



RATIO AND RETURN ON INVESTMENT TO GIVING CURRENT RATIO INFLUENCE, DEBT TO EQUITY RATIO, COVERAGE CREDIT FOR WORKING CAPITAL IN MUAMALAT INDONESIA BANKS TANJUNG BALAI BRANCH

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Abstract

The purpose of this research is to find out and analyze the influence of Current Ratio, Debt to Equity Ratio, Coverage Ratio, and Return on Investments Against the Approval of Granting Working Capital Loans at Tanjung Muamalat Indonesia Tbk. The data used in this study is secondary data. Data is taken directly from the source of Tanjung Balai Bank Muamalat Branch, in the form of a loan application request and the realization of the working capital loan decision for the year 2015. Testing of the data is done using statistical analysis namely multiple linear regression analysis, t-test, and F test with level 5% significance.

The results showed that partially Debt to Equity Ratio, and Coverage Ratio, had a significant effect on the Decision Ratio of Working Capital Loans at Tanjung Muamalat Indonesia Tbk Branch Office with an alpha significance value of <0.05 . While the variable Current Ratio and Return on Investment does not affect the Decision Ratio of Working Capital Loan at Bank Muamalat Indonesia Tbk Tanjung Balai Auxiliary Branch with alpha significance value >0.05 . Simultaneously Current Ratio, Debt to Equity Ratio, Coverage Ratio, and Return On Investments have a positive and significant effect on the Decision Ratio of Working Capital Loans at Tanjung Muamalat Indonesia Tbk Branch Office with a calculated F value of $5.296 > F_{table}$ of 2.65 with a value significance of $0.001 < 0.05$.

Keywords: Current Ratio, Debt to Equity Ratio, Coverage Ratio



A. Introduction

The banking industry is closely related to the performance of economic growth. That is, when the economy grows well, the banking sector will naturally participate in line with the development of business, industry and trade in the real sector. Banking is one industry that plays an important role for national economic development. Good performance from the banking sector is needed to maintain public and investor confidence so that it can spur overall economic growth.

In running its business as a financial institution that sells trust and services, Bank Muamalat seeks as much as possible to attract new customers, enlarge its funds and also increase the provision of credit and services.

The first banking activity is collecting funds from the wider community, known as banking, is funding activities. The meaning of collecting funds is to collect or seek funds from the wider community. After obtaining funds in the form of deposits from the public, the banks are redistributed or sold back to the community in the form of loans, or better known as lending. In granting credit, loans are also given to recipients of credit (debtors) in the form of profit sharing and administrative costs.

B. Method

Place and time of research

This research was conducted at Bank Muamalat Indonesia. Tbk Tanjung Balai Sub-branch which is located at Jl. Jamnin Ginting No. 1 KM. 1 Tanjung Balai City. This research was conducted in January 2015 until March 2018.

Population and Samples

The study population is all working capital loan applications received and approved by Bank Muamalat Indonesia Tbk Tanjung Balai Auxiliary Branch. Based on data obtained from Bank Muamalat Indonesia Tbk Tanjung Balai Auxiliary Branch, it can be seen the number of credit



requests and approved during the period of January - December 2015 amounted to 320 debtors. Considering the limitations of time and cost, so researchers did not conduct research on the entire population but carried out on samples from the population. The size of the sample to be examined is using the Slovin formula (Umar, 2001) as follows:

$$n = \frac{N}{1 + Ne^2} \quad (1)$$

Where:

N = Sample size

N = Population Size

e = Allowance, inaccuracy because sampling errors can be tolerated.

So that samples taken with a level of precision or 15% confidence are as follows

$$n = \frac{320}{1 + 320(0,15)^2} \quad (2)$$
$$n = 39,02$$

Thus the number of samples in this study were as many as 39 debtors for 2015 working capital loans at Bank Muamalat Indonesia Tanjung Balai Auxiliary Branch ...

Types and Data Sources

This research is associative research or causality which aims to analyze the effect of independent variables on the dependent variable. According to Sugiyono (2003) that associative research is a study that aims to find out the relationship between two or more variables, with this research a theory can be built that can function to explain, predict and control a symptom.

The variables used in this study are: Financial Ratios consisting of Current Ratio, Debt to Equity Ratio, Coverage Ratio and Return on Investment as independent variables and the ratio between the amount of credit approved by the bank and the amount requested by the debtor as the dependent variable.



The type of data used in this study is quantitative data in the form of secondary data. Secondary data is data obtained from data collection originating from the debtor's financial report whose working capital credit has been approved by Bank Muamalat Indonesia Tbk Tanjung Balai Sub-Branch. and the results of analysis carried out by the credit section of Bank Muamalat Indonesia Tbk Tanjung Balai Sub-Branch.

Method of collecting data

The method of data collection in this study is documentation study conducted by collecting data through documents in the form of financial statements from debtors whose working capital loans have been approved by Bank Muamalat Indonesia Tbk Tanjung Balai Auxiliary Branch. The financial statements of the debtor are obtained by random sampling, namely by the head of the credit department at Bank Balai Muamalat Indonesia Tbk. Tanjung Balai Sub-branch randomly chooses the names of debtor companies working capital loans from the list of debtor customers in 2017 and then the files are taken from the archive section by employees archive section.

