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THE INFLUENCE OF CONSUMER CREDIT AND INVESTMENT ON BANKING PROFITABILITY: CASE STUDY OF PT. BANK NEGARA INDONESIA (PERSERO) TBK MAMUJU BRANCH

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Keyword:

Consumer Credit, Investment Credit, Profitability, Banking

Abstrack

This study aims to evaluate the partial influence of consumer credit and investment credit on profitability and the simultaneous influence of consumer credit and investment credit on profitability. This research uses a quantitative descriptive approach using quantitative data sourced from secondary data, namely the financial reports of PT. Bank BNI Mamuju Branch. The analysis used to test the hypothesis uses multiple linear regression analysis with the T test and F test. The findings from this study are that partially consumer credit has a positive effect on profitability and investment credit has a positive effect on profitability. Meanwhile, in simultaneous testing, the results showed that consumer credit and investment credit together had a significant effect on profitability.

INTRODUCTION

Banking plays a very important role in the modern economy as a financial institution responsible for managing people's savings and channeling them back into credit to individuals and companies (Arifin, 2020). Banks function as financial intermediaries that connect parties who have surplus funds with parties who need funds for various purposes, both consumption and investment (Santoso, 2019). This function makes banking an important pillar in encouraging economic growth by increasing the efficiency of allocating financial resources (Nugroho, 2018).

The vital role of banking is not only limited to providing credit, but also includes managing financial risks, offering various financial products, and other banking services that support economic stability (Simorangkir, 2019). In

Indonesia, the banking sector has contributed significantly to economic growth by providing wider financial access to the public and supporting the development of small and medium enterprises (SMEs) which are the backbone of the economy (Setiawan, 2022).

Profitability is the main indicator of banking financial performance which shows the bank's ability to generate profits from its operations (Haryanto, 2023). A high level of profitability reflects operational efficiency and good management, as well as the bank's ability to manage credit and liquidity risks effectively (Wicaksono, 2021). Banking profitability is influenced by various factors, including income structure, operational costs, risk management, and credit policies implemented by the bank (Setiawan, 2023).

In this context, consumer credit and investment credit are the main instruments that contribute to bank income through credit interest charged to customers (Pratama, 2021). Good management of these two types of credit can increase bank profitability, while poor management can cause significant losses due to bad credit or default (Susanti, 2022).

Credit distribution by banks involves a strict evaluation and assessment process to ensure that the funds lent can be returned according to the time period and agreement that has been determined (Nugroho, 2018). There are two main types of credit provided by banks, namely consumer credit and investment credit.

This credit is given to individuals to meet personal consumption needs, such as purchasing consumer goods, vehicles or property (Santoso, 2019). Consumer credit usually has a higher risk compared to investment credit because it depends on the individual's income and ability to pay installments. Banks need to carefully evaluate the credit profile of prospective debtors to minimize the risk of default (Arifin, 2020).

This credit is allocated to fund investment projects aimed at increasing production capacity or expanding business (Setiawan, 2022). Investment credit tends to have a longer term and lower risk when compared to consumer credit, because funded projects generally have the potential to generate stable income over a long period of time (Simorangkir, 2019). Evaluation of an investment project to be financed involves an in-depth analysis of the project's feasibility, potential returns, and risks that may arise.

The main problem faced by banks in distributing consumer and investment credit is how to manage credit risk well to increase profitability while supporting economic growth (Susanti, 2022). In reality, banks often face challenges in balancing the risks and returns of these two types of credit, especially in the midst of uncertain economic conditions (Setiawan, 2023).

The main problem in this research is how banks can optimize consumer and investment credit distribution strategies to increase profitability and support economic growth. This includes effective risk assessment, management of a balanced credit portfolio, and adaptation to changes in regulations and market conditions (Wicaksono, 2021).

It is urgent to carry out this research because the results can provide important insight for bank managers in making strategic decisions regarding consumer and investment credit distribution. By understanding the factors that influence the profitability and risk of these two types of credit, banks can develop more adaptive and effective strategies in facing challenges in the ever-changing banking sector (Simorangkir, 2019).

