

The Influence of Interest Rates, Credit Procedures, and Service Quality on Customer Interest in Credit Submission at LPD

(Case Study at the LPD of Padangtegal, Ubud District, Gianyar Regency)

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Abstract: In Indonesia, not a few business actors need capital to run their business. The credit provided by the LPD of Padangtegal Village is one of the alternatives to improve the economy of the villagers, for example for MSME business capital. The realization of credit distribution at the LPD of Padangtegal has fluctuated from 2019-2021. The lowest realization of credit disbursement occurred in 2021, which was -7.09%. Therefore, to increase the disbursed credit, innovations are needed that can increase customer attractiveness, especially attracting interest in credit submission. This research has purpose to find out the influence of interest rates, credit procedures, and service quality on customer interest in credit submission at LPD of Padangtegal. The data uses were obtained from questionnaires distributed to 83 credit customers in 2021 at the LPD of Padangtegal. The variables were analyzed by SPSS 26.0. The results indicate that partially the interest rate variable (X_1) had a negative effect on customer interest in credit submission (Y), credit procedure variables (X_2), and service quality (X_3) each had a positive influence on customer interest in credit submission (Y). Simultaneously these three variables affect customer interest in credit submission and have a proportion of influence of 83.6%.

Keywords: interest rates, credit procedures, service quality, customer interest

Introduction

In Indonesia, not a few business actors really need capital to run their business. The average Indonesian population is engaged in the trade sector with micro, small and medium scale (MSMEs) as their livelihood. Therefore, financial institutions are needed that can support the development and improvement of the community's economy. One of the LPDs in Bali is the LPD of Padangtegal, which provides credit facilities in one of its programs to improve the economy of the traditional village community, for example for MSME business capital. Credit is also the main source of income for LPD for business continuity, so LPD must always maintain the quality of their loans and the loans disbursed can always meet their targets. However, based on the report on the work plan and loan realization provided to the LPD of Padangtegal in 2019-2021, it was found that the lowest loan realization achievement occurred in 2021, which was -7.09%.

Therefore, in order to increase disbursed loans, the LPD of Padangtegal requires an innovation or efforts that can increase customer attractiveness in credit submission. In an effort to meet this interest, it is important to know the factors that can attract customers to take credit. Credit interest rates are a factor that people consider before applying for credit because the bigger the loan interest rate, the bigger the loan repayment rate, so that it will reduce public interest (Tjoe et al., 2020). Before the credit is realized to the debtor, the financial institution implements several stages that the debtor must follow. Easy and simple requirements cause clients to tend to choose credit to institutions that provide easy terms (Huda et al., 2019). In addition to interest rates and credit procedures that are considered by customers before applying for credit, service quality is also something that customers consider (Huda et al., 2019).

Previous research on customer interest has been carried out a lot but there are still inconsistencies in research results. Marlius (2021) concludes that interest rates have a positive & significant impact on the decision to use credit. Meanwhile, according to Suprpto & Puryandani (2020) that interest rates have a negative impact. According to Astrawan and others (2020) and Saputra (2017), the decision to take credit is also factored in by the credit distribution step. However, according to Putri (2020) stated that the credit procedure did not have a significant impact on the decision to take credit. According to Saputra (2017), Astrawan and others (2020), and Huda and others (2019) that the service factor has a positive impact on the decision to take credit. However, according to Sirma (2020) that the quality of service does not have an impact on interest in buying business capital financing facilities. Besides that, the study was also conducted because it saw an opportunity to expand previous research.

Through this, this research was carried to find out the effect of interest rates, credit procedures, and service quality on customer interest in credit submission at the LPD of Padangtegal.

Methods

The kind of this study is quantitative. Quantitative data came from primary data obtained from questionnaires. The population uses is the LPD debtors of the Padangtegal Traditional Village, Ubud District in 2021 with a total of 491 debtors. Sampling was done by incidental technique. Sample amount was specify by the Slovin, so that the research sample amounted to 83 credit customers at the LPD of Padangtegal Traditional Village, Ubud District.