C. Research Finding

Research result

Overview of Bank Muamalat Indonesia Tanjung Balai Auxiliary Branch

The idea of establishing Bank Muamalat began with a Bank and Banking Profit Sharing Workshop organized by the Indonesian Ulema Council on 18-20 August 1990 in Cisarua, Bogor. This idea continued in the 4th National Conference of the Indonesian Ulema Council at Sahid Jaya Hotel, Jakarta, on 22-25 August 1990 which was continued with the establishment of a working group to establish the first pure sharia bank in Indonesia.

The realization was carried out on November 1, 1991 which was marked by the signing of the founding deed of PT. Bank Muamalat, Tbk at Shaid Jaya Hotel based on Notarial Number 1 dated November 1, made by Notardis Yudo Paripurno, S.H. with the permission of the Minister of



Justice Number C2.2413.T.01 March 21, 1992 / State Gazette of the Republic of Indonesia April 28, 1992 Number 34.

At the time of signing the deed of establishment, a commitment from various parties was obtained to buy a share of Rp. 84 billion, then in the gathering event at the Bogor Palace, additional funds from the Javanese community were obtained worth Rp. 106 billion as a form of their support.

With these initial capital and based on the Minister of Finance Decree of the RO Number 1223 / MK.013 / 1991 dated November 5, 1991 and business licenses in the form of Decree of the Minister of Finance of the Republic of Indonesia Number 430 / KMK.013 / 1992, Bank Muamalat began operations on May 1, 1992 to coincide with 27 Shawwal 1412 H. On 27 October 1994, Bank Muamalat won the trust of Bank Indonesia as a Foreign Exchange Bank.

Several years ago Indonesia and several Southeast Asian countries experienced a monetary crisis which had an impact on national banking which caused bad credit to arise in the corporate segment. Muamalat Bank was also affected by the impact. In 1998, the number of non-performing financing (NPF) in Muamalat Banjar had reached more than 60%. The Company recorded a loss of Rp. 105 billion and equity reached the lowest to Rp. 39 billion or less than one third of the initial capital.

This condition has led Bank Muamalat to enter a new era with the participation of the Islamic Development Bank (IDB), which is based in Jeddah, Saudi Arabia, as one of the foreign shareholders which was officially decided through the General Meeting of Shareholders (GMS) on June 21, 1999. In the period of 1999 - 2000 Bank Muamalat continued to grow and succeed in reversing the situation from loss to all employees with strong leadership support, the right business strategy, and compliance with the implementation of pure Islamic banking.

In 2009 Bank Muamalat began the transformation process, one of which was by opening its first international branch office in Kuala Lumpur, Malaysia and Indonesia, which opened a business network in Malaysia. And in 2012 on the 20th anniversary of the year, Bank



Muamalat launched a new logo (rebranding) with the aim of becoming Islamic banks, Modern, and Professional.

The transformation process carried out by Bank Muamalat brings positive and significant results. It can be seen from the assets of Bank Muamalat Money growing from 2008 amounting to Rp. 12.6 trillion to Rp. 54.6 trillion in 2013.

Bank Muamalat Vision Mission

Vision : To be the main Islamic bank in Indonesia dominant in the Spiritual market, and admired in rational markets.

Mission : To be a role model for world Islamic financial institutions with an emphasis on entrepreneurial spirit, management excellence, and innovative investment orientation to maximize value to all stakeholders.

Corporate Culture

The success of a company is strongly influenced by the ability of its human resources, the superiority of products or services sold, networks, and superior technology to support operational excellence. These components are not determinants that are the key to the success of a business. The real driving factor lies in the strength of the vision and mission as well as the values that become as hard as inspiration and the energy of the company's work culture.

This is evidenced by Bank Muamalat which has a vision of becoming the main Islamic bank in Indonesia, dominantly in the spiritual market admired in the rational market with the mission to be a role model for world Islamic financial institutions whose emphasis is on entrepreneurial spirit, management excellence and innovative investment orientation to maximize value to stake holders .

The achievement of this vision and mission is strongly supported by values that are embedded and developed by individuals and the positioning of the Company as a Sharia financial institution, so it must be driven by a system, akhlak, and aqid according to sharia principles.



Bank Muamalat upholds the practice of honesty from the beginning of rectification, as well as the prohibition of receiving compensation in any form from customers and business partners. In addition, Bank Mumamalat is also very strict in addressing the reputation risks posed by employees due to behavior that is not in accordance with cultural, ethical and legal arrangements.

