

CREDIT RISK LEVEL ANALYSIS IN PT. BANK SULSELBAR

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Keywords

Loan to Deposit Ratio (LDR);
Non-Performing Loan (NPL).

Abstract

This study aims to determine and analyze the level of credit risk in terms of Non-Performing Loans (NPL) and Loan to Deposit Ratio (LDR) at PT. South Sulawesi Bank. The type of research used is descriptive quantitative. The population in this study is the financial statements of PT Bank Sulselbar from 2016-2020. While the sample in this study is the balance sheet and credit collectibility of PT Bank Sulselbar in 2016-2020. Data analysis techniques using the ratio of Non-Performing Loans (NPL) and Loan to Deposit Ratio (LDR). The results showed that the Non Performing Loan (NPL) of PT. Bank Sulselbar has met the standards set by Bank Indonesia and is included in the safe category because it does not exceed the predetermined limit. In such circumstances PT. Bank Sulselbar is said to be healthy. Loan to Deposit Ratio (LDR) PT. Bank Sulselbar has not met the standards set by Bank Indonesia, because the LDR value of PT. Bank Sulselbar which has exceeded the safe limit. This is PT. Bank Sulselbar is in the unhealthy category and it also shows that the

bank's liquidity condition is in a less effective condition.

INTRODUCTION

Banks are financial institutions that play an important role in the economy because banking can increase growth and development, especially in the economic field (Hasibuan, 2003). Basically, a bank is a business entity that collects funds from the public in the form of deposits and distributes them back to the public in the form of credit and or other forms (Taswan, 2006). Credit is the largest allocation of funds for banks that provide large profits for banks. Hasibuan (2007) credit is one part of capital formation carried out by financial institutions, in this case the banking sector to the community in an effort to encourage business performance, so that it can be used to increase the productivity of real sector businesses carried out by the community individually or in groups.

Banks in carrying out their functions as intermediary institutions, optimizing lending to customers, do not rule out the possibility of risks faced by banks in lending. Tampubolon (2004) credit risk is defined as the risk of loss in relation to the borrower (counterparty) being unable and unwilling to fulfill the obligation to repay the borrowed funds in full at maturity or thereafter. Therefore, banks must be careful in channeling credit.

In lending, banks must be prepared to face credit risk which causes the credit to become non-performing. The risk that will be faced by the bank in providing credit is if the debtor fails to fulfill his obligations, both principal and interest, then credit risk occurs in this case, namely the risk of the debtor failing to fulfill the agreed agreement. Loans that are failed to be paid by the debtor cause the bank's funds to not return so that the funds should be used to meet the bank's obligations to the debtor concerned so that the bank cannot fulfill its obligations to other third parties, this is referred to as liquidity risk.

As for the tendency of losses that arise in the credit business due to the high number of bad loans due to the lack of serious bank attention after the credit runs. Another factor that is quite important is the very minimal analysis carried out by banks when there is a change in the business cycle. Dendawijaya (2005) credit analysis or credit assessment is a process intended to analyze or assess a credit application submitted by a prospective debtor, so as to provide confidence to the bank that the project to be financed with bank credit is quite feasible. With this credit analysis, it can prevent the possibility of default by prospective debtors. Default in this case is the customer's failure to fulfill his obligations to pay off the credit he received (principal installments) along with the mutually agreed interest.

A situation where the customer is no longer able to pay part or all of his obligations to the bank as agreed is called non-performing loans (NPL). Non-Performing

Loan (NPL) is a bank's ability to manage non-performing loans in a bank (Hamidah, 2014). Credit risk is one of the bank's business risks as a result of uncertainty in the return or non-payment of credit provided by the bank to the debtor.

The ratio that shows the company's ability to meet its obligations or pay its short-term debt is called the liquidity ratio. The liquidity ratio is used to measure whether a company is liquid or not. If a company fulfills its obligations, it means that the company is liquid, whereas if the company cannot fulfill its obligations, it means that the company is not liquid. One of the ratios used to measure the level of liquidity is the Loan to Deposit Ratio (LDR).

