

THE INFLUENCE OF BANK LENDING, OVERDRAFT FACILITIES, AND OWNERS EXPERIENCE ON REINVESTMENT (Study on MSME Actors in Lhokseumawe City)

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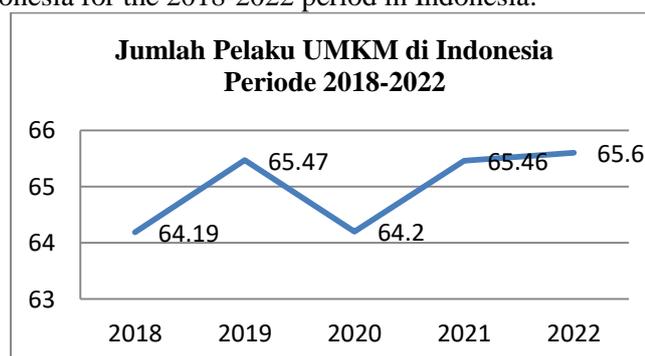
Abstract

The aim of this research is to determine the influence of bank lending, overdraft facilities, and owners experience on reinvestment. The method used is quantitative, the population is MSME actors in Lhokseumawe City, while the number of samples used is 100 respondents, the data used is primary data from the results of questionnaires, data analysis uses multiple linear regression and hypothesis testing. The results of this research show that bank lending has a positive and significant effect on reinvestment in Lhokseumawe City MSMEs, this is because the significance value is $0.000 < 0.05$. Overdraft facilities have a negative and insignificant effect on reinvestment in Lhokseumawe City MSMEs, this is because the significance value is $0.147 > 0.05$. Owners experience has a positive and significant effect on reinvestment in Lhokseumawe City MSMEs, this is because the significance value is $0.000 < 0.05$. Bank lending, overdraft facilities, and owners experience simultaneously and significantly influence reinvestment in Lhokseumawe City MSMEs, this is because the significance value is $0.000 < 0.05$.

Keywords: bank lending, overdraft facilities, owners experiences, reinvestment,

INTRODUCTION

Micro, Small and Medium Enterprises or better known as MSMEs are productive businesses owned by individuals or business entities that have met the criteria as a business. MSMEs are a business that is in great demand by the people of Indonesia, because with only a small capital the community can become MSME actors (Hanim, and Noorman, 2018). The development of MSMEs in Indonesia is quite good, as evidenced by the last few years the number of MSME actors in Indonesia continues to grow. Based on the report of the Ministry of Cooperatives and SMEs of the Republic of Indonesia, MSME players continue to experience growth, the following is data on the growth of MSMEs in Indonesia for the 2018-2022 period in Indonesia:



Source : Ministry of Cooperatives and SMEs of the Republic of Indonesia (2023)

Figure 1. MSME Growth Data 2018-2022

Based on the picture above, it shows that MSME players in Indonesia continue to increase in the 2018-2022 period. The increase occurs every year, the increase in MSME players is quite consistent even though in 2020 there was a decrease due to the Covid-19 pandemic, but after that MSME players continued to grow. This is certainly a very positive thing for the economy in Indonesia. Reinvestment is the act of reinvesting profits or income earned from previous investments. Reinvestment aims to get greater and maximum investment returns in finance. MSME

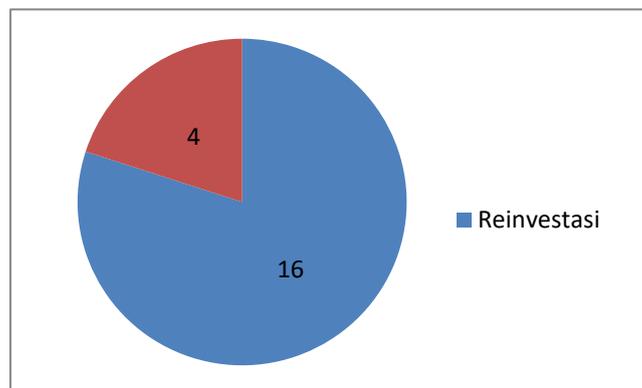
players who reinvest are believed to increase their economic conditions and make their financial conditions better. The following is the number of MSME players in Lhokseumawe City in 2021:

Table 1. Number of MSME players in Lhokseumawe City in 2021

No	Business Type	Kriteria UMKM			Sum
		Micro	Small	Menengah	
1	Trade Sector	1.985	275	47	2.307
2	Agriculture Sector	91	1	0	92
3	Mining Sector	0	0	0	0
4	Industrial Sector	3.187	43	1	3.231
5	Fisheries Sector	27	7	0	34
6	Transportation Sector	1	23	12	36
7	Livestock Sector	39	0	0	39
Sum		5.330	349	60	5.739

Source : Lhokseumawe City Industry, Trade and Cooperatives Office (2022)

Based on the table above, it shows that the number of MSME players in Lhokseumawe City registered with the Lhokseumawe City Industry, Trade and Cooperatives Office in 2022 is 5,739 MSMEs consisting of 7 business sectors, namely the trade, agriculture, mining, industry, fisheries, transportation and livestock sectors. Researchers conducted an initial survey with MSME players in Lhokseumawe City, researchers asked 20 MSME players about whether to reinvest or not. Researchers provide explanations to MSME players regarding reinvestment so that MSME players in Lhokseumawe City are willing to be surveyed. The results of the initial survey of researchers were found as follows:



Source : Author's initial source (2023)

Figure 2. MSME Actors who Reinvest

Based on the picture above, it shows that the results of the author's initial survey with 20 MSME players in Lhokseumawe City found that 16 of them reinvested while the remaining 4 did not reinvest. This means that 80% of MSME players from this initial survey reinvest, the reinvestment carried out is more to increase business capital to develop their business or open business branches elsewhere. Of course, the reinvestment made by MSME players is believed to be influenced by several factors. The first factor is bank lending, bank lending is a loan provided by a bank to customers. This loan is also referred to as providing credit by the bank to customers, of course, this credit is useful or affects MSME actors in reinvesting. Currently, many MSME players are given loans by banks, one of which is the KUR Program. If the conditions can be met, then MSME players will be given loans by banks, these loans will usually be used by MSME players such as opening new businesses or enlarging their businesses or even investing them to buy land, houses and jewelry (Syam and Musfira, 2021). Many MSME players in Lhokseumawe City get KUR loans from the bank, of course, they will be used by MSME players in Lhokseumawe City, such as to increase business capital, open branches, open new businesses, and of course reinvest in both movable and immovable objects. This is supported by research conducted by Nirsohan Hewa

Wellalage and Krishna Reddy (2017) which states that to invest companies or MSME actors need loans from banks, the absence of MSME access to banking will make it difficult for MSMEs to reinvest

The second factor is *overdraft facilities*, *overdraft facilities* are products that offer loans with guaranteed choices of deposit, investment, and insurance products. *Overdraft* is a banking service that allows customers to withdraw money with a zero balance. MSME actors in Lhokseumawe City are of course also or some are given or get overdraft facilities, especially for business actors who certainly have quite a lot of wealth and are considered priority customers by the bank. MSME players will automatically be given this type of loan facility, of course, this will greatly affect reinvestment. Because reinvestment for large-scale business actors certainly requires a lot of funds and quickly so that overdraft facilities are needed in reinvesting. This is supported by research conducted by Nirsohan Hewa Wellalage and Krishna Reddy (2017) which states that the availability of overdraft is considered to be an interrelated thing with reinvestment, companies or MSME actors that have overdraft have a reinvestment rate of 4-10% higher than companies that do not have overdraft facilities.

