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by Turnitin Indonesia

Submission date: 02-Dec-2023 10:17AM (UTC+0700)

Submission ID: 2244931730

File name: Hidayat_REF.pdf (213.65K)

Word count: 7858

Character count: 40710

Third Party Funds and CAR Impact on Credit Distribution with Non performing Loans as a Moderating Variable

Wastam Wahyu Hidayat*, Sugeng Suroso and Cahyadi Husadha

Lecture-Faculty of Economics and Business Universitas Bhayangkara Jakarta-Indonesia.

Abstract: The objective of this paper is to determine the effect of third party funds and capital adequacy ratio on lending and non-performing loans as moderating variables in banking companies in Indonesia, the independent variables are, third party funds and capital adequacy ratio, and non-performing loans, while the dependent variable is Credit Distribution, while Non-Performing Loan is the Moderating variable. The object of this research is banks listed on the Indonesia Stock Exchange from 2017 to 2020. The number of samples is ten banking based on the purposive sampling technique. The research method uses the Statistical Package for the Social Sciences-21 application to run regression analysis and which includes: descriptive statistics, classical assumption test, multiple linear regression analysis, moderated regression analysis, and hypothesis testing. Research data is normally distributed, free from multicollinearity, heteroscedasticity, and autocorrelation. The results of this study indicate that partially the Third Party Fund variable has a significant and positive influence on Credit Distribution, and the Capital Adequacy Ratio has no effect on Credit Distribution, while the Non-Performance Loan moderating variable can moderate third party funds on Credit Disbursement, on the contrary, the moderating variable Non Performance Loans cannot moderate the Capital Adequacy Ratio to Credit Distribution. Banking credit distribution can be influenced by third-party funds, the Capital Adequacy Ratio does not affect credit distribution. The Independent ability to explain the dependent variable is 49.2%. Meanwhile, the remaining 50.8% is explained by other independent variables outside the model. Third party funds have been very difficult to distribute to the community, because the community has not been able to afford it and what are the funds used for so they can return them. This study provides insight into the effect of third party funds and the capital adequacy ratio on credit distribution

Keywords: Third-Party Funds, Capital Adequacy Ratio, Non-Performing Loans, Credit Distribution.

JEL classification: C33, C38, E21, E22, E26, G20.

1. INTRODUCTION

The Economic growth in a country can be seen in the development of the business world in that country. The business world in Indonesia is currently experiencing very rapid development, it can be seen from the many new companies that have emerged with competitive advantages. (Ismawanto et al., 2020), revealed that third-party funds are funds obtained from a community that has excess funds and will be redistributed in the form of a credit to people who lack funds. According to (Sari & Abundanti, 2016) Bank, credit for the community can improve the standard of living of a community because credit can be used for investment and consumption. Capital Adequacy Ratio (CAR) is a variable used to measure the level of bank capital adequacy by using a comparison between core capital and supplementary capital with Risk-Weighted Assets (RWA). According to (Suryawati et al., 2018) stating that sufficient or a lot of bank capital is very important because capital can be useful to facilitate the operational activities of a bank. (Indriati et al., 2018), explains that the amount of credit given by the bank must

reflect the quality based on the credit. Banks must be more careful in lending to avoid risk in non-performing loans or so-called non-performing loans. According to, (Ismawanto et al., 2020) The higher the value of bad loans or commonly called net performing loans, the lower the credit that will be distributed because the bank's capital or profit is reduced and transferred to credit risk allowance. According to (Hadi & Wahyuningtyas, 2020), the performance of banks that successfully manage their credit will increase, while the performance of banks that experience a lot of bad loans will decrease. According to (Sari & Abundanti, 2016). To increase credit, banks need to know the factors that influence lending, where there are two factors, namely internal factors, and external factors. According to (Sari & Abundanti, 2016) factors that can affect credit distribution are third-party funds (DPK), return on assets (ROA), non-performing loans, and the number of Bank Indonesia Certificates (BIC). According to (Ni Made, 2016) internal factors that can affect bank lending are third-party funds (TPF), capital adequacy ratio (CAR), Non-Performing Loans (NPL), loan deposit ratio (LDR), and return on assets (ROA). , while external factors that affect lending are SBI interest rates and inflation. Previous research on the effect of Third Party Funds (TPF) on Credit Distribution. Third-Party Funds have a positive and significant influence on Credit Distribution (Darma et al.,

