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The Influence of the Amount of Bank Funds, Working Capital Loan Interest Rates and Inflation on Working Capital Loan Distribution in Regional Development Bank

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Abstract

This research aims to determine the effect of the amount of bank funds collected, working capital credit interest rates, and inflation on working capital credit distribution at Regional Development Banks.This type of research is associative research with a quantitative approach. The type of data used in this research is secondary data in the form of data on the amount of bank funds collected, working capital credit interest rates, and inflation on working capital credit distribution of Regional Development Banks in Indonesia. The analysis technique used is panel data regression using E-Views.The results of this research show that the amount of bank funds collected has a positive and significant effect on the distribution of working capital credit at Regional Development Banks. Working capital credit interest rates have a negative and significant effect on working capital credit distribution at Regional Development Banks. Inflation has a positive and significant effect on working capital credit distribution at Regional Development Banks. The amount of bank funds collected, working capital credit interest rates, and inflation have a positive and significant effect on working capital credit distribution at Regional Development Banks.

Keywords: Amount of Bank Fund Collection; Working Capital Credit Interest Rate; Inflation; Working Capital Credit Distribution

1. Introduction

Regional Development Banks (BPD) are considered to have an important role innational economic recovery because it is an accumulation of regional economic strengthening. For this reason, four institutions agreed to strengthen the role of Regional Development Banks (BPD) in the national economy [1]. Regional Development Bank (BPD) as one of the banks in the national banking system has significant functions and roles in the context of regional economic development, because the Regional Development Bank (BPD) is able to open a service network in areas where it is economically impossible for banks to do so private [2]. Working capital credit is provided by bank in order to provide company's working capital needs. The company's working capital can be in the form of the company's operational needs, including the need for funds to cover the company's receivables, the need for funds to cover the use of funds in the process of making products or goods and other working capital needs. Working capital products include current account credit, which is credit given with a certain ceiling with withdrawals adjusted to the customer's needs. So, the debtor's credit balance will fluctuate according to credit withdrawals and deposits. The interest charged to customers is in accordance with the credit balance multiplied by the loan deposition period [3]. At the start of the Covid-19 pandemic, banking credit growth experienced a slowdown, in line with the national economic contraction in 2020. However, in the last four years, banking credit has continued to show resilience in recorded solid growth [4]. The Regional Development Bank (BPD) itself is known for its credit distribution allocation to date growing impressively.

The achievements of the Regional Development Bank (BPD) are far away better than other bank groups such as state-owned banks which only grew 3.36%, joint venture banks only grew 2.16%, national private public bankswhich is even -0.86%, and foreign bank branches -5.35% [5]. Although the growth in Regional Development Bank (BPD) credit is modest much higher, but this has not been able to boost the rate of industrial credit distribution which grows 1.53% every year. This occurs due to bad credit from the working capital segment at Regional Development Banks (BPD), which on average reaches 9.7%, causing Regional Development Banks (BPD) to have to control the allocation of working capital credit to avoid increasing levels of bad credit [6].

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2. Literature Review

2.1. Working Capital Loan

Working capital credit is short-term credit provided by banks or other financial institutions to finance working capital needs companies, such as purchasing raw materials and supplies, paying salaries employees, and other operational costs. Working capital credit generally has short term and guaranteed by the company's liquid assets, such as inventory or receivables [7]. Meanwhile, the working capital credit allocation is allocating financial resources to meet cash needs necessary to carry out company operations [8]. The amount of working capital credit allocation is the amount of credit provided by a bank to a company to finance working capital needs company in the short term. The amount of working capital credit allocation is determined based on the company's working capital needs, the company's capabilities in paying credit installments, and credit assessment carried out by the bank against company [9].

2.2. Funding Bank

Fundraising banking is defined as the process carried out by banks to obtain sources of funds from various parties, such as customers, investors, and sources of funds others, to then be used as capital to finance activities bank operations and business expansion [10]. Several indicators of bank fund collection include growth customer deposits, sale of bank securities, increase in bank capital, increase in the number of bank loans, as well as bank investment performance [11]. Apart from that, the bank fund collection indicator also includes a total increase funds collected, increase in the number of customer deposits, credit growth provided by banks, increases in bank deposit interest rates, and performance bank investment [12].

