



Determinant Analysis of Credit Distribution Regional Development Bank in Indonesia

Agung Nur Prastiyo^{1*}, Emanuel Krstijadi²

^{1,2} Hayam Wuruk University

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ABSTRACT

Banks are intermediary institutions that play an essential role in the financial system. This is because the bank has a strategic function as a credible institution in channelling funds from parties with excess funds to those with a shortage of funds. The bank first collects funds from parties with excess funds as deposits from the public (Third Party Funds), and then banks provide credit to parties who lack funds. This study uses the cross-section of time series data from 2011-2020 and Regional Development Banks in Indonesia. The method used in this study is the panel data regression method with the Fixed Effect GLS approach. Econometric analysis using panel data regression models to identify the variables that affect lending. This study aims to analyze the effect of Capital, Profitability, Bank Health, and Inefficiency on lending at Regional Development Banks. The analysis results show that simultaneously the independent variables significantly affect the dependent variable. Furthermore, partial Return On Assets positively and substantially affects lending at Regional Development Banks in Indonesia.

Keywords: Loan to Deposit Ratio, Bank, Panel Data.

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Author correspondence:

E-mail: agungprastiyo2791@gmail.com

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INTRODUCTION

Banks are intermediary institutions that play an essential role in the financial system. This is because the bank has a strategic function as a credible institution in channelling funds from parties with excess funds to those with a shortage of funds. The bank first collects funds from parties with excess funds as deposits from the public (Third Party Funds), and then banks provide credit to parties who lack funds.

According to Dendawijaya (2005), funds obtained from the public can reach 80% - 90% of all funds managed by banks and credit activities reach 70% - 80% of total bank assets. According to Siamat (2005), the bank's business is centred on lending because of the nature of the bank's business as an intermediary between surplus units and deficit units, and the primary source of bank funds comes from the community, so morally, they must channel it back to the community in the form of credit.

Loan to Deposit Ratio is used as an indicator determining the level of ability of banking companies to channel core capital and Third Party Funds originating from the community (in the form of savings, demand deposits, time deposit certificates, and time deposits) in the form of credit (Fadila and Yuliani, 2015). Loan to Deposit Ratio shows how far the level of liquidity of a bank. The higher the Loan to Deposit Ratio level, the more illiquid a bank is, meaning that the bank will have difficulty meeting its short-term obligations, such as sudden withdrawals by customers of their savings (Fitri and Sari, 2012).

Studies on lending have been supported by previous literature. Yusuf & Ardiansyah (2021) researched lending using the Loan to Deposit Ratio indicator. Based on Yusuf & Ardiansyah's research (2021), partially, Capital Adequacy Ratio and Operating Expenses to Operating Income have a significant effect on Loan to Deposit Ratio. Agustina & Wijaya (2013)

also researched lending to National Private Banks. Based on the research results, it is known that Capital Adequacy Ratio, Net Interest Margin, and Operating Expenses to Operating Income have a significant effect on the Loan Deposit Ratio. In contrast to the results of Ramadhani & Indiriani's (2016) study, Capital Adequacy Ratio and Return On Asset do not have a significant effect on conventional commercial bank Loan to Deposit Ratio on the stock exchange, while Non Performing Loan has a significant effect on the Loan Deposit Ratio.

This study uses Loan to Deposit Ratio as a proxy for lending. This is because, using Loan to Deposit Ratio, the comparison between the amount of credit extended by the bank and the number of funds raised by the bank can be seen. A low Loan to Deposit Ratio indicates a lot of idle funds that have yet to be disbursed in credit, but the quality of liquidity is good. Conversely, if the Loan to Deposit Ratio is high, the distribution of funds is optimal credit, but the bank's liquidity capacity could be better. Based on the description of the background, several problem phenomena raised in this study are (1) Regional Development Bank credit growth has decreased, and (2) Loan to Deposit Ratio has continued to decline so that many funds are idle, and credit distribution is slow.

Kartini and Nuranisa (2014) researched the factors influencing lending in 33 banks listed on the Indonesia Stock Exchange. The research objective of Kartini and Nuranisa (2014) is to test and analyze the impact of the Capital Adequacy Ratio, Non-Performing Loans, and Operational Costs to Operating Income on the Loan to Deposit Ratio. The method used is multiple linear regression during the 2013-2014 period. The estimation results show that the Capital Adequacy Ratio significantly affects Loan to Deposit Ratio. In contrast, Non-Performing Loans and Operational Costs to Operating Income have no significant

effect on Loan Deposit Ratio. Banking transactions in the credit sector provide a role for banks as funding institutions for debtor customers in the form of credit, such as investment loans, working capital loans, small business loans and other types of credit according to the needs of their debtor customers (Sari, 2013).

