

ABSTRACT

The Non Performing Loan (NPL) of Consumer Loan Banks in Central Java is higher than the NPL of other Consumer Loan Banks in Indonesia, where the NPL reaches 10 % in 2007 and it puts at the top of the rank of banks with the highest NPL among other banks in Indonesian Provinces. Hence, it is necessary to analyze the factors affecting the NPL of those Consumer Loan Banks in Central Java, especially from the Loan Facility Strategy point of view.

For the purpose of the analysis, data was collected from 100 respondents of Consumer Loan Banks in Central Java Province with questionnaires. Then the data was being analyzed using descriptive analysis through the index value and using the inferential analysis with Structural Equation Modeling (SEM) Method.

The test of the hypotheses with SEM Method shows that the internal condition of the Consumer Loan Bank has a positive and significant effect on the Loan Facility Strategy, the borrower condition has a positive and significant effect on the Loan Facility Strategy, the environment condition has a positive and significant effect on the Loan Facility Strategy, and that the Loan Facility Strategy has a negative and significant effect on the NPL.

Based on the result, some managerial implication can be suggested in relation to Loan Facility Strategy for decreasing the NPL, i.e.: they should consider the natural factors for the Loan Facility Strategy in agricultural sector; they should conduct some analysis on the current economy condition and the business competition situation and make the forecasting for the future condition; they should train the credit analysts to improve their credit analysis; they should assure the fast and easy loan appraisal process and credit granting process; they should provide some payment alternatives for the borrowers; they should have the standard for the Loan Facilities; they should survey the business place for the business loan appraisal; they should look over and analyze the financial statement of the borrower's business and they should have the information about weather or not the borrower has obligations to or loan contracts with other financial institution; they should check the business status and the resident of the borrower.

Keywords :

internal condition of Consumer Loan Bank, borrower condition, environment condition of Consumer Loan Bank, Loan Facility Strategy, NPL