ISSN 2229-5518

Determinants of Problem Loans in the Financing Company PT. Mega Auto Finance Kendari Branch

(Period 2015 – 2019)

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Abstract— This study aims to examine and analyze the effect of liquidity, efficiency, capital and inflation on non-performing financing at PT. Mega auto finance kendari branch. The data of this research is the annual profit lost report for the period 2015 – 2019. The data in this study uses multiple linear regression analysis with the help of SPPS ver 20 software. Before the data is analyzed further, the classical assumption test is carried out which includes normality test, multicollinearity test, heteroscedasticity test and autocorrelation test.

Based on the hypothesis test using the t-test, it is concluded that liquidity and inflation have a negative and insignificant effect on non-performing financing or non-performing loans, while efficiency and capital have a positive and insignificant effect on non-performing financing PT. Mega Auto Finance Kendari Branch.

Index Terms— Liquidity, Efficiency, Capital, Inflation, and Non-Performing Loans

1 Introduction

In an increasingly modern era like today, various financial institutions have been presented to facilitate the financial planning of people in Indonesia. One of the institutions that need to be known is the provider of financing services for consumers who want to buy goods non-cash. This type of payment is often referred to as installments or credit. It is in the process of making installments that the consumer will be faced with a finance company or widely known as leasing.

Financing or credit is the provision of money or bills that must be repaid, based on an agreement or agreement between the bank and another party that requires the party being financed to return the money or claim after a certain period with compensation or profit-sharing (Kashmir, 2016:73).

In general, financial institutions such as banks will provide liquid funds to prospective debtors. It is different with finance companies. When you apply for credit to this institution, you will not get liquid funds, but the company's approval to finance your goods credit. So, the cash is paid by the finance company to a third party, where you make a purchase transaction. Kuncoro & Suhardjono (2011: 23), a healthy credit granting procedure is a company's effort to reduce risk in lending, starting with the credit planning stage, followed by the credit decision-making process (initiative, analysis and evaluation, negotiation, recommendation, and decision making). credit), preparation of credit agreements, documentation and administration of credit, approval of credit disbursement as well as supervision and development of credit.

One of the needs that are in great demand by the people in Indonesia is a motorcycle. The total number of motorcycles sold in Indonesia during 2019 was 6,487,430 units (detik.com, 2019). The sale occurred because motorcycles were considered a tool that could accelerate the human movement, were practical and affordable. This makes motorcycles commonly owned by various economic circles, be it the upper, middle, and even lower economic circles, not a few who own a motorcycle.

To meet the need for motorcycles, the government established financial institutions that provide capital loans or credit. One of the financial institutions that provide capital loans, namely PT Mega Auto Finance. The following is data on motorcycle sales from 2015 to 2019:

Table 1. Level of Motorcycle Sales in 2015 – 2019

Years	2015	2016	2017	2018	2019
Yamaha	1008	848	1012	1324	1649

Source: PT. Mega Auto Finance Kendari Branch

The table above states that motorcycle sales have fluctuated quite rapidly in the last 5 years. So, this has led to the emergence of many finance companies that provide solutions for the lower middle class who need assistance in financing the procurement of goods, through purchases in installments. Based on these data, it is stated that sales made on credit are almost 70% and the remaining 30% are cash sales.

PT Mega Auto Finance is a private company engaged in motorcycle loan financing and has been established since 2007 until now and this company was founded by Mr. Chairul Tanjung. One of the financing service companies in Indonesia that is fairly fair in economic development, especially in assisting to consumers for the financing needs they face, both in motorcycle financing on credit and capital loans. PT Mega Auto Finance functions as a party that has funds that provide guarantees to parties who need funds and at the same time has a role in payment traffic. PT Mega Auto Finance, one of its activities, is to provide credit in the form of motorcycle guarantees that have official documents.

