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THE EFFECT OF SAVINGS GROWTH, DEPOSIT GROWTH, AND CREDIT GROWTH ON PROFITABILITY GROWTH

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Abstract:
This research is entitled The Effect of Savings, Deposit, and Credit Growth on Profitability Growth in LPD Kintamani District, Bangli Regency, for 2020-2022. LPD is a financial institution that carries out financial functions by collecting deposits and distributing these funds as credit to the public. The formulation of the problem in this study is whether savings growth, deposit growth, and credit growth affect profitability growth. This study empirically examines the effect of savings, deposit, and credit growth on profitability growth. The population in this study included 60 LPDs in Kintamani District. The sample in this study was 54 LPDs determined based on the purposive sampling method. The types of data used are quantitative data and secondary data. The data analysis techniques are classical assumption test, multiple linear regression analysis, f-test, t-test, and determination coefficient. The results showed that savings growth had a significant positive effect on profitability growth. In contrast, deposit and credit growth had an insignificant effect on profitability growth in LPD Kintamani District.

Keywords: Savings Growth, Deposit Growth, Credit Growth, Profitability Growth, and Village Credit Institutions

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INTRODUCTION

LPD is a financial institution that carries out financial functions by collecting deposits and distributing these funds as credit to the public. In addition, LPD can also be used for payment traffic such as electricity payments, funeral funds, and other payments related to Pakraman village and community needs that can still be handled by LPD (Saputra, 2018). According to the Regional Regulation of Bali Province Number 3 of 2017 concerning Village Credit Institutions, LPD is a financial institution owned by Pakraman Village in the Wewidangan of Pakraman Village and has unique characteristics. Each traditional village in Bali has a financial institution called LPD (Saputra, 2020). LPD's main activity is to collect funds from the community through savings and deposits and distribute them back to people who need funds in the form of loans or credit (Juniariani & Saputra, 2020). Assistance in the form of loans or credit has helped increase business opportunities for rural communities (Saputra, Trisnadewi et al., 2019).

The development of LPD can be reflected in the number of assets that have been achieved because the more significant the assets obtained, the better the performance and management of LPD in managing the assets owned for its business continuity (Ekayani et al., 2020). LPDs that have a high level of liquidity and profitability indicate the level of efficiency of an LPD (Sara & Saputra, 2021). The primary profit of LPD is derived from the difference between the interest charged on the sources of funds and the interest received from the allocation of these funds (Saputra, 2020). The

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profits generated are beneficial for LPD to provide compensation to the community who are willing to deposit capital used to develop businesses and to distribute social funds to their environment, as well as optimal profits if LPD can run its business effectively, efficiently, and economically (Saputra, Jayawarsa, et al., 2019).

Bangli Regency consists of 4 sub-districts, four sub-districts, and 68 villages. One of the sub-districts in Bangli is Kintamani District. Based on an explanation from the coordinator of the Village Credit Institution Empowerment Institute (LPLPD), Bangli Regency stated that 60 LPD units spread throughout Kintamani District in all Kintamani Districts. Of the 60 LPD units of Kintamani District, 6 LPDs do not report financial statements to LPLPD, and 54 LPDs are still active and report financial statements to LPLPD every year according to the financial statements of LPD Kintamani District, Bangli Regency for the period 2020-2022 attached to the appendix.

Table 1. Average Savings Growth, Deposit Growth, Credit Growth to LPD Profitability Kintamani District for the 2020-2022 Period

Year	Growth in Savings	decrease/increase	Growth han Deposit	decrease/ increase	Credit Growth	decrease/increase	Profitability	decrease/increase
2020	16,61 %	-14,67%	9,17 %	-0,94 %	3,08 %	10,44%	10,22 %	8,31 %
2021	1,94 %		8,23 %		13,52 %		18,53 %	
2021	1,94 %	20,15%	8,23 %	1,19 %	13,52 %	-7,33%	18,53 %	-4,54 %
2022	22,09 %		9,42 %		6,19 %		13,99 %	

Source: Data processed 2023

It can be seen in Table 1 showing that the percentage of savings growth in 2020-2022 fluctuated from 2020-2022. In 2020-2021, savings growth decreased by 14.67%, while in 2021-2022 it increased by 20.15%. The percentage of deposit growth in 2020-2022 also fluctuated, which was seen from 2020-2021 decreased by 0.94% and in 2021-2022 increased by 1.19%. The percentage of credit growth in 2020-2021 increased by 10.44%, and in 2021-2022 decreased by 7.33%. The profitability percentage in 2020-2021 increased by 8.31%, and 2021-2022 decreased by 4.54%. Fluctuations that occur in savings growth, deposit growth, and credit growth can affect the profitability of a financial institution.

