Lending Growth Determinant on Rural Banks in Denpasar

Ni Wayan Sulistiyani[1], Agus Wahyudi Salasa Gama[2], Ni Putu Yeni Astiti[3]
Fakultas Ekonomi Universitas Mahasaraswati Denpasar[1,2,3]
Correspondence Email: salasa.gm@gmail.com

ABSTRACT

This study aims to examine the determinant of lending growth on rural bank in Denpasar. the determinant of lending growth consists of Third-Party Funds, Capital Adequacy Ratio, Non-Performing Loans, Loan to Deposit Ratio, and Return on Assets. In this study there were 18 rural banks being sampled this research was conducted in three years of observation, from 2016 to 2017. Data analysis techniques used in this study are multiple linear regression.

The results of the study show that Third Party Funds and Loan to Deposit Ratio can affect lending growth positively and significantly. while the Capital Adequacy Ratio, Non-performing Loans, and Return on Assets are not able to influence lending growth in rural banks in Denpasar.

Keywords: Lending Growth, Rural Banks, Capital Adequacy, Non-Performing Loan

INTRODUCTION

The economic development of a country is very dependent on the development and contribution of the banking sector because the role of financial institutions such as banking is needed to finance existing economic development. According to Banking regulation in Indonesia it is known that the main activities of the bank are to collect and channel funds to the public. The activity of collecting funds is done by finding alternative sources of funds, and one of the main sources of banks comes from the community. An excess of funds can save funds in the form of demand deposits, deposits, savings, and other similar forms as needed. with the capital factor (capital) of the bank, where capital owned by the bank is based on the obligation to provide minimum capital of the bank. The increasing growth of third-party funds (TPF) will lead to increased credit growth. Based on previous research conducted by Kardianto (2015), Rosyida (2014), and Apsari (2015); shows the results that Third-Party Funds (TPF) have a positive effect on loans.

Lending growth in the community plays an important role in fulfilling capital requirements in financing operational activities. The movement of the business community makes the economy wheel will move towards a prosperous society, while for the bank itself credit plays a role in increasing bank profits or profits, in other words bank income will increase if supported by increased credit growth. Capital Adequacy Ratio (CAR) is a capital adequacy ratio function to accommodate the risk of losses that may be faced by the bank. The higher the CAR will indicate the bank the more healthy the capital (Taswan, 2010: 166). The greater the value of CAR allows banks to offer more credit, in accordance with increased credit, the growth of bank credit also increases. Based on the research of Setyawan (2015); Yuliana (2014) shows the results of the study that Capital Adequacy Ratio (CAR) has a positive effect on credit growth, another case with research conducted by Rosyida (2014) and Apsari (2015) shows the results of research that Capital Adequacy Ratio (CAR) has a negative effect on lending growth.

Every loan given by a bank to a customer is not entirely returned properly, not exactly in accordance with the time promised. But in reality there are some customers who for some reason cannot return credit to banks that have given loans. As a result, it will make the trip of a credit stop or in other words will arise Non Performing Loans (NPL), commonly known as problem loans (Oktaviani, 2012). This ratio indicates that the higher the NPL ratio indicates the worse the loan quality. Based on

research conducted by Kardiyanto (2015); and Setyawan (2015) showed that Non-Performing Loans (NPL) negatively affected lending growth.

According to Taswan (2010) A financial institution is declared liquid if the financial institution is able to fulfill its debt obligations, can repay all depositors and be able to fulfill the credit request that was submitted without delay. The maximum loan to deposit ratio according to government regulations is 110% (Kasmir, 2014: 319). According to the research conducted by Apsari (2015), it shows that the LDR has no effect on lending growth, while the research conducted by Yuliana (2014) shows that the LDR has a positive effect on lending growth. Loan to Deposit Ratio is a ratio to measure the composition of the amount of loangiven compared to the amount of public funds and own capital used in the period 2016-2017.

According to Taswan (2010: 167) the Return on Asset or ROA ratio is the ratio used to indicate profit using its assets, the greater the ratio, the better the performance of the bank. Based on the research conducted by Apsari (2015), Ghalih (2014), Kardianto (2015), Rosyda (2014), Setyawan (2015) and Yuliana (2014) showed that the ROA ratio had a positive effect on credit growth.

