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ANALYSIS OF EXTERNAL AND INTERNAL FACTORS AS DETERMINANTS OF INDONESIAN LOAN DISBURSEMENT IN COMERCIAL BANKS FROM 2017 TO 2022

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ABSTRACT

This study aimed to analyze factors affecting the loan disbursement in commercial banks in Indonesia from 2017 to 2022. The independent variables analyzed were Third-Party Funds (TPF), Non-Performing Loan (NPL) Capital Adequacy Ratio (CAR), BI Rate, Gross Domestic Product (GDP), and IDR/USD Exchange Rate. The study of factors affecting the loan disbursement in commercial banks used the quantitative approach with Error Correction Model (ECM). The results of the study were as follows. (1) TPF had a significant positive effect on the loan disbursement in the long term and the short term. (2) NPL had a significant negative effect on the loan disbursement in the long term and short term. (3) CAR had a significant negative effect on the loan disbursement in the long term and short term. (4) BI Rate did not have a significant effect on the loan disbursement in the long term and short term. (5) GDP in the long term had a significant positive effect on the loan disbursement, but it did not have a significant effect in the short term. (6) IDR/USD Exchange Rate had a significant positive effect on the loan disbursement in the long term and short term

Keywords*: TPF; NPL; CAR; BI Rate; GDP; IDR/USD Exchange Rate; Error Correction Model*

1. Introduction

According to Mulyono (1994), banks as financial institutions have a significant role in the economy. Banks as a financial institution play a role in collecting and distributing funds to various units. After collecting funds from the public in the form of current accounts, deposits and savings, the bank will redistribute these funds to various sectors in need. Bank activities in distributing these funds are known as credit. Credit is the ability to purchase a loan with an agreement to make deferred payments based on a time period agreed upon by the various parties involved.

The existence of credit is one of the keys to the previously unimaginable growth of the economic cake. Harari (2014) describes credit as a tool that allows us to stimulate productive activities in the present with the guarantee of a better future economically.

Based on research results, Syahfitri (2013) concluded that there is a positive and significant relationship between working capital credit, investment and consumption on economic growth in Indonesia. Similar research was also conducted by Dwiastuti (2020) who tried to draw conclusions regarding the influence of credit on economic growth and welfare of district/city communities in West Kalimantan province. The results of this research show a positive relationship between the three types of credit on economic growth in West Kalimantan with a significant influence between consumption and investment credit on the dependent variable.

Efforts to increase economic activity by increasing the amount of credit need to be accompanied by the principle of prudence. This is because the greater the amount of credit offered, the greater the risk of default faced.

There are many things that commercial banks consider when distributing credit. Apart from the factors mentioned above, there is one very crucial variable to consider, namely Third Party Funds (TPF). Third party funds are one of the largest sources of bank funds collected by banks.

In theory, Third Party Funds (TPF) are one of the factors in determining credit offers. The increase in funds collected from the public will of course also increase the amount of credit offered by a bank.

The entry of the Corona virus outbreak in Indonesia seems to have a big impact on business development which then affects the financial sector. Therefore, the government began to implement expansionary monetary policy by easing liquidity, reducing policy interest rates and also easing macroprudential instruments. Even though these various policies have been implemented, the hampered economy in the real sector due to the implementation of large-scale social restrictions (PSBB) is certainly one of the important factors that makes banks re-evaluate the credit offers they will provide.

Banks as intermediary institutions that play a role in providing economic stimulus in the form of credit consider several factors to determine the amount of credit that can be distributed. In general, these factors can be differentiated into internal factors and external factors. From an internal perspective, the bank not only looks at the third party funds (TPF) that have been collected, but also considers the Non-Performing Loan (NPL) ratio, as well as the availability of sufficient capital to handle risky assets resulting from lending.

It is very important to monitor the bank's health level regularly and detect potential risks caused by excessive or inappropriate loan disbursement. Bad credit that exceeds the maximum limit will cause banks to be reluctant to make offers because of the risks they can face. As a result, loan disbursement to the public is reduced, and banks choose to place their funds in less risky items such as bonds and securities. Therefore, bank capital is an important aspect for overcoming the risk of bad credit. The capital adequacy ratio (CAR) is a measurement used to assess the adequacy of capital owned by a bank for risky assets such as lending (Darmawan, 2017).

