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Banking Performance Affects Working Capital Loans Growth: Evidence from the Indonesian Banking Industry

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ABSTRACT

This study aims to analyze the effect of third-party funds, non-performing loans, loan-to-deposit ratio, net interest margin, and operating-income-to-operating-expenses on the growth of working capital loans disbursement in the Indonesian banking industry. Making use of the purposive sampling technique, thirteen out of a population of forty six conventional commercial banks listed in the Indonesian Stock Exchange were selected as this study's samples. Quantitative secondary data obtained from these banks' annual reports of 2011-2019 were analyzed by use of the panel data regression method with a fixed effect approach. The results show that third-party funds, loan-to-deposit ratio, net interest margin, and operating-expenses-to-operating-income have a statistically significant positive effect on the growth of of working capital loans. Non-performing loans is shown to have a statistically non-significant effect on working capital loans growth.

KEYWORDS: Third-Party Funds, Non-Performing Loans, Loan-to-Deposit Ratio, Net Interest Margin, Operating Income to Operating Expenses, Working Capital Loans.

INTRODUCTION

The important role of banks as intermediary institutions is to channel loans to drive economic sectors and increase economic growth (Arianti et al., 2016). The intermediation function can be a benchmark for the level of effectiveness of the banking industry, which is driven by the soundness of the bank as an indicator in analyzing the performance of a bank (Siringoringo, 2017). As a developing country with a relatively high level of economic growth, Indonesia has the potential for lending to continue to grow. According to the Indonesian Central Bank, lending increased in the second quarter of 2021, with a weighted net balance of new loan requests recorded at 59.3%. Working capital loans are the highest contributor to loan growth at 45%, followed by consumption loans at 31% and the remaining investment loans (Mediatama, 2021).

The Indonesian economy, which is dominated by micro, small and medium enterprises (MSMEs), is still able to increase its relevant contribution to the national gross domestic product (Lestari, 2017). This is due to the large number of MSMEs units that create micro and small industries and entrepreneurs which have an impact on the growth of the national gross domestic product. Based on the 2020 Focus Economy Outlook data, the creative economy, which is dominated by MSMEs, contributed IDR 1,100 trillion to Indonesia's GDP throughout 2020. This data is proof that the creative economy sector can survive amid the Covid-19 pandemic (Silaban, 2021).

In 2019, national private banks became the highest lenders, amounting to more than IDR 1,040 trillion, with working capital loans of more than IDR 722 trillion and investment loans of more than IDR 318 trillion. Most of the loans disbursed are working capital loans (Putra, 2020). The priority for channeling working capital loans is aimed at increasing the real sector (Herman, 2020). Even so, there are still many business actors in the MSMEs sector who are unbankable, unable, and inexperienced in making bank loans (Faqir, 2020). In addition, there is still a loans crunch, the reluctance of banks to provide loans, because there is no demand (C. A. Putri, 2020).

According to Nurjannah & Nurhayati (2017), working capital loans are provided in the short term (one year) and are used to finance a business. According to Kasmir (2015), there are at least three loan functions. First, increasing the usability of money means that loans are channeled from banks to develop and increase company activities, to boost the national gross domestic product. Second, increasing the enthusiasm for business, debtors receiving bank loans have the enthusiasm to improve their business. Because loans are one way to obtain national income. Third, increasing income distribution means that the greater the distribution of loans, the better it will be, in terms of growing national income. For

example, loans for farming where crops will be exported abroad to increase national income.

Working capital loans have a positive impact on national economic growth. The higher the disbursed working capital loans, the faster economic growth will be. If the pace of economic growth continues to increase then the percentage of unemployed will also decrease. In addition, there are many other impacts from the growth of loans extended, especially working capital loans, which have a more instantaneous impact than other types of loans.

