Keunis
Vol. 14, No. 2, Jul 2026, Page. 185-197

P-ISSN: 2302-9315
E-ISSN: 2714-7274
https://jurnal.polines.ac.id/index.php/keunis

THE INFLUENCE OF FINANCIAL RATIOS AND NON-ACCOUNTING INFORMATION ON CREDIT DECISIONS AT BANK SYARIAH INDONESIA (BSI)

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Article History:
Received : 2025-10-12
Revised : 2026-02-11
Accepted : 2026-02-23
Published : 2026-07-02

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Cite this article:
Zulfiar, E., Faisal, Mariana, Firdaus, A., & Diana. (2026). The Influence of Financial Ratios and Non-Accounting Information on Credit Decisions at Bank Syariah Indonesia (BSI). *Keunis*, 14(2), 185-197.

DOI:
10.32497/keunis.v14i2.7089

Abstract: *This quantitative causal-associative study investigates the influence of financial ratios—i.e., Fixed Assets Turnover (FATO), Return on Net Worth (RONW), and Debt-to-Equity Ratio (DER)—and non-accounting information on credit decisions at Bank Syariah Indonesia (BSI) in Pidie Regency, Aceh, during 2023–2024. Using a census, data were collected from 359 credit recipients, combining secondary financial reports and internal credit documentation. Multiple linear regression and path analysis were performed to examine both the direct and mediating effects of the research variables. The results show that FATO ($\beta = 0.478$, $p < 0.001$) and RONW ($\beta = 0.174$, $p < 0.001$) positively impact credit decisions, whereas the influence of DER ($\beta = 0.028$, $p = 0.279$) is not significant. Meanwhile, non-accounting information ($\beta = 0.154$, $p = 0.013$) both directly affects credit decisions and mediates the relationship between financial ratios and lending outcomes, increasing the explanatory power by 1.2% ($\Delta R^2 = 0.012$). These findings indicate that qualitative factors, such as managerial integrity, borrower reputation, and business environment, enhance the assessment of creditworthiness. This study contributes to Islamic banking practices by integrating financial and non-financial indicators, providing a more holistic approach for evaluating credit risk and supporting accurate, fair, and sustainable credit decisions.*

Keywords: Fixed Assets Turnover (FATO); Return on Net Worth (RONW); Debt-to-Equity 198Ratio (DER); Non-Accounting Information; Credit Decision-Making.

INTRODUCTION

Credit decision-making plays a central role in financial management, directly affecting the stability, profitability, and sustainability of banking institutions. To reduce default risk and guarantee responsible lending practices, a thorough credit evaluation must consider both financial and non-financial measures equally (Atichasari et al., 2023; Sol Murta & Gama, 2024). In the banking industry, particularly within Islamic financial institutions, this involves both quantitative and qualitative assessments to ensure decisions are made in conformity with financial prudence as well as ethical and social values.

Financial ratios—such as Fixed Assets Turnover (FATO), Return on Net Worth (RONW), and Debt-to-Equity Ratio (DER)—have commonly served as the primary indicators for assessing creditworthiness. They provide measurable insights into a company's operational efficiency, profitability, and capital structure (Chen et al., 2017).

This enables lenders to make an objective evaluation of borrowers' performance and financial health. However, empirical evidence shows that financial ratios by themselves are inadequate to fully represent the spectrum of risks associated with credit decisions, particularly in the context of small and medium enterprises (SMEs) or businesses with limited financial disclosure (Annurfa & Sunindyo, 2020; Atichasari et al., 2023; Hasan et al., 2024; Kamara, 2024).

Non-accounting information—such as managerial capability, ownership structure, reputation, and business environment—has thus drawn more attention as a complementary dimension in credit evaluation (Çetin et al., 2023; Herwiyanti & Rafinda, 2021). These qualitative elements often provide deeper insight into borrower behavior and future potential that may not be evident in financial statements. In Islamic banking, where relationships based on ethics and trust are of paramount importance, the role of non-accounting information in the assessment of creditworthiness and the alleviation of asymmetric information problems becomes even more crucial.

Prior studies have highlighted the significance of integrating accounting and non-accounting data in lending decisions (Mariana et al., 2018; Suroso et al., 2018). Nevertheless, two major gaps remain in existing literature. First, most studies treat these two types of information independently, thus presenting scant evidence on how non-accounting information mediates the effects of financial ratios on credit decisions. Second, there is a lack of empirical research in Islamic banking institutions, especially at the regional level, where both local business culture and trust-based lending practices shape the dynamics of credit evaluation.

To address these gaps, this study investigates the influence of financial ratios—namely FATO, RONW, and DER—and non-accounting information on credit decision-making at Bank Syariah Indonesia (BSI) operating in Pidie Regency. Furthermore, it also examines how non-accounting information mediates the relationships between quantitative financial performance indicators and qualitative assessments during the credit evaluation process. The findings are expected to have two implications. Theoretically, this study advances the understanding of credit decision models by developing a holistic approach that bridges accounting and behavioral perspectives through the integration of quantitative and qualitative dimensions within an Islamic banking framework. Practically, this study provides financial institutions with valuable insights into the importance of incorporating non-financial indicators to improve transparency, equity, and sustainability in credit decisions. Therefore, this study strives for the ultimate goal of promoting responsible and inclusive financing practices in the Islamic banking industry in Indonesia.

