Determinant Factors of the Distribution Growth at Micro, Small and Medium Business Credit in Indonesia Year of 2010-2015

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Abstract: Micro, small and medium enterprises (MSMEs) have an important role in the economy of Indonesian society. At least, there are 3 roles of MSMEs (role for poverty reduction, for leveling of income levels, and for increasing the foreign exchange reserve) those are very important for the living of small communities. That is why the Government of Indonesia should give high attention to these small people activities. Unfortunately, that the financing support especial for working capital and business development required for the development of MSMEs is still very inadequate. This is related to various factors beyond MSMEs: MSMEs have no transparent financial information, have no well organized, and cannot provide physical collateral and or other parties that can guarantee the high loan cost of transactions.

Therefore, it is necessary for a banking company that has a vision and mission to prioritize services to MSMEs so that factors that cause MSMEs difficult to access banking institutions will be resolved. For example, if MSMEs cannot provide collateral or physical guarantee it can be replaced with insured loans, where there is cooperation between banking companies and Indonesian credit insurance companies regarding credit guarantee for financing to micro, small and medium enterprises. Growth MSME lending in Banks will run smoothly if the bank is in good health. Loan disbursement activities contain risks that may affect the health and viability of the bank's business.

This study aims to examine the effect of Risk Profile, Good Corporate Governance, Earning and CAR toward Growth of Credit Distribution at National Commercial Banks. This study uses data from 2010-2015 with a sample of 12 National Commercial Banks whose corporate mission focused on MSMEs. The method used in this research is panel data regression.

Partially, only CAR that has a significant effect towards the growth of credit distribution in Indonesia. Based on the above results banks should keep their CAR level to stay above 8%, because the higher the CAR then the greater the financial resources that can be used for business development purposes and anticipate the potential losses caused by the channeling of credit.

Keywords: Risk Profile, Good Corporate Governance, Earning, Capital and Growth of Credit Disbursement.

Introduction

In Indonesia, Small and Medium Enterprises (MSMEs) besides playing a role in the development and economic growth, it is also has significant contribution in overcoming the problem of unemployment. Contribution to GDP accounted for 57% percent, and absorbed 97% of the total national labor force. However, the classical problem in SMEs is the limited availability of working capital and business development required for the development of SMEs because UMKM nevertheless has a low accessibility to capital resources. This is triggered by various factors including MSMEs do not well organized and do not have financial statements transparency, and cannot provide physical guarantees or other parties that can guarantee the cost of very high loan transactions (Bank Indonesia & LPPI, 2015).

MSMEs those are difficult to access banking institutions caused by SMEs and cannot provide collateral or physical guarantees can be replaced with insured loans. In 2016, two state-owned companies *Perum Jamkrindo* and *PT Asuransi Kredit Indonesia* signed a Memorandum of Understanding through joint guarantees for MSMEs and Cooperatives. Through the synergy of state-owned enterprises (SOEs), it is expected to further move the real sector in assisting UMKM levelling up the grade or status. By the cooperation of SOEs synergy it is predicted more and more SMEs and Cooperatives that can experience the convenience to access the source of capital (OJK Press Release, 2016).

The Creative Economy Agency in collaboration with the Indonesian Institute of Certified Public Accountants (IAPI) provides training to MSMEs to prepare financial statement therefore MSMEs can be more accountable. The Benefits of financial statements for MSMEs, among others, to facilitate in obtaining a banking credit, the perpetrators of MSMEs able to recognize the amount of production costs, the amount of profit and loss, the amount of tax liability that has to be paid, cash flow, and business development data. All those information can also be used by SMEs to set up the cost of goods sold and to determine the selling price of products to be more appropriate. Thus, MSMEs will have transparent financial information and also organized (OJK Press Release, 2016)

The growth of the credit disbursement for SME in Banks will run smoothly if the bank is in good health. Loan disbursement activities contain risks that may affect the health and viability of the bank's business. The Assessment of bank according to Decree of Bank Indonesia Number 13/1 / PBI / 2011 are Risk Profile, Good Corporate Governance, Earning and Capital through RGEC. Risk Profile which has a major impact on lending is the credit risk. The potential for high credit risk generally cannot be separated from credit risk called NPL (Non-Performing Loan). Excessive problem loans can lead into banks' unwillingness to disburse credits because they have to form a large erasing reserves, thereby it would reducing the amount of loans granted by a bank. Banks should also be careful in channeling credit to avoid high NPLs. (Dendawijaya, 2009).