Therefore, researchers are interested in conducting research again in order to obtain empirical evidence whether there is influence of Third Party Funds (TPF), Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR) and Return on Assets (ROA) on lending growth in rural banks throughout Denpasar, 2016-2017.

LITERATURE REVIEW

Loan
Loan is the provision of money or bills that can be equated with that, based on a loan agreement between the bank and another party that requires the borrower to repay the debt after a certain period of time with interest. According to Kasmir (2014: 274) in general it is said that credit is a trust which in Latin language is called "Credere". This means that the trust of the bank (creditor) to the customer (debtor), where the bank believes the customer will definitely return the loan according to the agreement that has been made.

Third Party Funds (TPF)
The third-party funds described in the RI Banking Act No. 10 of 1998 concerning banking is funds entrusted by the public to banks based on fund deposit agreements in the form of demand deposits, deposits, certificates of deposit, savings, and other similar forms. According to Kasmir (2014: 53) third party funds are funds originating from the wider community which is the most important source of funds for a bank's operational activities and is a measure of the success of the bank if it is able to finance its operations from these funding sources.

Capital Adequacy Ratio (CAR)
Based on regulations from Bank Indonesia No. 3/21 / PBI / 2001 concerning the obligation to provide minimum capital for commercial banks, that each bank is required to provide a minimum capital of 8 percent of risk-weighted assets which is proxied by the Capital Adequacy Ratio (CAR) ratio. Capital Adequacy Ratio (CAR) is a capital adequacy ratio that functions to accommodate the risk of losses that might be faced by banks.

Non-Performing Loans (NPL)
According to Taswan (2010: 166) The ratio of Non-Performing Loans (NPL) is the ratio between non-performing loans to total credit. This ratio indicates that the higher the NPL ratio shows the worse the credit quality. Non-Performing Loans (NPL) are used to measure a bank's ability to cover the risk of a debtor's failure to repay a loan.

Loan on Deposit Ratio (LDR)

One way to find out the liquidity of financial institutions is to look at the Loan to Deposit Ratio (LDR). Loan to Deposit Ratio is a ratio to measure the composition of the amount of credit given compared to the amount of public funds and the capital used. The maximum loan to deposit ratio according to government regulations is 110% (Kasmir, 2014: 319).

Return on Asset (ROA)

According to Taswan (2010: 167) the ratio of Return on Assets or ROA is the ratio used to indicate profit by using its assets the greater this ratio indicates the better the performance of the bank. High profits make banks gain trust from the public which allows banks to raise more capital so that banks have the opportunity to lend more funds.

Rural Bank

Rural Banks are bank financial institutions that accept deposits only in the form of time deposits, savings, and / or other forms that are prepared with it and channel funds as a rural bank business. To guarantee unity and uniformity in guidance and supervision, the requirements and procedures for granting the status of bank institutions are stipulated by Government Regulation. Rural bank is one type of bank known to serve micro, small and medium entrepreneurs. Rural bank is an official banking institution regulated under Law No. 7 of 1992 concerning Banking and as amended by Law No. 10 of 1998. In the law clearly stated that there are two types of banks, namely Commercial Banks and Rural banks.

HYPOTHESIS

1) Effect of Deposit Fund Growth on lending Growth at rural banks in Denpasar City.
   According to Kasmir (2014: 53) third party funds are funds originating from the wider community which is the most important source of funds for a bank's operational activities and is a measure of the success of the bank if it is able to finance its operations from these funding sources. The banking sector is competing to raise funds from the public in order to be able to distribute loans as much as possible. The increasing growth of third party funds (TPF) will lead to increased credit growth. Ghalih's research (2014), Kardiyanto (2015), Rosyda (2014), and Setyawan (2015) stated that the growth of deposits was a positive influence on credit growth. Based on the description above, the hypotheses developed in this study are:
   H1: The growth of third party funds (TPF) has a positive effect on lending growth at rural banks in Denpasar for the period 2016-2017.