THEORETICAL FRAMEWORK AND HYPOTHESES

Credit Decision Theory

As a critical part of financial management, credit decision-making assesses a debtor's ability to meet obligations with the aim of minimizing default risk (Lahopang et al., 2023). This assessment combines quantitative instruments, such as financial ratios and credit scoring models, with qualitative elements. In this regard, financial ratios provide measurable indicators for financial health. Credit evaluations are becoming more accurate through the use of tools like logistic regression and machine learning (Bui, 2024). In addition to numerical data, qualitative elements such as credit history, customer relationships, and market conditions also influence lending decisions. Relationships between borrowers and credit officers, for instance, may affect loan terms beyond objective criteria (Çetin et al., 2023). Furthermore, technological advancements—specifically artificial intelligence—enable real-time and adaptive evaluations using large and diverse datasets (Amato et al., 2024; Wang, 2024). These technologies combine behavioral analysis with conventional metrics to yield dynamic insights. Thus, to manage lending risks effectively, credit decision-making currently involves the integration of rigorous analysis with contextual judgment.

Financial Ratios Theory

Financial ratios are fundamental tools for assessing an organization's financial performance, providing information on key areas, including liquidity, solvency, profitability, and efficiency. Financial theories such as the Modigliani–Miller (MM) theory, which holds that firm value is unaffected by its capital structure in ideal markets, serve as the foundation for these measurements (Brusov et al., 2018). The Brusov–Filatova–Orekhova (BFO) theory further highlights the role of capital costs in valuation. Typically, financial ratios are classified into several categories. Liquidity ratios—such as the current and quick ratios—measure short-term financial capacity, solvency ratios—e.g., the debt-to-equity ratio (DER)—assess long-term sustainability (Akib et al., 2023; Maulidya et al.,

2019), profitability indicators—such as return on assets (ROA) and net profit margin—evaluate earnings efficiency, while activity ratios—such as asset turnover—indicate the effectiveness of resource utilization (Hussein et al., 2023). The role of financial ratios in crisis resilience has been emphasized in recent studies. Supriadi et al. (2023), for example, found that strong liquidity and profitability ratios enhanced a company's ability to withstand economic shocks, such as the COVID-19 pandemic. These metrics also serve as early warning signals for bankruptcy risks (Rahmawati & Hadian, 2022). Their predictive power continues to grow with the advancements of machine learning and data analytics. Thus, financial ratios remain essential for evaluating current performance and anticipating future risks.

Role of Non-Accounting Information

In credit evaluations, non-accounting information complements financial ratios to produce a more comprehensive risk profile. Qualitative factors such as managerial quality, ownership structure, and market trends are crucial for assessing creditworthiness (Çetin et al., 2023; Herwiyanti & Rafinda, 2021). In this regard, companies with seasoned leadership and stable ownership are often perceived as less risky. According to Suroso et al. (2018), understanding a company's competitive position can alter perceptions that are not captured solely by numbers. Empirical evidence shows that banks that use both qualitative and quantitative data have lower default rates (Mela & Putra, 2019). In Turkey, banks that integrate non-financial factors into their risk assessment report better loan outcomes (Çetin et al., 2023). Nevertheless, these data are often subjective, making standardization difficult. Furthermore, over-reliance on entirely financial metrics can lead to inaccurate risk assessments (Jung et al., 2024). Therefore, combining quantitative data with qualitative information is vital for more precise and holistic credit decisions.

The Relationship Between Research Variables

This study investigates the influence of financial ratios and non-accounting information on credit decision-making, focusing on three key financial ratios: Fixed Asset Turnover (FATO), Return on Net Worth (RONW), and Debt-to-Equity Ratio (DER). Furthermore, this study also examines the role of non-accounting information as a direct element and a mediating variable between financial ratios and credit decision-making.

Fixed Asset Turnover (FATO) measures the effectiveness with which a company utilizes its fixed assets to produce sales revenue. A higher FATO indicates better asset utilization, which may imply greater operational efficiency and the ability to generate cash flow for debt repayment. Prior studies have reported effective asset management as a crucial factor in credit evaluations (Fathin et al., 2023). Therefore, the first hypothesis is proposed as follows:

H1: Fixed Asset Turnover significantly affects credit decision-making.

Return on Net Worth (RONW) reflects the profitability derived from shareholders' equity. It represents a company's ability to generate profit in relation to invested capital, which is an important consideration for lenders when assessing repayment capacity and financial stability (Mariana et al., 2018). Hence, profitability (measured by RONW) is expected to have a significant impact on credit decisions. Thus, the second hypothesis is constructed as follows:

H2: Return on Net Worth significantly affects credit decision-making.

Debt-to-Equity Ratio (DER) represents a company's leverage level, showing the proportion of debt to equity. A manageable level of DER suggests balanced financial risk, which is favorable in credit evaluations, while excessive debt may increase the default risk (Mariana et al., 2018; Sari & Anwar, 2024). Accordingly, DER is expected to have a significant effect on credit decisions. Therefore, the third hypothesis is proposed as follows:

H3: Debt-to-Equity Ratio significantly affects credit decision-making.