*Address correspondence to this author at the Lecture Faculty Economic and Business, Campus Bhayangkara Jakarta Raya University, Indonesia; E-mail: wastam.wahyu@dsn.ubharajaya.ac.id

2017). Third-Party Funds have a negative and insignificant effect on Credit Distribution (Wau, 2019). Previous research on the effect of the Capital Adequacy Ratio (CAR) on Credit Distribution. The capital Adequacy Ratio has a positive and significant influence on Credit Distribution (Ismawanto et al., 2020). The capital Adequacy Ratio has a positive and insignificant effect on Credit Distribution (Satria Prabowo, et al., 2018). Previous research on the effect of Non-Performing Loans (NPL) on Credit Distribution. Non-Performing Loans have a positive and significant effect on Credit Distribution (Darma et al., 2017). Non-Performing Loans have a negative and insignificant.

2. LITERATUREREVIEW

The According to, (Dendawijaya, L 2014), credit is the provision of money or claims that can be equated with it, based on an agreement or loan agreement between a bank and another party that requires the borrower to pay off his debt after a certain period in return or profit-sharing. So it can be interpreted that credit is given based on trust and prudence. This understanding means that there is trust from the creditor (the creditor) to the credit recipient (the debtor) so that the credit given can be returned following the agreed agreement, (Suryawati et al., 2018) state that credit is the provision of money or a claim that can be equated with it, based on an agreement or loan agreement between the bank and another party, which requires the borrower to repay the debt after a certain period with interest, compensation or profit-sharing. Meanwhile, according to (Made et al., 2016) credit is a delay in payment, meaning that money or goods can be received now while payment or repayment is made in the future. According to (Wau, 2019) a person or entity that provides credit believes that the credit recipient (the debtor) in the future will be able to fulfill everything that has been promised. What has been promised can be in the form of goods, money, or services. So the meaning of credit in economics is a delay in payment of achievements given now, both in the form of goods, money, or services. (Ratnasari, 2012) states that the granting of a credit facility has a specific purpose. The purpose of providing credit will not be separated from the mission of the bank. According to (Dendawijaya, L.2014) the purpose of banks to channel credit is to obtain profitability.

Credit Distribution

According to (Wau, 2019), in everyday language, the word credit is often interpreted as obtaining goods by paying installments or in installments in the future or obtaining a loan of money whose payment is made by agreement. So, it can be interpreted that credit can be in the form of money or goods. Either in the form of money or goods, the payment method is the installment or installment method. The demand for money will remain high despite high-interest rates provided that economic growth is good and capital goods can be used to the maximum (Haryanto & Widyarti, 2017). The main revenue from banks is expected from lending. Considering that this credit distribution is classified as a productive asset or the level of acceptance is high, as a consequence credit distribution also contains a relatively higher risk than other assets (Putri & Akmalia, 2016). The distribution of

funds in the form of credit has an important role in generating profits for each bank because one of the largest incomes of banks is in the form of interest income obtained from fund distribution activities (Indriati, et.al 2018). According to (Sari & Abundanti, 2016). The main activity carried out by the bank is to distribute credit. The main source of bank income comes from lending activities in the form of interest income. Therefore, lending is very helpful for the economic activities of people who need funds and will generate profits for banks in the form of loan interest income. According to (Billy Arma Putra, 2010), lending is non-bank third party deposits consisting of demand deposits, savings, and time deposits (deposits) which are measured at the Position of Third Party Funds (TPF) at Commercial Banks at the end of the monthly period expressed in billion rupiah.

