit officer competence, character of debtor, feasibility or business climate that occurred, coaching, supervision, and the involvement of director / commissioner / credit committee and general</td>
<td>The negative correlation between the level of NPL with credit officer competence, character, feasibility or business climate and economic conditions of the involvement of bank management. Credit control has a positive correlation. And variable</td>
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<tr>
<td></td>
<td></td>
<td>economic conditions.</td>
<td>significant only variable loan officers competence and character of the debtor.</td>
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<tr>
<td>2</td>
<td>Wisnu (2007)</td>
<td>“Analisis Kredit Macet UMKM di Sentra Konveksi Ulujami Pemalang”</td>
<td>Aspect the use of capital, marketing, revenue and finance, government policy, the level of competitors</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>All variables are significant, variable marketing, competition, financial variables have positive influence. the use of capital, income, government policy is a negative influence.</td>
<td></td>
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<tr>
<td>3</td>
<td>Anita (2009)</td>
<td>Analisa Kredit Macet Pada BPR Klaten</td>
<td>character, capacity, capital, collateral, condition</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>the cause of the bad loans in BPR Klaten is due to that failure of business debtors and bankruptcy, as well as the poor debtor character.</td>
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<tr>
<td>4</td>
<td>Muslim (2012)</td>
<td>Analisi Faktor-Faktor yang Mempengaruhi Kredit Macet (Kurang Lancar,</td>
<td>Marketing management, level of competition, financial management, technical management,</td>
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<td></td>
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<td>the variables negatively affect the marketing management of non-performing loans but not significant. Technical management</td>
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<tr>
<td>5</td>
<td>Sabrina (2013)</td>
<td>Analisis Pengaruh Penilaian Prinsip 5C terhadap Kredit Macet pada UMKM Industri Mebel DiKabupaten Jepara Tahun 2012</td>
<td>government policy level variables have negative and significant. Then the variable level of competition and the level of government policy have a positive and significant impact on non-performing loans. While the financial management of the variable is positive but not significant effect on non-performing. The predictive capability of the five variables against bad debts for 86.5%, while the rest is influenced by other factors outside the model study.</td>
<td>Character, capacity, capital, collateral, condition. That character(X1), capacity (X2), capital(X3), collateral(X4), and the condition of economy(X5) simultaneously</td>
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<tr>
<td>Page</td>
<td>Author</td>
<td>Title</td>
<td>Influence of Bad Loans</td>
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<tr>
<td>6</td>
<td>Stenly (2013)</td>
<td><em>Analysis on the Cause of Non Performing Loans at Bank XYZ</em></td>
<td>The character (X1), capacity (X2) and collateral (X4) have significant impacts towards NPLs. But the capital (X3) and condition (X5) have no significant impact towards NPLs.</td>
<td></td>
</tr>
</tbody>
</table>
2.3 Theoretical Framework

Figure 2. Theoretical Framework

Source: Anita, Sabrina, and Stenly (2013)

2.4 Operational Definition

<table>
<thead>
<tr>
<th>Variables</th>
<th>Concept</th>
<th>Indicator</th>
<th>Measuring Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent Variable</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPLs</td>
<td>a situation where the customer is not able to pay part or all of its obligations to the bank as it has been agreed.</td>
<td>Having arrears, warning letter.</td>
<td>Likert scale</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Character</td>
<td>Assessment to prospective borrowers about the habits</td>
<td>responsibility, faith, expense, income</td>
<td>Likert scale</td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td>An assessment of the ability of borrowers to repay their obligations of business activity does understand with their business, income from business, losses in their business.</td>
<td>Likert scale</td>
<td></td>
</tr>
<tr>
<td><strong>Capital</strong></td>
<td>This assessment is to examine the structure of capital owned by the prospective borrower and the extent to which equity ability of potential borrowers to take profit</td>
<td>Have the saving and borrow the funds only one sources</td>
<td>Likert scale</td>
</tr>
<tr>
<td><strong>Collateral</strong></td>
<td>Assessment of the collateral (collateral) which submitted the debtor as collateral for bank loans obtained is to determine the extent of the value of the collateral or collateral to cover the risk of failure of the debtor's repayment obligations.</td>
<td>Having assets, the value of guarantee is higher, stable income, the guarantee have a criteria.</td>
<td>Likert scale</td>
</tr>
<tr>
<td><strong>Condition</strong></td>
<td>Circumstances of the political, social, economic, cultural influences economic situation at a time likely to affect the smooth running of the company prospective borrowers.</td>
<td>Circumstances of the political, social, economic, cultural</td>
<td>Likert scale</td>
</tr>
</tbody>
</table>
2.5 Hypothesis

Based on the statement of problem, there are five independent variables that will be tested: Character, Capacity, Capital, Collateral and Condition. Hypothesis to be tested in this research is the independent variable has significant influence toward dependent variable or the independent variable has no significant influence toward dependent variable. Null hypothesis (H₀) describes that there is no significant influence from independent variable toward dependent variable while alternative hypothesis (Hₐ) determines that there is significant influence of independent variable toward dependent variable. So, based on three variables, the researcher formulates the hypothesis as follows:

Hypothesis 1 : There is significant influence between debtor character towards Non-Performing Loan.

Hypothesis 2 : There is significant influence between debtor capacity towards Non-Performing Loan.

Hypothesis 3 : There is significant influence between debtor capital towards Non-Performing Loan.

Hypothesis 4 : There is significant influence between debtor collateral towards Non-Performing Loan.

Hypothesis 5 : There is significant influence between debtor condition towards Non-Performing Loan.

Hypothesis 6 : There is significant influence between debtor character, debtor capacity, debtor capital, debtor collateral, debtor condition towards Non-Performing Loan.
CHAPTER III

RESEARCH METHODOLOGY

This chapter will explain the research methodology that is used by the researcher in this research, also will explain about the research design, research framework, research instrument, sampling design, statistical treatment, data analysis, validity and reliability, and hypothesis testing.

3.1 Research Design

In doing a research, researcher can use two kinds of methods. There are qualitative and quantitative. Quantitative research are scientific investigation that includes both experiment and other systematic method that emphasize control and quantified measure of performance (Proctor & Capaldi, 2006 cited in Hoy, 2009). Quantitative research, which usually expressed as scores, consist of empirical observation and mathematical expression which becomes the central of measurement and statistics (Taylor, 2005).

According to Glesne & Peshkin (as cited in Thomas, 2003) quantitative methods focus on measurement or amounts (such as more and less, larger and smaller), the researcher will seek about the explanation by analyzing those numbers and the role is to observe and measure by using sampling strategies and experimental design as important aspects. Quantitative observations are made using scientific tools and measurements. The result can be measured or counted, and any other person trying to quantitatively assess the same situation should end up with the same result. In quantitative method pieces of information that can be counted mathematically, it usually gathered by surveys from large numbers of respondents selected randomly and it is analyzed using statistical methods Best used to answer what, when and who questions (Civicpartnership.org, 2013).

On other hand, qualitative research is an experiments that deals with words (verbal, narrative, and descriptive), data collection done though direct
observation, interviews, and written documentation. (Taylor, 2005). Qualitative research is way to take deeper meanings of particular experience through observations on the person, this method seems more flexible than the other one because it allows the research procedures to develop from the observation that collected and accept the researcher to use a subjectivity to get deeper understanding from the experience observed (Rubin & Babbie, 2011)

In this research, researcher used quantitative method to support the research conducted. The purpose of using quantitative is by some advantages, such as: the result is statistically reliable if this research conducted properly, means that researcher can directly identify whether the idea, concept, product, or services is better than the alternatives. The second is that the results are projectable to the population. (Nykiel, 2007)

3.2 Research Framework

The main topic of this research is factor affecting the Non Performing Loan based on 5C’s principle. As described in Chapter 2, there are 5 factor of debtor that influences the non performing loans. Such as character, capacity, capital, collateral and condition. This research specifically investigates the factor of 5C that influence the non performing loans at Bank Perkreditan Rakyat Tutur Ganda. The researcher already collect data about the total debtor that influence non performing loan in 2014.

After collecting the data, the researcher directly proceeded to the problem identification. After reading some supporting passages from journals and articles, it could be identified the factor that influence non performing loan. Furthermore, the problem statement was constructed as the basic view of the topic. To support the problem statement, theories and opinions are explored. All those findings are expressed in Chapter 2 of Literature Review. This then brings benefits to the construction of the questionnaires.

