THE EFFECT OF ALLOWANCE FOR BAD DEBT LOSS TO THE LEVEL OF PROFITABILITY
(Case Study in Local Bank Indonesia)

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SUMMARY

Local Bank (BPR) as one of the financial institutions in Indonesia in carrying out its activities collecting funds from the public in the form of savings and deposits and channeling back the funds collected through the provision of credit. This study aims to determine, describe and explain the Effect of Allowance for Bad Debt to the Level of Profitability in Subang BPR of Pabuaran Branch. The method used is descriptive method, and testing of the data - the data studied. The data used is data from the financial statements of PD BPR Subang of Pabuaran Branch in 2012 to 2015 with a monthly ratio reports. Any increase in the value of allowance for bad debt (X) of 1% would cause a rise in the value of profitability level in terms of the comparison of operating cost with operating income (Y) of 0.333% and vice versa. The conclusion is the level of allowance for bad debt does not significantly affect the level of profitability as measured by the comparison of operating expenses to operating income.

Keyword: Community Bank, Allowance for Bad Debt, Profitability.

INTRODUCTION

The financial crisis that hit Indonesia in mid-1977 brought a devastating impact on the banking sector in Indonesia. The decline of banking sector due to the economic crisis forced the government to liquidate the bank - a bank that is considered unhealthy and unfit for operation. This has resulted in a crisis of public confidence in the banking industry.

The enactment of the new Law No. 10 of 1998 concerning amendment to the Law No. 7 of 1992 on banking which isworseis due to the rising interest rates and rising NPL (Non Performing Loan) of conventional banks.

The ratio of non-performing loans became the problems faced by the banking sector due to the condition of the domestic economy that is not yet stable and the strengthening of US dollar. Until January 2015, gross NPL ratio of banking sector reached 2.28 percent and is oriented to reach 3 percent if the performance of the real sector continues to hit. OJK has noted a number of sectors experiencing a decline in loan quality, the construction sector has recorded the highest NPL of 5 percent followed by large trade and retail sectors at 3.4 percent.Mining and quarrying sector recorded the highest increase of NPL by 150 basis points to 2.4 percent. Other sector that recorded an increase is the processing industry to 1.9 percent. Meanwhile, transportation, storage and

telecommunication sector recorded an increase of NPL by 90 bps to 3 percent. (Nooraddeen: 2012) Viewing Indonesian banking indicator figures, the indicator ofOperational Efficiency Ratio (BOPO) is still very high. This figure is still stable in the range of 75 percent, far from the average ASEAN countries in the range of 60 percent. It shows that the operation of the Indonesian banks is far from efficient(Eltivia, 2013).

The financial performance of bank is one measure of the success over the health of bank. One of financial performances of bank be seen on the size of Operational Efficiency Ratio (BOPO). The smaller the BOPO ratio owned by the bank, the greater the profit level achieved and the better the bank's position in terms of cost management and revenue generated. The level of profitability of banks will become one of the benchmark for customers in trusting their funds to be stored in a bank, because it reflects how far the ability of management to gain profit. Allowance of debt elimination established to cover the risks resulting from the non-acceptance of all or part of the loans given. The greater debt that is not the costs used for loss provisioning accounts.

One of the benefits achieved bythe bank is caused by the success rate of the bank's operation. When the banking products are problematic, the bank's performance in gaining profitability will be disrupted, even if this continues,the health of bank will be threatened.

Anticipating the risk of loss that may occur as a result of loan channeling and to suppress the percentage of increaseddebtloss, the bank is required to establish allowance for debt loss. This is in accordance with the Decree of Directors of Bank Indonesia No.31/148/KEP/DIR dated November 12, 1998 concerning the establishment of Allowance for Possible Loss on Earning Assets (PPAP). The provision states that banks are required to establish allowance for possible loss on earning assets in the form of general allowance vs specific allowance.

The impact of the large amount of allowance for debt loss has been felt by almost all banks in Indonesia. Each bank must consider how to anticipate bad debtso as not to interfere with the health and sustainability of its operation. Bankis also required to have written guidelines regarding the establishment of allowance for possible loss on earning assets and write-offs of disqualified assets.

From the explanation above, the authoris interested in doing research in the field of banking, especially regarding "THE EFFECT OF ALLOWANCE FOR BAD DEBT LOSS TO THE LEVEL OF PROFITABILITY IN BPR SUBANG BRANCH PABUARAN".

LITERATURE REVIEW

ACCOUNTING PERSPECTIVE THEORY

Accounting is a service activity, where its function is to provide quantitative information, especially information regarding the financial position and company performance results, which are intended to be useful in making economic decisions (in making a choice among various alternatives exist) (Erivan, 2009:15).

Accounting is the process of identifying, measuring and reporting economic information to allow for assessment and a clear and unequivocal decision for those who use the information, according to the American Accounting Association (AAA).

According to the Decree of the Minister of Finance of the Republic of Indonesia (No. 476 KMK.01 1991), Financial Accounting is a process of collecting, recording, analyzing, summarizing, classification and reporting of financial transactions from an economic entity to provide financial information for the report users that is useful for decision-making.

