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

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Abstract: Lembaga Perkreditan Desa (LPD) is a business entity that collects funds from the village krama in the form of savings and deposits and then redistributes the funds in the form of credit, where basically the LPD itself has a goal to get profit. The purpose of this study was to determine the effect of savings growth, deposit growth and credit growth on LPD profitability in Tabanan District. The types of data sources used in this study are qualitative and quantitative data types and use secondary data sources. The population in this study is LPD in Tabanan District which is 12 LPD units. The sampling method in this study is to use saturated sampling techniques, where a sample of 12 LPDs is sampled with five years of observation so that the number of observations obtained is 60. This study uses data collection methods in the form of non-participant observation methods. The data analysis technique used is multiple linear regression analysis. Based on the results of the analysis that has been done, it is obtained that the growth of savings has a positive effect on profitability. While the growth of deposits and credit does not significantly affect the profitability of LPD Tabanan District. The limitations of this study only examined the Regional Credit Institutions (LPD) in Tabanan sub-district, so the results of this study may not necessarily be generalised to LPDs in other regions. This study contributes to providing thoughts and input on financial management and improving operational systems in managing financial institutions. This study contributes by exploring the influence of savings, deposits and credit growth on profitability at LPDs in Tabanan sub-district, which has not been widely studied in previous research.

Keywords: *savings growth, deposit growth, loan growth, profitability*

INTRODUCTION

The level of economic growth in Indonesia cannot be separated from the role of financial institutions, both bank financial institutions and non-bank financial institutions (Sudarsana & Suarjaya, 2019) . Bank institutions and non-bank financial institutions play an important role in managing activities in the Indonesian economy. Lembaga Perkreditan Desa (LPD) is a non-bank financial institution that is growing rapidly. LPD acts as a place to manage village wealth in the form of money and letters, and carry out its functions. Most of the LPD's business is to support village development. In this case the role of the village lender is very important in its efforts to achieve village development, improve community welfare, achieve independent community life and achieve business development, especially rural micro-enterprises. LPD's business activities are to collect funds from

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the village krama in the form of savings, and deposits, then channel the funds back in the form of credit, where basically the LPD itself has the aim of making a profit. To see whether the LPD is healthy or not can be seen from how much profit the LPD itself can generate in a period. The higher the LPD's ability to generate profits (*Profitability*), the LPD has a good level of health to be able to survive in all uncertain economic conditions. Efforts that can be made to achieve this level of health, LPDs must be able to manage and maintain the growth of all productive assets and third party funds, which in this case is the growth of savings, credit, and deposits (Widyawati *et al.*, . 2022)

LPDs need to get more attention to support the economy, especially the village community. LPD must have regular administration and bookkeeping, namely making financial reports every month which in one year makes a balance sheet and profit/loss statement and other necessary reports. In this case, profit can be used as a benchmark for the presentation that the company wants to achieve to determine the company's ability to generate profits during a certain period which is often called profitability because it can measure the LPD's ability to earn profits for a certain period. Profitability is a ratio used to assess the company's ability to seek profit (Kasmir, 2019):198 . The factors that affect profitability in this study are savings, credit and deposits.

The first factor that affects profitability is savings according to Banking Law No. 10 of 1998 states that savings are deposits whose withdrawals can only be made in accordance with certain agreed conditions, but cannot be withdrawn using cheques, bilyet giro and / or other tools equivalent to that. In banking practice in Indonesia today there are several types of savings. The difference in the type of savings only lies in the facilities provided to the saver, so that the saver has many choices. Dharma *et al*. (2019) states that savings growth has a positive effect on profitability in LPD Denpasar City. This means that the higher the growth of savings, the higher the profitability value. The opposite result is obtained by Widyawati *et al.* (2022) in his research stated that savings have no effect on profitability. This shows that the higher the growth of savings will not necessarily increase LPD profits by using profitability, while the results that will be obtained will remain or inversely increase but will not be the same percentage.

The second factor is deposits according to Banking Law Number 10 of 1998 in Kasmir (2014:75) deposits are deposits whose withdrawals can only be made at certain times based on the agreement of the depositor and the bank. If the depositor keeps the money for a period of three months, then the money can only be withdrawn after the period ends and is often called the maturity date. Deposits have a positive influence on profitability growth, because for banks by raising funds through deposits is money that is stored for a relatively long time, considering that deposits have a

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relatively long period of time and the frequency of withdrawals is also rare, banks can freely reuse these funds for lending purposes which can increase profitability for LPDs. Based on research from Kartika Dewi & Abundanti (2019) states that deposits have a significant positive effect on profitability. This means that the growth of deposits will also increase profitability. While the opposite results obtained by Erawati & Badera, (2015) deposits have no effect on profitability. This means that the growth of deposits is not a determinant of the increase in profitability received.

