

Effect of Internal Control Structure Application Towards the Efficiency of Credit Distribution on Save Loans Cooperative (KSP) In Sukawati District

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ABSTRACT

This study aims to determine the effect of the application of internal control structures on the efficiency of lending. This research was conducted in all savings and loan cooperatives of Sukawati Subdistrict registered with the Gianyar Regency Cooperative Service. The sampling technique used is saturated sampling. The sample in this study amounted to 68 respondents from 34 populations. The data analysis technique is multiple linear regression analysis. The results showed the control environment, risk assessment, and monitoring variables had a positive effect on the efficiency of lending. Whereas Control, Information and Communication activities do not affect the efficiency of credit distribution to savings and loan cooperatives.

Keywords: Control Activities, Control Environment, Efficiency of Credit Distribution, Information and Communication, Monitoring, Risk Assessment

INTRODUCTION

One of greater efficiency credit distribution is an indicator is very important in measuring the performance of the whole of the company activities. Efficiency is often defined how a company can reach at least with regard to the system of granting credit, credit disbursement system and monitoring systems. credit Also linked to efficiency management input and output relationship which is how to allocate factors production available optimally to be able to produce outputs that maximum (Mardiasmo, 2009: 132).

Internal control is part of risk management should be implemented by any company to reach a goal the company or the important thing for the company of the company small, medium and large companies. Internal control systems begin as internal processes with the positive goal of helping a corporation meet its set objectives (Cunningham, 2004). Nor to KSP, a good internal control will cause small cheating or manipulation by KSP. management Not the function and the process of control in an enterprise is one of the causes of the emergence of a variety of acts of cheating in the company, environment hence internal control system was a pretty important in maintaining security of the theft, company assets abuse of authority, as well as corruption. Internal control can provide information about how to assess the company performance and management of the company and provide information to be used as a guideline in the planning.

Phenomena economic development based on national and change of environment in the business world of cooperatives small and medium enterprises the current is very fast and dynamic. But it was not in balance to capital source, especially for medium enterprises down. Loan and save cooperative as one of the banks financial not give society service, in a depository money they and provide loans or credit. In general, a credit is offered to the public need collateral and interest rate various. Leading to many layers of the cooperative services to wear savings and loan esp. in parts of credit.

Literature Review and Development of Hypotheses

Agency Theory

Agency theory is clearly illustrated by (Jensen and Meckling, 1976) where agency theory explains the relationship between the principal (owner) and agent (Manager), the conflict between the two called agency conflict (agency conflict), as well as costs incurred due to agency conflict called agency costs. in this case supervision or monitoring needs to be done to oversee the behavior of the agent whether the agent has acted in the interests of the principal by reporting accurately all activities that have been assigned to the manager. In order to avoid misappropriations or actions that can harm the company, it is necessary to supervise and control all company activities.

Definition of Internal Control Structure

Internal control is a part of risk management that must be carried out by each institution to achieve the goals of the institution. Thus, the need for internal control within an institution so that this must be implemented consistently to ensure the sustainability and trust of the community. An effective internal control structure can help the management of an entity to safeguard and secure assets or assets, ensure the availability of credible financial and managerial reporting, increase the entity's compliance with applicable laws and regulations and reduce the risk of loss, irregularities including fraud and violation of prudential aspects, improving the organization and increasing cost efficiency.

Elements of the Internal Control Structure

Control Environment

The control environment is a means and infrastructure of determining the style of an organization, influencing the awareness of the control of its people. Managers are responsible for creating a positive Control Environment by regulating positive ethical tone, provide guidelines for better behavior, eliminating distractions for good behavior, discipline, setting up a written code of ethics, ensuring personnel have and develop the level of competence to perform his/her duties, as well as clearly define the key areas of authority and responsibility of each personnel (Tudor, 2006).

Risk Assessment

Risk assessment is the identification of entities and an analysis of the risks that are relevant to achieving its objectives, forming a basis for determining how risks should be managed.

Control Activities

Control activities are policies and procedures that help ensure that management directives are implemented.

Information and Communication

Information and communication are the identification, capture, and exchange of information in a form and time that allows people to carry out their responsibilities.

Monitoring

Monitoring is a process that determines the quality of internal control performance over time. Monitoring includes determining the design and operation of controls on time and taking corrective actions.

Efficiency of Credit Distribution

Efficiency is an important indicator in measuring the overall performance of a company's activities. Efficiency is often interpreted as how a company can produce by taking into account the lending system, the credit disbursement system and the credit monitoring system. Efficiency also involves managing input and output relationships, namely how to allocate the available production factors optimally to be able to produce maximum output (Mardiasmo, 2009: 132).