Questionnaires were checked for validity and reliability test. Pearson correlation matrix used to measure the validity and Cronbach Alpha used to measure the
reliability of the questionnaire. Pearson correlation matrix will indicate the direction, strength, and significance of the bivariate relationships among all the variables that were measured at an interval or ratio level (Sekaran and Bougie, 2010). Cronbach Alpha is a reliability coefficient that shows how well the items in a set are positively correlated to one another (Sekaran and Bougie, 2010).

Before being spread, the questionnaires went through the stage of “Tryout.” Thirty different people were selected and gathered by the researcher to examine whether the statements in the questionnaires were clear enough to understand. This stage is also intended to revise some statements, so that every respondent will have the same perception towards them. After some reviews and proof readings, the questionnaires were finally spread to 128 respondents whose characteristics have been provided in one of the explanations below.

In this research, SPSS was utilized to analyze the data. Finally, the points of conclusion and recommendation are drafted. All steps conducted by the researcher from problem identification to the result accomplishment are reflected in the following figure of research framework.
3.3 Research Instrument

Research Instrument are measurement tools (for example, questionnaires or scales) designed to obtain data on topic of interest from the research subjects. According to Aceng Muhataram Mirfani (2011) instrument is a set of components which consist of two or more, interconnected and interdependent with each other to achieve a common goal. The instrument is a general term used for the
measurement of research (survey, test, questionnaires, etc). To help distinguish between instruments and instrumentation, assume that the instrument is a device and instrumentation is action (process development, testing and use of the device).

The instrument plays an important role in the study. Research quality is strongly influenced by the research instruments used, because validity of the data obtained in a study determined by appropriateness of choosing a research instrument. Instrument or data collection tools is tool used to collect data in an investigation. The data needed to test the hypothesis proposed in the study. In this study, the researcher uses quantitative research. The researcher intention is to gather the information from as much various sources. Data can be obtained from primary and secondary data. Primary data prefers to information obtained first-hand by the researcher on the variables of interest for specific purpose of the study and secondary data refer to information gathered from sources that already exist (Sekaran, Bougie, 2010)

3.3.1 Primary Data

Primary data defined as the way of collecting the data from original source for the first time by researcher or investigator for their own purpose (Kothari, 2004), or a process of collecting data for a certain research (McMurray, Pearson, Scott, & Pace, 2004) sometimes also called as a first-hand information.

1. Survey

In this research the primary data collected by survey method through distributing questionnaires. According to Mahotra and Pearson (2002) in (Tandi, 2008) Survey is a structured questionnaire given to a sample of population and designed to specific information from respondent. In this research, the primary data collected by survey method through distributing the questionnaire.
2. Questionnaire

Questionnaire method usually used for big quantity of respondents, and can be distributed directly, via internet, email, or post of the respondents. In the research, questionnaire using likert scale, the most favored measuring total nowadays, it does not require the respondents to rate the items but the researcher prepares it (McNabb, 2013). The objective of this measurement is to see the extent of participant agreement with each item.

3.3.2 Secondary Data

Secondary data is information gathered for purposes other than the completion of a research project and Secondary data is also used to gain initial insight into the research problem (steppingstones.ca, 2013). Secondary data is the data that have been already collected by and readily available from other sources. Such data are cheaper and more quickly obtainable than the primary data and also may be available when primary data cannot be obtained at all (managementstudyguide.com, 2013).

Secondary data on this research is the literature studies. A literature studies is a technique of data collection based on information gathered from books and journals related to the research discussion. Data collected by learning and selecting from previous literature studies, books, journals and related websites.

3.4 Sampling Design

Sampling is process that uses numbers of people of a given population as a basis for getting conclusions about whole populations. Sampling is an efficient way to gather information from population (Neelankavil, 2007) There are two major types of sampling design: probability and non-probability sampling. In probability sampling, the elements in the population have some known non-zero chance or probability of being selected as sample subjects. In non-probability sampling, the elements do not have a known or predetermined chance of being selected as subjects (Sekaran, Bougie, 2010).
3.4.1 Population

Population is all elements, individuals, or units that meet the selection criteria for a group to be studied (businessdictionary.com, 2013). The Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Sekaran, Bougie, 2010). In this study, research population is focused on people in Subang that has some categories towards non performing loan from PT.Bank Perkreditan Rakyat Tutur Ganda.

3.4.2 Sample

Sample is a subset of population (Sekaran, Bougie, 2010). Sample on this research will be used to investigate the research problems. This Research will use the probability sampling. Unrestricted sampling design in Probability sampling is more commonly known as simple random sampling; every element in the population has a known equal chance of being selected as a subject.

\[
    n = \frac{N}{1 + N} (e)^2
\]

\[
    \rightarrow n = \frac{128}{1 + 128} (0.05)^2
    = \frac{128}{1.32}
    = 96.96
    = 97
\]

Where:

\[
    n = \text{sample size}
\]

\[
    N = \text{population}
\]

\[
    e^2 = \text{level of confidence 95%}
\]

The number of NPLs at PT.Bank Perkreditan Rakyat Tutur Ganda is 128. Therefore, the number of sample that needed in this research are 97 debtor.
Researcher takes 97 samples of 128 debtor of NPLs. In this research by using the method of simple random sampling. Questionnaires then are distributed to 97 debtor of Bank Perkreditan Rakyat Tutur Ganda.

### 3.5 Statistical Treatment

There are 3 (three) statistical tools used in this study, which are Likert Scale, Weighted Mean, and Standard Deviation.

#### 3.5.1 Likert Scale

The Likert scale is designed to examine how strongly subjects agree or disagree with statements on a five-point scale with the following anchors (Sekaran, Bougie, 2010):

![Likert Scale](source.png)

The Questionnaire uses Likert Scale and all statements that express either a favorable and unfavorable attitude will be scaled through Strongly Disagree, Disagree, Neutral, Agree, and Strongly Agree.

The figure of the questionnaire is shown below:

![Likert Scale Questionnaire](source2.png)

Source: Self Developed
Note:

1. For **Strongly Disagree**
2. For **Disagree**
3. For **Neutral**
4. For **Agree**
5. For **Strongly Agree**

Each of the five responses would have a numerical value which would be used to measure the attitude under investigation.

Likert Scales have the **advantage** that they do not expect a simple yes / no answer from the respondent, but rather allow for degrees of opinion, and even no opinion at all. Therefore quantitative data is obtained, which means that the data can be analyzed with relative ease.

The Validity and Reliability testing must be done before the questionnaire spreads to the respondents. Pre testing is conducted to check if the statements are proper as research instrument.

### 3.6 Validity and Reliability

#### 3.6.1 Validity Testing

According to Cooper and Schindler, 2006 that validity is important to measure whether the test measures what the researcher actually wished to measure. According to Garrett (1937, p 324) validity is the degree to which “a test measures what it is supposed to measure”, validity also defines as the degree to which evidence and theoretical rationales support the standard and defines the appropriateness of summary and action based on the scores of data or information (AERA, 2009)

The purpose of validity testing is to eliminate the proper question that will answer the research objectives. The Pearson product-moment correlation coefficient (or
Pearson correlation coefficient for short) is a measure of the strength of a linear association between two variables and is denoted by $r$. Basically, a Pearson product-moment correlation attempts to draw a line of best fit through the data of two variables, and the Pearson correlation coefficient, $r$, indicates how far away all these data points are to this line of best fit (how well the data points fit this new model/line of best fit) (Statistic.laerd.com, 2013). The valid data is a representative statement of variables that are ready to spread to the respondents.

In Pearson Correlations, results are between -1 and 1. A result of -1 means that there is a perfect negative correlation between the two values at all, while a result of 1 means that there is a perfect positive correlation between the two variables. A result of 0, on the other hand, means that there is no linear relationship between the two variables. Most research will very rarely get a correlation of 0, -1 or 1. Result would be somewhere in between. The closer the value of r gets to zero, the greater the variation the data points are around the line of best fit.

The Quantitative interpretation of the degree of linear relationship existing is shown in the following range of values.

