

# The Effect of Inflation and Interest Rates on Consumer Credit with Global Economic Policy Uncertainty as a Moderation Variable in Indonesia

Dwi Alam Nugroho<sup>1</sup>, Resti Prima<sup>2</sup>, Osly Usman<sup>3</sup>

<sup>1,2,3</sup> Faculty of Economics and Business, Universitas Jakarta, Jakarta, Indonesia. Email: [dwialamn@gmail.com](mailto:dwialamn@gmail.com)<sup>1</sup>

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## ABSTRACT

This study aims to analyze the influence of inflation and interest rates (BI Rate) on consumption credit in Indonesia, with global economic policy uncertainty as a moderating variable. This study uses secondary data in the form of monthly time series data from June 2015 to March 2025 published by the Financial Services Authority (OJK), Bank Indonesia, and the Economic Policy Uncertainty Index. Multiple regression analysis was applied to estimate the relationship of each variable, accompanied by normality, multicollinearity, and heteroscedasticity tests, so that it met the requirements for a valid and robust regression. The results of the study show that inflation has a negative and significant influence on consumption credit, while interest rates also have a negative but insignificant influence. Global economic policy uncertainty has proven to be able to moderate the negative influence of inflation on consumer credit, so that the negative impact is weaker when uncertainty is greater. Meanwhile, the role of the moderation of global economic policy uncertainty on the relationship between interest rates and consumption credit does not appear significant. Regression analysis also showed that models that included moderation variables were better able to explain the variation in consumption credit distribution, which reached 51.3%.

**Keywords:** Inflation, BI Rate, Global Economic Policy Uncertainty, Consumption Credit.

## I. Introduction

Financial system stability is a vital foundation for sustainable economic growth, where the banking sector plays a strategic role in allocating resources through credit disbursement mechanisms (Aytaç et al., 2022). In the context of the Indonesian economy, consumption credit has become an important instrument that boosts household consumption activities and contributes significantly to the growth of Gross Domestic Product (Ha & So, 2024). However, the dynamics of consumer credit disbursement are inseparable from the influence of various macroeconomic factors, especially inflation and the benchmark interest rate set by Bank Indonesia. Inflation, as a phenomenon of increasing prices of goods and services in general and continuously, is a crucial concern for monetary authorities in various countries, both developed and developing (Siswanto et al., 2022). When inflation increases, people's purchasing power tends to erode because the money supply is not proportional to the increase in price levels (Firdaus et al., 2022). This creates pressure on people's

consumption decisions, which in turn affects the demand for consumption credit (Priyambudi & Thamrin, 2021). Meanwhile, the interest rate (Interest Rate) as a key monetary policy instrument, directly affects borrowing costs and intensive consumers to access credit (Naro et al., 2021). Interest rate hikes tend to reduce people's interest in borrowing because they increase the opportunity cost of current consumption, while lowering interest rates could encourage credit expansion (Desalegn et al., 2023). The complexity of the relationship between macroeconomic variables and consumption credit is increasing with external factors, in particular global economic policy uncertainty (Global economic policy uncertainty). This uncertainty can be triggered by various events such as trade wars, geopolitical crises, global pandemics, or changes in monetary policy in developed countries (Putranto, 2022). The phenomenon of global uncertainty has the potential to affect the expectations of economic actors, including investors, producers, and consumers, in making economic and financial decisions (Sanida & Rahayu, 2022). In an interconnected global political-economic system, interdependence between countries can turn asymmetrical, where developing countries such as Indonesia become highly vulnerable to external shocks (Samal et al., 2022).