In addition to financial ratios, non-accounting information—such as management quality, ownership characteristics, market conditions, and other qualitative aspects—provides crucial insights into borrowers' reliability and risk that are not captured by quantitative data (Çetin et al., 2023; Herwiyanti & Rafinda, 2021). In many cases, non-accounting information is vital for final credit decisions. Therefore, the fourth hypothesis is made as follows:

H4: Non-accounting information significantly affects credit decision-making.

Beyond its direct effects, non-accounting information is also suspected to mediate the relationship between financial ratios (FATO, RONW, DER) and credit decision-making. This suggests that the influence of financial ratios on credit decisions is channeled through qualitative factors that may validate or contextualize the financial data, resulting in more informed and accurate credit evaluations (Supriadi et al., 2023). Thus, the fifth hypothesis is proposed as follows:

H5: Non-accounting information mediates the relationship between financial ratios (Fixed Asset Turnover, Return on Net Worth, and Debt-to-Equity Ratio) and credit decision-making.

The conceptual framework illustrates the relationship between independent variables, the mediating variable, and the dependent variable. Variables X1, X2, and X3 influence credit decision-making (Y) both directly and indirectly through non-accounting information (M). Figure 1 presents the visual structure of these relationships.

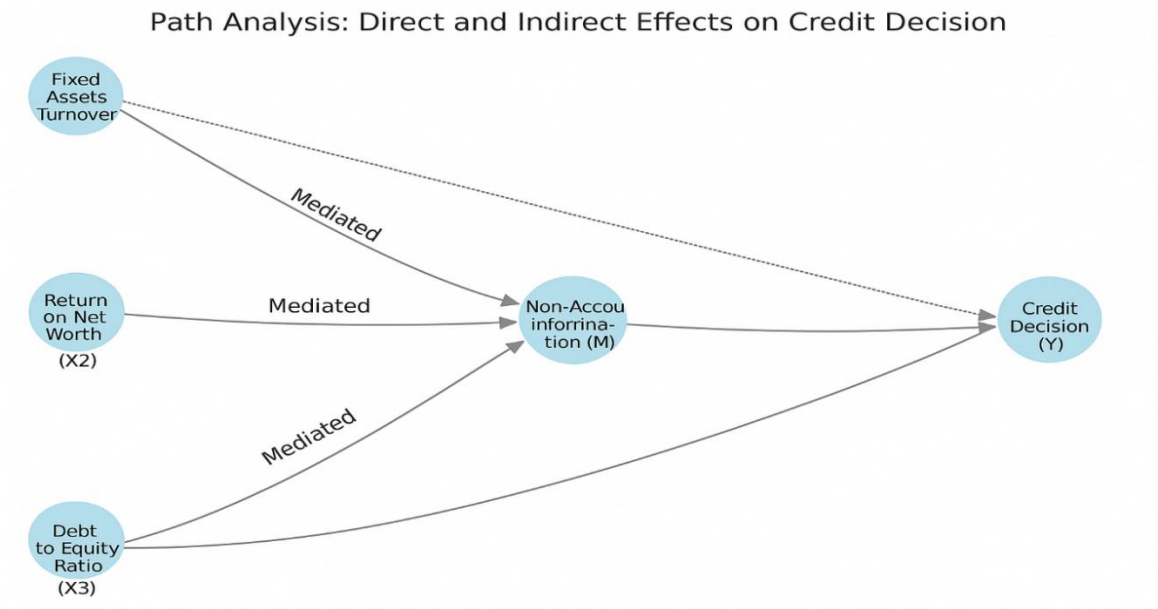

Figure 1. Conceptual Framework

RESEARCH METHODS

This study adopted a quantitative, causal-associative approach to analyze the influence of financial and non-financial variables on credit decision-making (Çetin et al., 2023; Rahmania et al., 2024). The independent variables are Fixed Assets Turnover (FATO, X1), Return on Net Worth (RONW, X2), and Debt-to-Equity Ratio (DER, X3), Non-Accounting Information (INA, M) serves as both an independent and a mediating variable, while the dependent variable is credit decision-making (Y). This design enables the examination of both direct and indirect (mediated) relationships between financial ratios and lending outcomes.

The population was all customers who received credit facilities from Bank Syariah Indonesia (BSI) in Pidie Regency during the 2023–2024 period. A total of 423 credit recipients were identified from internal records. After applying inclusion criteria such as having complete credit documents and available financial data, a final sample size of 359 customers was selected using a census method. This approach ensures that the findings represent the actual lending conditions in the studied institution. In this study, customers with incomplete data were excluded to maintain accuracy and consistency.

The analysis examined secondary data from financial statements, credit files, and internal records of Bank Syariah Indonesia (BSI) operating in Pidie Regency. Financial data, namely Fixed Assets Turnover (FATO), Return on Net Worth (RONW), and Debt-to-Equity Ratio (DER), were retrieved from borrowers' audited financial reports submitted during the credit application process.

Non-Accounting Information (INA), on the other hand, was extracted from collateral documentation and measured as the ratio between the loan ceiling and the collateral value, following the approach by Mariana et al. (2018). This ratio is a crucial non-financial component in the evaluation of credit risk as it reflects the adequacy of borrowers' collateral.