Apart from internal banking aspects, banks also take into account external factors in making credit offering decisions, such as monetary policy implemented by the government through the BI rate instrument as a reference interest rate. The BI rate is a reflection of Bank Indonesia's attitude in responding to economic conditions. Apart from paying attention to monetary decisions determined by Bank Indonesia, commercial banks also monitor domestic economic conditions. One important indicator for assessing the economic condition of a country at a certain time is Gross Domestic Product (GDP). Another economic condition that is also related to banking performance is the exchange rate Exchange rate. The exchange rate is the value of the domestic currency against foreign currency (dollars). During the 1997 economic crisis, which started with the fall of the Thai currency, it created a global domino effect which also affected domestic banking (Nopirin, 2000).

The factors above are several things that have an indication of influence on banking loan disbursement, and there are many other factors that influence credit performance in general banking. However, in this research, only six variables will be taken which represent internal and external factors in the form of Third Party Funds (TPF), Non Performing Loans (NPL), Capital Adequacy Ratio (CAR), BI rate, Gross Domestic Product (GDP) and the IDR/USD Exchange rate. This research was carried out because there are still several problems in the banking world, especially those related to banking credit performance in the early days of the Covid-19 pandemic which showed a significant decline compared to the amount of additional third party funds. So there needs to be an explanation that can rationalize this phenomenon. Thus, it is hoped that this research can provide an explanation that is appropriate to the context and contribution in the banking world regarding the credit performance of conventional banks

in Indonesia. Based on the background above, this research takes the title "Analysis of External and Internal Factors as Determinants of Indonesian Banking Loan disbursement in 2017-2022".

2. Literature Review

2.1 Theory of supply and demand of money

According to classical theory, the demand for money is seen as a tool for carrying out transactions. This is a theory put forward by Irving Fisher. Meanwhile, according to Keynes (1936), the demand for money is divided into several motives, namely transactional, precautionary and speculative. The demand for money will determine the quantity of money supplied. However, banks cannot easily fulfill this credit request, banks need to consider several factors both internally and externally, for example economic conditions and the monetary policy implemented (Febrianto and Dul, 2013)

Banks as intermediary institutions play a role in circulating money to the public in the form of credit. Credit offered by banks consider several aspects both internally and externally. According to Melitz and Pardue (1973), there are several factors that influence banks' decisions in providing loans or credit, including: the amount of credit offered, mandatory bank reserves, interest rates, and deposits. Meanwhile, external factors are central bank monetary policy or the subsequent effects of central bank policy. Loan disbursement can be directly caused by central bank policy. According to Stiglitz and Weiss (1981), what must be understood is that the amount of credit given is very dependent on the existing risks. Risk is reflected in the interest rate provided by the bank.

2.2 Credit Crunch Theory

The discussion regarding the significant decline in the amount of credit is a phenomenon termed "credit crunch". In general, a credit crunch is defined as a significant contraction that occurs in the availability of funds for credit (Bernanke and Friedman, 1992). This contraction can be caused by steps taken by the relevant government, which implements contractionary policies to reduce inflation or the circulation of money in circulation. These forms of policy include, for example, increasing reference interest rates or tightening credit supervision. Contractions can also be caused by internal banks themselves deciding to tighten credit in response to banking financial conditions or potential risks that may occur. The impact of this credit crunch will worsen a country's economic conditions, for example a decline in exports, and so on.

3. Research Methods

The type of research used in this research is quantitative research. Quantitative research itself is a research method used to examine certain populations or samples (Sugiyono, 2018). Specifically, this research seeks to determine the influence of the independent variable on the dependent variable. The subjects of this research are commercial banks operating in Indonesia and recorded in the Indonesian Banking Statistics (SPI). Meanwhile, the object studied is loan disbursement in the 2017-2022 period. This research used documentation method for collecting the data. The documentation method collects data from secondary records, books, minutes, magazines, etc. So this research obtained monthly data for several related variables from the period 2017 to 2022.

