

THE EFFECT OF INTEREST CREDIT, INFLATION AND REGIONAL BRUTO DOMESTIC PRODUCTS TO INVESTMENT CREDIT DISTRIBUTION IN COMMERCIAL BANKS IN EAST JAVA

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ABSTRACTI

Banking institutions have a very strategic role in driving the economy of a country. Speaking of banking, it certainly cannot be separated from one of its main businesses, namely lending. Credit is a gift of achievement by one party to another party which will be returned again at a certain time accompanied by a performance criterion, in the form of interest. In other words, money or goods received now will be returned in the future. This study aims to determine the effect of lending rates, inflation and GRDP on investment lending at commercial banks in East Java. This study uses secondary data obtained from the Central Statistics Agency and Bank Indonesia data for a period of 10 years starting . The analysis technique used is Multiple Linear Regression Analysis using computer aids program SPSS (Statistics Program For Social Science) Version 13.0 which shows the effect between the

independent variable and the dependent variable. The results showed that the simultaneous variables of credit interest rates, inflation and GRDP influenced the distribution of investment loans to commercial banks in East Java. While partially the GRDP variable has a positive effect on investment lending at commercial banks in East Java. While lending rates and inflation have no effect on investment lending at commercial banks in East Java.

Keywords: Investment Credit Distribution, Credit Interest Rates, Inflation, Gross Regional Domestic Product (GRDP).

Preliminary

Banking institutions have a very strategic role in mobilizing a country's economy. Bank as a business partner for the community, because of its role which can help meet the financial needs of the community. The bank is also a place that can be used to carry out various transactions related to finance like, a place to save money, send money, payments, make investments. Speaking of banking, it certainly cannot be separated from one of its main businesses namely lending. Credit is a gift of achievement by one party to another party which will be returned again at a certain time accompanied by a performance criterion, in the form of flowers. In other words, the money or goods received now will be returned in the future. There are two types of parties involved in credit matters, namely parties

credit providers (creditors) and credit recipients (debtors) (Mardiyatmo, 2008: 93). Investment credit distribution by banks depends on several factors such as GRDP, inflation, and credit interest rates. Here researchers will discuss more specifically about investment credit, wherein this investment credit is a credit given to entrepreneurs for investment, means for additional capital and not for purpose repair or addition of capital goods or facilities that are closely related with that. For example, to build factories, buy / replace machines and forth (Hismendi, 2015) Speaking of credit, of course there are granting achievements and contra achievements. Suyatno et al. 2007: 100) write, credit is the granting of achievements (for example money and goods) with reply performance (contra achievement) that will occur in the future. That achievement intended is the amount of money or goods given by the bank as a creditor to the borrower as.

Theory of the theory

Bank Theory

According to Kasmir (2014: 14) in his book, Banks are business entities collect funds from the public in the form of deposits and distribute them back to the community in the form of credit and or other forms in in order to improve the lives of many people. While the banking business includes three activities, namely raising funds, channeling funds and providing bank services the other.

Credit Theory

Credit is a gift of achievement by one party to another party will be returned again at a certain time accompanied by a performance criterion,

in the form of flowers. In other words, the money or goods received now will be returned in the future. There are two parties involved in terms of credit kinds, namely credit providers (creditors) and credit recipients (debtors) (Mardiyatmo, 2008: 93).

Investment Credit

Investment loans are medium or long term loans

given to efforts to rehabilitate, modernize, expand or

the establishment of new projects, for example for the purchase of machinery, buildings and land for the factory. This investment credit is used for the purchase or procurement of goods capital goods such as the purchase of machinery, buildings, land for factories, purchases new production equipment, improvement of production equipment on a large scale. (Rivai & Veithzal, 2007: 15)

Interest Theory

Interest rate is the value, level, price or profit given to

investors from the use of investment funds on the basis of calculation of economic value in certain period of time. Bank interest rates are used to control

a country's economy. Interest rates are set and determined by the government aims to maintain the sustainability of a country's economy. This interest rate is important to be taken into account because the average investor is always expecting greater investment returns. According to Mishkin (2008: 4), interest rates are costs of loan or the price paid for the loan fund (usually

expressed as a percentage per year).

Inflation Theory

According to Bambang and Aristanti (2007) Inflation is the process of price increases of general price continuously. Inflation will cause a decline

people's purchasing power. This happens because inflation will decrease level of income.

GRDP Theory

Gross Regional Domestic Product (GRDP) is one indicator commonly used to measure the level of success of economic development region / region. Because the success of a development is very dependent on the ability of the

region to mobilize limited resources in such a way that it can make structural changes that can encourage overall economic growth and economic structure

RESEARCH METHODOLOGY

This study uses a quantitative approach seen from the type of data that is Numbers with the dependent variable Investment Credit Distribution (Y) and independent variables TribesCredit Interest (X1), Inflation (X2), GRDP (X3). The type of data used in this study is secondary data that uses time series or time series data 10 the year is 2007-2016. Credit interest, inflation and GRDP data are obtained from the Agency Statistics Center (BPS) of Surabaya City. While investment lending data is obtained from previous research and data from the Bank Indonesia website.