Third Party Funds (TPF)

One of the factors that determine the amount of credit disbursed is the Third Party Funds (TPF) that it has successfully collected. Funds raised from the public (third party funds) turned out to be the largest and most reliable source of funds by banks (can reach 80%-90% of all funds managed by banks). TPF includes funds in the form of savings, deposits, loans from the public, current accounts, and other equivalent forms (Suryawati et al., 2018). Third-Party Funds are public savings funds in the form of demand deposits, savings, and time deposits. This source of funds is used as a field that can generate income for banks, one of which is channeling credit (Darma et al., 2017). According to (Suryawati et al., 2018) The amount of third-party funds is positively proportional to the amount of credit disbursed, because of the increasing number of third-party funds that have been collected from savings and deposits, the ability of banks to channel credit also increases. banks to the public will be able to improve people's living standards because the credit can be used for investment and other consumption needs. Third-party funds are funds obtained from the community, what is meant by the community can be defined as individuals, companies, household governments, cooperatives, foundations, and others both in rupiah and foreign currencies. In each bank that acts as a collector, funds obtained from the public are the largest source of funds that are most relied upon by banks (Utami & Muslikhati, 2019). the bank. According to (Indriati, et al, 2018), TPF is a source of bank funds that banks rely on and is the most important for bank operations. The search for funds from this source is relatively easy when compared to other sources and the search for funds from this source of funds is the most dominant, as long as it can provide interest and other attractive facilities. Sources of third-party funds are used as fields that can generate income for banks, one of which is lending. According to (Darma et al., 2017) One of them is public funds which are the majority of all funds collected by banks in daily business activities. The higher the third-party funds, the higher the credit that will be disbursed by the bank. The high credit risk of total third-party funds indicates that the bank concerned is in a less liquid state, which means the bank's ability to meet short-term obligations (Wau, 2019). According to (Adnan, et al. 2016). The formula for calculating Third Party Funds is as follows:

Third Party Funds; = Current Account + Savings + Deposit

Capital Adequacy Ratio (CAR)

The capital adequacy ratio (CAR) is a ratio that measures capital adequacy to risk from bank assets. So CAR can be said to be a bank performance ratio that is used to estimate the level of capital adequacy owned by a bank to support assets that contain or generate risks, for example, loans extended by banks. CAR (Capital Adequacy Ratio) can show the level of capital adequacy of a bank. A high CAR value will increase the ability in terms of bank finances including anticipating losses arising from banking lending activities (Darma et al., 2017). Capital Adequacy Ratio (CAR) is a capital ratio which means it can show a bank's ability to provide funds for business development purposes and accommodate the risk of loss of funds that can be caused by bank operations (Utami & Muslikhati, 2019). In short, it can be said that the large CAR value will increase the confidence of banks in extending credit. Bank Indonesia Regulation Number 10/15/PBI/2008. The minimum CAR value is 8%. Banks that are considered healthy are banks that have a Capital Adequacy Ratio (CAR) above 8%, so the higher the CAR indicates the better the bank's health level. The Capital Adequacy Ratio (CAR) is a ratio to measure the capital adequacy of the bank to support assets that contain or generate risks, for example, the financing provided (Utami & Muslikhati, 2019). Based on the definition of CAR, it can be said that when a bank has a high CAR, the bank has sufficient capital to carry out its operational activities including financing distribution activities and the bank can bear the risks that may arise when carrying out its activities. The CAR ratio is a capital ratio that shows the bank's ability to provide funds for business development purposes and accommodate the risk of loss of funds caused by bank operational activities (Siringoringo, 2017). According to (Amelia & Murtiasih, 2017) the capital adequacy ratio (CAR) is a bank performance ratio to measure the adequacy of capital owned by banks to support assets that contain or generate risks, for example, lending. high and adequate capital will increase the number of bank lending. According to (Ayem & Wahyuni, 2017) Capital Adequacy Ratio (CAR) is a ratio that shows how far all bank assets contain risks (credit, investment, securities, claims on other banks). also financed from sources outside the bank such as public funds, loans (debt), etc. According to (Adnan, et al, 2016). The formula for calculating the Capital Adequacy Ratio is as follows:

$$\text{CAR} := \frac{\text{Core Capital} + \text{Supplementary Capital}}{\text{Risk-weighted assets}} \times 100\%$$

