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EVALUATION OF THE IMPACT OF WORKING CAPITAL CREDIT AND PEOPLE'S BUSINESS CREDIT ON BANK PROFITABILITY: EMPIRICAL STUDY AT PT. BANK NEGARA INDONESIA (PERSERO) TBK BULUKUMBA BRANCH

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Keyword:

Working Capital Credit, People's Business Credit, Bank Profitability

Abstrak

This research aims to analyze the influence of Working Capital Credit and People's Business Credit (KUR) on company profitability at PT. Bank Negara Indonesia (Persero) Tbk, Bulukumba Branch Office. This study uses secondary data obtained from banks' annual financial reports for the 2017-2021 period. The analysis was carried out using multiple linear regression to test the partial and simultaneous influence of the two types of credit on profitability. The research results show that Working Capital Credit has a significant influence on bank profitability, which is in line with the theory that this credit provides the liquidity needed for operations and increases interest income. In addition, KUR also shows a significant influence on bank profitability, which supports the importance of this credit in expanding financial inclusion and increasing the customer base. Simultaneously, the combination of Working Capital Credit and KUR makes a significant contribution to profitability, which shows the importance of credit portfolio diversification in improving bank financial performance. The uniqueness of this research is its focus on the simultaneous influence of Working Capital Credit and KUR on bank profitability, which is rarely analyzed in previous studies. Additionally, this research was conducted in the context of regional banks, which provides a new perspective on credit management and profitability outside of large or national banks. These findings provide an important contribution to the literature on credit management and bank financial performance, as well as providing practical guidance for bank management in optimizing credit strategies to increase profitability. This research also provides insight for future researchers to develop further studies that can explore other variables that influence bank profitability and can enrich understanding of the dynamics of credit management in the banking sector.

INTRODUCTION

Company profitability is one of the main indicators in measuring a company's financial performance and its ability to generate profits in a certain period. Profitability not only reflects operational efficiency, but also the company's ability to maximize value for shareholders (Rappaport, 2015; Saunders & Cornett, 2020). In the banking sector, profitability is a crucial aspect because it reflects operational efficiency and the bank's ability to provide competitive financial services and maintain liquidity (Berger & Bouwman, 2015; Hartono & Purwanto, 2020).

Factors that influence banking profitability include asset management, capital structure, management quality, and macroeconomic conditions (Ismail & Fatmawati, 2021; Fadil & Astuti, 2019). Credit distribution is one of the main factors that has a significant impact on banking profitability (Saunders & Cornett, 2020). Working capital credit, as a type of loan used to finance short-term working capital needs such as purchasing raw materials and paying salaries, has an important role in increasing a company's liquidity and operational efficiency. This can ultimately increase company profitability (Kuncoro & Agustina, 2014; Basu et al., 2017; Ghosh, 2014).

Apart from working capital credit, People's Business Credit (KUR) also has an important role in increasing bank profitability. KUR is a government program that aims to provide access to financing to small and micro businesses that do not meet the requirements for obtaining credit from commercial banks (Tambunan, 2018). KUR plays an important role in increasing financial inclusion and supporting local economic growth (Nugroho & Faisal, 2019). Empirical studies show that KUR can increase bank profitability through diversifying credit portfolios and reducing credit risk (Setyawan & Kartika, 2018; Zulfikar & Nasution, 2016).

However, the banking sector faces various challenges related to the distribution of working capital credit and KUR. One of the main challenges is the high level of non-performing loans (NPL) which can disrupt bank financial stability and reduce profitability (Setyawan & Kartika, 2018). Banks also often face difficulties in assessing the creditworthiness of prospective debtors, especially for small and micro businesses that do not have adequate financial records (Ismail & Fatmawati, 2021). In addition, fluctuations in macroeconomic conditions such as inflation and interest rates can affect customers' ability to fulfill their credit obligations, which has a negative impact on bank profitability (Fadil & Astuti, 2019).

Changes in government policies related to credit, such as changes in reference interest rates and banking regulations, can also affect the efficiency of lending and bank profitability (Nugroho & Faisal, 2019). In this context, research on the influence of working capital credit and KUR on bank profitability is very important. This research aims to provide deeper insight into the dynamics of credit distribution and its impact on bank profitability, especially PT. Bank Negara Indonesia (Persero) Tbk Bulukumba Branch Office.

With the increasingly complex global economy and the increasing need to support local economic growth through small and medium enterprises, a better understanding of the influence of credit on bank profitability has become very relevant (Basu et al., 2017; Hartono & Purwanto, 2020). In addition, with increasing NPL levels and challenges in assessing credit worthiness, this research can provide practical recommendations for banks to manage credit risk more effectively and increase profitability (Setyawan & Kartika, 2018). This research is also important in the context of financial policies that encourage financial inclusion and the growth of small and medium enterprises through programs such as KUR (Nugroho & Faisal, 2019).