<table>
<thead>
<tr>
<th>Value</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>±1.00</td>
<td>perfect Positive (negative) correlation</td>
</tr>
<tr>
<td>±0.91 - ± 0.99</td>
<td>very high positive (negative) correlation</td>
</tr>
<tr>
<td>±0.71 - ± 0.90</td>
<td>high Positive (negative) correlation</td>
</tr>
<tr>
<td>±0.51 - ± 0.70</td>
<td>moderately positive (negative) correlation</td>
</tr>
<tr>
<td>±0.31 - ± 0.50</td>
<td>low positive (negative) correlation</td>
</tr>
<tr>
<td>±0.01 - ± 0.30</td>
<td>negligible positive (negative) correlation</td>
</tr>
<tr>
<td>0.0</td>
<td>no correlation</td>
</tr>
</tbody>
</table>
Correlation $r$ formula:

For any two variables, $X$ and $Y$, the correlation coefficient between them is given by the formula:

$$ r = \frac{n(\Sigma xy) - (\Sigma x)(\Sigma y)}{\sqrt{[n\Sigma x^2 - (\Sigma x)^2][n\Sigma y^2 - (\Sigma y)^2]}} $$

Where

- $n = \text{number pair of scores}$
- $\Sigma xy = \text{sum of the products of pair scores}$
- $\Sigma x = \text{sum of } x \text{ scores}$
- $\Sigma y = \text{sum of } y \text{ scores}$
- $\Sigma x^2 = \text{sum of squared } x \text{ scores}$
- $\Sigma y^2 = \text{sum of squared } y \text{ scores}$

<table>
<thead>
<tr>
<th>Corrected Item-Total Correlation</th>
<th>Validity Table</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 0.838</td>
<td>0.361</td>
<td>VALID</td>
</tr>
<tr>
<td>Q2 0.823</td>
<td>0.361</td>
<td>VALID</td>
</tr>
<tr>
<td>Q3 0.541</td>
<td>0.361</td>
<td>VALID</td>
</tr>
<tr>
<td>Q4 0.711</td>
<td>0.361</td>
<td>VALID</td>
</tr>
<tr>
<td>Q5 0.733</td>
<td>0.361</td>
<td>VALID</td>
</tr>
<tr>
<td>Q6 0.586</td>
<td>0.361</td>
<td>VALID</td>
</tr>
<tr>
<td>Q7 0.692</td>
<td>0.361</td>
<td>VALID</td>
</tr>
<tr>
<td>Q8 0.716</td>
<td>0.361</td>
<td>VALID</td>
</tr>
<tr>
<td>Q9 0.676</td>
<td>0.361</td>
<td>VALID</td>
</tr>
<tr>
<td></td>
<td>Q10</td>
<td>0.688</td>
</tr>
<tr>
<td>---</td>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td></td>
<td>Q11</td>
<td>0.694</td>
</tr>
<tr>
<td></td>
<td>Q12</td>
<td>0.566</td>
</tr>
<tr>
<td></td>
<td>Q13</td>
<td>0.538</td>
</tr>
<tr>
<td></td>
<td>Q14</td>
<td>0.614</td>
</tr>
<tr>
<td></td>
<td>Q15</td>
<td>0.584</td>
</tr>
<tr>
<td></td>
<td>Q16</td>
<td>0.603</td>
</tr>
<tr>
<td></td>
<td>Q17</td>
<td>0.614</td>
</tr>
<tr>
<td></td>
<td>Q18</td>
<td>0.541</td>
</tr>
<tr>
<td></td>
<td>Q19</td>
<td>0.698</td>
</tr>
<tr>
<td></td>
<td>Q20</td>
<td>0.792</td>
</tr>
<tr>
<td></td>
<td>Q21</td>
<td>0.724</td>
</tr>
<tr>
<td></td>
<td>Q22</td>
<td>0.506</td>
</tr>
<tr>
<td></td>
<td>Q23</td>
<td>0.750</td>
</tr>
<tr>
<td></td>
<td>Q24</td>
<td>0.645</td>
</tr>
</tbody>
</table>

Source: SPSS 2.20

The first requirement of a good instrument was validity. Thus, the researcher chooses Pearson Product Moment Correlation by using the software SPSS 20.0 to fulfill the requirement of the instrument’s validity

3.6.2 Reliability Testing

Reliability is representing respondent preference to respond in the same or similar identical questions (Burns & Bush, 2011). The Reliability test of a measure indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across the time and across the various items in the instrument. In other words, the reliability of a measure is an indication of the stability and consistency with which the instruments measures the concept and helps to assess the goodness of measure (Sekaran, Bougie, 2010).

Cronbach Alpha is a coefficient alpha was develop by Cronbach’s (1951) as a general measure of internal consistency of multi scale. Numeral Cronbach Alpha in the range of 0.70 is acceptable, well above 0.80 (Sekaran, 2006). To determine
the questionnaire reliable or unreliable, according to Arif (2009: 317) that is by comparing the value of $r$ alpha (Cronbach Alpha) with $r$ table already in the know on the validity of the test. If $r$ Alpha positive and greater than $r$ table the instrument reliable. Conversely, if $r$ Alpha negative or less than $r$ table, the instrument is not reliable. The Cronbach’s Alpha formula is as follows (Janzengroup.net, 2013):

\[
\alpha = \frac{k \times r}{1 + (k-1)r}
\]

Where,

$k =$ number of items

$r =$ average correlation between any two items

$\alpha =$ reliability of the average or sum

<table>
<thead>
<tr>
<th>Cronbach's alpha</th>
<th>Internal consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\alpha \geq 0.9$</td>
<td>Excellent</td>
</tr>
<tr>
<td>$0.8 \leq \alpha &lt; 0.9$</td>
<td>Good</td>
</tr>
<tr>
<td>$0.7 \leq \alpha &lt; 0.8$</td>
<td>Acceptable</td>
</tr>
<tr>
<td>$0.6 \leq \alpha &lt; 0.7$</td>
<td>Questionable</td>
</tr>
<tr>
<td>$0.5 \leq \alpha &lt; 0.6$</td>
<td>Poor</td>
</tr>
<tr>
<td>$\alpha &lt; 0.5$</td>
<td>Unacceptable</td>
</tr>
</tbody>
</table>

Source: Sekaran and Bougie, 2010
Table 3.2 Cronbach’s Alpha of Debtor Character

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
</tr>
<tr>
<td>0.793</td>
</tr>
</tbody>
</table>

Table 3.1 shows reliability coefficient of Cronbach’s Alpha of 0.793 on Debtor Character which means that this parameter had an acceptable reliability rate more than 0.6 (over 0.7).

Table 3.3 Cronbach’s Alpha of Debtor Capacity

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
</tr>
<tr>
<td>0.768</td>
</tr>
</tbody>
</table>

Table 3.2 shows reliability coefficient of Cronbach’s Alpha of 0.768 on Debtor Capacity which means that this parameter had an acceptable reliability rate more than 0.6 (over 0.7).
Table 3. 4 Cronbach’s Alpha of Debtor Capital

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
</tr>
<tr>
<td>.743</td>
</tr>
</tbody>
</table>

*Constructed in SPSS*

Table 3.3 shows reliability coefficient of Cronbach’s Alpha of .743 on Debtor Capital which means that this parameter had an acceptable reliability rate more than 0.6 (over 0.7).

Table 3. 5 Cronbach’s Alpha of Debtor Collateral

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
</tr>
<tr>
<td>.704</td>
</tr>
</tbody>
</table>

*Constructed in SPSS*

Table 3.4 shows reliability coefficient of Cronbach’s Alpha of .704 on Debtor Collateral which means that this parameter had an acceptable reliability rate more than 0.6 (over 0.7).
Table 3.6 Cronbach’s Alpha of Debtor Condition

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach's Alpha</td>
</tr>
<tr>
<td>.760</td>
</tr>
</tbody>
</table>

*Constructed in SPSS*

Table 3.5 shows reliability coefficient of Cronbach’s Alpha of .760 on Debtor Condition which means that this parameter had an acceptable reliability rate more than 0.6 (over 0.7).

Table 3.7 Cronbach’s Alpha of NPLs

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach's Alpha</td>
</tr>
<tr>
<td>.753</td>
</tr>
</tbody>
</table>

*Constructed in SPSS*

Table 3.6 shows reliability coefficient of Cronbach’s Alpha of .753 on Non Performing Loans which means that this parameter had an acceptable reliability rate more than 0.6 (over 0.7).

