

The Relationship between Credit Volume and Non-performing Loans on Profitability Levels

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ABSTRACT

This study aims to determine the relationship between the volume of credit and the level of profitability and the relationship between non-performing loans and the level of profitability at PT. Bank Rakyat Indonesia (Persero) Tbk. Makassar Ahmad Yani branch was researched for the last 5 (five) years, namely 2010-2014. The analytical method used in this research is the descriptive analysis method, statistical analysis of correlation, and determination using primary data obtained directly from PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani. Based on the results of research conducted, an increase in the volume of credit tends to increase the profitability of PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani. Meanwhile, non-performing loans and the level of profitability have a negative relationship. This means that when non-performing loans increase, the level of profitability will be low. On the other hand, when non-performing loans decrease, profitability will increase.

1. Introduction

The national development of a nation includes economic development. In economic development it is very necessary to have funds available, so that the participation of financial institutions is needed to finance this economic development. One of the financial institutions involved in financing economic development is bank financial institutions (banking) (Marlina & Rahmat, 2018). The banking sector is one of the factors that plays a role because it functions as a collector and distributor of funds through the creation of a variety of products to offer people who want to use banking services (Miraza, 2015).

Banks are business entities that collect funds from the public in the form of savings and distribute them to the public in the form of credit and other forms in order to improve the standard of living of many people (Agbeja et al., 2015; Fahrial, 2018). Credit is a productive asset that provides the main income. The greater the level or proportion of credit sales to total sales, the greater the amount of credit investment owned by the company (Yuliani & Salim, 2013). With the large volume of credit sales each year, this means that the company must provide even greater investment.

Banking can be said to be the lifeblood of the economic system (Buallay, 2019; Saka, 2015). The economic activity of a country is inseparable from the flow of money payments, in which the banking industry plays a very strategic role. The function of the bank is an intermediary between people who need funds and people who have excess funds. Therefore, the key to the success of a bank is how the bank can gain the trust of the public so that its role as a financial intermediary (intermediary financial) can run as it should (Anggreni & Novianty, 2021).

Public trust in saving funds in banks is strongly influenced by the information they obtain regarding the quality and performance of the bank concerned, with one of the indicators assessing the soundness of the bank. A healthy bank is a bank that can carry out its functions properly, which can maintain and maintain public trust, carry out an intermediary function, can help smooth the flow of payments and can be used by the government in implementing various policies, especially monetary policy (Pradana, 2021) .

One that can be used in measuring the performance of a bank is through financial reports by looking at the bank's profitability. In carrying out its operational activities, the bank has the main goal of achieving the maximum level of profitability (Tanor et al., 2015). Profitability is a bank's ability to generate or earn profit effectively and efficiently. The high profitability of a bank can indicate that most of the bank's performance can be said to be good, because it is assumed that the bank has operated effectively and efficiently and allows the bank to expand its business (F. S. Putri, 2013).

Judging from the function of the bank as a financial institution whose business activities are channeling funds to the public in the form of credit, it can be said that credit activities are the backbone of the bank's main activities (Paparang, 2016). Credit is a source of income and bank profits, besides that credit is also a type of investment activity which is often the main cause of a bank facing big problems, namely the existence of a situation where the customer is unable to pay part or all of his obligations to the bank as agreed so that credit is problematic or stuck. Non-Performing Loan (NPL) is a ratio that shows a loan that is experiencing difficulty in repayment due to gaps and external factors beyond the control of the debtor (Paramita & Dana, 2019). This ratio shows the ability of bank management to manage non-performing loans provided by banks. That is, the higher this ratio, the worse the bank's credit quality will be caused by losses in the rate of return on bad loans (Budiman, 2016). In this context, the bank is required to maintain the achievements and credit facilities provided so that the goals of quality credit can be realized and can maximize the profitability of a bank.

Profitability used in this study is projected with Return on Assets (ROA), because ROA focuses on a company's ability to earn profits in company operations (Susanti, 2022). ROA is used to measure a company's effectiveness in generating profits by utilizing its assets. If ROA increases, it means that the company's profitability increases so that the final impact is an increase in profitability (Marusya, 2016; I. G. A. P. T. Putri & Rahyuda, 2020).