Efforts to encourage the growth of working capital loans can be carried out by the banking industry as the largest loans distributor and also controlled from the supply side. If the distribution of working capital loans to the banking industry can be identified from the level of soundness, then it becomes something that can be predicted by the good or bad performance of the bank's performance. The soundness level of a bank is an indicator of assessing the bank's ability to carry out its operations which must be fulfilled according to the rules set by the Financial Services Authority (Fahmi, 2015). Several indicators of the soundness of a bank which are often indicators of financial performance at banks include third-party funds (TPF), non-performing loans (NPL), loan-to-deposit ratio (LDR), net interest margin (NIM), and operating expenses to operating income (OEOI).

Third-party funds (TPF) are the largest source of funds for banks to finance banking activities. Where these funds will be distributed to the community in the form of loans (Mewoh et al., 2017). The greater the TPF collected, the greater the bank's ability to channel loans, as well as working capital loans (WCL). Based on research conducted by Putra & Surya (2015), Sofyan (2016), Sari & Nyoman (2016), Ratnasari & Yoyok (2016), Indriati et al. (2018), Gifts et al. (2017), Mewoh et al. (2017), Fauji & Masitoh (2020), Darma et al. (2017), Khotimah & Suci (2018), and Langodai & Novrida (2019) that TPF has a significant effect on the distribution of WCL.

H1: TPF has a significant effect on WCL growth

Non-performing loans (NPL) are the ability to measure the percentage of loans that experienced problems related to repayment and cover the risk of failure in repaying loans (Eswanto et al., 2016). The higher the NPL, the bank's performance is problematic in managing loans. This has an impact on the level of risk or non-performing loans. This means that loan quality is decreasing so banks refrain from expanding their loans, including working capital loans (WCL). Based on research by Arianti et al. (2016), Indriati et al. (2018), Widyawati & Setyo (2016), Eswanto et al. (2016), Mewoh et al. (2017), Darma et al. (2017), Khotimah & Suci (2018), Desya et al. (2019), and Sagita et al. (2019) that NPL has a significant effect on the distribution of WCL.

H2: NPL has a significant effect on WCL growth

Loan-to-deposit ratio (LDR) is the ability to assess liquidity against total loans in maintaining a good level of liquidity (Sofyan, 2016). According to Riyadi (2017), LDR is a comparison of the number of loans to TPF collected by banks. This means that LDR shows the bank's ability to attract public funds in the form of loans. The size of the loan disbursement will be of value to the bank's profits, assuming the bank can channel loans effectively. The higher the LDR, the greater the WCL distributed. Based on Sofyan's research (2016), Desya et al. (2019), Khotimah & Suci (2018), and Mkw & Dini (2019) state that LDR has a significant effect on the distribution of WCL.

H3: LDR has a significant effect on WCL growth

Net interest margin (NIM) is the ability to assess a bank's effectiveness in placing assets that generate interest income (Arianti et al., 2016). The greater the NIM, the more productive assets will increase. One of the bank's productive assets is in the form of loans. Thus the higher the NIM, the more working capital loans disbursed will increase. Based on research by Arianti et al. (2016) and Haryanto & Endang (2017) NIM has a significant effect on the distribution of WCL.

H4: NIM has a significant effect on WCL growth

Operating expenses to operating income (OEOI) is the ability to measure the level of efficiency in its operational activities (Arianti et al., 2016). The greater the OEOI ratio, the worse the bank's management, this shows the bank's inability to manage its operational costs and income. One of the bank's operating income is obtained from the placement of funds in the form of loans. Thus the greater the OEOI, the lower the disbursed working capital loans. Based on Syafi'i's research (2015), OEOI has a significant effect on working capital loan distribution.

H5: OEOI has a significant effect on WCL growth

METHODS

The data for this research was obtained from the annual reports of publicly listed commercial banks listed on the Indonesia Stock Exchange for the 2011-2019 period with a population of 46 banks. The sampling technique used is purposive sampling. Based on the adequacy of the data obtained and the reasons for fulfilling the assumptions in the model to be used, the sample selected consisted of 13 banks, i.e. Bank Bukopin (BBKP), Bank Negara Indonesia (BNI), Bank Rakyat Indonesia (BRI), Banten Regional Development Bank (BEKS), East Java Regional Development Bank (BJTM), Bank Bumi Arta (BNBA), Bank Permata (BNLI), Bank of India Indonesia (BSWD), Bank Mayapada Internasional (MAYA), Bank China Construction Bank Indonesia (MCOR), Bank Mega (MEGA), Bank Nationalnobu (NOBU), and Bank Pan Indonesia (PNBM).