PT. Bank Sulselbar is a financial institution that earns income in the form of interest received from debtors. With the existence of lending activities, banks also market other bank products such as demand deposits, savings, deposits, remittances (transfers) and so on. Meanwhile, to determine the level of risk that occurs, a credit analysis or credit assessment is carried out on non-performing loans or problem loans including substandard, doubtful and bad loans.

Table 1. Data on Total Third Party Funds, Loans and Non-performing Loans for the 2016-2020 Period

Year	Total Third Party Funds (In million rupiah)	Credits Granted (In million rupiah)	Troubled Credit (In million rupiah)
2016	11.532.786	11.878.918	60.448
2017	11.730.847	14.004.137	78.137
2018	13.335.995	15.971.680	81.456
2019	15.633.974	18.424.051	230.472
2020	16.185.816	19.653.527	132.145

In table 1 above, we can see that credit extended has increased during the last five years 2016-2020, the increase in third party funds was also followed by an increase in total loans extended from 2016-2020. Meanwhile, total non-performing loans increased during the last four years 2016-2019 due to customers not being able to return the amount of loans received from the bank. In 2020 non-performing loans decreased because banks were able to minimize credit risk so that banks were able to resolve non-performing loans which included debtor collection or compensation, filing claims to credit insurance companies.

The amount of third party funds also affects credit distribution, this is because the higher the funds raised by the bank, the more credit disbursed, if the bank is unable to channel credit while the funds collected are large, then this can cause the bank to lose. With the increase in the amount of credit, the bank must also manage the credit it disburses so that there is no loss. The amount of credit disbursed can pose a risk to the

bank, one of the risks is uncertainty in the return that leads to a change in the status of the credit.

RESEARCH METHOD

This research design uses quantitative descriptive and this study uses two credit risk variables, namely Loan to Deposit Ratio (LDR) and Non-Performing Loan (NPL). The data collection technique used is documentation. Documentation is the collection of data obtained from the records owned by the company in the form of the financial statements of PT. Bank Sulselbar through www.banksulselbar.co.id. The research data was obtained from the financial statements of PT Bank Sulselbar from 2016-2020 and what will be analyzed are the balance sheet and credit collectibility of PT Bank Sulselbar in 2016-2020.

The data analysis technique used in this research is to use descriptive method. According to Sugiyono (2016) Descriptive analysis is a technical data analysis that will be used, collects data that has been determined, then groups it, interprets, and analyzes the data and compares it with theory, so that it can provide information and a clear picture then draw a conclusion and then give suggestions.

RESULT AND DISCUSSION

Result

1. Credit Risk Level Analysis using Non-Performing Loans (NPL)

Non-performing loans are the failure of the debtor to fulfill its obligations to pay installments. The level of credit risk is reviewed with NPL because NPL can be used to measure the extent to which existing non-performing loans can be met with earning assets owned by a Bank.

Table 2. Non-Performing Loan (NPL) PT. Bank Sulselbar 2016-2020

Year	Non-performing Loans (In millions of rupiah)	Loans Granted (In millions of rupiah)	Percentage (%)
2016	60.448	11.878.918	0,51
2017	78.137	14.004.137	0,56
2018	81.456	15.971.680	0,51
2019	230.472	18.424.051	1,25
2020	132.145	19.653.527	0,67

Source: Financial Report of PT. South Sulawesi Bank 2022

Based on table 2 above, it can be seen that the Non-Performing Loans (NPL) for 2016 experienced fluctuations. NPL in 2016 of 0.51% this value can be interpreted that every 100% of loans given by Bank Sulselbar 0.51% are bad loans. Meanwhile, for 2017 there was an increase of 0.05% to 0.56% or in other words bad loans to 0.56% of the

total loans. The increase in the NPL ratio was due to the fact that in 2017 substandard loans, doubtful loans and bad loans were higher than 2016. In 2018 the NPL ratio decreased by 0.05% to 0.51% this value can be interpreted that every 100 % Loans granted by Bank Sulselbar of 0.51% were bad loans in 2018 the decrease in this ratio was due to Non-performing loans (substandard loans, doubtful loans and bad loans), each of which decreased compared to the previous year.