3.7 Data Analysis

In analyzing the data obtained, the researcher uses two major programs that are statistic-related. The first program that the researcher uses is Microsoft Excel. The employment of this program is intended to tabulate the data obtained from questionnaires distribution. It simplifies the researcher to analyze the data.
The second program is Statistical Package for Social Science (SPSS). SPSS is commonly utilized by researchers to quantitatively examine the data obtained from questionnaires distribution. It has been recognized to be helpful to investigate statistical data. SPSS in this research was used to analyze reliability, validity, weighted mean, classic assumption and multiple linear regression analysis.

### 3.7.1 Weighted Mean

Arithmetic mean computed by considering relative importance of each items is called weighted mean. To give due importance to each item under consideration, number is called weight to each item in proportion to its relative importance. Weighted Mean is computed by using following formula (Emathzone.com, 2013):

\[
\overline{x} = \frac{\sum_{i=1}^{n} w_i x_i}{\sum_{i=1}^{n} w_i},
\]

Which means:

\[
\overline{x} = \frac{w_1 x_1 + w_2 x_2 + \cdots + w_n x_n}{w_1 + w_2 + \cdots + w_n}.
\]

Where:

- \(\overline{x}\) = Weighted Mean of the factors related
- \(W\) = Corresponding Weight
- \(X\) = A set of number designated / rate of importance

### 3.7.2 Standard Deviation

The Standard Deviation is a measure of how spreads out numbers are. Standard Deviation is used when data is drawn from a larger set chemistry.about.com (2013).
The sample standard deviation is used when a sample of data is analyzed. In this equation:

\[ s = \sqrt{\frac{1}{N-1} \sum_{i=1}^{N} (x_i - \bar{x})^2}, \]

s = sample standard deviation  
N = number of scores in a sample  
N-1 = degrees of freedom or Bessel's correction  
x = value of a sample  
x bar = mean or average of the sample

### 3.8 Hypothesis Testing

In this research, researchers are allowed to use a sample to decide among those options, whether the variable has a significance influence or not, the non performing loan which is chosen as the dependent variable in this study.

\( H_0 : \beta_1 = 0 \)  
There is no significant influence between debtor character towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.

\( H_a : \beta_1 \neq 0 \)  
There is significant influence between debtor character towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.

\( H_0 : \beta_2 = 0 \)  
There is no significant influence between debtor capacity towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.

\( H_a : \beta_2 \neq 0 \)  
There is significant influence between debtor capacity towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.
\( H_0^3 : \beta_1 = 0 \) There is no significant influence between debtor capital towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.

\( H_a^3 : \beta_1 \neq 0 \) There is significant influence between debtor capital towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.

\( H_0^4 : \beta_1 = 0 \) There is no significant influence between debtor collateral towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.

\( H_a^4 : \beta_1 \neq 0 \) There is significant influence between debtor collateral towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.

\( H_0^5 : \beta_1 = 0 \) There is no significant influence between debtor condition towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.

\( H_a^5 : \beta_1 \neq 0 \) There is significant influence between debtor condition towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.

\( H_0^6 : \beta_1 = 0 \) There is no significant influence between debtor character, debtor capacity, debtor capital, debtor collateral, debtor condition towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.

\( H_a^6 : \beta_1 \neq 0 \) There is significant influence between debtor character, debtor capacity, debtor capital, debtor collateral, debtor condition towards Non-Performing Loan at Bank Perkreditan Rakyat Tutur Ganda.
3.9 Classical Assumption

Classical assumption is the statistical requirements that must be met in multiple linear regression analysis (hellomgz.blogspot.com, 2013). In order to use multiple regression models, classic assumption test need to implement such as normality testing, heteroscedascity testing and multicollinearity.

3.9.1 Normality Test

Normality test is to see whether the residual values are normally distributed or not. A good regression model has a normal distribution or at least semi-normal (Ghozali, 2001). Normality test can be done with the test histograms, normal test P Plot, Chi Square test, skewness and Kurtosis or Kolmogorov Smirnov. If residuals are not normal but closer to the critical value (eg Kolmogorov Smirnov significance of 0.049) it can be tested by other methods which may provide justification to normal. But if far from the normal value, then it can be done several steps: data transformation, perform data trimming outliers or add observation data. The transformation can be made into a form of natural logarithm, square root, inverse, or other forms depending on the normal curve shape, whether leaning to the left, right, collects in the middle or spread to the right and left side.

3.9.2 Multicollinearity test

Multicollinearity test is the test to determine whether there is any correlation among the independent variables in the regression model (Ghozali, 2001). If there is a high correlation between independent variables, then the relationship between the independent variable on the dependent variable to be disturbed. Statistical tool that is often used to test multicollinearity problems are with the variance inflation factor (VIF), Pearson correlation between the free variables, or by looking at the eigenvalues and condition index (CI).

3.9.3 Heteroscedasticity Test

Heteroscedasticity test is a text to determine whether or not the regression model has difference in variance from one event to another(Ghozali, 2001).
This test to see whether there is inequality of variance of the residuals of the observations to other observations. Regression models that meet the requirements are where there is equality of variance of the residual one observation to another observation fixed or called homoskedastisitas.

Detection of heteroscedasticity can be done using scatter plots with plotted the ZPRED value (predicted value) with SRESID (residual value), where Y axis is the predicted value and X axis is a residual value (Ghozali, 2001). A good model is obtained if there is no particular pattern on the graph, such as collects in the middle, narrowed and then widened or otherwise widened and then narrowed. The statistical test can be used are Glejser test, test test Park or White.

3.9.4 Autocorrelation

Autocorrelation can be interpreted as a correlation exists between the members of a set of observations that in rows time. Autocorrelation test aims to test whether in a linear regression model is no correlation between bullies error in period t-1 (previously). If there is a correlation then there is a problem autocorrelation. To test for the presence of autocorrelation of this research used the Durbin-Watson test method. Decision making in the presence or absence of test Durbin-Watson test (Algifari, 2000).

3.10 Multiple Regression Linear

Regression analysis is a study that used to define the dependence of dependent variable on one or more independent variable, to estimate the average value of dependent variable (Gozali as cited in Andini, 2012). Regression with more than one independent variable called as multiple regression, a condition when two or more independent variables are used in a linear regression analysis (Richter, 2012). The general form of the multiple regression can be formulated as:

\[ Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 \]
Multiple correlation R measures how dependent variable is related to all the independent variable at once. These are several factors supported a multiple regression study, used as a measurement to see whether the result are good or not.

3.10.1 Partial Test (T-Test)

This test aims to identify the influence of each independent variable on dependent variable partially. According to Supranto (2004) The T test will analyze the partial relationship between of each independent variables (Coefficient $\alpha = 0.05$) and dependent variable.

The test can be used to determine if two sets of data are significantly different from one another, and mostly applied when the statistics test follow the normal distribution.

The formula of T-test for manual calculation is stated as follows:

$$ t = \frac{b_j - \beta_j}{S_{bj}} $$
Where:

\( t \) = statistic test for t-distribution

\( bj \) = sample slope

\( \beta_j \) = slope of the population

\( S_{bj} \) = standard error of the slope

If \( T_{\text{count}} < T_{\text{table}} \) at \( \alpha = 5\% \) significance level, so \( H_0 \) accepted and \( H_a \) rejected. It means that independent variable has no significant influence towards dependent variable. If \( T_{\text{count}} > T_{\text{table}} \) at \( \alpha = 5\% \) significance level, so \( H_0 \) rejected and \( H_a \) accepted. It means that independent variable has significant influence towards dependent variable.

The requirements of this test is, Hypothesis is accepted if significance value is greater than 0.05 on \( \alpha = 5\% \), and if the number in \( t \)-column is greater than the value in \( t \)-table (Arifin, 2008).

### 3.10.2 \( F \)- Test

Generally, \( F \) test used to test the null hypothesis that the coefficient of multiple determination in the population is zero (Malhotora, 2010). The \( F \) test is a test to determine whether the independent variable could simultaneously or collectively affect to dependent variavle. For the \( F \)-test is the best to support the researcher to see the entirely affecting of the independent variables with the dependent variable. The standard significant level of this test is 5\% or \( \alpha = 0.05 \) and \( f \) test can be calculated following this manual formula:

\[
F = \frac{[R^2 / k]}{[(1 - R^2) / (n-k-1)]}
\]

Where:

\( F \) = Statistics test for \( F \) distribution
\[ R^2 = \text{Coefficient of determinant} \]
\[ n = \text{number of samples} \]
\[ K = \text{number of independent variables in the regression model} \]

If \( F \text{ count} < F \text{ table at } \alpha = 5\% \) significance level, so \( H_0 \) accepted, means that independent variables has no significant influence towards dependent variable simultaneously. If \( F \text{ count} > F \text{ table at } \alpha = 5\% \) significance level, so \( H_a \) accepted, means that independent variables has significant influence towards dependent variable simultaneously.