3.1 Error Correction Model

This research uses time series data. The form of time series data can be stationary or non-stationary. For stationary data, Ordinary Least Squares (OLS) method can be used, where the model will describe the long-term influence of the independent variable on the dependent variable. Meanwhile, non-stationary data, if the same method is used, will cause false

regression problems. According to Doddy Ariefianto (2012) spurious regression is a situation where a regression has good significance, even though it has no meaning at all. In this case, non-stationary data can use an error correction model (ECM). Error Correction Model (ECM) is one way that can be used to find relationships between non-stationary variables by correcting short-term imbalances towards long-term balance. This model can also provide an explanation of the independent variable with the dependent variable currently and in the past. To apply ECM modeling, cointegration conditions are required for the independent and dependent variables. Variables that have cointegration can be used well for modeling and knowing the effect of the independent variable on the dependent variable in the short term, and how quickly it can be adjusted to return to long-term equilibrium (Ariefianto 2012).

There is a significance value that can be used as a benchmark, where if the significance value is less than 0.05, then the alternative hypothesis is accepted. Conversely, if the significance value is more than 0.05, then the alternative hypothesis is rejected.

4. Research Findings and Discussion

4.1 Multiple linear Regression

Multiple linear analysis is an analysis that aims to build an equation that connects the independent variable (X) with the dependent variable (Y). Multiple linear regression analysis can be used to determine forecast or guess values. In testing the stationarity of the data which was carried out previously using the ADF unit root test at level or I(0), it was discovered that the data was non-stationary. After that, the Johansen Cointegration Test was carried out on the data, and it was concluded that there was a cointegration relationship. This indicates that there is a long-term relationship between the existing variables. The long-term regression results on the internal and external sides are stated as follows:

Table 1 Odinary Least Square

Variabels	**Long-term (OLS)**	
	Coefficient	**Probability**
LN_TPF	0.941032	0.0000
LN_NPL	-0.279040	0.0000
LN_CAR	-0.742869	0.0000
C	6.448866	0.0000
R-squared	0.938276	
Durbin-watson	0.371386	
BI *rate*	11832.55	0.6670
GDP	0.697467	0.0000
Exrate	280.9805	0.0000
C	-1643272.	0.0020
R-squared	0.879606	
Durbin-watson	0.250856	

Source: Eviews 10 calculations

The table above can be expressed in the form of equation as follows:

$lnKred = 6.44886 + 0.94103lnDPK - 0.27904lnNPL - 0.74287lnCAR$ *(1)*

$Kred = -1643272 + 11832.55BIR + 0.697467GDP + 280.981Exrate$ *(2)*

Information:

(1) = Multiple linear regression equation internal log-linear model

(2) = External side multiple linear regression equation

The long-term regression results on the internal side have a constant value of 6.44886, this number is the natural logarithm form of the log-linear equation used, so the number does not use the proper units (billions of Rupiah). The three independent variables, namely TPF, NPL, and CAR have a probability of 0.000. The long-term regression results on the external side have a constant value of -1643272. This shows that if the value of the external independent variables is zero, then the bank constantly needs funds of 1,643,272 billion Rupiah to be able to distribute credit back to the public. As for this equation, the independent variables in the form of GDP and the IDR/USD exchange rate have a probability value of 0.000, while the independent variable BI rate has a probability value of 0.6670.

The Error Correction Model (ECM) method is one way to overcome false regression tendencies. The application of long-term regression with non-stationary data is likely to experience imbalance in the short term, so that this requires short-term balance correction towards the long term. The ECM method is a technique that can carry out these corrections, with the prerequisite of a long-term cointegration relationship. The model popularized by Engle and Granger has two stages that need to be carried out. The first stage is to get the residual value from the long-term regression equation using the OLS method. The second stage is to enter the residuals into the equation, and perform a short-term regression again. The equation can be declared valid if the residual variable named Error Correction Term (ECT) shows a negative coefficient and a significant probability value. The regression results using the ECM method can be seen in the following table:

Table 2 Error Correction Model

Variabels	**Short-term (ECM)**	
	Coefficient	**Probability**
TPF	0.223362	0.0054
NPL	-0.186422	0.0000
CAR	-0.341437	0.0000
C	-2.12E-05	0.9843
ECT (-1)	-1.81E-08	0.0382
BI *rate*	11746.07	0.7383
GDP	0.217636	0.0976
Exrate	91.43443	0.0000
C	19452.55	0.0036
ECT (-1)	-0.105499	0.0061

Source: Eviews 10 calculations

The table above can be expressed in the form of equation as follows:

$$D2lnKred = -0.0002 + 0.22336D2(lnDPK) - 0.18642D2(lnNPL) - 0.34144D2(lnCAR) - 0.000000018(ECT)$$ *(1)*

$$DKred = 19452.55 + 11746.07D(BIR) + 0.217636D(GDP) + 91.43443D(Exrate) - 0.105499(ECT)$$ *(2)*

Information:
(1) = Multiple linear regression equation internal log-linear model
(2) = External side multiple linear regression equation
D = First difference form
D2 = Second difference form
ECT = Error Correction Term

The short-term regression results on the internal side have a constant value of -0.0002. The three independent variables, namely TPF, NPL, and CAR have a probability of 0.00. Meanwhile, the residual or ECT variable has a probability value of 0.038 and a negative coefficient value. Thus, the ECM model specifications are valid for use. The short-term regression results on the external side have a constant value of 19452. This shows that if the value of the independent variables on the external side is zero, then bank loan disbursement is constant at 19,452 billion Rupiah. As for this equation, the independent variables in the form of GDP and BI rate have a probability value of 0.738 and 0.098 respectively, while the independent variable IDR/USD exchange rate has a probability value of 0.000. Meanwhile, the residual or ECT variable has a probability value of 0.006 and a negative coefficient value. Therefore, modeling with ECM can be declared valid.

The independent variables in the research will be classified into internal independent variables and external independent variables. Independent variables from the internal side are things related to information regarding banking performance in running a company which consists of the variables Third Party Funds (TPF), Non Performing Loans (NPL), and Capital Adequacy Ratio (CAR). Meanwhile, independent variables from the external side are things related to domestic economic conditions consisting of the BI rate, Gross Domestic Product (GDP), and the exchange rate or exchange rate. The explanation regarding hypothesis testing is explained as follows.

Effect of Third Party Funds (X1) on Loan disbursement (Y)

The significance value of the Third Party Funds (TPF) variable using the OLS method is 0.000 < 0.05. This shows that in the long term there is a significant influence of TPF on bank loan disbursement. The coefficient value of the TPF variable using the OLS method is 0.941. This can be interpreted as meaning that an increase in the TPF value of 1 percent will increase the amount of credit disbursement by 0.941 percent in the long term. Meanwhile, the significance value of the TPF variable using the ECM method is 0.005 < 0.05. This shows that in the short term, there is a significant influence of the TPF variable on bank loan disbursement. The coefficient value from the regression results shows a positive number, namely 0.223. This can be interpreted as meaning that an increase in the TPF variable by 1 percent will have an impact on increasing the amount of credit disbursement by 0.223 percent in the short term.

The regression results of the TPF variable which has positive significance are in accordance with research conducted by Darmawan (2017) which states that TPF has a positive and significant influence on banking loan disbursement. This is related to the function of banks as institutions that have the main function of intermediation. In other words, banks absorb funds from the public and distribute them back according to proportion. Therefore, the more deposits a bank obtains, the higher the bank's capability to distribute credit to the public. According to Dendawijaya (2003) TPF is the biggest factor in determining the amount of loan disbursement. The TPF that is successfully collected from the public can range between 80 to 90 percent of the total funds owned by the bank, and around 80 percent of the TPF will be redistributed in the form of credit. The conclusions in this research also strengthen the results of research conducted by Dasih (2021), Murnisari (2020), and Gayo, et al (2022), which stated that there was a pattern of positive and significant relationship between the TPF variable and loan disbursement.

