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THE INFLUENCE OF MICRO AND MACRO ECONOMICS ON NON PERFORMING LOANS IN NATIONAL PRIVATE BANKING IN INDONESIA

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ABSTRACT:
THIS RESEARCH AIMS TO OBTAIN EMPIRICAL EVIDENCE OF THE INFLUENCE OF MICRO-MACROECONOMICS TOWARDS NON-PERFORMING LOANS IN NATIONAL PRIVATE BANKS IN INDONESIA. IN THIS RESEARCH USED THE PERIOD FROM 2017-2021. TYPE OF DATA USED IS SECONDARY DATA OBTAINED FROM NATIONAL PRIVATE BANKING FINANCIAL REPORTS. FOR CARRY OUT HYPOTHESIS TESTING USING A PANEL DATA MODEL, NAMELY BY LOOKING AT THE ASSUMPTIONS FOR SEE THE BEST MODEL FROM THE PANEL DATA. BASED ON THE RESULTS OF HYPOTHESIS TESTING, IT WAS FOUND THAT CAR HAS A NEGATIVE AND SIGNIFICANT EFFECT ON THE NPL OF NATIONAL PRIVATE BANKS, FDR/LDR HAS A NEGATIVE AND INSIGNIFICANT EFFECT ON THE NPL OF NATIONAL PRIVATE BANKS, INFLATION HAS A POSITIVE AND SIGNIFICANT EFFECT ON THE NPL OF NATIONAL PRIVATE BANKING AND THE EXCHANGE RATE POSITIVE AND INSIGNIFICANT EFFECT ON NATIONAL PRIVATE BANKING NPL, GDP INSIGNIFICANT POSITIVE EFFECT ON NATIONAL PRIVATE BANKING NPL. IT RECOMMEND THE BANKS TO BE MORE CAREFUL IN PROVIDING FUNDS IN FORM CREDIT, OR CURRENT ACCOUNTS, SINCE THE FDR/LDR FROM PRIVATE BANKS IS SMALL IN THE SAMPLE TAKEN IN EXCESS OF THE LIMIT SET BY BANK INDONESIA, THUS IMPACT ON INCREASING THE PERCENTAGE OF BAD LOANS AT BANKS.

KEY WORDS: NON PERFORMING LOAN, ECONOMICS, NATIONAL PRIVATE BANKING

INTRODUCTION

Banks are financial institutions that have a very important role in the economy of a country and can be said to be its heart [1]. Banks are financial institutions whose main activity is collecting funds from customers and channel the funds back to customers and provide services to other banks [2]. Banks accept money deposits from the public as a third party funds in the form of savings, current accounts and deposits, then these funds can be

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channeled to society in the form of credit [3]. In the reality, credit distribution has credit risk, it arises when creditors cannot fulfill their obligations on time or not paying his obligations. The greater the credit given, the more it will be followed. There is also a high risk of failure to pay credit by debtors, some of whom are at risk which is quite large and can threaten the health of the bank itself [4]. NPL is an indicator of the health of a bank's assets. these indicators in the form of financial risks that can provide information on assessing conditions capital, credit risk, market risk and liquidity, NPL is also one the most feared problem in banking. Because, NPL has the potential to cause losses for banks which is a phenomenon that often occurs in the banking world [5]. The higher the NPL percentage, the higher the number of problem loans, thus allowing a bank to become increasingly problematic [6].

Judging from the period 2017 to 2021, the economy in Indonesia is fluctuating, where a significant decline in the economy in Indonesia occurred in 2020 which reached 2.07%, because in the previous year the average the economy in Indonesia has a percentage reaching 5% and in the following year experienced growth reaching 3.69% [7]. From fluctuating economic growth in the percentage of banking NPL ratios In general, in Indonesia the percentage is still relatively healthy, because it is below 5% in accordance with the regulations set by Indonesia Bank [8].