Non Performing Loan (NPL)

Bad credit is part of bad credit. One of the health levels of a bank is measured by the level of non-performing loans or commonly known as the "NPL Ratio". This ratio can show the ability of bank management in managing non-performing loans provided by banks. So that the higher this ratio, the worse the quality of bank credit, which causes the number of non-performing loans to be greater, and the greater the possibility of a bank in troubling conditions. Conversely, the smaller the NPL, the smaller the credit risk borne by the

bank. Credit in this case is credit given to third parties excluding credit to other banks. Non-performing loans are loans of substandard, doubtful, and bad quality (Hadi & Wahyuningtyas, 2020). Total loans are also one of the two factors that affect the size of Non-Performing Loans. Criteria for Assessing the Soundness Level of the NPL Ratio (Non-Performing Loan) Based on the table above, Bank Indonesia sets the maximum NPL value at 5%, if the bank exceeds the given limit, the bank is said to be unhealthy (Rosalina & Lestari, 2019). A high NPL indicates a decline in the health of the bank, and will also have an impact on a decrease in the level of lending. The bank must be able to keep its credit away from credit risk, but if the bank cannot maintain its credit, the bank must reduce the credit given. Non-performing loans are often also called non-performing loans which can be measured by their collectibility. Collectability assessment can be classified into 5 groups, namely: Pass, In Special Mention (special mention), Substandard, Doubtful (doubtful), and Loss. The amount of NPL is one of the causes of the difficulty of banks in disbursing credit (Putri & Akmalia, 2016). In the banking world, lending by banks to the public can contain risks in the form of non-current payments that can affect bank performance, which is commonly referred to as bad loans or non-performing loans. High NPLs can affect bank policies in channeling credit, namely banks become more careful (Amelia & Murtiasih, 2017). bank. So that the higher this ratio, the worse the quality of bank credit, which causes the number of non-performing loans to be greater, and the greater the possibility of a bank in troubling conditions.

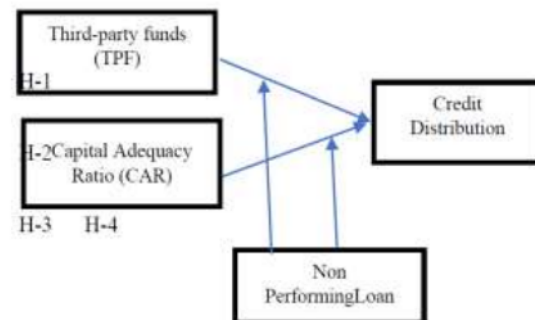


Fig. (1). Conceptual Framework.

HIPOTESIS

The Effect of Third Party Funds on Credit Distribution

Third-party funds are funds obtained from the wider community, be it individuals, companies, governments, households, cooperatives, foundations, and others obtained by banks from several bank deposit products themselves. One of the factors that determine the amount of credit disbursed is Third Party Funds that have been successfully collected. Funds raised from the public (third party funds) turned out to be the largest and most reliable source of funds by banks (can reach 80%-90% of all funds managed by banks). Third-Party Funds include funds in the form of savings, time deposits, loans from the public, current accounts, and other equivalent forms. (Suryawati et al., 2018). Research (Darma

et al., 2017) Third-Party Funds have a positive and significant influence on Credit Distribution.

H1 = Third Party Funds have a significant effect on distribution.

Effect of Capital Adequacy Ratio on Credit Distribution

CAR is a bank performance ratio that is used to measure the adequacy of capital owned by a bank to support assets that contain or generate risks, for example, loans extended by banks. According to (Adnan et al., 2016), the higher the value of the Capital adequacy ratio, the better the bank's financial ability to anticipate losses. The capital adequacy ratio is a ratio that measures the capital adequacy of the risk of bank assets. Research (Ismawanto et al., 2020) Capital Adequacy Ratio has a positive and significant influence on Credit Distribution. (NI Wayan G & Igan Budiasih, 2014) said that the Capital Adequacy Ratio did not affect Credit Distribution. These results indicate that the capital owned by the bank is not focused on the distribution of credit, but is more focused on other types of assets other than the loans disbursed.

