

ABSTRACT

Lending is the main activity of banks in generating profits, but the biggest risks are also derived from lending. According to financial services authority statistics, based on the type of use, the most credit distribution is micro small and medium enterprises (MSMEs). It can be concluded that credit is the main target lending by banks.

This research was conducted to analyze how internal bank factors can affect bad MSMEs credit Indonesian banks in the first quarter of 2017 to the fourth quarter of 2019 with a CAMEL analysis approach. Independent variables used are Capital, Assets, Management, Earning, and Liquidity, each of which is proxied using CAR, KAP, NIM, ROA, and LDR ratios. The dependent variable used is bad credit, which is proxied by the NPL ratio. The data panel method is used to quantitatively estimate the parameters in the model.

The results showed that banking capital fluctuated during 12 quarters, namely from 2017 to 2019. In terms of liquidity, it is known that some banks have liquidity ratios above the tolerance limit set by Bank Indonesia. It is necessary to have control of bank management to inhibit the aggressiveness of lending, as well as to raise deposit rates for banking funding to increase.

Keywords: Bad Credit, Lending, MSMEs Credit