The transmission mechanism of global economic policy uncertainty on consumption credit works through various channels. First, through the inflation expectations channel, where global uncertainty can encourage economic actors to increase their inflation expectations, ultimately triggering an increase in actual prices (Priyambudi & Thamrin, 2021). Second, through exchange rate channels, uncertainty can lead to exchange rate volatility that increases import costs and triggers importer inflation (imported inflation). Third, through monetary policy responses, where central banks can adjust interest rates in response to global uncertainty, either to stimulate economic growth or control inflationary pressures (Adeosun et al., 2023; Firdaus et al., 2022). Although the empirical literature has explored the relationship between macroeconomic variables and banking credit, studies that specifically analyze the role of moderating global economic policy uncertainty in the context of consumer credit in Indonesia are still limited (Yaya et al., 2024; Yeşiltaş et al., 2022). Previous research has tended to focus on direct influences (Direct effect), inflation, and interest rates on total bank loans or MSME loans (Amalia & Azizuddin, 2022), without considering how global uncertainties may change or moderate the relationship. More specifically, the research by Amalia & Azizuddin (2022) only analyzes the direct effect of inflation on MSME financing without considering the moderating effect of external factors, while Idnani et al. (2021) focus on the determinants of Non-Performing Loans without exploring the dynamics of credit disbursement itself. Naro et al. (2021) examine the influence of Third-Party Funds, BI Rate, and inflation on credit disbursement at Bank Mandiri using a direct effect model approach, but does not integrate global uncertainty variables that are increasingly relevant in the era of international economic integration. International studies such as those conducted by Nadeem et al. (2025) has developed the Economic Policy Uncertainty Index and show its impact on investment and consumption in developed countries, but its application in the context of consumer credit in developing countries such as Indonesia is still very limited. Recent research in the Southeast Asian region has also not explored how global economic policy uncertainty interacts with domestic macroeconomic variables in influencing the behavior of the banking sector, especially in the aspect of distributing consumer loans which have different risk characteristics and transmission mechanisms from corporate loans or MSMEs. In fact, in the era of increasingly intense globalization and international economic integration, understanding the moderation effects of external factors is very important for the formulation of effective monetary policy.

This study aims to fill the gap in the literature by comprehensively analyzing the influence of inflation and interest rates on consumption credit in Indonesia, by placing global economic policy uncertainty as a moderation variable. The theoretical contribution of this research lies in the development of an understanding of the complex interaction between domestic and global factors in influencing the dynamics of consumer credit. In practical terms, the findings of this study are expected to provide valuable insights for policymakers at Bank Indonesia and the Financial Services Authority in designing monetary policy strategies and banking supervision that are more responsive to global dynamics. For banking industry players, this research can be a reference in credit risk management and consumption credit distribution strategies. In addition, for academics and researchers, this study opens up opportunities for further research on the transmission mechanisms of

monetary policy in the context of an open economy facing global uncertainty. The urgency of this research is increasingly prominent given the current global economic conditions marked by unprecedented multidimensional uncertainty in modern economic history. The 2024-2025 period will see a sustained escalation of geopolitical tensions, global economic fragmentation, and structural transformations in the international trade order that create new challenges for open economies like Indonesia. In the context of monetary policy, a comprehensive understanding of how global uncertainty moderates the transmission of interest rate and inflation policy to consumer credit is crucial for the effectiveness of Bank Indonesia's policy mix in achieving its triple mandate: price stability, financial system stability, and economic growth. Lack of understanding of this moderation mechanism can result in monetary policy ineffectiveness or even counterproductive, where interest rate adjustments intended to control inflation do not produce the expected impact on the real sector because they are moderated by high global uncertainty.

## II. Literature Review and Hypothesis Development

### 2.1. Theoretical Foundations

The distribution of consumer credit in the banking system is influenced by the dynamics of macroeconomic variables, especially inflation and interest rates. Theoretically, inflation as a phenomenon of increasing prices of goods and services in general and sustainably has direct implications for people's purchasing power (Ismail & Kadir, 2022; Siswanto et al., 2022). When inflation rises, the real value of people's incomes erodes, potentially reducing the ability to access consumption credit (Sa'diyah et al., 2024). Beckmann & Czudaj (2026) asserts that in economies with low monetary policy credibility, shocks of uncertainty tend to increase inflation, which further affects consumption behavior. Meanwhile, interest rates reflect borrowing costs and opportunity cost of current consumption (Priyambudi & Thamrin, 2021). Within the framework of the IS-LM model and money demand theory, rising interest rates will increase borrowing costs thereby reducing the demand for consumer credit (Desalegn et al., 2023). Global economic policy uncertainty (Global economic policy uncertainty) is an external variable that can moderate the relationship between domestic factors and consumption credit. Asab (2025) identify those supply-side shocks (supply-side shocks), particularly volatility in food and energy prices, is a major driver of inflation in both developed and developing economies. In the context of an open economy, global uncertainty affects inflation expectations, exchange rates, and monetary policy responses (Adeosun et al., 2023). Inogamov & Leon-Gonzalez (2024) found that changes in global energy prices significantly affect the co-movement of inflation in Commonwealth of Independent States countries, indicating the transmission of external shocks to domestic inflation dynamics. Lie & Rivai (2022) explained that monetary phenomena such as inflation and exchange rates affect interbank money market interest rates, so monetary instability will shake the stability of the financial system.