Formally we can say that if the significance value is greater than 0.05 we have to reject the null hypothesis. The general ways to evaluate influence of independent variables towards dependent variable simultaneously is by analyzing the \( F \) column in ANOVA table (Arifin, 2008).

### 3.10.3 \( R^2 \) Test (Coefficient of Determination)

According to Priyanto (2008), Regression coefficient test is aim to measure the ability how much the percentage variance of dependent variable. The determination coefficient value goes around zero to one. Low \( R^2 \) value means that the ability of the independent variables to describe the dependent variable are limited. If the value of \( R^2 \) goes near one, it means that the independent variables give almost all information that needed to predict the dependent variable (Ghozali, 2009).

The calculation of determination coefficient value is formulated as follows:

\[ R^2 = \frac{ESS}{TSS} \]

Where:

\[ R^2 = \text{coefficient of determinant} \]
\[ ESS = \text{explained sume of squared} \]
\[ TSS = \text{total sum of squared} \]
CHAPTER IV
ANALYSIS AND INTERPRETATION

4.1 Corporate Profile

The head office of PT.Bank Perkreditan Rakyat Tutur Ganda is in Pamanukan district, Subang, West Java. The branch office is located in Purwakarta and Lohbener(Indramayu), and as well as the cash office is located in Jalan Cagak, Subang. PT.Bank Perkreditan Rakyat established and legalized by the Ministry of Justice of the Republic of Indonesia with No.02-7 161.HT.01.01. 1991. November 28, 1991 and Operational permission from the Department of Finance of the Republic of Indonesia No. Kep-014 / KM.13 / 1992 dated January 20, 1992. With the issuance of Pakto 27 1988 by the Government as Regulator authority governing the Banking Act in Indonesia following his wisdom, so when it grows in the Indonesian banking industry in particular Rural Banks are growing like mushrooms in the rainy season.

4.1.1 Vision and Mission

A. Vision
PT. Bank Perkreditan Tutur Ganda has a vision as intermediary institutions between communities excess funds to people in need of funds.

B. Mission
Its mission to support the growth and modernize the economy, particularly in rural areas, reducing the practice of bonded labor (moneylenders) and release money, to run its business:

1. Raise funds from the public for the excess funds in savings and time deposits.

2. Channelling funds to the community for those in need, particularly to support efforts in the form of credit.
3. Participate tackle the unemployment problem solving and expanding opportunities for entrepreneurship.

4.1.2 Company Activity

Activity PT. Bank Perkreditan Rakyat is to raise funds in the form of savings in the form of deposits, savings and provide credit in order to improve the standard of living of the people. The explanation of the savings, deposits, and loans.

1. Saving
According to the Banking Law number 10 year 1998 Savings is Deposits can be withdrawn only under certain conditions agreed upon, but it can not be withdrawn by check, bank draft or other instrument which is equivalent to them.

2. Deposit
According to the Law no. 10 year 1998 deposits are deposits that can be withdrawn only at certain times based on an agreement with the bank's depositors. deposits usually have a certain period of time where the money should not be drawn inside the customer.

3. Credit
The extension of credit is a form of business that can be done by a bank. According to the origin of the word credit comes from the word credere which means trust, the intention is to obtain credit if one then it means they gain confidence. As for the lender means giving confidence to someone that money lent definitely return.

Credit is the provision of cash or equivalent, based on agreements between bank lending and other parties who require the borrower to pay off debt after a certain period of time with interest. Lending is a sum compensation or remuneration for the use of money by the customer.

The types of loans are:

a. Investment Loan
credit which is usually used for the purpose of expansion or building a new plant where the project or future use for a relatively longer period and usually uses this credit is for the main activities of a company.

b. Working Capital Loan
Credit is used for the purpose of improving production operations. Examples of working capital loans granted to buy raw materials, pay wages or other costs associated with the production process of the company.

4.2 Data Result Analysis
The data result analysis reports on the results of the influence of 5C’s principle on Non Performing Loan at PT.BPR Tutur Ganda. The researcher distributed 97 copies of questionnaire to the consumer PT.Bank Tutur Ganda in Subang. The Questionnaire consists of three parts. Part I consist of general description of respondent profile, Part II consist of instruction of questionnaire filling, Part III contains the statement for respondents of 5C’s principle to non-performing loans.

The respondents had provided information that assisted in meeting the objectives for the study. In the questionnaire, the first part was used to obtain the basic information of respondents regarding to their profile, part two were the instruction for respondents to fill the questionnaire, part three is the statement of respondent of 5C’s principle to non-performing loans. Questions were arranged as such: question 1-4 focused on character; question 1-4 focused on capacity; question 1-4 focused on capital; question 1-4 focused on collateral; question 1-4 focused on condition; and question 1-4 focused on non-performing loan. The questionnaire used in this research has been tested for reliability and validity as followed.

4.2.1 Respondent Profiles
The Respondent profiles data gathered to gain insight about the characteristics of respondents in this study through the questionnaires. Data obtained were recorded as follows:
1. Gender

As it is shown in table 4.1 and figure 4.1 about respondent profiles of gender in this research, 55 people (56.7%) were male respondents and 42 people (43.3%) were female respondents. Therefore, the majority respondents were male.
2. Current Age

As it is described in table 4.14 and figure 4.2 about respondent profiles of age in this research, 18 respondents (18.6%) were < 25 years old; 32 respondents (33%) were between 26 - 35 years old; 26 respondents (26.8%) were between 36 – 45 years old, and only 21 respondents (21.6%) were more than 45 years old. All in all, the group age of 26 - 35 years old dominate the respondent profiles in this research.
3. Marital Status

Figure 4.3 Respondent Profiles: Marital Status

Respondent Profiles: Marital Status

- Single: 13.4%
- Married: 60.8%
- Widow/widower: 13.4%

Figure 4.3 show the respondent profiles of marital status in this research. 25 respondents (25.8%) were single; the married status consists of 59 respondents (60.8%); and 13 respondents (13.4%) were categorized as widow/widower status. Thus, the majority respondents were married in terms of marital status.
4. Education

Figure 4.4 show the respondent profiles of education background in this research, 17 respondents (17.5%) came from junior high school education background; 30 respondents (30.9%) came from senior high school education background; the diploma education background comprises of 29 respondents (29.9%); 15 respondents (15.5%) came from bachelor degree; and also the master degree education background comprises of 6 respondents (6.2%). Thus, most respondents came from senior high school education background.

Constructed by Researcher
5. During Being Customer

Figure 4.5 Respondent Profiles: Education

![Respondent Profiles: During Being Customer](image)

Constructed by Researcher

Figure 4.5 show the respondent profiles of duration being customer in this research, 20 respondents (21%) were below 1 year; between 1 – 2 years of 46 respondens (47%); and 31 respondents (32%) is >2 year. Thus, the majority respondents between 1 – 2 years in terms of duration being customer.

4.2.2 Descriptive Statistics

Descriptive statistics show the mean and standard deviation on character, capacity, capital, collateral and condition according to respondent responses. Weighted mean is the most wide spread way to find out which variable is the most (and least) dominant from all variables based on the mean value. Standard Deviation is a measure of how spreads out numbers are. The result is shown below in Table 4.1.
Table 4.1 Descriptive Analysis

<table>
<thead>
<tr>
<th></th>
<th>Weighted Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPL</td>
<td>13.77</td>
<td>2.571</td>
<td>97</td>
</tr>
<tr>
<td>X1</td>
<td>15.27</td>
<td>2.206</td>
<td>97</td>
</tr>
<tr>
<td>X2</td>
<td>14.89</td>
<td>1.873</td>
<td>97</td>
</tr>
<tr>
<td>X3</td>
<td>13.21</td>
<td>2.237</td>
<td>97</td>
</tr>
<tr>
<td>X4</td>
<td>15.06</td>
<td>2.130</td>
<td>97</td>
</tr>
<tr>
<td>X5</td>
<td>14.16</td>
<td>2.481</td>
<td>97</td>
</tr>
</tbody>
</table>

From the table above describe respondent's answer is based on the weighted mean and standard deviation (diversity replies) Per variables. From the 97 respondents who researched, non performing loans variable with the weighted mean is 13.77 and standard deviation of 2.571. X1 with weighted mean of 15.27 and standard deviation is 2.206. X2 with an weighted mean of 14.89 and a standard deviation of 1.873. X3 with an weighted mean of 13.21 and standard deviation of 2.237. X4 variable with an weighted mean is 15.06 and standard deviation of 2.130 and X5 variable with an weighted mean of 14.16 and a standard deviation of 2.481. This shows the average of the largest in the variables is X1 and std. Deviation or most diverse data in the variable is Non Performing Loans.