The rapid development of financing companies, especially motorcycles in Indonesia, did not make PT Mega Auto Finance free from problems. Some of the obstacles faced include non-performing financing or bad loans. Non-Performing Loans (NPL) is a phenomenon that most often occurs in credit applications. Non-Performing Loans show the magnitude of the financing risk faced by PT Mega Auto Finance. Based on the provisions of the financing company institution, non-performing financing (NPL) is financing with substandard, doubtful, and non-performing quality (BI Regulation No. 6/9/PBI/2004).

The factors that encourage the occurrence of non-performing loans or financing can be caused by three things, namely the company itself or the creditor, from the borrower or debtor, and outside the two parties. Several research results state that the factors causing financing problems in finance companies include liquidity, efficiency, capital, and inflation.

The results of Atiqoh's research (2015) prove that capital affects the company's NPL. Ramadhan (2017) in his research also determines that capital, as measured by CAR, influences non-performing financing of the mining sector in banks. Meanwhile, Barus and Erick (2016) found that capital, as measured by CAR does not affect the company's NPL.

2. LITERATURE REVIEW

2.1. Non-Performing Loans (NPL)

Non-performing loans (Non-Performing Loans) show the magnitude of the financing risk faced by financial institutions, especially PT. Mega Auto Finance. According to Hariyani (2010:35), non-performing loans (Non-Performing Loans) are loans with substandard quality, doubtful and bad. Siamat (2004) non-performing loans (NPL) are loans that have difficulty in repayment due to factors or there is an element of intent or because of conditions beyond the ability of the borrower. Mahmoedin (2002) that Non-Performing Loans or non-performing loans are loans where the debtor cannot meet the previously agreed requirements, for example regarding interest payments, repayment of loan principal, increase in collateral. According to Ismail (2010:226), Non-Performing Loan (NPL) is a condition where the debtor is unable to pay his obligations to financial institutions, namely the obligation to pay the installments that have been promised at the beginning.

According to some of the experts above, it can be concluded that the definition of Non-Performing Loan (NPL) is a way to measure the size of the percentage in financial institutions, especially non-performing loans or bad loans caused by customers due to non-performing customers in making installment payments. Non-Performing Loans are divided into 5 categories, namely:

1. Smooth
   There are no arrears incurred by customers in making payments or credit interest.
2. In special attention
   There are arrears in payment of principal or interest up to 90 days.
3. 3. Less fluent
   There are arrears in payment of principal or loan interest equal to 120 days.
4. Doubtful
   The existence of arrears in payment of principal or credit interest up to 180 days.
5. Traffic jam
   The debtor is no longer able to pay the principal or interest on the loan and an appeal will be made by the company with the debtor.

2.2. Liquidity

Liquidity is the ability of a company to meet financial obligations that can be immediately disbursed or that are due. Specifically, liquidity reflects the availability of funds owned by the company to meet all maturing debts (Syafrida hani, (2015, p. 121). Rambe, et al. (2015, p. 49) state that the liquidity ratio is a ratio that measures the company's ability to meet its short-term financial obligations or Current liabilities. By linking the amount of cash and other current assets with short-term liabilities, it can provide an easy and quick measure used in measuring liquidity Two commonly used liquidity ratios are the current ratio and the quick ratio "

Wild, et.al in Fatmawati (2017:22) said that liquidity refers to the company's ability to meet its short-term obligations. Short term is conventionally considered a period of up to one year. This is related to the company's normal operating cycle, which includes the purchase-production-sales-collection cycle. Liquidity is one of the factors that determine the success or failure of the company. The provision of cash needs and the resources to meet these needs also determine the extent to which the company bears the risk. Based on some of these definitions, it can be concluded that liquidity is the company's ability to meet its short-term obligations which must be met immediately by using its current assets.

2.3. Efficiency

Efficiency is a measure of success that is assessed in terms of the number of resources/costs to achieve the results of the activities carried out. Efficiency issues are related to financing issues. Operational efficiency means that the costs incurred to generate profits are less than the profits derived from the use of these assets. Companies that are inefficient in their business activities will result in an inability to compete in distributing these funds to people who need them as business capital. With the efficiency of the financing institution, the optimal level of profit is obtained, the increase in the number of funds disbursed more competitive costs, increased service to customers, increased security, and company health (Mudrajad and Suhardjono, 2002:569).