Data analysis techniques in this study used the classic assumption test and hypothesis test by the method of multiple linear regression analysis. General form of the regression equation model

used in this research are:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + u \dots\dots\dots (\text{Sulaiman, 2004: 80})$$

Where:

Y = Number of Investment Loans disbursed by Commercial Banks in East Java

X1 = Credit Interest Rate

X2 = Inflation

X3 = Gross Regional Domestic Product

B0 = Constant

$\beta_1, \beta_2, \beta_3$ = Regression Coefficient

e = Error or confounding variable, is representative of all other factors that are can affect credit distribution, but not included in the model because assumed to be zero

The results of the multiple linear regression

Based on the results of hypothesis testing shows that the value of t table with a real level (α) of 0.05 (5%) with df 6 of 2.44691.

Based on table 4.1.1 partial calculation, the t value is 0.603 while the value of t table ($\alpha / 2 = 0.025$) with degree of freedom (df) 6 (n-k-1)

obtained the value of t table of 2.44691. From these results it is known that the value of t count 0.603

\leq t table 2.44691. The partial value of r^2 for the variable Credit Interest Rate is 0.488, which means Credit Interest Rate

(X1) partially able to explain the dependent variable Investment Credit

Distribution (Y) of 8% while the remaining 51.2% cannot be explained by these variables.

Based on table 4.1.1 partial calculation, the t value is -0.662 while the value of t table ($\alpha / 2 = 0.025$) with degree of freedom (df) 6 (n-k-1) obtained the value of t

table of 2.44691. From these results it is known that the value of t arithmetic $-0.662 \leq$ t table 2.446.

The value of r^2 is partial for the Inflation variable of 0.510, which means

Inflation (X2) partially able to explain the variable dependent Investment Credit (Y) of 51% while the remaining 49% cannot be explained by these Based on table 4.1.1 partial calculation, the value of t is 15.940 while the value of t table ($\alpha / 2 = 0.025$) with degree of freedom (df) 6 (n-k-1) obtained the value of t table of 2.44691. From these results it is known that the calculated t value of

$15,940 \geq$ t table 2.44691

The partial r^2 value for the GRDP variable is 0.993, which means the GRDP

(X3) partially

able to explain the variable dependent Investment Credit (Y) of 99.3% whereas the remaining 0.7% cannot be explained by these variables.

Discussion

Based on the results of the simultaneous test it can be seen that the entire independent variable is

Loan Interest Rates, Inflation and Gross Regional Domestic Product (GRDP) have an effectsimultaneous and tangible towards Investment Credit Distribution at Commercial Banks in East Java. Loan Interest Rates do not significantly affect investment lending at a commercial bank in East Java. So the results of this study are not in accordance with the allegations or the hypothesis of the researcher in the previous chapter. That with a decrease in lending rates has no effect on increasing investment lending. Because society or The entrepreneur will take an investment credit at a commercial bank in East Java to fulfill needs in increasing production and in the context of business expansion. Businessmen will continue to take investment loans even if interest rates rise, due to loan funds it is used to replace fixed assets that have expired technical and economic life, increase production / business expansion and to improve cost efficiency. Besides that

when there was an increase in interest rates for the last 10 years the rate of increase in Indonesia

not so high, different when in 1998 where a monetary economic crisis occurred resulting in many companies going bankrupt so as to borrow capital will be felt very difficult with large interest rates. This research is in accordance with the research conducted by Ningsih, Daryanti (2010) and Indrayani, Zuzila (2013).

Inflation does not significantly affect investment lending at banks common in East Java. So the results of this study are not in accordance with the allegations or hypotheses of researchers.

The level of inflation that occurs is not the only basis for indicators that determine consideration

bank management decision-making in determining its lending policy. Because each bank has its own considerations and policies in making decisions in determining the amount of credit extended to debtors in need. Ride falling inflation does not have an excessive effect on demand for credit the debtors. Debtors, especially entrepreneurs, will still need loan funds investment credit as a company's operational capital and to meet if available increase in sales or demand from consumers. In addition, when there is an increase the inflation rate for the last 10 years the rate of increase in Indonesia is not so high

, different when in 1998 where there was a monetary economic crisis that resulted in manythe company went bankrupt and the economy plummeted so that when inflation went up and out

companies need capital injections by applying for credit then it will add up the risk of bankruptcy in that company. This research is in accordance with research

Previously by Daryanti Ningsih (2010) and Astri Indriyanti (2017). Gross Regional Domestic Product (GRDP) significantly influences distribution investment credit. So this is in accordance with the allegations or hypotheses of researchers. Increase in GRDP shows the level of prosperity achieved by the community. This increase too represent an additional income of the community while changing consumption patterns society becomes higher. On the other hand, additional income drives the community or entrepreneurs apply for credit to banks. This is caused by the ability of the side income increases and can be used to pay credit installments. So with the higher the GRDP level, the higher the investment credit will also be. Thing proficiency level because entrepreneurs need funds or capital for the continuity of productionhis company. This is in accordance with previous research conducted by Hismendi (2015).

Conclusion

Based on the analysis described in the previous chapter, it can be taken conclusion as follows:

1. Credit Interest Rates do not affect the Investment Credit Distribution at Banks Common in East Java.
2. Inflation has no effect on investment lending at commercial banks in Java East.
3. GRDP affects the Distribution of Investment Credit at Commercial Banks in Java East.

Suggestions

Based on the above analysis, then some suggestions that can be concluded by the authors are as follows:

Bank Indonesia as the central bank is expected to increase supervision on setting loan interest rates at commercial banks in East Java for distribution Investment credit can match the target of the debtor who needs funds or capital to expansion or operation of the company.

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