Month	**Year**				
	2017	**2018**	**2019**	**2020**	**2021**
	Percentage	**Percentage**	**Percentage**	**Percentage**	**Percentage**
Jan	3,09%	2,86%	2,56%	2,77%	3,17%
Feb	3,16%	2,88%	2,59%	2,79%	3,21%
Mar	3,04%	2,75%	2,51%	2,77%	3,17%
Apr	3,07%	2,79%	2,57%	2,89%	3,22%
May	3,07%	2,79%	2,61%	3%	3,35%
Jun	2,96%	2,67%	2,50%	3,11%	3,24%
]ul	3,00%	2,73%	2,55%	3,22%	3,35%
Aug	3%	2,74%	2,60%	3,22%	
Sep	2,93%	2,66%	2,66%	3,14%	
Okt	2,96%	2,65%	2,73%	3,15%	
Nov	2,89%	2,67%	2,77%	3,18%	
Dec	2,59%	2,37%	2,53%	3,06%	

Table 1 General NPL Data
Source: Financial Services Authority

Meanwhile, NPL specifically, especially in private banking, is experiencing levels percentage that exceeds the maximum limit set by Bank Indonesia, which occurred at one of the Bukopin banks which reached 6.37% (Tabel 1). From the high percentage of private banking there is microeconomic influence and macro. According to Festic and Beko [9] the macroeconomic environment has an influence which is quite strong on the banking sector, any pressure from macroeconomic factors is a source of systemic risk that affects the performance of the banking sector expressed as NPL risk to total credit. Meanwhile, according to Bonie et al [10], the microeconomic environment has a significant influence on high and low levels the NPL level of a bank, because microeconomics is related to banking internals. Likewise, the level of private banking deposits has a level the highest storage with

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other banks which reached IDR 3,318 trillion [11]. The higher it is, the higher it gets also the credit risk that banks will experience [12].

Microeconomic indicators in this research include the Capital Adequacy Ratio (CAR) and Financing to Deposit Ratio (FDR) or Loan to Despoit Ratio (LDR). Capital Adequacy Ratio (CAR) shows the bank's capital adequacy ratio for maintain bank management capital has the capacity and ability adequate to identify, measure, monitor and control risks may occur affecting the amount of bank funds [13]. The minimum limit set by Indonesia Bank is 5%, meaning the ratio level adequacy of private banking capital to accommodate the risk of losses that will be experienced by private banking is very good, the highest percentage occurs at Bank International in 2021 it reached 201.75% and the lowest percentage occurred in banks Bukopin in 2017 which reached 10.52%.

Financing to Deposit Ratio (FDR) or Loan to Despoit Ratio (LDR) is a comparison between the financing provided by the bank and successful third party funds deployed by the bank [14]. FDR or LDR is also determined by comparison between the amount of loans given and the public funds collected, namely includes savings, current accounts and deposits. Financing to Deposit Ratio (FDR) or Loan to Despoit Ratio (LDR).

The LDR/FDR level of private banking is said to be unhealthy at 6 banks, because it exceeds the maximum limit set by the Bank Indonesia is 110%, but the majority of private banking enters the category healthy, whereas when the LDR/FDR has a percentage below 110% then it is NPL Private banking will be low because banks are careful in providing credit to debtors.

Meanwhile, indicators in macroeconomics are inflation, exchange rates, Gross Domestic Product (GDP), which each of these indicators has influence on NPL. Inflation is a condition experienced by a country where the prices of goods rise continuously, this happens because of excess demand (excess demand) for goods and services in the economy as a whole [16]. The table 2 shows that the percentage of inflation rate in the 5-year periods fluctuations occurred, where the highest inflation occurred in 2017 reached 3.80%, while the lowest inflation percentage occurred in 2021 reached 1.56%, but the percentage of inflation in these 5 years was in the same category Inflation is low because it is still below 10% per year. From previous research which indicates that inflation has an effect on banking NPLs, namely research conducted by Linda et al. [15], however research conducted by Mazreku et al. (2018) [16] that the inflation variable has a significant negative effect on NPL, because when inflation is high it will weaken lending by customers and this will result in the banking NPL level decreasing, this shows a contradiction to this research.