2.3. Working capital credit interest rates

Working capital credit interest rates are costs that must be paid by companies to borrow funds to finance their operational activities [13]. One indicator of working capital credit interest rates is the interest rate market flowers. This market interest rate reflects the required cost of capital borne by the company to borrow funds from the capital market [14]. The interest rate on these loans reflects the cost of capital which must be borne by the company to borrow funds from the bank or other financial institutions [15].

2.4. Inflation

Inflation is a significant and continuous increase in prices goods and services in an economy over a certain period of time. Inflation low and stable levels can encourage economic growth and provide long-term price stability [16]. The Consumer Price Index (CPI) is the most common indicator used to measure inflation. The Consumer Price Index (CPI) measures changes in the average price of goods and services consumed by households [17]. Apart from that, the Producer Price Index (PPI) can also be indicators that measure changes in the prices of goods and services from a point of view producer. The Producer Price Index (PPI) includes prices of raw materials, goods semi-finished, and finished goods [18].

3. Research Method

This type of research is associative research with a quantitative approach. The scope of research is the boundaries or scope of topics to be examined in research. This research was conducted at several Regional Development Banks listed in Indonesia, so that the research data will be obtained from the website of each Regional Development Bank. In this study, it is known that all Regional Development Banks listed in Indonesia with a total of 28 companies. The secondary data used in the study are in the form of annual reports of Regional Development Banks listed in Indonesia for the period 2017 - 2022.

The secondary data includes information that has been collected and archived by the bank, including financial data, performance, and other relevant information. This data collection technique with documentation allows researchers to utilize existing data efficiently and can save time and resources needed to collect data directly. The data analysis used in this research is panel data regression. Panel data regression is a combination of cross section data and time series data, where the same cross section unit is measured at different times [19]. This analysis is used to determine how the dependent variable can be predicted through the independent variables individually and simultaneously. The panel data regression equation in this study is as follows:

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + €$$

4. Results and Discussion

To determine which regression model to choose between random effects or fixed effects in this research, the Lagrange Multiplier test, Chow test and Hausman test. Following are the results of the Lagrange test in Table 1:

Table 1. Lagrange Multiplier Test Result

Breusch-Pagan	*Prob. Cross-Section*
	0,3545

Based on the results of the Lagrange Multiplier test in Table 1, it was found that the Breusch-Pagan Cross Section Probability has a value of 0.354 > 0.05. Through these results it can be concluded that in this research, the model The most suitable one to use is the Common Effect Model (CEM) rather than the Random Effect Model (REM).

The results of the Chow test in this research can be seen in:

Table 2. Chow Test Result

Effects Test	*Statistic*	*d.f.*	*Prob.*
Cross Section Random	*1,303186*	*(27,135)*	*0.1643*
Cross – Section Chi-square	*38,448468*	*27*	*1,1860*

Source: Data processed by e-views

Based on the Chow test results in Table 2, it was found that the value of Prob. Cross Section Chi-Square is 1.186 > 0.05. Through these results you can it was concluded that within the framework of this research, the Common Effect approachThe (CEM) model is more suitable to use compared to the Fixed Effect Model (FEM) in the panel data analysis process.

The results of the Chow test in this research can be seen in:

Table 3. Hausman Test Result

Test Summary	*Chi-Sq. Statistic*	*Chi-sq. d.f.*	*Prob.*
Cross Section Random	*1,402748*	*3*	*0.7049*

Source: Data processed by e-views

Based on the Hausman test results in Table 3, it was found that the value Prob. Cross Section Chi-Square is 0.70 > 0.05. Through these results you can It can be concluded that in the context of this research, the most appropriate approach appropriate is the Fixed Effect Model (FEM) compared to Random Effect Model (REM) in panel data analysis. These results provide strong indications that the Fixed Effect Model (FEM) is more suitable and relevant to answer the problem being studied is compared with the Random Effect Model (REM). However, the Chow test results state that the selected model is Common Effect Model (CEM) rather than Fixed Effect Model (FEM). Therefore, the Common Effect Model (CEM) will be used to analyze panel data in this research.

Hypothesis testing is a statistical process used to make decisions about a statement or hypothesis proposed about the population based on available sample data. The function of hypothesis testing is to assist researchers in making decisions based on statistical evidence that has been obtained through panel data regression analysis results. The t-statistic test is used to test the effect individually in the panel data regression model. This is useful in determining whether certain independent variables significantly affect the dependent variable. The results of the t-statistical test in this study can be seen in Table 2.