The third factor is *owners experiences*, *owners experiences* are experiences or learning from what has been obtained by someone in this case as a business actor for the business activities he runs. The experience that someone has is certainly a positive thing to reinvest because experience is very important. As research conducted by Shi and Weber (2021) states that experience as an entrepreneur is very important in business growth and identifying new opportunities to increase profits so that business actors reinvest.

Based on the explanation above, the formulation of the problem in this study is as follows:

1. Is there any influence between *lending banks* on reinvestment?
2. Is there any effect between *overdraft facilities* and reinvestment?
3. Is there any influence between *owners experience* and reinvestment?
4. Is there any influence between *bank lending*, *overdraft facilities*, and *owners experience* on reinvestment?

LITERATURE REVIEW

Bank lending is currently known as *peer-to-peer lending* is the provision of financing carried out online, which is commonly said to be a bridge between the inequality that occurs between those who need financing and those who are excess funds. *Fintech P2P Lending* is very useful because it provides alternative funding for the community. What is financed is usually a person or party who is or has just built a business and needs additional capital, while the lender is someone who invests in people who are financed or who need financing who then enjoy profits or profits from the margin that has been determined at the beginning (Harahap, et.al, 2021). Currently, with the presence of *this fintech*, people can easily access loans / financing to improve their business or daily needs that must be met. Not only to get large profits or income for startup companies, but the existence of fintech also turns out to be able to improve the standard of living and purchasing power of many people (Pllaha, et.al, 2023). Indicators of bank lending are financing procedures that are easy, time, and increase productivity (Syaftri, 2021). *Overdrafts* is a banking service that allows customers to withdraw money with a zero balance. Banks offer loans that protect customers from bounced checks. This service is chargeable. *Overdrafts* occur when there is not enough money in the account for a transaction or withdrawal, but the bank still allows such transactions (Daffa, 2023). *Bank overdraft* occurs when the current account owner issues a check or bilyet giro in excess of his account balance at the bank. An overdraft balance on one of the accounts at the bank is presented as current debt on the balance sheet (Martono and Safi'I, 2022).

An indicator of *overdraft facilities* is that customers have good ties with banks, and customers have the ability to repay loans (Castillo and Salem, 2013). Business experience can be interpreted as learning from what business actors have obtained from the business activities carried out. The longer the company operates, the more accounting information is needed because the

complexity of the business is also higher and indicates the need for accounting information will increase (Rahma 2021). Staw argues that experience in running a business is the best predictor of success, especially when the new business is related to previous business experience. The need for experience in processing business is increasingly needed with the increasing complexity of the environment. experience in managing a business has an influence on the income of small-scale businesses (Jamil, et.al, 2022). Indicators of *owner experience* are length of business and level of education (Jamil, et.al, 2022). Reinvestment is the act of reinvesting profits or income earned from previous investments. In investing, reinvestment is often done in the form of buying new stocks or mutual funds using profits from previous investments. By reinvesting, investors can increase the value of their investment portfolio. This method is often done by many investors to multiply the profits they earn. Thus, the velocity of money continues to run and is able to achieve financial balance (Wulisan, 2022). Reinvestment certainly also allows risk, reinvestment risk is a risk where the results received in the future must be reinvested in lower interest rates (Siagian, 2020). Reinvestment indicators are using income to invest, invest without consideration, invest without collateral, and invest based on philosophy (Anriyani, et.al, 2023).