Research conducted by Tracey (2011) performed in the state banks of Jamaica and Trinidad and Tobago, the results showed that NPLs have a negative and significant impact on lending. This means that if the bank has a high number of dreadful loans, the more cautious the banks in providing credit loans since the greater the credit risk will be borne by the banks, as consequences banks will be very selective in disbursing credit, as a result it will raise the potential of uncollected credit. Banking companies are required to apply GCG (Good Corporate Governance) practice. This has been regulated by Bank Indonesia in accordance to Bank Indonesia Letter no. 13/24 / DPNP dated October 25, 2011 regarding to Self-Assessment Rating. The implementation of GCG or corporate governance is also beneficial in channeling credit in order to achieve a healthy responsible management of banking companies. The credit distribution should be based on prudential principles, free from conflict of interest and risk management.

Research conducted by Bussoli, et al (2015) in Italian banks, explained that corporate governance has a negative and significant impact on lending. The reason is that too many committees in the bank can prompt a negative effect on management and business performance. In banks with lower task complexity, the presence of a large number of committees can create less efficient development of banking activities. On the other hand, if the Corporate Governance in the bank has a number of efficient committees in accordance with virtuous duties and functions, it will creates a better performance of management and the better performance of the bank, especially in managing the growth of lending to the community. Profitability is used to measure the ability of bank management in obtaining profit as a whole. The ratios used in profitability factors are ROA (Return On Assets) ratio, which is an indicator that will show if this ratio increases then bank assets have been used optimally to earn income. With enormous profits, a bank can channel more credits, thus the growth of lending can increase (Dendawijaya, 2009).

Research conducted by Moussa, et al (2016) in Tunisian banks, explained that ROA has a negative effect on the amount of credit. This is because ROA has no effect on the distribution of bank credit because there are some priorities funding excluding to credit funding. This study showed that the existing ROA funds in Tunisian banks were placed on fixed assets and inventory to operate Banking activities that can be used for corporate growth. In addition, ROA is also not the main source of funding for bank credit, there for the rising or falling of ROA ratio in banks does not affect the amount of credit disbursement. Capital is an important factor for a company in order to operate its business, including maintaining the possibility of risks, also to manage the risk of faulty loans arising. CAR (Capital Adequacy Ratio) is a ratio that shows how far all bank assets that contain risks involved are financed from own capital funds, public funds, loans, and so forth. The higher the CAR value indicates that the bank has sufficient capital to support its necessitate and bear the risks posed including credit risk. With enormous capital then a bank able to channel more credit, hence that credit distribution can increase. (Dendawijaya, 2009).

Research conducted by Olszaka, et al (2012 showed that CAR in EU banks has no significant effect on lending because CAR is a capital ratio showing the ability of a bank to provide funds for business development and to accommodate the risk of loss of funds caused by bank operations. In addition, lending has also been funded by many other sources of third party funds. The insignificant results also indicate that the capital is used to maintain the minimum capital requirement and to anticipate the risk of loss to the bank. Although the results are insignificant, it does not mean the bank can ignore the CAR in lending, because the adequacy of bank capital is often disrupted due to excessive credit disbursement.

From the above description the authors are interested to study the research titled "Influence Risk Profile, Good Corporate Governance, Earning and Capital towards Growth Loans Disbursement in Commercial Banks who's Mission Focus on SMEs Period Year 2010-2015"

Literature Review

Bank Definition

According to OJK, the definition of a bank is to collect funds from the public in the form of savings, in the form of demand deposits, time deposits, certificates of deposit, savings, and or other equivalent form, giving credit, issuing debt recognition, buying, selling or guarantee at own risk as well as for the interest and at the request of its customers, transferring money for its own account and the interests of its customers, placing funds on, borrowing funds from, or lending funds to other banks, using letters, telecommunications facilities and notes, checks or other means, from invoices of securities and calculations with third parties. Also providing a place to store goods and securities, conducting daycare activities for the benefit of others under a contract, placing funds from customers to other customers in the form of securities not listed effects, the credit card business and trustee activities, providing financing and or performing other activities based on *sharia* principles, in accordance with the provisions specified by Bank Indonesia, undertake other activities commonly undertaken by banks insofar it is not against the predominant laws and regulations (www.ojk.go.id).