Mulyadi (2007:63), suggests that efficiency is the accuracy of the way (effort, work) in doing something without wasting time, effort, and cost. Efficiency also means the ratio between inputs and outputs or costs and profits. Meanwhile, according to Hasibuan (2005:233) quoting H. Emerson's statement, Efficiency is the best comparison between inputs (inputs) and outputs (results between profits and the sources used), as well as optimal results achieved with the use of available sources. limited. In other words, the relationship between what has been completed.

2.4. Capital

Capital, as measured by the Capital Adequacy Ratio (CAR), is the ratio of the amount of capital, both core, and supplementary capital, to Risk-Weighted Assets (RWA). CAR is a measure used by companies to determine the provisions for the minimum capital provision for financing institutions. The higher the CAR, the greater the capital owned. With a lot of capital, credit lenders will also increase, so the risk of non-performing loans also increases.

According to Jayanti (2013), the higher the capital owned by the company, the easier it will be for the company to finance assets that contain risks. To reduce the risk that occurs from credit problems, the company provides company funds for business development purposes and accommodates the risk of loss of funds caused by the company's operations which is called the Capital Adequacy Ratio (CAR) (Adisaputra 2004).

According to Manullang 2002, stated that the capital ratio commonly used to measure the health of finance companies is the Capital Adequacy Ratio (CAR). The amount of CAR is measured by the ratio between own capital and Risk-Weighted Assets (RWA). Calculation of capital provision is based on the ratio or comparison between the capital owned by the company and the amount of Risk-Weighted Assets (RWA).

2.4. Inflation

Inflation is an increase in commodity prices in general caused by a lack of synchrony between commodity procurement system programs (production, pricing, printing money, etc.) with the level of income owned by the community (Putong, 2013: 276). According to Sukirno (2015: 14), inflation can be defined as a process of increasing prices prevailing in an economy, while Manurung (2008: 165) defines inflation as a general and continuous increase in the price of goods. must be met to say that inflation has occurred:

a) Price increase
b) General in nature
c) It goes on continuously

Several kinds of inflation that can occur in the economy, both based on the severity of inflation and based on the initial causes of inflation. According to Latumaerissa (2011: 23), inflation can be grouped into several groups if it is based on the severity of inflation, as follows:

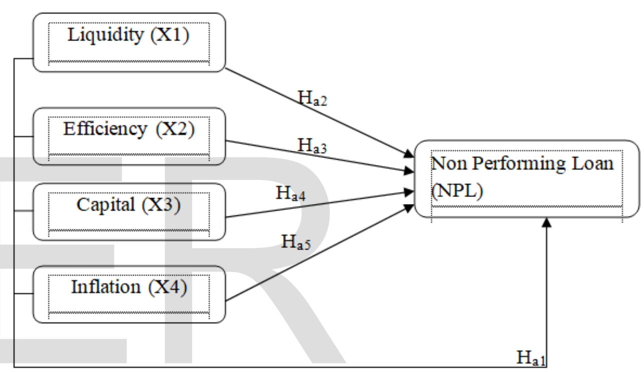
a) Mild inflation (under 10% a year)
b) Moderate inflation (between 10%-30% a year)
c) Severe inflation (between 30%-100% a year)
d) Hyperinflation (above 100%)

3. CONCEPTUAL FRAMEWORK AND HYPOTHESES

3.1 Conceptual Framework

Based on the theoretical study and the results of previous research, the conceptual framework of the research is described as follows:

Figure 1. Conceptual Framework



3.2 Research Hypotheses

Based on the background, research objectives, proposed problem formulation, and a study of the conceptual framework from theoretical studies and previous research results, the hypotheses proposed in this study are as follows:

1. Liquidity, efficiency, capital, and inflation have a significant effect on non-performing loans.
2. Liquidity has a significant negative effect on Non-Performing Loans (NPL).
3. Efficiency has a significant positive effect on Non-Performing Loans (NPL).
4. Capital has a significant positive effect on Non-Performing Loans (NPL).
5. Inflation has a significant negative effect on Non-Performing Loans (NPL).

