ANALYSIS OF FACTORS AFFECTING DECISION
TO PROVIDE MICRO CREDITS AT DANAMON
SAVINGS AND LOAN SURABAYA CLUSTER

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Abstract

This study was aimed to test variables of character, capacity, collateral, and condition of economy towards credit decision at Danamon Savings and Loan Surabaya Cluster. Dependent variable in this study was the decision of credit which was made. Independent variables included character, capacity, capital, collateral, and condition of economy. The data processed in this study was in the form of secondary data. The researcher utilized the data of 100 customers who obtained micro credit from Danamon Savings and Loan Surabaya Cluster in 2014 – 2016. The technique of hypothesis testing was Multiple Regression Analysis (MRA) and Glesjer Test by using SPSS 19. Classic assumption test was conducted before the data was regressed to ensure that the data was feasible. The result of classic assumption test proved that residual data was normal, did not restricted by multi-collinearity and auto-correlation. The result of classic assumption test for heteroscedasticity test in this study explained that only variable of character and condition of economy positively and significantly affected credit decision making. The result of multiple linear regression test demonstrated that only capital variable was significant to credit decision which was made.

Keywords: Character, capacity, collateral, condition of economy, credit decision

INTRODUCTION

Micro, Small, and Medium-sized Enterprises (UMKM) played an important role in economic growth especially in Indonesia as developing country whose economy was supported by small-sized enterprises (Kara, 2013). Those small-sized enterprises in some regions could accelerate economic growth in Indonesia. However, the limit in capability of the society to establish and manage the enterprises made the majority of enterprises activities in Indonesia belonged to micro, small, and medium-sized or UMKM (Micro, Small, and Medium-sized Enterprises), even though there were some bigger-sized UMKM (Rifa'I, 2013). Some factors which became constraint and could affect UMKM activities were as follows: 1) the weakness of financial capital ability, 2) The lack of entrepreneurship, 3) The simplicity of production technique, 4) The limit of management and marketing capability.

According to (Kasmir, 2011), a bank held the role as financial institution which collected fund from people in the form of savings and distribute it to the people in the form of credits as the capital for their productive activities. The credit of capital was one of credits which was utilized to increase production from the operational activities, for instance, to purchase the needs of the business, paid the salary for the employees, or another expense related to the production of the debtor (Black & Strahan, 2002). Almost all of financial organizations, including banks, always paid attention to 5C principals in processing the credits: character, capacity, capital, collateral, and condition of economy (Kasmir, 2011).

Evaluating which factor affected the most towards the decision in providing credits depended on the type of credits which would be provided. These days, banking companies provided more flexible and various facilities (Berger &Udell, 2002).Public and private banks which were segmented to micro credits could provide credits with collateral or not. Previous study conducted by Ali and Mutasowifin in 2015 entitled Factors which Affected Realization of Micro Costing (Case Study at PT Bank Syariah Mandiri, Tbk KCP Bogor Merdeka) demonstrated that the factors which affected realization of micro costing at PT Bank Syariah Mandiri, Tbk KCP Bogor Merdeka included business type, the number of costing which was proposed, and the value of the collateral. Another previous study by NuzulIkhwan, Raymond, Dian Lestari Siregar in 2016 titled Analysis of the Implementation of 5C Aspects on Banking Credit Distribution in Batam explained that the most dominant variables in distributing credits in Batam were: character, capacity, collateral, and condition of economy. Besides, previous study by SiscaMaristiana, Hartono, and AgusSupriyanto in 2017 titled The Influence of 5C Analysis (Character, Capacity, Collateral, Condition of Economy) in the Provision of Credits at PT Bank BRI Unit Indraprasta stated that Character, Capacity, Capital, Collateral, and Condition of

Economy positively affected decision making of providing credits at PT Bank Rakyat Indonesia (Persero), Tbk Unit Indraprasta.

