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Influencing Factors of Credit Decision on Heavy Equipment Financing: Study at PT Caterpillar Finance Indonesia

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Abstract

This study aims to determine how character, capacity, capital, collateral, conditions affect credit decisions at PT Caterpillar Finance Indonesia. The population in this study is 300 Credit Write Up. The analytical technique used is multiple regression. For the classical assumption test, the normality test, multicollinearity test, and heteroscedasticity test are used. The results showed that Character, Capacity, Capital, Collateral, Conditions had an effect on Credit Decision. The predictive ability of the five variables on Credit Decisions is that 74.2% Credit Decisions are influenced by the variables of Character, Capacity, Collateral, Condition and Capital and 25.8% is influenced by other variables.

Keywords: *Character, Capacity, Capital, Collateral, Conditions, Credit Decision.*

1. Introduction

As a developing country, Indonesia has potential in the economic field (Apriyanthi et al., 2020). The industrial sector in Indonesia plays an important role in the development of the national economy (Nuraeni, 2018). The industrial sector in Indonesia has a strategic position in terms of employment, foreign exchange, and technological developments. The industrial sector in Indonesia is also expected to be able to encourage the development of business opportunities, increase investment, develop technology, and utilize economic resources wisely and optimally in order to be able to produce quality products or services that are able to compete globally. Some examples of industrial sectors in Indonesia include plantation, construction, forestry, and mining. In Indonesia, heavy equipment supports economic activities in the industrial sector that contributes to the advancement of the country's economy, such as the plantation, construction, forestry, and mining sectors. Heavy equipment is also the main equipment in large-scale construction projects, such as the construction of roads, dams, buildings, and various infrastructures that support community activities. In fact, heavy equipment has an important role in every vital project in Indonesia (Baladi et al., 2021).

Heavy equipment is used to simplify and assist human work, save costs, and time, and make industrial operations work more effectively and efficiently. Each type of heavy equipment has its own classification, such as tools for land processing, digging, material transporting, material moving, compacting, material processing, and material final placement tools. Some examples of heavy equipment include excavators, dozers, loaders, dump trucks, rollers, graders, and many other types depending on the needs of each project. In the mining industry in Indonesia, the productivity of heavy equipment is the most important thing. One of the most important factors in determining productivity in the mining industry itself is the readiness of heavy equipment to always operate (Widjaja et al., 2021).

Generally, the use of heavy equipment in mining activities is to dig, load, crush, move material, level the ground, and drill or drill. One of the keys to the success of a construction project is the use and selection of the right heavy equipment (Akbar, W. A., Cahyadi, H., 2022). In construction projects, generally heavy equipment used is excavators, dump trucks, Vibro rollers, and stampers. With the use and selection of the right heavy equipment, it will take time and money to complete a project more effectively and efficiently. In the plantation industry, heavy equipment is also needed, such as a motor grader (Harahap et al., 2018). A motor grader is heavy equipment that has a tire wheel drive with blades to level the ground and shape the body of the road. In oil palm plantations, heavy equipment is also used to transport palm fruit, namely excavators and dump trucks. It aims to facilitate and ease the work of farmers. In the forestry industry (logging), the heavy equipment commonly used are excavators for the construction of water reservoirs, soil extraction, and landslide material collection, then heavy equipment loaders are used for loading and unloading wood because it has a tooltip in the form of a clamp, and a logging truck which is a special truck used to transport and mobilize timber forest products to the processing site.

Various heavy equipment brands are circulating in Indonesia, one of which is the Caterpillar brand. Caterpillar Inc. manufactures heavy equipment and machinery for the Caterpillar brand. Some of its products are bulldozers, excavators, wheel loaders, diesel engines, and dump trucks. Headquartered in Illinois, United States of America, Caterpillar Inc's products and services are available worldwide. Generally, heavy equipment has a high price. As an alternative, Caterpillar Inc. provides heavy equipment financing solutions for its customers. The financing solution is Caterpillar Financial Services Corporation. PT Caterpillar Finance Indonesia (CFI) is a multinational financing company for Caterpillar brand heavy equipment. PT Caterpillar Finance Indonesia (CFI) is the official branch in Indonesia of Caterpillar Financial Services Corporation, based in Nashville, United States of America. Caterpillar Financial Services Corporation is the Financial Product Division of Caterpillar Inc.