2) Effect of Capital Adequacy Ratio (CAR) on lending Growth at rural banks in Denpasar City
   Capital Adequacy Ratio (CAR) is a capital adequacy ratio that functions to accommodate the risk of losses that might be faced by banks. The higher the CAR will indicate the bank the more healthy the capital (Taswan, 2010: 166). The greater the value of CAR allows banks to offer more credit, in accordance with increased credit, the growth of bank credit also increases. Based on Apsari's research (2015), Kardiyanto (2015), Setyawan (2015) and Yuliana (2014) showed the results of research that Capital Adequacy Ratio (CAR) had a positive effect on credit growth Based on the above description, the hypotheses developed in this study were:
   H2: Capital Adequacy Ratio (CAR) has a positive effect on lending Growth at rural banks in Denpasar City for the period 2016-2017.

3) Effects of Non Performing Loans (NPL) on lending Growth at rural banks in Denpasar City
   According to Taswan (2010: 166) The ratio of Non Performing Loans (NPL) is the ratio between non-performing loans to total credit. This ratio indicates that the higher the NPL ratio shows the worse the credit quality. Non Performing Loans (NPL) are used to measure a bank's ability to cover the risk of a debtor's failure to repay a loan. Based on research conducted by Kardiyanto

(2015) and Setyawan (2015), it shows that Non Performing Loans (NPL) negatively affect lending growth. Based on the description above, the hypotheses developed in this study are:

H3: Non Performing Loans (NPL) have a negative effect on lending growth at rural banks in Denpasar City for the period 2016-2017.

4) Effect of Loan to Deposit Ratio (LDR) on Lending Growth at rural banks in Denpasar City.

Loan to Deposit Ratio (LDR) is a ratio to measure the composition of the amount of credit given compared to the amount of public funds and own capital used. The maximum loan to deposit ratio according to government regulations is 110% (Kasmir, 2014: 319). LDR is used to measure how far the ability of banks to pay all public funds and their own capital with loans that have been channeled to the community, in other words banks can meet short-term obligations, such as paying disbursement of depositors' funds when billed and can meet the credit requests that have been submitted . The amount of credit given will be greatly influenced by the funds received by the bank, so that it will ultimately affect the size of the LDR ratio (Taswan, 2010: 167). According to research conducted by Yuliana (2014), it shows that the LDR has a positive effect on lending growth. Based on the description above, the hypotheses developed in this study are:

H4: Loan to Deposit Ratio (LDR) has a positive effect on lending growth at rural banks in Denpasar City for the period 2016-2017.

5) Effect of Return on Assets (ROA) on Lending Growth at rural banks in Denpasar City.

According to Taswan (2010: 167) the Return on Asset or ROA ratio is the ratio used to indicate profit using its assets, the greater the ratio, the better the performance of the bank. High profits make banks gain trust from the public which allows banks to raise more capital so that banks have the opportunity to lend more funds. This ratio is used to measure the ability of bank management to obtain profits or overall profits. The greater the ROA value of a bank, the greater the level of profit achieved by the bank and the better the bank's position from the use of assets. Based on research conducted by Apsari (2015), Ghalih (2014), Kardiyanto (2015), Rosyda (2015), Setyawan (2015), and Yuliana (2014) showed that the ROA ratio had a positive effect on lending growth.

H5: Return on Assets (ROA) has a positive effect on lending growth at rural banks in Denpasar City for the period 2016-2017.

RESEARCH METHODS

Research sites
This research was conducted at 18 rural banks in Denpasar City which was registered in the OJK (Financial Services Authority)

Object Research
The research objects in this study are Third Party Funds (TPF), Capital Adequacy Ratio (CAR), Non Performing Loans (NPL), Loan to Deposit Ratio (LDR) and Return on Assets (ROA) to credit growth which can be seen in financial statements Rural Banks in Denpasar City for the period 2016-2017.