Risk Profile Definition

According to OJK, Risk Profile is an assessment of the inherent risk and quality of risk management implementation in bank operations. The inherent risk is the risk attached to the bank's business activities, both quantifiable and non-quantifiable, potentially affecting the bank's financial position. There are several ratios included in the risk profile: (i). Credit risk is a risk arising from the debtor's inability to pay off or possible losses arising from the failure of the debtor to fulfill its obligations to the bank. Credit risk is indicated by NPL (Non- Performing Loan), which is represents the percentage of non-performing loans to total loans disbursed by banks. The lower this ratio then the possibility of banks experiencing losses will be very low, it means earnings will increase automatically; (ii). Market risk is the risk enclosed in the balance sheet and administrative account that includes derivative transactions, due to changes in market conditions including price changes; and (iii). Liquidity risk is a risk faced by a bank because it cannot meet its obligations on due time with the liquid assets possessed. (www.ojk.go.id).

In this study, Risk Profile taken by researchers is the credit risk in which is one type of productive assets that become the largest source of revenue for banks. However, credit is often the main cause of banks in facing extensive problems because of the possibility of losses cause of not returning funds by debtors. Non-Performing Loans (NPLs) are loans that are overdue for more than 90 days. This ratio can be formulated as follows (Attachment of SE BI No. 13/24 / DPNP dated October 25, 2011):

$$NPL = \frac{\text{Impaved Credit (Non Performing Credit)}}{\text{Total Credit}} \times 100\%$$

NPL Assessment Criterion

Ratio	Predicate
NPL ≤ 2%	Excellent
2% < NPL ≤ 5%	Good
5% < NPL ≤ 8%	Satisfactory
8% < NPL ≤ 11%	Poor
NPL > 11%	Bad

Source: Indonesian Central Bank (2012)

Good Corporate Governance Definition

Corporate governance arises because of the separation between ownership and corporate control, or often known as agency issues. The agency problem in relationship between the owner of capital and manager is how difficult the owner in ensuring that the funds invested are not taken over or invested in unprofitable projects which is not increases returns. Corporate governance is required to reduce agency issues between owners and managers (Macey, et al, 2003). Good corporate governance is a set of rules in governing relationships between shareholders, managers of companies, creditor parties, governments, employees, as well as other internal and external stakeholders related to their rights and obligations; or in other words a system that directs and controls the company. The table below shows the Composite Self-Assessment Value of corporate banking governance:

Composite Ranking

Ratio	Predicate
Composite Value < 1,5	Very good
1,5 <Composite Value < 2,5	Good
2,5 <Composite Value < 3,5	Satisfactory
3,5 <Composite Value < 4,5	Poor
4,5 <Composite Value < 5	Bad

Source: SE BI No. 19/24/DPNP, 30th May,2007

Earning Definition

Earning or rentability is the capability of banks to increase profits, business efficiency and profitability achieved by the bank concerned. In this research, Earning taken by researcher is ROA (Return on Assets), which is an indicator of quantitative aspect to assess rentability. ROA measures the overall effectiveness in generating profits through the assets availability, and also the ability to generate profits from invested capital. The formula for calculating ROA is as follows (Horne and Wachowicz, 2013):

$$ROA = \frac{\text{Earning before Tax}}{\text{Average of Total Assets}} \times 100\%$$

ROA Assessment Criterion Ratio

Ratio	Predicate
ROA > 2%	Very Good
1.25% < ROA $\leq$ 2%	Good
0.5% < ROA $\leq$ 1.25%	Satisfactory
0% < ROA $\leq$ 0.5%	Poor
ROA < 0%	Bad

Source: Indonesian Central Bank (2012)

Capital Definition

One component of capital factor is capital adequacy. In this study, Capital taken by researchers is CAR. According to OJK, CAR is the provision of minimum capital for banks based on the risk of assets in the wide ranging, whether the assets are listed in the balance sheet or administrative assets as reflected in contingent liabilities and / or commitments provided by banks for third parties and risks market (www.ojk.go.id). Bank capital ratio can be formulated as follows:

$$CAR = \frac{\text{Capital}}{\text{ATMR}} \times 100\%$$

Whereas, ATMR are Assets Weighted by Risk

CAR Assessment Criterion

Ratio	Predicate
CAR > 11%	Very Good
9.5% <CAR≤ 11%	Good
8% <CAR≤ 9.5%	Satisfactory
6.5% <CAR≤ 8%	Poor
CAR< 6.5%	Bad