Along with domestic prices, a country's exchange rate becomes important, the exchange rate determines the cost of a country's products to foreign buyers and will influence the country's exports and imports. Exchange rate developments have an impact very large impact on economic activity, and the higher the amount of local currency must be spent to obtain US dollars (USD), the greater the possible rate on-performing loans will increase [17]. The table 2 shows that for the period 2017 to 2021 the exchange rate rupiah to dollar is still relatively normal because it only touches 13,000-14,000, however the highest level of the rupiah to dollar exchange rate occurred in 2020, reaching Rp. 14,582. From previous research which shows that the rupiah exchange rate does not have a significant effect on banking NPL [15], while research conducted by Festić and Bekő [9] suggests that the exchange rate has a significant positive effect on NPL, because the high exchange rate of the rupiah against the dollar will influence the increase in NPL. Depreciation of the rupiah exchange rate against the US dollar can cause an increase in the rupiah exchange rate against the dollar. If the US dollar strengthens, the price of basic manufactured goods which contain fixed imports but must be purchased in rupiah will increase, resulting in importers experiencing a decrease in importing from abroad. This is the difference of opinion regarding this research.

GDP is the market value of the total goods and services produced by a country over a certain period of times. GDP growth shows that income society or individuals and businesses increase [18]. This is related to problem loans, which if there is an economic downturn will affect capabilities individuals and companies to repay their loans if sales and their income decreases [19]. From the table 2, the nominal level of GDP experienced fluctuations in the 2017-2021, where the highest nominal GDP occurred in 2021 which reached 1.19 trillion per year, and the lowest nominal occurred in 2017 which reached 1.02 trillion. From previous research which shows that GDP has an effect on banking NPL [20], but different things were carried out by research Soekapdjo and Tribudhi [21] which found a negative relationship between GDP and NPL, because the higher the GDP index, the higher the GDP index. the economy will get better and the banking sector more stable, this is the gap in this research.

Year	Inflation (Percentage)	Exchange Rates (USD)	GDP (Triliun)
2017	3,80%	Rp. 13.380	1,02
2018	3,19%	Rp. 14.236	1,04
2019	3,03%	Rp. 14.147	1,12
2020	1,92%	Rp. 14.582	1,06
2021	1,56%	Rp. 14.308	1,19

Table 2 Inflation Data, Exchange Rate, and GDP in Indonesia for 2017-2021
Source: World Bank

Based on the background and phenomena above, it is interesting to research because when the economic decline in the NPL ratio is still said to be healthy, therefore this research entitled the influence of micro and macroeconomics on the NPL of national private banking.

THEORETICAL REVIEWS

In order to explore more about NPL which influenced by other factors, several grand theories are explained below.

1. **Keynesian Mashab Theory:** The Keynesian school also believes that a liberal economy is more relying on capital owners is the trigger for economic progress but they also believe that the concept of capitalism has weaknesses therefore it requires intervention government [22].
2. **Agency Theory (Agency Theory):** Agency theory is synergy of economic theory, decision theory, sociology and organizational theory. The main principle states that there is a working relationship between the party giving authority, namely principal (bank) with the party receiving authority (agent). Separating owner and management in accounting literature is called Agency Theory [23].
3. **Problematic Credit:** Non performing loans can be associated with banks that fail to analyze credit properly right, making decisions that are not based on data to provide credit without adequate credit information, or not receiving the results of credit analysis and credit data valid [24].

Other specific theories related to the variables follow below.

a. **External factors / macroeconomics that influence NPL**

1. **Inflation:** Inflation is a condition experienced by a country where prices goods

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increase continuously. Inflation is where excess demand occurs (excess demand) for goods and services in the economy as a whole overall and is also a situation where the value of the currency decreases in a country and the systematic increase in prices of goods which will later have an impact on the level of public credit and things. This will also have an impact on the level of risk of bad credit [15].