4. RESEARCH METHOD

Research Object

According to Sugiyono (2017:41) the object of research is a scientific target to obtain data with certain purposes and uses about an objective, valid and reliable thing about a thing (certain variables). The object of this research is Non-Performing Loans (NPL) as the dependent variable and liquidity, efficiency, capital, and inflation as independent variables.

Data Types and Sources

Data Type

According to Sugiyono (2017), there are 2 types of data, namely qualitative and quantitative data. Qualitative data is data in the form of words, sentences, or pictures. While quantitative data is data in the form of traditional numbers, qualitative data which is scored or scored. In this study, researchers used quantitative data which was done by collecting data in the form of numbers. The data in the form of numbers are then processed and analyzed to obtain scientific information behind the numbers (Nanang 2010) and the data used in this study is secondary data in the form of Annual Profit Lost PT. Mega Auto Finance Kendari Branch for the period 2015 – 2019.

Data Source

According to Arikunto (2013:172), the data source is the subject where the data is obtained, inappropriate data sources result in the collected data being irrelevant. Sources of data obtained in this study is the source of data taken from reports published every quarter by PT. Mega Auto Finance Kendari Branch and PT. Mega Auto Finance Kendari Branch during the 2015 – 2019 Period.

Data Collection Techniques

Data collection is a systematic and standard procedure to obtain the required data. The method of collecting data is through documentation studies, namely by collecting data indirectly to obtain information related to the object of research.

Data Analysis Technique

According to Sugiyono (2017:147), data analysis is an activity after data from all respondents is collected. Activities in data analysis are grouping data based on variables and types of respondents, tabulating data based on variables from all respondents, presenting data from each variable studied, performing calculations to answer the problem formulation, and performing calculations to test hypotheses that have been proposed.

In analyzing the problems studied, a quantitative analysis will be carried out. The data of this research was conducted using multiple regression analysis to examine the effect of the variables of liquidity, efficiency, capital, and inflation on non-performing financing at PT. Mega Auto Finance Kendari Branch during the observation period from 2015 to 2019.

Multiple Linear Regression Analysis

This analysis is used because the researcher wants to know how the dependent variable can be predicted through the independent variables individually in other words to see the effect of the independent variables on the dependent variable (Sugiyono, 2016). Multiple regression analysis is a statistical technique that can be used to analyze the relationship between 1 dependent variable (dependent variable = Y) and several independent/independent variables (X1, X2, X3, …Xn).

Multiple regression analysis was used to examine the effect of Liquidity, Efficiency, Capital, and Inflation on non-performing loans (NPL). How much the independent variable affects the dependent variable is calculated using the following multiple regression line equation:

$Y = a + b1X1 + b2X2 + \dots + bnXn$

Coefficient of Determination

The value of the coefficient of determination R^2 has an interval of 0 to 1 ($0 \le R^2 \le 1$). The greater the value of the coefficient of determination illustrates that the independent variable can explain the dependent variable well. On the other hand, the smaller the coefficient of determination, the independent variable cannot explain the dependent variable properly. The coefficient of determination is a summary that states how well the regression line matches the data (Ghozali, 2013).

5. RESEARCH RESULTS AND DISCUSSION

5.1 Research Results

Descriptive Statistics

Descriptive statistics provide an overview or description of the state of data that is seen through the average value (mean), standard deviation, variance, maximum, minimum, sum range, kurtosis, and skewness (skew of distribution) (Ghozali, 2011: 19). Based on the results of the statistical description analysis, the figure in table 2. is obtained.

