




Analysis of Factors Affecting Non Performing Loan on Cooperation

Andik Dwi Sakti , Indah Anisykurlillah

Jurusan Akuntansi, Fakultas Ekonomi, Universitas Negeri Semarang, Indonesia

Article History

Received August 2017
Approved September 2017
Published November 2017

Keywords:

Loan Term; Loan
Repayment Rate;
Nonperforming Loan; 5C
of Credits


Abstrak

Penelitian ini bertujuan untuk mengetahui bukti empiris mengenai pengaruh *character, capacity, capital, collateral, condition, waktu pinjaman, tingkat balas jasa pinjaman* terhadap kredit bermasalah pada koperasi Jasa Keuangan Syariah (KJKS) yang ada di Kota Semarang. Populasi dalam penelitian ini adalah nasabah koperasi yang memiliki pembiayaan atau kredit bermasalah pada koperasi Jasa Keuangan Syariah (KJKS) yang ada di Kota Semarang. Teknik pengambilan sampel dalam penelitian ini yaitu dengan menggunakan metode *convenience sampling* dengan 82 responden. Pengujian instrumen penelitian menggunakan uji validitas dan uji reliabilitas. Data yang terkumpul dianalisis dengan menggunakan analisis statistik deskriptif dan analisis statistik inferensial. Alat analisis yang digunakan pada penelitian ini adalah SPSS 21. Hasil penelitian ini menunjukkan bahwa *character, capacity, capital, collateral, condition, waktu pinjaman, tingkat balas jasa pinjaman* berpengaruh secara simultan terhadap kredit bermasalah. Secara parsial *character, capital* berpengaruh negatif terhadap kredit bermasalah dan tingkat balas jasa berpengaruh positif terhadap kredit bermasalah. Sementara *capacity, collateral, condition* dan waktu pinjaman tidak berpengaruh terhadap kredit bermasalah. Simpulan dalam penelitian ini yaitu tingkat kredit bermasalah dapat diminimalisir dengan *character* nasabah yang jujur dan *capital* yang nasabah yang mampu, serta tingkat balas jasa yang ditetapkan koperasi.

Abstract

This study aims to obtain empirical evidence about the effect of *character, capacity, capital, collateral, condition, loan term, loan repayment rate* on non-performing loans at Sharia Cooperation (KJKS) in Semarang City. The population in this study are cooperation customers who have non-performing loans on Sharia Cooperation (KJKS) in Semarang City. Sampling technique in this research is by using *convenience sampling* method with 82 respondents. Testing of research instrument used validity test and reliability test. The collected data were analyzed using descriptive statistical analysis and inferential statistical analysis. The analysis tool used in this study is SPSS 21. The results of this study indicate that *character, capacity, capital, collateral, condition, loan term, loan repayment rate* simultaneously affect the non-performing loans. Partially, *character, capital* has a negative influence on non-performing loans and the rate of payments has a positive influence on non-performing loans. While the *capacity, collateral, condition* and loan term have no influence on non-performing loans. The conclusions in this study are the level of nonperforming loans can be minimized with the *character* of an honest customer and the *capital* that the customer is capable, as well as the level of loan repayment rate set by the cooperation.

© 2017 Universitas Negeri Semarang

 Correspondence Author:
Gedung L2 Lantai 2 FE Unnes
Kampus Sekaran, Gunungpati, Semarang, 50229
Email: andik.dwi.sakti@gmail.com

INTRODUCTION

In the Law of the Republic of Indonesia Number 25 Year 1992 on Cooperation Article 1 paragraph 1 explains that, Cooperation is a business entity consisting of people who have a mutual purpose and interests. Cooperation legal entity by basing its activities based on the principle of cooperation as well as society economic movement based on the principle of kinship. In carrying out its activities, cooperation capital is derived from member contributions of the cooperation which are then collected and managed by the board into business capital. Cooperation are very helpful to the economy in Indonesia. So many conveniences obtained from this cooperation through facilities that have been provided to the community one of which is credit. The number of cooperation that stand and have savings and loan facilities will lead to less healthy competition. Often managers take shortcuts in winning the competition, namely by giving leeway to prospective borrowers in the filing of financing or credit. As a result of lax supervision and without proper analysis will cause problems in the future, one of them is the case of non-performing loans in the cooperation. This non-performing loan illustrates a situation in which credit repayment approval experiences risk of failure and even tends toward where bank or cooperation will gain a potential loss. Therefore, it is necessary to know in advance the causes of the emergence of non-performing loans, before looking for alternative management (Yulianto, 2011).

Credit risk is one of the most important financial risks faced by the banking system or other financial institutions assumed by all credit institutions and can cause serious problems to cause loss or even bankruptcy (Răscolean & Mangu, 2014). In a non-bank financial institution or cooperation is inseparable from credit risk in the form of non-smooth repayment or has occurred non performing loans or bad credit (Musyarofatun, 2013). Non-performing loans illustrate a situation in which the approval of credit repayment has a risk of failure and even tends toward where bank or co-operative will gain a potential loss. Therefore, it is necessary to know in advance the causes of non-performing loans, before looking for alternative management, and the use of risk management (Wei-Shong & Kuo-Chung, 2006).