PT Caterpillar Finance Indonesia offers various financing solutions for various business industries such as plantation, construction, forestry and mining. The financing solution offered is fast and easy financing with a payment plan that can be adjusted by the debtor. PT Caterpillar Finance Indonesia has been registered and supervised by the Financial Services Authority or OJK. Credit and financing are billing whose value is measured in money, through agreements that include rights and obligations, period, interest and sanctions if something happens that violates the mutually agreed agreement (Anggraini & Widyastuti, 2020). Heavy equipment financing can be an alternative solution for industries in developing their business. In the practice of granting credit, financial institutions as creditors conduct analysis and observations of prospective debtors, this aims to achieve safe and targeted lending. In addition, an analysis of lending is carried out to obtain confidence and clarity regarding the prospective

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debtor and whether the prospective debtor has the ability and willingness to complete his obligations (Fikri, 2021). One of the procedures in analyzing lending is to use the 5C principle. The 5C principle is the principle of assessing prospective debtors on several aspects to determine whether credit application is appropriate and to assess the willingness and ability of prospective debtors to fulfill credit obligations in accordance with the agreement (Fikri, 2021).

In granting credit, financial institutions as creditors must be careful so that credit can be channeled properly. The 5C principle consists of an assessment of the character, ability, capital, guarantee, and economic condition of the prospective debtor. Analysis of lending is very important to do in order to avoid things that are not desirable to financial institutions. In addition, the analysis of lending also plays a role in determining the feasibility of a credit application, and as a measure of the amount of credit. Based on the description above, the authors are interested in studying more deeply "Factors Affecting Credit Decisions on Heavy Equipment Financing: Case Studies at PT. Caterpillar Finance Indonesia".

Therefore, the problem formulation of this thesis can be written as follows:

1. Does character influence credit decisions on heavy equipment financing at PT Caterpillar Finance Indonesia?

2. Does capacity influence credit decisions on heavy equipment financing at PT Caterpillar Finance Indonesia?

3. Does capital affect credit decisions on heavy equipment financing at PT Caterpillar Finance Indonesia?

4. Does collateral affect credit decisions on heavy equipment financing at PT Caterpillar Finance Indonesia?

5. Do conditions affect credit decisions on heavy equipment financing at PT Caterpillar Finance Indonesia?

The scope of this research is focused on:

1. Retail debtors from PT Caterpillar Finance Indonesia for the period March 2021 to March 2022, because retail debtors are in practice assessed based on the 5C credit principle

2. Prospective debtor assessment page (Credit Write Up) for the period March 2021 to March 2022.

2. Theoretical Framework and Hypothesis Development

2.1 Theoretical Framework

2.1.1 Lending Analysis

According to Fahmi in (Talumewo et al., 2018), the elements of credit are:

1. Trust. The purpose of the trust in the credit element is the confidence of the creditor to lend capital which will be received by the debtor and the capital can be returned in accordance with the time and agreement that has been determined. This trust is given by creditors, namely financial institutions that have previously carried out analysis, investigation, and observation of prospective debtors regarding the condition of the debtor in the past, present, and picture in future.

2. Time. The purpose of time in the credit element is the period that separates creditors and debtors that will be received in the future, where in that time the value of money is contained which of course will be higher in value in the future. Credit has a period of time that has been agreed upon between the creditor and the debtor. Generally, credit terms are in the form of short term, medium term, and long term.

3. Risk. The purpose of risk in the credit element is a level of risk that can arise from the credit period, where the longer the credit period, the

higher the risk of the credit. This is due to the profitability of the debtor experiencing problems in fulfilling obligations. Creditors will bear a big risk if the debtor is unable to pay regularly and settle his obligations smoothly. This can lead to non-performing loans. Giving a credit period can also affect risk, the longer the credit period, the greater the risk that will be borne by the creditor (Fikri, 2021).

4. Achievements or Rewards. The purpose of achievement in the credit element is the object of credit or something lent by the creditor to the debtor in the form of capital, funds, goods, or services. Achievement or remuneration is an advantage over the provision of credit, which is commonly referred to as interest. Remuneration is generally in the form of interest and credit administration fees are the benefits of the creditor institution.

5. The existence of the debtor. The purpose of the debtor in the credit element is to the party who will receive the credit and the party who will fulfill the obligations of the credit. Debtors are parties who have debts to creditors. Debtors have an obligation to settle their debts to creditors according to the agreement.