The third factor is credit growth according to Banking Law Number 10 of 1998 in Kasmir (2014:85) is the provision of money / bills that can be equated with it, based on borrowing and lending agreements between banks and other parties, borrowers are obliged to pay off their debts after a certain period of time with a predetermined amount of interest or profit sharing. High credit channeled to the public will show high sales in the form of credit so that the company's profit or profit will automatically increase. Increasing credit growth will also be followed by an increase in interest income paid by customers to the bank, from here the bank also makes a profit. Research Dharma *et al*. (2019) states that credit growth has a positive effect on profitability. This means that the higher the credit growth received by LPD, the higher the profitability value received. While the opposite results obtained by Kepramareni & Ernawatiningsih (2019) states that credit has no effect on profitability. This shows that the high and low credit growth in LPDs has no effect on the value of profitability. This is because not all LPDs are able to optimise their receivables, so that credit growth does not go well and can increase the profitability of the LPD.

Table 1.
Development of Savings Growth, Deposit Growth and Credit Growth at Village Credit Institutions (LPD) in Tabanan District in 2018-2022

Year	Savings Growth	Deposit Growth	Credit Growth	Profitability
2018	0.2160	0.2537	0.2253	0.0309
2019	0.2330	0.1902	0.1122	0.0297
2020	0.0189	0.0703	-0.0211	0.0167
2021	0.0828	0.0890	0.0142	0.0153
2022	0.1376	0.1890	0.0468	0.0185

Source: Data processed from LPLPD Tabanan District

Savings growth in LPDs in Tabanan district has increased from 2018 by 0.2160 to 0.2330 in 2019. However, in 2019 to 2020 it decreased to 0.0189. This is due to the Covid-19 pandemic, so that people who lose their income take their savings to make ends meet. Then, in 2021, it increased again to 0.0828, and in 2022 it increased to 0.1376. The growth of deposits shows that in 2018 it was 0.2537, and continued to decline in 2019 and 2020 to 0.1901 and 0.0703. Then in 2021 and 2022 it increased to 0.0893 and 0.1890 respectively. Credit growth throughout 2018-2020 continued to decline

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until it reached -0.0211 in 2020. Then, in 2021 and 2022 it increased to 0.0142 and 0.0468 respectively. Based on this, LPD profitability also decreased until 2021 to 0.0153. Although in 2022 it increased to 0.0185, it was not a significant increase.

LITERATURE RVIEW

Theoretical foundation

Signaling Theory

According to Brigham & Houston (2015) this theory explains voluntarily important company information to external parties to be used as a reference in decision making. *Signaling Theory* suggests how a company should signal to users of financial statements. This signal is in the form of information about what management has done to realise the wishes of the owner. Signals can be in the form of promotions or other information that states that the company is better than other companies. Signal theory explains that signalling is done by managers to reduce information asymmetry.

Signaling theory used in this study explains that signals of success or failure of LPDs must be conveyed to the village krama to reduce asymmetric information management (LPD) with other parties or outside the village krama. By providing accurate, complete, relevant, and timely information, it becomes a signal given by the LPD to external parties. By providing signals to outsiders, one of which is in the form of reliable financial information and will reduce uncertainty about the company's future prospects.

Financial Intermediation Theory

Jhon Gurley (1956), the theory of financial intermediation discusses one of the functions of banking institutions, where banks have a big task as a dominant supporter in a country's economy with the task of intermediating funds from parties with excess funds to parties with insufficient funds. Banking has an important role in the economy, namely to facilitate the payment process, achieve financial stability and as an implementer of monetary policy, banking conditions must remain stable.

The importance of this intermediation function is so that the wheels of the economy can continue to run well so that economic stability can be achieved. This is because the bank will allocate customer funds to those who need funds by providing credit loans. Lending is a banking business to make a profit from the difference between interest and funds returned by the borrower. The higher the value of banking intermediation, the better the banking conditions.