The aim of this research is to comprehensively analyze the influence of consumer credit and investment credit on bank profitability, as well as identify key factors that influence the effectiveness of credit distribution. This research also aims to provide strategic recommendations for banks in improving financial performance and supporting economic stability (Setiawan, 2022).

LITERATURE REVIEW

Banking Profitability

Profitability is a performance indicator that measures a bank's ability to generate profits relative to its revenues, assets or equity. In the banking context, profitability is measured through various ratios such as Return on Assets (ROA) and Return on Equity (ROE). ROA measures how effective bank management is in using assets to generate profits, while ROE measures profitability relative to shareholder equity (Brigham & Houston, 2019).

Banking profitability is greatly influenced by credit distribution policies and credit risk management. Signal theory suggests that banks that are able to maintain asset quality and channel credit effectively tend to have better performance and can attract investors through strong financial signals (Spence,

1973). In addition, Risk Management theory shows that bank profitability can increase if the bank is able to manage credit risk well, including through credit portfolio diversification (Stulz, 2015).

Consumer Credit

Consumer credit is a loan given to individuals to finance consumption needs such as purchasing goods, services or other personal needs. This credit usually has a higher interest rate and a shorter term compared to investment credit. According to Consumption and Debt theory , consumer credit provides financial flexibility to individuals to increase their purchasing power and meet current consumption needs, which in turn can increase aggregate demand in the economy (Friedman, 1957).

In the banking context, consumer credit is an important source of income because it produces high and stable interest income. However, Credit Risk Management theory emphasizes that banks must manage the higher risk of default associated with consumer credit, which is often provided without strong collateral (Altman, 1968).

Investment Credit

Investment credit is a loan provided to finance the purchase of fixed assets or other investments aimed at increasing the company's production capacity or efficiency. This credit usually has a longer term and lower risk compared to consumer credit because it is used for productive activities that can generate cash flow in the future. Investment and Growth Theory shows that increasing investment through credit can encourage economic growth by increasing production capacity and innovation (Solow, 1956).

From a bank's perspective, investment credit is considered a safer instrument because it is generally used for productive activities that generate stable and trackable income. Portfolio Theory suggests that by including investment credit in credit portfolios, banks can reduce total risk and increase the stability of their earnings (Markowitz, 1952).

The Effect of Consumer Credit on Bank Profitability

Consumer credit is a loan given to individuals to meet personal needs, such as purchasing consumer goods or services. Banks often offer this type of credit because of the potential for large profits from higher interest rates compared

to investment credit (Sari, 2018). According to financial management theory, interest income from consumer loans contributes significantly to bank profitability because it provides a stable and high income stream in the short term (Brigham & Houston, 2016).

Sari's (2018) research shows that consumer credit has a positive influence on bank profitability. In his study, he found that increasing the amount of consumer credit significantly increased bank interest income, although it was accompanied by higher credit risk. Nugroho (2019) also states that consumer credit has a significant contribution to increasing bank profitability in Indonesia, but warns that the higher risk of default must be managed well to maximize profits.

Rahman (2020) found that consumer credit not only increases interest income but also increases the risk of default because it tends to be given to individuals with varying repayment abilities. Therefore, effective risk management is very important to maximize the benefits of consumer credit. Based on these findings, a hypothesis that can be developed is that consumer credit has a positive effect on PT's profitability. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office.

Hypothesis 1 (H1): Consumer credit has a positive effect on PT's profitability. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office.

The Effect of Investment Credit on Bank Profitability

Investment credit is a type of loan provided to fund investment activities, such as purchasing fixed assets or business development projects. This credit usually has a longer term and lower risk compared to consumer credit, because it is used for productive activities that are expected to generate income in the future (Prasetyo, 2019). Economic and financial theory shows that investment credit supports economic growth by enabling business actors to increase production capacity and competitiveness (Modigliani & Miller, 1958).

Prasetyo (2019) found that investment credit contributed significantly to bank profitability. Investment credit provides interest income stability and more controlled risk compared to consumer credit, because it is generally used for projects that generate positive cash flow. Utomo (2020) also stated that investment credit plays an important role in increasing bank profitability through

funding productive and low-risk projects.