Performance appraisal of employees refers to scoreboard based on financial aspects and compliance. Appointment of staff and officials who will assume office must go through verbal and written sujpat processions about the statement of seven behaviors as a code of conduct that is accounted for with the promise to:

1. Comply with the laws and regulations and company requirements
2. Hold firm bank and company secrets
3. Not accepting gifts in any form related to duties and positions
4. Uphold the honor of the company and employees
5. Work in accordance with sharia principles
6. Be firm in the morality of Islam in living your daily life.
7. Responsible for errors and violations committed by Bank Muamalat, always upholding business ethics oriented to benefit, especially customer satisfaction and all stakeholders.

Bank Muamalat Organizational Structure





Figure 1 Bank Muamalat Organizational Structure

D. Discussion

This study observes 1 (one) dependent variable, namely the variable ratio of working capital credit (Y) and 4 (four) independent variables (independent variable), namely the Financial Ratio consisting of Current Ratio (X_1), Debt to Equity Ratio (X_2), Coverage Ratio (X_3), and Return on Investment (X_4), on the approval of the working capital loan found at Bank Muamalat Indonesia Tanjung Balai Auxiliary Branch. the period January to December 2013 is as follows:

Table 1 Descriptive Statistics of Research Data

| Descriptive Statistics | | | | | |
|--------------------------|----|-------------|-------------|--------|-------------------|
| | N | Minimu m | Maximu m | Mean | Std. Deviation |
| CR_X ₁ | 39 | 1.00 | 9.70 | 3.1433 | 2.28394 |
| DER_X ₂ | 39 | .00 | 7.67 | 1.5044 | 1.57605 |
| COR_RATIO_X ₃ | 39 | .00 | 9.80 | 3.6538 | 2.81554 |
| ROI_X ₄ | 39 | .48 | 16.80 | 3.7741 | 3.11040 |
| KEP_KREDIT_Y | 39 | .47 | .91 | .7869 | .10468 |
| Valid N (listwise) | 39 | | | | |

Source: Output of Data Processing Using SPSS

Based on the processed results in **Table 4.1** it can be explained that:

- a. Current Ratio (X_1) there are a number of samples (N) that match the criteria of the sample (valid) as many as 39 observations obtained results for a minimum of data = 1.00, maximum of data = 9.70; the mean of 3.1433 with standard deviation of 2.28394.
- b. Debt to Equity Ratio (X_2) there are a number of samples (N) that match the criteria of a sample (valid) of 39 observations obtained results for a minimum of data = 0.00, the maximum of data = 7.67, the average (mean) is 1,5044 with a standard deviation of 1.5760.



- c. Coverage Ratio (X3) there are a number of samples (N) that correspond to the sample criteria (valid) as many as 39 observations obtained results for a minimum = 0.00; maximum = 9.80; the mean of 3.6538 with standard deviation is 2.8155.
- d. Return on Investment (X4) there are a number of samples (N) that match the criteria of the sample (valid) as many as 39 observations obtained results for a minimum of data = 0.48; maximum = 16.80; the mean of 3.7741 with a standard deviation is 3.11040.
- e. Credit Provision Decision (Y) there are a number of samples (N) that match the criteria of the sample (valid) as many as 39 observations obtained results for a minimum of data = 0.47; maximum = 0.91; the mean of 0.7869 with a standard deviation is 0.10468.

Working capital credit at Bank Muamalat Indonesia Tanjung Balai Auxiliary Branch. given in the form of Savings, namely profit sharing payments are charged only to credit that is only disbursed and the calculation of profit sharing with a fixed system. Judging from the type of company, of the 39 debtors who were sampled in this study consisted of trading companies / distributors, cooperatives, contractors and suppliers who generally used Working Capital Financing Loans.

E. Conclusion

Based on the results of the discussion of the results of the research obtained through hypothesis testing, the conclusions that can be obtained are as follows:

1. Financial Ratios consisting of Current Ratio (X_1), Debt to Equity Ratio (X_2), Coverage Ratio (X_3), and Return on Investments (X_4) simultaneously have a significant effect on the ratio of working capital loan decisions. As evidenced by the value of Fcount of 5.296 greater than the value of F table of 2.650 (interpolation), it turns out that the value of F count > F table or $5.296 > 2.65$ with a significant value F count = 0.001 with a significant level (α) = 0.05 which means that the significant value of F count ≤ 0.05 or $0.001 \leq 0.05$,



2. Partially which has a significant effect on working capital loan approval is Debt to Equity Ratio (X_2), Coverage Ratio (X_3), with alpha significance value <0.05 , while the variables Current Ratio (X_1) and Return On Investment (X_4) no significant effect as evidenced by alpha significance > 0.05 . The most dominant variable influencing the decision to grant working capital credit is the Coverage Ratio (X_3) variable at Bank Muamalat Indonesia Tanjung Balai Auxiliary Branch.
3. R Test Results (correlation coefficient) variables Current Ratio (X_1), Debt to Equity Ratio (X_2), Coverage Ratio (X_3), and Return on Investment (X_4) to the value ratio of the approved working capital credit decision (Y) at Bank Muamalat Indonesia Tanjung Balai Auxiliary Branch with an R value of 0.363, so it can be stated that the relationship between independent variables and dependent variables is weak.

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