Based on the phenomenon in LPD, there are too many public fund deposits, so the working capital is high, but credit distribution is minimal. Because the credit distribution is minimal while the capital owned by LPD is high, it causes too much interest burden to be paid to low-income customers. Therefore, public funds have the potential to affect profitability growth. To measure an enterprise's profit level, the profitability ratio. According to Hery (2018), the profitability ratio is a ratio that describes the company's ability to generate profits through all its capabilities and resources, namely those derived from sales activities, the use of assets, and the use of capital. This study, to measure the profitability ratio in LPD using ROA, is to determine the extent to which LPD performs the effectiveness of financial management and the ability of LPD management to manage assets owned to generate income. LPD's primary income is credit interest income distributed to the community; the funds distributed in the form of credit are obtained from third-party funds, namely savings and deposits.

Literature Review, Agency Theory. Agency theory began to develop in the 1970s. Jensen and Meckling (1976) define an agency relationship as a contract in which one or more principals hire others (agents) to perform some services for the principal's benefit. An agency relationship is a contract in which one or more people (principals) instruct another person (agent) to perform a

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service on behalf of the principal and authorize the agent to make the best decision for the principal. If the principal and agent have the same goal, then the agent will support and carry out everything ordered by the principal.

LPD is the agent, while the community (customer) is the principal. LPD acts as an agent, which receives deposits from the community to be managed again by LPD. In contrast, the community (customers) as principals trusts LPD to manage funds owned by the community (customers) in the form of savings and deposits to be managed again by LPD.

Profitability. According to Prihadi (2020), profitability is the company's ability to generate profit. According to (2022), profitability is a measure of profit using a measure in percentage to assess the extent to which the company can generate profits at an acceptable level. Based on the above understanding, profitability is a ratio used by companies to calculate the ability of a company to generate profits. The ultimate goal that a company wants to achieve is to make a profit or profit. The higher the profit generated by a company, the better the company's performance. The company's profit indicates its ability to fulfill its obligations to its investors and an element of corporate value creation that indicates its prospects. Companies that have high profitability then reflect high acceptance.

Savings, Deposit, and Credit Growth. Fitri (2018) stated that savings growth describes the level of development of savings volume distributed by third parties that can increase a financial institution's profitability and improve its performance. Dewi (2019) stated that deposit growth illustrates the level of development of deposit volumes distributed by third parties that can provide increased profitability for a financial institution and improve the performance of financial institutions. Nordiansyah (2018) stated that credit growth is the significant level of credit demand by debtors to banks where an increase in requested credit will indicate a better functioning of bank intermediation.

Hipotesis, The Effect of Savings Growth on LPD Profitability. Savings growth can affect profitability for institutions in conducting operational activities. With the high savings growth, financial institutions can channel higher credit to obtain high profitability. Therefore, the higher the savings growth, the higher the financial institution's profitability level.

H1: Savings growth positively affects profitability

The Effect of Deposit Growth on Profitability. Deposit growth is an increase in third-party deposits in the form of deposits; with the increase in deposits, the capital of the financial institution will increase so that it can channel funds to the public, more and more funds are channeled to the community, potentially affecting the profitability of a financial institution.

H2: Deposit growth has a positive effect on profitability

The Effect of Credit Growth on Profitability. Credit growth is the level of credit demand by the public for LPD. Increasing credit disbursement in a financial institution can increase its income, so that credit growth has the potential to affect the growth of profitability of a financial institution.

H3: Credit growth has a positive effect on profitability.

METHODS

This research was conducted on LPD in Kintamani District, Bangli Regency. The research object of this study is the financial statements of LPD in Kintamani District for the period 2020-2022. This study's sampling technique is purposive; a sample is drawn using specific considerations. The consideration used in the sample selection is LPD, which reports complete finances to LPLPD Kintamani District for 2020-2022.