6. The existence of creditors. The purpose of the creditor in the credit element is the party who will give credit and has the right to collect on the fulfillment of credit obligations to the debtor. Creditors also play a role in providing funds or credit at the request of the debtor. However, it is necessary to analyze the prospective debtor with the standard principles of 5C credit.

Before a financial institution provides credit, the financial institution conducts an analysis of the prospective debtor. Credit analysis is an activity carried out to assess credit applications whether are worthy of approval or not (Marniati, 2018). Credit analysis is carried out to obtain confidence in whether the prospective debtor has the ability to fulfill his obligations to creditors, both in paying the loan principal and interest in accordance with the agreement (Masril, 2020). Credit analysis is also a means of risk control for creditors. To obtain this confidence, it is necessary to analyze the provision of credit using the 5C principle to prospective debtors.

2.1.2 Credit Principle

In carrying out activities, creditors apply credit principles to be able to analyze and produce good credit decisions 16 quality and appropriate (Eprianti, 2019). Implementing the 5C credit principle is also an effort by creditors to prevent and reduce the number of bad loans. According to Kasmir in (Anggraini & Widyastuti, 2020) the credit principles are called 5C credit, which includes:

1. Character The principle of character or character in the credit principle is the character, nature, or character of the prospective debtor (Boushnak et al., 2018). Character is the belief, nature, or character of a person who will be given credit which can be seen through his background, both in terms of work, lifestyle, and social which can reflect his ability to pay credit debts (Anggraini & Widyastuti, 2020). The purpose of under-standing the character of the debtor is to give confidence to the lending institution (the creditor) that the party to be given credit (the debtor) can be trusted and can be held responsible.

2. Capacity The principle of capacity or capacity in the credit principle is the capacity of the prospective debtor's ability to pay credit (Ondolos et al., 2021). Capacity assessment can assess the extent to which the debtor's ability to complete its obligations (Amalia, 2019). This factor determines the ability to pay credit obligations, such as whether the debtor has experienced financial problems or not. The ability of prospective debtors can be shown by their ability to manage their business and their ability to earn income so that

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they are able to pay credit obligations regularly and smoothly.

3. Capital The principle of capital in the credit principle is the source of capital, assets, and wealth owned by the debtor related to the size of the consideration of the amount of debt and working capital (Parinata, 2019). The principle of capital is applied to find out the sources of financing or credit owned by the debtor for something or a business that will be given credit, which is related to the size of the estimated consideration between the amount of debt and 17 working capital (Putri & Widayati, 2019). The source of capital here can be in the form of personal capital or capital from other financing institutions. From this capital principle, the creditor can judge whether the prospective debtor is eligible for a loan or not, and the creditor can also determine the amount of credit to be given.

4. Collateral The principle of collateral in the principle of credit can be known as a guarantee. The greater the value of the collateral or credit provided, the greater the value of the collateral (Anggraini & Widyastuti, 2020). Collateral or guarantee means 'insurance' for creditors if the debtor is unable to pay off his obligations, then the guarantee will become the property of the creditor (Amalia, 2019). This guarantee is intended as a protection for creditors from the risk of loss.

5. Conditions The principle of condition in principle of credit is the condition of the current economy. The principle of this condition is influenced by the prospective debtor factor. For example, the background condition of the prospective debtor, the financial condition being faced by the debtor, and the condition of the industry (Ondolos et al., 2021). Economic conditions are also related to the business sector of prospective debtors, so it is necessary to analyze the conditions of the various sectors, if the business sector has good prospects the possibility of non-performing loans is relatively small (Boushnak et al., 2018). In addition, this condition can also be assessed from the description of current and future economic conditions.

2.1.3 Hypothesis Development

Based on the introduction, theoretical basis, and framework of thought in the research, the following hypotheses can be made:

1. Hypothesis X_1 (Character) against Y (Credit Decision):

H_0: There is no influence of character on credit decisions

H_a: There is an influence of character on credit decision

2. Hypothesis X_2 (Capacity) against Y (Credit Decision):

H_0: There is no influence of capacity on credit decision

H_a: There is an influence of capacity on credit decision

3. Hypothesis X_3 (Capital) against Y (Credit Decision):

H_0: There is no effect of capital on credit decisions

H_a: There is an influence of capital on credit decisions

4. Hypothesis X_4 (Collateral) against Y (Credit Decision):

H_0: There is no influence of collateral on credit decision

H_a: There is an influence of the collateral on the credit decision

5. Hypothesis X_5 (Conditions) against Y (Credit Decision):

H_0: There is no influence of conditions on credit decisions

Ha: There is an influence of conditions on credit decisions

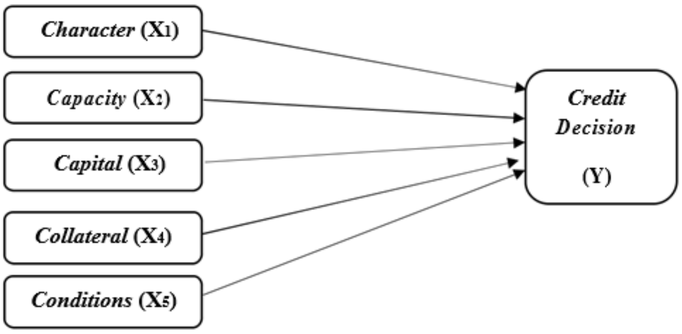

Figure 1. Research Framework

In conducting credit analysis, the 5C principle needs to be applied in order to produce appropriate credit decisions and minimize non-performing loans (Rahayu et al., 2021). Therefore, the concept of 5C theory to test the phenomenon of Credit Decision at PT Caterpillar Finance Indonesia which in practice in assessing prospective retail debtors were used in figure 1.

3. Research Method

In conducting research on factors that influence credit decisions on heavy equipment financing: a case study at PT. Caterpillar Finance Indonesia, the author uses an explanatory quantitative research type. Quantitative research is research that systematically provides an overview of phenomena and their relationships (Hardani et al., 2020). According to Bungin in (Putra & Yulianto, 2022), the explanation method is a method to explain the relationship, difference, or influence of variables because it uses samples and hypotheses. This study is conducted at the office of PT Caterpillar Finance Indonesia, which is located at Beltway Office Park Building C Level 3, Unit #301-303 Jl. TB. Simatupang No. 41, South Jakarta, DKI Jakarta 12560.

Variables are everything determined by the researcher to be studied and become the object of research (Paramita et al., 2021). In this study, the independent variable is the 5C principle which consists of Character, Capital, Capacity, Collateral, and Conditions. The dependent variable in this study is the Credit Decision or the decision to grant credit.

According to (Hardani et al., 2020), population is an area that has characteristics that can be determined in research. The population in this study is the application for retail credit in the period of March 2021 to March 2022. The population in the study is a total of 300 Credit Write Ups, which are the media for credit analysis. The sample according to (Hardani et al., 2020) is part of the number owned by the population. The sample in the study that will be used is 171 samples of Credit Write Ups, which is calculated using the Slovin formula. The samples were taken using a stratified random sampling method. According to (Hardani et al., 2020) stratified random sampling means the process of taking samples by distributing them into levels or strata in the population. In the study, the samples are divided into two levels, namely the Approved group or the group that received credit and the Rejected group or the group that did not receive credit.

Of 171 samples, 86 samples were taken: the Approved group and 85 samples of the Rejected group. Sources of data used in the study of factors that influence credit decisions on heavy equipment financing: a case study at PT. Caterpillar Finance Indonesia is secondary data. Secondary data is data that is already available and has been processed and collected by the data owner (Hardani et al., 2020). The owner of the data in this study is PT Caterpillar Finance Indonesia. The secondary data used is Credit Write Up which is used as a medium for credit analysis which has been used to analyze prospective debtors.

Data collection is done by documentation technique. Documentation technique is a data collection technique by recording data that is already available, for example, data retrieval through documents so that the data generated from documentation techniques tend to be secondary data (Hardani et al., 2020). The documentation technique in this research is done by collecting Credit Write Up documents from data storage.

Data analysis techniques are carried out to analyze the data that has been obtained in the study so that the data becomes information. The data analysis carried out in this study was multiple regression analysis using the SPSS (Statistical Package for Social Science) version 21 program. Multiple regression analysis was used to analyze the influence of the independent variable on the dependent variable. The data analysis technique used consisted of a normality test, multicollinearity test, autocorrelation test, heteroscedasticity test, multiple regression test and hypothesis testing.

4. Result, Discussion, and Managerial Implication

4.1 Result

Based on the results of research on 171 samples of Credit Write Up, a normality test was carried out with the following results.

The normality test of the data was carried out using the Kolmogorov-Smirnov approach. From this test, it can be seen the significance of the resulting residuals. Based on Table 1 the resulting significant value is 0.513. This can indicate that the value of sig is greater than sig 0.05, which means that the residual data is normally distributed. Furthermore, a multicollinearity test was carried out with the following results.

