

Do Monetary Instruments Affect Conventional Bank Loans to MSMEs?

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Abstract: This research aimed to analyse the effect of SBI and BI 7 Days RR on the UMKM credit of conventional Banks in Indonesia in 2017-2019. The method used is a quantitative approach by applying multiple linear regression models. The research used statistical data obtained from the official website of the Financial Service Authority and Bank Indonesia's interest rate from the official website of Bank of Indonesia. This research showed that in the 2017-2019 period, the Bank Indonesia Certificate (SBI) variable has no significant effect on MSMEs credit of conventional banks in Indonesia. Meanwhile, the BI 7 Days RR variable had a significant positive effect on UMKM credit of conventional banks in Indonesia in the 2017-2019 period. Simultaneously, the results showed significant effects between SBI and BI 7 Days RR variables on the MSMEs credit of conventional banks in Indonesia in 2017-2019. This research showed that the SBI and BI 7 Days RR variable significantly impacted conventional bank credit expansion to the MSMEs sector.

1 INTRODUCTION

Micro, small, and medium enterprises (MSMEs) are believed to have an essential meaning in economic development and development in both developing and developed countries. The MSME sector in developed countries is used as an economic driver to trigger economic growth, innovation, and technological progress. The developed countries in question are the United States, Japan, France, and the Netherlands (Tulus, 2009).

As one of the most prominent players in Indonesia's economy, MSMEs have proven to be economic drivers after the economic crisis. In addition, MSMEs have saved the Indonesian economy from the economic crisis (Singgih, 2007). MSMEs have a role to be able to encourage Indonesia's economic growth. MSMEs have proven not to be affected by the crisis. In fact, every year, the number of MSMEs continues to increase. The large number of workers entering Indonesia is the impact of the increase in the number of MSMEs. According to data from the Central Statistics Agency, MSMEs absorbed 114 million workers in 2013 (Statistik, 2021).

The significant role of MSMEs in the Indonesian economy does not make this industry out of trouble.

One of the obstacles faced by MSMEs is limited funds. The fund's majority of MSMEs come from personal savings or informal sources such as households. On the other hand, the government also helps by financing the MSME sector. According to the Central Statistics Agency data, the number of loans issued continued to increase during 2016-2019. In 2019, the MSME loan ratio was IDR 1,098.14 trillion. Compared to the previous year Statistik (2021), this figure has increased by 6.34%.

The government's efforts to improve the performance of MSMEs are carried out by providing ease of use of funds for the MSME sector. Two Bank Indonesia credit programs initiated this allocation, namely small investment loans (KIK) and fixed working capital loans (KMKP). In addition, Bank Indonesia has issued Bank Indonesia Regulation (PBI) No. 3/2 / PBI / 2001, which requires banks to extend credit to small businesses for 20% of their total loans. The regulation was issued as a trigger for banks to increase their allocation of funds to the MSME sector (Ramadhan and Beik, 2013).

As a supporter of the dual currency system, Bank Indonesia issues Bank Indonesia Certificates (SBI) as a conventional medium of exchange. As a monetary instrument, SBI has its transmission line to the physical sector, which will affect the amount of the loan. In order to increase the role of the National Bank

as an intermediary institution, it is necessary to increase the opportunities for lending to business actors, especially in the small, medium and micro business sector (Meydianawathi, 2007).

In the MSME sector, transferring funds from banks is influenced by internal and external factors. Profitability is an internal factor for banks to guide credit. At the same time, monetary instruments have become an external factor for bank lending. It is the reason for doing this research; the role of monetary instruments will affect credit distribution in conventional banking businesses in the MSME sector.

Based on previous research examined by Ramadhan and Beik (2013), it shows that simultaneously the distribution of MSME loans, both Islamic and conventional banking, is significantly influenced by the SBIS Islamic monetary instrument and the conventional SBI interest rate instrument. However, the relationship between SBI and SBIS on MSME lending or financing is negative. Meanwhile, Devi and Cahyono (2020) research shows that are simultaneously lending to

the MSME sector in conventional banking in Indonesia is influenced by SBI, inflation, and the BI Rate. Meanwhile, lending to the MSME sector in Islamic banking in Indonesia is also influenced simultaneously by SBIS, inflation and the BI Rate. Based on the conventional model, the BI Rate only partially affects MSME credit in conventional banking in Indonesia. While in the sharia model, the provision of MSMEs in Islamic banking in Indonesia is only partially influenced by inflation.

