The Effect of Liquidity Level and Loan Installment Loans on Profitability in Go Public Banking Companies in Indonesia

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Abstract:
This study aims to analyze the Effect of Liquidity Levels and Installment Loans on Profitability of Go Public Banking Companies in Indonesia during the Covid-19 pandemic. This research is a causative research with a population of banking companies that go public in the country. While the sample of this study was determined by the purposive sampling method, and processed as many as 84 samples from 42 banking companies in the observation period (2020-2021). The type of data used is secondary data obtained from financial statements published by banking companies at www.idx.co.id. The analytical method used is multiple regression analysis. The results of the study show that the level of liquidity partially affects the profitability of banking companies that go public in Indonesia, the loan installment allowance partially affects the profitability of banking companies that go public in Indonesia and the level of liquidity and installment allowances simultaneously affects the profitability of banking companies that go public. in Indonesia.

Keywords:
Liquidity Level, Loan Installment Loans, Profitability

JEL: A1, A10

INTRODUCTION

The goal of every company is to always try to get the maximum profit or profit, both from its operational activities and non-operational activities in the company concerned. Likewise for every banking company, profit is also an important thing to be obtained in order to maintain the continuity of the company's operations or in accounting it is called a going concern. The profitability of banking companies shows the income that the company is able to generate in one or each period. Therefore, it can be concluded that profitability is an aspect that reflects the ability of each company to generate profits, where the company referred to in this study is a banking company. The company will make a profit if the amount of income / income received is greater than the amount of expenses (costs) incurred. The bank's income can come from the proceeds from the receipt of interest on loans, share premiums, services in the financial sector and others. The profits obtained by each banking company mostly come from the interest on loans received by each bank, namely as a result of providing a number of credits to their customers or debtors. Therefore, credit is very important in the operational activities of every banking company.

If the installments from customers are smooth or routine every month, it will facilitate the bank's operational activities, even the planned income target will be achieved. This increase in revenue will also affect the amount of profit that will be obtained by the company. The profits obtained by the company, some will be distributed to shareholders, namely in the form of dividends and some will be included in retained earnings, namely as additional company capital for the next period, so overall of course company profits will also affect the company's capital. The liquidity of a banking company reflects that the company concerned is able to meet all of its short-term obligations with a number of liquid assets owned by the company. Or in other words, a bank can be said to be liquid if the bank concerned is able to pay all of its debts, especially current accounts, savings and time deposits when billed by depositors of funds and can also fulfill all credit applications from prospective debtors who are eligible for payment. funded (Juari & Erawati, 2020) .

The ideal liquidity ratio for each company is 200%, and if the liquidity ratio is less than 200% then it is considered not good, because if the current assets value decreases, the current assets are not sufficient to cover short-term liabilities, which is often referred to as with illiquid conditions, whereas if the amount of current assets is too large, it will have an impact on the emergence of idle funds called the emergence of idle funds. All of this will change with the COVID-19 pandemic. With restrictions on activities from the government so that the spread of COVID-19 can be controlled, the impact on companies is very large. Many companies have reduced their human resources and some have even gone out of business, so many people have lost their jobs. This impact is also experienced by banking companies. The people's purchasing power has decreased and the remaining money they have is only able to support their daily food needs, so that many people do not make loans to banks, even those who already have loans are unable to repay them. With this situation, the government through the OJK issued policy rules for leeway on bank loan installments. The Financial Services Authority (OJK) updated the rules regarding the provision of installment relief for bank customers through POJK Number 48 / POJK.03/2020. This latest regulation is an amendment to the Financial Services Authority Regulation Number 11/POJK.03/2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of the Spread of the 2019 Coronavirus Disease (buisnis.com jakarta, 12 December 2020)

THEORY AND HYPOTHESES

Based on Law Number 10 of 1998 article 1 number 11, credit is "the provision of money or an equivalent claim, based on a loan agreement or agreement between a bank and another party which requires the borrower to repay his debt after a certain period of time with interest payments". Credit Elements In a credit there are elements, namely: Giving credit or creditors, namely banks, credit recipients, namely debtors. The recipient of this credit can be an individual or a company (business entity) Provision of money or something that can be equated with it by a bank Credit agreement which is the rule of the game for this relationship, the period of time, namely the loan repayment period, and interest on credit enjoyed by the creditor.