Researchers are interested in researching about PT. Bank Rakyat Indonesia (Persero) Tbk. This is because during the period 2011-2013 the amount of credit disbursed by PT. Bank Rakyat Indonesia (Persero) Tbk shows a higher amount compared to the amount of loans disbursed by the other three state-owned banks. This can be seen from the amount of loans disbursed in 2011 reaching IDR 283.87 trillion, which increased to IDR 347.95 trillion in 2012, and increased again in 2013 to IDR 430.62 trillion. However, with a large amount of credit and increased from 2011 to 2013 it does not necessarily reflect good financial performance. Because in reality, when viewed from the value of ROA owned by PT. Bank Rakyat Indonesia (Persero) Tbk in 2011 to 2012 tends to fluctuate. In 2011 the ROA value of Bank Rakyat Indonesia was recorded at 4.93% and increased to 5.15% in 2012, but then decreased to 5.03% in 2013 (Bank Indonesia, 2013) (Suciati, 2019).

This research is a replication of previous research (Kumaralita & Purwanto, 2014). What distinguishes this research from previous research is that this research uses different objects, where this research was conducted at PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani. While previous research was conducted on banking companies listed on the Indonesia Stock Exchange (IDX). In addition, previous research discussed the problem of the influence of credit risk on the level of profitability, while this research is more directed at

analyzing the relationship between credit volume and non-performing loans on the level of profitability. Based on this background, the purpose of this paper is to determine the relationship between increasing credit volume and the level of profitability at PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani, and to find out the relationship between non-performing loans and profitability at PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani.

2. Literature Review

Hasibuan (2008) defines a bank as a financial institution whose business activities are collecting funds from the public and channeling these funds back to the community as well as providing other bank services. While the notion of a financial institution is any company engaged in the financial sector where its activities are either only raising funds or only channeling funds or both (Idwal, 2014). In addition, in Article 1 paragraph 2 of Law no. 10 of 1998 concerning Banking stated that a bank is a business entity that collects funds from the public in the form of savings and distributes them back to the community in the form of credit and or other forms in order to improve the standard of living of the common people. From the several definitions explained, it can be concluded that a bank is a financial institution whose activities are: a) Collecting funds (money) from the public in the form of savings, meaning that in this case the bank is a place to save money or invest for the community. b) Distributing funds to the public, meaning that the bank provides loans (credit) to the people who apply. In other words, banks provide funds for people who need them. c) Providing other banking services, such as money transfers (transfers), collection of securities originating from within the city (clearing) or out of town and abroad (inkaso), letters of credit (L/C), and services other.

Sudarsono (2001) argues that credit is a payment agreement between the seller and the buyer, or between the creditor and the debtor, to make payments or repay the loan at a later date in installments. Meanwhile (Mulyono, 2001; Amelia & Marlius, 2018), defines credit as the ability to carry out a purchase or make a loan with a promise that payment will be made, deferred at an agreed time period.

Another understanding put forward by Hasibuan (2008), that credit is all types of loans that have just been repaid with interest by the borrower in accordance with the agreed agreement. Meanwhile, according to the Financial Accounting Standards that credit is a loan of money or a bill that can be equated with it based on an agreement or loan agreement between other parties that obliges the parties. Thus, giving credit is giving trust. This means that the achievement given is truly believed to be returned by the credit recipient in accordance with the terms and conditions agreed upon. The elements in granting credit according to (Wahyuni, 2017) are (a) trust; (b) Time; (c) degree of risk; and (d) Achievement.

Budisantoso (2014), stated that in general the functions of credit in the economy, trade and finance are: 1) increasing the utility of money; 2) increasing the utility of goods; 3) increase the circulation and traffic of money; 4) as a means of economic stability; 5) will generate enthusiasm for community business; 6) as a bridge to increase national income; and 7) as a tool of international relations.