The emergence of bad debts is due to the borrowers or debtors who do not want to pay its obligations due to the factors that influence it. According to (Gustifa, 2013) cases of non-performing loans can be caused by several factors, such as external factors and internal factors from the cooperation itself. The external factor that can affect the occurrence of bad loans is the economic conditions in micro and macro (Messai & Jouini, 2013), while the internal factors that may result in bad credit are unclear crediting procedures and weak supervision system. In 2015, as many as 75 business units from 475 cooperation in Kediri City, East Java, the condition has been "a dead faint", so there is no activity for welfaring the members. The co-operatives died mainly because of bad credit cases. Head of Department of Cooperation and SMEs of Kediri City, Kristianto in Kediri. He said, the inactive cooperation location is spread in Kediri City, which consists of various types of cooperation. The causes of the cooperation has been "suspended animation" are also varied, especially the problem of bad debts or accounts receivable (www.rimanews.com). From the explanation, it can be said that with the existence of non-performing loans will result in a very fatal that is with the occurrence of bankruptcies and the dissolution of cooperation. The greater the level of nonperforming loans then the circumstances of credit turnover will be more chaotic (Osei-Assibey & Asenso, 2015).

Some researchers on non-performing loans are among others (Anderson, 2010), Afandi (2010), (Novitasari, 2010), (Turvey, He, Kong, Ma, & Meagher, 2011), (Mukhsinati, 2011) and Ernawati (2014) explain non-performing loans affected by credit 5C analysis. Results of research conducted by (Ernawati, 2014) explains that character, capacity, capital, collateral, and condition negatively affect non-performing loans. However, this result was not in accordance with the research

undertaken by (Novitasari, 2010) and (Mukhsinati, 2011) which explain that collateral and condition have no effect on non-performing loans. Research conducted by (Afandi, 2010) is also contrary to where character and capacity do not affect on credit. From the results of the research gap, it is known that the results of research of 5C analysis have not been consistent on non-performing loans. Therefore, the researcher intends to re-examine the 5C analysis of credit to non-performing loans by adding two other variables of loan element, namely, loan term and loan repayment rate. In the credit element there must be a loan term. Where the shorter the loan term given by cooperation will burdensome the customer to pay back because of the high instalment that must be paid (Firmani, 2008). For that, the loan term has an effect on non-performing loans. Loan repayment rate, where if loan repayment rate given is too high it will burdensome the customers to pay their obligation so that it can result in the rise of nonperforming loans (Gustifa, 2013). The purpose of this research is to know and to analyze the influence of Character, Capacity, Capital, Collateral, Condition, Loan term And Loan repayment rate to Non Performing Loans at Sharia Financial Services Cooperation (KJKS) in Semarang City.

This study uses agency theory and signalling theory. The agency theory explains that agents and principles have different interests (Jensen & Meckling, 1976). Where the company or individual as an agent will try to make the company look good so will get funding that is with debt or credit. Then the creditor as principal wants that the company to be financed must be in good condition with the capacity or willingness to pay its obligations, this is helped by the 5C analysis of credit. Signalling theory explains that a positive signal will affect the others (Ross, 1997). In this research, a good financial report is a good signal for creditors to provide funds as loans. Cooperation as an institution that will provide funds as a loan by looking at the signal from viewing character, capacity, capital, collateral and condition of prospective loan applicants, if have a good signal then the cooperation will be able to provide funds.

According to Darmawi (2014) the concept of character in relation to credit transactions, means (1) willingness to pay off credit (2) has a strong intention to fulfil the obligations in accordance with the terms of the agreement. Someone has a good character usually has a trait like honest, honourable, industrious and high morally. The important character for credit depends primarily on one's honesty and integrity (Baskara, 2012). With the existence of signalling theory can explain that a good character signal then the creditor will be interested to lend the credit. Through character analysis can be seen willingness of debtor to pay credit instalment. The better the character of the debtor candidate the lower the risk level of the non-performing loan, the worse the debtor character the higher the risk of non-performing loans. Thus, the character analysis is in line with the research of (Ernawati, 2014) and (Mukhsinati, 2011) which show that the character has a negative impact on non-performing loans. Based on the description, the researcher formulates the hypothesis as follows

H₁: There is a negative influence between Character on Non-performing Loan.

In order to see potential debtor in its capability in the field of business related to their education, business skills are also measured by their ability to understand governmental provisions. Similarly, the ability in running their business so far. In the end it will be seen " their ability" in returning the credit distributed (Kasmir, 2014). From the theory above, it can be concluded that the capacity is an analysis on the ability of prospective debtor in the business that he undertakes, this capacity is connected with the background of education and experience in running the business. Through this assessment, it can be measured the ability of prospective debtor in returning their obligations in accordance with a predetermined agreement. Signalling theory can explain that the signal of the customer's ability which is adequate then the creditor will be interested to lend the credit. Therefore, the higher the ability of the debtor in returning his obligations, the risk of non-performing loans will be lower, on the contrary if the lower the ability of the debtor in returning his

obligations, the risk of non-performing loans will be higher. This is in line with the research undertaken by (Ernawati, 2014) and (Mukhsinati, 2011) which shows the capacity of customers has a negative effect on non-performing loans. Based on the description, the researchers formulates the following hypothesis

H₂ : There is a negative influence between the Capacity on Non-performing Loans.