So that the efficiency of lending is used to measure the extent of savings and loan cooperatives' ability to increase profitability through the management of its human resources. The efficiency of lending to savings and loan cooperatives can be measured using a questionnaire with several indicators, namely the lending system, the credit search system, the credit monitoring system. Loans that have been disbursed are then measured using a 5-category Likert scale. The amount of efficiency in lending will indirectly affect overall profitability because the more efficient KSP in channelling credit will minimize the problem loans in the KSP.

Hypothesis

H1: The Control Environment has a positive effect on the efficiency of lending to KSP in Sukawati District.

H2: Risk assessment has a positive effect on the efficiency of lending to KSP in Sukawati District.

H3: Control activities have a positive effect on the efficiency of lending to KSP in Sukawati District.

H4: Information and communication have a positive effect on the efficiency of lending to KSP in Sukawati District.

H5: Monitoring has a positive effect on the efficiency of lending to KSP in Sukawati District

RESEARCH METHODS

Research Locations

The location of this research was conducted in all savings and loan cooperatives in Sukawati Subdistrict registered in the Gianyar Regency Cooperative Service from 2015 to 2017.

Variable Identification

Dependent variable (Y)

The dependent variable is the variable that is affected or becomes a result, because of the independent variable (Sugiyono, 2016: 39). Dependent variable in research this is the efficiency of lending to savings and loan cooperatives (KSP) in Sukawati District.

Independent variable (X)

The independent variable is the variable that influences or is the cause of the change or the occurrence of the dependent variable (Sugiyono, 2016: 39). The independent variables in this study are:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring

Dependent variable

The efficiency of lending to savings and loan cooperatives can be measured using a questionnaire. In this instrument there are eleven statements with three indicators, namely:

1. Credit granting system
2. Credit search system
3. Credit monitoring system

Free Variables

Control Environment

There are ten statements in the control environment instrument with five indicators, namely: Philosophy and operating style of management, Risk in the credit section is adequately monitored, Completeness of the organizational chart, Determination of authority and responsibility, Policies and practices of human resources

Risk Assessment

In the risk assessment instrument there are eight statements with four indicators, namely: About the evidence of the separation of the KSP account number with the owner's company in full, deposit slip or transaction evidence, Making the minutes of credit checks, There is an eradication of access to credit data through a password.

Control Activities

In the instrument of control activities there are eight statements with two indicators, namely: Relating to the availability of complete evidence to explain the duties of each function in accordance with the job description, Has the proper authorization been done in a credit transaction.

Information and Communication

In the information and communication instrument there are eight statement items with two indicators, namely: Adequate or not the draft form used, the procedure for recording credit in KSP.

Monitoring

In the monitoring instrument there are eight statements with two indicators, namely: Procedure for supervision and control of corporate credit, Company activities in monitoring company income completely and clearly regarding lending.

Method of Determination of Samples

The population in this study is the credit along with the cashier. The credit and cashier parts are chosen because the credit and cashier parts are directly related to the realization and disbursement of credit. The population in this study was 34 KSP in Sukawati District. The sampling technique used in this study is the census saturation technique, which is a sampling technique if all members of the population are used as samples. The number of samples in this study was 34×2 (one of the credits and cashiers) = 68 respondents.

Data Collection Methods

Questionnaire

The questionnaire in this study was distributed directly to KSP in Sukawati District. In this method, questions are given regarding the efficiency of lending, the control environment, risk assessment, control activities, information and communication and monitoring which are variables of the internal control structure.

Interview

In this study includes the KSP credit section in the District Sukawati and KSP Management in the District Sukawati. The results obtained through the interview method are information about the mechanism of credit extension, the percentage of credit smoothness and sanctions given in each KSP if there are customers who do not comply with obligations.

Data Analysis Techniques

Descriptive statistics

Descriptive statistics are statistics used to analyze data by describing or describing data that has been collected as it is without intending to make conclusions that apply to the public or generalization (Sugiyono, 2016: 206).

Test Research Instruments

The research instrument test is a data collection activity carried out with certain techniques and using certain tools namely the validity test and the reliability test.

Classical Assumption Test

The classic assumption test is for the sake of analysis, the variables operated must meet the requirements so that they do not produce what can be tested (Ghozali, 2016: 103). A good regression model must have a normal or near normal data distribution and be free of classical assumptions which consist of the Normality Test, the Heteroscedasticity Test, the Multicollinearity Test.