Term Definition

Bank accounting is the accounting process of bank aims for the interest of recording, analyzing, and interpreting of financial data in order to meet the needs of various parties. The financial statement of the bank must be in accordance with the accounting principles that have been widely accepted or bookkeeping techniques, posting, and recording all transactions made in the operation of a bank (Francis, 2013).

Indonesian banking aims to support the implementation of national development in order to improve equity. According to the Law No. 10 of 1998 about banking, the types of banks are grouped into; first Commercial Bank is the bank that conducting its business conventionally and or based on Sharia principles which in its activities provide services in payment traffic. Second is Community Bank, it is a bank that conducting its business conventionally and or based on Sharia Principles which in its activities do not provide services in payment traffic.

In this study, we discuss about loan, debt and profitability related to rural banks,the explanation about the loan and debt is as follows. The definition of credit based on Banking Law No. 10 of 1998 concerning change of Act 7 of 1992, is, "credit is the provision of money or equivalent receivables under contracts or agreement of lending between banks and other parties who require the borrower to pay off the debts after a certain period of time with interest."

Based on the above understanding, it can be explained that the loan or financing can be either cash or debt whose values aremeasured by money and the agreement between the bank (loanor) to customer (debtor). The rights and obligations of each party are contained in the loan agreement, including the period and interest set together, and sanctions if the debtor violates the agreements that have been made.

The difference between the loan granted by the bank based on the conventional financing provided by banks based on Islamic principles is situated on the expected profit. For conventional principles-based banks, the profit is earned through the interest while for profit sharing principles-based banks, the profit is in the form of rewards or profit sharing.

Another term in this study is debt,debt is one type of accounting transactions dealing with the debt of consumers owed on a person, a company, or organization for goods and services that have been given to the consumer. Debt arises because of the loan sales to other companies.

Other debtis generally classified and reported separately in the balance sheet. For example,interest receivable, dividend receivable (debt from investee as a result of investments), tax receivable (company's debtto governmens in the form of restitution or refund of an overpayment of tax), and debt to the employees (Hery, 2009:265).

Last is the profitability. Profitability is one indicator for customers and investors in determining the bank to be selected. From this level of profitability, the valuation will be seen from the level of profit achieved bank management. For banks, the level of profitability will be measuring the extent of the bank's success in implementing its business operation and can estimate how long the business continuity of the bank (Going concern).

Profitability is the ability of the company to make a profit in relation to sales, total assets and own capital (Sartono, 2001).

Profitability is important to measure the level of business efficiency achieved by the company (bank) concerned. The ability of banks to earn profits is not quite to be measured by total revenue earned, but it also must be associated with the amount of funds invested and how much the cost used in the realization of such profits (AgusSartono, 2001).There are two important elements to determine the rate of profit (profitability) of a banking business, the first, income and expenses (Rusydiana, 2015)

The ratio is used to measure the profitability of each company will be different from one another but basically there are three things to note with this profitability ratio that is;

1.   *Return On Total Assets*

a.   *Gross Yield On Total Assets =* $\dfrac{\textit{Operating Income}}{\textit{Total Assets}}$

The above formula is to measure the ability of management to generate income for the bank from the management of the assets owned by the bank concerned.

b.   *Net Income On Total Assets =* $\dfrac{\textit{Net Income}}{\textit{Total Assets}}$

METHODS

The research method is a scientific way to get data with a specific purpose and usefulness (Sugiyono, 2014). The stages or steps in the research began with the outlining of the problem arouse in this study. After limiting and formulatingthe problem, the purpose and objective as well as the significance of the study were determined so that research direction were clear and focused to the issues to be studied. The next step was theory underlying the research and preparation of the thesis related to variables to be studied either from books or journals related to the matter to be studied.

The next stage was the observation to the study site, it was intended to collect data. The necessary data in this study were in the form of annual data from the balance sheet, income statement, and statement of the bank health. Data were obtained in three ways: first calculatingand analyzing the company's annual data that have been taken, the second was to make observations on the development of the company and the third was to hold interviews to the company directly.

After all the data were collected, it would be processed in Chapter IV.The method used in this study was descriptive method namely a research aimed to describe, analyze and draw conclusions about the state of the object under study based on the facts and the data obtained.In accordance with the title of this study, "The Effect of Allowance for Bad Debt Loss to the Level ff Profitability," there are two types of study variables, namely:

INDEPENDENT VARIABLE

Independent variable isthe variable that explains and affects other variables that are not independent(Sugiyono, 2014:58). Based on the above title, the independent variable is: Allowance for Bad Debt Loss (X). The allowance for debt loss is the allowance established to cover possible loss arising from the investment of funds into earning assets (Bastian danSuharjono, 2006). Measurement of the percentage of Allowance for Bad Debt Loss is:

$$\frac{\textit{The established allowance for bad debt loss}}{\textit{Total credit granted}} \; x \; \mathbf{100}\%$$

DEPENDENT VARIABLE

The dependent variable is often referred to as the output variable and the affected variable. The dependent variable is the variable that is affected or resulted from independent variables (Mishra, 2010). The dependent variable is the variable that is affected by other variables that are independent. Based on the above title, the dependent variable is the level of profitability (Y). Profitability is the ability of the company to make a profit in relation to sales, total assets and own capital (AgusSartono, 2010:122).