The objectives of lending put forward by Hasibuan (2008) are: 1) obtaining bank income from credit interest; 2) utilizing and productive existing funds; 3) carrying out bank operational activities; 4) fulfill credit requests from the public; 5) expediting payment traffic; 6) increase the company's working capital; 7) increase the income and welfare of the community.

The principles of granting credit using the 5C and 7P analysis put forward by Kasmir (2018) include: 1. Character, is the nature or character of a person, in this case a prospective debtor. The aim is to give confidence to the bank that the nature or character of the people who

will be given credit can really be trusted. 2. Capacity, to see the potential customer's ability to pay credit related to his ability to manage a business and his ability to make a profit. 3. Capital, usually banks will not be willing to finance a business 100%. This means that every customer who applies for a loan must also provide funds from other sources or own capital, in other words capital is to find out the sources of financing that the customer has for the business that the bank will finance. 4. Collateral, is a guarantee given by prospective customers, both physical and non-physical. Collateral should exceed the amount of credit granted. 5. Conditions, to assess credit, current and future economic conditions should also be assessed according to each sector. In an unstable economic condition, it is better not to give credit to certain sectors in advance and even if it is, it is better to give it by looking at the business prospects.

Meanwhile, the 7P assessment of credit according to Kasmir (2001), consists of: 1. Personality, namely assessing the customer in terms of his personality or daily behavior and past. 2. Party, namely classifying customers into certain classifications or certain groups based on capital, loyalty, and character so that customers can be classified into certain groups and will get different credit facilities from banks. 3. Purpose, namely to find out the purpose of the customer in taking credit, including the type of credit the customer wants. 4. Prospect, namely to assess the customer's business in the future whether it is profitable or not, or in other words has prospects or vice versa. 5. Payment, is a measure of how the customer returns the credit that has been taken or from which source the funds for returning the credit he obtained. 6. Profitability, to analyze how the customer's ability to make a profit. 7. Protection, the goal is how to protect the credit disbursed by the bank, but through a protection. Protection can be in the form of guarantees for goods or people or insurance guarantees.

One of the risks faced by banks is the risk of non-payment of credit that has been given to debtors or is called credit risk. Credit risk is a risk due to the failure or inability of the customer to return the loan amount received from the bank and the interest according to a predetermined or scheduled period (Handriano, 2018). Non-performing loans or non-performing loans describe a situation where the approval of credit returns is at risk of failure, even tends to lead to or experiences potential losses. Included in NonPerforming Loans (NPL) are substandard loans, doubtful loans and bad loans (Mulyadi, 2016).

Profitability is the ability to earn profits, so that any company obviously wants to always increase profits, because increased profits will have an impact on the health of the company. Suffah (2016) suggests that profitability is a company's ability to earn profits in relation to sales, total assets and own capital. Furthermore, the profitability ratio described by Irawati (Susan, 2004; Kumoralita & Purwanto, 2014) is the ratio used to measure the efficient use of company assets or is the ability of a company to generate profits for a certain period to see a company's ability to operate efficiently.

3. Research Method and Materials

This type of research is quantitative research. The data source used in this study is primary data, namely data directly collected by researchers from the first source, namely PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani. The data used were obtained from banking financial reports related to the topic of the problem under study, namely data on the amount of loans, non-performing loans, balance sheets and income statements of PT. Bank Rakyat Indonesia (Persero), Tbk. Makassar Branch Ahmad Yani. To obtain the required data and information, the data collection method used is the documentation method. Sugiyono (2015), suggests that the descriptive method is a method used to describe or analyze a research result but is not used to make broader conclusions. The analytical method used in this research is descriptive analysis method and statistical analysis. Descriptive method is used

to explain and describe how the level of credit volume, non-performing loans, and profitability, which in this case is applied to PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani. Meanwhile, to find out the relationship between credit volume and non-performing loans with the level of profitability, statistical analysis is used. The statistical analysis used was Pearson correlation statistical analysis with the help of the Statistical Software Package Package Software System (SPSS) version 16 application.