METHOD

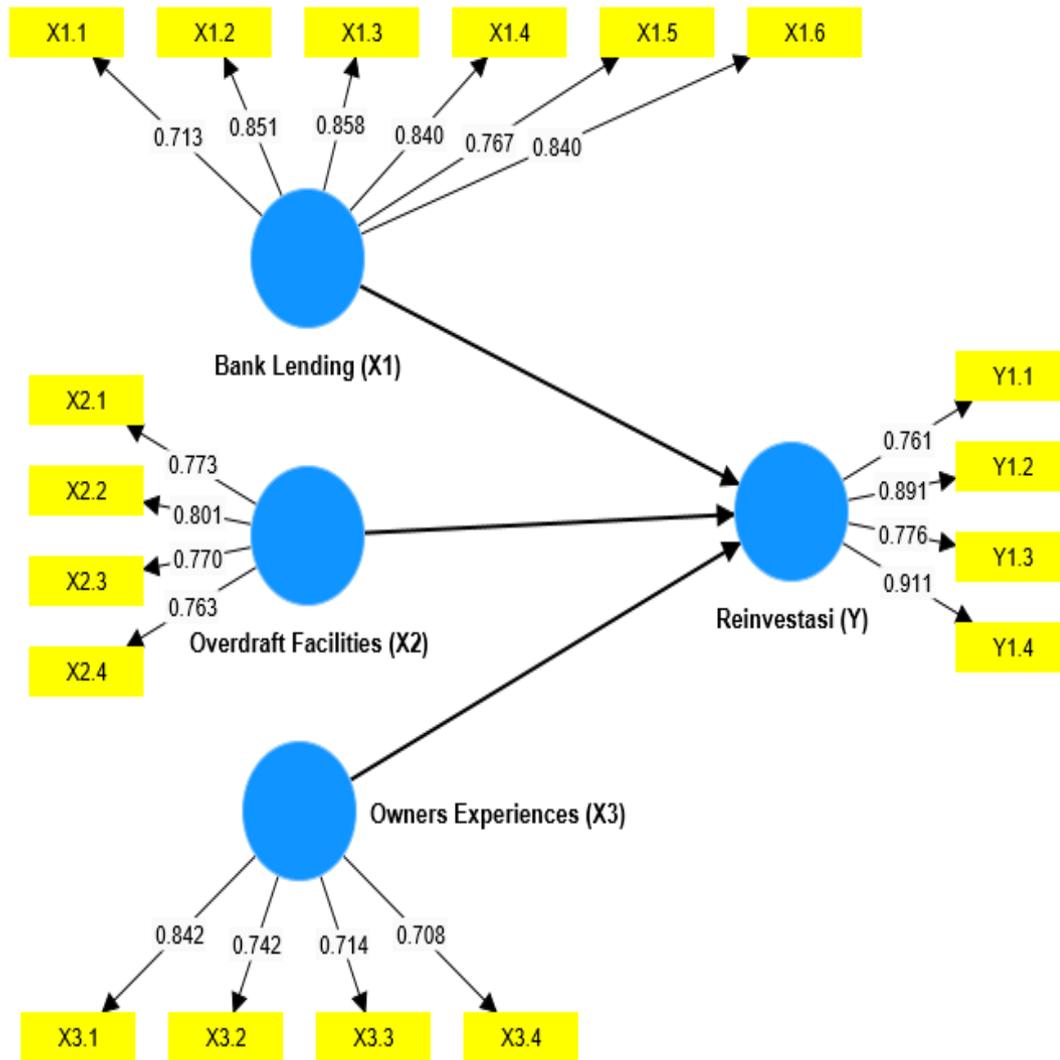
The type of research is quantitative, the location of the study is in Lhokseumawe City. The population in this study is MSME players in Lhokseumawe City which amounted to 5,739 MSME actors, while the sample in this study was 100 respondents. The data source used is primary data which is the result of distributing questionnaires to respondents. The measurement scale on the questionnaire uses a *five-point Likert scale*. Data processing using the help of Smart PLS application. Instrument tests use validity and reliability tests, then classical assumption tests use normality tests, heteroscedasticity tests, and multicollinearity. The last step is to perform data analysis, namely multiple linear regression, t-test, and f-test.