Variable identification
The variables used in this study are as follows:
1) Free Variables (Independent) (X), are variables that influence or become the cause of changes or the emergence of dependent variables (Sugiyono, 2016: 59). The independent variables in this study are: Third Party Funds (X1), Capital Adequacy Ratio (X2), Non Performing Loans (X3), Loan to Deposit Ratio (X4), and Return on Assets (X5).
2) Bound Variables (Dependent) (Y), are variables that are influenced or are due to the existence of independent variables (Sugiyono, 2016: 59). The dependent variable in this study is Credit Growth.

Operational Definition of Variables
Lending Growth
According to Natanael (2011) Credit growth can be measured using the following formula:

$$Lending\ Growth = \frac{Loan_t - Loan_{t-1}}{Loan_{t-1}}$$

Third Party Funds (X1)
Measurement of third-party funds can be calculated using the following formula, Natanael S. (2011):

$$TPF\ Growth = \frac{TPF_t - TPF_{t-1}}{TPF_{t-1}}$$

***Capital Adequacy Ratio* (CAR) (X₂)**
Capital Adequacy Ratio (CAR) as an indicator of capital, namely the minimum capital adequacy ratio at the bank. It is a ratio that shows how much all bank assets contain risks (credit, participation, securities, bills on other banks) which are also financed from their own capital in addition to obtaining funds from sources outside the bank. The formula calculates CAR:

$$CAR = \frac{Capital}{risk - weighted\ assets}$$

Non-Performing Loan (X3)
Based on Bank Indonesia Circular No. 3/30 / DPNP dated December 14, 2001 NPL is calculated by the formula:

$$NPL = \frac{Non\ performing\ loan}{loan}$$

Loan to Deposit Ratio (LDR) (X4)
Loan to Deposit Ratio (LDR) is the ratio between the amount of loans given by the number of third-party funds (TPF). The formula for calculating LDR:

$$LDR = \frac{Loans}{deposits}$$

Return on Asset (X₅)
Based on Bank Indonesia circular letter No. 3/30 / DPNP dated December 14, 2001 Return on Asset is measured using the following formula:

$$ROA = \frac{Operating\ Income}{assets}$$

Data Type
The types of data used in this study are quantitative and qualitative data. Quantitative data are data in the form of numbers or qualitative data that are predicted (Sugiyono, 2007: 13). While qualitative data is information data in the form of verbal sentences rather than numbers or numbers. In this study in the form of a description like the history of the company.

Data source
Based on the source, the data used in this study are primary data and secondary data. Primary data is a source of data that directly provides data to data collectors (Sugiyono, 2016: 410). Secondary data is a source that does not directly provide data to data collectors, for example through other people or through documents (Sugiyono, 2014: 422).

Population and Samples

Population is a generalization area that consists of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and conclusions drawn later (Sugiyono, 2014: 116). The population in this study is the financial statements of Rural Banks in Denpasar City for the period 2016-2017.

Samples are part of the number and characteristics of the population (Sugiyono, 2016: 116). In this study the method of determining the sample used is a saturated sample which is a method of determining the sample that uses all data from the existing population, (Sugiyono, 2016: 116).

BLUEs Test

1) Normality Test

The normality test is done to test whether in the regression model of the residual or residual variables it has a normal distribution (Ghozali, 2013: 160). The normality test in this study was carried out by testing residual normality using the Kolmogorov-Smirnov non-parametric statistical test. If the significant probability of a residual value is greater than 0.05, then the residual is normally distributed. Vice versa, if a significant probability of a residual value is smaller than 0.05, then the residual is not normally distributed.

2) Multicollinearity Test

According to Ghozali (2013: 105) the multicollinearity test aims to test whether the regression model is found to have correlation between independent variables. A good regression model is that there is no correlation between independent variables, multicollinearity can be seen from the value of tolerance or variance inflation factor (VIF), if the tolerance value is greater than 10% and the VIF value is less than 10, it can be said that the model is free from multicollinearity problems.

3) Heteroscedasticity Test

According to Ghozali (2013: 139), heteroscedasticity test aims to test whether in the regression model variance and residual inequalities occur one observation to another observation. If the variants and residuals are one observation and other observations remain, they are called homocedasticity.