This research aims to evaluate the effect of working capital credit and KUR on bank profitability. The main objective of this research is to understand whether working capital credit and KUR can contribute to increasing or decreasing company profitability. This research also aims to provide recommendations for PT. Bank Negara Indonesia (Persero) Tbk Bulukumba Branch Office in optimizing effective credit distribution strategies to increase profitability.

LITERATURE REVIEW

1. Credit Theory

Credit is a grant of trust by a creditor to a debtor with the agreement that the debtor will return the loan along with interest within the agreed time period (Saunders & Cornett, 2020). Credit theory includes several important aspects that must be understood to assess the effectiveness and risk of lending activities.

Credit plays a key role in the economy by facilitating the efficient allocation of resources. According to Mishkin (2019), credit is an agreement where the creditor gives a certain amount of money to the debtor with the agreement that the money will be returned with interest at a predetermined time. Credit can be used for various purposes, such as financing working capital, investment and consumption.

Credit can be divided into several types based on its use, including working capital credit and investment credit. Working capital credit is a short-term loan used to finance the company's daily operational needs (Kuncoro & Agustina, 2014). People's Business Credit (KUR) is a form of credit provided to micro, small and medium enterprises with the aim of increasing financial inclusion and encouraging local economic growth (Tambunan, 2018).

Credit provision must be based on several main principles such as security, liquidity and profitability. According to Ghosh (2014), creditors must carry out a careful assessment of the creditworthiness of prospective debtors to minimize the risk of problematic credit. In addition, credit must be given by considering the debtor's capacity to repay the loan and interest (Setyawan & Kartika, 2018).

2. Profitability Theory

Profitability is a company's ability to generate profits from its operations. Profitability is the main indicator used to assess a company's financial performance and management effectiveness in managing resources (Berger & Bouwman, 2015).

Profitability can be measured through several indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). According to Fadil and Astuti (2019), ROA measures a company's ability to generate profits from the assets it owns, while ROE measures profits obtained from shareholder equity. NPM measures the percentage of net profit to total revenue.

Profitability is influenced by various factors, both internal and external. Internal factors include operational efficiency, cost management, and capital structure. According to Ismail and Fatmawati (2021), high operational efficiency can increase profitability by reducing costs and increasing productivity. External factors such as macroeconomic conditions, interest rates and government policies also play an important role in determining the level of profitability (Nugroho & Faisal, 2019).

In the banking context, profitability is measured through indicators such as Net Interest Margin (NIM) and Return on Assets (ROA). NIM measures the difference between the interest income earned and the interest costs that must be paid on the bank's productive assets (Sufian & Habibullah, 2014). According to Hartono and Purwanto (2020), bank profitability is greatly influenced by credit risk management, operational efficiency and interest rate policies.

3. Previous Research

In order to understand the impact of credit on bank profitability, various studies have been conducted to evaluate the effect of Working Capital Credit and People's Business Credit (KUR) on company financial performance. Working Capital Credit and KUR are two types of credit that have a significant role in influencing a company's liquidity and operational efficiency. These two types of credit not only provide the capital needed to support daily operations, but also contribute to increased profitability through various mechanisms, including risk management and increased interest income.

Working Capital Credit is usually used by companies to finance short-term operational needs, such as purchasing raw materials or paying employee salaries. With this credit, companies can maintain sufficient liquidity to carry out daily operations without having to worry about a lack of funds. On the other hand, People's Business Credit (KUR), which is subsidized by the government, aims to support small and micro businesses, expand financial inclusion, and encourage local economic growth. In the banking context, these two types of credit not only help expand the customer base and increase loan volumes, but also increase the diversification of the credit portfolio, which can ultimately increase bank profitability.

Previous research shows that good credit management, both in the form of Working Capital Credit and KUR, can have a significant positive impact on a company's profitability. Various studies have examined the influence of each of these types of credit on the financial performance of companies in various sectors and countries, and the results consistently show that credit plays an important role in improving the operational efficiency and financial performance of companies.

The Effect of Working Capital Credit on Profitability

Ghosh (2014) in his research revealed that Working Capital Credit has a significant impact on company profitability. This study shows that with working capital credit, companies can increase their liquidity and operational capabilities. Adequate liquidity allows a company to meet its financial obligations in a timely manner and avoid cash shortages that could disrupt daily operations. As a result, companies can maintain operational stability and efficiency, which ultimately contributes to increased profitability.

Hartono and Purwanto (2020) also emphasize the importance of effective Working Capital Credit management. Their research shows that good credit management can increase bank profitability through two main mechanisms: increasing interest income and reducing credit risk. Interest income earned from Working Capital Credit can increase bank cash flow and make a significant contribution to net profit. In addition, good risk management can reduce the possibility of bad credit, which in turn will reduce credit allowance costs and increase bank profitability.