4.2.3 Classic Assumption Test

In order to use multiple regression models, classic assumption test need to implement such as normality testing, heteroscedascity testing and multicollinearity.

1. Normality Test

Normality test is performed to determine whether the data taken from the population that is normally distributed. A good regression model is normal or nearly normal distribution. Detecting whether the data are normally distributed or not can be known by describing the spread of the data through a graph. If the data is spread around the diagonal line and follow the direction of the diagonal line, the regression model to meet the assumption of normality.
Normality test performed using the test chart Histogram and P-P Plots to test the regression model residual are shown figure 4.6 and 4.7 following:

Figure 4. 6 Normality Test - Histogram

*constructed in SPSS*
2. Heteroscedasticity Testing

Heteroscedasticity test aims to test whether the regression model occurs inequality variance of residuals of the observations to other observations. If the variance of the residuals of the observations to other observations remain so called homoscedasticity. Multiple regressions equation is good if there is no
heteroscedascity. Heteroscedascity test generates chart patterns point spread (scatterplot) as shown in figure 4.8 below:

Figure 4. 8 Heteroscedascity Test: Scatter Plot Graph

Heteroscedasticity test results on Figure 4.8 indicate that the points are not form a certain pattern or no clear pattern and the points spread above and below the number 0 (zero) on the Y axis, then there is no heteroscedasticity.

3. Multicollinearity Test
Multicollinearity is something in which some or all independent variables correlated highly. Multicollinearity test aims to test whether the regression model found a correlation between the independent variables. Good Regression model should not have correlation between independent variables.
To detect the presence or absence of multicollinearity is to use the Variance Inflation Factor (VIF).

Table 4.2 Multicollinearity Test: Tolerance and VIF Value

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1</td>
<td></td>
<td>.130</td>
<td>7.687</td>
</tr>
<tr>
<td>X2</td>
<td></td>
<td>.186</td>
<td>5.380</td>
</tr>
<tr>
<td>X3</td>
<td></td>
<td>.342</td>
<td>2.925</td>
</tr>
<tr>
<td>X4</td>
<td></td>
<td>.178</td>
<td>5.619</td>
</tr>
<tr>
<td>X5</td>
<td></td>
<td>.261</td>
<td>3.826</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: NPL

*Constructed in SPSS*

From the output of the above it can be seen that the VIF value is less than 10, so it can be concluded that there is no multicollinearity in the data.

4. Autocorrelation Test

Heteroscedacity may occur for many reasons, but typically occurs when responses are not normally distributed or when the variance of the error terms differs across observations. The result of the test can be seen by looking at the distribution of residual values towards the predicted values in the scatter plot. If the distribution spread randomly and does not make any systematic pattern such as increasing or decreasing pattern, then the heteroscedacity assumption is fulfilled. In order to test the hesteroscedascity, the scatter plot is constructed as table 4.3 below:
Table 4.3 Durbin Watson Test for Autocorrelation

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Durbin-Watson</td>
</tr>
<tr>
<td>a. Predictors: (Constant), X1, X2, X3, X4, X5</td>
</tr>
<tr>
<td>b. Dependent Variable: NPL</td>
</tr>
</tbody>
</table>

*Constructed in SPSS*

The table 4.3 present the value of durbin watson in this model is 1.768, adapt mentioning in chapter III condition of no autocorrelation if the value is the interval from -2 to +2. Consequently, the result of regression model is considered as valid to be constructed with the T-test and F-test may give accurate result which can be used to predict the value of dependent variable towards particular independent variables.

4.2.4 Multiple Regression Analysis

Multiple linear regression analysis was used in this research to determine whether there is the influence of independent variables on the dependent variable.

Statistical calculations in a multiple linear regression analysis were used in SPSS. Summary of results of data processing by using The SPSS program was as follows.
Table 4.4 Multiple Regression Analysis: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-.117</td>
<td>.967</td>
<td>-.121</td>
</tr>
<tr>
<td></td>
<td>X1</td>
<td>.211</td>
<td>.147</td>
<td>.212</td>
</tr>
<tr>
<td></td>
<td>X2</td>
<td>.001</td>
<td>.140</td>
<td>.001</td>
</tr>
<tr>
<td></td>
<td>X3</td>
<td>.200</td>
<td>.126</td>
<td>.159</td>
</tr>
<tr>
<td></td>
<td>X4</td>
<td>.274</td>
<td>.124</td>
<td>.275</td>
</tr>
<tr>
<td></td>
<td>X5</td>
<td>.296</td>
<td>.110</td>
<td>.295</td>
</tr>
</tbody>
</table>

a. Dependent Variable: NPL

*Constructed in SPSS*

From the result in Table 4.4, if written in the *standardized* form of the equation, the regression is as follows:

\[
Y = -0.117 + 0.211 X_1 + 0.001 X_2 + 0.200 X_3 + 0.274 X_4 + 0.296 X_5
\]

Where:

Y : Non-Performing Loan

X1 = Character

X2 = Capacity

X3 = Capital

X4 = Collateral

X5 = Condition

Regression coefficient on the independent variables describe when the independent variable is expected to rise by one per cent and the value of the other independent variables constant estimated or equal to zero, then the value of the dependent variable can be expected to rise or fall according to the sign of the regression coefficient independent variable.
Based on the multiple linear regression equation above obtained the constant value of -0.117. It means, if the variable of Non-Performing Loan (Y) is not affected by the five independent variables, namely Character (X1), Capacity (X2), Capital (X3), Collateral (X4) and Condition (X5) is zero, then the average magnitude of Non-Performing Loan will be worth -0.117.

Sign of independent variable regression coefficient indicates the direction of the relationship of the variables concerned with Non-Performing Loans. Regression coefficients for the independent variables X1 is positive, indicating the existence of a direct relationship between Character (X1) with Non-Performing Loans (Y). Variable (X1) regression coefficient of 0.211 implies for each increment Character (X1) of one percent would result in increased Non-Performing Loans (Y) of 0.211.

Regression coefficient for the independent variable (X2) is positive, indicating the existence of a direct relationship between Capacity (X2) with Non-Performing Loan (Y). Variable (X2) regression coefficient of 0.001 implies for each increment Capacity (X2) of one percent would lead to increased Non-Performing Loan (Y) of 0.001.

Regression coefficient for the independent variable (X3) is positive, indicating the existence of a direct relationship between Capital (X3) with Non-Performing Loan (Y). Variable (X3) regression coefficient of 0.200 implies for each increment Capital (X3) of one percent would lead to increased Non-Performing Loan (Y) of 0.200.

Regression coefficient for the independent variable (X4) is positive, indicating the existence of a direct relationship between the Collateral (X4) with Non-Performing Loan(Y). Variable (X4) regression coefficient of 0.274 implies for each increment Collateral (X4) of one percent would lead to increased Non-Performing Loan (Y) of 0.274.

Regression coefficient for the independent variable (X5) is positive, indicating the existence of a direct relationship between Condition (X5) with Non-Performing Loan (Y) of 0.001.
Loan (Y). Variable (X5) regression coefficient of 0.296 implies for each increment Condition (X5) of one percent would lead to increased bad credit (Y) of 0.296.