### 2.2. Previous Research and Hypothesis Development

Empirical studies show a negative relationship between inflation and credit activity. Lie & Rivai (2022) stating that high inflation is negatively correlated with real credit activity. Lie & Rivai (2022) found that high inflation erodes people's real incomes, reduces the ability to buy goods and services, and reduces the demand for consumer credit. Ilan & Mugerman (2025) It reveals that low-income households adopt a prudent mortgage strategy in the short term but are vulnerable to long-term risks when inflation-indexed payments outpace income growth. Oktaviani & Zulvia (2026) in the context of Indonesian retail companies found that profitability has a significant negative effect on financial distress, indicating the importance of financial stability in the face of economic pressure. Amalia & Azizuddin (2022) found that inflation did not significantly affect MSME financing, indicating that internal bank factors were more dominant. Based on these theoretical and empirical foundations, the first hypothesis is:

*H1 : Inflation has a negative and significant effect on consumption credit.*

Interest rates as a key monetary policy instrument have a significant impact on consumers' decisions to access credit (Naro et al., 2021). Firdaus et al. (2022) explains that interest rates affect borrowing costs, business investments, exchange rates, and inflation expectations. Rising interest rates increase borrowing costs, reducing consumers' ability to buy goods on credit (Priyambudi & Thamrin, 2021). Badrudin et al. (2025) It was found that current money management stress significantly increases financial stress, which in turn negatively affects an individual's financial behavior. Therefore, the second hypothesis is:

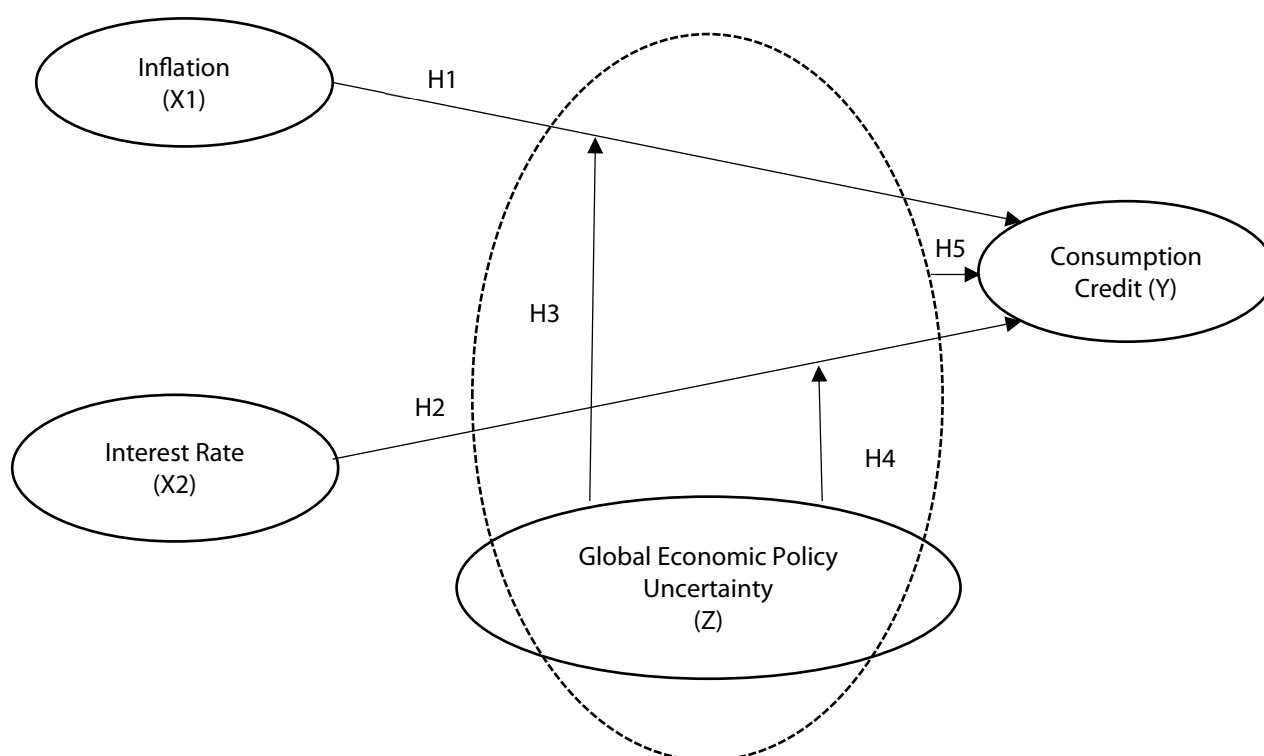
*H2 : Interest rates have a negative and significant effect on consumption credit.*