The independent variables are interest rates (X1), credit procedures (X2), and service quality (X3). The dependent variable is the customer's interest in credit submission (Y). The measurement indicator for each variable uses a likert scale. The variables in this study were analyzed by SPSS Statistics version 26.

Result and Discussion

Description of Research Results

A. Research Instrument Test

Validity test is useful to find out the validity of the questionnaire used to obtain data from respondents. If the r-count is greater than the r-table, the item being tested for validity is declared valid and vice versa (Ghozali, 2018). The results show that the value of r-count > r-table so that it is declared valid.

Reliability is the consistency of a series of measurements. A variable is reliable if the Cronbach Alpha value is > 0.70 (Ghozali, 2018). The results show that the value of Cronbach's alpha of all research variables is more than 0.70. This means that the instrument used in this study is reliable.

B. Descriptive Statistical Analysis

This analysis is used to analyze data by describing the data that has been collected which can be seen from the mean, sum, standard deviation and other calculations that can be presented through tables (Sugiyono, 2019).

C. Classic Assumption Test

This test consists of 3 tests, namely: a) the normality test is used to test the residual variables have a normal distribution or not (Ghozali, 2018). The results show that the α (significance) level is 0.200 which is bigger than 0.05. According to kolmogorov-smirnov test, it indicates that the data are normally distributed. b) The multicollinearity test is used to find out that there is multicollinearity or not. The results show that the interest rate, credit procedure, and service quality are respectively -each shows a tolerance value greater than 10% and a VIF value less than 10, it indicate that this model is free from multicollinearity. c) Heteroscedasticity test is used to test that there is an inequality of variance or not that can be done with the glejser test (Ghozali, 2018). The results of the glejser test is the α value of the interest rate, credit procedure, and service quality is bigger than 0.05 and has met the requirements of the glejser test so the conclusion is this model doesn't occur heteroscedasticity.

D. Multiple Linear Regression Analysis

This test was implemented to check the influence among more than one variable. The results show the constant value is 7.908, the interest rate regression coefficient is -0.254, the credit procedure regression coefficient is 0.336 and the service quality regression coefficient is 0.764 which can be seen in the table below.

Table 1. Regression analysis results

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
1 (Constant)	7,908	1,528		5,177	0,000
Suku Bunga	-0,254	0,086	-0,144	-2,952	0,004
Prosedur Kredit	0,336	0,135	0,227	2,484	0,015
Kualitas Pelayanan	0,764	0,109	0,647	7,045	0,000

a. Dependent Variable: Minat Nasabah Dalam Mengambil Kredit

Source: Data processed on SPSS 26, 2022

E. Coefficient of Determination (R2)

The value of R2 that almost 100% indicates the higher and stronger the influence of the interest rates (X1), credit procedures (X2), and service quality (X3) on customer's interest in credit submission (Y) (Ghozali,

2018). The results show that R2 is 83.6%, indicating that the interest rate variable, credit procedures, and service quality provide a strong contribution of 83.6% on the variable of customer interest in credit submission.

F. F Test

This test was conducted to find out the significance of the influence of the independent variables simultaneously on the dependent variable. The results show that the F-count is 140.117 > the F-table is 2.72 with a significance (α) level of 0.000 which is less than 0.05, so H_a is taken. Thus, interest rates (X1), credit procedures (X2), and service quality (X3) simultaneously affect customer interest in credit submission (Y) which can be seen in the table below.