H2 = Capital Adequacy Ratio (CAR) significant effect on Credit Distribution.

The Effect of Third Party Funds on Credit Distribution, Non Performance Loans as Moderation

Third-Party Funds are the main source of funds, so it is only natural that if third-party funds increase, they will be followed by mudharabah financing. The value of non-performing financing which has increased but is still below the safe limit set by the regulations, which is 5%, is not a worry, because banks can anticipate an increase in Non-Performance Finance by backing up their funds. The results of this study are related to previous research. According to (Hari Ayuningtyas, 2017), Non Performance Loans have a significant relationship to murabahah financing, in the sense that Non-Performance Finance can explain the movement of financing in both the short and long term. When Non-Performance Finance increases, the funds raised by the bank cannot be turned over to meet financing, because in this case, the bank must have a larger write-off fund so that it will reduce the bank's interest in financing distribution (Adzimatinur & et al, 2015). One of the efforts to reduce financing risk (high Non-Performance Loans) is with sufficient capital (CAR). The more capital the bank has, the more able the bank is to increase the distribution of financing because of the reserve funds it has when the bank suffers a loss (Dyatama & Yuliadi, 2015). Therefore, Non-Performance Finance affects the Capital Adequacy Ratio which will also have an impact on the distribution of Islamic bank financing. The higher the Capital Adequacy Ratio, the greater the bank's ability to channel financing, however, with moderating Non-Performance Finance, financing will decline. So, high bank capital will have an impact on increasing bank financing, but the presence of non-performing financing will have an impact on reducing capital so that the financing channeled will also decrease.

H3 = Third Party Funds has a significant effect on Credit Distribution with Non- Performance Loan moderation

Effect of Capital Adequacy Ratio on Credit Distribution with Non Performance Loan Moderation

Non-Performance Loans can moderate the Capital Adequacy Ratio of Credit Distribution. Non-Performing Loans are the quality of non-performing credit assets due to loans by debtors that failed to be billed by the bank due to external factors from the company. The increase in Non-Performance Loans will reflect the credit risk that will be borne by the bank. In addition, credit interest rates will trigger a decrease in the interest of debtors to borrow funds from banks which will cause a large number of bank assets that are not used it can cause losses from the bank itself which will reduce the bank's capital adequacy ratio. According to (Made et al., 2016) There is a partial negative and significant effect of Non-Performing Loans on lending. Obtained the result that higher non-performing loans in a bank will harm the bank's capital adequacy as reflected in the Capital Adequacy Ratio which has a direct impact on reducing bank capital. And vice versa, the lower the non-performing loan, the higher the capital.

H4 = Capital Adequacy Ratio has a significant effect on Credit Distribution with Non-Performance Loan moderation.

3. METHODOLOGY

3.1. Research Design

This type of research is quantitative research, namely systematic scientific research on parts and phenomena and their relationships. The purpose of quantitative research is to develop and use mathematical models, theories, and/or hypotheses related to a phenomenon. The type of data in this study is quantitative data (Sujarweni, 2018). According to (Sugiyono, 2019) population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by research to be studied and then drawn conclusions. The population in this study is banking companies. The population and sample in this study were 10 banks listed on the Indonesia Stock Exchange for the period 2017 to 2020.

3.2 Analysis and Discussion of Research Results

The data used in this study are third-party funds, capital adequacy ratio, non-performing loan (NPL), and credit distribution for 2017-2020 which are calculated based on a predetermined formula. Data processing that will be used to analyze the data is by using the help of a computer program SPSS-21.