2. **Exchange Rate:** Along with domestic prices, a country's exchange rate becomes important, value exchange determines the cost of a country's products to foreign buyers and will affecting the country's exports and imports. Thus it gets bigger it is likely that the level of non-performing loans will increase. This happens due to weakening general economic conditions and also due to the large number of loans taken by debtors engaged in international trade and companies that must providing raw materials paid for in dollars [17].
3. **Gross Domestic Product (GDP):** GDP reflects the output capacity that an economy can be produced by utilizing all existing resources in the economy [18]. GDP is divided into two, namely real GDP and nominal GDP. GDP is the broadest measure that can describe the overall condition of the economy. Nominal GDP uses current prices to value the production of goods and services in the economy [25].

b. Internal factors / miacroeconomics that influence NPL

1. **Capital Adequacy Ratio:** Capital Adequacy Ratio (CAR) shows the bank's capital adequacy ratio to maintain capital, bank management has the capacity and ability adequate to identify, measure, monitor and control risks that may occur affect the amount of bank funds [13].
2. **Financing to Deposit Ratio/Loan to Deposit Ratio:** Financing to Deposit Ratio (FDR) or Loan to Despoit Ratio is a comparison between financing provided by the bank and third party funds successfully deployed by the bank [14].

LITERATURE REVIEWS

Several studies have conducted the effect of NPL in banking sector. Akbar D [26] shows that inflation has no effect on NPL, GDP has a negative effect on NPL, CAR has a negative effect on NPL, FDR have a negative effect on NPL, Inflation, GDP, CAR, and FDR simultaneously together have an effect on NPL. Ahmadi et al. [27] found that the Exchange Rate (ER) and GDP have a positive but insignificant effect on NPL. Meanwhile, the Interest Rate (BI Rate) and Loan Loss Provision (LLP) have a significant positive effect on NPL, Loan to Deposit ratio (LDR) has an insignificant negative effect on NPL, Return on Assets (ROA) and Credit Growth have a significant negative effect on NPL. Astuti, et al. [28] also found that the exchange rate significant effect on NPL at PT. Pawnshop, however, Inflation and Interest Rates has no effect on NPL at PT. Pegadaian. Khan et al. [29] found in his research that GDP has a negative effect significant to NPL, while inflation has a significant effect on NPL, Exchange rate has a positive effect on NPL, and Unemployment and Tax Rate significant positive effect on NPL. In scientific research looking for connections between variables is something that is very important, for example the connections between variables independent (Independent/influenced) with a dependent variable (Dependent/influenced).

METHODOLOGY

The research used descriptive quantitative research in order to describe, explain, or summarize various things conditions, situations, phenomena, or various research variables according to events as existence [30]. The population in this study was 50 banks which were included in the banking category national private sector, and the sample in this study was 35 banks that included reports complete finances. The type of data in this research is panel data which is a combination of time series and cross section data [12]. The data sources in this research are: NPL data is taken from private banks registered with the Financial Services Authority or www.ojk.go.id. Then inflation data and exchange rates are taken from the Bank's official website Indonesia or www.bi.go.id, and also GDP data taken from the official website of the Central Agency Statistics or www.bps.co.id for the 2017-2021 period.

The data in this research was collected using documentation techniques carried out to obtain secondary data in the form of contained banking financial reports in the annual report. The data in this research comes from sharia banking statistics and conventional ones originating from the OJK website, namely www.ojk.go.id, www.bi.go.id, and www.bps.co.id and scientific articles.

Several variables are taken as fellow:

1. **Variable Y (Dependent):** The dependent variable is the variable that is explained or influenced by the variable independent [31]. The dependent variable in this research is Non-Performing Loans which is a ratio that describes the situation where the debtor cannot fulfill the obligation to return the funds financing due to various obstacles.
2. **Variable X (Independent):** Independent variables are variables that influence or explain other variables [31]. The independent variables in this research are:

1) Capital Adecuacy Ratio (CAR) is the minimum capital adequacy ratio that banks must have to cover possible losses in credit and trading activities securities [32].
2) Loan to Deposit Ratio (LDR) / Financing to Deposit Ratio (FDR) is a comparison between financing provided by banks towards third party funds that have been successfully distributed by the bank.
3) Inflation is a general and continuous increase in the prices of goods and services. Scension prices that broadly cause the prices of other goods to rise, not just one or two only [33].
4) Exchange Rate is a comparison of the exchange rate of a country's currency with another currency Foreign countries, where countries exchange currency rates on world markets [34].
5) Gross Domestic Product (GDP) describes the rate of development of production of goods and services in the country Indonesia. In this case, GDP is proxied according to business fields on the basis of prices Constant is calculated from the increase in real GDP that applies from period to period next [35].