Source: Indonesian Central Bank (2012)

Credit Definition

Credit is a borrower's trust to pay some amount of money in the future, in the form of credit through an agreement or a contract has been signed and agreed between two parties (Horne and Wachowicz, 2013). According to Mulyono (2007), in order to implementation of credit running effectively and efficiently, it must meet the criterion of some credit principles, namely:

1. Character

This character assessment is used to determine the extent of honesty and integrity and good will, the willingness to fulfill its obligations from prospective borrowers.

2. Capacity

It is an assessment to prospective borrowers about the ability to pay off their obligations from the business activities undertaken which will be financed by bank credit.

3. Capital

The amount of funds / own capital owned by prospective borrowers. The ability of this capital itself to be a strong fortress that is not easily exposed to shock in facing any turbulence from external factors, for example in the capital market situation with high interest rate, otherwise the composition of this own capital should be greater.

4. Collateral

It is the guarantee items submitted by the borrower / debtor as collateral for the credit received.

5. Economic Condition

Political, social, economic, cultural, and other situations and conditions affecting the state of the economy which are possibly to affect the smooth operation of companies' credit-earnings, are things should be considered.

6. Constraints

It is the limitations or barriers that do not allow a person to do business somewhere.

Previous Research

Research conducted by Tracey (2011), titled the impact of non-performing loans on loan growth: an econometric case study of Jamaica and Trinidad and Tobago, showed that the NPL has a negative and significant impact on lending. This means that if the bank has a high number of bad loans, the more cautious the banks to provide credit/loans, because the greater the credit risk will be borne by banks, and as consequences bank will be very selective in disbursing credit. As it will raises the potential of uncollected credit.

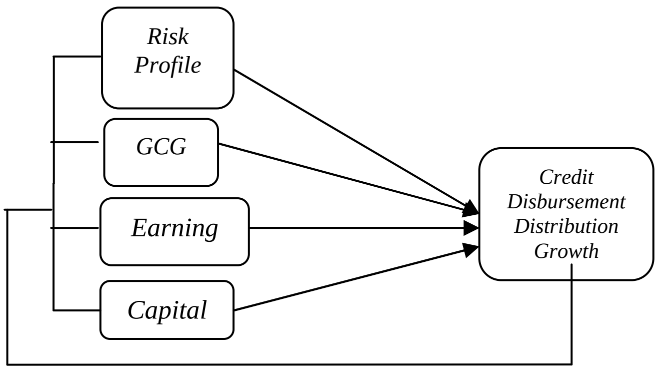
Research conducted by Bussoli, et al (2015) in Italian banks, explained that corporate governance has a negative and significant impact on lending. The reason is that too many committees in the bank can prompt a negative effect on management and business performance. In banks with lower task complexity, the presence of a large number of committees can create less efficient development of banking activities. On the other hand, if the Corporate Governance in the bank has a number of efficient committees in accordance with various duties and functions it will create a better performance of management and the better performance of the bank, especially in managing the growth of lending to the community.

Research conducted by Moussa and Chedia (2016), titled Determinants of Bank Lending: Case of Tunisia, showed that ROA has a negative effect on the amount of credit. This is because ROA has no effect on the distribution of bank credit because there are some priorities funding beside to credit funding. The study showed that the existing ROA funds in Tunisian banks are placed on fixed assets and inventory to operate Banking activities that can be used for corporate growth. In addition, ROA is also not the main source of funding for bank credit, so the rising or falling ROA ratio in banks does not affect the amount of credit disbursement.

Research conducted by Olszaka, et al (2012) titled The Effects of capital on bank lending of EU large banks - The role of procyclicality, income smoothing, regulations and supervision, showed that CAR has no significant effect on credit distribution because CAR is a capital ratio showing the ability of a bank to provide funds for business development and to accommodate the risk of loss of funds caused by bank operational activities. In addition, lending has also been funded by many other sources of third party funds. The insignificant results also indicate that the capital is used to maintain the minimum capital requirement and to anticipate the risk of loss to the bank. Although the results are insignificant, it does not mean that banks can ignore the CAR in lending, since the adequacy of bank capital is often disrupted due to excessive credit disbursement.