3.3 Descriptive Statistical Analysis

Descriptive statistics provide an overview of the data as seen from the mean, standard deviation, maximum, and minimum, which is an action to see whether these variables are distributed as normal as the Capital Adequacy Ratio or not. Based on - descriptive statistical analysis obtained the following description:

Based on Table 1. From descriptive statistics above, it can be seen that the number of data or n used in this study was 60

Table 1. Descriptive Statistics.

Mean	Min	Max	Std.Deviation
Third-Party Funds 107,987	82,635	126,799	9,598,42
Capital Adequacy Ratio 8,741	6,240	10,820	1,017
Non Performance Loan 0,528	0,280	1,310	0,290 0,589
Credit Distribution 7,391	5,991	8,471	
Valid N 60			
Source: Data processed with SPSS-23-2022			

Table 2.0. Classic Assumption Tests.

Normality Test	One-Sample Kolmogorov-Smirnov Test	Asymp. Sig. (2-tailed) ; 0.245
	Variable	Tolerance VIF
Multikolinearitas Coefficient Test	Third-Party Fund	0,103 9,667
	Capital Adequacy Ratio	0,1128,902
	Non Performance Loan	0,786 1,272
	Credit Distribution	--
Heteroskedastisitas Test	Correlation is significant at: 0.01 level (2-tailed).	0.01 level (2-tailed) : 0.053
Outocorellation Test	Durbin Watson	1,513

Source: Data processed with SPSS-23-2022.

Table 3.0. Uji Classic Assumption Tests.

	B	Std.dev	t	Sig.
(Constant)	9,350	3,760	0,282	0,020
Third-Party Fund	-9,702	3,914	1,643	0,021
Capital Adequacy Ratio	0,019	0,412	1,019	0,963
TPF * NFL	0,163	0,067	2,158	0,023
CAR * NFL	0,02	0,007	0,371	0,720
R	0,683			
Adj. R Square	0,817			

Source: Data processed with SPSS-23-2022

respondents and can be explained as follows: that the value of the Third Party Funds variable in the 2017-2020 period shows that Third Party Funds have the smallest value, namely 82.635 and the largest value is 126.799. The average value is 107.987 and the standard deviation value is 9598.422. The sample with the lowest value of Third Party Funds is in March 2020, while the sample with the highest value is in December 2020. The value of a variable Capital Adequacy Ratio in the 2017-2020 period shows that it has the smallest value 6,240 and the largest value is 10,820. The average value is 8,741 and the standard deviation value is 1,017. The sample with the lowest Capital Adequacy Ratio value was in September 2018, while the sample with the highest value was in May 2019. The value of the Non-Performing Loan variable in the 2017-2020 period shows that the smallest

value is 0.280 and the largest value is 1,310. The average value is 0,528 and the standard deviation value is 0,290. The sample with the lowest Non-Performing Loan value was in February 2019, while the sample with the highest value was in June 2019.

Normalization TEST

The normality test was conducted to determine whether a model in the confounding variable or residual regression had a normal distribution or not. Based on the results of the normality test above, it can be seen that after the data is transformed, the results (Kolmogorov-Smirnov) are normally distributed by looking at Asymp. The value of sig (2-tailed), which is 0.245 (0.245 > 0.05).

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Heteroscedasticity Test

The heteroscedasticity test serves to test the presence or absence of heteroscedasticity in a regression model. Testing the heteroscedasticity assumption must have a homogeneous residual. Based on the picture above, it can be explained that the variable does not experience heteroscedasticity because the data processing points are spread out and do not have a regular pattern.

Multicollinearity Test

One way to find out multicollinearity in a model is to look at the correlation coefficient of the computer output results. The following is the output correlation coefficient which can be seen in table 2: Based on the table above, it can be seen that: Tolerance value (α) for the Third Party Fund variable is 0.103; the CAR variable is 0.112; and Non-Performance Loan of 0.786, which means the value is greater than 0.1. The value of the variance inflation factor (VIF) for the Third Party Fund variable is 9.667; the CAR variable is 8.902, and the TNon Performance Loan is 1.272, which means the value is smaller than 10. The multicollinearity test results show that the Third Party Fund, CAR, and Non-Performance Loan variables do not show multicollinearity.