Another study conducted by Ichwani and Dewi (2021) showed that partially the BI 7 Day RR and BI Rate had an influence on lending to MSMEs in the short term. At the same time, the research examined by Wirathi and Putra (2014) shows that partially the distribution of MSME loans at Commercial Banks in Bali Province is significantly affected by the BI Rate.

Based on previous research, we are interested in examining the allocation of MSME funds by Indonesian conventional banks from January 2017 to December 2019. This research quantitatively analyses the effect of BI 7 Days RR and SBI on MSME loans in Indonesia. The purpose of this study was to determine the impact of Bank Indonesia's policies on the determination of reference interest rates (BI exchange rates) and conventional currency instruments (Bank Indonesia Certificates) on Indonesian conventional bank loans to the MSME sector.

2 LITERATURE REVIEW

2.1 Micro, Small and Medium Enterprises (MSMEs)

Micro, Small and Medium Enterprises (MSMEs) refers to a business activity established by the community in individuals or business entities. In-Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs), it is stated that MSMEs have different criteria. The criteria for MSMEs are regulated in article 6 paragraphs 1-3, which state that the classification of micro, small and medium enterprises is based on the value of net worth and sales for one year. In addition, another aspect that forms the basis for differences in the number of employees in each business. The number of employees absorbed in the MSME sector indicates that this sector can contribute to the national economy.

According to Hastuti et.al., (2020), small and medium enterprises (MSMEs) are business activities that can provide various kinds of benefits to the community. The positive impacts of small and medium enterprises (MSMEs) are expanding employment opportunities, high community income and the realization of equity in Indonesia. In addition, the existence of MSMEs can strengthen the economy and play a role in achieving national stability.

2.2 Credit

Credit or a loan is commonly called an activity carried out by the bank with other parties based on an agreement or agreement. Credit can be implemented because of the trust of each party. Based on trust in a party in need, money, goods, or services are given with the condition that they must be paid back under the agreement of both parties.

According to Astiko (1996), credit can make purchases or loans with an agreement. In terms of payment, both loan principal and loan interest can be paid according to the predetermined credit maturity date. Credit is something that society needs. It is because credit can encourage and facilitate trade activities and can meet the needs of the community.

2.3 Bank Indonesia Certificate

Bank Indonesia Certificates (SBI) are instruments with competitive returns and are free from the risk of default. The guarantor of the SBI (Bank Indonesia Certificate) is the government, so the risk of bad loans is more negligible (Ferdian, 2008).

Bank Indonesia Certificates (SBI) are securities in the form of short-term debt. Bank Indonesia issues SBIs (Bank of Indonesia Certificate) in IDR currency. In the context of currency control, Bank Indonesia Certificates are used as an open market operation tool for Bank Indonesia to carry out transactions on the money market both with banks and other parties. Interest rate determination is carried out based on an auction system. If the determination of the SBI interest rate is high enough, it will impact conventional bank investment where conventional banks will prioritize investment in SBI instruments compared to lending (Sugema, 2010).

2.4 BI 7 Days RR

According to Setianingsih (2018) the BI interest rate is the interest rate set by Bank Indonesia, which reflects the attitude of monetary policy. BI interest rates are announced to the public every month by the Board of Directors of Bank Indonesia.

Bank Indonesia has conducted monetary operations through managing liquidity in the money market. By conducting monetary operations, Bank Indonesia's monetary policy targets can be achieved. Since August 19th, 2016, a new benchmark interest rate has been introduced by Bank Indonesia, with the name BI 7 Days Repo Rate. The new interest rate serves to strengthen Bank Indonesia's monetary operating framework. However, the implemented monetary policy will not change even though Bank Indonesia has introduced a new benchmark interest rate policy (Haryanto and Widyarti, 2017).