Tabel 4. T-Statistic Test Results

Variable	*t-Statistic*	*Prob.*
X1	*9,149843*	*0,0000*
X2	*-2,607308*	*0,0100*
X3	*9,073464*	*0,0000*

Source: Data processed by e-views

Based on the results of the t-statistical test in Table 4, it can be seen that collecting bank funds (X1) has a calculated t value of 9.149 > t table 1.654 with a significance value of 0.00 < 0.05, which means it collects bank funds (X1) has a positive and significant effect on the distribution of capital credit funds work (Y). The working capital credit interest rate (X2) has a calculated t value of - 2.607 > t table -1.654 with a significance value of 0.01 < 0.05 which means working capital credit interest rates (X2) have a negative and significant effect on distribution of working capital credit funds (Y). Inflation (X3) has a calculated t value amounting to 9.073 > t table 1.654 with a significance value of 0.00 < 0.05 which This means that inflation (X3) has a positive and significant effect on fund distribution working capital credit (Y).

The F-statistic test is used to test the overall effect of the panel data regression model. The results of the F-statistic test in this

study can be seen in Table 3

Table 5. F-Statistic Test Result

F-Statistic	*59,18510*
Prob (F-Statistic)	*0,000000*

Source: Data processed by e-views

Based on the results of the F-statistical test in Table 4.7, it can be seen that the modelfirst, the calculated F value was 59.18 > F table 2.83 with level significance is 0.00 < 0.05, which means simultaneously collecting bank funds (X1), working capital credit interest rates (X2), and inflation (X3) has a positive and significant effect on the distribution of working capital credit funds (Y).

The coefficient of determination (R2) is a measure that describes how well the variability of the dependent variable can be explained by the panel data regression model. It is the proportion of the total variability in the dependent variable that can be explained by the independent variables in the model. The results of the coefficient of determination (R2) in this study can be seen in Table 6.

Table 6. Coefficient of Determination Result

R-squared	*0,522905*
Adjusted R-squared	*0,514070*

Source: Data processed by e-views

Based on the results of the coefficient of determination in Table 6, it was found that has an Adjusted R Square value of 0.5140. This indicates that in this study, there was around 51.40% variability in the distribution of capital credit funds work (Y) can be explained by collecting bank funds (X1), credit interest rates working capital (X2), and inflation (X3) or collecting bank funds (X1), interest rates working capital credit (X2), and inflation (X3) contributed 51.40% towards the distribution of working capital credit funds (Y).

5. Conclusions

Based on the results obtained from this research the number of bank depositors has a positive and significant influence on working capital credit distribution at the Regional Development Bank. With the amount of funds raised large, Regional Development Banks have more funding sources can be used to provide loans to business actors in the form of working capital credit. total capital credit interest rate work has a negative and significant influence on capital credit distribution worked at the Regional Development Bank. High interest rates will increase borrowing costs for business actors who need working capital. inflation has a positive influence and significant to the distribution of working capital credit to the Development Bank Area. Controlled inflation can create a more economic climate dynamic. As prices grow, businesses may feel encouragement to utilize working capital credit to expand production or increase the supply of goods and services. This condition creates demand additional working capital credit that can be fulfilled by the Bank Regional development. controlled inflation can also create an environment where interest rates tend to be low. Low interest rates can be increasing the attractiveness of working capital credit due to higher borrowing costs affordable for businesspeople. This can encourage demand for capital credit work, enabling Regional Development Banks to be more active in. the amount of bank funds collected, working capital credit interest rates, and inflation have a positive influence and significant impact on the distribution of working capital credit to the Development Bank Area. The large amount of bank funds collected provides the Bank Regional development of sufficient resources to meet needs distribution of working capital credit. With Moderate working capital credit interest rates are key in encouraging the interest of business actors to take out credit. The interest rate affordable can stimulate demand for working capital credit due to costs lower borrowing. This makes business actors more motivated to utilize credit facilities offered by Development Bank Regions, thereby increasing credit distribution. Controlled inflation rate can create a stable economic environment. Moderate inflation shows healthy and stimulating economic growth business people's trust. Under these conditions, they are more likely to take risks and apply for working capital credit for business expansion or additional production activities. With the synergy between the amount of collection high bank funds, moderate working capital credit interest rates, and inflation controlled, Regional Development Banks can play an active role in support regional economic growth.

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