Interpersonal relationships in credit are based on trust, more commonly known as credit. Building trust between the parties required a variety of information. The information required from the customer will be requested by the bank, which is known as credit conditions. At the same time, the customer should also ask for various information about various facilities that the bank can provide regarding the existence of his bank (Saroinsong, 2014). Pham (2015) examined the determinants of lending in 146 countries in the period 1990-2013 in Vietnam. The method used is GMM or dynamic panel—the results of this study state that NPL has a negative and significant relationship with lending. According to Kasmir (2014), the safe limit of a bank's LDR is around 80%. However, the maximum LDR limit is 110%. This ratio is also an indicator of the vulnerability and capability of a bank, where some banking practitioners agree that the safe limit of a bank's Loan to Deposit Ratio is 80% (Timpaulu et al., 2018). According to the provisions of Bank Indonesia, a good LDR level ranges from 75% - 100%. Meanwhile, according to the provisions of the central bank, the safe limit for the Loan to Deposit Ratio is 110%. So a Loan To Deposit Ratio (LDR) that is too high indicates the lower liquidity capacity of the bank concerned. This is because the funds needed to finance credit are getting bigger. Conversely, if the Loan to Deposit Ratio is low, it indicates a low level of credit expansion compared to the funds it receives.

Manurung & Kartika (2020) explore determinant of Loan Deposit Ratio and including to examined speed adjustment.

This paper will use model panel data and research period of 2010 to 2019. This research found that Loan to Deposits ratio lag one, Net Interest Margin, Non-Performing Loan, Capital Adequacy Ratio, Risk Adjusted Return on Capital, Risk and Market Power as internal factor significant affect Loan to Deposits Ratio. Cement consumption and Fed Rate significant affect Loan to Deposits Ratio. The bank could adjust the LDR around 9.99 months to get back equilibrium. The performance of bank management in managing capital can be seen through financial ratios, one of which is the Capital Adequacy Ratio (CAR). These financial ratios indicate a bank's ability to cover or compensate for a decrease in its assets due to bank losses caused by risky productive assets. The amount of CAR required by Bank Indonesia for banks operating in Indonesia is a minimum of 8%. The size of the CAR owned by a bank can be influenced by the performance of other financial aspects, namely liquidity, asset quality, market sensitivity, and profitability (Kartini & Nuranisa, 2014).

In extending credit to customers, banks will face credit risks that the debtor cannot afford to pay, causing problem loans. To determine the quality of assets can be known or measured using the ratio of Non-Performing Loans (NPL). NPL (Non-Performing Loan) or non-performing loans or bad loans are loans in which there are obstacles caused by two elements, namely from the bank in analyzing and by the customer who intentionally or unintentionally in his obligation does not make payments (Kasmir, 2016).

According to the standard provisions of Bank Indonesia, the value of the Net Interest Margin (NIM) of a bank is said to be healthy if it has a ratio above 2%. In addition, NIM is also a critical policy factor because it shows how efficient a bank's performance is in managing Third Party Funds (DPK), which will be allocated as loans and generate interest for the bank.

The greater this ratio, the higher the interest income on productive assets managed by the bank so that the possibility of a bank in a troubled condition is smaller (Musa et al., 2019).

In banking, Operating Expenses to Operating Income have a significant influence in measuring the level of efficiency and a bank's ability to carry out its operational activities. For this reason, every business must compare the number of operational costs and the operating income it earns (Yogianta, 2013). In banking, the operating income earned is interest from its customers, while operational costs are interest costs from third parties (Putri & Suryantini, 2017). Return on Assets (ROA) is one of the profitability ratios. This ratio is most often highlighted in the analysis of financial statements because it can show the company's success in generating profits. In this study, the ratio of bank financial performance is a proxy through return on assets (ROA). ROA measures a company's effectiveness in generating profits by utilizing its assets. The greater the ROA owned by a company, the more efficient use of assets will increase profits. As a result, big profits will attract investors because the company has a high rate of return (Said & Ali, 2016).