Table 2. F-count value

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1614,78	3	538,261	140,117	,000 ^b
	Residual	303,48	79	3,842		
	Total	1918,26	82			

a. Dependent Variable: Minat Nasabah Dalam Mengambil Kredit

b. Predictors: (Constant), Kualitas Pelayanan, Suku Bunga, Prosedur Kredit

Source: Data processed on SPSS 26, 2022

G. T Test

This test was used to find out the influence of interest rates, credit procedures, and service quality partially on customer's interest in credit submission. a) The results of the t-test of interest rates on customer interest in credit submission show that the tcount value is -2,952 smaller than -ttable of -1,664 with a α level of 0.004 < 0.05 so it shows that H_{a1} received. b) The results of credit procedures on customer interest in credit submission show that tcount is 2.484, greater than ttable of 1.664 with a α level of 0.015 < 0.05, so it shows that H_{a2} is taken. c) The results of the t-test of service quality on customer interest in credit submission show the tcount value of 7,045, greater than ttable of 1,664 with a α 0.000 < 0.05 so it shows that H_{a3} is taken.

Discussion

A. The Effect of Interest Rates (X1) on Customer Interest in Credit Submission (Y)

The results of the analysis show that the interest rate (X1) partially has a negative effect on customer interest in credit submission (Y). This is indicated by tcount which is smaller than -ttable with a value of -2,952 < -1,664 with a α level of 0.004 < 0.05, it shows that H_{a1} is taken. This shows a non-unidirectional relationship, meaning that if there is a decrease in credit interest rates, it will increase interest in credit submission and vice versa. These results are in line with the theory that credit interest rates are one of the considerations for people to apply for credit because the bigger the loan interest rate, the bigger the loan repayment rate so that it will reduce public interest (Tjoe et al., 2020).

B. The Effect of Credit Procedures (X2) on Customer Interest in Credit Submission (Y)

The results show that the credit procedure (X2) partially has a positive influence on customer interest in credit submission (Y). This is indicated by tcount which is greater than ttable with a value of 2.484 > 1.664 with a α level of 0.015 < 0.05 so it shows that H_{a2} is taken. This shows a unidirectional relationship, meaning that the better the credit procedures applied, the greater the interest in taking credit. These results are in line with the theory that easy and simple requirements cause clients to tend to choose credit to institutions that provide easy terms. Credit procedures are steps in the credit distribution process that must be fulfilled by customers (Huda et al., 2019).

C. The Effect of Service Quality (X3) on Customer Interest in Credit Submission (Y)

The results show that the service quality (X3) partially has a positive effect on customer interest in credit submission (Y). This is indicated by tcount which is greater than ttable with a value of 7.045 > 1.664 with a α level of 0.000 < 0.05 so it shows that H_{a3} is taken. This shows a unidirectional relationship, meaning that if the quality of service increases, it will increase interest in taking credit and vice versa. These results are in line with the theory that service quality is an effort to fulfill consumer needs and satisfactions to balance consumer trust (Firmansyah & Haryanto, 2019).

D. The Effect of Interest Rates (X1), Credit Procedures (X2), and Service Quality (X3) Simultaneously on Customer Interest in Credit Submission (Y)

The results show that interest rates (X1), credit procedures (X2), and service quality (X3) simultaneously affect customer interest in credit submission (Y). This is indicated by F_{count} which is greater than F_{table} with a value of $140.117 > 2.72$ with a α level of $0.000 < 0.05$, then H_a is taken. These results are in line with the theory that customer interest in credit submission refers to the many underlying influences in generating one's interest before a decision is actually implemented.

Conclusion

After data analysis, the conclusions are: a) interest rates (X1) have a negative effect on customer interest in credit submission (Y), b) credit procedures (X2) have a positive influence on customer interest in credit submission (Y), c) service quality (X3) has a positive influence on customer interest in credit submission (Y), and d) interest rates (X1), credit procedures (X2), and service quality (X3) together have an influence on customer interest in credit submission (Y).

The results of this test are useful as suggestions or contributions for the LPD of Padangtegal regarding matters that affect customer interest so that they can be considered in forming efforts that can increase attractiveness, especially interest in taking credit with the hope that credit distribution can reach the target according to the plan. work determined by the LPD of Padangtegal.

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