Liquidity

Understanding Liquidity The author cites the notion of Liquidity from (Hanafi, 2003). The ability of a company to pay off its current debts by using current assets owned by the company. (Kasmir, 2002) A bank can be said to be liquid, if the bank concerned can pay all its debts, especially savings deposits, current accounts and time deposits when billed and can also fulfill all credit applications that are eligible to be financed. Liquidity Ratio Liquidity ratio is a ratio that shows the relationship between cash and other current assets with current liabilities. The liquidity ratio can be divided into two parts, a ratio that compares cash sources with total current debt, a ratio that compares cash flows to the amount of current debt. Liquidity ratio aims to determine the company's ability to pay its current liabilities.

Loan Installment Allowance

The Financial Services Authority (OJK) updated the rules regarding the rules for granting installment relief for bank customers through POJK Number 48 / POJK.03/2020. This latest regulation is an amendment to the Financial Services Authority Regulation Number 11/POJK.03/2020 concerning National Economic Stimulus as a Counter-cyclical Policy for the Impact of the Spread of the 2019 Coronavirus Disease . With this latest policy, the restructuring stimulus or installment reduction will be in effect until the deadline of March 31, 2022. .

Based on a written statement submitted by OJK, the main regulatory points in this installment relief policy include, among others: a). Credit/financing quality assessment is only based on the accuracy of principal and/or interest payments for credit/financing up to Rp10 billion, b). Determination of credit/financing quality to be Current after restructuring, Restructuring provisions; restructured loans/financing are excluded from the calculation of low quality assets (KKR) in the assessment of bank soundness for BUK/BUS/UUS; Banks can approve credit/financing restructuring approvals as long as they comply with prudential principles and the Bank must be careful about the ability of debtors affected by the spread of COVID-19 to survive until the end of this POJK.

Banks can implement liquidity and capital policies as a result of the spread of COVID-19 which consists of: BUK belonging to the BUKU 3, BUKU 4 group, and foreign banks can adjust the lower limit of meeting the liquidity coverage ratio and net stable funding ratio of 100% (one hundred percent))) to 85% (eighty five percent) until March 31, 2022.

Profitability

Profitability is the ability of each managerial company from each company to the maximum level of company profitability or something that reflects to generate profits.

Profitability Ratio. Profitability ratio is a ratio that shows the combined effect of liquidity, asset management and debt on operating results. Profitability is measured by ROA which measures the ability of bank management in obtaining overall profits (Lukman, 2005). ROA is a ratio used to measure a bank's ability to earn relative profits compared to its total assets or a measure to assess how much profit or solution the company's assets are (Rudy, 2000).

Smooth credit installments are income from loan interest which will later affect the level of income, the smoother the installments or credit installments from customers, the greater the interest income and vice versa. The smooth rate of credit installments is measured by using the level of bad loans in the financial statements of banking companies. The level of liquidity in this study is measured using the Loan to Deposit Ratio, which is usually used by customers. especially as an indicator to assess the ability of each banking company to fulfill all its short-term obligations by using current assets owned by the company concerned, where in this case if the liquidity level of a company is good/high, of course customers will be more confident to use the services - services in the financial sector provided by the company itself, so that with the increasing intensity of the use of financial services provided by each bank, it will certainly determine the level of profitability that will be obtained later.

In this study, the authors include several control variables, including the size of the banking company and the type of banking company.

The hypotheses of the discussion are as follows:

H1 = The level of liquidity has a partial effect on the profitability of banking companies that go public in Indonesia.

H2 = Loan installment allowance partially affects the profitability of banking companies that go public in Indonesia.

H3 = Liquidity level and installment allowance have a simultaneous effect on the company's profitability. go public banking in Indonesia.

RESEARCH METHOD

The research design used is associative research which is research that aims to determine the close relationship between two or more variables (causality) (Sugiyono, 2014). The population in this study is the year-end financial statements of banking companies listed on the Indonesia Stock Exchange. The population in this study is the year-end financial statements of banking companies listed on the Indonesia Stock Exchange in 2020 and 2021, amounting to 45 banking companies. The sampling technique used is purposive sampling, which is a technique for determining the sample of population members with certain considerations or criteria (Sugiyono, 2014). The criteria for determining the sample in this study are: 1). Banking companies that have gone public and are listed on the Indonesia Stock Exchange (IDX) in 2020 and 2021, 2). The banking company did not experience delisting during the observation period, 3. Published and published annual financial reports in 2020 and 2021, and, 4). The banking company has a positive profit during the observation period. Based on the sampling technique, the samples taken in this study were 94 of 47 banking companies listed on the Indonesia Stock Exchange (IDX) in 2020 and 2021. Data were analyzed by multiple regression analysis and simple regression analysis. Statistical tests were carried out using t-test and f-test (ANOVA), which first tested the classical assumptions before carrying out statistical tests. T-test is used to determine the effect of the independent variable on the dependent variable partially, while the f-test is used to determine the effect of the independent variable on the dependent variable simultaneously.