To see the capability of customers in managing their capital, then the purpose of this assessment is to examine the capital structure owned by the prospective debtor and the extent to which the capital capability of the prospective debtor in gaining profit. This assessment according to Kasmir (2014) is used to see the use of capital owned by the debtor whether effective or not. Consequently, it can be concluded that capital not only analyzes the amount of capital used but also analyzes the distribution of capital whether in accordance with the planning or not. For example, which is originally planned for business development, but instead used for the fulfilment of secondary needs, so that in the end will be difficult to return its obligations. Signalling theory can explain that a good capital signal then the creditor will be interested to lend the credit. Therefore, it can be explained that the more appropriate target capital which is used the smaller the risk of non-performing loans, on the contrary if the capital used is not on target or not in accordance with the planning, then the greater the non-performing loans. This is in line with the research undertaken by (Mukhsinati, 2011) and (Ernawati, 2014) which show the capital has a negative effect on non-performing loans. Based on the description, the researcher formulates the hypothesis as follows:

H₃ : There is a negative influence between Capital on Non Performing Loans.

Collateral can be summed up as a guarantee given by prospective debtor both physical and nonphysical used as the creditor's protectors if the debtor is unable to pay his obligations or commit a breach of contract agreement. Collateral must be examined for their validity, conditions of collateral and exchange rate of collateral, then judged from the standpoint of legal value. The more liquid the value of the guaranteed goods, the faster the creditors to disburse the collateral goods which are then used to cover the financing or non-performing loans. Collateral which is a guarantee used as a "last stronghold" that gives encouragement to the debtor to fulfil his obligations (Ernawati, 2014).. In addition, with the existence of collateral will give encouragement to the debtor to fulfil the loan agreement especially regarding the repayment in accordance with the terms already approved so that the debtor does not lose the wealth that has been pledged to the lender. Signalling theory can explain that signals where appropriate collateral will signal the creditor to lend his credit. Thus, it can be explained that the better the collateral or the guarantee given by the creditor will minimize the existence of non-performing loans due to the desire to return the guarantee. This is in line with the research undertaken by (Ernawati, 2014) and (Adnan, 2006) which shows that customers' collateral has a negative effect on non-performing loans. Based on the description, the researcher formulates the hypothesis as follows

H₄ : There is a negative influence between Collateral on Non-performing Loan.

According to Sarita, Buyung and Putera, Asrip (2011) in assessing credit should also be assessed economic, political, social, economic and cultural conditions, government regulations and others that exist and in the future. These conditions certainly affect the state of the economy at a time, so with a good assessment is expected the possibility of non-performing loan is relatively small. The theories above can be concluded that in carrying out financing analysis, the debtor should see economic conditions generally and conditions in the business sector of the financiers, for the creditors should consider the economic situation that will affect the development of debtor business. The business condition of the prospective debtor is in comparison with other similar businesses in the area and the location of the environment, the marketing condition of the business results of the prospective debtor and the government's policy that influence the prospect of industry in which the credit applicant's company is in it.

Signalling theory can explain that the signal of a stable customer condition then the debtor will be interested to lend the credit. The assessment of the prospects of the business sector which is financed should really have good prospects so that the possibility of non-performing loan is relatively small. Conversely, if it has bad prospects it will increase the risk of non-performing loans more and more. This is in line with the research undertaken by (Ernawati, 2014) which shows the condition has a negative effect on non-performing loans. Based on the description, the researcher formulates the hypothesis as follows:

H₅ : There is a negative influence between the Condition on Non-performing Loans.

Loan term is time given by bank or cooperation to the debtor to return the principal and interest of the loan (Kasmir, 2002). Research conducted by (Gustifa, 2013) explains that there is a significant influence of loan term to non-performing loans. (Aziz, 2013) asserts that the longer the term given then the debtor will be charged lighter, on the contrary if the shorter period of time given then the burden of instalment will increase. The longer the credit period, the higher the risk that may arise, then the cooperation will charge a higher interest rate compared to short-term credit. Still, the longer the credit period the number of instalments deposited by debtors to cooperation is smaller, so this is not burdensome for the debtor. But if the time period given by the cooperation is short, then the debtor will be difficult to pay the loan due to high instalment to be paid each month (Gustifa, 2014). This is in accordance with the Signalling theory which explains that a long period of time is an interesting signal for prospective credit applicants. Therefore, the loan term will affect the possibility of non-performing loans. This is in line with the research undertaken by (Yuliana, 2016) which shows the time of loan has a negative effect on non-performing loans. Based on the description, the researcher formulates the following hypothesis

H₆ : There is a negative influence between Loan term on Non-performing Loans.

Loan repayment rate is an advantage over the giving of a credit or service which is often referred to by the term interest (Kasmir, 2002). Research conducted by (Gustifa, 2013) and (Aziz, 2013) explains that there is a significant effect of interest rate on non-performing loans. Where is explained that one of the factors causing the occurrence of non-performing loans is loan repayment rate of loan services or interest rates. Loan repayment rate set so high which causes the debtor cannot afford it. But if loan repayment rate is low might be ease debtor's business and his business can grow due to the low cost of loan capital. So that the flow of loan repayment is expected more smoothly (Gustifa, 2013). If the loan repayment rate given by the cooperation is lower then it will have an appeal for members and customers to borrow, and due to the low loan repayment rate, then the members will be able to pay monthly instalments so as to reduce non-performing loans. Conversely, if loan repayment rate is high, it will reduce the attractiveness of prospective debtor and will aggravate to pay it which will cause non-performing loans. This is in accordance with the Signalling theory which explains that a low level of repayment rate is an attractive signal for prospective credit applicants. Thus, it can be explained that it is in line with the research undertaken by (Gustifa, 2013) which shows loan repayment rate has a positive influence on non-performing loans. Based on the description, the researcher formulates the hypothesis as follows:

H₇ : There is a positive influence between loan repayment rate of Loan Service to Non Performing Loans.