Conceptual Framework

Base on the explanation above, the conceptual framework of this research can be seen as follow:



Source: Authors

Hyphotesis

Hypothesis that will be proposed in this research are:

Hypothesis 1:

Ho1 : It is assumed that there is no significant effect of Risk Profile on credit distribution at Commercial Bank whose company's mission is focused on MSME in the period of 2010-2015.

Ha1 : It is suspected that there is a significant effect of Risk Profile on loan disbursement at Commercial Bank whose company's mission focus on MSME in the period of 2010-2015.

Hypothesis 2:

Ho2 : It is assumed that there is no significant influence of Good Corporate Governance towards credit distribution at Commercial Bank whose company's mission focus on MSME in the period of 2010-2015.

Ha2 : It is suspected that there is a significant influence of Good Corporate Governance on credit distribution at Commercial Bank whose company's mission focus on MSME in the period of 2010-2015.

Hypothesis 3:

Ho3 : Allegedly there is no significant influence of Earning on credit disbursement at Commercial Banks whose corporate mission focused on MSME in the period of 2010-2015.

Ha3 : allegedly there is a significant influence of Earning on credit disbursement at Commercial Banks whose corporate mission focused on MSME in the period of 2010-2015.

Hypothesis 4:

Ho4 : It is assumed that there is no significant effect of Capital on credit distribution at Commercial Bank whose company's mission focus on MSME in the period of 2010-2015.

Ha4 : Allegedly there is a significant influence Capital to credit distribution at Commercial Banks whose company's mission focus on SMEs in the period of 2010-2015.

Hypothesis 5

Ho5 : It is assumed that there is no significant influence of Risk Profile, Good Corporate Governance, Earning, and Capital simultaneously to credit distribution at Commercial Bank whose company mission focus on MSME in the period of 2010-2015.

Ha5 : It is suspected that there is a significant influence of Risk Profile, Good Corporate Governance, Earning, and Capital together to credit distribution at Commercial Bank whose company's mission focus on MSME in the period of 2010-2015.

Research Method

The sample in this study based on the criteria of researchers, as follows: (i). A banking company that publishes financial statements during 2010-2015; (ii). A national banking company in the form of a Commercial Bank other than a Rural Bank and not a Foreign Bank; and (iii). Banking companies those have the same corporate mission that prioritizes services to MSMEs. From the above criteria, there are 12 (twelve) banking companies according to *Bank BRI, Bank Bukopin, Bank DKI, National Centratama Bank, Fama International Bank, Multiarta Sentosa Bank, National Nobu Bank, Bank Royal Indonesia, Bank Windu Kentjana, Bank Sahabat Sampoerna, Bank Sinar Mas* and *Bank UOB Indonesia.* This study uses panel data that is combination of time series and cross section data assisted with the Eviews 8 program.

The data used in this study is quantitative data which is the type of data that can be measured or calculated directly in the form of numerical numbers of NPL ratio, GCG Self Assessment result, ROA ratio, CAR ratio and Growth of Credit Distribution. Sources of data in this study are secondary data that has been published. In correlation with this research, the data were obtained from the Internet that published through the official website of each of the twelve commercial banks.

Research Result and Discussion

Research Result
a. Stationary Test

Augmented Dickey-Fuller Test

Variable	Unit Root Test	
	2nd Difference	
	ADF	Prob
GROWTH CREDIT DISTRIBUTION	-7.49803	0.0000
RISK PROFILE	-6.79884	0.0000
GCG	-5.97382	0.0000
EARNING	-5.92495	0.0000
CAPITAL	-7.24351	0.0000

Source: Data Processed

In the table above, the variable data Growth Distribution Credit, Risk Profile, Good Corporate Governance, Earning and Capital on 2nd Difference is stationary because the probability value of each variable is 0.0000, means the probability value is smaller than the error level of 0.05. It means that H0 is rejected and Ha accepted, means there is no root or all data and variables in this study has been stationary on the same degree of integration.

b. Test for Structural Change of Panel Regression Model

1. Chow Test

Redundant Fixed Effects Tests
Pool: REGRESI
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.659562	(11.56)	0.1073
Cross-section Chi-square	20.315227	11.0)	0.0412

Source: Data Processed

The table above shows that the chi-square cross-section probability value is 0.0412, which is <0.05, so it can be concluded that the fixed effect model is more appropriate than the common effect model for this research data.