The multicollinearity test was conducted to determine whether in a regression model there was a high correlation in the independent variables. To determine the presence of multicollinearity symptoms, it can be seen from the tolerance value and the Variance Inflation Factor (VIF) value, where the tolerance value limit is > 0.10 and the VIF value limit is < 10.0. Based on the results of the multicollinearity test in table 2, it can be concluded that there are no symptoms of multicollinearity. The autocorrelation test was then carried out with the following results.

The autocorrelation test aims to determine whether there is a correlation between one observation member and another observation member. The autocorrelation test was carried out by comparing the calculated Durbin Watson value (d), with the Durbin Watson table value (t), namely the upper limit (du) and the lower limit (dL). The basic concept of the Durbin Watson autocorrelation test is (Paramita et al., 2021):

d < dL = there is a positive autocorrelation

dL < d < dU = doubtful

dU < d < 4 – dU = no autocorrelation

4 - dL < d = there is a negative autocorrelation

Based on table 3, the results of the autocorrelation test are the d value of 1.992, the dL value of 1.6901, and the dU value = 1.8103. So based on the concept of du < d < 4-dU, where 1.8103 < 1.992 < (4-1.8103) is 1.8103 < 1.992 < 2.1897, it can be concluded that there is no autocorrelation. Furthermore, a heteroscedasticity test was carried out with the following results.

Table 1. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		171
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	4.83457523
Most Extreme Differences	Absolute	.063
	Positive	.051
	Negative	-.063
Kolmogorov-Smirnov Z		.819
Asymp. Sig. (2-tailed)		.513

a. Test distribution is Normal.

b. Calculated from data.

Table 2. Multicollinearity result test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.101	1.601		-.688	.493		
	X1Character	1.171	.072	.692	16.290	.000	.801	1.248
	X2Capacity	1.432	.347	.163	4.123	.000	.923	1.083
	X3Capital	.993	.348	.120	2.851	.005	.810	1.235
	X4Collateral	2.510	.820	.118	3.060	.003	.965	1.036
	X5Condition	2.163	.598	.148	3.617	.000	.858	1.166

a. Dependent Variable: Y

Table 3. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.873[a]	.761	.754	4.907	1.992

a. Predictors: (Constant), X5Condition, X4Collateral, X2Capacity, X3Capital, X1Character

b. Dependent Variable: Y

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The normality test of the data was carried out using the Kolmogorov-Smirnov approach. From this test, it can be seen the significance of the resulting residuals. Based on Table 1 the resulting significant value is 0.513. This can indicate that the value of sig is greater than sig 0.05, which means that the residual data is normally distributed. Furthermore, a multicollinearity test was carried out with the following results.

The multicollinearity test was conducted to determine whether in a regression model there was a high correlation in the independent variables. To determine the presence of multicollinearity symptoms, it can be seen from the tolerance value and the Variance Inflation Factor (VIF) value, where the tolerance value limit is > 0.10 and the VIF value limit is < 10.0. Based on the results of the multicollinearity test in table 2, it can be concluded that there are no symptoms of multicollinearity. The autocorrelation test was then carried out with the following results.

The autocorrelation test aims to determine whether there is a correlation between one observation member and another observation member. The autocorrelation test was carried out by comparing the calculated Durbin Watson value (d), with the Durbin Watson table value (t), namely the upper limit (du) and the lower limit (dL). The basic concept of the Durbin Watson autocorrelation test is (Paramita et al., 2021):

d < dL = there is a positive autocorrelation

dL < d < dU = doubtful

dU < d < 4 – dU = no autocorrelation

4 - dL < d = there is a negative autocorrelation

Based on table 3, the results of the autocorrelation test are the d value of 1.992, the dL value of 1.6901, and the dU value = 1.8103. So based on the concept of du < d < 4-dU, where 1.8103 < 1.992 < (4-1.8103) is 1.8103 < 1.992 < 2.1897, it can be concluded that there is no autocorrelation. Furthermore, a heteroscedasticity test was carried out with the following results.