Global economic policy uncertainty can moderate the impact of inflation on consumer credit. Samal et al. (2022) Noting that in the global political economy system, interdependencies between countries can turn asymmetrical, increasing vulnerability to external shocks. Sarjono et al. (2026) analyzes that the assessment of Foreign Direct Investment in MINT countries reflects investors' expectations of macroeconomic stability and the investment climate, which is influenced by global uncertainty. Rizal & Thamrin (2024) Explaining global uncertainty creates difficulties in predicting the direction of economic policy. Thus:

*H3 : Global economic policy uncertainty moderates the effect of inflation on consumer credit.*

*H4 : Global economic policy uncertainty moderates the effect of interest rates on consumer credit.*

*H5 : Global economic policy uncertainty moderates the co-influence of inflation and interest rates on consumer credit.*



**Figure 1. Frame of Mind**

The urgency of this research is increasingly prominent given the current global economic conditions marked by unprecedented multidimensional uncertainty in modern economic history. The 2024-2025 period will see a sustained escalation of geopolitical tensions, global economic fragmentation, and structural transformations in the international trade order that create new challenges for open economies like Indonesia. In the context of monetary policy, a comprehensive understanding of how global uncertainty moderates the transmission of interest rate and inflation policy to consumer credit is crucial for the effectiveness of Bank Indonesia's policy mix in achieving its triple mandate: price stability, financial system stability, and economic growth. Lack of understanding of this moderation mechanism can result in monetary policy ineffectiveness or even counterproductive, where interest rate adjustments intended to control inflation do not produce the expected impact on the real sector because they are moderated by high global uncertainty. For the banking sector, a lack of understanding of these dynamics can lead to credit risk mispricing, suboptimal portfolio allocation, and vulnerability to systemic shocks. Furthermore, in the context of national financial system stability, this study makes an important contribution in identifying vulnerability channels that can be a source of systemic risk, especially considering that consumption credit accounts for almost 30% of total banking loans and is closely related to the property sector which is one of the strategic sectors in the Indonesian economy. Thus, this research not only has academic value but also very high practical relevance in the context of evidence-based policymaking and banking risk management in the midst of increasingly complex and uncertain global economic dynamics.

### III. Research Method

This study uses a quantitative approach to determine the relationship between interest rate (BI Rate) and Inflation as an independent variable (X) on the distribution of consumption credit (Y). In this study, the world economic policy uncertainty index is also used as a variable that moderates the relationship between interest rates and inflation on credit disbursement (moderation variable). This study uses documentation techniques in data collection. The originality of this research lies in the use of Global Economic Policy Uncertainty Index as a moderation variable in the context of Indonesian consumer credit, which has not been widely explored in the domestic literature. In contrast to previous studies that only tested direct effects (Direct effect) macroeconomic variables on credit (Amalia & Azizuddin, 2022), this study analyzed the effects of moderation (moderating effect) global uncertainty over the relationship between inflation and interest rates and consumption credit, thus providing a new perspective on credit dynamics in the context of an open economy facing external shocks. This research uses secondary data that is public and has been officially published by authorities such as the Financial Services Authority, Bank Indonesia, the Central Statistics Agency, and the Financial Services Authority. Economic Policy Uncertainty, so it does not involve privacy or data confidentiality issues. All data used has gone through a verification process from official sources to ensure the validity and reliability of the information. The use of these secondary data is in accordance with the principles of research ethics as it does not require special approval (informed consent) of the research subject and does not cause potential losses to any party. The data used in this study are listed in Table 1.

**Table 1. Data Used in the Study**

No.	Variable	Unit of Measurement	Data Period	Source
1	Consumption Credit (Y)	Rupiah is processed in the form of Natural Logarithms	Monthly (June 2015 – March 2025)	OJK, CEIC
2	Interest Rate (BI Rate) (X1)	Percent processed in the form of Natural Logarithm	Monthly (June 2015 – March 2025)	BI, CEIC
3	Inflation (X2)	Percent processed in the form of Natural Logarithm	Monthly (June 2015 – March 2025)	BPS, CEIC

4	Global Economic Policy Uncertainty Index (Z)	Table of Contents	Monthly (June 2015 – March 2025)	Economic Policy Uncertainty
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This study used a census sampling method by taking the entire population of monthly time series data from June 2015 to March 2025, so that 118 observations were obtained. The selection of this period is based on consideration of the consistent availability of data from all research variables and covers various phases of the economic cycle, including periods of stability, external shocks such as the COVID-19 pandemic, as well as post-pandemic economic recovery. By using the entire population of data in the period, the results of the study are expected to comprehensively represent the dynamics of the relationship between variables without sample selection bias. The empirical model used in this study is as follows:

$$\text{Consumer Credit} = \beta_0 + \beta_1 \text{Inflation} + \beta_2 \text{Interest Rate} + \beta_3 \text{GEPUI}_t + \beta_4 (\text{Inflation} \times \text{GEPUI})_t + \beta_5 (\text{Interest Rate} \times \text{GEPUI})_t + U_t$$