Table 2. Description of Statistics

Sample: 2015 – 2019					
	N	Minimum	Maximum	Mean	Std. Deviation
FDR	60	76.64	104.75	88.9427	6.82904
BOPO	60	75.98	104.75	89.0408	6.85557
CAR	60	12.00	36.47	19.3620	4.56205
INFLATION	60	20.08	25.89	22.0433	1.41414
NPL	60	2.04	4.84	3.3798	.73372
Valid N (listwise)	60				

Data source: SPSS Output Processed

Table 2. It shows that from 60 data, the Non-Performing Loan (NPL) variable has an average value of (3.3798) with a standard deviation of (0.73372). Liquidity measured by the Financing to Deposit Ratio (FDR) has an average of (88.9427) with a standard deviation of (6.82904). Operating Costs Operating Income (BOPO) has an average of (89,0408) with a standard

deviation of (6,85557). Capital Adequacy Ratio (CAR) has an average value of (19.3620) with a standard deviation of (4.56205). INFLATION has an average of (22.0433) with a standard deviation of (1.41414).

Multiple Linear Regression

The results of multiple regression analysis can be seen in the following table:

Table 3. Multiple Linear Regression Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.559	2.462		2.664	.010
	FDR	-.020	.014	-.182	-1.410	.164
	BOPO	.009	.014	.085	.645	.522
	CAR	.017	.021	.105	.803	.426
	INFLATION	-.117	.068	-.225	-1.711	.093
a. Dependent Variable: NPL						

Data source: SPSS Output Processed

Based on the results of the regression calculations in table 5.8, the following equation is obtained:

NPL = 6.559 – 0.020 FDR + 0.009BOPO + 0.002 CAR – 0.117 INFLATION

Based on table 3. Also, the research results are described as follows:

1. The significance value of the liquidity variable as measured by FDR is 0.164 because the significance value is greater than 0.05, so the hypothesis that liquidity affects non-performing financing cannot be accepted or in other words rejected.
2. The significance value of the efficiency variable as measured by BOPO is 0.522. because the significance value is greater than 0.05, the efficiency hypothesis affecting problematic financing cannot be accepted or in other words rejected.
3. The significance value of the capital variable as measured by the CAR is 0.426. because the significance value is greater than 0.05, the hypothesis that the capital effect on problematic financing cannot be accepted or in other words rejected.
4. The significance value of the inflation variable is 0.93. because the significance value is greater than 0.05, the hypothesis that the capital effect on problematic financing cannot be accepted or in other words rejected.

Determination coefficient test (R^2)

The determination coefficient test is used to measure how far the model's ability to explain the variation of the dependent variable. The value of the coefficient of determination is between 0 and 1. If the value of the coefficient of determination is close to one, then the independent variable provides almost all the information needed in predicting the dependent variable. This study uses the coefficient of determination by using the R-square value to evaluate the regression model. The value of R-squared in the study can be seen in table 4. below:

Table 4. Coefficient of Determination Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.312[a]	.097	.032	.72204
a. Predictors: (Constant), INFLATION, FDR, CAR, BOPO				

Data source: SPSS Output Processed

In table 4. shows the Adjusted R-square value of 032%, this shows that the variables of Financing to Deposit Ratio (FDR), Operational Cost of Operating Income (BOPO), Capital Adequacy Ratio (CAR), and Inflation have the ability of 32% in explaining non-performing loans (NPL). The remaining 68% is explained by other variables not included in the study.

F-Value Test (Simultaneous Testing)

The F-statistic test shows whether all the independent variables included in the model have a simultaneous effect on the dependent variable (Ghozali: 2006)

Table 4. F-Value Test

ANOVA[a]					
Model	Sum of Squares	Df	Mean Square	F	Sig.

1	Regression	3.089	4	.772	1.481	.220[b]
	Residual	28.674	55	.521		
	Total	31.762	59			
a. Dependent Variable: NPL						
b. Predictors: (Constant), INFLASI, FDR, CAR, BOPO						

Data source: SPSS Output Processed

Based on the results of the F-value test in table 5.10. the significance value is 0.220. So, it can be concluded that the four variables have no significant effect on NPL because the value is > 0.05.

t-test

The statistical t-test is used to measure how far the influence of each independent variable is in explaining the dependent variable with a significance level of 5% or 0.05.