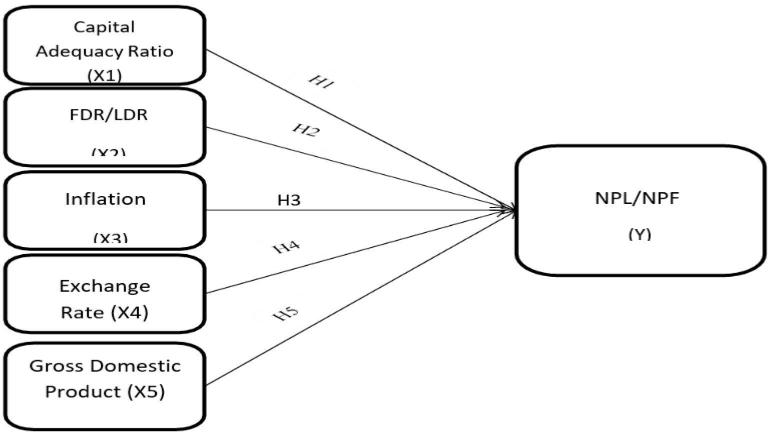

Figure 1. Conceptual Framework Model

This research used the Fixed Effect Model as the regression model. According to [36], the Fixed Effect Model technique is a technique for estimating panel data by using dummy variables to capture differences in intercepts the following is the regression model in this research as follows:

$$\mathbf{Yit = \alpha + \beta 1CARit + \beta 2FDR/LDRit + \beta 3Iit + \beta 4lnExit + \beta 5lnGDPit + e}$$

Explanations:

Y	: NPL
α	: Constanta
CAR	: Capital Adecuacy Ratio bank i periode t
FDR / LDR	: Financing To Deposit Ratio/Loan To Deposit Ratio bank i periode t
I	: Inflation of bank i period t
EX	: Exchange Rate of bank i period t
GDP	: Gross Domestic Product of bank i period t
I	: 1st Bank
t	: t-th period
e	: Standard Estimate (error)
ln	: Returns the number of characters in the text string

RESULTS AND DISCUSSION

A. Descriptive Analysis Results

Based on Table 3, it shows that the descriptive statistics of the NPL variable for the period 2017 to 2021 have an average value of 1.845% with a minimum value of 0.003% and a maximum value of 6.370% with a Standard Deviation value of 1.321%. By showing the Mean value is greater than the Standard Deviation, it shows that there is no variation in the data. The Capital Adequacy Ratio variable in the table above shows the average value in the period 2017 to 2021 reaching 31.167% with a minimum value of 10.520% and a maximum value of 201.570% with a standard deviation reaching 26.696%, with a minimum value reaching above 5%. By showing the Mean value is greater than the Standard Deviation, it shows that there is no variation in the data. The Financing to Deposit Ratio/Loan to Deposit Ratio variable in the table above shows the average value in the period 2017 to 2021 reaching 93.512% with a minimum value of 29.670% and a maximum value of 761.450% with a standard deviation of 63.408%. By showing the Mean value is greater than the Standard Deviation then shows that there is no variation in the data. The inflation variable in the table above shows the average value in the period 2017 to 2021 reaching 2.700% with a minimum value of 1.560% and a maximum value of 3.800% with a standard deviation reaching 0.835%, meaning that by showing the Mean value is greater than the Standard Deviation, it shows that there is no variation. on that data. The EX variable in the table above shows the average value in the period 2017 to 2021 reaching IDR. 14,131 with a minimum value of Rp. 13,380 and a maximum value of Rp. 14,582 with a standard deviation reaching Rp. 403.401 means that by showing the Mean value is greater than the Standard Deviation, it shows that there is no variation in the data. The GDP variable in the table above shows that the average value in the 2017 to 2021 period reached IDR. 17,489 with a minimum value of Rp. 17,439 and a maximum value of Rp. 17,519 with a standard deviation reaching Rp. 0.029, meaning that showing the Mean value is greater than the Standard Deviation means there is no variation in the data.