Model Feasibility Test

The model feasibility test is used to determine whether a variable can be approached using a distribution or not. The distribution that was tried was the coefficient of determination test, F test (Simultaneous Significance), T test (Partial significance test).

Analysis of Multiple Linear Regression

Regression analysis was conducted to test how much the relationship between independent variables with the dependent variable and to determine the direction of the relationship (Ghozali, 2016: 93). The results of the test will provide the results of

rejection or acceptance of the research hypothesis. This study uses SPSS software to predict the relationship between the independent variable and the dependent variable. The regression equation used in this study is as follows:

$$EPK = \alpha + \beta_1 LP + \beta_2 PR + \beta_3 AP + \beta_4 IK + \beta_5 P + e \quad (1)$$

= Constant

β_1 - β_5 = regression coefficient

LP = Control Environment

PR = Risk Assessment

IK = Information and Communication

AP = Control Activities

P = Monitoring

e = standard error

RESULTS AND DISCUSSION

The data in this study were obtained from the results of a questionnaire that researchers and respondents had conducted to obtain more accurate data and facilitate the data analysis process. Distribution of questionnaires using a sample of 68 respondents the number of questionnaires returned was 68 questionnaires and there were no questionnaires who did not return.

Descriptive Statistic Test

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
LP	68	35.00	50.00	43.4706	3.65477
PR	68	29.00	40.00	34.6471	2.92067
AP	68	27.00	37.00	32.6324	2.15035
IK	68	29.00	40.00	34.2500	2.36501
P	68	25.00	40.00	33.2059	2.48313
EPK	68	37.00	55.00	47.5882	3.98218
Valid N (listwise)	68				

Test Validity and Reliability

Validity test

Validity test is used to test whether the items in the variable can be understood by respondents so that they are able to give the right answer. A valid instrument means a measuring tool used to obtain valid data. An instrument is declared valid if the correlation of each factor is positive and the amount is above 0.3 (Sugiyono, 2016: 52). If the correlation efficiency is greater than 0.3, then the instrument is declared valid.

Reliability test

Reliability test is a form of data quality test that aims at the stability and consistency of the instrument to measure variables (Sugiyono, 2016: 172). A questionnaire is said to be reliable or reliable if someone's answer to the question is consistent or stable from time to time. An instrument is said to be reliable if the Cronbach alpha value is greater than 0.6 (Sugiyono, 2016: 47).

Classical Assumption Test

The classic assumption test is for the sake of analysis, the variables operated must meet the requirements so that they do not produce what can be tested (Ghozali, 2016: 103). A good regression model must have a normal or near normal data distribution and be free of classical assumptions which consist of:

Normality Test

Normality test is a test conducted to test whether in a regression model a confounding or residual variable has a normal distribution (Ghozali, 2016: 154). The normality test uses the Kolmogorov-Smirnov method, said to be normally distributed if the significance is more than alpha 0.05.

Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		68
Normal Parameters ^a	Mean	.0000000
	Std. Deviation	2.48136842
Most Extreme Differences	Absolute	.118
	Positive	.118
	Negative	-.081
Kolmogorov-Smirnov Z		.970
Asymp. Sig. (2-tailed)		.304

Source: Appendix 5

Based on the Table shows that the value of Kolmogorov-Smirnov Z is 0.970 while the value of Asymp. Sig (2-tailed) of 0.304. These results indicate that the regression equation model is normally distributed because of the Asymp value. Sig (2-tailed) 0.304 is greater than alpha 0.05.

Multicollinearity Test

According to Ghozali (2016: 103) multicollinearity test aims to test whether the regression model found a correlation between independent variables. If VIF <10 and tolerance value > 0.10, it can be concluded that multicollinearity does not occur.

Multicollinearity Test

Coefficients ^a								
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-5.045	6.151		-.820	.415		
	LP	.378	.105	.347	3.602	.001	.673	1.485
	PR	.408	.142	.299	2.881	.005	.580	1.724
	AP	.191	.165	.103	1.157	.252	.785	1.274
	IK	.135	.163	.080	.829	.410	.667	1.498
	P	.336	.157	.210	2.140	.036	.652	1.534

Source: Appendix 5

The table above shows that the tolerance value of the independent variable > 0.10 and the VIF value ≤ 10 , it can be concluded that there are no symptoms of multicollinearity between the independent variables in the regression model.