Table 5. t-test results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.559	2.462		2.664	.010
	FDR	-.020	.014	-.182	-1.410	.164
	BOPO	.009	.014	.085	.645	.522
	CAR	.017	.021	.105	.803	.426
	INFLASI	-.117	.068	-.225	-1.711	.093
a. Dependent Variable: NPL						

Data source: SPSS Output Processed

Based on table 5. above can be described the results of hypothesis testing that examines the effect of variable liquidity (FDR), efficiency (BOPO), capital (CAR), and inflation affect the variable non-performing loan (NPL) PT. mega auto finance period 2015 – 2019 are as follows:

1. Liquidity, as measured by the FDR ratio, has a negative and insignificant effect on non-performing loans as indicated by the regression coefficient value of -0.020 which is negative and a significance value of 0.164 > 0.05, it can be concluded that the liquidity variable at a significance level of 0.05 has no significant influence on non-performing loans (NPL).
2. Efficiency, as measured by the BOPO ratio, has a positive and insignificant effect on non-performing loans as indicated by a regression coefficient value of 0.009 which is positive and a significance value of 0.522 > 0.05, this indicates that the efficiency variable has no significant effect on non-performing loans (NPL).
3. Capital, as measured by the CAR ratio, has a positive and insignificant effect on non-performing loans as indicated by the regression coefficient value of 0.17 which is positive and a significance value of 0.426 > 0.05, this indicates that the capital variable has no significant effect on non-performing loans (NPL).
4. Inflation has a negative and insignificant effect on non-performing loans as indicated by the regression coefficient value of -0.117 which is negative and a significance value of 0.093 > 0.05, this indicates that the inflation variable has no significant effect on non-performing loans (NPL).

5.2 Discussion

The Effect of The Liquidity Variable as Measured By Financing to Deposit Ratio (FDR) on Non Performing Loans (NPL)

Financing to Deposit Ratio (FDR) is a ratio used to measure the liquidity of a bank or company in paying back withdrawals made by relying on the financing provided as a source of liquidity, namely by dividing the amount of financing provided by the financing company to third party funds. Because the higher the Financing to Deposit Ratio (FDR), the higher the funds channeled to third party funds but the lower the liquidity capacity. But on the contrary, the greater the funds received by the bank or finance company, the higher the risk that is borne. Risks such as non-performing loans and credit risk can make it difficult for companies to return those entrusted to debtors. The cause is bad credit or non-performing loans.

Based on the results of the tests carried out, the Financing to Deposit Ratio (FDR) of this study, rejects the first hypothesis that liquidity hurts non-performing financing at the company PT. Mega auto finance kendari branch. This indicates that the liquidity factor is not a determinant of the cause of non-performing financing in financing companies. Thus, partially H2 is rejected, meaning that to measure the level of NPL of financing companies, the high LDR variable is not a benchmark for companies to earn high profits. This was due to the decline in interest rates which encouraged credit growth that was faster than the growth of third parties. The increase in credit that was not accompanied by an increase in third-party funds caused PT Mega auto finance to experience liquidity difficulties.

The effect of the efficiency variable as measured by Operating Costs of Operating Income (BOPO) on Non-Performing Loans (NPL).

Operating Income Operating Cost Ratio (BOPO), which is often also called the efficiency ratio, is used to measure the ability of financing management or banks in controlling operating costs to operating income. The ratio of operating expenses to operating income (BOPO) is a ratio used to measure the level of efficiency and financing capability in carrying out its operations. Operating expenses are costs incurred by banks in carrying out their main activities while operating income is the main income of banks or finance companies, namely income obtained from placement of funds in the form of credit and other operating income.

Based on the results of the tests carried out, the Operational Cost of Operating Income (BOPO) rejects the second hypothesis that efficiency affects non-performing financing. The results of this study state that efficiency has no effect on financing problems at PT. Mega auto financer kendari branch. This identifies that the efficiency of financial institutions does not necessarily reduce the ratio of non-performing financing. This is because non-performing financing is an external problem related to the debtor's obligation to pay credit and does not depend on the company's operational efficiency.

The findings of this study contradict Wijoyo (2016) who proves that BOPO which is a measure of efficiency has a significant positive effect on non-performing finance.

The Effect of The Capital Variable as measured by the Capital Adequacy Ratio (CAR) on Non-Performing Loans (NPL).

