



The Analysis of The Impact of Bank Loan Implementation to Increase Micro Scale Company Profit (Case Study in Hamster Breeder Company in Bandung - Indonesia)

Elizabeth Tiur Manurung

*Faculty of Economics,
Parahyangan Catholic University (UNPAR), Bandung – Indonesia
Email: eliz@unpar.ac.id*

Marco

*Faculty of Economics,
Parahyangan Catholic University (UNPAR), Bandung – Indonesia*

Abstract

This research will focus on how entrepreneur will increase business's profit continuously based on credit implementation. The objective of this research is to analysis the impact of company Bank loan implementation in increasing company profit, especially in micro firm. The research object is a Hamster breeder company which is a micro scale company. The company is located in Bandung (Indonesia) which name is The Hammy shop. The costumers of this company are either the Hamster distributor or the pet shops.

In order to enlarge business, the company has made a bank loan to increase its capital, in the year 2010. That why, this research has used data in period 2009 – 2010 before and after bank loan implemented in the company. Which is used the analytical descriptive method, this research come up to conclusion: after bank loan has implemented by company, the sales increase from Rp. 88.493.500 to Rp. 140.101.500 (58.3%), and also the expenses has increased from Rp. 1.385.000 to Rp. 2.077.000 (49.9%). This means that company net income increased by 59.55%. in other words the research hypothesis that is company net income will increase statistically significant as a result of bank loan implementation has proved, which significant value [0.001] and significant level (α) = 0.05.

Keywords: *Micro, Small, Medium Enterprise company, Bank loan, company revenues, company profit*

INTRODUCTION

The purpose of business implementation, not only for surviving in its live, but also in making optimum profit to increase shareholders' value (Brigham: 2006: 6). And it's not easy to reach this goal nowadays for the company, especially because of global free competition. One way to defense in facing the competition, is the company effort to fulfill increasing demand in the market, as the increase of the purchasing power of society. And to face its increasing demand in market, company has to increase its



business capability, to increase its economic of scale (Collier: 2006), and furthermore will increase also its competitive advantages.

To increase its operation, company usually need sufficient additional fund. Additional fund needed can be facilitate by owners themselves, or loan from third parties, for example Bank loan. With this additional capital, company could be maximized its capital allocation, to increase company capability, so furthermore its sales can be increased and will reached more profit (Kieso et. Al: 2011). This paragraph has become the reason that why the title of this paper is: "The Analysis of The Impact of Bank Loan Implementation, to Increase Micro Scale Company Profit" (Case Study in Hamster Breeder company in Bandung)"

RESEARCH QUESTIONS

1. Is Bank Loan implementation in micro company can increase company profit?
2. Is Company profit before and after Bank loan implementation significantly different from statistic point of view?

LITERATURE REVIEW

Generally speaking, the owners of Micro company is a proprietor , which is funded company operations by his capital and also managed the firm by himself (Godfrey: 2010). Micro company has defined as a productive business own by individual or organization, which has its sales revenues turnover not more over Rp. 300.000.000 based on Undang - Undang Republik Indonesia No. 20/ 2008 (Indonesian Republic Act No. 20/2008), (UU RI 20/2008).

Lending money from the Bank, can be done for increasing in company growing, as Brigham said (Brigham:2006: 842) " ...that *most corporate growth occurs by internal expansion, which take place when a firm's existing divisions grow ...*", it is clear that if capital of the company increase, then economic of scale of the company will also increase, also will increase efficiency, and increasing in its competitive advantage.

Siswanto Sutojo (2000: 31) describes 5 criterias for credit sufficient standard, that are: (1) debtor faithfulness; (2) professional and well-managed company; (3) the ability to pay credit based on revenues from normal operation; (4) good future prospect of the company; (5) in certain condition it is necessary to need the guarantee. And Bank will prepare the payment schedule which is the company has to obey and will be filed in customers data based. The payment schedule can be revised /or rescheduled due to changing in customer liquidity condition.



Company profit indicates the company performance. Company profit will be calculated as the total company expenses subtracted from the total revenues (Kieso et. Al: 2011). This means if the value of company revenues more over total company expenses then, the result is company profit, on the contrary, company will loss. So, if profit has become higher and higher, then the company performance will better and better.

RESEARCH METHOD

Analytical descriptive method revealed the company situation based on the data obtained by collecting and analyzing data with high logical thinking to generate conclusion. In this case, especially about revenues and profit in a micro, small enterprise in Bandung.

Variables studied in this research are company revenues, profits and credit from Bank loan. Hypothesis testing conducted to know whether there is significant difference in earnings before and after implementing the bank loans. Hypothesis was tested using paired sample t-test statistical model with significance level of 5% and using the statistical software SPSS version 17. The hypothesis formulated in this study are as follows :

H₀: $U_1 = U_2$ There is no significant difference in earnings before and after implementing the company's bank loan.