The difference in indicators and to estimate the regression coefficient, according to Feldstein (1988) the transformation to a linear form is carried out using a partial natural logarithm (ln) into the model so that the following empirical equations are obtained:

$$\text{Consumer Credit} = \beta_0 + \beta_1 \text{Ln Inflation} + \beta_2 \text{Ln Interest Rate} + \beta_3 \text{Ln GEPUI}_t + \beta_4 (\text{Inflation} \times \text{GEPUI})_t + \beta_5 (\text{Interest Rate} \times \text{GEPUI})_t + U_t$$

Where:

- Consumer Credit = Consumption Credit (in Rupiah)
- $\beta_0$  = Constant
- $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = Regression Coefficients
- Interest Rate = BI 7-Day Reverse Repo Rate (Percent)
- Inflation = Inflation Rate (Percent)
- GEPUI = Global Economic Policy Uncertainty Index
- Ln = Natural Logarithm
- t = Time Period (Monthly)
- U = Error Term

The model that has been formed is then analyzed using multiple linear regression to find out the relationships between variables. The study also used the t-test to determine the regression coefficient individually (partial) and the f-test to determine the regression coefficient together with a certain level of confidence (alpha). This study also shows the goodness of fit of the model formed with adjusted R2. By using all the tests mentioned, it is hoped that it will be able to answer the hypothesis of this study, namely the influence of interest rates and inflation has a negative influence on the distribution of banking credit, especially consumption credit. Then, this study also examines the role of economic uncertainty as a moderating variable in the relationship. The multiple linear regression model used in this study is based on several classical assumptions that must be met to ensure the Best Linear Unbiased Estimator (BLUE) estimator. These assumptions include: (1) residual normality, which is tested using histogram graphs and quantile-quantile plots; (2) the absence of perfect multicollinearity between independent variables, which is evaluated through the Variance Inflation Factor (VIF) value; and (3) homoskedasticity, which is tested using the Breusch-Pagan Test. If the assumption of homogeneity is not met, this study applies a robust standard error to correct the standard error estimate so that the results of statistical inference remain valid and reliable. The selection of multiple linear regression models with moderation variables was based on the research objective of testing

not only the direct influence (Main Effect) inflation and interest rates on consumer credit, but also the influence of interactions (Interaction Effect) with the uncertainty of global economic policy.

A phased approach with five regression models (Stepwise Model Building) allowed the researcher to compare the contribution of each variable and interaction variable to the explanatory power of the model (goodness of fit), so that the best model can be identified that is best able to explain the variation in consumption credit distribution. This method is in line with the approach used in the study of moderation by Rizal & Thamrin (2024). This study has several methodological limitations that need to be considered in the interpretation of the results. First, the use of national aggregate time series data cannot capture regional heterogeneity in the distribution of consumption credits. Second, the model used is linear and may not fully capture the complex non-linear relationships between variables. Third, a relatively limited observation period (118 observations) may limit the statistical power of detecting more subtle moderation effects. Fourth, this study does not include other control variables that have the potential to affect consumption credit such as unemployment rates, economic growth, or banking regulations, so the results must be interpreted by considering these external factors.

#### IV. Result and Discussion

This research is an original work produced through an independent research process and free from plagiarism. All data analysis, interpretation of results, and conclusions presented are original contributions of researchers based on the methodology described earlier. The data used is sourced from official institutions and has been analyzed using valid and reliable statistical procedures. The regression carried out in this study was carried out in stages and divided into five models, namely:

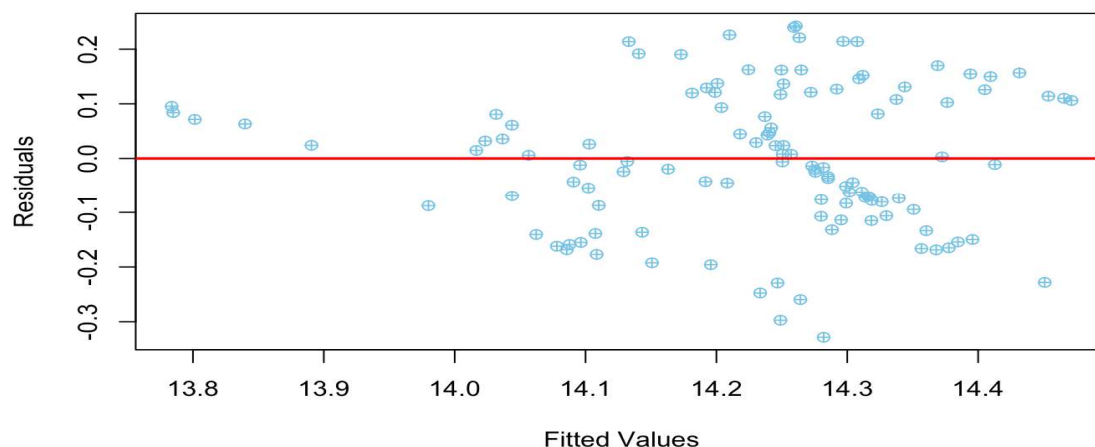
- a. Model 1 = Effect of interest rates and inflation on consumption credit
- b. Model 2 = Model one plus the variable of global economic policy uncertainty
- c. Model 3 = Model two plus moderation variables (inflation and global economic policy uncertainty)
- d. Model 4 = Model two plus moderation variables (interest rates and global economic policy uncertainty)
- e. Model 5 = Model two with two additional moderation variables

The goal of dividing the five models is to see the consistency of the relationship between each dependent variable and consumption credit, and to ensure that the model that includes the interaction variable is the best model. The results of the analysis obtained in this study are confirmed to have gone through the classical assumption test as one of the requirements for using regression analysis. The testing can be divided into several stages of testing, namely:

##### 4.1. Classical Assumption Test Results

The results of the normality test with histogram graphs, the distribution pattern is close to normal, because the data follows the direction of the histogram graph lines. Therefore, it can be concluded that the assumption of normality has been fulfilled and the existing data are feasible to predict consumption credit based on its independent variables.

**Scatterplot: Fitted vs Residuals**



**Figure 2. Normality Test Results (QQ)**

Second, based on the multicolligiate test, it is known that the VIF value for each variable in each model is less than 10, except for the moderation variable whose value is above 10 with this value, the model is declared to be multicolligiate. However, this is not a significant problem because the high VIF value indicates a high correlation between variables (moderation variables).

**Table 2. Variance Inflation Factor (VIF)**

Model	X1 Ln Inflation	X2 Ln BI Rate	Z0 Ln GEPUI	Z1 (Inflation Rate × GEPUI)	Z2 (Interest Rate × GEPUI)
Model 1	1.12776	1.12776	–	–	–
Model 2	1.322873	1.133346	1.222921	–	–
Model 3	241.402192	1.179699	5.901866	215.447666	–
Model 4	1.38154	435.58555	85.76797	–	441.10102
Model 5	496.94867	276.33787	86.87463	499.81108	244.12351

Third, the results of the heteroscedasticity test were obtained by conducting the Breush-Pagan Test, the p-value result of the model formed was  $(0.0008) < 0.05$ , this value was smaller than the trusted alpha level ( $\alpha=5\%$ ), this indicates that the model experienced heteroscedasticity. So that the regression model remains valid and suitable for the interpretation of the influence between variables, it is necessary to carry out a robust standard error. After going through all the tests to meet the assumptions of the class, the model built is valid.

**Table 3. Breusch-Pagan Test Results**

Model	P-Value
Model 1	4.19e-08
Model 2	0.00286
Model 3	0.0008783
Model 4	0.001843
Model 5	0.0008002

The results of the heteroscedasticity test using the Breusch-Pagan Test in Table 3 show that all regression models (Model 1 to Model 5) experience heteroscedasticity problems, which are characterized by a p-value that is consistently smaller than the significance level of  $\alpha = 0.05$ . Specifically, Model 1 shows a p-

value of  $4.19 \times 10^{-8}$ , Model 2 of 0.00286, Model 3 of 0.0008783, Model 4 of 0.001843, and Model 5 of 0.0008002. These very small p-values indicate a rejection of the null hypothesis that residual variance is homogeneous (homoskedasticity), so it can be concluded that there is heteroscedasticity in all five regression models. Heteroscedasticity occurs when the variance of term error is not constant throughout the observation, which can be caused by various factors such as outliers, imprecise model specifications, or the inherent characteristics of macroeconomic time series data that tend to have different volatility in certain periods, especially during external economic shocks such as financial crises or pandemics. Although the existence of heteroscedasticity does not cause bias in the estimation of regression coefficients (Unbiased Estimators), this problem causes estimation Standard Error be inefficient and can result in statistical inference that Misleading, especially in hypothesis testing using the t and test F. Therefore, to overcome the problem of heteroscedasticity and ensure the validity of statistical inference, this study applied the correction method Robust Standard Error (also known as Heteroskedasticity-Consistent Standard Errors or HC Standard Errors) developed by Rizal & Thamrin (2024). This method corrects estimates Standard Error without changing the value of the regression coefficient, so that the hypothesis test remains valid (reliable) even though the assumption of homocedasticity is not met. With the application of Robust Standard Error, all results of coefficient estimation, partial significance test (test t), and simultaneous significance tests (tests F) reported in this study has met the criteria Best Linear Unbiased Estimator (BLUE) and is suitable for interpretation of the influence between variables and research conclusions.