In 2019 there was an increase of 0.74% to 1.25% or in other words bad loans to 1.25% of the total loans granted. The increase in the NPL ratio was due to the fact that in 2019 substandard loans, doubtful loans and bad loans were higher than in 2018. While in 2020 the NPL ratio decreased by 0.58 to 0.67% this value can be interpreted that every 100% Loans granted by Bank Sulselbar of 0.67 are bad loans for 2020. The decrease in this ratio was due to Non-performing loans (substandard loans, doubtful loans and bad loans), each of which decreased compared to the previous year.

2. Credit Risk Level Analysis using Loan to Deposit Ratio (LDR)

Loan to Deposit Ratio (LDR) is a ratio used to determine the Bank's ability to repay obligations to customers who have invested their funds with credits that have been given to their debtors.

Table 3. Loan To Deposit Ratio (LDR) PT. Bank Sulselbar 2016-2020

Year	Loans Granted (In millions of rupiah)	Total Third Party Funds (In millions of rupiah)	Percentage (%)
2016	11.878.918	11.532.786	103,00
2017	14.004.137	11.730.847	119,38
2018	15.971.680	13.335.995	119,76
2019	18.424.051	15.633.974	117,85
2020	19.653.527	16.185.816	121,42

Source: Financial Report of PT. South Sulawesi Bank 2022

From table 3 above, it can be seen that in 2016 the amount of credit given to PT. Bank Sulselbar amounted to IDR.11,878,918,000,000 and the amount of third party funds was IDR.11,730,847,000,000 with an LDR ratio of 103.00%. In 2017 the number of loans disbursed was IDR. 14,004,137,000,000 and the amount of third party funds was 11,730,847,000,000 with an LDR ratio of 119.38%, an increase of 16.38% this was due to the increase in the number of loans. From the previous year. In 2018 the amount of credit granted was IDR. 15,971,680,000,000 and the amount of third party funds was IDR. 13,335,995,000.00 with an LDR ratio of 119.76%. In 2019 the number of loans granted was IDR.18,424,051,000,000 and the amount of third party funds was IDR.15,633,974,000,000 with an LDR ratio of 117.85%, while in 2020 the number of loans granted was IDR.19,653.527,000,000 and the amount of third party funds is IDR.

16,185,816,000,000 with an LDR ratio of 121.42%. This is because the amount of credit disbursed is higher than the existing Third Party Funds.

Data Analysis

In accordance with the analysis used, the data required in the form of financial statements of PT. South Sulawesi Bank. The financial statements used are financial statements for 5 years, from 2016 to 2020. Then the financial report data is analyzed using several ratios in accordance with Bank Indonesia regulations.

Table 4. Analysis of Non-Performing Loans (NPL) at PT. Bank Sulselbar Period 2016-2020

Year	Bank Indonesia Standards (%)	NPL (%)	Description
2016	< 5	0,51	Good Credit
2017	< 5	0,56	Good Credit
2018	< 5	0,51	Good Credit
2019	< 5	1,25	Good Credit
2020	< 5	0,67	Good Credit

From table 4 above, it can be seen that the ratio of Non Performing Loan PT. Bank Sulselbar from 2016-2020, respectively, namely, 0.51%, 0.56%, 0.51%, 1.25% and 0.67%. From year to year the NPL ratio fluctuates. This shows that the quality of credit disbursed by PT. Bank Sulselbar can be categorized as current credit. Because the NPL ratio does not exceed the standard set by Bank Indonesia, which is <5%.