Savings Growth

Savings growth is a deposit of money from third parties that comes from income that is not spent. This money deposit (savings) can be taken at any time without being bound by time. According to Law No. 10 of 1998 on

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Banking, savings are deposits that can only be made according to certain agreed conditions, but cannot be withdrawn by cheque, bilyet giro, and / or other similar tools.

Deposit Growth

Deposit growth is a growth that describes the level of development of the volume of deposits channeled by third parties that can provide an increase in the profitability of a financial institution and improve the performance of financial institutions. Deposits usually have a certain period of time in which the money in them cannot be withdrawn by customers. Deposits can only be withdrawn according to the maturity date, usually deposits have a maturity of 1, 3, 6, or 12 months. If the deposit is withdrawn before the maturity date, it will be subject to a penalty according to the bank's policy. Penalty is a way done by the bank to avoid the risk if the customers are impatient to immediately find the funds invested in the form of deposits. Deposits can also be automatically renewed using the ARO *(Automatic Roll Over)* system. Deposits will be automatically renewed after maturity, until the owner withdraws the deposit.

Credit Growth

Credit growth is the sum of the growth of productive assets, which in this case is credit, which is the transfer of money from the creditor / lender to the debtor / loan recipient on the basis of trust with a promise to pay on the date agreed by both parties. According to Banking Law Number 10 of 1998 concerning amendments to Law No. 7 of 1992 concerning banking, what is meant by credit is the provision of money or bills that can be equated with it, based on an agreement or borrowing agreement made between a bank and another party which requires the borrower to repay his debt after a certain period of time with interest. Cashmere (2016:97) defines credit according to its origin, which comes from the word credere which means trust, which means that if someone gets credit, it means they get trust. According to Jensen & Meckling (2016) in a broad sense credit can be interpreted as trust. Before credit is given, to ensure that customers are truly trusted, the LPD first conducts a credit analysis. The purpose of this analysis is so that the LPD is sure that the credit provided is truly safe. Without prior analysis of the customer, it will be very dangerous for the LPD. The customer in this case can easily provide fictitious data so that the credit is actually worth giving. If the analysis is wrong, then the loans will be difficult to request and experience congestion, thus decreasing the profitability of the LPD.

Profitability

Profitability is the ability of a company to generate profits, indicated by the profit generated from sales and investment income. High profitability will

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have a positive impact on the company because it can increase company value, increase investor confidence, and can attract new investors to invest. Companies always expect high profitability, therefore companies must know the factors that affect the high and low profitability, including cash turnover, accounts receivable turnover, and inventory turnover. The basis for assessing profitability is a financial report consisting of a balance sheet, profit and loss statement, the managerial appearance of each company will be said to be good if the level of profitability of the company it manages is high or maximum, where profitability is generally measured by comparing the profit earned by the company with a number of estimates that measure the success of the company such as the amount of company assets as well as sales and investment, so that the effectiveness of financial and asset management by the company can be known.

