ECONOMOUS:
Journal of Regional Economic Development

Vol.1, No. 1, April 2025, pp. 43-50

THE EFFECT OF CONSUMER CREDIT INTEREST RATES, EXCHANGE RATE AND SAVINGS ON CONSUMER CREDIT IN INDONESIA PERIOD 2022-2024

Lucya Destri Befti [1], Syofia Sofatunisa Ramdayani [2]

[1] Student of the Development Economics Study Program, Faculty of Economics and Business, Universitas Terbuka, Indonesia

[2] Lecturer of Development Economics Study Program, Faculty of Economics and Business, Universitas Terbuka, Indonesia

Corresponding Author: Lucya.destri@gmail.com

ARTICLE INFO

Published:
30-04-2025

Keywords:
Consumer credit interest rates, Consumer Credit, Exchange Rates, Savings

JEL Codes:
E21, E43,F31

DOI:
10.33830/economous.v1i1.11364

ABSTRACT

This study aims to analyze the effect of exchange rates, consumer credit interest rates, and savings on consumer credit in Indonesia for the period 2022-2024. Using a quantitative approach with descriptive and analytical methods and correlational design to test the relationship between independent variables and dependent variables. The data analyzed are secondary data taken from the monthly reports of Bank Indonesia and the Central Statistics Agency (BPS) for the period January 2022 to August 2024. The analysis process includes testing classical assumptions, such as normality, multicollinearity, heteroscedasticity, and autocorrelation tests, as well as multiple linear regression analysis using E-Views 13 software. The results of the study indicate that all independent variables, namely consumer credit interest rates, exchange rates, and savings, have a significant effect on consumer credit with partial (t) and simultaneous (F) test probabilities below 0.05. The resulting regression model has an Rsquared value of 0.9598, indicating that the independent variables are able to explain 95.98 % of the variation in consumer credit. Specifically, the increase in savings value and consumer credit interest rates made a positive contribution to consumer credit growth, and exchange rate fluctuations also had a significant impact on consumer credit.

Introduction

Banks as financial intermediary institutions or financial intermediaries become a bridge between one customer and another, from customers who have funds and customers who need funds. Banks collect funds in the form of savings and redistribute them as credit. The savings products offered include checking accounts, savings, deposits, and various other collection products which are then allocated to the community. Credit in the economic sense is a delay in payment where money or goods are received now and will be returned in the future. Credit can be interpreted as a situation where there is a transfer in the form of money, goods or services from one party (the credit provider) to another party (the credit recipient) with a mutual agreement to be completed.

Credit based on its nature of use can be divided into three, namely capital credit, investment credit and consumer credit. Consumer credit is a common choice in society because of the high expenditure for consumption needs, which often reaches a large amount due to the unlimited nature of needs. This encourages many individuals to use credit as a

solution. Large consumption expenditure in total aggregate expenditure is also supported by rapid community development, causing people's behavior to change, which ultimately leads to an increase in people's consumption expenditure (Andika et al, 2023). So that banks will provide or provide credit to meet the needs of their customers in purchasing goods or services that are needed personally and will not be used for business purposes such as purchasing motor vehicles, credit for consumables and so on. Consumer credit is one of the crucial elements in the Indonesian economy, because it provides access for people to meet their daily needs, such as purchasing goods and services. Economically, the withdrawal of consumer credit helps smooth the circulation of money in the production sector, thus supporting the smooth running of economic activities and producing increasing feedback (Andrianto, 2020). In a dynamic economic situation, it is important to understand what influences consumer credit.

Table 1
Development of Consumer Credit, Exchange Rates, Interest Rates and Savings

Period	Consumer Credit	Exchange rate	Interest rate	Savings
Jan-24	Rp. 1,941,158	Rp. 15,796	8.87	Rp. 2,650,756
Feb-24	Rp. 1,952,055	Rp. 15,673	8.84	Rp. 2,644,446
Mar-24	Rp. 1,980,842	Rp. 15,853	8.83	Rp. 2,693,409
Apr-24	Rp. 1,989,275	Rp. 16,249	8.85	Rp. 2,716,574
May-24	Rp. 2,004,965	Rp. 16,253	8.86	Rp. 2,706,646
Jun-24	Rp. 2,025,692	Rp. 16,421	8.82	Rp. 2,746,104
Jul-24	Rp. 2,045,019	Rp. 16,320	8.81	Rp. 2,754,500
Aug-24	Rp. 2,061,563	Rp. 15,409	8.78	Rp. 2,740,414

Source: Bank Indonesia, 2024

In Table 1, consumer credit and savings in Indonesia tend to always increase every month. Meanwhile, the exchange rate and interest rates fluctuate every month. The exchange rate is one of the factors that can affect consumer credit. Fluctuating exchange rates can affect people's purchasing power. When the exchange rate weakens, the cost of imported goods increases, which can reduce consumer purchasing power. The exchange rate also has an impact on total consumer credit; when the domestic currency weakens, the price of imported goods increases, which also drives up the price of domestic goods. According to the classical school of thought, this condition can indirectly trigger an increase in consumer credit, because the increase in the price of goods is often accompanied by an increase in people's income (Sabar et al, 2018).