1. **T- Test**

T-test for the *partial* regression coefficient is intended to determine how far the influence of one variable (independent, character, capacity, capital, collateral, and condition) individually in explaining the dependent variable (Non-Performing Loan). The T-test can be done manually by comparing the calculated t and t-table. The results of the t test by SPSS processing are presented in the following table:

<table>
<thead>
<tr>
<th>Variable</th>
<th>t</th>
<th>Df</th>
<th>t table</th>
<th>Sig</th>
<th>Description</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>2.433</td>
<td>91</td>
<td>1.986</td>
<td>0.003</td>
<td>Ho rejected</td>
<td>Significant</td>
</tr>
<tr>
<td>X2</td>
<td>0.007</td>
<td>91</td>
<td>1.986</td>
<td>0.638</td>
<td>Ho accepted</td>
<td>No Significant</td>
</tr>
<tr>
<td>X3</td>
<td>1.586</td>
<td>91</td>
<td>1.986</td>
<td>0.060</td>
<td>Ho accepted</td>
<td>No Significant</td>
</tr>
<tr>
<td>X4</td>
<td>2.215</td>
<td>91</td>
<td>1.986</td>
<td>0.029</td>
<td>Ho rejected</td>
<td>Significant</td>
</tr>
<tr>
<td>X5</td>
<td>2.687</td>
<td>91</td>
<td>1.986</td>
<td>0.005</td>
<td>Ho rejected</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Based on the above table the results are as follows:

1. Variable X1 has the t value is greater than t table. Because the t value (2.433) > t table (1.986), then Ho is rejected. Therefore it can be concluded that partial significant effect of Character (X1) to the Non-Performing Loans (Y).

2. Variable X2 have the t value is smaller than t table. Because the t value (0.007) < t table (1.986), then Ho is accepted. Therefore it can be concluded that partial no significant effect of Capacity (X2) to Non-Performing Loan (Y).
3. Variable $X_3$ has the $t$ value is smaller than $t$ table. Because the $t$ value (1.586) < $t$ table (1.986), then $H_0$ is accepted. Therefore it can be concluded that partial no significant effect on Capital ($X_3$) to Non-Performing Loan ($Y$).

4. Variable $X_4$ has the $t$ value is greater than $t$ table. Because the $t$ value (2.215) > $t$ table (1.986), then $H_0$ is rejected. Therefore it can be concluded that partial significant effect of Collateral ($X_4$) to Non-Performing Loan ($Y$).

5. Variable $X_5$ has the $t$ value is greater than $t$ table. Because the $t$ value (2.687) > $t$ table (1.986), then $H_0$ is rejected. Therefore it can be concluded that partial significant effect of Condition ($X_5$) for Non-Performing Loan ($Y$).

2. **F-Test**

F-Test is also used to test the influence all independent variables towards dependent variable simultaneously. If $F$ value > $F$ table, $H_0$ rejected and $H_a$ accepted. Oppositely, if $F$ value < $F$ table, then $H_0$ accepted and $H_a$ rejected. The result of F-Test (ANOVA) is shown in the following table:

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>$F$</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>449.643</td>
<td>5</td>
<td>89.929</td>
<td>44.147</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>185.367</td>
<td>91</td>
<td>2.037</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>635.010</td>
<td>96</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. Dependent Variable: TNPL
b. Predictors: (Constant), TCON, TCOL, TCAPI, TCAP, TCHA

*Constructed in SPSS*

The result of this F-test shows the $F$ value = 44.147 with a significant level of 0.000. The $F$ table value is found on the $F$ table with df1 = 5 and df2 = 91, thus
the F table value is 2.315. F value > F table (44.147 > 2.315) and significant level of 0.000 means it can be concluded that there is simultaneously a significant influence of Character (X1), Capacity (X2), Capital (X3), Collateral (X4) and Condition (X5) for Non-Performing Loan(Y).

3. Coefficient Determinants ($R^2$)

The score of adjust R square is also called as coefficient determinant. The output for adjusted coefficient determinant ($R^2$) between dependent variable (NPLs) and independent variables (character, capacity, capital, collateral and condition) is presented in table 4.12 following:

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.841a</td>
<td>.708</td>
<td>.692</td>
</tr>
</tbody>
</table>

*a. Predictors: (Constant), X1, X2, X3, X4, X5*

*b. Dependent Variable: NPL*

*Constructed in SPSS*

From the table 4.12 the adjusted $R^2$ is 0.692 or 69.2%. This mean, there is 69.2% independent variables (character, capacity, capital, collateral and condition) affect dependent variable (NPL).

4.3 Interpretation of Results

The implication from this research as the following:

1. Character

The probability value of character variable is 0.003 which is quietly far lower than 0.05 has indicated there is significant between character and NPLs. Besides, the value of parametric coefficient of customer variable in the amount 0.211. In another words, with the value of 0.211 it means when character increase one percent, the NPLs will increase 0.211.
Character is the nature of person in this case is a prospective borrower. These properties are a strong will, sense of responsibility, moral, diligent, do not gamble, saving efficient, patient, consultative.

Therefore, it is related to the behavior or character is not good customers. For example dishonest, do not keep their promises, no responsibility, lifestyle and excessive use of credit would not be appropriate (use no credit for business but for yourself). The result have in common with research Rifat (2007), Vishnu (2007), Anita (2009), and Sabrina (2013), the which indicates that the variable character has influence on NPLs.

2. Capacity

Based on the results of tests that have been done, the probability value of capacity variable is 0.638 which is higher than 0.05 has indicated there is no significant between capacity and NPLs. Besides, the value of parametric coefficient of customer variable in the amount 0.001. In another words, with the value of 0.001 it means when capacity increase one percent, the NPLs will increase 0.001.

Capacity is meant here is the capacity of protective clients in developing their business, as well as the ability in the use of credit facilities granted.

Therefore, the debtor can afford to pay / settle the obligations of business activity that does that will be financed with a loan from the bank. The result of research have in common with Anita (2009), the which indicates that the variable capacity has no influence on NPLs.

3. Capital

Based on the result of test that have been done, the probability value of capital variable is 0.060 which is higher than 0.05 has indicated there is no significant between capital and NPLs. Besides, the value of parametric coefficient of customer variable in the amount 0.200. in another words, with the value of 0.200 it means when capital increase one percent, the NPLs increase 0.200.
Analysis of capital to be able to describe the capital structure, so that the bank can see large/little sense of responsibility of the debtor. Capital may consist of share capital, bank loans, loans other third parties. This can be seen balance sheets and other accounting evidence.

Capital can be determined from the condition of the property or financial debtors. Therefore, the debtor has NPLs, amount of Including debtor has enough savings to the cost of his life and can manage the financial well so as to pay for the credit. The result of research have in common with Anita (2009), the which indicates that the variable capital has no influence on NPLs.

4. Collateral
The probability value of collateral variable is 0.029 which is quietly far lower than 0.05 has indicated there is significant between collateral and NPLs. Besides, the value of parametric coefficient of customer variable in the amount 0.274. In another words, with the value of 0.274 it means when collateral increase one percent, the NPLs will increase 0.274.

Collateral is credit guarantee a bank confidence on the ability of the debtor to pay off his credit (credit business activities as objects) as well as additional collateral if the bank confidence in the ability of the debtor is still weak.

Therefore, it is related to the value of the collateral given debtor does not meet the amount of loans granted by banks. The result have in common with the research Wisnu (2007) and Sabrina (2013), the which indicates that the variable collateral has influence on NPLs.

5. Condition
The probability value of condition variable is 0.005 which is quietly far lower than 0.05 has indicated there is significant between condition and NPLs. Besides, the value of parametric coefficient of customer variable in
the amount 0.296. In another words, with the value of 0.296 it means when condition increase one percent, the NPLs will increase 0.296.

Condition is an analysis of this aspect includes an analysis of the macro variables surrounding the company either variable regionally, nationally, and internationally.

Business conditions that are managed by a debtor is experiencing unexpected problems such example is a disaster that makes the debtor can not or are late paying credit to the bank. The result have in common with the research Wisnu (2007) and Sabrina (2013), the which indicates that the variable condition has influence on NPLs.

For simultaneous influence (F-test), the data analysis on table 4.6 shows that F calculated around 44.147 with level significant is 0.000 which is far below the p-value of 0.05. It mean that character, capacity, capital, collateral and condition simultaneously have insfluence on the NPLs.
CHAPTER V
CONCLUSION AND RECOMMENDATION

This is the last chapter of the research and will summarize the research according to the result and discussion explained before. Then, this chapter will also explain the recommendation to students, and to the future researchers, related to this research.

5.1 Conclusion

This research has the objective to analysis of factor influence the non-performing loans based on 5C’s principle at BPR Tutur Ganda.