Research by Basu, Banerjee, and Das (2017) supports previous findings by showing that good Working Capital Credit management can increase operational efficiency and profitability of manufacturing companies in India. This study highlights that companies that are able to manage working capital well will be more efficient in the use of their resources, which will ultimately improve the company's financial performance and profitability. Based on the literature review and results of previous research, the hypothesis proposed in this research is as follows:

Hypothesis 1 (H1) : Working Capital Credit has a positive influence on bank profitability.

This hypothesis is based on findings from various studies which show that Working Capital Credit can increase liquidity, operational efficiency and the company's ability to generate profits. Working Capital Credit provides the funds necessary to support a company's daily operations, allowing the company to continue operating efficiently and meet its financial obligations in a timely manner. Thus, it is expected that an increase in Working Capital Credit will contribute to increasing bank profitability.

The Effect of People's Business Credit on Profitability

In the banking context, credit plays an important role in increasing financial inclusion and expanding access for communities previously underserved by the formal financial sector. People's Business Credit (KUR) is one of the initiatives that has been launched by the Indonesian government to support small and medium enterprises (SMEs) in gaining access to easier and more affordable sources of financing. KUR is designed to help small businesses meet their capital needs, which is expected to support economic growth and improve the welfare of society as a whole. This program not only has a positive impact on credit recipients, but also on financial institutions that distribute KUR by increasing their profitability.

Several previous studies have shown that KUR has a significant impact on bank profitability. These studies highlight various mechanisms through which KUR can improve bank financial performance, including through increasing financial inclusion, risk diversification, and expanding the customer base. KUR, with government support, offers lower interest rates and more accessible credit guarantees, allowing banks to reach wider market segments that may previously have been unreachable through conventional credit products. Thus, KUR not only supports small businesses in developing their businesses, but also provides significant financial benefits for banks that distribute this credit.

Setyawan and Kartika (2018) found that KUR has a positive influence on bank profitability. This study shows that by increasing financial inclusion and risk diversification, KUR can help banks to expand their credit portfolios and reduce dependence on higher-risk credit segments. By reaching a wider market segment, banks can increase interest income from KUR and reduce the risk of default which may be higher in conventional credit.

A study by Fadil and Astuti (2019) also supports this finding by showing that KUR can improve bank financial performance by increasing credit access to small businesses that were previously underserved. This study highlights that by providing access to more affordable and easy financing, KUR can help small businesses develop their businesses, which will ultimately increase transaction volumes and bank revenues from this sector. This research also notes that KUR can help banks diversify their credit portfolios, thereby reducing the risk of credit concentration in sectors that are more vulnerable to economic fluctuations.

Research by Nugroho and Faisal (2019) highlights that KUR helps increase bank revenues by expanding the customer base and increasing transaction volume. This study shows that by expanding access to credit for small businesses, banks can increase the number of their customers and transaction volume, which in turn will increase interest income and fee-based income from the various financial products and services offered to KUR customers. This research also finds that KUR can help banks improve operational efficiency by expanding economies of scale and reducing the cost per unit of financial services provided. Based on the literature review and results of previous research, the hypothesis proposed in this research is as follows:

Hypothesis 2 (H2): People's Business Credit (KUR) has a positive influence on bank profitability.

This hypothesis is based on findings from various studies which show that KUR can increase financial inclusion, diversify risks and expand the bank's customer base. By providing credit access to previously underserved small and medium businesses, KUR can help banks to increase interest and fee-based income from this market segment. In addition, KUR also helps banks diversify their credit portfolios and reduce the risk of credit concentration, which can ultimately contribute to increasing bank profitability.

Simultaneous Effect of Working Capital Credit and KUR on Profitability

A study of the simultaneous influence of Working Capital Credit and People's Business Credit (KUR) on bank profitability reveals that the combination of these various types of credit can have a more significant impact than the influence of each type of credit individually. These two types of credit have an important role in supporting the operations and expansion of small and medium enterprises (SMEs), which in turn can improve bank financial performance.

Simultaneous credit management allows banks to take advantage of the advantages of each type of credit, such as increased financial inclusion, risk diversification, and increased interest income, which overall can contribute to increased profitability and financial stability of banks.

Berger and Bouwman (2015) emphasize the importance of combining various types of credit in bank portfolio management strategies. They stated that by offering a variety of credit products, banks can increase their customer base and optimize income through risk diversification and increased interest income. The combination of Working Capital Credit and KUR allows banks to reach wider market segments, including small businesses that need working capital for daily operations and micro entrepreneurs who need access to credit at lower interest rates. Thus, simultaneous credit management can have a greater impact on bank profitability.

Ismail and Fatmawati (2021) also show that credit management can simultaneously increase bank profitability through diversifying the credit portfolio and optimizing interest income. Their study found that by providing multiple types of credit, banks can reduce the risk of credit concentration in one particular type of business or sector. This diversification allows banks to better deal with default risks and improves their financial stability. In addition, interest income generated from various credit products can make a significant contribution to a bank's net profit, which ultimately increases profitability.