Variabel	Mean	Max	Min	Std. Dev
NPL	1.845	6.370	0.003	1.321
CAR	31.167	201.570	10.520	26.696
FDR/LDR	93.512	761.450	29.670	63.408
INFLASI	2.700	3.800	1.560	0.835
EX	14131.16	14582.20	13380.83	403.4514
GDP	17.489	17.519	17.439	0.029

Tabel 3. Descriptive Statistical Results
Source: Data processed by Eviews12

B. Statistical Analysis Results

a) Classic Assumption Test Results

1. Normality Test

Based on Figure 2, it can be seen that the probability value is 0.057446, which means that this value exceeds the predetermined level, namely (0.05>) which can be concluded that the data is normally distributed.

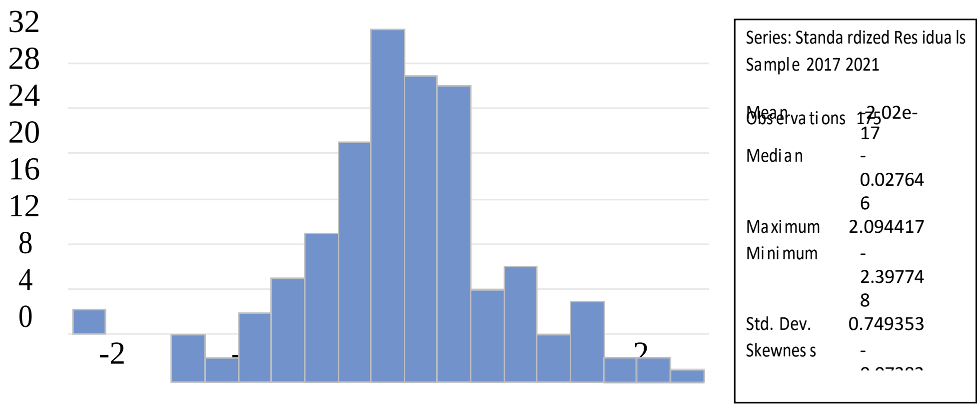

Figure 2 Normality Test Results
Source: Data processed by Eviews12.

2. Multicollinearity Test

Based on table 4, it can be seen that the correlation value between CAR and FDR/LDR is 0.183184. The correlation value between CAR and INFLATION is -0.218234. The correlation value between CAR and EXCANGE RATE is 0.097574. The correlation value between CAR and GDP is 0.137817. The correlation value between FDR/LDR INFLATION is 0.135632. The correlation value between FDR/LDR and EXCANGE RATE is - 0.061052. The correlation value between FDR/LDR and GDP is -0.100966. The correlation value between INFLATION and EXCANGE RATE is -0.789058. The correlation value between INFLATION and GDP is -0.685875. The correlation value between EXCANGE RATE and GDP is 0.716757. It can be seen that all data from the multicollinearity test results are below 0.80, meaning it can be concluded that there is no multicollinearity for each independent variable.

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	CAR	FRD/LDR	INFLASI	EXCANGE RATE	GDP
CAR	1,000000	0,183184	-0,218234	0,097574	0,137817
FDR/LDR	0,183184	1,000000	0,135632	-0,061052	-0,100966
INFLASI	-0,218234	0,135632	1,000000	-0,789058	-0,685875
EXCANGE RATE	0,097574	-0,061052	-0,789058	1,000000	0,716757
GDP	0,137817	-0,100966	-0,685875	0,716757	1,000000

Table 4. Multicollinearity Test Results
Source: Data processed by Eviews12.

b) Panel Data Estimation Model

It can be concluded that the method that is considered to fulfill the objectives of this research is to use the Fixed Effect Model method. It can be assumed that the coefficient does not vary with individuals or time (constant). The following are the results of the Fixed Effect Model data.