After conducting analysis to achieve research objective, there are several result obtained:

1. The result obtained for the test with SPSS, the probability value of character variable is 0.003 which is quietly far lower than 0.05. Variable Character has significant influence towards Non-Performing Loans. So it is related to the behavior or character is not good customers. For example dishonest, do not keep their promises, no responsibility, lifestyle and excessive use of credit would not be appropriate (use no credit for business but for yourself).

2. The result obtained for the test with SPSS, the probability value of capacity variable is 0.638 which is higher than 0.05. It means the variable capacity has no significant influence towards Non-Performing Loans. So it is related the debtor can afford to pay/settle the obligations of business activity that does that will be financed with a loan from the bank.

3. The result obtained for the test with SPSS, the probability value of capital variable is 0.060 which is higher than 0.05. It means the variable Capital has no significant influence towards Non-Performing Loans. So
the debtor who has NPLs, amount of including debtor has enough savings to the cost of his life and can manage the financial well so as to pay for the credit.

4. The result obtained for the test with SPSS, the probability value of collateral is 0.029 which is quietly far lower than 0.05. It means the variable collateral has significant influence towards Non-Performing Loans. It is related to the value of the collateral given debtor does not meet the amount of loans granted by banks.

5. The result obtained for the test with SPSS, the probability value of condition is 0.005 which is quietly far lower than 0.05. It means the variable condition has significant influence towards Non-Performing Loans.

6. Based on the result of the research, it was found that F test calculated around 44.147 with the level significant is 0.000 which is far below the P-value of 0.05. It means that character, capacity, capital, collateral and condition simultaneously have significant influence towards Non-Performing Loans.

5.2 Recommendation

Based on the conclusion obtained in this study, the recommendation proposed by the researcher from the result of the study are mentioned as follow:

1. For bank
   a. The PT. Bank Perkreditan Rakyat Tutur Ganda is expected to restructure loans to customers who can not meet their obligations or the customer can not be expected to pay principal or interest on the schedule that has been promised.
   b. PT. Bank Perkreditan Rakyat Tutur Ganda are expected to further increase 5C principle in assessing prospective borrowers, with credit ratings that are already considering credit worthiness is expected to reduce the level of bad debts. it is the responsibility of the credit
department to be more thorough, independent and careful in giving credit granting decisions.

2. For Future Research
To further research that deals with non-performing loans, more and more is expected to make further study, the other factors in character, capacity, capital, collateral and condition is 7P for analysis (personality, party, purpose, prospect, payment, profitability and protection) or 3R (returns, repayment and risk bearing ability).

3. For Debtor
The debtor must be able to use loans that given in accordance with needs that have been planned, so as not arising the NPLs.
REFERENCES

Books


85


**Journals**

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Ranjan, Rajiv and Sarat Chandra Dhal. 2003. Non Performing Loans and Terms of Credit of Public Sector Banks in India.

Saliem, Stenly. 2013. Analysis on The Cause of Non Performing Loans at Bank XYZ.


**Researcher**


Websites

APPENDIX A
QUESTIONNAIRE
“Analysis of Factors Influence th Non-Performing Loans Based on 5C’s Principle at PT. Bank Perkreditan Rakyat Tutur Ganda, Subang”

Introduction to Questionnaire

Dear Respondents,

I am Novia Utami Suharnia, President University’s Student. I would like to ask your valuable time to participate on this research questioner. This questioner is part of my skripsi related non performing loans which taken part on Subang.

Your perception will give contribution to the efficiency credit in the future. So we hope to fill this questioner honestly, objectively, and it is very significant for this study. All data from this questioner will be sticky use for my education purpose only and will be treat as confidential.
Part I

This section, you are asked to fill your profile, please cross (X) or circle the statement below.

**Respondent Profiles:**

**Gender**
- a. Male
- b. Female

**Current Age**
- a. < 25 years old
- b. 26 - 35 years old
- c. 36 – 45 years old
- d. > 45 years old

**Marital Status**
- a. Single
- b. Married
- c. Widow/widower

**Education**
- a. Junior High School
- b. Senior High School
- c. Diploma
- d. Bachelor Degree
- e. Master Degree

**Duration Being Customer**
- a. < 1 tahun
- b. 1 – 2 tahun
- c. > 2 tahun
Part II

Instruction for filling:

Put a checkmark (✓) on the answer that you think is correct on the statement in accordance with the existing reality. Please rate the following statement according to Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), Strongly Agree (AA):

Choose 1 if you are **Strongly Disagree** with the statement

Choose 2 if you are **Disagree** with the statement

Choose 3 if you are **Neutral** with the statement

Choose 4 if you are **Agree** with the statement

Choose 5 if you are **Strongly Agree** with the statement

PART III

This refers about the Factors 5C’s Principle towards Non Performing Loan at PT.Bank Perkreditan Rakyat Tutur Ganda

1. **5C concept (x)**
   a. **Character**

<table>
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<tr>
<th>No</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>You on time in pay back the loans</td>
<td></td>
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<tr>
<td>2</td>
<td>You read and understand the credit agreement</td>
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<tr>
<td>3</td>
<td>You received income in accordance with the plan</td>
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<tr>
<td>4</td>
<td>You always combine business expenses with personal expenses</td>
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</table>
### b. Capacity

<table>
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<th>No</th>
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<th>4</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>You understand what you are doing and take control of a business</td>
<td></td>
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<tr>
<td>2</td>
<td>Your earnings tend to be stable even increased</td>
<td></td>
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<tr>
<td>3</td>
<td>you understand the market around you from suppliers, competitors and buyers</td>
<td></td>
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<tr>
<td>4</td>
<td>You suffer losses that continuous or sustained</td>
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</table>

### c. Capital

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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>you borrow funds only from one source</td>
<td></td>
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<tr>
<td>2</td>
<td>I have savings/deposits</td>
<td></td>
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<tr>
<td>3</td>
<td>you still have money to save even though you have to pay for the loan</td>
<td></td>
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<tr>
<td>4</td>
<td>Savings that you have less than loan you take</td>
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</tbody>
</table>

### d. Collateral

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</thead>
<tbody>
<tr>
<td>1</td>
<td>you have assets as loan collateral</td>
<td></td>
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<tr>
<td>2</td>
<td>Guarantee that you have a higher value than the loan you proposed</td>
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<tr>
<td>3</td>
<td>Your income sufficient to pay the loan at a specified time</td>
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<tr>
<td>4</td>
<td>Guarantee that you proposed to the bank according to the standard criteria for guarantees</td>
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</table>
### e. Condition

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<tbody>
<tr>
<td>1</td>
<td>you can afford the loan installments even though a decline in the value of money</td>
<td></td>
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<tr>
<td>2</td>
<td>Production is always a maximum effort so that it can pay for credit</td>
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<tr>
<td>3</td>
<td>Business that you run in a state of bankruptcy that it is difficult for you to pay the loan.</td>
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<tr>
<td>4</td>
<td>You are the unfortunate (eg, accidents, death, etc.) so that the difficulties in the credit installment payments or pay off credit</td>
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### 2. Non Performing Loan (Y)

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<tr>
<th>No</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>You arrears up to 180 days or 6 months</td>
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<tr>
<td>2</td>
<td>You get a warning letter from the bank</td>
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<tr>
<td>3</td>
<td>The bank asks you to pay the loan installments in arrears</td>
<td></td>
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<tr>
<td>4</td>
<td>you ignore the warning letter from the bank</td>
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</tbody>
</table>
APPENDIX B
RAW MATERIALS
| CH1 | CH2 | CH3 | CH4 | TCH | Capp1 | Capp2 | Capp3 | TCAPI | Cappi1 | Cappi2 | Cappi3 | Cappi4 | TCAPI | Cappi1 | Cappi2 | Cappi3 | Cappi4 | TCO1 | TCO1 | CCO1 | CCO1 | TCO1 | TCO1 | TCO1 | NPL1 | NPL1 | NPL1 | NPL1 | TNP |  
|-----|-----|-----|-----|-----|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|------|------|------|------|------|------|------|------|------|  
| 5   | 4   | 4   | 5   | 18  | 4     | 4     | 4     | 4      | 16     | 5      | 1      | 1      | 5      | 12     | 5      | 4      | 4      | 4      | 17   | 1     | 4     | 4     | 4     | 13   | 3      | 3      | 3      | 2     | 1    | 9    |   |