The CAR ratio is used to measure the adequacy of the bank's capital to support assets that contain or generate risk, for example, loans. The higher the CAR, the stronger the bank's ability to bear the risk of any risky credit or productive assets. The high NPL of banks in a period must provide greater reserves so that in the end the bank's capital also erodes. Even though large capital greatly influences credit expansion. The amount of NPL in a period is one of the causes of the difficulty for banks in channeling credit in the coming period, so it is estimated that the LDR will decrease. The higher the Net Interest Margin (NIM) indicates the more effective the bank is in placing productive

assets in the form of credit. A high NIM shows that banking companies are able to manage their assets to generate net interest income, with higher income, it is suspected that this will increase the ability of banking companies to provide loans to the public. The lower the BOPO ratio in a period means the more efficient the operational costs incurred by banking companies, meaning that the possibility of problematic conditions in the future is getting smaller, while the higher the BOPO indicates that banking companies have a higher level of operational expenses (Musa et al, 2019). Banking companies that have high operating expenses in a period tend to maintain more limits on loans extended to the public and will indirectly reduce LDR in the future. A high ROA indicates that the bank has earned income from its activities in extending credit. Where, this income can be used for capital and to add funds to be rolled back into credit so that the LDR will increase, so it can be concluded that the higher the ROA, the higher the LDR.

METHODOLOGY

The research design used in this study is to use a quantitative approach. Research using a quantitative approach means focusing on proving hypothesis testing and understanding through various tests; the data used must be measurable and produce conclusions that can be generalized. This study aims to determine the relationship between the independent variables of Capital Adequacy Ratio, Non-Performing Loan, Net Interest Margin, Operating Expenses on Operating Income and Return On Assets on Loan to Deposit Ratio, so this research is also referred to as a causality research design. The analytical tool used in this research is using panel data regression analysis. The estimation results obtained through panel data regression are described in more fundamental terms, accompanied by studies carried out previously with

conditions or phenomena that occurred so that, in the end, a conclusion can be obtained in this study. The tool used to analyze panel data regression in this study is Stata.

This research uses panel data multiple regression analysis techniques. Panel data is a combination of time series data and cross-section data. Combining time series data and cross-section (pooling) increases the number of observations significantly without treating the data. The model for panel data regression is as follows:

$$LDR_{it} = \alpha_{it} + \beta_1 CAR_{it} + \beta_2 NPL_{it} + \beta_3 NIM_{it} + \beta_4 BOPO_{it} + \beta_5 ROA_{it} + \epsilon_{it}$$

$$LDR_{it} = \alpha_{it} + \beta_1 CAR_{it-1} + \beta_2 NPL_{it-1} + \beta_3 NIM_{it-1} + \beta_4 BOPO_{it-1} + \beta_5 ROA_{it-1} + \epsilon_{it}$$

LDR is Loan to Deposit Ratio (in percent), α is constant, $\beta_1 - \beta_5$ is Regression Coefficient CAR is Capital Adequacy Ratio (in percent), NPL is Non Performing Loan (in percent), NIM is Net Interest Margin (in percent), BOPO is Operating expense to operating income (in percent, ROA is Return On Asset (in percent), ϵ is error term, i is Regional Development Bank 1,2,3,...N, and t is year. Three methods can be used to estimate models with panel data regression. According to Gujarati (2012), they include Pooled Least Square, Fixed effect, and Random effect. In estimating the parameters in the Panel Data Regression model above, three techniques depend on the assumptions used. The three techniques are Common Effect (Ordinary Least Square/OLS), Fixed Effect (FE) and Random Effect (RE). Selection of the best technique among the three is carried out by the following method: Chow Test is used to determine the best model choice between OLS and FE. The Hausman Test is used to determine the best model choice between the Fixed Effect (FE) and Random Effect (RE). To find out whether the random effect

model or the PLS model will be used in estimating panel data, an LM (Lagrange Multiplier) test is performed.

This analysis is to determine the direction of the relationship between the independent variables and the dependent variable, whether each independent variable is positively or negatively related, and to predict the value of the dependent variable if the value of the independent variable increases or decreases. Using several tests such as the F test (F-test) and the t-test (t-test). To prove the truth of the third hypothesis, the F test (F-test) is used, which is to test the significance of the coefficient simultaneously (overall) with the operational formulation of the hypothesis as follows :

$$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = 0$$

$$H_1: \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq \beta_5 \neq 0$$

Testing the F test is by comparing Fcount with Ftable at $\alpha = 0.05$. The conclusion is obtained through the following calculation results: a) Fcount > Ftable, then Ho is rejected, and Ha is accepted, meaning that the independent variable simultaneously affects the dependent variable; b) Fcount \leq Ftable, then Ho is accepted, and Ha is rejected, meaning that the independent variables simultaneously do not affect the dependent variable.