Research by Sufian and Habibullah (2014) states that the simultaneous influence of Working Capital Credit and KUR can help banks achieve financial stability and higher profitability. This study shows that by offering credit combinations that cover a wide range of business financing needs, banks can improve operational efficiency and reduce financial risk. Working Capital Credit helps small businesses meet their daily operational needs, while KUR provides easier access to credit for micro entrepreneurs. This combination not only increases financial inclusion but also allows banks to increase interest income and fee-based income from the various credit products offered. Based on the literature review and results of previous research, the hypothesis proposed in this research is as follows:

Hypothesis 3 (H3): Working Capital Credit and People's Business Credit

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(KUR) simultaneously have a positive influence on bank profitability.

This hypothesis is based on findings from various studies which show that the combination of various types of credit can have a greater impact on bank profitability compared to the effect of each type of credit individually. Simultaneous credit management allows banks to take advantage of the advantages of each type of credit and reduce the risk of credit concentration. Thus, it is hoped that the increase in Working Capital Credit and KUR will simultaneously contribute to increasing bank profitability.

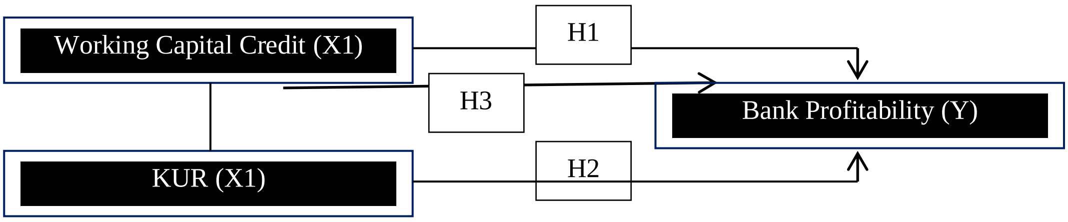

Figure 1. Framework of Thought

RESEARCH METHOD

Research Approach

This research uses a quantitative approach to analyze the influence of Working Capital Credit and People's Business Credit (KUR) on bank profitability. A quantitative approach was chosen because it can provide objective and measurable data regarding the relationship between the variables studied. The data used in this research comes from financial reports and credit data from PT. Bank Negara Indonesia (Persero) Tbk Bulukumba Branch Office.

Population and Sample

The population in this study were all financial reports and credit data of PT. Bank Negara Indonesia (Persero) Tbk Bulukumba Branch Office which includes Working Capital Credit, People's Business Credit (KUR), and bank profitability ratios over the last 5 year period (2017-2021). Samples were taken using a purposive sampling technique, where samples were selected based on certain criteria that were relevant to the research objectives. The sample criteria in this research include: Credit reports that include data regarding Working Capital Credit and KUR, Financial reports that contain information about profitability ratios, such as Return on Assets (ROA) and Return on Equity (ROE), Data from the same period (2017 -2021) to maintain consistency of analysis.

Research variable

1. Independent Variable:
    - Working Capital Credit (X1): The total value of working capital credit disbursed by banks during the research period.
    - People's Business Credit (KUR) (X2): The total value of KUR disbursed by banks during the research period.
2. Dependent Variable:
    - Bank Profitability (Y): Measured using two main financial ratios:
        - Return on Assets (ROA): ROA = (Net Profit / Total Assets) × 100%
        - Return on Equity (ROE): ROE = (Net Profit / Equity) × 100%

Research Model

The research model used to analyze the effect of Working Capital Credit and KUR on bank profitability is a multiple linear regression model. This model will test whether Working Capital Credit and KUR significantly influence bank profitability, both individually and simultaneously. The mathematical model is as follows:

$$Y=\beta 0+\beta 1X1+\beta 2X2+\epsilon Y$$

Where:

Y	= Bank Profitability (ROA or ROE)
X1	= Working Capital Credit
X2	= People's Business Credit (KUR)
β0	= Constant
β1	= Regression coefficient
ϵ	= Error term

Method of collecting data

The data used in this research is secondary data obtained from the financial reports of PT. Bank Negara Indonesia (Persero) Tbk Bulukumba Branch Office. This data includes: Total working capital loans and KUR disbursed during the research period, and financial reports that include information regarding profitability, such as ROA and ROE.

Data analysis technique

The collected data will be analyzed using multiple linear regression analysis techniques. Data analysis steps include: Descriptive Test, Classical Assumption Test, Multiple Linear Regression Test, F Test and T Test, and Coefficient of Determination (R^2).

RESULTS AND DISCUSSION

Descriptive Analysis

Table 1 displays descriptive statistics for the variables Working Capital Credit (X1), KUR Credit (X2), and Profitability (Y) based on data processed in 2023. These statistics include the number of observations (N), minimum value, maximum value, average average (mean), and standard deviation (standard deviation) of each variable. These data provide an initial picture of the characteristics and distribution of these variables during the relevant observation period.