Conceptual Framework

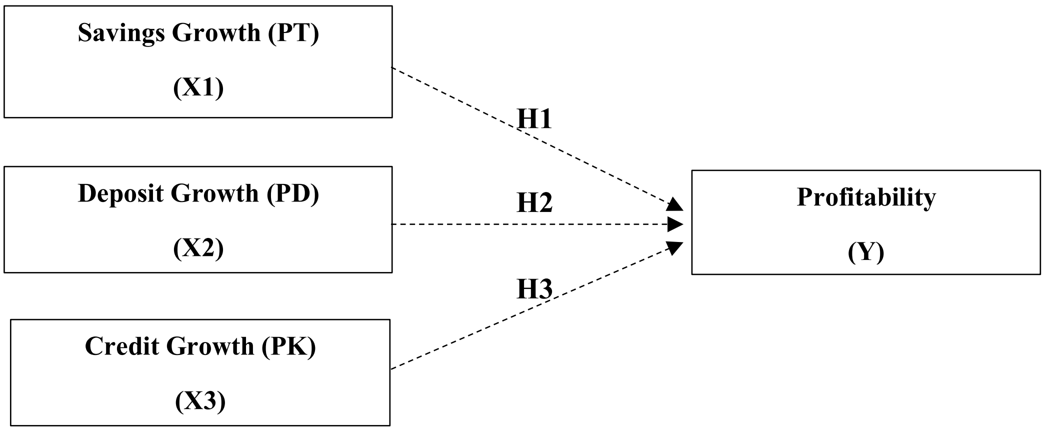

Figure 1. Conceptual Framework
Source: Thinking Framework

Hypothesis Development

The Effect of Savings Growth on Profitablity

According to Banking Law Number 10 of 1998 in Kasmir (2014) Savings are deposits whose withdrawals can only be made according to certain agreed conditions in accordance with the agreement made between the bank and the depositor. The more deposit funds in the form of savings that have not been withdrawn by customers for a long time, the advantage is that these funds can be managed again so that they can increase profitability. In addition, with the greater savings deposited by customers to the LPD, the funds allocated for lending will also increase, so that it will increase LPD income which will have an impact on increasing the profitability of the LPD. Based on previous research conducted by Kartika Dewi & Abundanti (2019) and Fitri (2018) states that savings have a positive

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effect on profitability. Based on the explanation above, the hypotheses developed in this study are:
H1: Savings growth has a positive effect on the profitability of LPDs in Tabanan District.

The Effect of Deposit Growth on Profitability

According to Banking Law Number 10 of 1998 in Kasmir (2014:75) deposits are deposits whose withdrawals can only be made at a certain time based on the agreement of the depositor and the bank. If the depositor keeps the money for a period of three months, then the money can only be withdrawn after the period ends and is often called the maturity date. Deposits have a positive influence on profitability growth, because for banks by raising funds through deposits is money that is stored for a relatively long time, considering that deposits have a relatively long period of time and the frequency of withdrawals is also rare, banks can freely reuse these funds for lending purposes which can increase profitability for LPDs. Based on research conducted by Dharma *et al.* (2019) and Ramadhani *et al.* (2023) that deposits have a positive effect on profitability. Based on the explanation above, the hypotheses developed in this study are:
H2: Deposit Growth Positively Affects the Profitability of LPDs in Tabanan District.

The Effect of Credit Growth on Profitability

The definition of credit according to Banking Law Number 10 of 1998 in Kasmir (2014:85) is the provision of money / bills that can be equated with it, based on borrowing and lending agreements between banks and other parties, borrowers are obliged to repay their debts after a certain period of time with a predetermined amount of interest or profit sharing. High credit channeled to the public will show high sales in the form of credit so that the company's profits or profits will automatically increase. Increasing credit growth will also be followed by an increase in interest income paid by customers to the bank, from which the bank also makes a profit. Based on previous research conducted by Dharma *et al.* (2019) , Wahyuni & Westra (2019) concluded that credit growth has a positive effect on profitability. Based on the explanation above, the hypotheses developed in this study are.
H3: Credit Growth Positively Affects Profitability in Tabanan District.

METHODS

The location of this research was conducted at the Village Credit Institution (LPD) in Tabanan District, Tabanan Regency, through the Tabanan Regency Village Credit Institution Empowerment Agency (LPLPD). The research object in this study are variables that affect the profitability of LPDs in Tabanan District, namely savings, deposits, and

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loans for the period 2018-2022. The type of data used is based on the nature of qualitative data and quantitative data. The population used in this study were all LPDs in Tabanan District totalling 12 units. The sampling method in this study was a saturated sampling technique, where the sampling was the Tabanan District LPD Financial Report in 2018-2022, with a total of 60 observers (12 x 5) samples. The data collection methods used in this study are the documentation method, and the non-participant observation method. The data analysis techniques used are descriptive statistical tests, classical assumption tests, multiple linear regression analysis, multiple correlation tests, determination analysis and t tests.

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RESULTS AND DISCUSSION

Results

Descriptive Statistics

The presentation of descriptive statistical data for this study uses tables which include mean, standard deviation, minimum, and maximum. The results of descriptive statistics in this study are as follows:

Table 2.
Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
PT	60	-0,5190	0,7201	0,137663	0,2080177
PD	60	-0,6849	1,3687	0,158682	0,3091225
PK	60	-0,3883	0,5669	0,075482	0,1954281
ROA	60	-0,0610	0,0655	0,022230	0,0208274

Source: Data processed (2023)

In table 2, it can be seen that the amount of data in this study is 60, with the The savings growth variable has the lowest value of -0.5190 and the highest value of 0.7201, with an average value and standard deviation of savings growth of 0.137663 and 0.2080177, respectively. The deposit growth variable has the lowest value of -0.6849 and the highest value of 1.3687. The average value and standard deviation of deposit growth are 0.158682 and 0.3091225. The credit growth variable has the lowest value of -0.3883 and the highest value of 0.5669, with an average value and standard deviation of credit growth of 0.075482 and 0.1954281. The Profitability variable has the lowest value of -0.0610 and the highest value of 0.0655, with an average value and standard deviation of 0.022230 and 0.0208274.