4) Autocoleration Test

Autocoleration test is used to test whether in a linear regression model there is correlation between usage errors in period t with usage errors in period t-1 (previously) (Ghozali, 2013: 110). The diagnosis of autocoleration is done by testing the Durbin Watson test value, according to Ghozali, Imam (2013: 111), the basis for his decision is if the value du <dw <4-du then there is no positive or negative autocoleration with the statement that du is the upper limit value from the values of dw, and dw is the value of the results of the Durbin-Watson test using SPSS.

Hypothesis testing

1) Multiple Linear Regression Analysis

This analysis uses SPSS assistance, so it can be determined the following forms of multiple linear regression equation model: $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4 X_4 + b_5 X_5$

Y = Lending Growth
X_1 = Third Party Fund
X_2 = Capital *Adequacy Ratio*
X_3 = Non-*Performing Loan*
X_4 = Loan *to Deposit Ratio*
X_5 = Return *on Asset*

2) R Test (Coefficient of Multiple Cholesterol)
Multiple correlation analysis is an analysis to measure the level of keratin relationship between variables related to all the independent variables together (Nata Wirawan, 2002: 300). In this study multiple correlation analysis was used to analyze the degree of closeness of the relationship between DPK, CAR, NPL, LDR, and ROA on lending growth at rural banks in Denpasar City in 2016-2017.

3) R^2 Test (Coefficient of Determination)
The coefficient of determination essentially measures how far the model's ability to explain the variation of the dependent variable. The value of R^2 is between 0 and 1 ($0 \leq R^2 \leq 1$). The purpose of calculating the coefficient of determination is to determine the effect of independent variables on the dependent variable. The value of R^2 has an interval between 0 to ($0 \leq R^2 \leq 1$), meaning that 100% of the total variation of the dependent variable is explained by the independent variable, and shows inverse accuracy. If $R^2 = 0$ means that there is no total variation of the bonded variable explained by the independent variable (Wirawan, 2002: 299).

4) t-test
The t-test is used to test the independent variables individually in applying the variation of the dependent variable at a significance level of 5% (Wirawan, 2002: 179).

5) F-Test
The F-test is used to test whether independent variables simultaneously influence the dependent variable.

RESULTS AND DISCUSSION
Research result
1) Classical Assumption Test
a) Normality Test

Table 1
Summary of Normality Test Results (Non-Parametric Test)

	Unstandardized Residual
N	36
Kolmogorov-Smirnov Z	1.726
Asymp.Sig.(2-tailed)	0,805

Based on Table 1 above the test results using the Kolmogorov-Smirnov test with the Unstandardized Residual number in the Asmyp column. Sig. (2-tailed) is 0.805 where the significance value is greater than 0.05 or 5 percent which means that the residual data in this study has been normally distributed.

b) Multicollinearity Test

Table 2
Summary of Multicollinearity Test Results

Variabel	*Tolerance*	VIF
DPK (X1)	0.581	0.721
CAR (X2)	0.121	0.258
NPL (X3)	0.131	0.644
LDR (X4)	0.199	0.128
ROA (X5)	0.404	0.473

Table 2 shows that there are no independent variables that have a tolerance value of less than 10 percent, which means there is no correlation between the independent variables. The results of the

calculation of VIF values also indicate that none of the independent variables have a value of more than 10, thus it can be concluded that there is no multicollinearity between the independent variables in the regression model.

Autocorrelation Test

Based on the Durbin-Watson test results of 2.106, this value can be compared with the table value by using a 5 percent confidence level, 36 sample numbers and the number of independent variables 5, then in Durbin Watson table the value of 1.7987 and 4-du is 2.2013. Therefore, the value of Durbin Watson is at du <dw <4-du or 1.7987 <2.106 <2.2013, so it can be concluded that the model is free from autocoleration.