Effect of Non Performing Loans (X2) on Loan disbursement (Y)

The significance value of the Non Performing Loan (NPL) variable using the OLS method is 0.000 < 0.05. This shows that in the long term there is a significant influence of the NPL variable on bank loan disbursement. The coefficient value of the NPL variable using the OLS method is -0.279040. This can be interpreted as meaning that an increase in the NPL value

of 1 percent will reduce the amount of credit disbursement by 0.279 percent in the long term. Meanwhile, the significance value of the NPL variable using the ECM method is 0.005 < 0.05. This shows that in the short term, there is a significant influence of the NPL variable on bank loan disbursement. The coefficient value from the regression results shows a negative number, namely -0.186422. This can be interpreted as meaning that an increase in the NPL variable of 1 percent will have an impact on reducing the amount of credit disbursement by 0.186 percent in the short term.

This conclusion is in accordance with the findings of Rarasati (2022) and Arida (2021) which stated that the NPL variable has a negative and significant influence on bank loan disbursement. A bank that has a higher NPL value is a sign that the bank has declining financial health. NPL is the ratio of bad credit to total credit provided. Thus, the higher the NPL, it indicates that the number of bad loans is increasing relative to total credit. Banks in this case need to improve credit quality by increasing credit interest rates in order to reduce the amount of risk caused by customers who do not pay principal and interest bills on time or by tightening the policy for accepting credit applications by customers. This will of course have an impact on reducing the amount of credit disbursed by the public.

Apart from that, high NPLs also cause the number of bank risk assets to increase, this needs to be responded to by banks by increasing the amount of reserves at the bank to cover the losses experienced (Arif, 2017). This can have a negative effect on loan disbursement, considering that funds that could be used as capital to distribute credit are instead diverted to cover risks on bank assets. Thus, the amount of credit disbursement will decrease along with the increase in the NPL ratio at the bank. This conclusion strengthens the results of research conducted by Darmawan (2017) and Syahwildan (2023) which states that there is a significant and negative influence of the NPL variable on banking loan disbursement.

Effect of Capital Adequacy Ratio (X3) on Loan disbursement (Y)

The significance value of the Capital Adequacy Ratio (CAR) variable using the OLS method is 0.000 < 0.05. This shows that in the long term there is a significant influence of the CAR variable on bank loan disbursement. The coefficient value of the CAR variable using the OLS method is -0.742869. This can be interpreted as meaning that an increase in the CAR value of 1 percent will reduce the amount of credit disbursement by 0.743 percent in the long term. Meanwhile, the significance value of the CAR variable using the ECM method is 0.000 <0.05. This shows that in the short term, there is a significant influence of the CAR variable on bank loan disbursement. The coefficient value from the regression results shows a negative number, namely -0.341437. This can be interpreted as meaning that an increase in the CAR variable of 1 percent will have an impact on reducing the amount of credit disbursement by 0.341 percent in the short term. Thus, the CAR variable, both long term and short term, has a negative and significant influence on bank loan disbursement. This is in accordance with research conducted by Khairiyah, et al (2022) which states that the CAR variable has a negative effect on loan disbursement. The initial assumption presented as a guess is that a higher CAR ratio will give the bank more capacity to distribute credit. However, this only applies in certain increasing conditions, where a low CAR ratio will reduce the bank's health. Apart from this case, an increase in CAR will actually reduce loan disbursement to banks. This is because a high CAR is a sign that there are idle resources. Idle resources are a lost opportunity for banks to utilize this capital to increase the number of credit offers (Billy, 2010).

Apart from that, the negative influence of CAR on loan disbursement can also be explained in terms of the risks that arise due to loan disbursement. As is known, CAR is a ratio that measures capital adequacy in dealing with risky assets arising from assets such as lending. Risk Weighted Assets (RWA) will thus increase along with the increase in the amount of credit disbursed. Thus, if the increase in risk is not accompanied by an increase in the amount of

capital, then of course the capital adequacy to RWA ratio (CAR) will decrease. So the relationship pattern between CAR and loan disbursement appears to be the opposite or negative. This conclusion strengthens research conducted by Khairiyah, et al (2022) and Melinda (2021) which states that there is a negative and significant influence of the CAR variable on bank loan disbursement.