Data collection was conducted through document review and structured interviews with credit analysts to ensure the accuracy of credit evaluation data and to contextualize qualitative aspects influencing lending decisions (Firdaus et al., 2025; Kabir, 2016; Mariana et al., 2024). The definition and measurement of research variables are displayed in Table 1.

Table 1. Variable Definition and Measurement

No.	Variable	Operational Definition	Measurement / Formula	Scale
1	Fixed Assets Turnover (FATO, X1)	Efficiency in using fixed assets to generate sales revenue.	FATO = Net Sales / Total Fixed Assets (Chen et al., 2017)	Ratio
2	Return on Net Worth (RONW, X2)	Profitability; generated from shareholders' equity.	RONW = Net Income/ Shareholders' Equity (Mariana et al., 2018)	Ratio
3	Debt-to-Equity Ratio (DER, X3)	Level of leverage or financial risk based on debt-equity proportion.	DER = Total Liabilities/ Shareholders' Equity (Sari & Anwar, 2024)	Ratio
4	Non-Accounting Information (INA, M)	Information about collateral provided as a guarantee for the loan; used to assess credit security.	INA = Loan Ceiling/ Collateral Value (Mariana et al., 2018)	Ratio
5	Credit Decisions (Y)	The final lending outcomes; determined by the bank.	Loan approval status or approved credit amount (Mariana et al., 2018; Suroso et al., 2018)	Nominal / Ratio

Source: processed data, 2025

Data Analysis Techniques

In this study, data were analyzed using **multiple linear regression** and **path analysis**.

1. Multiple Linear Regression was used to test the direct effects of FATO, RONW, DER, and INA on credit decisions.
2. Path Analysis was performed to examine the mediating role of Non-Accounting Information (INA) in the relationship between financial ratios and credit decisions.

Path analysis enables simultaneous examination of direct and indirect relationships among variables, consistent with the study's objective of identifying how collateral-based information strengthens the explanatory power of financial ratios in determining lending outcomes (Uyanık & Güler, 2013). To ensure model robustness, classical assumption tests were conducted, including tests for normality, multicollinearity, and heteroscedasticity. Furthermore, hypothesis testing used the F-test (for simultaneous effects) and t-test (for partial effects) at a 5% significance level ($\alpha = 0.05$). Statistical analyses were performed using SPSS version 26.

RESULTS AND DISCUSSION

Results

Descriptive Statistics

Descriptive statistical analysis was conducted to provide an overview of the distribution, central tendency, and variability of each research variable. The results are presented in Table 2.

Table 2. Descriptive Statistics of Variables in BSI (N=359)

Variable	Minimum	Maximum	Mean	Std. Deviation
Fixed Assets Turnover (X1)	-1.30	0.91	-0.4948	0.29747
Return on Net Worth (X2)	-2.00	1.32	-1.3744	0.59681
Debt-to-Equity Ratio (X3)	-2.00	1.73	-1.4617	0.79014
Credit Decision-Making (Y)	-0.96	0.86	-0.2820	0.41345
Non-Accounting Information (M)	-2.00	0.24	-0.3016	0.31982

Source: processed data, 2025

The descriptive statistics show transformed values for all financial ratios to meet the assumptions of normality and linearity required for multiple regression analysis. The mean FATO value of -0.49 after transformation indicates that the original fixed asset turnover values—which were positively skewed—have been normalized. The mean RONW value of -1.37 reflects the transformation of profitability data, suggesting that original values may have included both positive and negative returns. The mean DER value of -1.46 represents the transformed leverage values, addressing potential skewness in the original debt-to-equity distribution. Meanwhile, the mean INA value of -0.30 shows the distribution of collateral coverage ratios after transformation, with all values being standardized for the analysis. In terms of variability, DER exhibits the highest dispersion (Standard Deviation = 0.79), indicating substantial variation in capital structure among borrowers even after transformation. FATO (Standard Deviation = 0.30) and INA (Standard Deviation = 0.32), on the other hand, show more consistent patterns. The final sample size of 359 for all variables ensures robust statistical inference.

Classical Assumption Tests

Normality Test

Table 3. One-Sample Kolmogorov-Smirnov Test Results

		Unstandardized Residual
N		359
Normal Parameters[a,b]	Mean	0.0000000
	Std. Deviation	0.34888482
Most Extreme Differences	Absolute	0.056
	Positive	0.056
	Negative	-0.053
Test Statistic		0.056
Asymp. Sig. (2-tailed)		0.060[c]

Source: processed data, 2025

The results of the One-Sample Kolmogorov-Smirnov test yielded a p-value of 0.060 (> 0.05), indicating normally distributed residuals. Therefore, the assumption of normality in linear regression is satisfied, and the regression model can be tested further in the next stage of analysis.

Multicollinearity Test

Table 4. Multicollinearity Test Results

Variable	Tolerance	VIF
Fixed Assets Turnover (X1)	0.800	1.250
Return on Net Worth (X2)	0.718	1.393
Debt-to-Equity Ratio (X3)	0.849	1.177
Non-Accounting Information (M)	0.988	1.012

Source: processed data, 2025

The multicollinearity test results—as shown in tolerance and Variance Inflation Factor (VIF) values—demonstrate that multicollinearity is not an issue in this model. All research variables have tolerance values above 0.10 and VIF values below 10, aligning with commonly accepted thresholds (Gujarati & Porter, 2009). Specifically, the tolerance values for Fixed Assets Turnover (0.800), Return on Net Worth (0.718), Debt-to-Equity Ratio (0.849), and Non-Accounting Information (0.988) indicate low intercorrelation among predictors. Therefore, the model satisfies the assumption of no multicollinearity and is appropriate for further regression analysis.