4. Results and Discussion

Descriptive analysis of credit volume was carried out to find out how much the credit volume level was at PT. Bank Rakyat Indonesia (Persero), Tbk. Makassar Branch Ahmad Yani for the last 5 (five) periods. Based on the financial report data of PT. Bank Rakyat Indonesia (Persero), Tbk. Makassar branch of Ahmad Yani, obtained the value of the credit volume studied for five periods, namely 2010 – 2014. In 2010 the level of credit volume distributed by PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch in the amount of Rp.472,387,780,434.62, - to debtors. In 2011 the volume of loans extended by banks decreased by Rp.56,343,901,278.5, - (11.93%) compared to the previous period, so that the total volume of loans extended by PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani in the 2011 period to Rp.416,043,879,156.12, -.

In 2012 the level of bank credit volume increased by Rp.1,796,104,209,733.93, - (81.19%) compared to the 2011 period, so that the volume of credit extended by PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani in the 2012 period experienced a fairly high increase compared to the previous two periods and the total volume of loans disbursed in 2012 was Rp.2,212,148,088,890.05, -.

In 2013 the level of credit volume disbursed by PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch decreased by Rp.1,499,722,449,705.39, - (67.80%) compared to the level of credit volume in 2012, so that the level of credit volume in the 2013 period again decreased and became Rp.712,425,639,184.66, -. In 2014 the level of credit volume disbursed by PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani to debtors again experienced an increase of Rp.342,636,524,074.11, - (32.48%) from the 2013 period. Although the level of credit volume had decreased in the 2013 period, in the 2014 period PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani was able to overcome credit problems which could cause the level of credit volume to decrease, so that the level of credit volume in the 2014 period increased to Rp.1,055,062,163,259.55, -.

Figure 1 is an overview of changes in decreasing and increasing credit volume in the last five periods of PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani which is presented in graphical form. Based on the graph, it can be seen that in 2012, the credit volume of PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch experienced a fairly high increase when compared to the level of credit volume in other periods. In addition, the level of credit volume in 2011 had decreased but not too big and PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch was able to minimize problems that could cause the level of credit volume to decrease in that period and again increase the volume of credit which was quite high in 2012, although in the following period, namely 2013, it again decreased and returned increased in the 2014 period. When viewed from the decrease and increase in the level of credit volume, it can be said that PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani has not been able to minimize problems that can cause credit volume to decrease. Nonetheless, PT. Bank Rakyat Indonesia (Persero), Tbk. The Makassar Ahmad Yani branch can already be said to be one of the branches of PT. Bank

Rakyat (Persero), Tbk which was successful in credit because it was able to generate a fairly high level of credit volume and not too large a decline in one period.

Next, a Return on Assets (ROA) Profitability Ratio Analysis will be carried out. Return on Assets (ROA) profitability ratio is a measurement of the company's overall ability to generate profits with the total assets available in the company. A positive Return On Assets (ROA) indicates that the total assets used for the company's operations are able to provide profit for the company. Conversely, if the negative ROA shows that the total assets used do not provide a profit or loss for the company. In table 3, the profit after tax and total assets of PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani for the last 5 (five) periods.

In 2010 the profitability ratio as measured using Return on Assets (ROA) showed a percentage of 4.38%. Because the Return on Assets (ROA) is positive, this illustrates that of the total assets of Rp.879,770,786,578.72, - which are used for the company's operations, it is able to provide a profit or profit of 4.38% at PT Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch on that year. In 2011 the profitability ratio as measured using Return on Assets (ROA) showed a percentage of 0.98%. Because the Return on Assets (ROA) is positive, this illustrates that of the total assets of Rp. 639,461,292,524.18, - used by PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch in the current year was able to provide a profit of 0.98%. In 2012 the profitability ratio as measured using Return on Assets (ROA) showed a fairly high percentage when compared to the two previous periods, which was 6.67%. Return On Assets (ROA) is positive so that the percentage of 6.67% illustrates that of the total assets of Rp.936,820,795,489.75, - which were used in 2012 were able to provide a profit (profit) of 6.67% at PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani.