Heteroscedasticity Test

Table 3

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	0.279	0.647		0.432	0.669
DPK	0.323	0.238	0.282	1.356	0.185
CAR	-0.81	1.095	-0.337	-0.739	0.465
NPL	-0.271	0.762	-0.156	-0.356	0.724
LDR	-0.386	0.571	-0.357	-0.675	0.505
1 ROA	4.576	5.987	0.191	0.764	0.451

Based on Table 3, it can be seen that the independent variable consisting of TPF (X1), CAR (X2), NPL (X3), LDR (X4), and ROA (X5) has a significance value greater than 0.05. This means there is no heteroscedasticity.

Hypothesis testing
Multiple Linear Regression Test

Table 4

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-0.673	0.861		-0.782	0.44
DPK	0.391	0.317	0.15	1.233	0.027
CAR	0.072	1.458	0.013	0.05	0.961
NPL	-0.741	1.014	-0.188	-0.73	0.471
LDR	1.701	0.76	0.694	2.238	0.033
1 ROA	-7.036	7.97	-0.129	-0.883	0.038

From the regression results presented in Table 4, we find the following multiple linear regression equations: $Y = -0,673 + 0,391X_1 + 0,072 X_2 - 0,741 X_3 + 1,701X_4 - 7,036X_5$

2) R Test (Coefficient of Multiple Cholesterol)
Based on the test results in Table 5.7 shows that there is a very strong relationship between Third Party Funds (X1), Capital Adequacy Ratio (X2), Non-Performing Loans (X3), Loan to Deposit Ratio (X4) and Return on Asset (X5) and lending growth because R is obtained at 0.86. is at a moderate level.

3) Coefficient of Determination (R2)
Based on the test results in Table 5.7, the coefficient of determination (Adjusted R Square) obtained is 0.697. This means that DPK, CAR, NPL, LDR, ROA variables only have an effect of 69.7 percent on lending growth, while most of the loan is actually influenced by other factors that are not explained in this study which is 30.3 percent.

4) Test Statistics F
Based on the test results in Table 5.8, it can be explained that the F-count value is 17.139 with a significance of 0.000 less than 0.05. This shows that there are influences from the five independent variables namely DPK, CAR, NPL, LDR, and ROA on the dependent variable, namely lending growth.

5) Test Statistics t
Based on the results of statistical calculations in Table 5.6 can be explained as follows:
a)   DPK variable (X1) has a regression coefficient of 0.391 and a significance of 0.027 smaller than 0.05 so it can be concluded that the first hypothesis is accepted.
b)   CAR variable (X2) has a regression coefficient of 0.072 and a significance of 0.961 greater than 0.05 so it can be concluded that the second hypothesis is rejected.
c)   NPL variable (X3) has a regression coefficient of -0.741 and significance of 0.471 is greater than 0.05 so it can be concluded that the third hypothesis is rejected.
d)   LDR variable (X4) has a regression coefficient of 1.701 and a significance of 0.033 smaller than 0.05 so it can be concluded that the fourth hypothesis is accepted.
5) Variable ROA (X5) has a regression coefficient of -7.036 and a significance of 0.038 smaller than 0.05 so it can be concluded that the fifth hypothesis is rejected.

Discussion

Effect of Third-Party Funds (TPF) on Lending growth at Rural Banks throughout the city of Denpasar.
The first hypothesis which states Third Party Funds (TPF) has a positive effect on credit growth. The results of the analysis show that deposits have a positive effect on lending growth at PT. Rural Banks throughout Denpasar in the 2016-2017 period.

This means that the first hypothesis proposed in this study is accepted. Third Party Funds are public funds collected by banks in the form of deposits and redistributing these funds in the form of loans. The greater the amount of third party funds collected by banks, it will increase the ability of banks to redistribute the funds in the form of loans to the public, so that the amount of credit channeled can increase lending growth.The results of this study are in line with the research conducted by Ghalih (2014); Kardiyanto (2015) and Rosyda (2015) which show that deposits growth has a positive effect on lending growth.