Effect of BI rate (X4) on Loan disbursement (Y)

The significance value of the BI rate variable using the OLS method is 0.6679 > 0.05. This shows that in the long term there is no significant influence of the BI rate variable on bank loan disbursement. Meanwhile, the significance value of the BI rate variable using the ECM method is 0.7383 > 0.05. This shows that in the short term, there is no significant influence of the BI rate variable on bank loan disbursement.

The BI rate is a reference interest rate that is expected to become a benchmark for banks in determining credit and deposit interest rates. Therefore, the policy for determining the BI rate will certainly influence the determination of banking interest rates. However, the high and low bank interest rates also take into account internal banking factors such as Non-Performing Loans (NPL), Capital Adequacy Ratio (CAR), Operating Expenses to Operating Income (BOPO), and the composition of the bank's credit. Apart from that, banks did not immediately respond when the government issued a policy to determine the BI rate and needed time to consider other factors, at that time banks were still using the previous BI rate as a reference. Therefore, it is not certain that an increase in the BI rate will have a significant impact on loan disbursement in the long or short term. For example, the BI rate reached 6 percent from December 2018 to July 2019, which was the highest in the last six years, but the amount of credit disbursement in that period was consistently at 5000 - 5801 trillion Rupiah, which is not very visible. too significant an influence. Demand for credit remained high during this period. The business sector will continue to borrow credit as capital or investment and get more profits. This conclusion is in accordance with research conducted by Haryanto and Widyarti (2017) and Aristiyoga, et al (2018) which stated that there is no significant relationship between the BI rate and bank loan disbursement.

Effect of Gross Domestic Product (X5) on Loan disbursement (Y)

The significance value of the Gross Domestic Product (GDP) variable using the OLS method is 0.000 < 0.05. This shows that in the long term there is a significant influence of the GDP variable on bank loan disbursement. The coefficient value of the GDP variable using the OLS method is 0.697467. This means that an increase in the CAR value of 1 percent will increase the amount of credit disbursement by 0.697 percent in the long term. Meanwhile, the significance value of the GDP variable using the ECM method is 0.0976 > 0.05. This shows that in the short term, there is no significant influence of the GDP variable on bank loan disbursement. Gross Domestic Product (GDP) is an indicator used to measure the economic condition of a country in a certain period. GDP that is experiencing growth is a sign that there is an increase in the performance of economic actors who produce various goods and services. Good economic performance is a good signal for the business sector to maximize production output in order to increase company income. This was then responded well by the banking world with the availability of working capital and investment loan services. Vice versa, when economic conditions are sluggish, which is indicated by negative GDP figures, the business sector will postpone investment and wait until economic conditions improve. As a result of this, the number of requests for credit will of course also decrease (Irwan, 2010). This happened at the start of the pandemic, where the impact of social restrictions caused a decline in real sector productivity. This was then responded to by the business sector by postponing investment and credit loans, which ultimately reduced credit demand (Maulana, 2021). This

finding is in accordance with research conducted by Herdiyansah (2021) and Cahyaning (2015) which states that in the long term, there is a positive and significant relationship between the GDP variable and bank loan disbursement. Meanwhile, in the short term, there is no significant influence of the GDP variable on loan disbursement. This is because the data used in the GDP variable is quarterly data which is interpolated to obtain monthly data. Meanwhile, loan disbursement data is available in monthly form. Meanwhile, loan disbursement data is available in monthly form. GDP released quarterly will only have an effect on loan disbursement at the time the GDP data is obtained, so short-term relationships using monthly data cannot yet be seen.