Table 5. Loan To Deposit Ratio (LDR) at PT. Bank Sulselbar Period 2016-2020

Year	Bank Indonesia Standards (%)	LDR (%)	Description
2016	78 - 94	103,00	Ineffective
2017	78 - 94	119,38	Ineffective
2018	78 - 94	119,76	Ineffective
2019	78 - 94	117,85	Ineffective
2020	78 - 94	121,42	Ineffective

From table 5 above, it can be seen that the Loan to Deposit Ratio (LDR) ratio of PT. Bank Sulselbar from 2016-2020 did not meet the standards set by Bank Indonesia, namely 78-94%. This means that it is less effective in this condition because it will increase the risk of bank liquidity.

DISCUSSION

Non Performing Loan Ratio (NPL) and Loan to Deposit Ratio (LDR) are ratios that describe a relationship or comparison between a certain amount and another amount.

With ratio analysis, a healthy and unhealthy picture of the condition or financial position of a Bank can be obtained. To assess the level of credit risk faced by Bank Sulselbar, a study was conducted on financial statements to calculate financial ratios, namely Non Performing Loans (NPL) and Loan to Deposit Ratios (LDR). The values of the two ratios are then compared with the standards set by Bank Indonesia, as presented in the following table.

Table 6. Research Results Analysis of Credit Risk Levels at PT. Bank Sulselbar

Agency Name	Ratio	Stipulation Standard	Year				
			2016	2017	2018	2019	2020
PT. Bank Sulselbar	NPL	<5%	0,51%	0.56%	0,51%	1,25%	0,67%
	LDR	78%-94%	103,00%	119,38%	116,76%	117,85%	121,42%

Based on table 6 above, in terms of Non-Performing Loans (NPL) loans disbursed by PT. Bank Sulselbar classified as good category. This can be seen from the NPL ratio for the last five years, namely in 2016 the ratio of non-performing loans (NPL) which was 0.51%, is still classified as current because the maximum value for the NPL ratio is in accordance with the standards set by Bank Indonesia, which is 5%. Then, in 2017 credit quality still started to improve compared to the previous year, which was 0.51% to 0.56%. In 2018, the NPL ratio again decreased by 0.51%. In 2019 it increased again at 1.25% and in 2020 the ratio again decreased to 0.67%. So this is PT. Bank Sulselbar is included in the safe category because it does not exceed the limit set by Bank Indonesia, which is <5%. Then the NPL ratio of PT. Bank Sulselbar is said to be healthy for the last five years. This is because PT. Bank Sulselbar applies the principle of prudence in lending.

Furthermore, it can be seen from the Loan to Deposit Ratio (LDR) that the LDR ratio is a ratio to measure a bank's ability to meet its short-term obligations. In terms of Loan to Deposit Ratio (LDR) PT. Bank Sulselbar for the last five years, namely in 2016 by 103.00%, and in 2017 it increased from the previous year which was 119.38%, and in 2018 the LDR ratio decreased to 116.78%, while in 2019 LDR ratio increased by 117.85%, and in 2020 LDR increased by 121.42%. So this is PT. Bank Sulselbar exceeded the maximum limit set by Bank Indonesia, which is 78-94%, this shows that PT. Bank Sulselbar is in the unhealthy category and it also shows that the Bank's liquidity condition is in a less effective state. Because the disbursed funds have exceeded the collected funds or third party funds. This means that it can be said that PT. Bank Sulselbar is less effective in managing Third Party Funds.

CONCLUSION

Non-Performing Loan (NPL) PT. Bank Sulselbar has met the standards set by Bank Indonesia and is included in the safe category because it does not exceed the specified limit. In such circumstances PT. Bank Sulselbar is said to be healthy. Loan to Deposit Ratio (LDR) PT. Bank Sulselbar has not met the standards set by Bank Indonesia, because the LDR of PT. Bank Sulselbar which has exceeded the safe limit. Then PT. Bank Sulselbar is in the unhealthy category and this also shows that the bank's liquidity condition is in a less effective state.

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