Variable	Coefficient	Std. Eror	t-Statistic	Significant
C	-54.52802	55.27144	-0.986550	0,3256
CAR	-0.013372	0.003789	-3.529143	0,0006
FDR/LDR	-0.0022507	0.001512	-1.658272	0,0996
INFLASI	0.398308	0.141713	2.811083	0,0057
EX	0.000171	0.000292	0.584062	0,5602
GDP	3.061129	3.241114	0.944465	0,3466
R-*squared*	: 0,678			
F-statistik	: 7.302			
Prob (F-statistik)	: 0,00000			

Table 5. Fixed Effect Model Test Results
Source: Data processed by Eviews12

From table 5 it can be explained that the regression model is as follows:

NPL= -54.5280 – 0.0133CAR - 0.00227FDR/LDR + 0.3983INFLATION + 0.0001EX + 3.0611GDP.

1. Effect of Capital Adequacy Ratio on Non-Performing Loans.

Based on the t test results, the CAR t-statistic value is -3.529143 with a negative direction and CAR probability value is 0.0006 which means <0.05 which Ho is rejected and Ha is accepted, Thus, it can be summarized that CAR has a negative and significant effect on NPL. CAR had no significant effect towards NPL, because if there is an increase in the Capital Adequacy Ratio in a banking then the bank can increase the general reserve for allowance for asset losses productive, in order to balance the risks on the balance sheet, for example risk credit [37]. This is different from this research which shows that CAR significant effect on NPL.

This research is supported by research conducted by Raysa, Siti [38]. said that CAR has a positive and significant effect on NPL, which is where in this research indicates that the capital of national private banks is represented by the CAR ratio, it must be able to cover all business risks faced by the bank, including the risk of loss resulting from non-performing loans, is wrong one example is a bank when CAR experiences an increase and this has the effect of decreasing NPL percentage, namely at International Business banks, where the CAR value in year 2021 reached 201.57% while the lowest NPL was in 2021 which reached 0.53%.

2. Effect of Financing to Deposit Ratio/Loan to Deposit Ratio on Non-Performing Loans

Based on the t test results, the FDR/LDR t-statistic value is -1.658272 in a negative direction and the FDR/LDR probability value is 0.0996 which means it is greater than 0.05. The hypothesis which states that FDR/LDR has a negative effect is not significant against NPL rejected. It found that FDR/LDR has no effect significant to NPL.

The results of this study are not in accordance with the hypothesis which says that when If the FDR/LDR is high, the banking NPL will be lower, however, according to research This says that FDR/LDR does not have a significant effect on NPL, because of the data Some of the FDR/LDR in this research exceeded the limits set by BI namely 110%, as a result, when it exceeds the specified limit, be careful banking in providing credit to customers is reduced and bank management considered less thorough in providing credit to customers, thus when exceeding the predetermined limit will result in an increase in credit banking problems. This is in line with [39] that FDR/LDR did not have a significant effect on NPL, because the distribution of third party funds in the form of credit has been carried out well by bank management to minimize risks for fund owners.

However, it is different from research conducted by Haifa dan Dedi Wibowo [40] who saying good liquidity for a bank indicates that the bank has sufficient financial resources available to meet all obligations. The higher the liquidity of a bank, the lower the risk problematic financing. The research results indicate adequate financing Sharia or conventional banking is distributed to every customer with good quality which the financing expansion is carried out by sharia or conventional banking can increase banking returns and reduce NPL levels.

3. Effect of Inflation on Non-Performing Loans

Based on the results of the t test, the inflation t-statistic value is 2.811083 with a positive direction and inflation probability value is 0.0057 which means it is smaller than 0.05. It shows that the inflation has a positive and significant effect on NPL. The result of this research is in line with that conducted by Linda et.al [15] who said that Inflation has a significant effect on NPL, because inflation can occur due to excess demand for a number of products or services and encourages price increases product as a whole, an increase in inflation will certainly be accompanied by an increase interest rates for both savings and loans, as a result the value of non-performing loans held banks tend to increase, this condition occurs because of the interest charges that must be incurred debtor payments relatively increased.