The data analysis method used in this study is the panel data regression method which is a combination of time series data and cross-section. The time series data is the period from 2011 to 2019. While the cross time is data from

13 bank samples. The panel data regression equation in this study is as follows:

$Ln(WCL_{it}) = b_0 + b_1 Ln(TPF_{it}) + b_2 NPL_{it} + b_3 LDR_{it} + b_4 NIM_{it} + b_5 OEOI_{it} + e_{it}$

Information:
WCL = Working Capital Loans
TPF = Third-party Funds
NPL = Non-performing Loan
LDR = Loan to Deposit Ratio
NIM = Net Interest Margin
OEOI = Operating Income to Operating Expenses

The explanation of each performance measure is as follows:
Third-party funds (TPF) are a source of funds collected from the public and distributed for loans and used to finance bank operations (Kasmir, 2015). The calculation of TPF is as follows:
TPF = Current Accounts + Savings + Time Deposits + Deposit Certificates + Other Immediate Obligations
Non-performing loans (NPL) are also known as bad loans. This reflects the bank's ability to overcome the problem of untimely payment of loans loans (Riyadi, 2017). The non-performing loan formula is as follows:

$$NPL = \frac{\text{Gross Nonperfoming Loans}}{\text{Total Loans}} \text{ x } 100\%$$

The loan-to-deposit ratio (LDR) explains the percentage of channeling third-party funds in the form of loans and measures a bank's ability to maintain an adequate level of liquidity (Fahmi, 2015). The loan-to-deposit ratio formula is as follows:

$$LDR = \frac{\text{Total Loans}}{\text{Thirdparty Funds}} \text{ x } 100\%$$

Net interest margin (NIM) is a bank's ability to manage earning assets to obtain net interest income (Rivai, Veithzal, et al., 2013). The net interest margin formula is as follows:

$$NIM = \frac{\text{Net Interes Income}}{\text{Average Assets}} \text{ x } 100$$

Operating expenses to operating income (OEOI) measure a bank's ability to control the efficiency level of its operations (Rivai, Veithzal, et al., 2013). The OEOI calculation formula is as follows:

$$OEOI = \frac{\text{Operating Expenses}}{\text{Operating Income}} \text{ x } 100\%$$

In this study, the method of data analysis uses panel data regression analysis. According to Widarjono (2018), there are three approaches to the estimation method of the panel data regression model, common effect, fixed effect, and random effect. The first step in panel data regression analysis is to choose the most appropriate model for estimating panel data regression using the Chow test and Hausman test. Second, several classical assumption tests were carried out, such as normality, multicollinearity, and heteroscedasticity tests. Furthermore, several model feasibility tests were carried out, such as the F-test, t-test, and coefficient of determination.

RESULTS AND DISCUSSION

The distribution of working capital loans for each sample is illustrated in Figures 1 and 2. In Figure 1 it can be seen that Bank BNI's working capital loans in 2012 amounted to IDR 96.179 trillion, then decreased in 2014 to IDR 3.257 trillion compared to 2013 of 72.500 trillion. In 2016-2019 the distribution of bank BNI working capital loans increased by IDR 144.345 trillion. Meanwhile, Bank BRI has experienced a significant increase from year to year, but in 2019 it decreased by IDR 5.319 trillion, of which in 2018 it was IDR 244.519 trillion and in 2019 it was IDR 239.200 trillion.