Capital Adequacy Ratio (CAR) is the ratio of the company's capital adequacy or the company's ability in existing capital to cover possible losses in credit. Adequacy of capital is an important factor for banking or financing companies in the context of business development and accommodates the risk of loss. So, this capital ratio is an indicator of the ability of the finance company to cover the decline in assets that occurs because of losses caused by risky assets. The results of this study are in line with Poetry and Sanrego (2011) who found that capital, as measured by CAR, influences NPL. This study is also in line with Siti Maisarah (2015) that CAR as a proxy for capital has proven to have a significant effect on the size of the level of non-performing mortgage loans.

The Effect of Inflation Variable on Non-Performing Loan (NPL).

Inflation is a process of increasing prices in general and continuously, an increase in the price of one or two goods alone cannot be called inflation unless the increase extends to other goods. Inflation is the process of an event, not the highs and lows of the price level. That is, the price level that is considered high does not necessarily indicate inflation.

The results of the tests carried out; inflation has a t-count value of -1.711 with a significance of 0.093 which is greater than the specified significant level $\alpha = 0.05$. Based on the test results, it was found that inflation did not affect the non-performing financing of PT. Mega auto finance kendari branch. Thus, it is concluded that the proposed hypothesis cannot be accepted. Inflation as an external factor was not the cause of problematic financing. Because inflation in this study shows a negative direction and is not significant to lending, because increasing inflation will cause an increase in loan interest rates at PT Mega Auto Finance.

The results of this study are in line with research by Raharja and Mandala (2008: 105) which states that high inflation rates can cause people's purchasing power to decrease and interest rates to increase. This is also corroborated by the results of research which show that inflation has a negative and insignificant effect on bad loans which can be measured by the level of non-performing loans (NPL). Carlos Andres Olaya Bonilla's research (2012) also states that inflation does not affect non-performing loans (NPL).

Research Limitations

Some of the limitations of the research in this study are as follows:

1. This research was conducted at a motorcycle financing company so that the results of this study cannot be generalized because the results will be different if the research is carried out on different objects.
2. This study measures the condition of non-performing loans or non-performing loans of motorcycle financing companies from the annual profit lost report using the variables of liquidity, efficiency, capital, and inflation.
3. This study uses the period from 2015 to 2019.

6. Conclusions and Suggestions

6.1 Conclusion

Based on the results of research and discussion of the determinants of non-performing loans at the company PT. Mega Auto Finance Kendari Branch by using the dependent variable, Non-Performing Loan (NPL), and the independent variable, Liquidity, Efficiency, Capital, and inflation, it can be concluded as follows:

1. Simultaneously, the variables of liquidity, efficiency, capital, and inflation have a significant effect on non-performing loans of PT. Mega auto finance kendari branch. This means that if liquidity, efficiency, capital, and inflation increase, it will affect non-performing loans.
2. Liquidity has a negative and insignificant effect in predicting Non-Performing Loans at PT. Mega Auto Finance Kendari Branch, case study period 2015 – 2019.
3. Efficiency has a positive and insignificant effect in predicting Non-Performing Loans at PT. Mega Auto Finance Kendari Branch, case study period 2015 – 2019.
4. Capital has a positive and insignificant effect in predicting Non-Performing Loans at PT. Mega Auto Finance Kendari Branch, case study period 2015 – 2019.
5. Inflation has a negative and insignificant effect in predicting Non-Performing Loans at PT. Mega Auto Finance Kendari Branch, case study period 2015 – 2019.

6.2 Suggestions

Based on these conclusions, it is recommended several things to be implemented as follows:

1. This study only uses four independent variables so that for future research, other variables are needed so that other causes of problematic financing can be found in financial institution companies in Indonesia.
2. Further research is recommended to use other methods

or compare other methods in predicting the condition of the company's non-performing credit determinants. So, with the comparison, it is possible to see which method is better or more significant to be used by a company in predicting non-performing loans.

3. Financial institutions should focus on capital considering that capital has a positive effect on the financing of non-performing companies.

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