Heteroskedasticity Test

Heteroskedasticity test aims to test whether there is an inequality of variance from the residuals of one observation to another. (Ghozali, 2016: 134). The regression model is said to not contain symptoms of heteroscedasticity if the significance value is more than 0.05. Heteroscedasticity test results are presented in the following table:

Heteroscedasticity Test Results

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	4.577	4.175		.277
	LP	.016	.071	.035	.819
	PR	.054	.096	.091	.579
	AP	-.173	.112	-.216	.128
	IK	.071	.111	.097	.524
	P	-.052	.107	-.075	.626

Source: Appendix 5

Based on the table above shows that all independent variables have a significance value, namely: 0.819; 0.579; 0.128; 0.524 and 0.626 indicate that the significance value > 0.05 , it can be concluded that there are no symptoms of heteroscedasticity.

Model Feasibility Test

Goodness of fit model is performed to prove the accuracy of the sample regression function in interpreting the actual value by measuring the statistical value of F, the coefficient of determination and the statistical value of t, to prove the hypothesis proposed is true or not, then carried out with the following test:

Determination Coefficient Test (Adjusted R2)

According to Ghozali (2016: 95), the coefficient of determination (R2) basically measures how far the ability of the model to explain the variation of the dependent variable. The results of the determination coefficient test are shown as follows:

Determination Coefficient Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.782 ^a	.612	.580	2.57948

Source: Appendix 6

Based on the table above, the coefficient of determination (Adjusted R2) is 0.580 or 58.0 percent. This means that the efficiency of lending by 58.0 percent by variables of the control environment, risk assessment, control activities, information and communication and monitoring. While the remaining 42.0 percent is influenced by other factors not included in the research model.

Test F

According to Ghozali (2016: 96) F static test basically shows whether all independent variables entered into this method have an overall effect on the dependent variable. The decision-making criteria used are if the probability <0.05 then the independent variable as a whole affects the dependent variable. The results of the analysis can be seen in the following table:

Test Results F

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	649.939	5	129.988	19.536	.000 ^a
	Residual	412.532	62	6.654		
	Total	1062.471	67			

Source: Appendix 6

Based on the table above obtained a significance value of 0,000 which is smaller than 0.05. Then the regression model is said to be fit or suitable for testing further data.

Test t

According to Ghozali (2016: 97) t-test statistics are basically used to show how far the influence of the independent variable (X) individually in explaining the variation of the dependent variable (Y). If the significant level is less than 0.05 this means that the independent variable has a partial effect on the dependent variable. The results of the statistical test t can be seen in the following table:

Multiple Linear Regression Analysis

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	
1	(Constant)	-5.045	6.151		- .820
	LP	.378	.105	.347	3.602
	PR	.408	.142	.299	2.881
	AP	.191	.165	.103	1.157
	IK	.135	.163	.080	.829
	P	.336	.157	.210	2.140

Based on the table above the equation can be written like:

$$Y = -5,045 + 0,378LP + 0,408PR + 0,336P$$

CONCLUSIONS

This study aims to determine the effect of the structure of internal control on the efficiency of lending in savings cooperatives in Sukawati District. Internal control structure components that consist of a control environment (LP), risk assessment (PR), control activities (AP), information and communication (IK), and monitoring (PM). The samples used in this study were 34 savings and loan cooperatives spread across the Sukawati sub-district with a number of respondents 68. Based on data analysis and discussion as well as from the hypotheses that have been prepared and tested in the previous section, it can be concluded that:

1. The control environment has a positive effect on the efficiency of lending to savings and credit cooperatives in Sukawati sub-district.
2. Risk assessment has a positive effect on the efficiency of lending to savings and credit cooperatives in Sukawati sub-district
3. Control activities do not affect the efficiency of credit distribution in savings and loan cooperatives in Sukawati sub-district.
4. Information and communication have no effect on the efficiency of lending to savings and credit cooperatives in Sukawati sub-district
5. Monitoring has a positive effect on the efficiency of lending to savings and credit cooperatives in Sukawati sub-district.

Suggestion

Based on the research results, suggestions that can be submitted are as follows:

For further researchers, it is expected to use other independent variables such as the condition of prospective borrowers, lending strategies and capital structure that can affect the efficiency of lending.

The need for ongoing training and training for all employees of savings and loan cooperatives in Sukawati District so that they can improve their work activities and understand the importance of internal control so that savings and loan cooperatives are able to provide better credit. Related to the discovery of internal control structure variables, control activities, information and communication are the dominant variables

that do not affect the efficiency of lending, it is recommended for savings and credit cooperatives in Sukawati District to improve the structure of internal control, control activities, information and communication so that the efficiency of credit distribution can even better so that it can increase the achievement of optimal profits.

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