Another factor is interest rates. Interest rates will affect a person's or household's economic decisions in consuming, buying a house, buying bonds or savings. In classical theory, interest is the price of loanable funds. The interest rate is one indicator that someone will save or invest. The higher the interest rate, the higher the funds that will be saved (Anon, 2019). *Expectations Theory* explains how market expectations regarding future interest rates affect current lending decisions. If consumers and financial institutions expect interest rates to rise, they tend to take out credit earlier to avoid higher costs in the future. This indicates that there is a direct relationship between interest rate expectations and the demand for consumer credit, thus potentially influencing consumer behavior in deciding whether or not to borrow. The interest rate on consumer credit is the cost that must be paid by the borrower to use the

borrowed money. When interest rates are high, borrowing costs increase, which can make people reluctant to borrow.

However, in Table 1, even though interest rates have increased, people do not care about the increase in interest rates, and continue to borrow from banks in the form of credit to meet their consumption needs. People who do not pay attention to interest rates will cause a problem if it continues. So that it will have a negative impact on the economy. (Rizkina and Diana 2023).

Another factor that can affect consumer credit is savings. According to *Banking Law Number 10 of 1998* , savings are deposits that can only be withdrawn according to certain agreed conditions, but cannot be withdrawn by check, giro bill and/or other instruments that are equated with it . In the context of macroeconomics, the *multiplier theory* explains that an increase in savings can lead to increased investment, which in turn can drive economic growth. Stronger economic growth can increase demand for consumer credit, thus creating a positive relationship between savings and total consumer credit. Savings play an important role in influencing credit, because they are the main source of funds collected by banks. Therefore, any increase or decrease in the amount of savings directly affects the bank's ability to distribute funds in the form of credit. This is in line with the results of research conducted by Mahanani, Ismawanto, and Leni (2021).

There are several previous studies that examine what factors can affect consumer credit, such as research conducted by Eltania (2022) on the effect of credit interest rates, inflation and exchange rates on types of credit distribution. which found that exchange rates and credit interest rates had no significant and negative effect on consumer credit. Research conducted by Sabar and Kuslin (2018) also found a positive relationship between exchange rates and consumer credit, but had a negative impact between interest rates and consumer credit. Furthermore, research conducted by Faricha (2019) found a positive and significant relationship between third party funds and exchange rates on consumer credit.

The three main factors that are the focus of this study are consumer credit interest rates, exchange rates, and savings as a source of funding. Therefore, the relationship between exchange rates, interest rates, savings, and consumer credit is very relevant to note. By considering these factors, this study aims to analyze the effect of exchange rates, consumer credit interest rates and savings on consumer credit in Indonesia in 2022 - 2024.

Method

This study uses a quantitative approach with descriptive and analytical research types. The design applied is correlational research, which aims to identify the effect of independent variables, namely consumer credit interest rates, exchange rates, and savings from third-party funds, on the dependent variable, namely consumer credit. This study was conducted in Indonesia using statistical data with a time span or *Time series* from January 2022 to August 2024. The data source was obtained from monthly reports conducted by Bank Indonesia and the Central Statistics Agency (BPS). To estimate the regression coefficient, consumer credit was transformed into a linear form into the model so that the following equation was obtained :

$$Log(KK)_t = \beta_0 + \beta_1 Log(KR)_t + \beta_2 Log(SBKK)_t + \beta_3 Log(T)_t + e_t$$

Where :

KK : Total Consumer Credit

KR : Exchange Rate

SBKK : Consumer Credit Interest Rate

T : Savings

Log : Logarithm

β_0 : Constant

β_1, β_2, β : coefficient

e : error term

t : 1,2,3....10(*time series*)

Results and Discussion

To obtain the regression results between the dependent variable and the independent variable, secondary data is used which will be estimated using the OLS (*Ordinary Least Square*) method using *E-views* 13 using multiple linear regression.