H₁: $U_1 \neq U_2$ There is significant difference in earnings before and after implementing the company's bank loans.

RESEARCH OBJECT

The object of this research is Hammy shop company, which is engaged in hamster breeding. The company located in Bandung. The company breeds many types of hamsters and sells it either to distributors or to the retailer (pet shop). Generally, this company generates sales of roughly \$ 150 million per year. Company's owner uses his own capital in running the business.

RESULT AND DISCUSSION

Hammy shop company is a private company, that is funded by owner's private capital. This company can be classified as micro enterprise under the Indonesian Republic Act No. 20 of 2008 which stated that the micro-enterprise is a business that has a sales turnover of less than Rp 300.000.000,00; in this case the company has a sales turnover of Rp 140.101.500,00.

In 2010, the company submitted a credit proposal to the Bank to borrow fund and the Bank has provided loan to the company for consideration: (1) the company



can be trusted for being honest, (2) the company managed professionally, because its performance is very good based on the percentage of all expenses to per unit of sales ratio is about 14.14% (1-85.85%). This means that company's operation is very efficient, (3) the company has been able to pay off loan from normal funding sources because based on profit to sales ratio /or the profit margin ratio of 85,86% means that every 1 unit sales will generate a profit of 0,85 unit (4) the company's prospect in the future is good because demand in market increases.

Bank loan is used by company to develop business, which are to: (1) expand its business, (2) increase the amount of mother hamster, (3) renovation of farm, (4) purchase of inventory, (5) purchase of hamster seeds. With this expansion, the resulting sales increased sharply, which in 2009 was before the implementation of bank loan and data for 2010 is after the implementation of bank loan, which are as follows:

Table 1 The Revenues comparison before and after credit implementation

Month, Year:2009	Sales revenues before credit (in Rupiah)	Month, Year: 2010 (in Rupiah)	Sales revenues after credit (in Rupiah)
March	8,324,000	January	9,244,500
April	8,153,000	February	10,008,000
May	7,773,000	March	12,693,000
June	9,088,000	April	15,912,000
July	8,329,500	May	18,257,000
August	9,112,000	June	16,984,500
September	9,838,000	July	15,692,000
October	9,147,000	August	11,080,000
November	9,766,500	September	14,672,500
December	8,962,500	October	15,558,000
TOTAL	88,493,500	TOTAL	140,101,500

Source: company data

Then, the resulting earning increase from the year 2009 to 2010 is about 58,5%, before and after Bank loan implementation.

Table 2 Hamster feed expense as the element of Cost of Goods Sold

Hamster Feed expense /month	– Dec 2009 (in Rupiah)	Jan – March 2010 (in Rupiah)	April – October 2010 (in Rupiah)
Beans70kg	440,000	506,000	660,000
Growing be ans 210kg	945,000	1,086,750	1,417,500
Total hams ter feed expenses:	Rp. 1.385.000 (for 1.000 Hamster)	Rp. 1,592,750 (for 1,150 Hamster)	Rp. 2,077,500 (for 1,500 Hamster)

Source: Company data



Hamster feeding exp. decrease from 1.56% to 1.48% before and after → Efficiency.

Table 3 The Net profit comparison before and After Bank loan implementtation (in Rupiah)

Month, Year: 2009	Net Income before credit	Month, Year: 2010	Net Income After credit
March	7,026,645	January	7,268,975
April	6,955,000	February	8,268,310
May	6,616,650	March	10,989,610
June	7,815,380	April	13,974,390
July	7,162,140	May	16,220,580
August	7,876,760	June	14,864,825
September	8,470,900	July	13,838,310
October	7,939,150	August	9,350,870
November	8,439,705	September	12,743,585
December	7,681,420	October	13,711,060
TOTAL	75,983,750	TOTAL	121,230,515

Source: company data

The resulting earnings from year 2009 to 2010 has increased about 59.5%, the difference of this earnings has been tested by statistic paired sample t-test which resulting conclusion that there is significant difference in earnings before and after implementing the company's bank loans, with significant value [0.001] and significant level 5%.

CONCLUSION

The implementation of bank loan in this company has increased company profit about 59.5%. and this indicates also company efficiency; due to company profit margin ratio is about 85.86%; and decreasing hamster feeding expense from 1.56% to 1.48%.

Based on statistic paired sample t-test result, it is proved there is significant difference between company profit before and after bank loan implementation with significant value of [0.001] and which significant level 5% is

RESEARCH IMPLICATION

Consistent with Brigham theory (Brigham: 2006) that business expansion which is funded by bank loan usually make company profit increase. And from this research result that hypothesis has been proved (with 59.5% increase), furthermore for those



all other micro firm can applied this concept that borrow funding from Bank/other parties can help company to increase its performance

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