RESULTS AND DISCUSSION

RESEARCH RESULTS

Test Validity and Reliability

The Validity Test is used to measure the validity or validity of a questionnaire in research. The validity test in this study uses values *convergent validity (outer loading)*. An indicator or question item is considered valid if it has a correlation value of > 0.70 (Ghozali, 2018). Next is the result of the validity test:



Sumber : Data Primer (2023)

Figure 3. Validity Test

Based on the figure above, it can be seen that all questions on each variable, namely *bank lending* variables (X1), *overdraft facilities* (X2), *owners experience* (X3), and *reinvestment* (Y) have a correlation value of > 0.70 , so it can be concluded that all questions or indicators on these variables are declared valid and worthy of use.

Furthermore, conducting reliability tests, Reliability tests are tools to measure a questionnaire that has indicators of variables or constructs. A variable can be said to be reliable if it gives a *Cronbach alpha* (α) value of > 0.70 . The following is a reliability test of each variable X and Y which can be seen below:

Table 2. Reliability Test

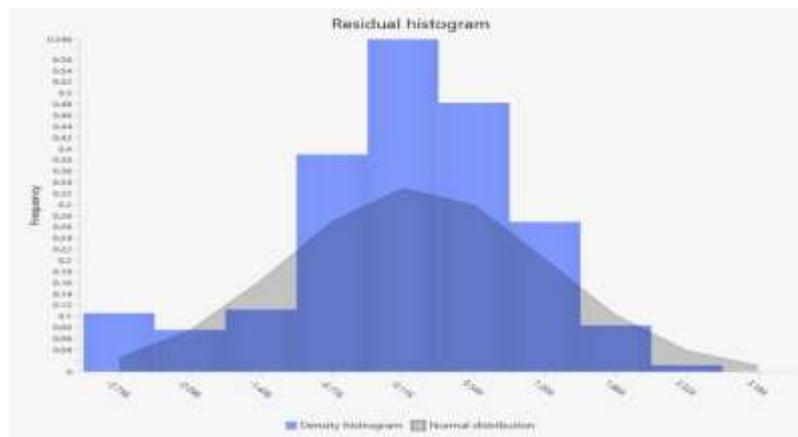
Variable	Cronbach Alpha	Standard	Information
Bank Lending (X1)	0,900	0,70	Reliable
Overdraft Facilities (X2)	0,782	0,70	Reliable
Owners Experience (X3)	0,747	0,70	Reliable
Reinvest (Y)	0,857	0,70	Reliable

Sumber: Data Primer (2023)

Based on the table above, it can be seen that all variables, namely *bank lending* variables (X1), *overdraft facilities* (X2), *owners experience* (X3), and *reinvestment* (Y) can be said to be reliable because the value of *Cronbach alpha* of each variable has a value of > 0.70 .

Classical Assumption Test

The classical assumption test uses the normality test, the multicollinearity test, and the heteroscedasticity test. The normality test uses a residual histogram, which is the result of the normality test:



Based on the figure above, it shows that the shape of the distribution graph is normal because it resembles a bell and also the graph looks like it can be divided in half by having equal parts. Thus it can be said that the results of the normality test can be said to be normally distributed data.

Next, the classical assumption test uses the heteroscedasticity test. The heteroscedasticity test in this study used *the Breusch-pagan test*. The results of the heteroscedasticity test in this study are as follows:

Table 3. Heteroscedasticity Test

	<i>P-Value</i>	Information
<i>Brusha-Bagan Test</i>	0,000	No heteroscedasticity

Sumber: Data Primer (2023)

Based on table 3 shows that The value of *p-value* or the significance value is 0.000, based on the decision-making criteria, it can be concluded that the value of $0.000 < 0.05$ so that it can be said that it does not occur heteroscedasticity.