Table 1. Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation
Working Capital CreditI (X1)	275165.00	351650.00	326968.0000	31990.97580
KUR Credit (X2)	38010.00	94045.00	61105.6000	20739.13256
Profitability (Y)	1.60	1.90	1,7800	.13038
Valid N (listwise)				

Source: Data processed: 2023

Working Capital Credit (X1) shows significant variation in the data, with a fairly large standard deviation value (31,990.98), indicating significant fluctuations in the value of Working Capital Credit over time. Likewise, KUR Credit (X2) also shows significant variations with a large standard deviation (20,739.13), reflecting significant differences in the amount of KUR disbursed. On the other hand, Profitability (Y) shows smaller variations, with a low standard deviation (0.13038), indicating greater stability in bank profitability values during the observation period. Although the limited number of observation data (5) suggests that these data may be taken from a limited time interval or specific observation unit, this analysis provides an initial picture of the potential influence of Working Capital Credit and KUR on bank profitability, assuming that effective credit management can increasing overall profitability.

Description of Research Variables

Working Capital (X1)

The data in the following table presents information regarding Working Capital Credit in Rupiah (Rp) and the percentage change from year to year. This table provides an overview of the allocation and changes in the value of Working Capital Credits over a certain period of time, which is important for understanding how working capital management develops in the context of corporate finance.

Table 2. Amount of Working Capital Credit

Year	Working capital credit in millions (Rp)	%
2017	275,165	-
2018	316760	15.12
2019	345,570	9.10
2020	351,650	1.76
2021	345,695	-1.69

Source: Data processed

Table 2 presents data regarding Working Capital Credit in Rupiah (Rp) and percentage changes from year to year. The working capital credit value starts from IDR 275,165 in 2017, increasing to IDR 316,760 in 2018, showing an increase of 15.12%. In 2019, this value increased to IDR 345,570, with growth of 9.10%, and peaked at IDR 351,650 in 2020, which showed an increase of 1.76%. However, there was a small decrease in 2021 to IDR 345,695, a decrease of 1.69%. This data depicts a general trend of increasing Working Capital Credit values during the first few years followed by a small decrease in the last years. This percentage change analysis provides insight into the dynamics of a company's working capital management over time, which is important for planning effective financial and risk management strategies.

KUR Credit (X2)

Table 3 presents data regarding Flexi Credit in Rupiah (Rp) and percentage changes from year to year, based on the latest data available. This data provides an overview of the evolution of the Flexi Credit value from 2017 to 2021, which is important for understanding the dynamics of the use of this credit product in the context of corporate finance.

Table 3. Amount of KUR Credit in Millions of Rupiah for 2017-2021

Year	Flexsi Credit (Rp)	%
2017	38,010	-
2018	51010	34.20
2019	61435	20.44
2020	61028	-0.66
2021	94045	54.10

Source: Data processing results: 2023

This table illustrates variations in Flexi Credit values from year to year. In 2017, the value of this credit was IDR 38,010, which is the initial reference point without percentage changes. In 2018, there was a significant increase to IDR 51,010, showing growth of 34.20%. In 2019, the flexi credit value increased to IDR 61,435, with growth of 20.44%. However, there was a small decline in 2020 to IDR 61,028, a decrease of 0.66%. The peak increase occurred in 2021, with a value reaching IDR 94,045, showing a significant increase of 54.10% from the previous year. This data provides insight into changes in flexi credit values from year to year, which can be an important indicator in analyzing a company's financial performance.

Profitability (Y)

Table 4 presents data regarding the level of profitability in percentage (%) and percentage changes from year to year for the period 2017 to 2021. Profitability is one of the key indicators that reflects a company's efficiency in generating profits from its operations. This data provides a historical view of a company's profitability performance over five years, which is important for trend analysis and evaluation of financial health.

Table 4. Profitability Ratios 2017-2021

Year	Profitability (%)	%
2017	1.9	0
2018	1.9	0
2019	1.9	0
2020	1.8	-0.5
2021	1.9	0.5

Source: Data processed: 2023

Table 4 shows the company's profitability level from 2017 to 2021. In 2017 to 2019, profitability was at a stable level of 1.9%, without any significant percentage changes from year to year. In 2020, there was a slight decline in profitability to 1.8%, reflecting a decline of 0.5% from the previous year. However, in 2021, profitability increased again to the previous level of 1.9%, representing an increase of 0.5%.

The decline in profitability in 2020 could be caused by various factors, such as changes in economic conditions, increased operating costs, or decreased revenue. The increase in 2021 indicates improvement or recovery in company performance. This data provides an idea of the stability and fluctuations in the company's ability to generate profits over the period under review, which can be an important basis for further analysis and strategic planning.