Meanwhile, to prove the hypothesis, the t-test (T-test) is used, namely to test the significance of the partial regression coefficients using the following hypothesis formulation:

$$H_0 : \beta_i \leq 0$$

$$H_1 : \beta_i > 0$$

$$H_0 : \beta_i \geq 0$$

$$H_1 : \beta_i < 0$$

The test is carried out through the t-test (T-test) by comparing the t count with the t table at $\alpha = 0.05$. Right One-sided Test $H_0: \beta_i \leq 0$ This means that the independent

variables individually have no significant positive effect on the dependent variable. H1: $\beta_i > 0$ means that the independent variables individually have a significant positive effect on the dependent variable. Left One-Side Test H0: $\beta_i \geq 0$ means the independent variables individually have no significant negative effect on the dependent variable. H1: $\beta_i < 0$ means that the independent variables individually have a significant negative effect on the dependent variable.

The panel data regression model consists of three models: pooled least squares, fixed effects, and random effects. Table 4.1 shows the model estimation results for the three-panel data regression models. The PLS and REM estimation results show that the NIM and ROA variables have a significant effect on LDR. Then the estimation results with the FEM model show that the NIM, NPL, and ROA variables significantly affect LDR. The results of the PLS, REM and FEM estimates for NIM and ROA have the same coefficient sign, which is negative, while the NPL in the FEM model has a positive coefficient sign.

RESULTS AND DISCUSSION

Model Specification Test

Table 1.
Regression Estimation Results

Variabel	Dependent: LDR		
	PLS	FEM	REM
CARit-1	-0,1527	-0,2571	-0,1527
NPLit-1	0,6983	1,7907***	0,6983
NIMit-1	-1,9889**	-3,0374***	-1,9889**
BOPOit-1	0,5684	0,1210	0,5684
ROAit-1	8,0406**	6,431**	8,0406**
Constant	40,1362	(85,126)	40,1362

Source: Analysis Results

Lagrangian Multiplier Test

The selection model used in this study is the Lagrangian Multiplier (LM) test method to determine the best model between Pooled Least Square (PLS) and Random Effect (REM). Based on the estimation results in table 3, the Hausman test probability value is 0.0000. The test criteria are if the Hausman test

probability is less than 1%, 5%, or 10%, then the null hypothesis is rejected, so the alternative hypothesis is not rejected; conversely, if the BP LM test probability is more than 1%, 5%, or 10%, then the null hypothesis is not rejected. Therefore, it can be concluded that the model chosen in the second stage is FEM

Table 2.
Breush and Pagan Lagrangian Multiplier Test

Test	Prob
Chibar2	36.20
Prob > Chibar 2	0,0000

Source: Analysis Results

Hausman Test

The next step is to do the Hausman test. The Hausman test is used to determine whether the best model from the panel regression model is the Fixed Effect model or the Random Effect model. Based on the estimation results in table 3, the Hausman test probability value is 0.0000. The test criteria are if the

Hausman test probability is less than 1%, 5%, or 10%, then the null hypothesis is rejected, so the alternative hypothesis is not rejected; conversely, if the BP LM test probability is more than 1%, 5%, or 10%, then the null hypothesis is not rejected. Therefore, it can be concluded that the model chosen in the second stage is FEM.

**Table 3.
Hausman Test Results**

Var	FE	RE.
CAR	-0.25	-0.15
NPL	1.79	0.69
NIM	-3.03	-1.98
BOPO	0.12	056
ROA	6.43	8.04
	Prob > Chi2	0,0000

Source: Analysis Results

Multicollinearity Test

This test is helpful to find out whether the regression model found a correlation between the independent (independent) variables. The testing criterion is that if the VIF value is less than 10, then the null hypothesis is rejected,

so the alternative view is not denied; conversely, if the VIF value is more than 10, then the null hypothesis is not rejected. It can be concluded that there is multicollinearity. The results of estimating multicollinearity detection are as follows:

**Table 4.
Multicollinearity Test**

Variabel	VIF	1/VIF
CAR	43.11	0.039473
NPL	40.37	0.253174
NIM	25.33	0.024773
BOPO	20.44	0.023199
ROA	3.95	0.048931
Mean VIF	26.64	

Source: Analysis Results

Autocorrelation Test

The testing criterion is that if the Wooldridge test probability value is less than 1%, 5%, or 10%, then the null hypothesis is rejected, so the alternative view is not denied; conversely, if the Wooldridge test

probability value is more than 1%, 5%, or 10%, then the null hypothesis is not rejected. Therefore, it can be concluded that there is autocorrelation. The estimation results of autocorrelation detection with the Wooldridge test are as follows:

Table 5.
Autocorrelation Test

F(1,11)	22.303
Prob > F	0.0006

Source: Analysis Results

Heteroscedasticity Test

Table 6.
Autocorrelation Test

Chi2(1)	35.29
Prob > Chi2	0.0004

Source: Analysis Results

The testing criterion is that if the Wald test probability value is less than 1%, 5%, or 10%, then the null hypothesis is rejected, so the alternative view is not denied; conversely, if the Wald test probability value is more than 1%, 5%, or 10%, then the null hypothesis is not rejected. Therefore, it can be concluded that there is heteroscedasticity. Based on testing

the selection of the panel data regression model, it has been proven that the fixed effect model is the best in this study, but there are problems with heteroscedasticity and autocorrelation. Therefore it needs to be cured by the Robust and GLS (Generalized Least Square) methods. The results of panel data regression with the Robust and GLS fixed effect models.

Table 7.
Panel Data Regression Results with Fixed Effect Robust and GLS Models

No	Variabel	FEM- Robust	P > t	FEM-GLS	P > z
1	CARit-1	-0,2571 (0,2160)	0,259	-0,2571 (0,2416)	0,287
2	NPLit-1	1,7907 (1,0811)	0,126	1,7907*** (0,5367)	0,001
3	NIMit-1	-3,0373*** (0,6903)	0,001	-3,0374*** (0,7978)	0,000
4	BOPOit-1	0,1210 (0,3781)	0,755	0,1210 (0,3323)	0,716
5	ROAit-1	6,4312* (3,3870)	0,084	6,4312** (2,7230)	0,018
	Prob > F	0,0030			0,0006
	Prob Chi-Square				0,0000

Source: Analysis Results

Based on Table 9. shows that the model with GLS is better than the FEM-Robust model because there are more significant numbers. CAR coefficient is -0.25. The CAR regression coefficient is

-0.25, indicating a negative relationship (opposite direction) between CAR and LDR. If CAR increases by one per cent, the LDR in the following year will decrease by 0.25 per cent. If CAR reduces by one

per cent, the LDR in the next year will increase by 0.25 per cent. NPL coefficient is 1.79, the NPL regression coefficient is 1.79, indicating a positive (unidirectional) relationship between NPL and LDR. If the NPL increases by one per cent, the LDR in the following year will increase by 1.79 per cent. If the NPL decreases by one per cent, the LDR in the next year will reduce by 1.79 per cent.

NIM coefficient is -3.03, the NIM regression coefficient is -3.03, indicating a negative (opposite) relationship between NIM and LDR. If NIM increases by one per cent, the LDR in the following year will decrease by 3.03 per cent. Conversely, if NIM reduces by one per cent, the LDR in the next year will increase by 3.03 per cent. BOPO coefficient is 0.12, The BOPO regression coefficient is 0.12, indicating a positive (unidirectional) relationship between BOPO and LDR. If BOPO increases by one per cent, the LDR in the following year will increase by 0.12 per cent. If BOPO decreases by one per cent, the LDR in the next year will reduce by 0.12 per cent. ROA coefficient is 6.43, the ROA regression coefficient is 6.43, indicating a positive (unidirectional) relationship between ROA and LDR. If ROA increases by one per cent, the LDR in the following year will increase by 6.43 per cent. If ROA decreases by one per cent, the LDR in the next year will reduce by 6.43 per cent.

The probability of the CAR variable is 0.287, so the above probabilities are 1%, 5%, and 10%, so H_0 is accepted, which means that the research hypothesis states that the CAR lag variable has a significant effect on LDR is rejected. The probability of the NPL variable is 0.001. Hence, the probability is below 1%, 5%, and 10%. However, the regression coefficient is not following the theory, so H_0 is accepted. This means the research hypothesis stating that the lag NPL variable significantly affects LDR is rejected. The probability of the NIM variable is 0.000, so the probability is

below 1%, 5%, and 10%; the regression coefficient is not following the theory, so H_0 is accepted, which means the research hypothesis which states the NIM variable has a significant effect on LDR is rejected. The probability of the BOPO variable is 0.716, so the above probabilities are 1%, 5%, and 10%, so H_0 is accepted, which means that the research hypothesis states that the CAR variable has a significant effect on LDR is rejected. The probability of the ROA variable is 0.018, so the probability is below 1%, 5%, and 10%, so H_0 is rejected, which means that the research hypothesis stating that the lag variable ROA has a significant effect on LDR is accepted.