RESULTS

The analysis used in this study is multiple linear regression, which is to analyze the effect of leniency in credit installments and the level of liquidity on profitability during a pandemic in banking companies that go public. Multiple linear regression analysis was also used to determine the magnitude of the influence of the independent variable on the dependent variable, with a sample of 84 respondents. The summary of the results of data processing and explanation can be seen in the following table:

Table 1. Multiple Linear Regression
Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constan)	2,089	.442		4.723	.000		
	LDR (X1)	-.162	.068	-.256	-2,400	.019	.977	1.023
	KM (X2)	.278	.110	.269	2,531	.013	.983	1.017
	K1	-.004	.028	-.015	-140	.889	.964	1.038
	K2	-.002	.028	-.009	-.088	.930	.951	1.051

a. Dependent Variable: ROA

Based on the table above, the equation of the multiple linear regression model is obtained as follows

$$Y = 2{,}089 + (-0.162\ X1) + (0.278\ X2)$$

Based on the linear regression equation above, the respective regression coefficients can be explained as follows:

1. Regression coefficient (b1) for the liquidity variable (X1), obtained by -0.162 (with a negative sign), meaning that the relationship between the independent variable and the dependent variable is opposite in direction or for every increase in the amount of liquidity by one rupiah, the decrease in profit is -0.162 rupiah with the assumption of other variables. constant.
2. The regression coefficient (b2) for the installment allowance variable (X2), was obtained at 0.278 (positive sign), meaning that the relationship between the independent variable and the dependent variable was in the same direction or for each additional amount of installment allowance by one rupiah, profitability would increase on average by 0.278 rupiah. assuming the other variables are constant.

Hypothesis Testing

Testing using the t test is carried out by comparing the t table value with the calculated t value or comparing its significance at a real level of 0.05 (5%). The value of t table is 1,980. Based on the table above, it can be seen that the magnitude of the t value and its significance level are as follows:

1. The effect of liquidity (X1) on profitability in banking companies that go public in Indonesia. Based on the table above, it can be seen that the t count is -2,400 while the t table with a degree of 0.05 is 1,980. Therefore, t arithmetic is smaller than t table (-2,400 < 1.729) and the significance is 0.019 is smaller than 0.05, then Ho is rejected. Ha is accepted, meaning that liquidity affects the profitability of banking companies that go public in Indonesia. This means that liquidity affects the increase or increase in profitability.
2. The effect of smooth credit installments (X2) on the profitability of Indonesian banking companies that go public. Based on the table above, it is known that the t count is 2,531

while the t table with a degree of 0.05 is 1,729. Therefore, t count is greater than t table (2.531 > 1.729) and the significance is 0.017, smaller than 0.05, then Ho is rejected. Ha is accepted, which means that the loan installment allowance affects the profitability of banking companies that go public in Indonesia.

3. effect of installment allowances (X1) and liquidity level (X2) on the profitability of banking companies that go public in Indonesia can be seen in the Anova table, namely that the F test results obtained a value of 2,749 with a significant level of 0.034, where the value is greater from f table and is greater than 0.05. This means that the simultaneous or simultaneous influence of the independent variables, namely liquidity, and credit installment allowances, has a significant effect on the dependent variable.

Table 2. t test

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2,551	4	.638	2,749	.034 [b]
	Residual	18,323	79	.232		
	Total	20,874	83			

a. Dependent Variable: ROA

b. Predictors: (Constant), K2, KM, LDR, K1

Coefficient of Determination (R^2)

Table 2. R Square Test

Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.350 [a]	.122	.078	.48160	1,680

a. Predictors: (Constant), K2, KM, LDR, K1

b. Dependent Variable: ROA

Based on the table above, the magnitude of the effects of the independent variables on the variables determined simultaneously can be seen from the magnitude of the coefficient of determination (R^2). In the table above, it is known that R2 is 0.79, meaning that these independent variables together contribute 79 percent to the profitability of banking companies that go public in Indonesia. While the remaining 21 percent is influenced by other factors not explained in this model.

CONCLUSION

From the results of the analysis above, it can be concluded that

1. The level of liquidity partially affects the profitability of banking companies that go public in Indonesia.
2. The looseness of loan installments partially affects the profitability of banking companies that go public in Indonesia.
3. The level of liquidity and leniency of installments simultaneously affect the profitability of banking companies that go public in Indonesia.

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