Different opinion with research conducted by Arijanto, Agus [41] who said that inflation does not have a significant effect on NPL, because with look again at the profile of inflation data and SBIS returns which are negatively related and reinforced by the results of the correlation test between the two which are also negative. When it happens inflation in the value of SBIS yields decreases, which causes sharia banking or conventional financing lowers the rate of return on financing where it causes that the demand will increase financing increases. Financing for low-margin consumption will increase the purchasing power of sharia or conventional banking customers effecting the goods and services can be absorbed into the economy and sales increase. It is giving convenience for sharia or conventional banking customers in making returns financing, thus NPLs in banks decrease.

4. Effect of Exchange Rates on Non-Performing Loans.

Based on the t test results, the Exchange Rate t-statistic value is 0.584062 in a positive direction and the probability value of the Exchange Rate is 0.5602 which means it is greater than 0.05. The hypothesis which states that the Exchange Rate has no significant effect on NPL accepted. This is in line with research conducted by Sari [42] who said that the exchange rate had an insignificant positive effect on NPL, because relative exchange rate changes occur in the short term. In this situation, it does not disrupt the business carried out by customers due to changes in exchange rates Rupiah does not affect customers' ability to pay credit bills.

This differs from the opinion of research conducted by Setiyaningsih et al. [43]. She found that the exchange rate has a significant effect on NPL, because Increasingly If the exchange rate is high, it will increase the NPL. When the amount of local money increases that must be spent to get 1 dollar can increase the risk NPL on loans obtained from banks. When the rupiah depreciates, then the burden Debts borne by debtors will also increase since the interest burden that must be borne by the debtor will increase along with it with the depreciation of the rupiah. It urged the number of installments must be covered debtors becoming higher which might encourage NPLs.

5. The Influence of Gross Domestic Product on Non-Performing Loans

Based on the t test results, the GDP t-statistic value is 0.944465 with a positive direction and The GDP probability value is 0.3466, which means it is greater than 0.05. The hypothesis is that stating that GDP has a significant effect on NPL is rejected, this result is in line with what was done by Muljaningsih and Wulandari [20] who said that GDP does not have a significant effect on NPL because it indicates that it exists. The tendency of Indonesian society which is considered very consumerist is partly due to this his large income is prioritized for his consumptive needs rather than for pay banking loan installments, and with sufficient consumption patterns consumerism, then when there is an increase in income, the excess income will be prioritized for consumption needs, not to fulfill obligations pay credit. The consumerist pattern of Indonesian society can be seen through how big is the contribution of consumption to GDP.

CONCLUSION

CAR has a negative and significant effect on the NPL of national private banks, FDR/LDR has an insignificant negative effect on the NPL of national private banks, Inflation has a positive and significant effect on the NPL of national private banking, Value Exchange does not have a positive and insignificant effect on the NPL of national private banks, The GDP variable has a positive and insignificant effect on the NPL of national private banking.

Related to this, the banks should be more careful in providing funds in form credit, or current accounts, since the FDR/LDR from private banks is small in the sample taken in excess of the limit set by Bank Indonesia, thus it impacts on increasing the percentage of bad loans at banks. While the private sector, especially during the pandemic, was even more careful because during that period people's income decreased causing the private sector banks must be very careful in providing credit to the public and more reduce the percentage that exceeds the limit set by the bank Indonesia. Another, the government is expected to be able to maintain the inflation rate not exceeding 3%, because at that level the percentage is considered ideal in an economy country, but when inflation is too low it will cause the economy to stagnate does not turn around and the MSME industry will decline further because society will prefer to save at the bank because the interest rate will increase by government due to low inflation. And for the further research, it needs to be conducted to improve the research results this, by adding a certain period, and adding a good variable These micro or macro variables aim to perfect this research.

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