2. Hausman Test

Correlated Random Effects - Hausman Test
Pool: REGRESI
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	11.003855	4	0.0265

Source: Data Processed

In the table above, the probability value of random cross-section is 0.0265, which is <0.05 so it can be concluded that the fixed effect model is more accurate than the random effect model for this research data.

c. Hypothesis Test

1. F Test (Simultaneously)

Cross-section fixed (dummy variables)

R-squared	0.725329
Adjusted R-squared	0.651757
S.E. of regression	102.6052
Sum squared resid	589558.7
Log likelihood	-426.5403
F-statistic	9.858692
Prob(F-statistic)	0.000000

Source: Data Processed

The result obtained for F-count is 9.858692 while the F-table value is 2.51 which means F-count> from F-table. With probability value F-statistic 0,000000 <0.05 then H0 is rejected and H1 accepted. Thus, it can be concluded that the independent variables (Risk Profile, good corporate governance, Earning and Capital) have a significant effect simultaneously on the Growth of Credit Disbursement.

2. T Test (Partial)

Partial test was conducted to identify the significance of the effect for each independent variable towards the dependent variable by assuming that other variables are constant (Dewi, et.al, 2015).

$$\mathbf{Credit_{it} = \beta_0 + \beta_1 RP_{it} + \beta_2 GCG_{it} + \beta_3 Ear_{it} + \beta_4 CAP_{it} + e_1}$$

Description:

Credit = Bank Credit or Credit Disbursement
RP = Risk Profile
GCG = Good Corporate Governance
Ear = Earning
CAP = Capital

Or the formulation can be as follows;

$$\mathbf{Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + e_1}$$

Description:

Y	= Bank Credit or Credit Disbursement
X_1	= Risk Profile
X_2	= Good Corporate Governance
X_3	= Earning
X_4	= Capital

Dependent Variable: CREDIT?
Method: Pooled Least Squares
Date: 01/09/17 Time: 12:20
Sample: 2010 2015
Included observations: 6
Cross-sections included: 12
Total pool (balanced) observations: 72
Cross sections without valid observations dropped

Variable	t-Statistic	Prob.
C	0.383707	0.7026
RISKPROFILE?	-0.411031	0.6826
GCG?	-0.722869	0.4728
EARNING?	0.550878	0.5839
CAPITAL?	7.211611	0.0000
Fixed Effects (Cross)		

Source: Data Processed

3. **Adjusted** R^2

Cross-section fixed (dummy variables)

R-squared	0.725329
Adjusted R-squared	0.651757
S.E. of regression	102.6052
Sum squared resid	589558.7
Log likelihood	-426.5403
F-statistic	9.858692
Prob(F-statistic)	0.000000

Source: Data Processed

Adjusted R^2 is the ability of independent variables to explain the dependent variable or can also mean how much of the variation in the dependent variable can be influenced by independent variables (Dewi, et.al, 2015).The table above shows that the ability of variable Risk Profile, Good Corporate Governance, Earning and capital in explaining the variable of Growth of Credit is 65.18%, the rest of 34.82% explained by other variables not including in this research.

Discussion

Risk Profile has no significant effect on Growth of Credit Distribution. In this study means the rise and fall of NPLs do not affect the rise and fall of credit growth. This occurred because the research observation duration only six years during the study period, in addition the ratio of NPLs to the twelve National Commercial Banks was only in the low and medium NPL ratio, there for it did not affect significantly to the National Commercial Bank in making the decision to channel credit to the perpetrators of MSMEs.

Good Corporate Governance has no significant effect on the growth of Credit Disbursement. In this study, the amount of Self -Assessment GCG does not affect the rise and fall of credit disbursement growth. This happens because along six years of the period observation of the GCG Self Assessment on the twelve national banks have very good criteria, good and good enough, so it does not really affect the National Commercial Bank in making the decision to make credit to the perpetrators of MSMEs.