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Normality Test

Table 3.
Normality Test Results

	Unstandardised Residual
N	60
Test Statistic	0,072
Asymp. Sig. (2-tailed)	.200

Source: Data processed (2023)

The results of the normality test using the Kolmogorov-Smirnov method in table 3, show that the Asymp Sig value is 0.200> 0.05, so it can be concluded that the residual data in the study is normally distributed.

Multicollinearity Test

Table 4.
Multicollinearity Test Results

Variables	Collinearity Statistics	
	Tolerance	VIF
Savings growth	0,856	1,169
Deposit growth	0,836	1,196
Credit growth	0,753	1,327

Source: Data processed (2023)

In table 4, it can be seen that the tolerance value of savings growth, deposit growth and credit growth is 0.856; 0.836; 0.753 which is > 0.10 and the VIF value is 1.169; 1.196; 1.327 which is < 10, so it can be concluded that there are no symptoms of multicollinearity between the independent variables in the regression model.

Heteroscedasticity test

Table 5.
Heteroscedasticity Test Results

Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	Std. Error	Beta		
1	**(Constant)**	.172	.045		3.783	.000
	PT	-.030	.040	-.106	-.757	.452
	PD	.050	.032	.222	1.557	.125
	PK	-.032	.044	-.108	-.718	.475

Source: Data processed (2023)

Table 5 shows that there are no symptoms of heteroscedasticity. This is evidenced by the significant value of the variables of savings growth,

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deposit growth and credit growth of 0.452; 0.125; and 0.475, respectively. This value is greater than 0.05 respectively.

Autocorrelation Test

Table 6.
Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.967[a]	.935	.931	.0054542	1.857

Source: Data processed (2023)

Table 6 above shows the Durbin - Watson value of 1.857. Because the DW value is between 1.6889 < 1.857 < 2.3111, it can be concluded that the data does not have autocorrelation.

Multiple Linear Regression Analysis

Table 7.
Multiple Linear Regression Test Results

	Unstandardised Coefficients		Standardised Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	-1,395	0,085		-16,492	0,000
PT	0,149	0,074	0,269	2,023	0,048
PD	0,075	0,060	0,169	1,256	0,214
PK	0,047	0,082	0,080	0,568	0,572

Source: Data processed (2023)

Based on the values in table 7, the multiple linear regression equation in this study becomes:

PROFIT = -1.395 + 0.149PT + 0.075PD + 0.047PK

The above equation means that:

α= -1.395; this value means that if savings growth, deposit growth and credit growth are zero, then the value of profitability is -1.395.

β1 = 0.149; means that every time there is an increase of 1 unit in savings growth, there will be an increase in profitability of 0.149. Positively means that savings growth goes in the same direction as profitability. Assuming other variables remain (other variables equal to zero).

β2 = 0.075; means that every time there is an increase of 1 unit in deposit growth, there will be an increase in profitability by 0.075. Positively means that deposit growth goes in the same direction as profitability. Assuming other variables remain (other variables equal to zero).

β3 = 0.047; means that every time there is an increase of 1 unit in credit growth, there will be an increase in profitability by 0.047. Positively means that credit growth goes in the same direction as profitability.

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Assuming other variables remain constant (other variables equal to zero).

Multiple Correlation Analysis

Table 8.
Multiple Correlation Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.967[a]	.935	.931	.0054542	1.857

Source: Data processed (2023)

Based on table 8, the R value is 0.935. This value is in the range of R values >0.75 - 1.00, which savings growth, deposit growth and credit growth have a very strong influence on profitability.

Determination Analysis

Table 9.
Determination Analysis Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.967[a]	.935	.931	.0054542	1.857

Source: Data processed (2023)

Table 9 shows that the *Adjusted* R2 value is 0.931. This means that, 93.1% of profitability is explained by savings growth, deposit growth and credit growth, while 6.9% is explained by other factors outside this study.

The t-test

Table 10.
t-test results

	Unstandardised Coefficients		Standardised Coefficients	t	Sig
	B	Std. Error	Beta		
(Constant)	-1,395	0,085		-16,492	0,000
PT	0,149	0,074	0,269	2,023	0,048
PD	0,075	0,060	0,169	1,256	0,214
PK	0,047	0,082	0,080	0,568	0,572

Source: Data processed (2023)

The t-test results of the effect of savings growth, deposit growth and credit growth on profitability in table 10 show that The effect of savings growth on profitability shows a significant t value of 0.048 <0.05, it can be concluded that savings growth has a significant effect on profitability, H1 is accepted.