In 2013 the profitability ratio as measured using Return on Assets (ROA) showed a percentage of 6.41%. With a positive level of Return on Assets (ROA), this illustrates that of the total assets of Rp. 1,093,058,975,833.58, - which are used to carry out company operations, are able to provide a profit (profit) of 6.41% at PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani. In 2014 the profitability ratio as measured using Return on Assets (ROA) showed a percentage of 6.90%. Because the Return on Assets (ROA) is positive, this shows that the total assets of Rp. 1,155,447,350,558.97, - available in the company are able to provide a profit (profit) of 6.90% at PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani.

Next is to analyze the relationship between credit volume and profitability. Based on the analysis of data obtained from PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani in the last 5 (five) periods, it is known the level of credit volume and level of profitability. In 2010 the volume level of credit extended by banks to debtors amounted to Rp.472,387,780,434.62, - and the level of profitability as measured using the Return on Assets (ROA) ratio in 2010 was 4.38%, so that the profit earned was 4.38% of total assets (Rp. 879,770,786,578.72, -) namely Rp. 38,540,711,118.24, -. In 2011 the level of volume of credit extended by banks to debtors decreased from the previous year to Rp.416,043,879,156.12, -, and the level of profitability as measured using the Return on Assets (ROA) ratio also decreased to 0.98%, so that the profit earned was 0.98 % of total assets (Rp.639,461,292,524.18, -) used by PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani or Rp. 6,306,915,067.53, -. Judging from the description of the level of credit volume and profitability in 2010 and 2011, it can be seen that the level of credit volume and profitability has a positive relationship. Where, when the level of credit volume decreased, the level of profitability also decreased.

In 2012, PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani is able to provide high enough credit to debtors Rp.2,212,148,088,890.05, -, and a profitability

level (Return on Assets) of 6.67% with a net profit of 6.67% of total assets (Rp.936,820,795,489.75 , -) of that year or equivalent to IDR 62,513,388,731.65, -. When compared to the previous year's period, the level of credit volume in 2012 experienced a significant increase. In addition, the level of profitability (Return on Assets) of PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch also experienced an increase in line with the increase in credit volume. This shows that credit volume has a positive relationship with the level of profitability, where an increase in the level of credit volume also increases profitability.

As in 2011, the level of credit volume in 2013 again decreased to Rp. 712,425,639,184.66, -, thus causing the level of profitability to also decrease compared to the 2012 period to 6.41% with a net profit of 6.41% of total assets (Rp. 1,093,058,975,833.58, -) or equivalent to IDR 70,103,486,211.70, -. From the analysis of the 2013 data, it can be seen that a decrease in credit volume tends to reduce the level of profitability as well. So it can be said that the volume of credit and the level of profitability have a positive relationship.

In the period ending December 31, 2014, it can be seen that the volume of credit again experienced an increase compared to the previous period, namely Rp.1,055,062,163,259.55, -. With the increase in loan volume in 2014, the level of profitability as measured by the Return on Assets (ROA) ratio also increased to 6.90%, or total net profit for the year equivalent to 6.90% of total assets (Rp.155,447,350,558.97, -) which is IDR 79,791,707,309.63, -.

To prove that there is a positive relationship between loan volume and profitability (ROA) it can be done by performing statistical analysis using the Statistical Package Software System (SPSS) application. Based on table 6, it can be seen that the Pearson correlation between credit volume and the level of profitability shows 0.492. Because the Pearson correlation value shows a positive 0.492, it can be seen that the volume of credit and the level of profitability has a positive relationship. Where, when the volume of credit has increased, automatically the level of profitability has also increased. Conversely, when the level of credit volume decreases, the level of profitability will also decrease.

The determinant value (R Square) between the volume of credit and the level of profitability shows 24.2%. This can be interpreted that credit volume contributes 24.2% to the level of credit volume, and another 75.8% is contributed by factors other than credit volume and loan interest rates, such as fee and commission income, income from check/BG administration services. , Trans MoneyCanger profits, service income, derivative transaction profits, general foreign exchange profits, operating and non-operating income.