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Autocorrelation Test

The autocorrelation test aims to see whether or not there is a relationship between the residuals of one observation and the residuals of other observations. The autocorrelation test can be seen using Durbin Watson, the DW value is 1.513, this value will be compared with the table value using a significance of 5%, the number of samples is 60 (n) and the number of independent variables is 3 ($k = 3$), then the Durbin Watson table will the value of $dL = 1.4745$ and the value of $dU = 1.6889$, where the value of DW is between the values of dL and dU so that the data does not have an autocorrelation element.

4. RESULTS AND DISCUSSION

Effect of Third Party Funds (TPF) on Credit Distribution

Based on Table 3.0 Table of Multiple Linear Regression Analysis, the test results of multiple linear regression analysis show a Significant value of 0.021 which is smaller than 0.05, it can be concluded that Third Party Funds have a positive effect on credit distribution. Following the results of the study (PudjiAstuty and Asr, 2014) that the Third Party Fund variable has a significant influence on the distribution of Bank Persero loans. This means that if the value of Third Party Funds increases by 1 billion rupiahs, it will increase lending. The results of this test are consistent with previous research conducted by (Luh Gede Meydianawati 2007), which stated that Third Party Funds affected bank credit. This indicates that Third Party Funds are the most supportive factor in the distribution of bank credit. According to (Susan Pratiwi & Lela Hindasah, 2014), the larger the third party funds that have been collected, the greater the amount of credit disbursed and vice versa. The Effect of Third Party Funds on Commercial Bank lending in Indonesia The positive influence of Third Party Funds on credit distribution in

the dynamic ECM model shows that Commercial Banks in Indonesia have performed their functions well as financial intermediary institutions. This is inseparable from the nature of the bank's business as an intermediary institution between surplus units and deficit units, and the main source of bank funds comes from the public so that morally they must channel it back to the community in the form of credit. (Dendawijaya L, 2014) also said that the funds collected from the public turned out to be the largest and most reliable source of funds by banks (can reach 80% - 90% of all funds managed by banks). Therefore, the amount of credit disbursement is highly dependent on the number of available funds, especially funds from third parties. The results of this study strengthen the results of previous studies that have been carried out by (Pratama, 2010), (Nugraheni et al., 2013), (Murdiyanto, 2012), Sari (2013), Sri Hermuningsih, et al., (2020), that Third Party Funds (TPF) has a significant positive effect on lending.

Effect of Capital Adequacy Ratio on Credit Distribution

Based on Table 3.0 of the Multiple Linear Regression Table, the significant value is 0.963 which is greater than 0.05. It can be concluded that CAR does not affect lending. This means that the higher the CAR value, the greater the financial resources that can be used to anticipate potential losses caused by lending. The results of this study are following previous research conducted by (Adnan et al., 2016). According to (Susan Pratiwi & Lela Hindasah, 2014), the effect of CAR on credit distribution of commercial banks in Indonesia CAR does not have a significant effect on lending because CAR is a capital ratio that shows the ability of a bank to provide funds for business development purposes and accommodate the risk of loss funds resulting from bank operations. In addition, credit disbursement has also been widely funded by other sources, namely third-party funds. The insignificant result also shows that the capital is used to maintain the minimum capital requirement and anticipate the risk of loss to the bank. According to (Taswan, 2010) the minimum capital provision of banks is measured by a certain percentage of the RWA of 8%. The setting of this minimum standard causes banking companies to try to make a minimum CAR of 8%, regardless of changes in lending. Although the results are not significant, it does not mean that banks can ignore CAR in lending, because bank capital adequacy is often disrupted due to excessive lending. The results of this study are following previous research conducted by (Nugroho, et.al, 2013) and (Martin, et. al., 2014) that the Capital Adequacy Ratio (CAR) has no effect on lending. According to (Abdullah.2013), The Effect of Capital Adequacy Ratio on Credit Distribution Based on the results of partial hypothesis testing (t-test) the results show that the Capital Adequacy Ratio does not affect the value ($-0.95 < t_{table} < 1.98552$ and the value significant 0.391 greater than 0.05. Public trust is very important for banks because then banks will be able to raise funds for their operational needs.