In conducting the heteroscedasticity test, the Glejser test is conducted. The basis for decision making is if the significance value is > 0.05, then there is no symptom of heteroscedasticity. However, if the significance value is <0.05, then it is symptomatic of heteroscedasticity. The following are the results of the heteroscedasticity test:

a. The Character variable (X_1), has a sig value of 0.918 which can be declared as having no symptoms of heteroscedasticity.

b. Variable Capacity (X_2), has a sig value of 0.882 which can be declared as having no symptoms of heteroscedasticity.

c. The variable Capital (X_3) has a sig value of 0.898 which can be declared as having no symptoms of heteroscedasticity.

d. The Collateral variable (X_4), has a sig value of 0.005 which can be declared as symptomatic of heteroscedasticity.

e. The Condition variable (X_5), has a sig value of 0.433 which can be declared as having no symptoms of heteroscedasticity. Based on the results of the heteroscedasticity test above, the Collateral variable (X4) has symptoms of heteroscedasticity, so the test cannot be continued with Ordinary Least Square (OLS), to overcome this, the author uses the Weighted Least Square (WLS) method which is immune to heteroscedasticity symptoms (Setyaningsih & Noeryanti, 2017) to be able to continue the multiple regression test.

Table 4. Heteroscedasticity Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.036	1.038		5.815	.000
	X1Character	-.005	.047	-.009	-.103	.918
	X2Capacity	-.034	.225	-.012	-.149	.882
	X3Capital	-.029	.226	-.011	-.129	.898
	X4Collateral	-1.497	.532	-.217	-2.815	.005
	X5Condition	-.305	.388	-.064	-.786	.433

a. Dependent Variable: ABS1

Table 5. Multiple Regression Test Results

Coefficients[a,b]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.927	1.572		-.590	.556
	X1Character	1.184	.074	.692	15.909	.000
	X2Capacity	1.601	.331	.194	4.842	.000
	X3Capital	.925	.346	.116	2.671	.008
	X4Collateral	2.022	.716	.111	2.826	.005
	X5Condition	2.236	.530	.174	4.220	.000

a. Dependent Variable: Y

b. Weighted Least Squares Regression - Weighted by WLS

Based on the results of the heteroscedasticity test above, the Collateral variable (X4) has symptoms of heteroscedasticity, so the test cannot be continued with Ordinary Least Square (OLS), to overcome this, the author uses the Weighted Least Square (WLS) method which is immune to heteroscedasticity symptoms (Setyaningsih & Noeryanti, 2017) to be able to continue the multiple regression test.

Based on table 5, the multiple regression equation can be described as follows: Y = (-0.927) + 1.184X1 + 1.601X2 + 0.925X3 + 2.022X4 + 2.236X5.

Based on the value of Adjusted R Square in table 6, it can be concluded that 74.2% of Credit Decisions are influenced by the variables of Character, Capacity, Collateral, Condition and Capital. Meanwhile, 25.8% is influenced by other variables. Furthermore, a t-test is carried out with the basic concept used is if the significant value of t count > t table. The value of t table in the study is 1.96. then partially independent variables affect the dependent variable, and vice versa. Based on table 2, it can be concluded as follows:

a. Character = 15,909 > 1.96, then Character has a significant effect on Credit Decision

b. Capacity = 4.842 > 1.96, then Capacity has a significant effect on Credit Decision

c. Capital = 2,969 > 1.96, then Capital has a significant effect on Credit Decision

d. Collateral = 2.323 > 1.96, then Collateral has a significant effect on Credit Decision.

e. Condition = 4.179, then Condition has a significant effect on Credit Decision.

Table 6. Coefficient of Determination (R2)

Model Summary[b,c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.866[a]	.750	.742	1.332

a. Predictors: (Constant), X5Condition, X4Collateral, X1Character, X2Capacity, X3Capital

b. Dependent Variable: Y

c. Weighted Least Squares Regression - Weighted by WLS

Table 7. ANOVA Multiple Regression Test Results

ANOVA[a,b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	876.854	5	175.371	98.792	.000[c]
	Residual	292.899	165	1.775		
	Total	1169.754	170			

a. Dependent Variable: Y

b. Weighted Least Squares Regression - Weighted by WLS

c. Predictors: (Constant), X5Condition, X4Collateral, X1Character, X2Capacity, X3Capital

Furthermore, the f test is carried out with the basic concept used is if the significant value of f count > f table, the independent variable simultaneously affects the dependent variable, and vice versa. In this study, the f table value is 2.2141. Based on table 7, the calculated f value is 98.792 > f table 2.2141. So, it can be concluded that Character, Capacity, Collateral, Condition and Capital have a significant effect on Credit Decision (Y).