From those previous studies, the researcher was interested to conduct a study on which factors among character, capacity, capital, collateral, and condition of economy more affected decision making in providing micro credits at Danamon Savings and Loan Surabaya Cluster. Danamon Savings and Loan Surabaya Cluster was one of the parts of PT Bank Danamon Indonesia, Tbk which provided and distributed micro enterprises credits to UMKM entrepreneurs in the areas of its Surabaya cluster. Credit products offered by Danamon Savings and Loan included credits with collateral. The problems of this study consisted of:

1. Did 5C factors consisted of character, capacity, capital, collateral, and condition of economy simultaneously give positive and significant effects towards the decision to provide micro credits at Danamon Savings and Loan Surabaya Cluster?

2. Did the factor of character partially have positive and significant effects towards the decision to provide micro credits at Danamon Savings and Loan Surabaya Cluster?

3. Did the factor of capacity partially have positive and significant effects towards the decision to provide micro credits at Danamon Savings and Loan Surabaya Cluster?

4. Did the factor of capital partially have positive and significant effects towards the decision to provide micro credits at Danamon Savings and Loan Surabaya Cluster?

5. Did the factor of collateral partially have positive and significant effects towards the decision to provide micro credits at Danamon Savings and Loan Surabaya Cluster?

6. Did the factor of condition of economy partially have positive and significant effects towards the decision to provide micro credits at Danamon Savings and Loan Surabaya Cluster?

7. Which factor has dominant effect towards the decision to provide micro credits at Danamon Savings and Loan Surabaya Cluster?

Based on the statements of the problems above, the objectives of the study were as follows:

1. To identify the significant effects of 5C factors which consisted of character, capacity, capital, collateral, and condition of economy simultaneously towards the decision to provide micro credits at Danamon Savings and Loan Surabaya Cluster.

2. To identify the positive effects significance of character factor partially towards the decision to provide micro credits at Danamon Savings and Loan Surabaya Cluster.

3. To identify the positive effects significance of capacity factor partially towards the decision to provide micro credits at Danamon Savings and loan Surabaya Cluster.

4. To identify the positive effects significance of capital factor partially towards the decision to provide micro credits at Danamon Savings and loan Surabaya Cluster.

5. To identify the positive effects significance of collateral factor partially towards the decision to provide micro credits at Danamon Savings and loan Surabaya Cluster.

6. To identify the positive effects significance of condition of economy factor partially towards the decision to provide micro credits at Danamon Savings and loan Surabaya Cluster.

7. To identify factors which had significant or dominant effects towards the decision to provide micro credits at Danamon Savings and loan Surabaya Cluster.

RESEARCH METHOD

This study utilized descriptive study and causal associative study. Descriptive study was a research method which was aimed to describe phenomena in recent days or past times. This study described the real condition of the variables which were going to be observed without manipulating or changing those variables (Lambert & Lambert, 2012). The description of condition in descriptive study could be in the form of individuals or numbers. Causal associative study was aimed to analyze the relationship between variables or how one variable affected another variable (Yu et al., 2011). The resource of the data in this study was secondary data.

The population in this study included credit customers at Danamon Savings and Loan. The sample consisted of the customers who obtained credits at Danamon Savings and Loan Surabaya Cluster in the year of 2014 – 2016. The sampling technique was in the form of purposive sampling. There were 100 customers since the researcher set some criteria:

a. Customers who received credits from Danamon Savings and Loan.

b. Customers in Tanggulangin Unit, Gedangan Unit, and Rungkut Unit.

c. Customers who had fluent collectability up to the current time (minimum up to 2016)

d. Customers with outstanding credits 100 million to 500 million.