Effect of the IDR/USD Exchange Rate (X6) on Loan disbursement (Y)

The significance value of the exchange rate variable using the OLS method is 0.000 < 0.05. This shows that in the long term there is a significant influence of the exchange rate variable on bank loan disbursement. The coefficient value of the exchange rate variable using the OLS method is 280.9805. This means that an increase in the exchange rate of 1 Rupiah will increase the amount of credit disbursement by 280 billion Rupiah in the long term. Meanwhile, the significance value of the exchange rate variable using the ECM method is 0.005 < 0.05. This shows that in the short term, there is a significant influence of the exchange rate variable on bank loan disbursement. The coefficient value from the regression results shows a positive number, namely 91.43443. This can be interpreted as meaning that an increase in the exchange rate variable of 1 Rupiah will have an impact on reducing the amount of credit disbursement by 91 billion Rupiah in the short term.

This finding is in accordance with research conducted by Cahyaning (2015) and Darmawan (2017) which concluded that the exchange rate variable or the exchange rate of the Rupiah against the Dollar has a significant positive influence on banking loan disbursement. This is related to the behavior of exporters who see opportunities in exporting domestic goods. When the domestic exchange rate experiences depreciation, the selling price of export goods will increase. This is used by the business sector to increase the production output of export goods, so that the profits obtained will increase. Likewise, if the value of the domestic currency appreciates, then the profits obtained from exports will decrease, considering that domestic production costs are in Rupiah while profits from exporting goods will be received in foreign currency. Therefore, exporters' demand for capital credit and investment will also decrease. From a banking perspective, the exchange rate or domestic currency that experiences appreciation will cause loans in foreign currency to become risky considering that the cost of repaying credit will increase, and vice versa. Apart from that, the value of bank assets in the form of foreign currency will also decrease along with currency appreciation. This causes the credit offers provided by banks to also decrease.

5. Conclusion

a. Third Party Funds (TPF) have a positive and significant influence on banking loan disbursement, both in the long term and in the short term. This means that the higher the TPF collected by the bank, the higher the loan disbursement will be. Banks as intermediary institutions have one function, one of which is managing public savings funds and channeling them back in the form of credit. The majority of deposits held by banks are thus channeled back in the form of credit. So that the increasing TPF will be followed by an increase in the amount of loan disbursement.
b. Non-Performing Loans (NPL) have a negative and significant influence on banking loan disbursement, both in the long term and in the short term. This means that the higher the NPL ratio, the less loan disbursement will be, and vice versa. Banks that have relatively high NPLs need to reduce the risk of bad credit by increasing interest

rates. Apart from that, banks also need to allocate funds that can be used for lending to reserves at the bank to cover losses.

c. Capital Adequacy Ratio (CAR) has a negative and significant influence on banking loan disbursement, both in the long term and in the short term. This means that the higher the CAR value, the less loan disbursement will be, and vice versa. A high CAR is a sign that there are idle resources. Idle resources are a lost opportunity for banks to utilize this capital to increase the number of credit offers. In addition, as the amount of credit disbursement increases, risky assets will also increase so that the ratio of capital to risk-weighted assets (CAR) will become smaller.
d. The BI rate has an insignificant influence on loan disbursement, both in the long term and in the short term. Although it is hoped that the determination of the BI rate can be used as a reference source for banks, there are internal bank factors that also serve as benchmarks in determining credit and deposit interest rates. Apart from that, banks did not immediately respond when the government issued a policy to determine the BI rate and needed time to consider other factors, at that time banks were still using the previous BI rate as a reference.
e. Gross Domestic Product (GDP) has a positive and significant influence on banking loan disbursement in the long term, but in the short term there is no significant influence. This means that in the long term the higher GDP will be followed by the greater the amount of credit disbursement. GDP that is experiencing growth is a sign that there is an increase in the performance of economic actors. The business sector has responded to this by maximizing production output in order to increase company income, so that the amount of demand for capital credit and investment will increase.
f. The exchange rate has a positive and significant influence on banking loan disbursement, both in the long term and in the short term. This means that the more the IDR/USD increases (depreciates), the more the amount of credit disbursement will increase. This is related to the behavior of exporters who see opportunities in exporting domestic goods. When the domestic exchange rate increases (depreciates), the selling price of export goods will increase. This is used by the business sector to increase the production output of export goods, so that the profits obtained will increase.

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