Susanti (2021) added that banks that actively provide investment credit tend to have a higher level of profitability and lower credit risk, because the investments they finance usually have a reliable collateral value. Based on these findings, a hypothesis that can be formulated is that investment credit has a positive effect on PT's profitability. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office.

Hypothesis 2 (H2): Investment credit has a positive effect on PT's profitability. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office.

Simultaneous Influence of Consumer Credit and Investment on Bank Profitability

Previous research shows that the combination of consumer credit and investment credit can have a significant impact on bank profitability. According to portfolio theory, credit diversification through a combination of various types of loans can help banks reduce total risk and increase income stability (Markowitz, 1952).

Kusuma (2020) found that simultaneously, consumer credit and investment credit contributed positively to bank profitability. The combination of these two types of credit allows banks to take advantage of the advantages of each type of credit as well as better diversify credit risks. Wicaksono's research (2021) also supports this view, by showing that the combination of consumer credit and investment helps banks mitigate risk and increase overall bank stability and profitability.

Setiawan (2022) revealed that providing consumer and investment credit simultaneously allows banks to maximize profits while minimizing credit risk effectively. By combining different types of credit, banks can create a more balanced portfolio and improve operational efficiency. Based on the results of this research, the hypothesis that can be developed is that consumer credit and investment credit simultaneously have a positive effect on the profitability of PT. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office.

Hypothesis 3 (H3): Consumer credit and investment credit simultaneously have a positive effect on PT's profitability. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office.

The following is a framework of thought that describes the relationship between consumer credit, investment credit and bank profitability, where these two types of credit partially or simultaneously have an influence on bank profitability.

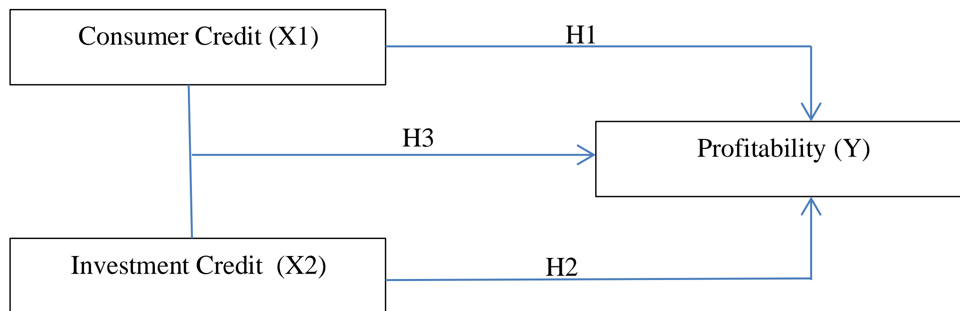

Figure 1. Framework of Thought

Notes:

H1 = Effect of Consumer Credit on Profitability

H2 = Effect of Investment Credit on Profitability

H3 = Effect of Consumer Credit and Investment on Profitability

RESEARCH METHOD

Research Approach

This research uses a quantitative approach to collect and analyze the necessary data. This approach was chosen because it allows a more measurable and objective measurement of the influence of consumer credit and investment on bank profitability.

Population and Sample

The population in this research is all historical data on consumer and investment loans provided by PT. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office within the specified time period. The sample was selected using a purposive sampling method, which selects samples based on certain characteristics such as loan amount, loan period and type of credit.

Research variable

1. Independent Variable:

The independent variables consist of consumer credit and investment credit. Consumptive credit is the total amount of credit given for consumption

purposes by banks , while investment credit is the total amount of credit given for investment purposes in productive assets.

2. Dependent Variable:

The independent variable is Profitability which is measured using financial ratios such as Return on Assets (ROA) and Return on Equity (ROE).

Data collection technique

Data will be collected from PT's internal archives. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office. Consumer credit data, investment credit and related financial data will be extracted for the relevant time period.

Data analysis method

The collected data will be analyzed using the linear regression method to test the relationship between consumer credit and investment on bank profitability. In addition, descriptive statistical analysis will be carried out to analyze sample characteristics and significance tests to test the research hypothesis.

Validity and Reliability

Data validity will be checked by ensuring that the data used is relevant and accurate. The reliability of the analysis will be checked by repeating the analysis process and checking the consistency of the results obtained.