Measurement of the percentage level of profitability with Operational Efficiency Ratio (BOPO) is:

$$\frac{\textit{Total operating expense}}{\textit{Total operating revenue}}\mathbf{x\ 100\%}$$

The relationship of both variables is described as follows:

Figure 3.2 Research Model

Mathematically, the relationship of both variables is: Y = f(X)
Where : X= The level of allowance for bad debt loss, Y= The level of profitability

The research unit studied by the author was a financial report on the level of allowance of debt loss and the level of profitability in the Regional Company of Community Bank of Subang of Pabuaran Branch that was located at the District Office Complex of PabuaranSubang. Regional Company of Community Bank of Subang is local government-owned company that was founded in 2006 by having 12 (twelve) branches and one head office. The research design described as follows:

Figure 3.1 Research Design Flowchart
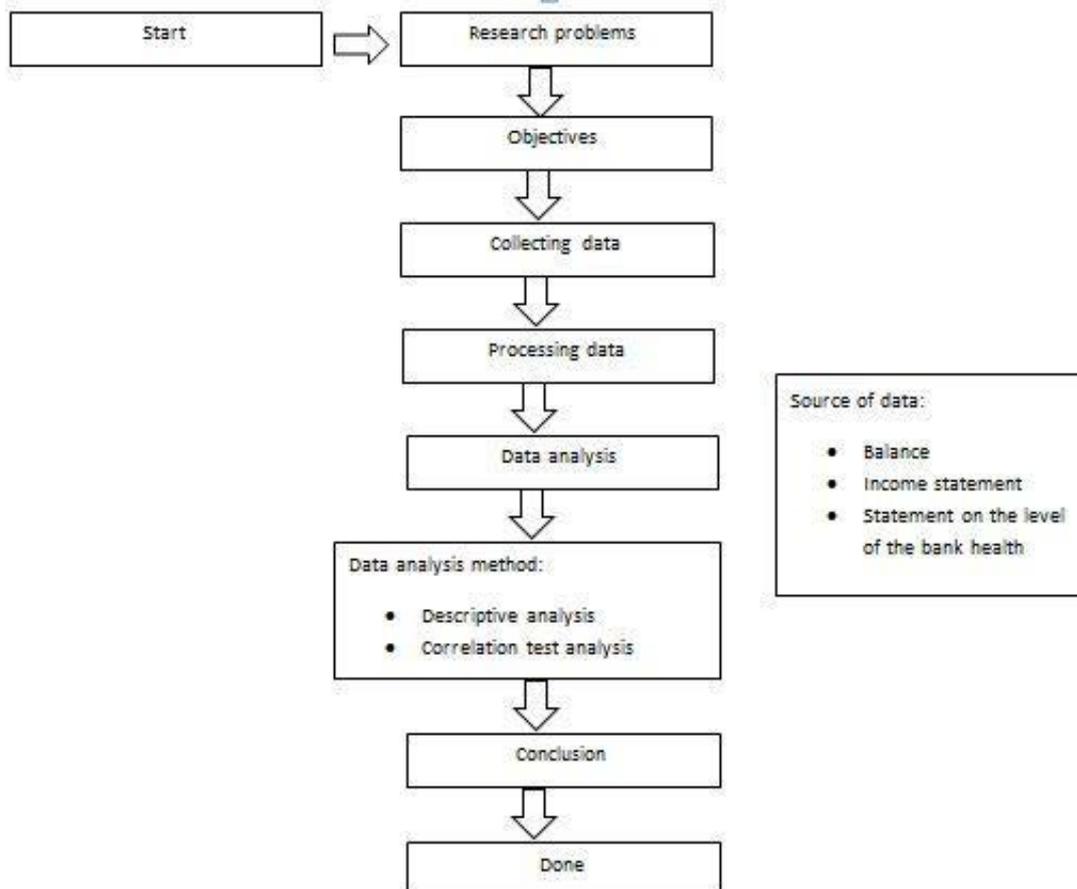
Data collecting technique was done by interview, questionnaire, and observation. The analytical method used in this study was regression analysis. The hypothesis testing was done using a significance level of (0) = α = (0.05). This figure represents a level of significance that was commonly used and was considered appropriate for the study of social sciences and considered strong enough to represent the relationship between the variables studied.