Non-performing loans are still a major problem for institutions that provide credit facilities. Therefore, appropriate analysis is needed in order to reduce the level of non-performing loans to a minimum. Research on non-performing loans is done by Afandi (2010), Novitasari (2010), Mukhsinati(2011) and Ernawati (2014) which explain non-performing loans are affected by the 5C analysis of credit conducted prior to lending to the debtor, because in the 5C analysis the creditor will know complete enough information on the prospective debtor so that from such information, the creditor can make the right decision against the prospective debtor that is considered able and

willing to return or pay off the financing obligations along with the profit sharing of their business in accordance with the agreement, so that the risk of non-performing loans can be signed as minimum as possible. Each credit granted has a certain time period and loan repayment rate, this time period includes a credit repayment period that has been agreed, whether short term, medium term or long term. While the repayment is the profit taken by the cooperation in the provision of credit facilities. If the time given is short and the repayment determined are high then the debtor or customer will be difficult to repay the loan due to high instalment that must be paid (Gustifa, 2013).

The agency theory explains that agents and principles have different interests. Where the company or individual as an agent will try to make the company look good so will get funding that is with debt or credit. Then the creditor as principal wants that the company to be financed must be in good condition with the capacity or willingness to pay its obligations, this is helped by the 5C analysis of credit. In Signalling theory, a good financial statement is a good signal for creditors to provide funds as loans. Cooperation as an institution that will provide funds by looking at the signal from the view of character, capacity, capital, collateral and condition of prospective loan applicants, if have a good signal then the cooperation will be able to provide funds. Based on the description, the researcher formulates the following hypothesis:

H8 : There is a significant influence between Character, Capacity, Capital, Collateral, Condition, Loan term and Rate of Loan Service to Non Performing Credit.

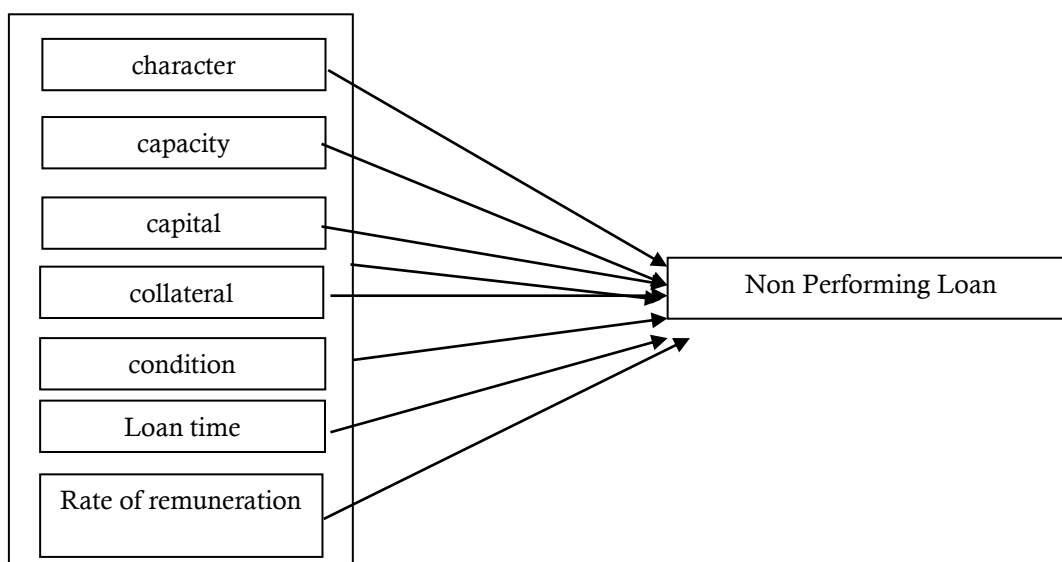


Figure 1. Model of Thinking Framework

METHODS

This research was quantitative research by using primary data. The population in this research was cooperation customers who have non-performing loans or credits at cooperation of Sharia Financial Services (KJKS) in Semarang City. The sample size used by the researchers was the size suggested by Roscoe (1982) in Sugiyono (2016) who stated that the minimum number of samples for analysis research with multivariate (correlation or multiple regression) was 10 times of the number of variables observed. Variables in this research were 8 variables, so the minimal sample in the research was $8 \times 10 = 80$ people. The technique of taking data in this research was by using convenience sampling method with 82 respondents. This study used eight research variables consisting of one dependent variable and seven independent variables. Dependent variable in this

study was non-performing loans, while the independent variables in this study were Character, Capacity, Capital, Collateral, Condition, Loan term and Loan Repayment Rate.