3 RESEARCH METHODS

3.1 Population and Sample

In this study, the population in the form of MSME loans from Indonesian conventional banks. In addition, the saturated sampling technique is a sampling technique in this study. In determining the sample from a population, it is necessary to pay attention to relatively few population elements. The research sample was all Indonesian conventional bank MSME loans in 2017-2019.

3.2 Method of Collecting Data

In this study, the data was obtained in the form of additional data from other available sources. The data used in this study came from several sources, namely banking statistics issued by the Financial Services

Authority by Keuangan (2021) and BI 7 Days RR issued by Bank Indonesia.

3.3 Analysis Methods and Variable Measurement Data

The research method is quantitative. This research uses multiple linear regression analysis methods using SPSS version 25.0 application. The independent variables used are Bank Indonesia Certificates (SBI) and BI 7 Days RR. While the dependent variable used is MSME credit.

The author will summarize the variables discussed so that the empirical model used by the author in this study can be expressed as follows (Devi and Cahyono, 2020):

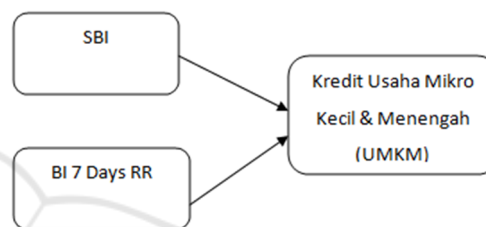


Figure 1: Research framework.

With the model equation as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Information:

- Y = MSMEs Loan
- α = Constant
- β₁ β₂ = Regression Coefficient
- X₁ = Bank Indonesia Certificate
- X₂ = BI 7 Days RR
- e = Error

The multiple linear regression method is an analytical technique used in research. The hypothesis can be stated in this study as follows:

H1: BI 7 Days RR and Bank Indonesia Certificates (SBI) have a partial effect on MSME loans of Indonesian conventional banks.

H0: BI 7 Days RR and Bank Indonesia Certificates partially have no significant effect on MSME loans of Indonesian conventional banks.

Ha: BI 7 Days RR and Bank Indonesia Certificates (SBI) partially have a significant effect on MSME loans of Indonesian conventional banks.

H2: BI 7 Days RR and Bank Indonesia Certificates (SBI) simultaneously have a significant effect on MSME loans of Indonesian conventional banks.

H0: BI 7 Days RR and Bank Indonesia Certificates simultaneously do not affect MSME loans of Indonesian conventional banks.

Ha: BI 7 Days RR and Bank Indonesia Certificates (SBI) simultaneously affect MSME loans of Indonesian conventional banks.

4 RESULTS AND DISCUSSION

4.1 Statistic Descriptive

The following are SBI Indonesia Bank Certificate data from BI 7 Days Repo Rate and MSMEs lending from January 2017 to December 2019. The minimum Indonesian Bank Certificate during 2017-2019 is IDR 1,109 billion in December 2017, with the maximum amount issued is IDR 40,805 in May 2019. While the lowest 4.25% BI-7 Days Repo Rate was regulated in the 3rd quarter of 2017, and the highest is 6.00% from November 2018 until June 2019. The smallest loan disbursed was IDR 780,179 in January 2017, while the largest disbursement was IDR 1,044,764 billion in November 2019. It is increasing significantly during the observation years.

Table 1: Statistic Descriptive.

	Bank Indonesia Certificate (IDR Billion)	BI 7 Day RR	MSMEs Loan (IDR Billion)
N statistic	36	36	36
Minimum	1109	4,25%	780179
Maximum	40805	6,00%	1044764
Mean	18217,36	5,10%	917487,69

Source: Processed Data, 2021

4.2 Multiple Linear Regression Analysis

Table 1 shows that the SBI variable has a regression coefficient of 0.618. However, it is not significant. Whilst the regression coefficient of the BI-7 Days variable is 7274828,079. It shows that the BI-7 Days positively affect MSME credit, meaning that the larger the BI-7 Days, the more credit distribution to MSMEs will be. With the increase in BI-7 Days everyone unit, the MSME credit variable has increased by 7274828,079 percent and vice versa.