The technique of data analysis utilized multiple linear regression. Normality test, multi-collinearity test, auto-correlation test, and heteroscedasticity test were necessary to be conducted before regression to ensure that residual data was unrestricted by unnecessary factors (Aiken et al., 2003). The effects of character, capacity, capital, collateral, and condition of economy variables were tested towards the decision to provide credits both partially and simultaneously. The following was regression model utilized in the study:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon 1$

Where; Y   : The Decision of Credits

α   : Constant

X_1 : Character

X_2 : Capacity

X_3 : Capital

X_4 : Collateral

X_5 : Condition of Economy

$\beta_1, \beta_2... \beta_5$: Coefficient of Regression

$\varepsilon 1$: Error

Character variable was reciprocal collectability on SID BI. Capacity variable was profits measured by ratio Gross Profit Margin. Capital variable was the numbers of capital owned by debtor. Collateral variable was in the form of objects which were being guaranteed to the bank so that credits proposal could be approved. Indicator for collateral variable was the ratio between selling points of collateral objects and the plafond of proposed credits. Condition of economy variable was the contribution of PDRB economics sector in East Java in which the debtors ran the business according to the sector existed in the year of credit approval.

ANALYSIS AND FINDINGS

Classic assumption test was conducted to ensure that the residual data was feasible and unrestricted from unnecessary things. In this study, the researcher conducted normality test, multi-collinearity test, and heteroscedasticity test. Normality test was carried out by utilizing Kolmogorov smirnov test with 5% significance. Its result demonstrated 0.114 significance bigger than 0.05, it showed that residual data is normally distributed.

Table 1. The Result of Normality Test

		Unstandardized Residual
N		100
Normal Parameters[a]	Mean	.0000000
	Std. Deviation	.14323340
Most Extreme Differences	Absolute	.120
	Positive	.120
	Negative	-.097
Kolmogorov-Smirnov Z		1.197
Asymp. Sig. (2-tailed)		.114

Multi-collinearity test was carried out by implementing regression to the model and by viewing VIF value and tolerance. The result described that VIF value was lower than 10 and tolerance was higher than 0.1. Its result with VIF value for all independent variables was lower than 10 and tolerance value of all variables was higher than 0.1. It indicated that based on multi-collinearity test there was no correlation between independent variables.

Table 2. The Result of Multi-collinearity test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	1.099	.144		7.655	.000					
	Character	-.069	.071	-.090	-.972	.334	-.076	-.100	-.089	.989	1.011
	Capacity	.030	.054	.064	.551	.583	.191	.057	.051	.622	1.609
	Capital	-.332	.078	-.480	-4.272	.000	-.409	-.403	-.393	.671	1.491
	Colateral	.191	.122	.171	1.574	.119	-.075	.160	.145	.720	1.389
	Condition of Economy	.000	.002	-.023	-.205	.838	-.106	-.021	-.019	.670	1.492

a. Dependent Variable: Decision of Credits

The next classic assumption test was auto-correlation test. It was aimed to ensure that there was no correlation between t period and previous period (t-1). The result of auto-correlation test stated that DW value was 2.044. DW value which was compared to significance value 5% resulted upper limit 1.76 and smaller than 4. It could be concluded that there was no positive or negative auto-correlation in this regression model.

Table 3. The Result of Auto-correlation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.453[a]	.205	.163	.14699	2.044

The last classic assumption test was heteroscedasticity test. It was aimed to ensure that there was no residual variance difference in regression model from one to another observation. A state when there was similarity of residual variance could be addressed as homoscedasticity. It was indicated by significance probability which should be greater than 5%. There were two variables with significance below 5%: character and condition of economy, while the other variables' significance was more than 5%.

Table 4. The Result of Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.024	.096		-.252	.802
	Character	.105	.048	.214	2.212	.029
	Capacity	-.069	.036	-.233	-1.907	.060
	Capital	.068	.052	.155	1.318	.191
	Colateral	.001	.081	.002	.016	.987
	Condition of Economy	-.003	.001	-.264	-2.249	.027
a. Dependent Variable: residual						

According to the result on table 4, it could be identified that variable of character was significant on 0.029. t count was 2.212 and t table was 1.66105. t count was higher than t table, indicated that character partially affected residual. Capacity variable was 0.060; capital variable was 0.191; collateral variable 0.987, therefore, those variables were not significant towards residual. Condition of economy was 0.027, therefore, this variable partially and significantly affected residual. All of the classic assumption tests proved that the data was feasible.