The next step is to analyze non-performing loans. The step taken in analyzing the existing data is to calculate the percentage of non-performing loans using the Non-Performing Loans (NPL) ratio formula, where this ratio shows the ability of bank management to manage non-performing loans provided by banks. The higher the ratio of Non-Performing Loans (NPL) in a period, the worse the credit conditions of the bank, and vice versa when the level of Non-Performing Loans (NPL) is low, the bank is able to manage the credit provided by the bank properly. Bank Indonesia (BI) through Bank Indonesia Regulation (PBI) stipulates that a reasonable ratio of non-performing loans is $\leq 5\%$.

At PT. BRI (Persero), Tbk Makassar Ahmad Yani Branch has three types of lending to debtors, namely micro credit, retail credit, medium & corporate loans. Table 8 presents a non-performing credit report obtained from PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch which ended in the 2010-2014 period.

Credit collectibility level at PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch consists of substandard, doubtful and loss collectibility. During 2010-2014, the number of non-performing loans can be seen from the nominal amount in arrears, which is in

a substandard, doubtful, and loss collectibility position. Substandard loans are loans that for 3 (three) or 6 (six) months the mutation or transfer is not smooth, the payment of interest or principal debt is not good. Doubtful credit is credit that is not current and has reached its maturity date and cannot be settled by the debtor concerned. Meanwhile, bad credit is a continuation of efforts to settle or reactivate credit that is not current and the business is not successful.

In 2010, total problem loans Rp.19,468,403,801.12, - PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch is dominated by the number of bad loans when compared to the number of substandard and doubtful loans. Where, bad loans Rp. 13,253,296,078.12, - which is quite high compared to substandard loans Rp. 2,345,124,990, - and doubtful loans Rp. 3,869,982,733, -.

In 2011 non-performing loans PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani increased compared to 2010 with a total of IDR 21,068,189,658.15, -. The non-performing loans in that period were dominated by the large number of substandard loans Rp.12,073,710,316.28, -, while bad loans Rp.5,419,160,318.87, - and doubtful loans Rp.3,575,319,023, -.

In 2012 bank credit conditions were better than the previous period, which was indicated by a decrease in non-performing loans to IDR 3,379,754,165.87, - with total substandard loans IDR 1,987,301,637, -, doubtful loans IDR 198,415,575, -, and bad loans IDR 1,194,036,953.87, -.

In 2013 the number of problem loans PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani again experienced an increase to Rp. 19,647,523,898.27, - caused by high bad loans Rp. 17,989,644,139.27, - while doubtful credit Rp. 1,408,100,681, - and substandard Rp. 249,779,078, - which is quite low compared to the number of bad loans in that period.

In 2014 the credit quality of PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani is deteriorating, which can be seen from the number of non-performing loans which is getting higher Rp.40,956,435,040, -. Where non-performing loans in the 2014 period were due to the large number of bad loans that occurred, namely Rp.40,352,111,058, - while substandard loans were Rp.604,323,982, - and doubtful loans did not occur in that period.

Mcredit management implemented by PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani has been able to manage for the most part, which can be seen from the low position of Non-Performing Loans (NPL), although in 2011 the NPL level exceeded a reasonable level but the bank was able to overcome it again with a low level NPL in the following years and in accordance with the standard NPL fair level that has been regulated in Bank Indonesia Regulations (PBI). Then will be analyzed the relationship between non-performing loans and the level of profitability. In table 10 it can be seen the percentage level of non-performing loans and the level of profitability of PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani in 2010-2014.

Research conducted at PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani shows that in 2010 Non-Performing Loans (NPL) was 4.12% with non-performing loans Rp. 19,468,403,801.12, - and a Return on Assets ratio of 4.38% with a bank net profit of Rp. 38,540,711,118.24, -. This shows that when Non-Performing Loans (NPL) and non-performing loans are low, profitability (Return on Assets) is automatically seen from the company's overall ability to earn profits will be high. So it can be said that in 2010 non-performing loans and the level of profitability had a negative relationship, where low non-performing loans resulted in high levels of profitability.