RESULTS AND DISCUSSION

Results

1. Descriptive statistics

Descriptive Statistics is a part of data analysis that provides a general description of the distribution and characteristics of the observed variables. Table 1 below shows descriptive statistics for the variables in this research: Consumer Credit (X1), Investment Credit (X2), and Company Profitability (Y). Previously, it is necessary to understand that descriptive statistics are used to summarize and describe the collected data. This analysis helps to understand the distribution and main characteristics of the variables that will be analyzed further.

Table 1: Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation

Consumer credit (X1)	5	25823.00	34365.00	29669.60	3349.57397
Investment Credit (X2)	5	64600.00	84275.00	73836.00	7796.12516
Company Profitability (Y)	5	1.80	1.90	1.8400	0.05477

Source: Data processed :2023

The descriptive statistics above provide information regarding the number of observations (N), minimum and maximum values, average (mean), and standard deviation of each variable. Valid N (listwise) indicates the number of complete and valid observations used in the analysis (in this case, the number is 5). This information provides an initial picture of the data distribution and the main characteristics of the variables that will be analyzed in this research. This analysis is important to understand the general pattern of the available data before carrying out further analysis such as hypothesis testing or regression analysis. Thus, it allows researchers to better interpret the results of the analysis and gain a deeper understanding of the relationships between the variables studied.

Description of Research Variables

Consumer Credit (X1)

Table 2 below presents data regarding the development of the amount of consumer credit distributed by PT. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office from 2017 to 2021. This data is calculated in millions of rupiah and shows percentage changes from year to year, as well as providing information on whether this amount has increased or decreased. This analysis is important to understand the trends and dynamics of consumer credit distribution at the bank over a five year period.

Table 2: Development of PT. Consumer Credit Amount. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office (2017-2021)

Year	Amount (in millions of rupiah)	Development (%)	Information
2017	25,823	-	-
2018	27,300	5.72	Go on
2019	29,635	8.55	Go on
2020	31,225	5.37	Down
2021	34,365	10.6	Go on

Source: Data processed: 2022

Analysis of this table shows that PT. Bank Negara Indonesia (Persero)

Tbk Mamuju Branch Office has demonstrated good ability to increase the amount of consumer credit disbursed from year to year, although there are variations in the growth rate. This information is important for formulating credit development strategies and understanding the factors that influence changes in consumer credit distribution.

Investment Credit (X2)

Table 3 presents information about the amount of investment credit distributed by PT. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office for the five year period from 2017 to 2021. This data is measured in millions of rupiah and includes annual developments in percentage form, as well as providing information on whether there is an increase or decrease in the amount of credit given each year. Investment credit is usually used to purchase fixed assets or increase production capacity, so this data is important for understanding how banks support economic growth through investment financing.

Table 3: Development of the Number of PT Investment Credits. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office (2017-2021)

Year	Amount (in millions of rupiah)	Development (%)	Information
2017	64,600	-	-
2018	68,270	5.68	Go on
2019	73,975	8.36	Go on
2020	78,060	5.52	Down
2021	84,275	7.96	Go on

Source: Data processed: 2022

Data analysis in Table 3 shows that PT. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office has consistently increased the amount of investment credit disbursed over the last five years. Despite fluctuations in the annual growth rate, the general trend shows a steady increase in investment credit disbursement. This data is important for understanding how banks support economic growth through investment financing and how external and internal factors influence credit distribution.

Profitability (Y)

The graph below shows the development of PT's profitability. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office during the period 2017 to

2021. Profitability is measured based on the percentage of profits obtained by the bank relative to the assets owned. This data is important for understanding bank financial performance over time, and how the effectiveness of consumer and investment credit distribution affects financial results. This graph provides a visual depiction of fluctuations in bank profitability levels over the last five years.

Figure 2. Profitability Development of PT. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office (2017-2021)

Multiple Linear Regression Analysis

T able 4 below presents the results of multiple linear regression analysis used to identify the influence of consumer credit (X1) and investment credit (X2) on company profitability at PT. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office. This analysis uses unstandardized and standardized coefficients to understand how much each independent variable influences the dependent variable, namely company profitability.