Hypothesis X1 – Effect of Character on Credit Decision

The test results show that the Character factor has a significant effect on Credit Decisions in financing heavy equipment at PT. Caterpillar Finance Indonesia. In practice, Credit Analyst at PT. Caterpillar Finance Indonesia looks at the character of prospective debtors through the results of the OJK Financial Information Service System (SLIK) or formerly known as BI Checking. From the results of the SLIK, it can be seen whether the character of prospective debtors in paying their obligations with other financial institutions is smooth or not. In addition, the results of the SLIK can also show the complete character of the prospective debtor, such as the identity of the debtor, collateral, owner and management (if the debtor is a business entity) who becomes the debtor, the amount of financing received, and history of credit installment payments, as well as bad debts. SLIK presents complete information because in SLIK debtor records are collected from the results of information exchange between financial institutions which are coordinated and integrated by the Financial Services Authority (OJK).

Hypothesis X2 – Influence of Capacity on Credit Decision

The test results show that the Capacity factor has a significant effect on Credit Decisions in heavy equipment financing at PT. Caterpillar Finance Indonesia. In practice, Credit Analyst at PT.

Caterpillar Finance Indonesia looks at the capacity of prospective debtors through the list of ownership of heavy equipment assets owned by prospective debtors. The list of ownership of heavy equipment assets of prospective debtors becomes a reference because the number of heavy equipment can reflect the scale of business. If the prospective debtor does have heavy equipment, especially if the ownership status of the heavy equipment has been paid off or purchased in cash, then the capacity of the prospective debtor looks good because the prospective debtor has experience in the heavy equipment sector. Prospective debtors can also manage their business so that they can own and control the ownership of their heavy equipment properly.

Hypothesis X3 – Effect of Capital on Credit Decision

The test results show that the Capital factor has a significant effect on Credit Decisions in financing heavy equipment at PT. Caterpillar Finance Indonesia. In practice, the Credit Analyst at PT Caterpillar Finance Indonesia looks at the Capital aspect of the prospective debtor through the prospective debtor's current account for the last six months. Things to consider in the prospective debtor's current account, such as the average ending balance and the flow of incoming and outgoing money transactions. The average ending balance of the current account can show the trend of the prospective debtor's business increasing, being stable, fluctuating, or even decreasing. The average ending current account balance also shows the ownership of cash which can be a consideration for Credit Analysts to describe the amount of heavy equipment financing installments. From the checking account, it can also show the magnitude of the flow of incoming and outgoing money transactions. This transaction shows the volume of work received by prospective debtors every month, how is the trend of payments from project owners, assignors, or investors to prospective debtors.

Hypothesis X4 – Effect of Collateral on Credit Decision

The test results show that the Collateral factor has a significant effect on Credit Decisions in heavy equipment financing at PT. Caterpillar Finance Indonesia. In practice, in credit analysis at PT Caterpillar Finance Indonesia, the Collateral aspect is determined through a system created by Caterpillar, namely Valuation Management Tools (VMT). Valuation Management Tools is a system created by Caterpillar to calculate the LTV value of a machine. LTV or Loan-To-Value is the value of the loan compared to the value of the product that is used as collateral or guarantee. LTV means the value of the credit or heavy equipment financing that is used as collateral for credit applications. So that the collateral or guarantee on the loan application is the heavy equipment proposed itself. The LTV value is closely related to the amount of the down payment that will be determined and will be paid by the prospective debtor to avoid losses in the event of a heavy equipment withdrawal. The higher the LTV value, the higher the down payment that must be paid by the prospective debtor. This is related to the higher the LTV value, the higher the risk for PT Caterpillar Finance Indonesia. To control this risk, the creditor will increase the amount of the down payment that must be paid by the prospective debtor.

Hypothesis X5 – Effect of Conditions on Credit Decision

The test results show that the Conditions factor has a significant effect on Credit Decisions in heavy equipment financing at PT. Caterpillar Finance Indonesia. In practice, the Credit Analyst assesses the Conditions of the project and the employer of the project. The thing that the project and the employer pay attention to is how the reputation of the employer is, whether good, bad or even problematic. In addition, the project and the employer are also considered in terms of business prospects and period of employment. The project and the employer show how the business conditions of the prospective debtor. These two things can reflect views such as the work of prospective debtors is good so that many use their services, prospective debtors often get projects from reputable and bona fide employers so that the prospective debtor's business conditions are smooth, stable, and profitable. The business field of the prospective debtor is also expected to have good prospects because it can indicate that the condition of the prospective debtor provides a good picture of income and current credit payments. This provides an opportunity because the condition of the prospective debtor is indeed worthy of being given credit. In addition, economic conditions can also be considered.