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The effect of deposit growth on profitability shows a significant t value of 0.214> 0.05, it can be concluded that deposit growth has no effect on profitability, H2 is rejected. The effect of credit growth on profitability shows a significant t value of 0.572> 0.05, it can be concluded that credit growth has no effect on profitability, H3 is rejected.

Discussion

The Effect of Savings Growth on Profitability

The effect of savings growth on profitability shows that savings growth has a positive and significant effect on profitability, so the first hypothesis (H1) is accepted. This result means that the greater the growth of savings of Village Credit Institutions (LPD) in Tabanan District, the profitability will increase. According to Banking Law Number 10 of 1998 in Kasmir (2014) Savings are deposits whose withdrawals can only be made according to certain agreed conditions in accordance with the agreement that has been made between the bank and the depositor. The more deposit funds in the form of savings that have not been withdrawn by customers for a long time, the advantage is that these funds can be managed again so that they can increase profitability. In addition, with the greater savings deposited by customers to the LPD, the funds allocated for lending will also increase, so that it will increase LPD income which will have an impact on increasing the profitability of the LPD. This is supported by research from Kartika Dewi & Abundanti (2019) and Fitri (2018) states that savings have a positive effect on profitablity.

The Effect of Deposit Growth on Profitability

The effect of deposit growth on profitability shows that deposit growth has no significant effect on profitability, so the second hypothesis (H2) is rejected. This means that the size of the growth of deposits at the Village Credit Institution (LPD) in Tabanan District, cannot affect the profitability of the LPD. This is because LPDs are less than optimal in utilising funds raised from the public through deposits, and cannot align the amount of incoming funds with the distribution of these funds to the community, so when experiencing fluctuations in the number of high deposits, it is likely that LPDs will experience losses or decreased profits. The results of this study are supported by research from Erawati & Badera (2015) deposits have no effect on profitability.

The Effect of Credit Growth on Profitability

The effect of credit growth on profitability shows that credit growth has no significant effect on profitability, so the third hypothesis (H3) is rejected. This means that the high and low credit growth at the Village Credit Institution (LPD) in Tabanan District does not affect the value of profitability. This is because not all LPDs are able to optimise their

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receivables, so that credit growth does not go well and is unable to increase the profitability of the LPD. In addition, high non-performing loans also pose a threat to the health or viability of LPDs and may result in bankruptcy or liquidation. Interest income earned is not used effectively to generate profits but is diverted to add fixed assets and pay interest on third party funds, so even high credit growth has no effect on the profitability of LPDs. This is supported by research from Kepramareni & Ernawatiningsih (2019) and Kartika Dewi & Abundanti (2019) states that credit has no effect on profitability.

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CONCLUSION

The effect of savings growth on profitability shows that savings growth has a positive and significant effect on profitability, so the first hypothesis (H1) is accepted. This result means that the greater the growth of savings of Village Credit Institutions (LPD) in Tabanan District, the profitability will increase. The effect of deposit growth on profitability shows that deposit growth has no significant effect on profitability, so the second hypothesis (H2) is rejected. This means that the size of the growth of deposits in the Village Credit Institutions (LPD) in Tabanan District, does not affect the profitability of the LPD. The effect of credit growth on profitability shows that credit growth has no effect on profitability, so the third hypothesis (H3) is rejected. This means that the high and low credit growth at the Village Credit Institutions (LPDs) in Tabanan District has no effect on profitability.

SUGGESTION

As for some suggestions for the Village Credit Institution (LPD) in Tabanan Subdistrict, it should take advantage of the funds raised to be channeled back in the form of credit and be able to manage credit growth while adhering to the principle of prudence. For the Village Credit Institution (LPD) in Tabanan Subdistrict when channeling credit, it is expected to be more careful in channeling credit so as to avoid the occurrence of analysis errors in prospective credit debtors and can minimise the occurrence of bad debts, and LPD profitability will increase. For customers, they should maintain the trust of LPDs so that they can easily get credit and can help LPDs to increase profitability. For future researchers, researchers suggest adding research independent variables such as the growth of productive assets, and the level of non-performing loans.

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