Table 2. Multiple Linear Regression Test Results

Variabel	Coefficient	Std.Error	t-Statistic	Prob.
C	-10,915200	1,202808	-9,074760	0,0000
Log (KR)	0,273003	0,121583	2,245415	0,0328
Log (SBKK)	0,835796	0,129441	6,456946	0,0000
Log (T)	1,414714	0,137431	10,293990	0,0000
R-squared	0,963697	Mean dependent var		14.41407
Adjusted R-squared	0.959807	SD dependent var		0.072606
F-statistic	247,761	Durbin-Watson stat		1.281572
Prob(F-statistic)	0.000000			

Source : *Eviews-13 output*

From the multiple linear regression equation above, the results obtained are as follows:

1. The coefficient value of β_0 is -10.91520. indicating that if the exchange rate, consumer credit interest rates and savings are constant, there will be a decrease of 10.915.
2. The value of the β_1 is 0.273003. Shows a positive relationship between the exchange rate variable and consumer credit. Where if there is an increase in the exchange rate, consumer credit will increase by 0.2730033.
3. The coefficient value of β_2 is 0.835796. Shows a positive relationship between the variable of consumer credit interest rate and consumer credit. Where if there is an increase in consumer credit interest rate, consumer credit will increase by 0.835796.
4. The coefficient value of β_3 is 1.414714. Shows a positive relationship between savings variables and consumer credit. Where if there is an increase in savings, consumer credit will increase by 1.414714.

Discussion of the research results is presented as follows:

1. The effect of exchange rates on consumer credit
   The exchange rate has a positive and significant effect on consumer credit in Indonesia. The results of this study indicate that the higher the rupiah exchange rate against the dollar, the demand for consumer credit tends to increase. This finding is in line with

research conducted by Sabar (2018), which found that the higher the rupiah exchange rate, the demand for credit will also increase. Fluctuating exchange rates have a significant impact on consumer credit. When the exchange rate strengthens, consumer purchasing power increases, and this can encourage them to take more credit. This study shows that exchange rate fluctuations can serve as a signal to consumers about the health of the economy, which in turn influences their decision to borrow. However, this study is not in line with research conducted by Faricha (2019), which found that the exchange rate did not have a significant effect on consumer credit. In his study, the depreciation of the rupiah against the dollar was considered stable, so that both when the exchange rate increased and decreased, it did not have a significant impact on consumer credit.

2. The effect of consumer credit interest rates on consumer credit
   The regression results show that the consumer credit interest rate has a positive coefficient. This is in line with the theory of credit demand, where the interest rate functions as a borrowing cost. When interest rates increase, although in theory the demand for credit is expected to decrease, in this context, the increase in interest rates may reflect expectations of better economic growth, which encourages consumers to take credit to invest. Financial institutions may also be more inclined to provide credit under higher interest rates, with the expectation of better returns. However, this study is inconsistent with the study conducted by (Rizkina et al. 2023) which found that interest rates have a negative and significant effect on consumer credit.
3. The Influence of Savings on Consumer Credit
   In the results of this study, savings are proven to have the greatest influence on consumer credit. Increasing savings allows more funds to be available for loans, thereby increasing the capacity of financial institutions to provide credit. This shows the importance of policies that encourage public savings, for example through incentives or financial education, to increase the availability of funds for consumer credit. This is in line with research conducted by Yusak, et al. (2023), which found that the higher the funds collected from the public, the higher the credit distribution will be. This study is also consistent with other studies (Faricha et al. 2019) which found a positive relationship between savings and credit, this is because savings are the main source of funding in credit distribution.

Partial Statistical Test (t-Test)

Based on the processed data results in Table 2, the following t-test analysis was obtained :

1. The significant value of the exchange rate variable on consumer credit is 0.0328 < 0.05 and t count is 2.245415 > 2.04841. so that $H1_{is}$ accepted which means that the exchange rate has a significant effect on the consumer credit variable.
2. The significant value of the consumer credit interest rate variable on consumer credit is 0.000 < 0.05 and t count is 6.456946 > 2.04841. so that $H2_{is}$ accepted which means that the consumer credit interest rate has a significant effect on the consumer credit variable.
3. The significant value of the savings variable on consumer credit is 0.000 < 0.05 and t count is 10.29399 > 2.04841. so that H_3 is accepted which means that savings have a significant effect on the consumer credit variable.