DESCRIPTIVE STATISTICAL TEST

Descriptive analysis is an analysis used to discuss the quantitative data. This analysis discusses on how the effect of allowance for bad debt loss to the level of profitability, with the following formula:
  How the calculation of the allowance for debtloss given to the amount of loan granted is carried out by the banking company using the formula:

$$X = \frac{\text{Allowance for debt loss granted}}{\text{Total credit granted}}$$

As for the criteria for the classification of the allowance for debt loss based S.K. B.I 31 / KEP / DIR is as follows:

- Current of at least 1%
- Special mention of at least 5%
- Substandard of at least 15%
- Doubtful of at least 50%
- Loss of at least 100%

How to calculate the profitability of with Operational Efficiency Ratio (BOPO) is:

$$Y = \frac{\text{Operational expense}}{\text{Operational revenue}} \, x \, 100\%$$

The criteria used for the classification of profitability level assessed through BOPO ratio according IrhamFahmi in the book "Introduction to Banking Theory and Applications" (Sugiyono, 2014:196) are as follows: "Bank Indonesia does not impose strict rules against this ratio as far asthe bank does not suffer loss in the future."

SIMPLE LINEAR REGRESSION ANALYSIS

Regression analysis is used to study the relationships that exist between the variables so that from the relationship obtained, we can estimate the price of one variable when the price of other variables is unknown.

The regression equation according to the two variables above can be obtained by the stages as follows:
- Regression equation $Y=a+bx$
    X = The estimated variable value ofX (Allowance for Possible Losses on Earning Assets)
    Y = Variable valueof Y (Level Profitability)
- Determining the coefficient value of a and b using the following formula:

$$a = \frac{(\sum y)(\sum x^2) - (\sum x)(\sum xy)}{n \sum x^2 - (\sum x)^2} \quad b = \frac{n \sum xy - [\sum x(\sum y)]}{n \sum x^2 - (\sum x)^2}$$

Where:
X: Independent variables
Y: Dependent variables
a : Constanta
b: Linear regression coefficient

COEFFICIENT OF DETERMINATION ANALYSIS

To determine the effect of variable X to variable Y, then the value of coefficient (r) is squared (r^2). r^2 value or coefficient of determination shows the model variable of Y to be influenced by variable X. Thus the interpretation of the coefficient of determination is if the coefficient or correlation between the two variables X and Y is equal to r, then 100% r^2 variation of variable X is affected by variations in the variable Y. This determination test can only be done if there is a significant relationship between the two variables above. The coefficient of determination can be searched using the formula:

$$KD = r^2 \text{x } 100\%$$

Where:
KD :Coefficient of determination
r^2: Squared coefficient or correlation

T-TEST

To test whether a variable ofcorrelation coefficient(r) is significant or not,testingusing t-test is done with the stages as follows:
• Express Ho and Ha
Ho: r = 0. There is no effect between the level of allowance for bad debt to the level of profitability
Ha: r ≠ 0 There is effect between the level of allowance for bad debt to the level of profitability
• Statistical test
Assuming that X and Y come from normally distributed population, the significant test of the value of r is done using a significant t-test with the statistic student formula as follows:

$$t = \frac{r\sqrt{n-2}}{\sqrt{1-r^2}}$$

Where:
t: Coefficient value with degrees of freedom n-2
r: Pearson coefficient value
n: The amount of observed samples
The value of t_{result} from the calculation is the compared with t value on t_{table} with degrees of freedom n-2 with the criteria as follows:
1) If the value t_{count}<value t_{table}, then H_o is accepted, H_a is rejected
2) If the value t_{count} <value t_{table} ,then H_o is accepted, H_a is rejected

RESULTS AND DISCUSSION

Given each business activity always has risks, including in the banking business activities, it is common if the banking company has to undertake the establishment of allowance for debt loss to cover business risks. The increasing amount of debt, the risk of rising bad debts will also increase. Uncollectible debt values cannot be directly recorded as debtloss and written off by the company in accordance with the Decree of Directors of Bank Indonesia No.31/148/KEP/DIR dated November 12, 1998 concerning the establishment of Allowance for Possible Debt Losses on Earning Assets (PPAP).
Analysis of the level of Receivables Provided, Bad Debt and Allowance for Bad Debt Loss of BPR Subang of Pabuaran Branch data is presented in the following table:

Table 4.1 The Rate of Debt Given BPR Subang of Pabuaran Branch Year 2012 – 2015

	2012	Develop-ment	2013	Develop-ment	2014	Develop-ment	2015	Develop-ment
January	16,073,265,762		21,229,311,262	0.35%	27,680,619,472	7.53%	31,270,593,942	2.65%
February	18,912,324,057	17.66%	21,804,320,360	2.71%	29,922,155,049	8.10%	32,416,590,192	3.66%
March	18,249,720,880	-3.50%	22,032,176,077	1.05%	30,246,613,105	1.08%	32,741,220,392	1.00%
April	19,500,627,911	6.85%	21,796,304,626	-1.07%	30,717,488,552	1.56%	34,026,247,292	3.92%
May	19,800,329,768	1.54%	23,155,676,111	6.24%	30,952,715,718	0.77%	35,290,499,492	3.72%
June	21,138,756,026	6.76%	24,332,300,670	5.08%	31,189,115,699	0.76%	34,240,162,492	-2.98%
July	21,347,354,584	0.99%	24,823,249,912	2.02%	30,313,180,580	-2.81%	32,824,452,092	-4.13%
August	21,813,761,447	2.18%	24,957,478,264	0.54%	29,077,049,992	-4.08%	34,306,450,700	4.51%
September	21,586,203,940	-1.04%	25,164,908,537	0.83%	29,294,517,087	0.75%	35,187,323,700	2.57%
October	21,519,556,962	-0.31%	24,627,459,899	-2.14%	29,447,296,473	0.52%	34,859,164,250	-0.93%
November	21,972,451,465	2.10%	24,407,834,513	-0.89%	28,349,641,759	-3.73%	33,790,693,250	-3.07%
December	21,154,758,584	-3.72%	25,742,534,418	5.47%	30,462,073,842	7.45%	32,086,614,000	-5.04%

Source : The data processed by the researcher

Level of Bad Debt BPR Subang of Pabuaran Branch Year 2012 – 2015

	2012	Develop-ment	2013	Develop-ment	2014	Develop-ment	2015	Develop-ment
January	327,421,500		404,558,912	5.40%	509,232,383	14.14%	448,320,458	6.26%
February	312,771,364	-4.47%	446,829,930	10.45%	566,705,448	11.29%	518,339,575	15.62%
March	315,201,839	0.78%	387,795,906	-13.21%	590,709,417	4.24%	498,433,374	-3.84%
April	334,165,049	6.02%	443,303,946	14.31%	662,387,837	12.13%	507,502,220	1.82%
May	352,207,326	5.40%	501,447,202	13.12%	744,198,338	12.35%	524,493,100	3.35%
June	364,026,353	3.36%	519,596,949	3.62%	771,896,198	3.72%	556,976,200	6.19%
July	350,169,252	-3.81%	550,607,029	5.97%	535,121,038	-30.67%	586,740,923	5.34%
August	362,397,001	3.49%	569,791,049	3.48%	359,657,484	-32.79%	584,668,025	-0.35%
September	308,132,262	-14.97%	509,708,029	-10.54%	367,436,929	2.16%	591,890,048	1.24%
October	295,394,292	-4.13%	516,220,185	1.28%	361,471,479	-1.62%	672,032,940	13.54%
November	301,967,939	2.23%	572,250,032	10.85%	446,063,309	23.40%	705,078,580	4.92%
December	383,830,290	27.11%	446,149,012	-22.04%	421,913,349	-5.41%	475,962,849	-32.50%

Level of Allowance for Bad Debt Loss BPR Subang of Pabuaran Branch Year 2012 – 2015

	2012	Develop-ment	2013	Develop-ment	2014	Develop-ment	2015	Develop-ment
January	222,839,912		273,739,912	0.00%	506,964,115	15.03%	470,672,774	5.61%
February	232,839,912	4.49%	283,739,912	3.65%	537,051,872	5.93%	549,833,804	16.82%
March	233,739,912	0.39%	276,739,912	-2.47%	549,251,872	2.27%	599,833,804	9.09%
April	233,739,912	0.00%	293,739,912	6.14%	605,892,941	10.31%	599,833,804	0.00%
May	231,739,912	-0.86%	329,739,912	12.26%	679,510,408	12.15%	624,833,804	4.17%
June	255,739,912	10.36%	339,739,912	3.03%	731,872,191	7.71%	629,833,804	0.80%
July	247,739,912	-3.13%	374,734,980	10.30%	528,539,130	-27.78%	654,833,804	3.97%
August	252,739,912	2.02%	374,734,980	0.00%	345,672,774	-34.60%	679,833,804	3.82%
September	258,739,912	2.37%	374,734,980	0.00%	395,672,774	14.46%	689,833,804	1.47%
October	263,739,912	1.93%	374,734,980	0.00%	395,672,774	0.00%	735,101,628	6.56%
November	273,379,912	3.66%	407,234,980	8.67%	420,672,774	6.32%	783,910,151	6.64%
December	273,739,912	0.13%	440,734,980	8.23%	445,672,774	5.94%	472,114,266	-39.77%

Source : The data processed by the researcher

From table 4.1 it can be seen that the level of development of loan administration of Subang BPR of Pabuaran branch experienced the largest increase in January 2012 amounted to 17.66% and a significant reduction in December 2015 amounted to -5.04%. Development level of bad debts

also increased and decreased, the largest increase was 27.11% in December 2012 and the biggest decrease was in August 2014 amounted to -32.29% this is due to the long holiday that reduced the working days. The development level of allowance for bad debts loss increased significantly by 16.82% in February 2015 and the largest decline was in December 2015 amounted to -39.77%, the amount of allowance for bad debts loss is highly depend on how large the possibility of a credit crunch in the company and the value of collateral pledged on the loan.