Table 1. Operational Definition of the Variables

Variables	Definition	Indicator	Measurement
Non Performing Loan (KB)	non-performing loans were loans which in its implementation has not reached / meet the desired target by the lender/creditors, then there is a possibility of risk in the future. in the broad sense has difficulties in settling its obligations (Jayanti, 2013).	The Amount of Main Arrears The Amount of Outstanding Delinquent	Likert Scale of 1-5 (Novitasari, 2010)
Character	<i>Character</i> is a belief that, the nature or character of the people to be credited is truly trustworthy this is reflected from the background of the debtor, both of which were both occupation and personal background (Novitasari, 2010).	Dictate of Debtor Candidate Honesty	Likert Scale of 1-5 (Novitasari, 2010)
Capacity	<i>Capacity</i> or <i>kapasitas</i> here is an overview of the ability of the debtor to meet their obligations, the ability of the debtor to combine resources associated with their business (Novitasari, 2010).	Business Experience Business Strength	Likert Scale of 1-5 (Novitasari, 2010)
Capital	Capital or <i>permodalan</i> , the creditor is not only seen from the size of the capital, but how the distribution of the capital is placed by the entrepreneur (Ernawati, 2014).	1. Capital use planning Capital use deviation Capital Adequacy	Likert Scale of 1-5 (Novitasari, 2010)
Collateral	Collateral is a guarantee given by the prospective debtor both physical and non physical (Kasmir, 2014).	Type of Warranty Ownership Status Warranty Value	Likert Scale of 1-5 (Novitasari, 2010)
Condition	The condition here explains about the present economic and political conditions in the future according to their respective sectors, as well as the business prospects of the sector being run (Darussalam, 2013).	Government policy Environmental Situation and Competition	Likert Scale of 1-5 (Novitasari, 2010)
Loan term	Loan term is a time range given by the creditor to the debtor in returning the loan (Mewoh, Sumampouw, & Tamengkel, 2013).	Time Range Loan Refund	Likert Scale of 1-5

Loan repayment rate	Loan repayment rate is a cost burden charged to debtors in borrowing money (Firmani, 2008).	Repayment Rate Repayment Refund	(Purba, 2013) Likert Scale of 1-5 (Purba, 2013)
---------------------	---	------------------------------------	--

Source: Writer's Summary, 2017

Data obtained through field study by using questionnaire which consisted of several questions or statements related to research variables. The testing of research instruments would use validity test and reliability test. Respondent information from the results of the research instrument would also be described using Descriptive Statistics. Hypothesis testing techniques used in this study were Classical Assumption Test (Normality Test, Multicollinearity Test, Heteroscedasticity Test) and Multiple Regression Analysis with SPSS version 21 analysis tool.

RESULTS AND DISCUSSIONS

Descriptive statistics gave illustrations or descriptions of a data viewed from mean, standard deviation, maximum value, and minimum value. Mean was used to estimate the average population size estimated from the sample. Standard deviation was used to assess the average dispersion of the sample. Maximums-minimums were used to view the maximum and minimum values of the population. This needed to be done to see the overall description of the samples collected and met requirement for being a sample of the research.

Table 2. Descriptive Analysis Result of Research Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Character	82	12.00	35.00	27.8049	4.29713
Capacity	82	12.00	23.00	18.5732	2.63420
Capital	82	27.00	43.00	34.4634	3.36355
Collateral	82	24.00	40.00	30.7073	3.38675
Condition	82	17.00	35.00	26.5122	4.00075
Period of time	82	15.00	25.00	20.2561	2.63317
Loan repayment rate	82	13.00	25.00	20.2805	2.57372
Non-Performing Loan	82	3.00	12.00	7.0732	2.88367
Valid N (listwise)	82				

Source : *Output* SPSS 21, 2017

A good regression model was a regression model that was free from deviations either in the form of normality, multicollinearity, heteroscedasticity, or autocorrelation. The classical assumption test used in this research were Normality Test, Multicollinearity Test, and Heteroscedasticity Test.

Table 3. The Result of Classical Assumption Test

	Result	Explanation
Normality test	Sig. > 0.05	Normality distributed
Muticollinearity test	Tolerance > 0.10 and VIF < 10	Free from Muticollinearity
Heterocesdasticity test	Sig. > 0.05	Free from Heteroscedasticity

Source : *Output* of SPSS 21, 2017

Regression analysis used in this study was multiple linear regression. Multiple regression analysis was used to determine the influence of independent variables to the dependent variable. Based on the result of regression analysis helped by SPSS V.21 program obtained the result of analysis between variables of Character, Capacity, Capital, Collateral, Condition, Loan term and Loan repayment rate to Non-Performing Loans presented in Table 4 as follows:

Table 4. The Result of Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	18.860	3.906		4.829	0.000
Character	-0.266	0.065	-0.394	-4.090	0.000
Capacity	0.167	0.105	0.153	1.584	0.117
Capital	-0.364	0.079	-0.425	-4.594	0.000
Collateral	-0.091	0.071	-0.107	-1.279	0.205
Condition	-0.038	0.066	-0.053	-0.577	0.565
Loan Time	0.103	0.093	0.094	1.105	0.273
Loan Repayment Rate	0.336	0.103	0.300	3.276	0.002

a. Dependent Variable: KB

Source : *Output* SPSS 21, 2017

Table 5. Result of Hypothesis

No	Hypothesis	B	α	Sig.	Result
H ₁	There was a negative influence between Character on Non-performing Loan.	-0.266	0.05	0.000	Accepted
H ₂	There was a negative influence between Capacity on Non-performing Loan.	0.167	0.05	0.117	Rejected
H ₃	There was a negative influence between Capital on Non-performing Loan.	-0.364	0.05	0.000	Accepted
H ₄	There was a negative influence between Collateral on Non-performing Loan.	-0.091	0.05	0.205	Rejected
H ₅	There was a negative influence between Condition on Non-performing Loan.	-0.038	0.05	0.565	Rejected
H ₆	There was a negative influence between Loan term on Non-performing Loan.	0.103	0.05	0.273	Rejected
H ₇	There was a positive influence between Rate of Loan Repayment on Non-performing Loan.	0.336	0.05	0.002	Accepted
H ₈	There was a significant influence between Character, Capacity, Capital, Collateral, Condition, Loan term and Loan repayment rate to Non Performing Loan.	F = 11.000	0.05	0.000	Accepted