4.2 Managerial Implications

The results show that the factors that have a strong to weak influence on Credit Decisions are Conditions, Capacity, Character, Capital, and Collateral. This needs to be taken into account that conditions have a strong influence on credit decisions, so in the analysis of the project and the employer of the project, it is necessary to investigate more deeply regarding the licensing of the project, the prospect of the project in the present and in the future, as well as how the image of the employer on the project. In analyzing the Capacity aspect, it is also necessary to investigate more deeply how potential debtors can own heavy equipment assets, how to manage their business so that they are able to own heavy equipment, and how the heavy equipment is able to generate income for the business. Character factors also need to be investigated more deeply apart from using SLIK Checking, such as finding out and observing prospective debtors, backgrounds, images, and news findings about prospective debtors. Capital factors also need to be analyzed further towards the amount of savings or cash owned by prospective debtors. Although the Collateral factor is assessed based on the results of the LTV calculation, it is also necessary to analyze how the value of heavy equipment and the marketability of heavy equipment will be in the future.

4.3 Practical Implications

Based on the research results, the factors of Character, Capacity, Capital, Collateral, and Conditions have an effect on Credit Decisions. Therefore, it is very important for Credit Analysts in analyzing credit decisions to continue to apply the 5C principles to be able to produce the right Credit Decisions. It is hoped that the debtor's Conditions assessment can be controlled periodically to see how the development of project conditions and the debtor's business is to prevent the occurrence of non-performing loans in debtors. In addition, PT Caterpillar Finance Indonesia is expected to be able to obtain financial statements of prospective debtors on retail credit applications, so that it can strengthen the assessment of Capital.

5. Conclusion, Suggestion, and Limitations

5.1 Conclusion

a. Character has a significant effect on credit decisions. At PT Caterpillar Finance Indonesia, the Character aspect is seen through the results of the SLIK how the character of prospective debtors in paying their obligations with other financial institutions and credit history at other financial institutions.

b. Capacity has a significant effect on credit decisions or Credit Decisions. At PT Caterpillar Finance Indonesia, the Capacity aspect is seen through the list of assets owned by prospective debtors. The list of ownership of heavy equipment assets of prospective debtors becomes a reference because the number of heavy equipment can reflect the scale of business. If the prospective debtor has heavy equipment, especially those that have been paid off or purchased in cash, the capacity of the prospective debtor looks good because the prospective debtor has experience in the heavy equipment sector and can manage their business so that they can own and control their heavy equipment ownership properly.

c. Capital has a significant effect on credit decisions. At PT Caterpillar Finance Indonesia, the Capital aspect is seen through the bank statements of prospective debtors for the last six months. The average ending balance of the current account can show the trend of the prospective debtor's business increasing, being stable, fluctuating, or even decreasing. Transactions in the account show the volume of work received by prospective debtors each month and expenses or payment obligations to other financial institutions.

d. Collateral has a significant effect on credit decisions. At PT Caterpillar Finance Indonesia, the Collateral aspect is seen through the results of the LTV calculation carried out on the Caterpillar VMT system. LTV means the value of the credit or heavy equipment financing that is used as collateral for credit applications. The higher the LTV value, the higher the down payment that must be paid by the prospective debtor because the higher the LTV value, the higher the risk for PT Caterpillar Finance Indonesia.

e. Conditions have a significant effect on credit decisions. At PT Caterpillar Finance Indonesia, the aspect of the condition is seen through the project and the employer for the project. The things to pay attention to are the reputation of the employer, business prospects, and period of work. The project and the employer show how the business conditions of the prospective debtor. The business sector is expected to have good prospects because it can indicate that the condition of the prospective debtor provides a good picture of income and current credit payments.

5.2 Suggestion

a. Suggestions for PT Caterpillar Finance Indonesia is that in applying for retail credit, as much as possible, obtain financial reports from prospective debtors to strengthen the Capital aspect of prospective debtors in credit analysis.

b. Debtors are expected to maintain smooth payments at other financial institutions because they are part of the Character that can have a significant effect on credit decisions. By reflecting on current payments, the debtor will have a greater opportunity to get credit.

5.3 For Further Research

This research is expected to be expanded and deepened; further researchers are expected to expand the research sample. So that future researchers are expected to provide a new perspective more broadly on the factors that influence credit decisions.

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