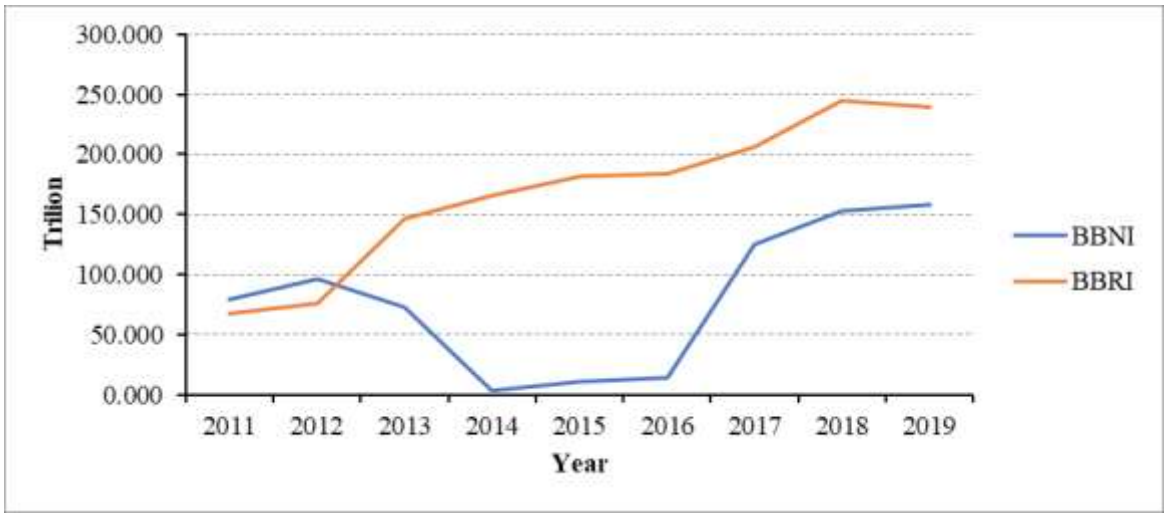

Figure 1. Graph of Working Capital Loan distribution at BUMN Banks
Source: Bank's annual financial reports (2011-2019)

In Figure 2. it can be seen that the disbursement of working capital loans from year to year has relatively increased until the end of the study period. The largest distribution of working capital loans was made by PNBN, NOBU, and MEGA banks. The lowest distribution of working capital loans is by BJTM, BEKS, and BBKP. This is because working capital loans are always growing. The slowdown in working capital loan growth was caused by banks being more selective in disbursing loans.

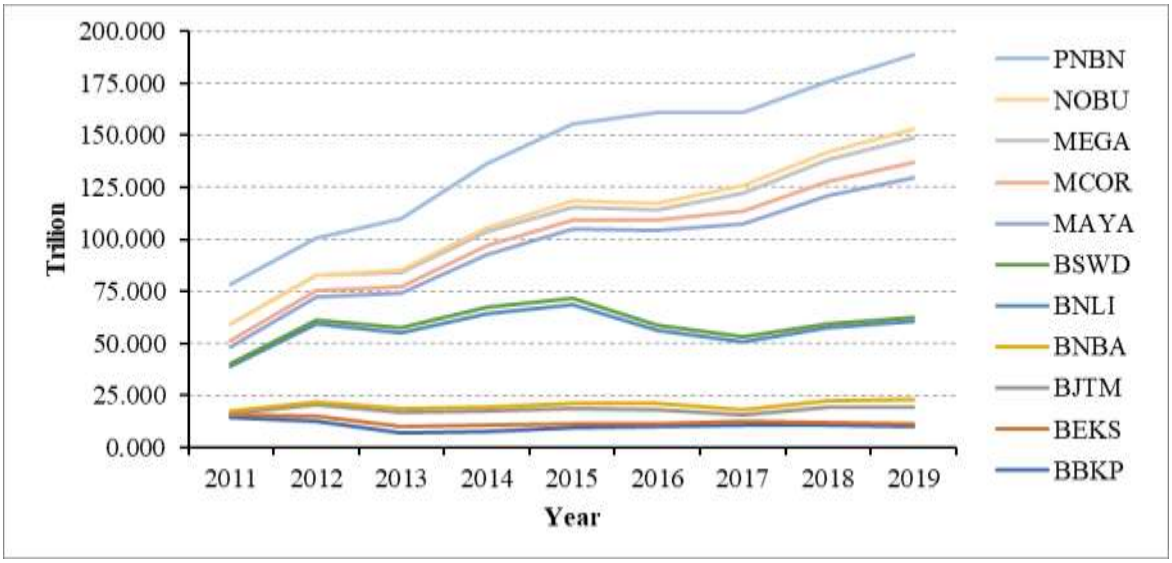

Figure 2. Graph of Working Capital Loan distribution for Private Banks and Foreign Banks
Source: Bank's annual financial reports (2011-2019)