In 2011 obtained Non-Performing Loans (NPL) of 5.06% with non-performing loans Rp. 21,068,189,658.15, - and a profitability level (Return on Assets) of 0.98% with a total bank net profit of Rp. 6,306,915,067.53, -. This can indicate that non-performing loans and the level of profitability have a negative relationship, where when non-performing loans (Non-performing Loans) increase, it will result in bad bank health so that the level of profitability (Return on Assets) decreases.

In 2012 the level of Non-Performing Loans (NPL) was 0.15% with problem loans of IDR 3,379,754,165.87, - and the level of profitability (Return on Assets) was 6.67% with a bank net profit of IDR 62,513,388,731.65.-. This shows that non-performing loans and the level of profitability have a negative relationship, where when the level of non-performing loans (Non-Performing Loans) has decreased quite well from 2011, the level of profitability (Return on Assets) will have increased quite high.

In 2013 the level of Non-Performing Loans (NPL) was 2.75% with non-performing loans of Rp. 19,647,523,898.27, - and the level of profitability using the Return on Assets (ROA) ratio of 6.41% with net profit of Rp. 70,103,486,211.70, -. This shows that the level of profitability (Return on Assets) of 6.41% has decreased compared to 2012 of 6.67%, and it can be said that non-performing loans and the level of profitability have a negative relationship. Where, the decrease in the level of profitability was due to the increase in credit that the debtor was unable to complete on time as agreed or an increase in Non-Performing Loans (NPL).

In 2014 the level of Non-Performing Loans (NPL) was 3.88% with a total non-performing loan of IDR 40,956,435,040, - and the level of profitability as measured using the Return on Assets (ROA) ratio of 6.90% with a total bank net profit of IDR 79,791,707,309.63, -. This shows that non-performing loans (Non-Performing Loans) have increased from the previous year and the same thing happened to the level of profitability which has also increased. So that in 2014, non-performing loans and the level of profitability have a positive relationship.

To determine whether there is a positive or negative relationship between nonperforming loans (Non Performing Loans) and the level of profitability (Return on Assets), statistical analysis is used, namely Pearson correlation analysis with the Software Package System Statistics (SPSS) application version 16.

Non-performing loans (NPL) and profitability (ROA) show a correlation value (r) of -0.662. Because the value of r shows -0.662, it can be said that non-performing loans and the level of profitability have a negative relationship. Where, if non-performing loans are low, then the profitability level is automatically high. Vice versa, when non-performing loans are high, the level of profitability will be low and most likely the company is in a bad condition because it is unable to overcome existing non-performing loans.

Discussion

Basically, the provision of bank loans to debtors is the backbone of banking activities. Kasmir (2018) argues that the role of banks as financial institutions will never be separated from credit activities which will later generate interest from lending which will be the bank's main income. Profitability is something that must be met by banks to maintain business continuity. Along with the many competitors in the banking world, banking management is required to continue to innovate in order to maintain the continuity of the bank's business. The higher the level of volume of credit extended by the bank, the more interest income will be obtained. When the income received increases, this will be able to increase profits and profitability will also increase. Credit volume is the main factor in increasing bank profitability. This is because credit is the main source of income as well as the biggest source of risk for banking business operations. When viewed from the Pearson correlation statistical analysis and the increase that

occurred in the credit volume and level of profitability (Return on Assets) of PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani in 2010-2014, it can be said that the volume of credit and the level of profitability have a positive relationship. Where, with an increase in credit volume tends to provide an increase in the level of profitability. Conversely, when the level of credit volume decreases, the level of profitability of PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch also tends to experience a decline. The contribution of credit volume to the level of profitability of 24.2% and another 75.8% was contributed by other factors such as fee and commission income, check/BG administration service income, Trans MoneyCanger profit, service income, derivative transaction profit, transaction profit. general foreign exchange, operating and non-operating income. The results of this study support research (Dewi & Budiasih, 2016) which found that the level of credit distribution has an effect on profitability. In this study, the higher the volume of credit extended, the greater the possibility that PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani in obtaining profit or profit which will then achieve maximum profitability in accordance with the bank's goal to obtain optimal profit.