Heteroscedasticity Test

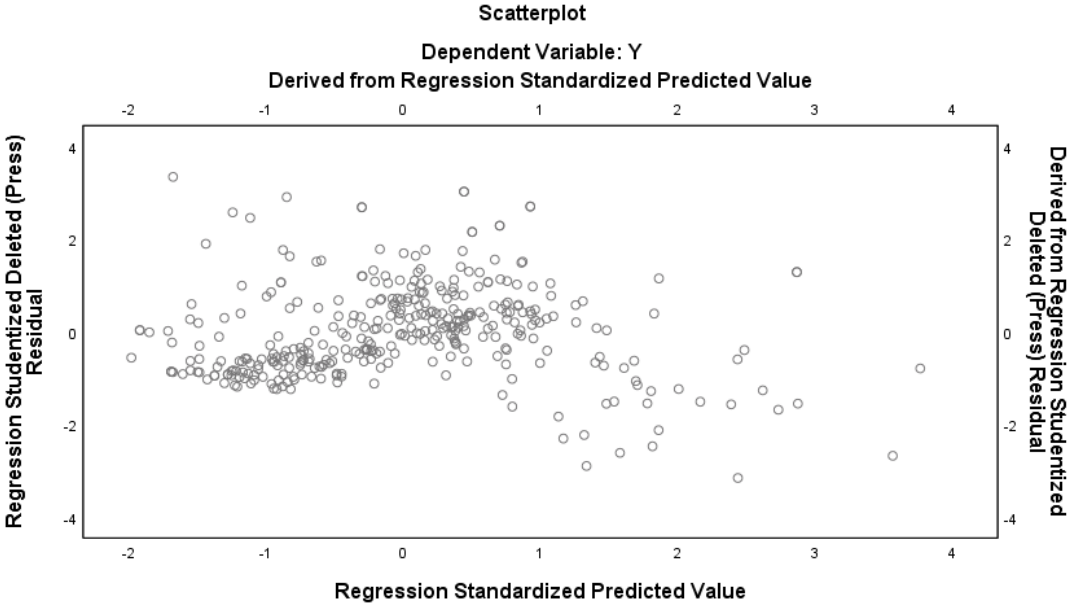

Figure 2. Residual Scatterplot Result

The residual scatterplot—which plots standardized deleted residuals against standardized predicted values—displays a random, symmetrical distribution around the zero line. The absence of a systematic pattern, such as a funnel shape or curvature, indicates that the assumption of homoscedasticity is met. In other words, the variance of the residuals remains relatively constant across the range of predicted values, suggesting that the linear regression model is appropriately specified and that the residuals do not defy the assumption of equal variance. Thus, the model is considered valid for further statistical inference.

F-Test and Determination Coefficient Analysis

The results of the F-Test and determination coefficient test are shown in Table 5.

Table 5. F-Test and Determination Coefficient

Model	R	R Squared	Adjusted R-Squared	Std. Error of the Estimate	F Statistic	Sig. F (p-value)
1	0.540	0.291	0.283	0.35087	36.098	0.000

Source: processed data, 2025

The coefficient of determination ($R^2 = 0.291$) indicates that the independent variables—namely Fixed Assets Turnover (FATO), Return on Net Worth (RONW), Debt-to-Equity Ratio (DER), and Non-Accounting Information (INA)—collectively explain 29.1% of the variation in credit decision-making. Meanwhile, the remaining 70.9% of the variance is attributed to other factors not included in the model. Furthermore, the F-test value ($F = 36.098$, $p < 0.001$) confirms that the regression model is statistically significant. This means that the combination of the independent variables jointly influences credit decisions. Although the explanatory power is moderate, the model adequately captures the relationship between financial and non-financial variables in the credit evaluation process.

Multiple Linear Regression Analysis

The results of multiple linear regression analysis are summarized in Table 6.

Table 6. Multiple Linear Regression Results

Variable	Coefficient (β)	Std. Error	t	Sig.
Constant	0.279	0.055	5.088	0.000
Fixed Assets Turnover (X1)	0.478	0.070	6.844	0.000
Return on Net Worth (X2)	0.174	0.037	4.743	0.000
Debt-to-Equity Ratio (X3)	0.028	0.026	1.085	0.279
Non-Accounting Information (M)	0.154	0.061	2.505	0.013

Source: Processed data, 2025

In this study, the multiple linear regression that predicts credit decision-making (Y) is formulated using the following equation:

$$Y=0.279+0.478X1+0.174X2+0.028X3+0.154M+\varepsilon$$

where ε represents the error term.

The results show that FATO ($\beta = 0.478$, $p < 0.001$) and RONW ($\beta = 0.174$, $p < 0.001$) have significant and positive effects on credit decisions, indicating that operational efficiency and profitability positively influence loan approval. Conversely, DER ($\beta = 0.028$, $p = 0.279$) has no significant effect, suggesting that leverage does not play a dominant role in the credit evaluation process. Meanwhile, INA ($\beta = 0.154$, $p = 0.013$) also has a positive and significant influence, confirming that collateral-based information contributes to better credit decision outcomes.