The next phase was conducting multiple regression test with significance level 0.05. The value of variable character, capacity, capital, collateral, and condition of economy explained that credit decision was 20.5%. It meant that 79.5% could be explained by another variable excluding character, capacity, capital, collateral, and condition of economy. All variables of 5C aspects simultaneously had significant effect towards credit decision since F count's significance was 0.001.

Table 5. The Result of F Test (Simultaneous)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.524	5	.105	4.847	.001[a]
	Residual	2.031	94	.022		
	Total	2.555	99			

a. Predictors: (Constant), Condition of Economy, Colateral, Character, Capital, Capacity

b. Dependent Variable: Credit Decision

Based on F Test (simultaneous) towards credit decision, it stated that F count was 4.847. F table was 2.31. F count was higher than F table, so that H_0 was denied. It indicated that there was significant effect of character, capacity, capital, collateral, and condition of economy towards credit decision.

Table 6. Coefficient of Regression

Variable	Coff.	t hitung	Sign.
(Constant)	1.099	7.655	.000
Character	-.069	-.972	.334
Capacity	.030	.551	.583
Capital	-.332	-4.272	.000
Collateral	.191	1.574	.119
Condition of Economy	.000	-.205	.838

From table 6, the result of multiple regression test indicated that only capital variable significantly affected credit decision by 0.000 significance. It demonstrated that character and capital negatively affected credit decision. The other three variables positively affected credit decision. Capital variable was significant and as determiner of micro credit decision since it contributed as an essential aspect for micro business. The feasibility of the business became important aspect to run micro business. It became the basis to make credit decision as well since it would maintain the credit payment to Danamon Savings and Loan Surabaya Cluster.

This study was objected to test each independent variable included character, capacity, capital, collateral, and condition of economy towards credit decision as dependent variable. The initial step before conducting multiple regression test was conducting classic assumption to ensure that the data was feasible and unrestricted from unnecessary aspects. Normality test

was carried out by utilizing Kolmogorov smirnov test with 5% significance. Its result stated that the significance 0.114 was higher than 0.05 in which residual data was normally distributed.

The result of multi-collinearity test in this study stated that VIF value was lower than 10 and tolerance was higher than 0.1. Therefore, there was no correlation among the independent variables. The next step was conducting auto-correlation test in which it resulted DW value was 2.044. This indicated that there was no positive or negative auto-correlation in this regression model. The following step after auto-correlation test was heteroscedasticity test (glesjer regression) which demonstrated that variable of character and condition of economy had significance lower than 5% and t count was higher than t table. This indicated that character and condition of economy positively and significantly affected credit decision and in line with the initial hypothesis of this study.

Consequently, the researcher carried out multiple linear regression test and the result stated that all variables of 5C aspects simultaneously and significantly affected credit decision since F count's significance was 0.001. This was in line with the initial hypothesis in which all independent variables (character, capacity, collateral, and condition of economy) positively and significantly affected credit decision.

CONCLUSION AND SUGGESTIONS

Based on the findings, the followings are the conclusions of the study:

1. This research was conducted with the aim of finding independent variables such as character, capacity, capital, collateral, and economic conditions on the dependent variable.

2. Variable of capacity significantly affected credit decision and was in line with the hypothesis.

3. Variable of character, capital, collateral, and condition of economy did not significantly affected credit decision. This was due to the sample taken for the study which only had 1 and 2 collectability to obtain credit approval from Danamon Savings and Loan Surabaya Cluster.

Danamon Savings and Loan need to pay attention to capacity aspect of the debtor since it is the significant variable in this study. The future studies could add another independent variable beyond 5C which could affect credit decision.

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