Table 2: Multiple Linear Regression Results.

Model	Coefficient	t-stat	Sig.
SBI	0.618	0.634	0.531
BI Rate	7274828.079	3.709	0.001

Source: Processed Data, 2021

Based on the t-test result, it can be analysed that the t-test value for the SBI variable is 0.634, and the significance level is 0.531. The significance value of the data above is more than 0.05. It shows that the SBI variable does not have a significant positive effect on the MSME credit variable. It can also be interpreted that this SBI variable does not have a partial influence on MSME credit. On the other hand, the t-test result on the BI-7 Days variable is 3.709, and the significance level is 0.001. The significance value is less than 0.05, so it can be concluded that the BI interest rate variable has a significant positive effect on the MSME credit variable. In other words, the BI-7 Days variable partially affects MSME loans.

4.3 The Effect of SBI on MSMEs Loan

Based on the partial regression test results, it can be seen that Bank Indonesia Certificates (SBI) do not have a significant positive effect on conventional bank MSME loans in Indonesia because the significance value of $SBI > 0.05$ is 0.531. In the t-test calculation, it is known that the SBI variable is 0.634, so it can be concluded that in the Indonesian conventional banking industry, SBI does not have a significant effect on MSME loans. Using the results of the t-test that has been carried out, the analysis results reject the new hypothesis, which means that the SBI portion does not affect MSME loans.

4.4 The Influence of BI-7 Days on Fund Distribution to MSMEs

Based on the partial regression test results, it can be seen that BI-7 Days has a significant positive effect on MSME loans of Indonesian conventional banks. The calculation shreds of evidence that the significance value of BI-7 Days is 0.001 or < 0.05 . In the t-test calculation, it is known that the BI-7 Days variable is 3.709. It can be concluded that BI-7 Days has a significant positive effect so that there is a one-way relationship between the BI-7 Days variable and MSME Credit. By using the results of the t-test, the results of the analysis accept the following

hypothesis: BI-7 Days has a partial effect on MSME loans.

The results of this study are contrary to previous research conducted by Osei and Asenso (2015), which showed that BI-7 Days had a negative effect on lending. It shows that the increase in BI-7 Days will increase bank interest rates and cause lending to decline. Vice versa, the decline in BI-7 Days will cause credit demand to increase.

4.5 Coefficient of Determination R²

R² (Coefficient of Determination) in this study was 0.416 or 41.6%. It means that the magnitude of the influence of SBI, BI-7 Days on MSME loans is 41.6%, while other variables influence the other 58.4% (error value).

Table 3: Coefficient of Determination (R²).

Model	R	R Square	F Change	Sig F Change
	0.645	0,416	11,765	0.000

Source: Processed Data, 2021

4.6 F-test

Based on the table of F test results, it is known that the F value in this study is 11.765. Meanwhile, based on the results of the significance of $0.000 < 0.05$, it is concluded that all independent variables (namely Bank Indonesia Certificates (SBI) and BI-7 Days) have a significant positive effect on the dependent variable (MSME credit).

Table 4: F test Result.

Model	F	Sig.
1	11.765	0.000b

Source: Processed Data, 2021

5 CONCLUSION

Based on research using multiple linear regression analysis to test the hypothesis, it was concluded that partially, Indonesian conventional bank MSME loans during 2017-2019 were not significantly affected by the Bank Indonesia Certificate (SBI) variable. Meanwhile, the BI-7 Days RR variable significantly

affects traditional Indonesian bank MSME loans during 2017-2019.

Meanwhile, the study results show that simultaneously the variables of Bank Indonesia Certificates (SBI) and BI-7 Days RR significantly influence the distribution of Indonesian conventional bank loans to the MSME sector during 2017-2019.

It is hoped that the next researcher can further develop this research by adding other variables and extending the research time and data volume so that the results obtained are more precise and comprehensive.

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