Source : *Output* SPSS 21, 2017

Based on Table 4, it was obtained multiple linear regression equation:

$$\hat{Y}=18.860-0.266X_1+0.167X_2-0.364X_3-0.091X_4-0.038X_5+0.103X_6+0.336X_7+\varepsilon$$

Partial test (t-test) was used to examine the hypothesis partially to show the influence of independent variables individually to the dependent variable (Ghozali, 2016). Testing of this research model used t test with level of 5% significance. If probability value of significance <0.05 then H_a was accepted, whereas if probability value of significance > 0.05 then H_a was rejected. If significance was less than α (assumption of a real tariff of 0.05), then it could be said that there was a strong relationship between independent variables and the dependent variable. The results of the hypothesis output could be seen in Table 5 below.

The results of descriptive analysis of character variable in this study obtained the mean value in table 2 in the amount of 27.81. Based on the descriptive result of 5 category interval, it showed that customer character at KJKS of Semarang City was in high category. This meant that the character of cooperation customers had a high degree of honesty. It was also in accordance with signalling theory which could be explained that a good character gave a positive signal to cooperation that credit made by customer will be able to be paid off on time, so there would be no non-performing loans. This result research according to research of (Ernawati, 2014) and (Yuliana, 2016) which stated that the character had a negative and significant effect on the non-performing problem. Where the character of a good customer then the possibility of non-performing loans would be lower, vice versa.

According to Kashmir (2010) that capacity was a measure of ability to pay. The lower the ability of customers to pay, the higher the possibility of non-performing loans. This was supported by the results of descriptive analysis of the capacity variable obtained the mean value in table 2 in the amount of 18.57. Based on the average result indicated that the capacity of customers in KJKS of Semarang City was in the category of medium or enough. This meant that the capacity of customer in the strength of his business and experience to adjust to the economic conditions was still low. Then seen from the level of respondents' education where the average was senior high school graduates as much as 55.4% and as many as 25.3% junior high school graduates made the ability or capacity of customers could not combine resources related to their business well. This was contrary to signalling theory where capacity could not be an appropriate signal to the debtor. This study was not in line with the research undertaken by (Ernawati, 2014) which showed the result that capacity had a significant negative effect on non-performing loans. But the results of this study were in line with the research undertaken by (Novitasari, 2010) which stated that capacity had no significant effect on non-performing loans.

The results of descriptive analysis of capital variable in this study obtained the average value in table 2 in the amount of 34.46. Based on the average results indicated that the capital of customers in KJKS of Semarang City was in the category of moderate or medium. Related to signalling theory, it could be interpreted by the existence of appropriate customer capital would give a good signal to the cooperation that the debtor would be able to return its obligations on time. This was evidenced by the existence of a good capital user planning indicators, the lack of deviation of capital use and the capital adequacy where the management was able to manage the capital well. The results of this study are in line with previous research conducted by (Novitasari, 2010) and (Afandi, 2010) which stated that capital has a significant effect on non-performing loans. This result was also in line with the study of (Ernawati, 2014) y which resulted that capital had a negative and significant effect on non-performing loans.

The results of descriptive analysis of collateral variable in this study obtained the average value in table 2 in the amount of 30.71. Based on the average results indicated that customers' collateral in KJKS of Semarang City was in high or appropriate category. Despite descriptively collateral was said to be good and high, but on the other hand, from the interviews of some

respondents revealed, most customers thought that the guarantee given to the cooperation was only a requirement to get credit or financing only. Therefore, the customer did not think long despite the guarantee given was good and appropriate, if they could not pay their obligations then the guarantee would be confiscated. This was contrary to signalling theory where the collateral could not be an appropriate signal to the debtor. This study was not in line with the research undertaken by (Ernawati, 2014) which showed the result that collateral had a significant negative effect on non-performing loans. But the results of this study were in line with the research undertaken by (Novitasari, 2010) which stated that collateral had no significant effect on non-performing loans.

Condition had no effect on non-performing loans. This was supported by the result of descriptive analysis of condition variable obtained by mean value in table 2 amounted to 26.51. Based on the table, the average results indicated that customers' condition in KJKS of Semarang City was in the category of medium. In this case, it meant that the customer's condition was only in fairly stable category where in the government policy indicator and the state of the customer trader little influenced on the customer's condition. In addition, from interviews with some respondents, they explained that the conditions occurring in their activities were common and frequent. Therefore, the condition did not directly affect the non-performing loans. This was contrary to signalling theory where conditions could not be an appropriate signal to the debtor. This study was not in line with the research undertaken by (Ernawati, 2014) which showed the result that the condition had a significant negative effect on non-performing loans. But the results of this study were in line with the research undertaken by (Novitasari, 2010) and (Afandi, 2010) which stated that the condition had no significant effect on non-performing loans.