The initial stage of the panel data regression method is model selection. The selection of the panel data regression model was carried out in this study with the Chow test and the Hausman test. The chow test was conducted to compare the best model between the common effect and fixed effect models. While the Hausman test was carried out to compare the best model between the fixed effect and random effect models. The results of the Chow test and Hausman test are presented in Table 1 and Table 2.

Table 1. Chow Test Results

Effect test	t-Statistic	p-value
Cross-section F	109.9369	0.0000

Source: processed data (2022)

Based on the output of Table 1, the probability value in cross-section F is 0.0000 which is smaller than alpha (5%). This can be interpreted that the fixed effect model (FEM) is more appropriate to use in this study than the common effect model (CEM).

Table 2. Hausman Test Results

Effect test	t-Statistic	p-value
Cross-section random Chi-Square	12.441036	0.0292

Source: processed data (2022)

Based on the output of Table 2, the probability value in cross-section F is 0.0292 which is smaller than alpha (5%). This means that the fixed effect (FEM) model is more appropriate than the random effect (REM) model. Based on the two tests that have been carried out, the fixed effect model (FEM) is the best model to explain the effect of TPF, NPL, LDR, NIM, and OEOI on working capital loans.

After selecting the model, the next step is to fulfill the classical assumptions of the selected model (FEM). Because the FEM model that is formed no longer uses the ordinary least squares (OLS) approach but uses the generalized least squares (GLS) approach, the classic assumption test used is only normality and multicollinearity tests (Ekananda, 2016). The normality test results are presented in Table 3 using the Jarque-Bera test, while the multicollinearity test results use the Pearson correlation as presented in Table 4.

Table 3. Normality Test Results

Statistical Parameters	Value
Jarque-Bera	4.731538
Probability	0.093877

Source: processed data (2022)

Based on the results presented in Table 3, the probability value obtained from the Jarque-Bera statistic is 0.093877. Because the probability value is greater than 0.05 (5% error rate), the normality assumption is fulfilled.

Table 4. Multicollinearity Test Results

Variabel	LOG(TPF)	NPL	LDR	NIM	OEOI
LOG(TPF)	1,0000				
NPL	-0,0316	1,0000			
LDR	0,2298	0,1898	1,0000		
NIM	0,1621	0,0590	-0,0599	1,0000	
OEOI	-0,3919	0,5760	-0,0550	-0,2509	1,0000

Source: processed data (2022)

Based on Table 4, the correlation value of the five independent variables shows a correlation value of less than 0.8 so it can be said that there is no correlation between the independent variables, which means that the fixed effect model regression (FEM) is free from multicollinearity problems.

The results of the panel data regression with the fixed effect model (FEM) themselves are presented in Table 5. The F-test results are shown by the F-statistic of 1048.876 with a probability (p-value) of 0.00000 (less than alpha 0.05) indicating that the model formed can explain the effect of the independent variables LOG(TPF), NPL, LDR, NIM, and OEOI simultaneously on the dependent variable LOG(WCL). Meanwhile, based on the results of the p-value of the t-test, the value above 0.05 was only NPF, so it was concluded that the growth of third-party funds had a significant effect on the growth of working capital loans, non-performing loans did not have a significant effect on the growth of working capital loans, loans to the deposit ratio has a significant effect on the growth of working capital loans, the net interest margin has a significant effect on the growth of working capital loans, and operating expenses and operating income have a significant effect on the growth of working capital loans.