The adjusted R^2 value of 0.283 implies that the model explains approximately 28.3% of the variability in credit decisions after adjusting for the number of predictors, which is consistent with behavioral and financial studies in the context of Islamic banking.

Path Analysis

The results of the path analysis are summarized in Table 7.

Table 7. Path Analysis Summary

Model	R Squared	Adjusted R-Squared	F Change	Sig. F Change
1	0.019	0.012	2.687	0.046
2	0.031	0.021	5.079	0.025

Source: Processed Data, 2025

The path analysis was carried out to examine the mediating role of Non-Accounting Information (INA) in the relationships between financial ratios (FATO, RONW, and DER) and credit decisions.

1. Model 1 only includes financial variables (FATO, RONW, DER) and explains 1.9% ($R^2 = 0.019$) of the variance in credit decisions. Although the contribution is small, the F-test ($p = 0.046$) indicates a significant effect of all financial variables combined.
2. Model 2 involves INA as a mediating variable, increasing the explanatory power to 3.1% ($R^2 = 0.031$). The change in R^2 ($\Delta R^2 = 0.012$ or 1.2%) and significant F change ($p = 0.025$) confirm that INA strengthens the model's ability to predict credit decisions.

These results demonstrate that INA partially mediates the relationship between financial ratios and credit decisions. In other words, financial indicators indirectly affect credit approvals through collateral-based information, which offers qualitative assurance to support quantitative financial analysis.

Figure 3 illustrates the structural path model, showing both the direct and indirect effects of the financial ratio variables (DER, FATO, RONW) on credit decisions mediated by INA.

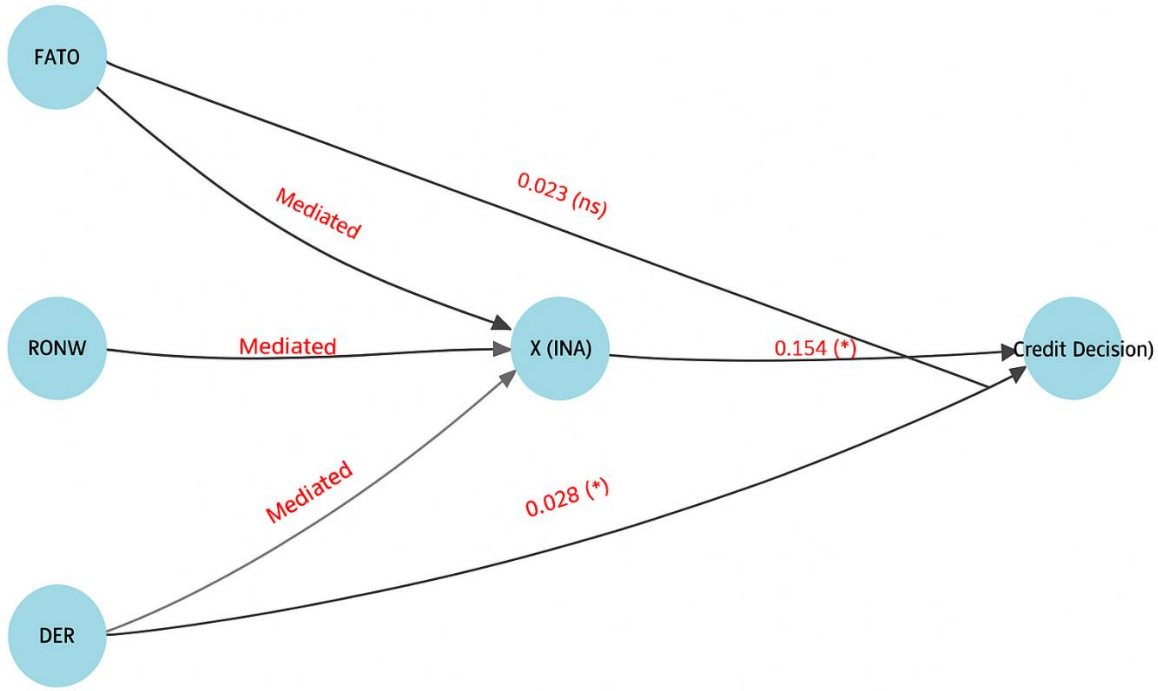

Figure 3. Path Analysis Model Showing the Relationships Between Financial and Non-Financial Variables in Credit Decisions

Discussion

Fixed Assets Turnover Affects Credit Decision Making

The analysis results show that Fixed Assets Turnover (FATO) has a positive effect on credit decision-making ($\beta = 0.478$, $p < 0.001$). This suggests that companies that are more adept at utilizing their fixed assets to produce revenue are more likely to receive favorable credit evaluations. FATO demonstrates how efficiently a company uses its long-term assets to generate sales, and higher turnover is generally viewed as an indication of operational effectiveness.

This finding conflicts with earlier research, such as that of Mariana et al. (2018), which reported no significant effect of FATO on credit decisions. Such conflicting findings may reflect shifts in lending practices, with financial efficiency metrics receiving greater attention amid more intense competition and risk awareness in credit markets. Meanwhile, the findings of this study support those of a study by Tran et al. (2021), which reported a strong relationship between FATO and return on investment (ROI) in the real estate sector, suggesting that FATO's influence may vary depending on industry characteristics. These findings suggest that the impact of FATO is not universal and should be understood within the context of specific sectors and economic environments.