Loan term had no effect on non-performing loans. The result of descriptive analysis of loan term variable in this research got average value in table 2 amounted to 20.26. Based on the average value, it indicated that customers' loan term at KJKS of Semarang City was in high or difficult category. Although in descriptive analysis was explained that loan term was in high category but on the other hand from the interview result of some respondents revealed that, the customer has agreed and know the length of the loan since the beginning of the credit application. Therefore, loan term had no effect on non-performing loans. This was contrary to signalling theory where loan term could not be used as an appropriate signal to the debtor. The results of this study contradicted the results of research conducted by (Yuliana, 2016) which stated that the loan period had a negative effect on non-performing loans. But this study was in line with the research undertaken by (Gustifa, 2013) which stated that the loan term had no significant effect on non-performing loans in the savings and loan cooperation in Padang City.

Loan repayment rate had a positive effect on non-performing loans. In other words, the higher loan repayment rate given to the customer, the higher the possibility of non-performing loans in the cooperation. The result of descriptive analysis of repayment rate in this research got the average value in table 2 amounted to 20.28. Based on the average results indicated that the rate of customer repayment on KJKS of Semarang City was in the high or addiction category. Hence, it could be interpreted that the higher loan repayment rate provided by cooperation to customers would aggravate customers in paying their obligations. In relation to signaling theory, it could be explained that loan repayment rate as a signal to the customer, where if loan repayment rate was low, the prospective borrower of credit would be more interested in financing, as well as if the rate of return high, it would lower the interest of the prospective customer, the high loan repayment rate would increase the risk of non-performing loans. This study was in accordance with research conducted by (Gustifa, 2013) which stated that loan repayment rate or interest rate had a positive effect on non-performing loans in the savings and loan cooperation in Padang City.

Non-performing loans were one of the terrible factors for cooperation or other financial institutions, especially those providing credit facilities. This was because non-performing loans could give a bad impact for the cooperation where the higher the number of bad loans then the financial turnover in the cooperation. By doing a 5C analysis of credit was expected to minimize the level of non-performing loans. Character played a role in the level of non-performing loans, the better the character of a person the smaller the possibility of non-performing loans. Capacity was the capacity of the picture. The more capable of one's capacity, the smaller the possibility of non-performing loans. Capital of customers viewed from the distribution of capital, where the better the capital the smaller the possibility of non-performing loans. Collateral, where the more appropriate guarantee provided would minimize the possibility of non-performing loans. Condition described the economic conditions and business prospects of the sector being run. The more stable the existing conditions, the better so that it would minimize the occurrence of non-performing loans.

In the credit element there must be a loan term. Where the shorter the loan term given by the cooperation would burdensome the customer to pay back because of the high instalment that must be paid. Hence, the loan term had an effect on non-performing loans. Then the last was loan repayment rate, where if loan repayment rate given was too high it would burdensome the customer to pay his obligations so that it could result in increased non-performing loans. With regard to signaling theory, it could be explained that from signals of character, capacity, capital, collateral, condition, loan term and loan repayment rate which were positive or desirable would signal the debtor to be able to give his credit.

CONCLUSIONS

The result of research and discussion which have been described above, hence the conclusions in this research are partially character has a negative effect to non-performing loan, capital has a negative effect to non-performing loans and loan repayment rate has a positive effect to non-performing loans. While the capacity, collateral, condition and loan term have no effect on non-performing loans. Character, Capacity, Capital, Collateral, Condition, Loan term and Loan repayment rate simultaneously affect on the non-performing loans. Therefore, in this study, it can be concluded that the level of nonperforming loans can be minimized with the character of an honest customer and the capital that a customer can afford, loan repayment rate set by the cooperation.

Suggestions for future research should examine other factors, both internal and external factors that could potentially affect the occurrence of non-performing loans, such as economic crises, technological developments, and natural disasters. Thus, it can be formulated more comprehensive step in handling non-performing loans and anticipate the emergence of problem about non-performing loans. In addition, future research is expected to be more selective in selecting respondents in accordance with the criteria in which customers experience non-performing loans so that data will be obtained more accurately.

REFERENCES

- Adnan, M. A. (2006). Evaluasi Non Performing Loan (NPL) Pinjaman Qardhul Hasan (Studi Kasus di BNI Syariah Cabang Yogyakarta). *JAAI*, 10(2), 155–171.
- Afandi, P. (2010). Analisis Implementasi 5C Bank BPR Dalam Menentukan Kelayakan Pemberian Kredit Pada Nasabah (Studi Kasus Pada PD BPR Bank Salatiga Dan PT BPR Kridaharta Salatiga). *Jurnal Among Makarti*, 3(5), 55–69.
- Anderson, R. (2010). Credit risk assessment : Enterprise-credit frameworks. *Journal of Financial Economic Policy*, 2(3).