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Effect of Third Party Funds on Credit Distribution, Non Performance Loans as Moderation

Based on Table 3.0. Moderation Regression Analysis, the test results show that the significant value of $TPF * NPL$ is a

multiplication interaction between the independent variable of third party funds and the moderating variable of Non-Performance Loan with a prob value. TPF*NPL with a value of Sig ($\alpha=5\%$) of $0.023 < 0.05$ so that the moderating variable of Non-Performance Loan can moderate third party funds towards Credit Distribution According to (Elan Kurniawan and Komisah N, 2020) that non-performing financing moderates third party funds towards mudharabah financing, namely the increasing NPL value will be followed by the value of third party funds owned by the bank, it will also affect mudharabah financing. Third-party funds are the main source of funds, so it is only natural that if third-party funds increase, they will be followed by mudharabah financing. The value of non-performing financing which has increased but is still below the safe limit determined by regulations, namely 5% is not a worry, because banks can anticipate an increase in Non-Performance Finance by setting aside funds. The results of this study are related to previous research by Hanifatusa'idah 2019 (Pradesyah. 2017) and (Destiana, Rina, 2016) which stated that Non-Performance Finance had a positive effect on mudharabah financing.

Effect of Capital Adequacy Ratio on Credit Distribution, Non Performance Loans as Moderation

Based on Table 3.0. Moderation Regression Analysis, the test results show that the CAR *NPL Significant value is a multiplication interaction between the CAR independent variable and the Non Performance Loan moderating variable with a prob value. CAR*NPL with a value of Sig ($\alpha=5\%$) of $0.720 > 0.05$ so that the moderating variable of Non-Performance Loan cannot moderate CAR on Credit Distribution..The results of this study strengthen the results of research (Fransisca&Siregar (2009) and (Suartari, 2013), and also Non-Performing Loans are not able to moderate the relationship between Capital Adequacy Ratio and Credit Distribution. This is thought to be due to Non Performing Loans that occur in most banks. -banks on the IDX are less than 5 percent and the year of observation is only 3 years.

5. CONCLUSIONS

Based on the results of research conducted based on discussion and analysis, it can be concluded as follows: Variable Third Party Funds (TPF) have an effect on Credit Distribution. The Non-Performance Loan moderation variable can moderate third-party funds for Credit Disbursement. This means that the more third-party funds in the Bank, the greater the opportunity for the Community to get these funds channeled in order to increase their business capital. In addition, if the NFL is a good bank, it can increase the channeling of funds to third parties smoothly and well. The variable Capital Adequacy Ratio (CAR) has no effect on lending. And the Non-Performance Loan moderation variable cannot moderate the CAR on Credit Distribution, meaning that the CAR does not affect the distribution of funds to third parties, even though the NFL bank is quite good, because the need for third-party funds depends on the people who need it, the people will need funds if the community able to use the funds properly as business capital. The Independent ability to explain the dependent variable is 49.2%. Meanwhile, the remaining 50.8% is explained by other independent variables outside the model. Third party funds have been very difficult

to distribute to the community, because the community has not been able to afford it and what are the funds used for so they can return them. This study provides insight into the effect of third party funds and the capital adequacy ratio on credit distribution.

ACKNOWLEDGMENTS

This research is a study produced as part of the results of research on: Third party funds and CAR impact on credit distribution with non-performing loans as a moderating variable conducted by the Faculty of Economics and Business, University of Bhayangkara Jakarta Raya, Indonesia

DECLARATION OF CONFLICTING INTERESTS

The author declares that there is no potential conflict of interest between the research, and/or the publication of this article.

FUNDING

The authors received financial support for research, authorship and/or publication of this article from the University.

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Received: July 21, 2023

Revised: July 24, 2023

Accepted: July 26, 2023

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