Tabel 5. Fixed Effects Model

Variable	Coefficient	Std. Error	t-Statistic	p-value	Information
C	-2.472165	0.167592	-14.75112	0.0005	
LOG(TPF)	1.103937	0.025157	43.88230	0.0000	H_1 accepted
NPL	-0.014617	0.008182	-1.786467	0.0771	H_2 rejected
LDR	0.007682	0.001340	5.732378	0.0000	H_3 accepted
NIM	0.029921	0.009242	3.237493	0.0016	H_4 accepted
OEOI	0.001539	0.000590	2.608042	0.0105	H_5 accepted
R-Squared = 0.994478					
F-statistic (p-value) = 1048.876 (0.00000)					

Source: processed data (2022)

The coefficient of determination (R-Square) obtained is 0.9945. This means that 99.45% of the variation in changes in working capital lending to commercial banks for the 2011-2019 period can be influenced by the presence of third-party funds, non-performing loans, loan-to-deposit ratio, net interest margin, and operating expenses to operating income. While the rest (100% - 99.45% = 0.55%) is influenced by other variables outside the regression model.

Effect of Third-Party Funds on Working Capital Loan Distribution

From the results of the t-test, it can be concluded that TPF growth has a significant effect on working capital loan growth. TPF growth has a positive regression coefficient value (1.103), which means TPF growth has a positive effect on working capital loan growth. When TPF growth accelerates, working capital loan growth will also accelerate, and vice versa, if TPF growth slows down, working capital loan growth, will also slow down. The regression coefficient of TPF growth shows the elasticity of TPF growth on working capital loan growth. If TPF grows by 1% then working capital loans will grow by 1.103% and vice versa if TPF slows down by 1% then working capital loans will slow down by 1.103%.

The significant growth in third-party funds was due to the progressive increase in the number of savings, time deposits, and demand deposits from customers. Vice versa, decreased third-party funds occur when customers make withdrawals. Based on data for 2016, the bank's third-party funds decreased quite drastically, this was due to rush money events. According to Wibowo & Djuwityastuti (2020), rush

money is an event where people withdraw cash at banks on a large scale simultaneously. Rush money can occur at any time and is caused by the health of the bank, economic uncertainty, political turmoil in the community, and fear that the money in the bank will disappear and disappear. As a result, customers do not trust and simultaneously withdraw funds to avoid worse risks. This will have an impact on the profit earned by the banking system which is assessed by the public.

The results showed that the growth of third-party funds had a positive and significant effect on the growth of working capital loans. The greater the third-party funds collected, the greater the working capital loans disbursed. These results are corroborated by previous research conducted by Putra & Surya (2015), Sofyan (2016), Sari & Nyoman (2016), Ratnasari & Yoyok (2016), Gift et al. (2017), Mewoh et al. (2017), Darma et al. (2017), Khotimah & Suci, (2018), Riswana et al. (2019), Indriati et al. (2018), Fauji & Masitoh (2020), and Langodai & Novrida (2019) which state that third party funds have a significant positive effect on working capital lending. However, this is contrary to the findings of Eswanto et al. (2016) who found no significant effect of third-party funds on working capital lending.

The Effect of Non-performing Loans on Working Capital Loan Distribution

The regression results show that despite its negative coefficient of -0.014, the NPL is shown to be a statistically non-significant regressor to the dependent variable *Ln*WCL. It means, this study found no sufficient evidence to infer that NPL negatively affects the growth of working capital loans.

NPL is a loan risk that arises due to bad loans or uncollectible loans (Mkw & Dini, 2019). In this study, NPL does not affect working capital loan growth, this is due to the large capital adequacy value of a bank that can cover loan risk that may occur. So that the NPL does not directly affect the growth of working capital loans. Banks may tend not to pay too much attention to or do not respond to increases in NPLs in the long run, this is due to the emergence of foreign banks which will increase the level of competition in banks in extending loans. This is not a benchmark for banks in extending loans. Because if a bank reduces the number of loans extended by only considering the NPL level, then the bank will lose the opportunity to acquire more debtors and this opportunity will likely be taken by other bank competitors. Thus banks still have to pay attention to the increase in NPL, if it is still within reasonable limits and the bank can control the NPL level, then the bank will continue to increase the growth of working capital loans.