Classic assumption test

The normality test is an important step in statistical analysis to determine whether distribution data follows a normal distribution. The normal distribution is a basic assumption in many methods of statistical analysis, including linear regression and other hypothesis tests. The following table presents the results of the one-sample Kolmogorov-Smirnov (KS) normality test for the variables Working Capital Credit (X1), KUR Credit (X2), Profitability (Y), and Unstandardized Residual.

Table 5. Normality Test: One-Sample Kolmogorov-Smirnov Test

Variable	Working Capital Credit (X1)	KUR Credit (X2)	Profitability (Y)	Unstandardized Residuals
N	5	5	5	5
Normal Parameters				
Mean	326968.0000	61105.6000	1,7800	0.0000000
Std. Deviation	31990.97580	20739.13256	0.13038	0.11907274
Most Extreme Differences				
Absolute	0.320	0.294	0.221	0.189

Variable	Working Capital Credit (X1)	KUR Credit (X2)	Profitability (Y)	Unstandardized Residuals
Positive	0.220	0.294	0.179	0.133
Negative	-0.320	-0.144	-0.221	-0.189
Statistical Tests	0.320	0.294	0.221	0.189
Asymp. Sig. (2-tailed)	0.105c	0.183c	0.200c,d	0.200c,d

Source: Processed data, 2023

The significance value (Asymp. Sig.) for all variables is greater than 0.05, which means we do not have enough evidence to reject the null hypothesis that the data comes from a normal distribution. In other words, the data for Working Capital Credit, KUR Credit, Profitability, and Unstandardized Residual can be considered to follow a normal distribution.

This is important because many statistical techniques, such as t tests and regression analysis, assume that data follows a normal distribution. If the data does not follow a normal distribution, the results of the statistical analysis may be invalid or biased. Based on these results, we can proceed with further statistical analysis with confidence that the normality assumption is met.

Table 6 presents the results of collinearity analysis between two independent variables, namely Working Capital Credit (X1) and KUR Credit (X2), on the dependent variable Profitability (Y). This collinearity analysis was carried out to ensure that there was no high linear relationship between the independent variables which could cause problems in interpreting the regression results. The two indicators used to evaluate collinearity are Tolerance and Variance Inflation Factor (VIF).

Table 6. Collinearity Analysis

Model	Collinearity Statistics	Information
	Tolerance	VIF
Working Capital Credit (X1)	0.972	1,029
KUR Credit (X2)	0.972	1,029

Model	Collinearity Statistics	Information
a. Dependent Variable: Profitability (Y)		

Source: Processed data, 2023

Multiple Linear Regression Analysis

Table 7 presents the results of multiple linear regression analysis which was used to evaluate the influence of two independent variables, namely Working Capital Credit (X1) and People's Business Credit (X2), on the dependent variable Profitability (Y). This regression analysis aims to understand how much each independent variable contributes to changes in the dependent variable. This table includes unstandardized coefficients, standardized coefficients and standard errors for each variable.

Table 7. Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients	Standardized Coefficients
	B	Std. Error
(Constant)	2,582	0.674
Working Capital Credit (X1)	0.414	0.126
KUR Credit (X2)	0.521	0.189

Dependent Variable: Profitability (Y)

Source: Processed data, 2023

Based on the results shown in Table 6, the resulting multiple linear regression equation is as follows:

$$Y=2.582+0.414X1+0.521X2Y$$

Where:

Y = Profitability.

X1 =Working Capital Credit.

X2 =KUR Credit.

From this multiple linear regression equation, we can conclude that the two independent variables, Working Capital Credit (X1) and KUR Credit (X2), have a positive influence on Profitability (Y). This means that an increase in Working

Capital Credit or KUR Credit tends to increase company profitability. The coefficient of KUR Credit (X2) which is greater than Working Capital Credit (X1) indicates that KUR Credit has a more significant impact on increasing profitability.

In general, these results indicate that effective management of Working Capital Credit and KUR Credit can be an important strategy to increase company profitability. Determining the right credit policy can help a company optimize its financial performance.

Table 8 presents a summary of the multiple linear regression model used to evaluate the effect of Working Capital Credit (X1) and KUR Credit (X2) on Profitability (Y). This summary includes several important indicators, namely the correlation coefficient (R), coefficient of determination (R Square), Adjusted R Square, and standard error of estimate (Std. Error of the Estimate). These indicators help in understanding how well this regression model explains the variations in the dependent variable, namely Profitability.