The last classical assumption test is to perform a multicollinearity test, a multicollinearity test is carried out to test whether the regression model found a correlation between independent variables. The multicollinearity test is carried out by looking at the tolerance value and *the value of Variance Inflation Factor* (VIF). The results of the mullyyolinearity test from the study can be seen in the table below:

Table 4. Multicollinearity Test

Variable	VIF	Information
<i>Bank Lending</i> (X1)	4,144	No Multicollinearity
<i>Overdraft Facilities</i> (X2)	3,058	No Multicollinearity
<i>Owners Experience</i> (X3)	4,406	No Multicollinearity

Sumber: Data Primer (2023)

Based on table 4, it can be concluded that all variables, namely *bank lending* variables (X1), *overdraft facilities* (X2), *owners experience* (X3), and *reinvestment* (Y) have a VIF value of < 10 so that multicollinearity does not occur. For the explanation can be seen below:

1. The tolerance value of the *bank lending variable* (X1) VIF value is $4.144 < 10$ so it can be said that the *bank lending variable* (X1) does not have multicollinearity.
2. The tolerance value of the *overdraft facilities variable* (X2) is the VIF value is $3.058 < 10$ so it can be said that the *overdraft facilities variable* (X2) does not have multicollinearity.
3. The tolerance value of the *owners experience variable* (X3) is the VIF value is $4.406 < 10$ so it can be said that the *owners experience variable* (X3) does not have multicollinearity.

Double Linear Regression Analysis

Multiple regression analysis is an analysis to determine the effect of more than one *independent* variable on one *dependent* variable. The results of the multiple linear regression test can be seen in the table below:

Table 5. Multiple Linear Regression Test

Variable	Unstandardized Coefficients	Standardized Coefficients	P-Value
Intercept	-6,343	0,000	0,000
Bank Lending (X1)	0,360	0,404	0,000
Overdraft Facilities (X2)	0,173	0,117	0,147
Owners Experience (X3)	0,599	0,421	0,000

Sumber: Data Primer (2023)

Based on table 5 shows that the multiple linear regression equation in this study is as follows:

$$Y = -6,343 \text{ Plus } 0,360 X1 \text{ Plus } 0,173 X2 \text{ Plus } 0,599 X3$$

The explanation of the above equation is as follows:

1. The value of the constant is -6.343 which means that if the *variables bank lending, overdraft facilities, and owners experience* are assumed to be zero, the *reinvestment* is -6.343.
2. The value of the *bank lending* coefficient is 0.360, meaning that if the *bank lending* is increased by 1 unit of value, it is predicted that *reinvestment* will increase by 0.360.
3. The value of the *overdraft facilities* coefficient is 0.173, meaning that if the *overdraft facilities* are increased by 1 unit of value, it is predicted that *reinvestment* will increase by 0.173.
4. The value of the *owner experience* coefficient is 0.599, meaning that if the *owner experience* is increased by 1 unit of value, it is predicted that *reinvestment* (Y) will increase by 0.599.

Hypothesis Testing

Hypothesis testing using t-test and f-test. The t test aims to determine the effect of each independent variable on the dependent variable. Based on table 5 the results of the t test can be concluded as follows:

1. It is known that the *significance* value for the *variable bank lending* to *reinvestment* is $0.000 < 0.05$ so that it can be concluded that H1 is accepted, which means that *bank lending* affects *reinvestment* in MSME players in Lhokseumawe City.
2. It is known that the *significance* value for the *variable overdraft facilities* for *reinvestment* is $0.147 > 0.05$ so that it can be concluded that H2 is rejected which means that *overdraft facilities* do not affect *reinvestment* in MSME players in Lhokseumawe City.

3. It is known that the significance value for *the variable owners experience* on reinvestment is $0.000 < 0.05$ so that it can be concluded that H3 is accepted, which means that *owner experience* affects reinvestment in MSME actors in Lhokseumawe City.

Furthermore, conducting the f test, the F test aims to determine whether or not there is a simultaneous influence (together) given by the Free variable (X) on the dependent variable (Y). The following are the results of the F test which can be seen below:

Tableau: 6. Uji F

	<i>Sum Square</i>	<i>F</i>	<i>Significant</i>
<i>Regression</i>	572,804	126,494	0,000

Sumber: Data Primer (2023)

Based on table 6 shows that the results of the F test found the *P-value* is $0.000 < 0.05$ and the value of *Fcalculate* so that it can be concluded that H4 is accepted which means *that bank lending, overdraft facilities, and owners experience* simultaneously affect the reinvestment of MSME players in Lhokseumawe City.