Non-performing loans (Non-Performing Loans) can be interpreted as loans that experience repayment difficulties due to discrepancies or external factors beyond the ability of the debtor to control, so that the debtor is unable to repay the loan to the bank. The Non-Performing Loans (NPL) ratio shows the ability of bank management to manage non-performing loans provided by banks. The higher the NPL ratio, the worse the credit quality, which causes the number of non-performing loans to increase. So it can be said that the higher the NPL ratio, the lower the performance of a bank. High Non-Performing Loans (NPL) will increase costs, so that banks have to bear losses in their operational activities which can result in decreased profitability (ROA) which in turn can potentially cause bank losses. Based on the description of problem loans (Non-Performing Loans) and the level of bank profitability (Return on Assets) studied at PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch during the last five periods, namely 2010-2014 which were analyzed using Pearson correlation statistics, it can be said that non-performing loans (Non-Performing Loans) and the level of profitability (Return on Assets) have negative relationship. This means that the higher the Non-Performing Loans (NPL) ratio, the lower the bank's profitability. Conversely, when the level of the ratio of Non-Performing Loans (NPL) is low, the level of profitability will be high. If non-performing loans are high, the bank's credit quality becomes poor which causes the number of non-performing loans to increase and the probability that the bank is in a problematic condition is even greater, namely losses due to difficulties in repayment of credit provided by PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani. Although in 2014 non-performing loans (Non-Performing Loans) had experienced an increase from the previous year from 2.75% to 3.88%. Likewise, the level of profitability (Return on Assets) in 2014 increased from the previous period. This is due to other factors that cause the level of profitability to increase or decrease apart from non-performing loans, for example deposits (savings, time deposits, current accounts) and securities, so that problem loans and the level of profitability have a weak relationship. Based on the overall description and statistical analysis of Pearson's correlation using the SPSS 16 application which was carried out on non-performing loans and the level of profitability in 2011-2014, it can be concluded that problem loans and the level of profitability have a negative relationship. The results of this study support research (Suputra et al., 2014) which found that non-performing loans have a negative effect on profitability in village credit institutions.

5. Conclusion

Based on the results of the analysis and discussion that has been described, it can be concluded that the level of credit volume and level of profitability of PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani has a positive relationship. Where, when the level of credit volume decreases, the level of profitability will also decrease. Vice versa, an increase in credit volume tends to increase the profitability of PT. Bank Rakyat Indonesia (Persero), Tbk Branch Makassar Ahmad Yani. While non-performing loans and the level of profitability have a negative relationship.

That is, the increase in non-performing loans at PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch resulted in a low level of profitability. Vice versa, when PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch has decreased, so the level of profitability will be high. However, due to other factors that cause the level of profitability to increase or decrease apart from non-performing loans, for example deposits (savings, time deposits, current accounts) and securities, so that problem loans and the level of profitability have a weak relationship.

Based on these conclusions, the suggestions that researchers can give to companies, namely PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Ahmad Yani Branch is expected to be able to increase credit volume each period by providing promotions to the public and also providing explanations regarding the existence of PT. Bank Rakyat Indonesia (Persero), Tbk. Credit is the main income of banks in the banking sector, and with an increase in the volume of credit extended by banks, it is expected to be able to increase income which will also affect bank profitability. In addition, PT. Bank Rakyat Indonesia (Persero), Tbk Makassar Branch Ahmad Yani must be more careful and thorough in selecting creditors who will make loans, so as to avoid problem loans which can have a negative impact on the health of the bank. And for future researchers it is recommended to describe the results of their research better than previous researchers, to expand research data more, as well as the depth of analysis, for example by adding research variables and using a longer observation period.

6. References

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