The higher the CAR in a period, the greater the financial resources that can be used for business development and productive assets, as well as anticipating potential losses caused by credit. Thus an increase in CAR in a period will also be able to increase credit in the coming period, so it is expected that the LDR in the coming period will also increase. However, the study's results showed a negative effect, which was caused by a tendency to decrease in the CAR of the research sample banks, but the LDR increased in the following year. This could be because many banks have reduced their investment in productive assets other than credit to be transferred in the form of credit offers to obtain higher interest income. The results of this study are in line with the research of Ambaroita (2015), Ramadhani and Indriani (2016), and Timpaulu et al. (2018). Research by Ambaroita (2015), Ramadhani and Indriani (2016), and Timpaulu et al. (2018) also found that CAR had no significant effect on LDR.

The results showed that NPL had no significant positive effect on LDR. The NPL regression coefficient is 1.79, indicating a positive (unidirectional) relationship between NPL and LDR. If the NPL increases by one per cent, the LDR in the following year will increase by 1.79

per cent. If the NPL decreases by one per cent, the LDR in the next year will reduce by 1.79 per cent. This study's results align with Ambaroita's research (2015), which states that long-term NPL has a positive impact on LDR. Ramadhani and Indriani (2016) also show that NPL significantly affects LDR.

The results showed that NIM had no significant negative effect on LDR. The NIM regression coefficient is -3.03, indicating a negative (opposite) relationship between NIM and LDR. If NIM increases by one per cent, the LDR in the following year will decrease by 3.03 per cent. If NIM reduces by one per cent, the LDR in the next year will increase by 3.03 per cent. This estimate's results align with the research by Pratiwi and Hindasah (2014) and Musa et al. (2019). Research by Pratiwi and Hindasah (2014) and Musa et al. (2019) shows that NIM significantly affects LDR.

The estimation results show that Operating Expenses to Operating Income has no significant effect on LDR. Therefore, the results of this estimate mean that Operating Expenses to Operating Income has little role in influencing LDR performance. Furthermore, this estimation's results align with Kartini and Nuranisa's (2014) research. The study by Kartini and Nuranisa (2014) states that Operating Expenses to Operating Income has no significant impact on LDR. The test results indicated that the increase or decrease in Operating Expenses to Operating Income during the study period did not affect LDR because, from the available data, the Operating Expenses to Operating Income value of banks showed an increasing trend. However, the bank's LDR also had an increasing trend. A high Operating Expenses to Operating Income value indicates that the bank's management has not been efficient in its operations, thus increasing operational costs while decreasing operating income.

The estimation results show that ROA has a significant positive effect on LDR. The results of this estimate mean that ROA plays a role in influencing LDR. The ROA regression coefficient is 6.41, indicating a positive (unidirectional) relationship between ROA and LDR. If ROA increases by one per cent, the LDR in the following year will increase by 6.43 per cent. Conversely, if ROA decreases by one per cent, the LDR in the next year will reduce by 6.43 per cent. This estimate's results align with Timpaulu et al. (2018). The results of this study indicate that ROA has a positive and significant influence on the LDR of Bank Sulut-Go. Pratiwi and Hindasah (2014) show that ROA significantly impacts lending. The estimation results indicate that the BPD's ability to generate profits is fine. This means many requests for new credit, so gains are retained. According to Ramadhani and Indriani (2016), a high ROA indicates that a bank has earned income from its activities in extending credit. This income can be used for capital and to add funds to be turned back into credit so that the LDR will increase (Rosadaria, 2012). So the higher the ROA, the higher the LDR.

CONCLUSION

The results of this study indicate that there is a significant influence between Return On Asset and Loan to Deposit Ratio. Thus, banks must consider profitability in determining credit allocation in the next period. If Return On Asset is still very limited, it could be because productive asset allocation is more dominant in productive assets with low-interest income, so it needs to be diverted into lending, which can provide more significant interest income. Credit quality performance also needs to be taken into consideration in credit allocation. This research concludes that, generally, banks will increase lending to reduce the NPL ratio. This needs to be corrected; it is better to handle problem

loans by implementing governance on credit risk rather than increasing credit distribution. The results of this study confirm the theory of bank management that capital performance, interest profit performance, asset performance, efficiency and profitability have a role as a determinant of bank performance in carrying out the intermediary function.

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