Table 8. Summary of Regression Models

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.745a	0.555	0.109	0.12305

a. Predictors: (Constant), KUR Credit (X2), Working Capital Credit (X1)
b. Dependent Variable: Profitability (Y)
Source: Processed data, 2023

Simultaneous Hypothesis Testing with F Test

The results from Table 9 show that the multiple linear regression model involving Working Capital Credit (X1) and KUR Credit (X2) as predictors is quite good in explaining variations in Profitability (Y). The R value of 0.745 indicates a fairly strong relationship between the independent and dependent variables. The R Square value of 0.555 indicates that 55.5% of the variation in profitability can be explained by this model, while the remaining 44.5% is explained by other variables not included in the model. The lower Adjusted R Square value, 0.109, indicates that although the model explains most of the variation, it is necessary to be wary of potential overfitting or independent variables that may not be completely relevant. The standard error of the estimate of 0.12305 shows how far the predictions from this model differ from the actual values. This value shows that the model predictions are relatively accurate but there are still some deviations. Overall, this model is quite good at predicting profitability based on Working Capital Credit and KUR Credit, however there is room for improvement, especially in addressing other variables that might influence profitability.

Table 7 presents the results of the analysis of variance (ANOVA) which was used to evaluate whether the overall regression model was significant in explaining variations in the dependent variable, namely Profitability (Y). This ANOVA tests the null hypothesis that all regression coefficients are equal to zero, which means that the independent variables have no influence on the dependent variable. In this case, we evaluate whether Working Capital Credit (X1) and KUR Credit (X2) have a significant influence on Profitability.

Table 9. ANOVA results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.038	2	0.019	21,246	0.025b
Residual	0.030	2	0.015		
Total	0.068	4			

a. Dependent Variable: Profitability (Y)
b. Predictors: (Constant), KUR Credit (X2), Working Capital Credit (X1)

The results of this ANOVA analysis show that the regression model involving Working Capital Credit and KUR Credit significantly explains variations in Profitability. The high F value and low significance value indicate that this model is very good at explaining the relationship between the independent and dependent variables. Thus, it can be concluded that these two independent variables together have a significant impact on bank profitability. These results support the importance of managing Working Capital Credit and KUR Credit to increase overall bank profitability.

Partial Hypothesis Testing

The following table presents the results of multiple linear regression analysis used to evaluate the effect of Working Capital Credit (X1) and KUR Credit (X2) on Profitability (Y). This analysis aims to identify the extent to which each independent variable (X1 and X2) contributes to changes in the dependent variable (Y). The results of this analysis will show how much of the increase in Profitability can be explained by each independent variable, both in absolute terms (unstandardized coefficients) and relatively (standardized coefficients). This table also includes t and significance values which show how much influence each independent variable has and whether the influence is statistically significant.

Table 10. Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2,582	,674		3,834	,062
Working Model Credit (X1)	,414	.126	,470	3,286	,030
People's Business Credit (X2)	,521	,189	,663	2,757	.041

Source: Processed data, 2023

The results of this table show that the two independent variables, namely Working Capital Credit and KUR Credit, have a significant influence on bank profitability. The regression coefficient for these two variables is positive, which means that an increase in each variable will increase Profitability. KUR Credit has a greater influence compared to Working Capital Credit, as shown by the higher Beta coefficient. Overall, these results show the importance of managing these two types of credit to increase bank profitability.

The following is a table of summary results of simultaneous and partial tests along with their conclusions in one paragraph:

Table 11. Summary Results of Simultaneous and Partial Tests

Test	Test Statistics	p value	Conclusion
F test	21,246	0.025	Hypothesis accepted
T test X1	3,286	0.030	Hypothesis accepted
T test X2	2,757	0.041	Hypothesis accepted

Source: Data processing results: 2023

The results of the simultaneous test (F Test) show that at least one of the independent variables, namely Working Capital Credit (X1) or KUR Credit (X2), has a significant influence on Profitability (Y), with an F value of 21.246 and a significance of 0.025. The partial test (t test) confirms that both Working Capital Credit (X1) and KUR Credit (X2) individually also have a significant influence on Profitability, with t values of 3.286 (p = 0.030) for X1 and 2.757 (p = 0.041) respectively.) for X2. Thus, it can be concluded that the two hypotheses proposed in this research are accepted, stating that Working Capital Credit and KUR Credit have a positive and significant influence on bank profitability.

DISCUSSION

The Effect of Partial Working Capital Credit on Profitability

Working Capital Credit (X1) is identified as a significant factor in influencing bank Profitability (Y). In this context, corporate finance theory suggests that working capital credit can improve liquidity and operational efficiency, which in turn contributes to better profitability (Ghosh, 2014). The results of this research are consistent with the findings of Basu, Banerjee, and Das (2017) which show that effective management of working capital credit can increase operational efficiency and profitability of manufacturing companies.

Previous research also highlights that well-managed working capital credit can provide significant support to a company's ability to fulfill financial obligations and maintain short-term financial stability (Hartono & Purwanto, 2020). This is supported by the finding that companies that have greater access to working capital credit tend to have smoother cash cycles and less dependence on long-term debt, which has the potential to increase profitability (Filbeck & Krueger, 2015).