The result of the analysis of Profitability Level in BPR Subang of Pabuaran Branch Year 2012 -2015 Pabuaran are presented in the table below,

Table 4.2 Level of Profitability PD BPR Subang of Pabuaran Branch

2012	Cost	Income	Level of BOPO	Development
January	1,750,048,752	2,511,228,375	69.69%	
February	1,854,930,027	2,782,313,065	66.67%	-4.33%
March	1,837,419,222	2,757,342,612	66.64%	-0.05%
April	1,811,837,463	2,735,744,021	66.23%	-0.61%
May	1,809,354,472	2,835,929,720	63.80%	-3.66%
June	2,222,284,145	3,459,481,077	64.24%	0.68%
July	2,621,150,258	4,088,135,556	64.12%	-0.19%
August	3,111,182,470	4,810,762,306	64.67%	0.87%
September	3,508,386,450	5,432,307,307	64.58%	-0.14%
October	3,910,379,051	6,081,179,905	64.30%	-0.43%
November	4,318,780,836	6,713,402,469	64.33%	0.04%
December	4,724,056,400	7,373,516,012	64.07%	-0.41%
2013				
January	356,477,040	609,155,224	58.52%	-8.66%
February	753,367,947	1,247,150,501	60.41%	3.22%
March	1,198,685,177	1,939,329,812	61.81%	2.32%
April	1,599,165,868	2,606,357,646	61.36%	-0.73%
May	2,031,633,585	3,294,593,164	61.67%	0.50%
June	2,466,677,984	4,011,979,390	61.48%	-0.30%
July	2,914,251,713	4,736,600,400	61.53%	0.07%
August	3,338,446,954	5,417,897,990	61.62%	0.15%
September	3,722,636,530	6,122,773,473	60.80%	-1.33%
October	4,149,499,030	6,858,826,411	60.50%	-0.50%
November	4,553,403,351	7,529,145,211	60.48%	-0.04%
December	3,942,273,493	8,268,579,047	47.68%	-21.16%

Source : The data processed by the researcher

2014				
January	420,863,374	730,994,485	57.57%	20.76%
February	807,031,759	1,506,868,801	53.56%	-6.98%
March	1,221,021,360	2,341,408,056	52.15%	-2.63%
April	1,696,974,224	3,149,831,622	53.88%	3.31%
May	2,203,418,312	4,064,735,209	54.21%	0.62%
June	2,630,666,551	4,885,212,946	53.85%	-0.66%
July	3,120,126,687	5,711,173,890	54.63%	1.45%
August	3,558,092,779	6,551,234,549	54.31%	-0.59%
September	3,980,481,780	7,413,702,851	53.69%	-1.14%
October	4,371,283,113	8,268,030,153	52.87%	-1.53%
November	4,736,135,501	9,063,240,215	52.26%	-1.16%
December	5,200,562,257	9,895,678,435	52.55%	0.57%
2015				
January	414,202,763	815,852,345	50.77%	-3.40%
February	881,711,844	1,602,263,825	55.03%	8.39%
March	1,332,541,754	2,474,996,653	53.84%	-2.16%
April	1,737,673,196	3,329,093,464	52.20%	-3.05%
May	2,160,832,093	4,243,694,524	50.92%	-2.45%
June	2,553,783,603	5,093,694,985	50.14%	-1.54%
July	2,957,949,382	5,926,083,709	49.91%	-0.44%
August	3,433,472,665	6,840,867,853	50.19%	0.55%
September	3,855,691,070	7,747,605,475	49.77%	-0.85%
October	4,247,905,423	8,636,770,244	49.18%	-1.17%
November	4,639,441,550	9,491,889,303	48.88%	-0.62%
December	4,809,352,272	10,381,805,932	46.32%	-5.22%

Source : The data processed by the researcher

Based on Table 4.2, the profitability levels of BPR Subang branch Pabuaran period of year 2012 to 2015 can be seen that the biggest increase occurred in January 2014 amounted to 20.76% this causes the level of health in the companies declined, after before suffer a decrease of profitability level that can be reviewed from the ratio of operating expenses to operating revenues amounted to -21.16% that became the biggest decrease in the period of 2012-2015.

The level of development of loan administration at BPR Subang Branch Pabuaran experienced the largest increase in January 2012 amounted to 17.66% and a significant decline in December 2015 amounted to -5.04%. The level of development of bad debts also increased and decreased, the largest increase was 27.11% in December 2012 and the largest declinewas -32.79% in August 2014. It was due to the long feast holiday that reduced working days. The level of development of allowance for bad debt loss increased significantly by 16.82% in February 2015 and the largest decline in December 2015 amounted to -39.77%, greater levels of allowance for debt loss is highly dependent on how large the possibility of a NPL in the the company and the value of collateral pledged on the loan.

In accordance with the title, the objective of this study is to determine the significance of the effect of the level of allowance for bad debt loss to the level of profitability at BPR Subang Branch Pabuaran. Other studies are in accordance with the objective in this study, namely:

To determine whether there is effect on the total amount of loan to the level of profitability in BPR

Subang Branch Pabuaran.