DISCUSSION

Based on the results of the study by conducting a hypothesis test, namely the t test, it was found that the variable significance value of *bank lending* to reinvestment was $0.000 < 0.05$, thus H1 was accepted so that it could be interpreted that *bank lending* had a positive and significant effect on reinvestment in MSME players in Lhokseumawe City. This means that the larger *the bank lending* provided by banks, the greater the opportunity for MSME players to reinvest or reinvest. The results of this study are supported by research conducted by Nirsohan Hewa Wellalage and Krishna Reddy (2017) which states that *bank lending* has a positive effect on company reinvestment. To make investments, companies or MSME actors need loans from banks, the absence of MSME access to banking will make it difficult for MSMEs to reinvest. Based on the results of the study by conducting a hypothesis test, namely the t test, it was found that the significance value of *the variable overdraft facilities* for reinvestment was $0.147 > 0.05$, thus H2 was rejected so that it could be interpreted that *overdraft facilities* had a positive and insignificant effect on reinvestment in MSME actors in Lhokseumawe City. This means that the greater *the overdraft facilities* owned by MSME actors, the smaller the MSME players for reinvestment. The results of this study are inversely proportional or different from research conducted by Nirsohan Hewa Wellalage and Krishna Reddy (2017) which states that *verdraft facilities* affect company reinvestment. The availability of *overdraft* is considered an interrelated thing with reinvestment, companies or MSME actors that have *overdraft* have a reinvestment rate of 4-10% higher than companies that do not have *overdraft facilities*.

Based on the results of the study by conducting a hypothesis test, namely the t test, it was found that the significance value of the owner experience *variable* on reinvestment was $0.000 < 0.05$, thus H3 was accepted so that it could be interpreted that *overdraft facilities* had a positive and significant effect on reinvestment in MSME actors in Lhokseumawe City. This means that the greater *the owner experience* possessed by MSME actors, the greater the opportunity for MSME players to reinvest or reinvest. The results of this study are also supported by research conducted by Shi and Weber (2021) which states that experience has a positive influence on reinvestment. Experience as an entrepreneur is very important in business growth and identifying new opportunities to increase profits so that business actors reinvest. Based on the results of the study by conducting a hypothesis test, namely the F test, it was found that the significance value was $0.000 < 0.05$ so that it could be interpreted that *bank lending, overdraft facilities, and owners experience* simultaneously affect the reinvestment of MSME players in Lhokseumawe City. Loans provided by banks, of course, will be used by MSME players in Lhokseumawe City, such as to increase business capital, open branches, open new businesses, and of course reinvest in both

movable and immovable objects. MSME players who get *overdraft facilities* will automatically be given this type of loan facility, of course, this will greatly affect reinvestment. Because they can be given loans like this at any time, so it is greater for the possibility of reinvesting. The experience that someone has is certainly a positive thing to reinvest because experience is very important

CONCLUSION

Based on the results of the research and discussion that has been described, the conclusions of this study are as follows:

1. *Bank lending* has a positive and significant effect on reinvestment in MSME players in Lhokseumawe City, this is due to the significance value of $0.000 < 0.05$.
2. *Overdraft facilities* have a negative and insignificant effect on reinvestment in MSME players in Lhokseumawe City, this is because the value of $0.147 < 0.05$.
3. *Owners experience* has a positive and significant effect on reinvestment in MSME players in Lhokseumawe City, this is due to the significance value of $0.000 < 0.05$.

Bank lending, *overdraft facilities*, and *owners experience* simultaneously affect and significantly affect the reinvestment of MSME players in Lhokseumawe City, this is due to the significance value of $0.000 < 0.05$.

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