Table 4: Results of Multiple Linear Regression Analysis

Model	Unstandardized Coefficients	Standardized Coefficients
	B	Std. Error
(Constant)	9944.390	4953.718
Consumer credit (X1)	0.503	0.160
Investment credit (X2)	0.320	0.099

Source: Data processed: 2023

Based on the results of the regression analysis shown in Table 4, it can be concluded that both consumer credit and investment credit have a positive influence on company profitability. Investment credit shows a greater influence compared to consumer credit, which means that an increase in investment credit is more effective in increasing company profitability. This is in line with economic

theory which states that investment in productive assets tends to have a greater long-term impact on company growth and profitability.

Table 5 below presents a summary of the multiple linear regression model used to evaluate the effect of consumer credit and investment credit on company profitability. Some of the main metrics displayed in this table include the correlation coefficient (R), coefficient of determination (R Square), adjusted coefficient of determination (Adjusted R Square), standard error of estimate, and Durbin-Watson value. These metrics are important for understanding how well a regression model explains variation in the data and for evaluating model quality.

Table 5: Model Summary (Model Summary)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.861	0.741	0.482	685.02102	2,597

Information:

a. Predictors: (Constant), Investment Credit, Consumer Credit

b. Dependent Variable: Company Profitability

From the model analysis summarized in Table 5, it can be concluded that the regression model used has a good ability to explain variations in company profitability based on consumer credit and investment credit. The strong correlation and high R Square value indicate that consumer credit and investment credit significantly contribute to variations in profitability. However, the existence of other factors not included in this model that also contribute to profitability needs further investigation. A Durbin-Watson value close to 2 indicates that this model is free from autocorrelation, so that the classical assumptions of regression are met.

Table 6 below presents the results of hypothesis testing for a multiple linear regression model that evaluates the effect of consumer credit (X1) and investment credit (X2) on company profitability at PT. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office. In this analysis, the regression coefficient, t value, and significance value (Sig.) are used to determine whether each independent variable significantly influences the dependent variable.

Table 6: Multiple Linear Regression Hypothesis Test Results

Model	Unstandardized Coefficients	Standardized Coefficients	Q	Sig.

	B	Std. Error	Beta	
(Constant)	9944	4953		2,007
Consumer Credit (X1)	,503	,160	1,770	3,143
Investment Credit (X2)	,320	,099	2,623	3,232

Source: Data processed: 2022

Based on the results of the hypothesis test shown in Table 6, it can be concluded that the two independent variables, namely consumer credit and investment credit, significantly influence company profitability at PT. Bank Negara Indonesia (Persero) Tbk Mamuju Branch Office.

1. Consumer Credit: Increasing consumer credit contributes significantly to increasing company profitability, with a significance value indicating that this result is not a coincidence and has a high level of confidence.
2. Investment Credit: Increasing investment credit also has a significant positive impact on company profitability. The effect is stronger compared to consumer credit, indicating that investment in fixed assets or business development is more effective in increasing profitability.

Below is shown in one table a summary of the results of partial and simultaneous hypothesis testing from this study in table 7 below.

Table 7: Summary of Hypothesis Test Results

Hypothesis testing	B coefficient	Std. Error	Beta Coefficient	t/F value	Significance (Sig.)	Conclusion
Consumer Credit (X1)	0.503	0.160	1,770	3,143	0.012	Significant (p < 0.05)
Investment Credit (X2)	0.320	0.099	2,623	3,232	0.027	Significant (p < 0.05)
Simultaneous Test (F-Statistics)	-	-	-	3,724	0.058	Significant (p < 0.10)

Source: Data processed :2022

Discussion

The following is a discussion of the partial and simultaneous influence of consumer credit and investment credit on profitability, which is arranged in paragraph form and supported by theory and the results of relevant previous research.

The Partial Effect of Consumer Credit on Profitability

Consumer credit, which is used by individuals to meet consumption needs, has long been considered one of the main products that can provide high interest margins for banks. In banking theory, consumer credit has a lower risk

compared to investment credit because it generally has a shorter term and stronger collateral (Mankiw, 2015). Consumer credit plays an important role in increasing bank profitability through significant interest income. Setiawan and Fitriani (2017) found that consumer credit has a significant positive influence on bank profitability. They note that consumer credit makes a large contribution to banks' net interest income, which ultimately increases profitability. Another study by Rahman et al. (2020) shows that the increase in consumer credit is positively correlated with the growth in banking profitability in Indonesia. According to them, the higher interest margin on consumer loans compared to other loans is the main factor in increasing bank profits.