To determine whether there is effect on the value of bad debts to the level of profitability in BPR Subang Branch Pabuaran.

To find out how much the effect of the level of allowance for bad debt loss to the level of profitability in BPR Subang Branch Pabuaran.

Based on the objectives above, the author will conduct a series of tests that are relevant to the research objectives, the tests to be implemented are as follows:

Normality Test

Data normality test is used to test whether the regression model, confounding or residual variables have a normal distribution, with the provisions of the Z value produced will be compared with the critical value so it can be known whether or not the variable is normal distribution.

Results of skewness and kurtosis normality test can be seen in Table 4.3 as follows:

Table 4.3 Results of Normality Test Analysis

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	48	.300	.347	.353	.681
Valid N (listwise)	48				

Source: Data processed using SPSS V21.0

Of the value of skewness and kurtosis, Zskewness and Zkurtosis are calculated as follows:

$$Zskewness = \frac{0.300}{\sqrt{6/100}} = 1,225 \qquad Zkurtosis = \frac{0.353}{\sqrt{24/100}} = 0,720$$

The calculation result ofZskewness and Zkurtosis to produce a value below the critical value is ± 1.96 (significant at α = 0.05). Thus, we can conclude that residual data are normally distributed.

MULTICOLONIARITY TEST

Multicoloniarity test is used to test whether a correlation between independent variables is found in the regression model. If the independent variables correlate with each other, then the variables are not orthogonal or the correlation value between variables is equal to zero.

Multicoloniarity test results in this study are presented in Table 4.4 as follows:

Table 4.4 Results of Multicoloniarity test

Coefficient Correlations[a]					
Model			Tingkat cad. kerugianpiutang	Total credit	Piutangtaktertagih
1	Correlations	Cad.kerugianpiutang	1.000	.045	-.377
		Kredit yang diberikan	.045	1.000	-.194
		Piutangtaktertagih	-.377	-.194	1.000
	Covariances	Cad.kerugianpiutang	.038	.015	-.035
		Kredit yang diberikan	.015	2.900	-.157
		Piutangtaktertagih	-.035	-.157	.224
a. Dependent Variable: Tingkat profitabilitas					

Source: Data processed using SPSS V21.0

From the results of the correlation value between the independent variables, it appears that there is no variable that has a correlation> 0.8 meaning the correlation between independent variables of multicoloniarity.

HETEROSCEDASTICITY TEST

Heteroscedasticity test aims to test whether there is inequality varience of residual from one observation to another observation in the regression model.
Heteroscedasticity test in this study has Plot graph as follows:

Figure 4.1 Results of heteroscedasticity test
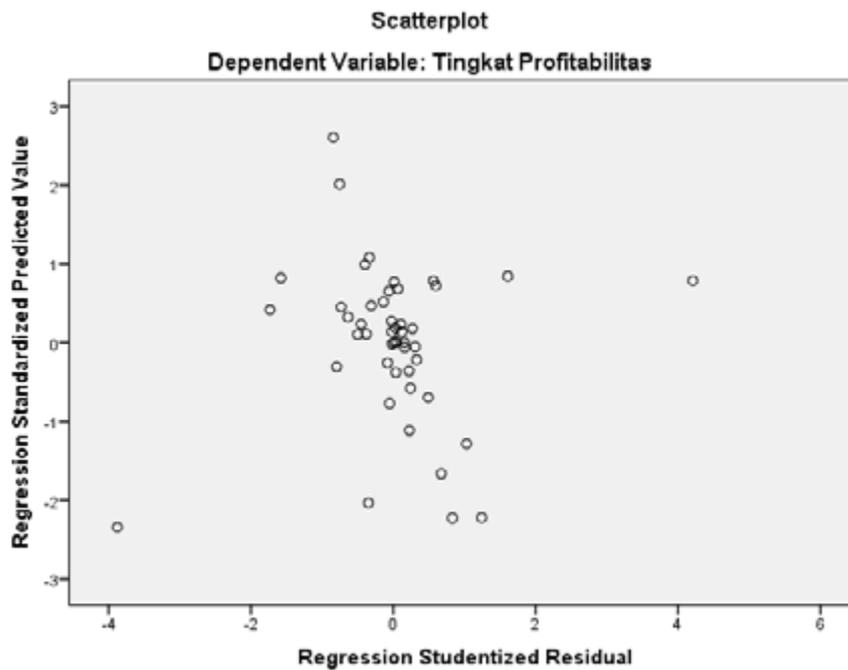
Source: Data processed using SPSS V21.0

From the Scatterplotgraph above, it can be seen that the point point spread at random and spread both above and below 0 (zero) on the Y axis.The scatterplot results show that there is no heteroscedasticity in the regression model.
Autocorrelation test
Autocorrelation test aims to test whether the linear regression model has correlation between disturbance's errors in period t with an error in period t-1 (previous). If there is a correlation, then it is called autocorrelation problem (Ghozali, 2011:110). The results using Durbin Watson autocorrelation test are presented in Table 4.5 as follows:

Table 4.5 Results of Autocorrelation test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.926a	.858	.848	.02427	1.929
a. Predictors: (Constant), Piutangtaktertagih, Kredit yang diberikan, Cadangankerugianpiutang					
b. Dependent Variable: Tingkat Profitabilitas					

Source: Data processed using SPSS V21.0

Autocorrelation test using Durbin Watson produces a value of DW at 1.929 and compared to a table value with a significance value of 5%, the number of samples is 48 (n) and the number of independent variables is 3 (k = 1), then at the Durbin Watson table found the values as follows: DW value of 1.929 is greater than the upper limit (du) of 1.674 and less than 4 – 1,674 (4-du), it can be concluded 1.674 (du) <2.135 (d) <4 – 1,674 (4-du) which means that there is no autocorrelation.
Simple simple linear regression
Simple linear regression analysis is used to determine the relationship between the dependent and independent variables, thus from the relationship obtained, we can estimate a variable if prices of other variables are known to the form of the regression equation. Based on the results of data processing that has been done, the results are presented in the following table:

Table 4.6 Results of simple linear regression test

Coefficients[a]						
Model	Unstandardized Coefficients			Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant) Cadangankerugia-npiutang	.681	.023		29.637	.000
		-7.228	1.472	-.586	-4.910	.000
a. Dependent Variable: Tingkat Profitabilitas						

Results of regression calculation obtain value of a at0.681 and value of b at -7228, in thus obtaining the form of simple linear regression equation as follows:
From simple linear regression equation, it can be explained:
The coefficient value of 0.681 is the value of the intercept, which means that the regression line cuts the axis Y at point 0.681 and also dependent upon estimates of X equal to 0.
The regression coefficient value of b = -7.228 is the coefficient of linear regression direction, which means that any increase in the value of the level of allowance for bad debt loss (X) of 1% would cause a decrease in the value of the level of profitability in terms of operational efficiency ratio (Y) amounting to 7.228%.

CORRELATION COEFFICIENT ANALYSIS

Correlation analysis is used to determine the strength of the correlation relationship between the two variables and the measure used to determine the degree or strength of the correlation relationship.
Based on the results of data processing by SPSS V21.0, the correlation coefficient analysis results are as follows:

$$Y = 0,681 – 7,228 X$$

The results obtained from this correlation calculation of -0586 indicate that in the two variables, there is a negative relationship between variable X (the level of allowance for debt loss) with variable Y (level of profitability).
Strong correlation between variable X with variable Y can be used as interpretation table of coefficient value (r). Based on the interpretation table of r value, it can be seen that the result of the calculation of correlation coefficient is -0586 which means that there is a relationship being between the level of allowance for bad debt loss to the level of profitability in BPR Subang branch Pabuaran.
Coefficient of determination

The coefficient of determination is used to determine how much the effect of the level of allowance for bad debt loss as an independent variable to the level of profitability as the dependent variable. Coefficient of determination test results can be seen in Table 4.8 as follows:

Table 4.8 Results of Coefficient of Determination Test

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.586a	.344	.330	.05094
a. Predictors: (Constant), Cadangankerugianpiutang				
b. Dependent Variable: Tingkat Profitabilitas				

Source: Data processed using SPSS V21.0

Figures on R square column in the table above mean that the effect of the level of allowance for bad debt loss to the level of profitability in BPR Subang branch Pabuaranis 34.4%, the remaining 65.6% is another factor that is not studied by the author such as net income, total assets and the effect of the amount of third party deposits kept by banks. The result of t testing are as follows :

Table 4.9 The result of t testing (Allowance of Bad Debt Loss to the Profitability Level)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.681	.023		29.637	.000
	Allowance of Bad Debt	-7.228	1.472	-.586	-4.910	.000
a. Dependent Variable: Tingkat Profitabilitas						

Source : Data processed with SPSS V21.0

Based on the Table 4.11, judging from the significance number is 0.00 and compared to the significance number is 0.05. The decision is to use the following criteria, considering the comparison value of > that is 4.910 > 2,021, it means is rejected and is accepted. The conclusion is that the rate of allowance of bad debt loss is significantly affects the level of profitability based on the ratio of operating expenses to operating income in BPR Subang of Pabuaran branch.

CONCLUSION

The level of allowance of bad debt loss in the Regional Company of Community Bank of Subang of Pabuaran Branch obtained average value at 1.0540.
The lowest level of profitability is 0.08% in January 2015. This shows the value of the bank's health from the aspects of profitability in January 2013 and 2014 decreased due to the big percentage of the costs against the low income.
The change rate in the amount of total receivables that occurred in BPR Subang of Pabuaran Branch during the period of 2012 – 2015, there was no significant effect on the level of profitability
The change rate in the number of bad debts occurred in BPR Subang of Pabuaran branch during the period of 2012 – 2015, there is a significant effect on the level of profitability.
From the test t test, it is known that = 1,529 < from = 2,201, which means that the rate of bad debt loss has no significant effect on the level of profitability.

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