Earning has no significant effect on Growth of Credit Distribution. In this study, it indicates that the increase or decrease of ROA during the period of study did not affect significantly to the growth of Credit Disbursement. This occurs because during the six year of the research period ROA ratio on the twelve national banks are low and medium, thus it does not really influence the National Commercial Bank in making decisions to make lending to the perpetrators of SMEs. Hence, the value of bank profit is not a bank benchmark to channel more credits, the bank might prefer the profits obtained to strengthen their capital structure.

Capital has a significant effect on the Growth of Credit Distribution. This happens because six years observation during the research period the CAR ratio of the twelve national banks is very high, thus affecting the National Commercial Bank in making decisions to perform credit distribution to the perpetrators of SMEs. This indicated that the bank possesses an enormous capital for business development requirements, and to accommodate the risk of loss of funds caused by the bank's operations due to credit distribution. There for the value of CAR will increase bank confidence in lending.

Conclusion, Suggestion and Policy Implication

Conclusion

The conclusions obtained from this research are:

1. Risk Profile partially has no significant effect on Growth of Credit Distribution. This occurs because the NPL ratio of the twelve national banks is only in the low and medium NPL ratio, so it does not really affect the National Commercial Bank in deciding to make the credit to the perpetrators of MSMEs.
2. Good Corporate Governance partially has no significant effect on the Growth of Credit Disbursement. This happens because the assessment of GCG Self Assessment on the twelve National Commercial Banks has very good criteria, good and good enough, so it does not really affect the National Commercial Bank in making decisions to conduct credit distribution to the perpetrators of SMEs.
3. Earning partially has significant effect on the Growth of Credit Distribution. This happens because the ROA ratio of the twelve national banks is low and medium, so it does not really affect the National Commercial Bank in making decisions to make lending to the perpetrators of SMEs. The bank might prefer the profits to strengthen its capital structure.
4. Capital partially has significant effect on the Growth of Credit Distribution. This happens because the CAR ratio of the twelve National Commercial Banks is very high, thus affecting the National Commercial Bank in making decisions to perform credit distribution to the perpetrators of SMEs.
5. Risk Profile, Good Corporate Governance, Earning and Capital simultaneously or concurrently have a significant effect on the Growth of Credit Disbursement. Adjusted R2 value shows that the ability of independent variables (Risk Profile, Good Corporate Governance, Earning and Capital) in explaining the dependent variable (Growth of Credit Distribution) is 65.18%, the rest of 34.82% explained by other variables not including in this research.

Suggestions

Suggestions obtained in this study are as follows:

1. It is suggested that other researchers analyze the factors affecting credit distribution from the external factors excluding of banking environment such as monetary crisis, rising world oil prices, riots, natural disasters such as earthquakes, floods, fires and other events thus the resulting analysis can be more comprehensive and balanced
2. Considering of the limitations of research conducted by the authors in this study, to other researchers are advised to enlarge the sample of research where the sample is not limited to the banking company only but can be accomplished into non-bank financial institutions.
3. This research focusing to analyzes the factors that affect the channeling of credit from the internal side of the banking only such as NPL, GCG, ROA and CAR not from external factors such as the monetary crisis, rising world oil prices, riots, natural disasters such as earthquakes, floods, -other events so that the resulting analysis can be more exhaustive and balanced.

Policy Implication

From the result of the research, CAR variable has significant effect on the growth of credit distribution, then 12 National Commercial Banks which become the object of this research, must keep its CAR level to stay above 8%. The Twelfth National Commercial Bank keeps its CAR level to stay higher than 8% for purpose to improve the ability and to perform the intermediation function well. It will prompt public's trust to be interested in the banking world, as a result public want to invest in money market or capital market and finally the CAR level at the bank is maintained above 8%. With good capital in supporting their needs and bear the risks posed including credit risk. With large capital then a bank can channel more credit, there for the credit distribution can increase.

Reserach Limitation

In this study there are still limitations, among others:

1. This research uses only 12 National Commercial Banks which is focusing on UMKM
2. The Period of the research taken was only six years, from 2010 until 2015.
3. This research only analyzes the factors that affect the channeling of credit from the internal side of the banking only NPL, GCG, ROA and CAR not from external factors such as the monetary crisis, rising world oil prices, riots, natural disasters such as earthquakes, floods, -other events so that the resulting analysis can be more comprehensive and balanced.

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