However, it is important to remember that the impact of working capital credits on profitability can vary depending on the industry, capital structure, and macroeconomic conditions. Further research may need to consider these factors to better understand the specific context within. In the context of banks, effective management of working capital loans not only helps in increasing profitability but also in managing credit risks better, which can ultimately strengthen the bank's financial position in the market.

The Effect of KUR on Profitability

In the context of the influence of People's Business Credit (KUR) on bank profitability, financial theory and the results of previous research provide important insights. KUR is designed to increase financial access for small and medium enterprises (SMEs), which is expected to strengthen the bank's customer base and increase interest income through increasing the volume of credit disbursed (Setyawan & Kartika, 2018). This is in line with theory which states that greater access to credit can expand the production capacity and operational capabilities of SMEs, which in turn increases bank profitability (Fadil & Astuti, 2019).

However, several studies also highlight that the results of KUR implementation are not always consistent. Several factors that can influence the impact include high non-performing loan (NPL) levels, increasing operational costs, and challenges in effective credit risk management (Firman & Mardani, 2020). Apart from that, there is also evidence that the success of the KUR program depends on the right implementation strategy from the bank, as well as supporting regulatory and policy support (Nugroho & Faisal, 2019).

In this research, the results show that KUR has a significant influence on bank profitability ($B = 0.521$, $p = 0.041$), indicating that banks that are more active in providing KUR tend to have better financial performance. However, to maximize its benefits, special attention is needed to risk management and effective implementation strategies of the KUR program, so as to reduce risks that may arise and optimize its positive contribution to bank profitability in the long term.

Simultaneous Effect of Working Capital Credit and KUR on Profitability

The third hypothesis examines the simultaneous influence of Working Capital Credit (X1) and People's Business Credit (KUR) (X2) on bank Profitability (Y). The results of the analysis show that simultaneously, these two variables contribute significantly to bank profitability, with an F value of 21.246 and a significance of 0.025. The Adjusted R Square value of 0.555 indicates that around 55.5% of the variation in profitability can be explained by this model.

According to financial theory, credit portfolio diversification can reduce risk and increase bank stability and profitability (Berger & Bouwman, 2015). Working Capital Credit and KUR have different risk characteristics and rates of return, which, when combined, can provide greater profits for banks. This is because banks can manage their credit portfolios more effectively and increase interest income from various sources (Ismail & Fatmawati, 2021).

Previous research shows mixed results. A study by Sufian and Habibullah (2014) shows that the combination of various types of credit, including Working Capital Credit and KUR, can have a significant positive impact on bank profitability. However, research by Firman and Mardani (2020) shows that this combination can lead to increased credit risk if not managed properly, which has the potential to reduce bank profitability.

Thus, the results of this research indicate that effective management of Working Capital Credit and KUR can make a positive contribution to bank profitability. However, proper risk management is very important to avoid potential risks that may arise from this credit diversification. Further research is needed to explore other factors that may influence this relationship and ensure that the positive impact of this credit combination can be maintained over the long term.

CONCLUSIONS AND RECOMMENDATION

Conclusion

Based on the results of the analysis of the influence of Working Capital Credit and People's Business Credit (KUR) on bank profitability, several important points were found. First, Working Capital Credit shows a significant influence on bank profitability. This supports the theory that Working Capital Credit, which provides liquidity to companies for daily operations, can increase interest income and bank operational efficiency. Second, People's Business Credit also has a significant influence on bank profitability. This is consistent with previous theory and research which shows that KUR helps expand the customer base and increase financial inclusion, which leads to increased bank profitability. Third, simultaneously, the combination of Working Capital Credit and KUR is proven to be able to explain significant variations in bank profitability. This emphasizes the importance of credit portfolio diversification and effective risk management in improving bank financial performance.

Suggestions for Management

Bank management is advised to optimize the management of Working Capital Credit and KUR by improving credit analysis and risk management. This step will help minimize the risk of bad credit and ensure that the credit disbursed truly makes a positive contribution to profitability. In addition, management must consider expanding its credit portfolio with various other credit products that can have a synergistic impact on profitability. Given the importance of KUR in expanding financial inclusion, banks also need to strengthen initiatives to reach more small and medium business segments, which often have limited access to formal financing.

Recommendations for Further Researchers

Future researchers are advised to use data from a longer time period and a larger sample size to ensure more general and reliable results. Apart from Working Capital Credit and KUR, further research can explore other variables such as interest rates, operational costs, and macroeconomic factors which may also influence bank profitability. It is also recommended to conduct comparative studies between banks of different sizes and business models to see whether the research results are consistent across different contexts. In addition, future researchers can consider a qualitative approach to gain deeper insight into the factors that influence the effectiveness of credit management and strategies to increase profitability in banks. By implementing these suggestions, it is hoped that bank management can be more effective in managing credit portfolios and increasing profitability, while future researchers can make further contributions in understanding the dynamics of credit management and bank financial performance.

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