The results of the study show that non-performing loans do not affect the growth of working capital loans. These results are corroborated by previous research conducted. Langodai & Novrida (2019), Haryanto & Endang (2017), and Mkw & Dini (2019) where found no significant effect of NPL on working capital lending. However, this finding is contrary to research conducted by Arianti et al. (2016), Widyawati & Setyo (2016), Eswanto et al. (2016), Mewoh et al. (2017), Darma et al. (2017), Khotimah & Suci (2018), Indriati et al. (2018), Desya et al. (2019), and Sagita et al. (2019) which states that non-performing loans have a significant negative effect on working capital lending.

Effect of Loan-to-Deposit Ratio on Distribution of Working Capital Loans

Based on the results of the t-test, it can be concluded that LDR has a significant effect on the growth of working capital loans. The loan-to-deposit ratio has a positive regression coefficient (0.007), which means that the LDR has a positive effect on the growth of working capital loans. When the LDR rises, the growth of working capital loans will also rise, and conversely, if the LDR falls, the growth of working capital loans will also decrease. An increase in LDR by 1% will encourage growth in working capital loans by 0.007% and conversely a decrease in LDR by 1% will trigger a slowdown in working capital loans by 0.007%.

A bank's LDR value that is below the limit set by the Financial Services Authority (OJK), which is less than 75%, indicates that the bank is not aggressive in extending loans, which in turn results in less than optimal profits. Conversely, if a bank's LDR is above the limit set by the OJK, which is more than 110%, this indicates that the bank is too easy to provide loans without regard to the quality of the debtor so that loans risk increases and in the end it is profitable. reduce. Because LDR describes how a bank's ability to attract funds by relying on loans provided as a source of liquidity.

The effect of LDR on the growth of working capital loans is that banks provide funds to debtors with capital owned by the bank and funds collected by the bank from the public. In addition, it can also be said, how much loans are given to debtors that can offset the bank's obligations to fulfill customer obligations if they want their funds back. The greater the LDR, the greater the working capital loans disbursed by the bank. An increase in public savings is always followed by a proportional increase in disbursed loans. So that the bank will get interested and profitability which can increase the growth of working capital loans.

The results showed that the loan-to-deposit ratio had a significant positive effect on the growth of working capital loans. The higher the ratio of loans to deposits, the greater the loans provided, which means that the working capital loans provided are also greater. These results are corroborated by previous research conducted by Putra & Surya (2015), Desya et al. (2019), Khotimah & Suci (2018), and Mkw & Dini (2019) state that the loan-to-deposit ratio has a positive effect on disbursing working capital loans. Meanwhile, the findings of this study are different from the research of Putri & Sutrisno (2018), which states that the loan-to-deposit ratio has a significant negative effect on the disbursement of working capital loans.

Effect of Net Interest Margin on the distribution of Working Capital Loans

Based on the results of the t-test, it can be concluded that NIM has a significant effect on the growth of working capital loans. Net interest margin has a positive regression coefficient value (0.029), which means that NIM has a positive effect on the growth of working capital loans. When the NIM increases, the growth of working capital loans will also increase and vice versa if the NIM decreases, the growth of working capital loans will also decrease. If NIM increases by 1% then working capital loans will grow by 0.029% and conversely if NIM decreases by 1% then working capital loan growth will slow down by 0.029%.

NIM is used to measure the level of profitability, that is the level of bank effectiveness between net interest income compared to the productive average (Haryanto & Endang, 2017). This study shows that NIM has a positive effect on working capital growth, this is because banks are effective in placing productive assets, especially in the form of loans. So NIM generates higher lending rates at banks compared to interest expenses. This can affect the increase in working capital loan growth.

The results of the study show that the net interest margin has a positive and significant effect on the growth of working capital loans. The greater the NIM value, the better the bank's performance, and vice versa. These results are corroborated by previous research conducted by Arianti et al. (2016) and Haryanto & Endang (2017) state that NIM has a significant positive effect on working capital lending. However, it is different from Fauji & Masitoh's research (2020) which states that NIM does not affect the distribution of working capital loans.