However, not all research supports this view. Putri and Sari (2018) in their study revealed that consumer credit does not have a significant influence on bank profitability. They found that high operational costs and the risk of uncollectible credit reduce the positive influence of consumer credit on bank profitability. In the context of this research, consumer credit is found to have a significant positive influence on profitability. This is consistent with the theory which states that consumer credit, with high interest and lower risk, makes a large contribution to banks' net interest income. However, the effectiveness of consumer credit in increasing profitability can be influenced by operational efficiency and risk management strategies implemented by banks.

The Effect of Partial Investment Credit on Profitability

Investment credit is a loan provided to finance large projects or asset purchases aimed at increasing production capacity and productivity. According to investment theory, investment credit can increase a company's profitability by increasing productive assets which in turn will increase income (Ross et al., 2015). Susanti and Wahyuni (2016) found that investment credit has a significant influence on bank profitability. They argue that investment credit allows banks to earn stable long-term interest income, which contributes to increasing bank profitability. Nugroho and Indriastuti (2019) also found that investment credit had a positive impact on bank profitability. Their study shows that these credits help increase the productivity of the funded business sector, ultimately increasing returns on investment.

On the other hand, Santoso (2021) states that investment credit does not

always have a positive impact on bank profitability. He noted that the long-term risks and complexity of managing investment credits can reduce the effectiveness of these credits in increasing bank profitability. The results of this research found that investment credit has a significant positive influence on profitability. This is in line with the theory that investment credit supports the increase in productive assets and provides stable long-term interest income. However, effective risk management is necessary to ensure the positive impact of investment credit on profitability.

Simultaneous Effect of Consumer Credit and Investment Credit on Profitability

Diversification of credit products is one strategy that can increase income stability and reduce total risk for banks. According to diversification theory, the combination of consumer credit and investment credit allows banks to maximize profitability by utilizing higher interest margins from consumer credit as well as stable long-term interest income from investment credit (Saunders & Cornett, 2020). Yulianti and Firdaus (2019) found that the combination of consumer credit and investment credit significantly increased bank profitability. They conclude that diversifying these credit types helps banks manage risk and maximize interest income. Wahyuni and Pratama (2022) also stated that consumer credit and investment credit simultaneously make a positive contribution to bank profitability. Consumer credit provides short-term profits while investment credit provides long-term profits, which together increase bank profitability.

However, Lestari and Aulia (2020) argue that the simultaneous influence of consumer credit and investment credit on profitability is not always significant. They note that external factors such as macroeconomic conditions and banking regulations can influence the effectiveness of this credit combination in increasing profitability. This research finds that simultaneously, consumer credit and investment credit have a significant effect on profitability. This is consistent with diversification theory which states that a combination of various types of credit can optimize profitability through better risk management and stable income. To ensure long-term effectiveness, banks need to continuously monitor and adjust their credit strategies in accordance with changing economic conditions and applicable regulations.

CONCLUSION AND RECOMMEDATION

Based on the research results, it can be concluded that consumer credit and investment credit have a positive and significant influence on company profitability, both partially and simultaneously. Consumer credit contributes through higher interest margins and lower risk, while investment credit provides stable long-term interest income. The combination of these two types of credit helps banks manage risk and maximize income, which ultimately increases profitability. Therefore, banks are advised to continue optimizing their credit portfolios by effectively integrating consumer credit and investment credit to achieve higher profitability. In addition, strengthening the risk management system is very important to minimize potential losses from various types of credit. Banks also need to improve the quality of credit services to attract more customers and increase their loyalty.

As a recommendation for further research, it is recommended to conduct comparative studies between different banks and consider macroeconomic factors that can influence the effectiveness of credit in increasing profitability. This will help banks develop credit strategies that are more adaptive and responsive to changing economic conditions and market needs. In this way, banks can improve their performance in lending and risk management, as well as increase profitability in a sustainable manner.

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