Table 2. Sample Research Criteria

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No	Criterion	Sum
1	LPD registered with LPLPD Bangli Regency	60
2	LPD that does not report complete financial statements to LPLPD Bangli Regency from 2020-2022	(6)
3	LPD samples to be studied	54
4	Total observations used (54 x 3 years of study)	162

Source: Data processed 2023

Based on these considerations, 54 LPDs from 60 LPDs of Kintamani District were sampled in this study because 6 LPDs did not report finances to LPLPD. The following table describes the sample consideration criteria used:

Table 3. LPD in Kintamani District for the 2020-2022 period

No	LPD Name	No	LPD Name
1	Abang Batu Dinding	28	Gunung Bau
2	Abang Songan	29	Katung
3	Abuan	30	Kayu Kapas
4	Angan Sari	31	Kedisan
5	Awan	32	Kembang Sari
6	Bantang	33	Kintamani
7	Banua	34	Kubu Salya
8	Batih	35	Kutuh
9	Batu Palah	36	Kuum
10	Batukaang	37	Langgahan
11	Batur	38	Lateng
12	Bayung Cerik	39	Lembean
13	Bayung Gede	40	Mangguh
14	Belancan	41	Manikliyu
15	Belandingan	42	Mengani
16	Belanga	43	Panti
17	Binyan	44	Pengejaran
18	Binyan Buahan	45	Pinggan
19	Bonyoh	46	Sanda
20	Buahan	47	Satra
21	Bukih	48	Sekaan
22	Bunutin	49	Sekardadi
23	Catur	50	Subaya
24	Cenigaan	51	Sukawana
25	Daup	52	Suter
26	Dausa	53	Tanah Gambir

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27	Glagah Linggah	54	Ulian

This study uses secondary data from LPD financial statements in Kintamani District for the 2020-2022 period. The data collection method used in this study is the documentation method. The data analysis technique used is the Classical Assumption Test, which consists of a normality test, a heteroscedasticity test, a multicollinearity test, and an autocorrelation test. Then, find out the direction and magnitude of the influence of savings, deposit, and credit growth on profitability in LPD for the 2020-2022 period. Multiple linear regression analysis is tested with the help of the SPSS program.

RESULT AND DISCUSSION

Based on the results of the multiple linear regression analysis test, a multiple linear regression model equation is obtained as follows:

Profitability Growth = -8.489 + 0.170X1 - 0.020X2 - 0.011X3

The results of the F test showed that the calculated F value is 52.111 and significant by 0.00, which is smaller than alpha, so the model used in this study is feasible. The significant value of savings growth of 0.000 is less than 0.05. So, the growth of savings has a significant positive effect on profitability. So that the proposed H1 is accepted. The significant value of deposit growth of 0.272 is greater than 0.05. So, the growth of deposits has an insignificant effect on profitability. So, the proposed H2 was rejected. The significant value of credit growth of 0.402 is greater than 0.05. So, credit growth has an insignificant effect on profitability. So, the proposed H3 was rejected. The Adjusted R Square regression coefficient is 0.521. It shows that 52% of profitability growth can be explained by savings, deposit, and credit growth, while other variables outside the equation explain 48%.

The Effect of Savings Growth on Profitability Growth. The receipt of H1, which states that savings growth has a significant positive effect on the profitability growth of LPD Kintamani District in 2020-2022, shows that the higher the savings growth, the higher the profitability growth, and vice versa.

The Effect of Deposit Growth on Profitability Growth. The non-acceptance of H2 states that deposit growth has an insignificant effect on profitability growth in LPD Kintamani District in 2020-2022. It means that deposit growth is not affected by profitability growth. It is due to the imbalance of funds raised with funds distributed by LPD. However, this influence is insignificant because the more customers who have deposits in LPD, the more LPD has to pay interest on these deposits.

The Effect of Credit Growth on Profitability Growth. The non-acceptance of H3 states that credit growth has an insignificant effect on profitability growth in LPD Kintamani District in 2020-2022. It means that credit growth is not affected by profitability growth. It is because the LPD (agent) cannot return the funds that have been distributed. In addition, it can also be caused by collectibility, non-current, or bad credit. With non-current or bad loans, LPD (agents) will not get interest income on the loans distributed. In addition to not getting interest income, if the credit distributed cannot be collected anymore, there will be an expenditure of Allowance to eliminate productive assets (PPAP) so that the LPD will be disadvantaged and the LPD cannot grow profitability.

CONCLUSION

Based on data analysis and discussion, as well as from hypotheses compiled and tested in the previous section, the influence of independent variables on profitability is as follows: Growth in

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savings has a significant positive effect on profitability growth. The higher the savings growth, the higher the profitability growth, and vice versa. Deposit growth has an insignificant effect on profitability growth. It means that deposit growth is not affected by profitability growth. Credit growth has an insignificant effect on profitability growth. It means that credit growth is not affected by profitability growth.

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