Effect of Operating Expenses to Operating Income on the Distribution of Working Capital Loans

Based on the results of the t-test, it can be concluded that OEOI has a significant effect on the growth of working capital loans. Operating expenses and operating income have a positive regression coefficient value (0.0015), which means OEOI has a positive effect on the growth of working capital loans. When OEOI rises, working capital loan growth will rise and vice versa if OEOI falls, working capital loan growth will also fall. If OEOI increases by 1%, working capital loans will increase by 0.0015%, and vice versa, if OEOI decreases by 1% then working capital loans will decrease by 0.0015%.

This study shows that OEOI has a positive influence on the growth of working capital loans, this condition shows that operating costs are higher than operating income. A high OEOI indicates that the bank decides to allocate high operational costs to carry out its operational activities (Suarni et al., 2014). This is done by the bank so that the operational activities carried out run optimally it is expected to increase customer satisfaction and the addition of new customers. That way, the profit earned by the bank is higher and it also has an impact on the high amount of funds that can be used to extend loans, thereby enabling the growth of working capital loans.

The results of the latest research show that operating expenses and operating income have a significant positive effect on the growth of working capital loans. The higher the ratio of operating expenses and operating income, the higher the bank in distributing working capital loans. These results are corroborated by previous research conducted by Arianti et al. (2016) and Haryanto & Endang (2017) which emphasize operating expenses and operating income have a significant positive effect on working capital lending. Meanwhile, according to Syafi'i (2015) and Putri & Sutrisno (2018) operating expenses on operating income (OEOI) have a significant negative effect on lending.

CONCLUSION

From the results of the research analysis it can be concluded that: first, the high growth of third-party funds will encourage an increase in the growth of working capital loans. The greater the third-party funds collected, the greater the working capital loans disbursed. Second, the size of the value of non-performing loans will not affect the growth of working capital loans in managing non-performing loans. This is due to the large capital adequacy value of the bank which can cover loan risk that may occur. So that non-performing loans do not directly impact the growth of working capital loans. Third, the high loan-to-deposit ratio affects the increase in working capital loans growth in saving funds and channeling them back to the public. An increase in public savings is always followed by a proportionate increase in the loans disbursed. The greater the loan-to-deposit ratio, the greater the working capital loans disbursed by the bank. Fourth, the effectiveness of the net interest margin in placing productive assets in the form of loans greatly influences the growth of working capital loans. The greater the net interest margin, the higher the interest income on productive assets managed by the bank, thus the higher the net interest margin, the greater the growth of working capital loans. Fifth, the size of the level of efficiency and the ability of banks in their operational activities affect the growth of working capital loans in generating profits. The higher the operational costs, the higher the profit earned for extending loans, enabling the growth of working capital loans.

Referring to field findings and analysis conducted, in improving bank performance assessments, in several ways: first to increase the growth of third-party funds which are very influential on the growth of working capital loans, so that they are even more innovative in collecting funds from the public with a marketing strategy that will become the driving force withdraw to deposit funds in a public bank. Second, the bank should try to maintain the loan-to-deposit ratio so that it remains at the standard set by the OJK (80% -110%), besides that banks are also expected to have a competitive loan-to-deposit ratio, meaning that the loan-to-deposit ratio is not too

high which causes liquidity problems. and not too low because it can lead to a large number of idle funds. Third, in managing the net interest margin, the bank should further increase interest income by reducing bank operational costs. Furthermore, increasing efficiency by reducing the amount of OEOI, especially in the marketing department, for example, promotion in electronic media. This reduces the use of goods such as printed matter, paper, and ink so that efforts can be made to increase banking digitization. The last recommendation is related to non-performing loans which have no effect. Banks should not only focus on increasing the loans they disburse, but banks should also focus on managing assets that have good prospects, for example, placement of funds with other banks, securities, and bank capital participation in non-bank financial institutions. Asset management can cover losses that will occur due to loan risk.

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