Effect of Capital Adequacy Ratio (CAR) on Lending Growth at Rural Banks throughout the city of Denpasar.
The second hypothesis which states Capital Adequacy Ratio (CAR) has a positive effect on lending growth. The results of the analysis show that the CAR variable does not affect lending growth at rural banks throughout the city of Denpasar. This means that the second hypothesis proposed in this study was rejected. The higher the CAR, the higher the bank's capital in maintaining the possibility of loss of business activities, but not necessarily significantly affect the increase in the amount of bank lending in the study period. Because a high CAR value allows banks to have

sufficient capital, the use of capital that has not been followed and has been linked to the bank's efforts to continue to strengthen its capital adequacy has not been followed. The results of this study are in line with the research conducted by Galih (2014) and Rosyda (2014) which states that CAR does not affect credit growth.

Effect of Non-Performing Loans (NPL) on Lending Growth at Rural Banks throughout the city of Denpasar.

The third hypothesis states that Non-Performing Loans (NPL) have no effect on lending growth. The results of the analysis show that the NPL variable does not affect lending growth at PT. BPR throughout the city of Denpasar. This means that the third hypothesis proposed in this study was rejected. The high and low NPL value does not affect credit growth. This result is in line with the phenomenon where a high NPL causes banks to form larger reserves of elimination so that funds that can be channeled through lending are also decreasing.The results of this study are in line with the research conducted by Kardianto (2015) and Setyawan (2015) stating that the NPL does not affect lending growth.

Effect of Loan to Deposit Ratio (LDR) on Lending Growth at Rural Banks throughout the city of Denpasar.

The fourth hypothesis states that the Loan to Deposit Ratio (LDR) has a positive effect on lending growth. The results of the analysis show that the LDR variable has a positive effect on lending growth at PT. Rural Banks throughout Denpasar in the 2016-2017 period. This means that the fourth hypothesis proposed in this study is accepted. Loan to Deposit Ratio (LDR) is a ratio used by banks to measure the comparison between the amount of third-party funds owned by banks and the total loans held by banks related to liquidity aspects. The high and low levels of the LDR affect credit growth because of their own capital and other income that produces profits to be channeled in the form of credit. The results of this study are in line with the research conducted by Yuliana (2014) stating that the LDR has a positive effect on lending growth.

Effect of Return on Assets (ROA) on Credit Growth at Rural Banks throughout the city of Denpasar.

The fifth hypothesis states that Return on Assets (ROA) has a positive effect on lending growth. The results of the analysis show that the ROA variable does not affect lending growth at PT. Rural Banks throughout Denpasar in the 2016-2017 period. This means that the fifth hypoetsis proposed in this study was rejected. A high CAR allows banks to have sufficient capital but capital beneficiaries have not yet followed into profitable assets. Although the results are not significant, it does not mean that banks can ignore CARs in lending because bank capital is often disrupted due to lending. The results of this study are in line with the research conducted by Desy (2017) and Triwulandari (2017) which states that ROA does not affect lending growth.

SUMMARY AND CONCLUSION

Based on the results of the analysis and the results of the discussion, it is concluded as follows:
1) Growth of Third-Party Funds (TPF) has a positive and significant effect on credit growth at PT. Rural Banks throughout Denpasar in the 2016-2017 period.
2) Capital Adequacy Ratio (CAR) does not affect credit growth at PT. Rural Banks throughout Denpasar in the 2016-2017 period.
3) Non-Performing Loans (NPL) does not affect credit growth at PT. Rural Banks throughout Denpasar in the 2016-2017 period.
4) Loan to Deposit Ratio (LDR) has a positive and significant effect on credit growth at PT. Rural Banks throughout Denpasar in the 2016-2017 period.
5) Return on Assets (ROA) does not affect credit growth at PT. Rural Banks throughout Denpasar in the 2016-2017 period.

Based on the results of the analysis and conclusions, the suggestions given by the researchers are as follows:

1) Based on the research results, the researchers are expected to further consider other variables that can affect credit growth such as interest rates and inflation and consider other non-financial variables that affect credit growth such as disclosure characteristics, geographical location, company size, leadership style, marketing techniques and variables others that allegedly could affect the growth of rural bank loans.

2) This research is only carried out in one research location, for further research researchers are expected to be able to develop it again by conducting research in several rural banks with a more diverse population.

3) This research limits observations for two years, from 2016-2017, further research is expected that researchers can conduct research for the coming years.

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