Simultaneous Significance Test (F Test)

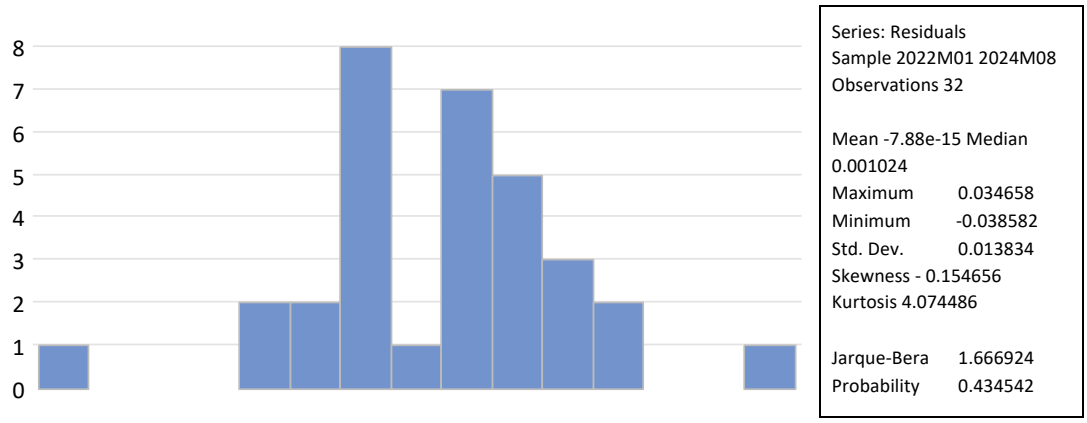
Table 2 shows the regression results showing the influence of exchange rates, consumer credit interest rates and savings on consumer credit obtaining a Prob value (F-statistic) of 0.0000 <0.05. This shows that all independent variables have a significant influence on the dependent variable.

Coefficient of Determination (R^2)

Table 2 shows that the R-squared value is 0.9598 or 95.98%. It can be concluded that the exchange rate variable, consumer credit interest rate and savings affect the consumer credit variable by 95.98% while the remaining 4.02% is influenced by other variables.

Classical Assumption Test Normality Test

Figure 1. Normality Test



In Figure 1, the results of the normality test can be seen, which shows a probability value of 0.434542 or greater than 0.05, meaning that the data in this study is normally distributed.

Multicollinearity Test

Table 3. Multicollinearity Test

Variable	Coefficient	Uncentered	Centered
	Variance	VIF	VIF
C	1.446748	218500.6	NA
LOG (KR)	0.014782	207253.9	3.226591
LOG (SBKK)	0.016755	11899.23	1.312362
LOG(T)	0.018887	621770.7	3.568018

Table 3 shows that none of the variables have a Variance Inflation Factors (VIF) value > 10. So that the regression model of this study does not experience multicollinearity between variables.

Heterooxidasticity Test

Table 4. Heteroscedasticity Test

Heteroscedasticity Test: Breusch-Pagan-Godfrey

F-statistic 1.738172	Prob. F (3,28)	0.1820	
Obs*R-squared	5.023843 Prob. Chi- Square(3)		0.1701
Scaled explained SS	5.912820 Prob. Chi- Square(3)		0.1159

Based on the results of the heteroscedasticity test in table 4. We can see the significance probability value is above the 5% confidence level, namely 0.1701, so it can be concluded that the data is free from heteroscedasticity problems.

Autocorrelation Test

Table 5. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.252368 Prob. F (2,26)	0.3025
Obs*R-squared	2.811868 Prob. Chi-Square (2)	0.2451

Based on the results of the autocorrelation test in Table 5 above, it can be seen that there is no autocorrelation because the probability of 0.2451 is greater than the 5% significance level.

Linearity Test

Table 6. Linearity Test

Ramsey RESET Test

	Value	Df	Probability
t-statistic	1.924227	27	0.0649
F-statistic	3.702649	(1.27)	0.0649
Likelihood ratio	4.112386	1	0.0426

Based on Table 6, there are no linearity problems because the F Statistic probability value is 0.0649 . greater than the significant value of 5%.

Conclusion

Based on the research results, it can be concluded that there is a significant influence between the exchange rate, consumer credit interest rates, and savings on consumer credit in Indonesia. This means that if the fluctuations that occur in the positive exchange rate cause consumer confidence to increase so that it will encourage consumers to take more credit. Consumer credit interest rates also have a positive effect on consumer credit, where an increase in consumer credit interest rates will encourage consumers to use credit more as a source of financing. Savings have a positive and significant effect on consumer credit. This is because an increase in capital in banks will also be followed by an increase in consumer credit.

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