- Aziz, R. (2013). Analisis Penyebab Terjadinya Kredit Bermasalah Pada Pd Bpr Bank Gotong Royong Kabupaten Tegal. *Management Analysis Journal*, 2(2), 1–11.
- Baskara, I. G. K. (2012). Analisis Kebijakan Perkreditan dan Pengaruh LDR Terhadap NPL pada Bank Sinar. *E-Jurnal Manajemen Universitas Udayana*, 1(1), 62–76.
- Darmawi, Hermen. 2014. *Manajemen Perbankan*. Jakarta: PT. Bumi Aksara.
- Darussalam, O. (2013). Faktor-Faktor Penyebab Kredit Bermasalah di PT.Bank Sulut Cabang Utama Manado. *Jurnal EMBA*, 1(4), 69–77.
- Ernawati. (2014). *Analisis Pengaruh Penilaian Prinsip 5C Terhadap Non Performing Loan Pada PT Bank Rakyat Indonesia (Persero) TBK KCP Baranangsiang Bogor*. Skripsi. Bogor: Institut Pertanian Bogor.
- Firmani, B. T. (2008). *Pengaruh Jangka Waktu, Suku Bunga, dan Jaminan Kredit terhadap Besarnya Kredit Macet*. Skripsi. Yogyakarta: Universitas Sanata Dharma Yogyakarta.
- Ghozali, I. 2013. *Aplikasi Analisis Multivariate dengan Program IBM SPSS 21*. Semarang: Badan Penerbit-Undip.
- Gustifa, R. (2013). Faktor-Faktor Yang Mempengaruhi Kredit Macet Pada Koperasi Simpan Pinjan Di Kota Padang. *Jurnal Manajemen*, 1(25).
- Jayanti, K. D. (2013). Analisis Faktor-Faktor Yang Mempengaruhi Non-Performing Loan (Studi Pada Bank Umum Konvensional yang Go Public di Indonesia Periode 2008-2012) di Indonesia. *Jurnal Ekonomi*, 1(1).
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm : Managerial Behavior , Agency Costs and Ownership Structure Theory of the Firm : Managerial Behavior , Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3(4), 305–360.
- Kasmir. 2002. *Bank dan Lembaga Keuangan Lainnya*. Jakarta: Rajawaliipers.
- Kasmir. 2014. *Bank dan Lembaga Keuangan Lainnya Edisi Revisi 2014*. Jakarta: PT Rajagrafindo Persada.
- Messai, A. S., & Jouini, F. (2013). Micro and Macro Determinants of Non-performing Loans. *International Journal of Economics and Financial Issues*, 3(4), 852–860.
- Mewoh, F. C., Sumampouw, H. J., & Tamengkel, L. F. (2013). Analisis Kredit Macet (PT. Bank Sulut, Tbk di Manado). *Jurnal Administrasi Bisnis*, 1(1), 1–15.
- Mukhsinati, S. (2011). *Analisis Faktor-Faktor Penyebab Terjadinya Kredit Macet Pada Bank BRI Unit Tanjung Di Kabupaten Jember*. Skripsi. Jember: Universitas Jember.
- Musyaroifatun, L. D. (2013). Analisis Faktor-Faktor Yang Mempengaruhi Rentabilitas Bank Perkreditan Rakyat Di Kabupaten Magelang. *Accounting Analysis Journal*, 2(1).
- Novitasari, I. (2010). *Pengaruh Analisis 5C Kredit Terhadap Pembiayaan Bermasalah Pada KJKS BMT Se-Kabupaten Wonogiri Tahun 2008*. Skripsi. Semarang: Universitas Negeri Semarang.
- Osei-Assibey, E., & Asenso, J. K. (2015). Regulatory Capital and Its Effect on Credit Growth, Non-Performing Loans and Bank Efficiency. *Journal of Financial Economic Policy*, 7(4), 401–420.
- Purba, M. F. (2013). *Analisis Prilaku Nasabah Bank Sumut Kantor Cabang Pembantu (KCP) Pasar Sambas Medan Dalam Memilih Kredit Perbankan*. Skripsi. Medan: Universitas Sumatera Utara.
- Răscolean, I., & Mangu, S.-I. (2014). Non-Performing Loans Development in Romania. *Annals of the University of Petrosani Economics*, 14(2), 217–224.
- Ross, S. A. (1997). The RAND Corporation The Determination of Financial Structure : The Incentive-Signalling Approach. *Bell Journal of Economics*, 8(1), 23–40.
- Sugiyono. 2016. *Metodologi Penelitian Kuantitatif, Kualitatif, dan R & D*. Bandung: Alfabeta.
- Sarita, Buyung dan Putera, Asrip. 2011. *Manajemen Perbankan*. Kendari: Unhalu Press.
- Turvey, C. G., He, G., Kong, R., Ma, J., & Meagher, P. (2011). The 7 Cs of Rural Credit in China. *Journal of Agribusiness in Developing and Emerging Economies*, 1(2), 100–133.
- Wei-Shong, L. P., & Kuo-Chung, M. A. (2006). The Internal Performance Measures of Bank Lending: A Value-Added Approach. *Benchmarking: An International Journal*, 13(3), 272–289.
- Yuliana, D. (2016). Analisis Faktor – Faktor Yang Mempengaruhi Kredit Macet Dana Bergulir Di PNPM Mandiri Perdesaan Kecamatan Guntur Kabupaten Demak. *Jurnal STIE Semarang*, 8(3), 163–180.
- Yulianto, A. (2011). *Faktor Internal - Eksternal Yang Mempengaruhi Kredit Macet*. Skripsi. Semarang: Universitas Negeri Semarang.