According to the study findings, FATO should not be seen as a sole aspect for consideration. Although Fixed Assets Turnover has a favorable impact on credit decisions, its value is best realized when combined with a broader range of financial and non-financial elements. Previous studies have shown that non-financial indicators—

such as borrower credibility, income consistency, and qualitative assessments—remain essential in credit evaluations (Baskara et al., 2016; Komarova Loureiro & Gonzalez, 2015; Kurniasari & Prihanto, 2019; Patel et al., 2024). As the lending landscape continues to evolve, combining financial ratios like FATO with qualitative measures provides a more complete picture of a borrower's solvency and creditworthiness.

Return on Net Worth Affects Credit Decision Making

The analysis results indicate that Return on Net Worth (RONW) positively affects credit decision-making ($\beta = 0.174$, $p < 0.001$), signifying that companies with stronger profitability relative to their equity are more likely to receive favorable credit evaluations. A higher RONW demonstrates effective capital management and the company's ability to generate returns for shareholders, thus enhancing lender trust in the borrower's financial health.

This finding aligns with those of Mariana et al. (2018), emphasizing that profitability indicators like RONW are among the critical considerations for financial institutions when assessing credit applications. From the perspective of investment, RONW is a widely recognized measure of profitability and management efficiency (Al Rasyid et al., 2022), reinforcing its value in both lending and equity valuation contexts.

Previous studies, however, have reported mixed results regarding how RONW affects credit decisions. In certain contexts, a high RONW may be interpreted as a risk factor, particularly if it reflects aggressive financial strategies or inconsistent income patterns. These interpretations often depend on sector-specific characteristics, regulatory frameworks, and prevailing market conditions (Almanaseer, 2022). Moreover, RONW may exert less impact during periods of economic uncertainty, when lenders prioritize liquidity, cash flow stability, and short-term solvency over profitability ratios. In such scenarios, non-financial aspects and broader economic considerations often outweigh purely numerical performance indicators.

In conclusion, this study finds that Return on Net Worth contributes positively to credit decision-making, especially when supported by consistent profitability and sound financial governance. Nonetheless, RONW should be considered alongside other key financial and qualitative variables to provide a balanced and realistic assessment of creditworthiness.

Debt-to-Equity Ratio Affects Credit Decision Making

The analysis results reveal that Debt-to-Equity Ratio (DER) does not significantly influence credit decision-making ($\beta = 0.028$, $p = 0.279$). This implies that the company's capital structure, as represented by DER, is not a determining factor in credit approval at Bank Syariah Indonesia (BSI) during the study period.

From a theoretical standpoint, this finding supports the Modigliani–Miller (MM) Capital Structure Theory, which argues that firm value is unaffected by its capital structure under ideal market conditions. Thus, the proportion of debt to equity does not necessarily determine financial strength or risk. Similarly, the Pecking Order Theory explains that companies typically prioritize internal financing over external debt, implying that high or low DER values may reflect financing preferences rather than actual creditworthiness. Therefore, DER may not fully capture a borrower's ability to meet obligations.

In the context of Islamic banking, this insignificant relationship can be explained by the nature of Sharia-compliant financing, which favors asset-backed transactions and risk-sharing principles over interest-based lending. Unlike conventional credit systems that concentrate on leverage and debt ratios, Islamic financial institutions like BSI assess borrowers' creditworthiness primarily based on business feasibility, asset productivity, and the ethical integrity of management. Consequently, leverage indicators like DER become less critical in the credit evaluation process, compared to profitability (RONW), operational efficiency (FATO), and qualitative elements such as managerial credibility and reputation.

Moderate DER levels are associated with increased financial confidence and positive lender perceptions (Mariana et al., 2018; Sari & Anwar, 2024). Meanwhile, high leverage may raise concerns about default risk and liquidity pressure, particularly under uncertain economic conditions (Azura et al., 2023). This suggests that the impact of DER is context-dependent, influenced by institutional policies, regulatory frameworks, and industry characteristics.

Capital structure is not a key determinant in the context of BSI in Pidie Regency, as the bank's credit policies prioritize sustainability, transparency, and borrower reputation over leverage. This implies that DER serves more as a supporting indicator for assessing risk than a decisive factor in credit approval (Budi et al., 2024; Rahmawati & Hadian, 2022).

This study finds that the effect of DER is not statistically significant ($\beta = 0.028$, $p = 0.279$). This indicates that capital structure is not a primary determinant of BSI's credit decision-making. Within an Islamic banking framework, where financing is structured around asset-backed transactions, business feasibility, and ethical

accountability rather than interest-based debt exposure, leverage-based measures may not adequately capture a borrower's true repayment capacity. Therefore, creditworthiness appears to be more closely linked to operational performance and managerial integrity than it is to financial leverage alone. These findings position DER as a complementary risk indicator rather than a decisive screening variable, highlighting the importance of integrated credit evaluation models that balance financial ratios with qualitative and sustainability-oriented considerations in Sharia-compliant banking.

Non-Accounting Information Affects Credit Decision Making

The analysis results show that non-accounting information has a positive and statistically significant effect on credit decision-making ($\beta = 0.154$, $p = 0.025$). This indicates that information not included in financial statements, such as managerial quality, business environment, and borrower reputation, also plays a crucial role in the credit evaluation process. Such factors strengthen lender trust and help reduce uncertainties that financial ratios alone may not address (Çetin et al., 2023; Mariana et al., 2018)

This finding is consistent with prior studies that emphasize the growing importance of qualitative factors in credit decisions. Elements such as borrower behavior, leadership track records, and social networks can heavily influence the outcomes of credit evaluations (Çetin et al., 2023; Rosiasti et al., 2023). These insights reflect a shift from purely number-based evaluations to more holistic assessments in the banking sector.

Nonetheless, the impact of non-accounting information may vary across industries. Sierra-Garcia et al. (2018), for instance, note that companies disclose non-financial information differently depending on sector norms and expectations. Hard financial data may still be the most important factor in capital-intensive industries. Conversely, reputation and human capital weigh more heavily in service sectors. These differences suggest that although non-financial data is generally useful, its relevance is often context-specific.

Similarly, Fernando et al. (2022) highlight that reliance on financial reports alone can be misleading due to potential manipulation or lack of transparency. In this regard, incorporating qualitative insights improves decision accuracy and reduces risk. In the contexts of entrepreneurship and SMEs, non-accounting elements such as leadership skills and adaptability are crucial in determining loan viability (Ding & Yang, 2020; Nurhayati et al., 2022).

The positive and statistically significant effect of non-accounting information ($\beta = 0.154$, $p = 0.025$) demonstrates that qualitative factors meaningfully shape credit decision-making. This finding indicates that financial ratios alone may not fully capture a borrower's risk profile, particularly in situations characterized by information asymmetry and managerial discretion. Non-accounting factors—e.g., managerial integrity, governance quality, business sustainability, and borrower reputation—provide complementary insights that reduce uncertainty and strengthen lender trust in assessing long-term repayment capacity.

In the context of Islamic banking, the importance of non-financial information is structurally consistent with Sharia principles that emphasize ethical conduct, transparency, and real-sector feasibility. Thus, the integration of both financial and non-financial dimensions into credit evaluation frameworks is not only a methodological improvement but also a necessary approach to ensure responsible and sustainable financing. Strengthening structured qualitative evaluation mechanisms can improve decision accuracy and credit risk mitigation in increasingly complex economic environments.

Non-Accounting Information Mediates the Relationship Between Financial Ratios and Credit Decision Making

The analysis results reveal that Non-Accounting Information (M) mediates the relationship between financial ratios—specifically Fixed Assets Turnover (FATO), Return on Net Worth (RONW), and Debt-to-Equity Ratio (DER)—and credit decision-making. The significance value for non-accounting information ($p = 0.025$) and the increase in Adjusted R^2 from 0.273 to 0.283 demonstrate that the addition of non-financial variables improves the model's explanatory power by 1.2%. This supports the hypothesis that qualitative factors enhance the predictive value of financial ratios in credit evaluations.

These findings confirm those of prior research showing that non-financial indicators—such as managerial reputation, borrower behavior, business environment, and social connections—significantly influence credit decisions (Çetin et al., 2023; Rosiasti et al., 2023). As traditional financial metrics can fall short of fully capturing credit risk, particularly in uncertain or informal market settings, non-accounting information provides crucial context for lenders (Fernando et al., 2022).

In some contexts, however, lenders may still rely heavily on financial ratios, specifically liquidity-based indicators, when assessing trade credit risk (Bărbuţă-Mişu, 2018). Moreover, borrower characteristics, including financial literacy or access to formal financial institutions, may moderate the perceived significance of qualitative

data (Kapitan et al., 2019). Such diverse findings highlight that the impact of non-accounting information is not uniform but rather depends on industry, institutional context, and macroeconomic conditions.

More importantly, qualitative evaluations, such as those on business ethics, leadership integrity, and social capital, can affect how lenders interpret financial ratios. For example, a company with a high DER may still receive favorable assessments if its management is trusted and operates in a low-risk environment (Yang et al., 2019).

CONCLUSION

The study findings reveal that both financial ratios and qualitative, non-accounting information significantly influence credit decision-making. Financial indicators such as Fixed Assets Turnover and Return on Net Worth serve as important measures of operational efficiency and profitability. However, their relevance becomes more meaningful when interpreted alongside non-financial data, i.e., managerial characteristics, borrower reputation, and the surrounding business environment. The Debt-to-Equity Ratio, on the other hand, does not consistently impact lending outcomes. This suggests that capital structure alone may not be a decisive factor in evaluating creditworthiness. Overall, this study underscores the importance of integrating financial data with non-financial information to achieve a more comprehensive and realistic understanding of credit risk.

These findings highlight the need for a more holistic and context-sensitive approach to credit evaluation. For financial institutions, it is essential to go beyond financial reports and consider non-accounting elements such as management credibility, business stability, and relevant social factors. For business owners, building trust, practicing good governance, and maintaining strong stakeholder relationships are essential to enhancing lender trust. For regulators and policymakers, the study findings support the necessity of promoting greater transparency and standardization in the disclosure of non-financial information, which in turn contributes to a more inclusive, fair, and sustainable credit system.

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