#### 4.2. Regression Model Estimation Results

After confirming that the model has met the classical assumptions of regression through robust standard error correction, the next stage is to analyze the estimated results of the five regression models that have been constructed. Comparative analysis between models will provide insight into the consistency of the relationship between variables and the effectiveness of moderation variables in explaining the dynamics of consumer credit.

**Table 4. Regression Results**

Regression Result					
Dependent variable: Consumption Credit Log					
Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Log BI Rate	0.237***	0.268***	-2.301**	0.330***	-0.258
	(0.085)	(0.070)	(1.095)	(0.066)	(1.234)
Inflation Log	-0.231***	-0.147***	-0.134***	-2.175***	-2.104***
	(0.040)	(0.035)	(0.036)	(0.377)	(0.439)
Global Uncertainty Log		0.308***	-0.453	-0.109	-0.269
		(0.047)	(0.318)	(0.094)	(0.297)
BI Rate Log × Global Uncertainty Log			0.476**		0.108
			(0.203)		(0.227)
Inflation Log × Global Uncertainty				0.373***	0.360***
				(0.070)	(0.080)
Constant	14.097***	12.316***	16.411***	14.505***	15.365***
	(0.114)	(0.255)	(1.702)	(0.496)	(1.596)
Observations	117	117	117	117	117
R <sup>2</sup>	0.254	0.443	0.460	0.534	0.534
Adjusted R <sup>2</sup>	0.241	0.428	0.441	0.517	0.513
Description: p < 0.1, **p < 0.05, *** p < 0.01					

Based on the results of data processing Table 4. The regression results show that inflation consistently has a negative and significant relationship with consumption credit, this is in accordance with the research hypothesis. On the other hand, the relationship between the BI Rate and consumption credit tends to be inconsistent in each model, although in model 5 the relationship remains negative and insignificant to consumption credit. Furthermore, the moderation effect was only found to be consistently positive and significant on the moderation variable between inflation and global economic policy uncertainty, suggesting that global uncertainty weakens the negative relationship of inflation to consumption credit. In other words, in uncertain global economic conditions, the negative impact of inflation on the distribution of consumer credit has become smaller. In contrast, the BI Rate moderation variable with global uncertainty did not show a consistent relationship and did not have a significant relationship (model 3 and model 5), so the effect of moderation could not be inferred. Overall, from the initial model (model 1) to the inclusion of the variable interaction of the value of the determination coefficient (R<sup>2</sup>) has improved, this shows that the last model is the best model that is able to explain the distribution of consumption credits. Thus, it becomes important to consider external factors such as global uncertainty in analyzing the influence of monetary policy instruments and inflation on the domestic credit sector.

#### 4.3. Interpretation and Discussion of Results

The results of model 5 obtained the value of the adjusted determination coefficient symbolized by (Adjusted R<sup>2</sup>) of 0.513, this value indicates that the percentage of variation in the distribution of consumption credit that can be explained by the variation of the three independent variables and the two moderation variables is 51.3 percent, while the rest is explained by other variables that are not included in the research model. Furthermore, based on Table 2, model 5, the regression equation is obtained as follows:

$$\text{Consumer Credit} = 15.365 + (-2.104 \text{ Ln Inflation}) + -0.258 \text{Ln Fixed Rate} + (-0.269 \text{ Ln GEPUI}_t) + 0.360(\text{Ln Inflation} \times \text{Ln GEPUI})_t + 0.108(\text{Ln Interest Rate} \times \text{Ln GEPUI})_t + U_t$$

The results of the above regression statement can be interpreted as follows:

A constant value of 15.365 indicates that if all variables are considered constant or constant, the consumption credit will be reduced by 15.365 (Ceteris Paribus). Value coefficient  $\beta_1 = -2.104$  It shows that when the inflation variable increases by 1 percent, consumption credit will decrease by -2.1 percent. The negative value coefficient means that there is a negative relationship between inflation and credit because with the increase in inflation, credit will decrease. These results are in line with previous research Rizal & Thamrin (2024) which states that high inflation often correlates negatively with real credit activity, in this study especially on consumer credit. This happens because when inflation is high, people also tend to reduce their consumption so that purchasing power is low and the demand for credit, especially consumer credit, will decrease. This condition causes banks to be reluctant to distribute credit and tend to be cautious (risk aversion). These findings support Keynes's classical theory of the function of consumption, where real income (Real Income) is the main determinant of aggregate consumption. When inflation erodes real incomes, people tend to make consumption adjustments by reducing discretionary spending (discretionary spending), including the purchase of credit-financed consumer goods. These results are also consistent with the findings Asab (2025) that identify that inflationary shocks driven by supply-side shocks has a significant impact on consumer behavior in emerging economies. Ilan & Mugerma (2025) It further shows that financially constrained households adopt conservative strategies in accessing credit when faced with high inflation expectations, which is in line with the declining pattern of demand for consumer credit found in the study. However, it is worth considering an alternative explanation that the decline in consumer credit can also be caused by the response of banks that tend to implement risk aversion policies when inflation is high. In conditions of increasing economic uncertainty, banks may tighten credit lending standards to mitigate the

risk of bad loans, so that the decline in consumer credit is not only caused by a decrease in demand from the consumer side, but also a reduction in supply from the banking side (supply-side constraint).

The theoretical implication of these findings is the importance of considering the simultaneous interaction between demand-side and supply-side factors in analyzing the dynamics of consumer credit. The value of the coefficient  $\beta$  of 2 = -0.258 shows that if the interest rate increases by one percent, consumption credit decreases by 2.68 percent. A negative value coefficient means that there is a negative relationship between interest rates and credit because the higher the interest rate, the more credit will decrease. These results are in line with the hypothesis (a sign of hope put forward) although not significant. These results also support the existing theory, namely in the IS-LM model and the money demand theory, rising interest rates will result in rising borrowing costs so that the demand for credit, especially consumer credit, will decrease. In addition, when interest rates rise, people tend to save because the returns obtained are high, assuming this assumption that people will postpone consumption financed by credit. However, the results became inconsistent when there was instability in global economic conditions. Results showing a negative but insignificant relationship between interest rates and consumption credit offer interesting findings to discuss. Theoretically, based on the IS-LM model and neoclassical interest rate theory, rising interest rates should significantly reduce the demand for credit due to rising borrowing costs. However, the insignificance of the empirical results in this study indicates that there are other factors that weaken the mechanism of interest rate transmission to consumption credit in Indonesia. Possible explanations are phenomena Interest Rate Rigidity or the rigidity of consumer lending rates, where banks do not fully transmit changes in Bank Indonesia's benchmark interest rates into consumption lending rates due to profit margin and operating cost structure considerations.

Badrudin et al. (2025) find that financial stress (Financial stress) consumers are more affected by current financial management pressures than changes in interest rates, which indicates that consumption credit access decisions are more sensitive to personal financial conditions than changes in borrowing costs. In addition, Beckmann & Czudaj (2026) suggests that in economies with limited monetary policy credibility, the effectiveness of interest rate transmissions against real variables such as credit may be reduced due to unrealistic expectations Well-anchored. Another alternative explanation is that consumer credit in Indonesia may be dominated by a relatively interest-inelastic consumer segment, i.e. a group of consumers whose credit decisions are not particularly sensitive to changes in interest rates due to urgent needs or limited access to alternative sources of financing. The theoretical implication of these findings is the need to expand the framework of monetary policy analysis to take into account the heterogeneity of credit segments and the structural characteristics of the banking system in emerging economies. The value of the coefficient  $\beta$  3 = -0.269 that the global uncertainty variable has an insignificant negative relationship with consumption credit, this indicates that the relationship of global uncertainty to consumption credit is not direct but through intermediaries. Therefore, this supports the hypothesis that this variable can be used as a moderation variable between the relationship between the BI Rate and Inflation to consumption credit. Furthermore, the values of coefficients  $\beta$  of 4 = 0.108 and  $\beta$  5 = 0.360 indicate that the global uncertainty variable weakens the negative influence of interest rates and inflation on consumer credit. A positive and significant influence was shown on the influence of the moderation variable of global uncertainty with inflation on consumption credit.

The finding that global economic policy uncertainty moderates and weakens the negative influence of inflation on consumer credit is an important contribution of this study to the literature. These results suggest that under conditions of high global uncertainty, the negative impact of inflation on consumption credit becomes weaker, which goes against the conventional intuition that uncertainty is supposed to worsen economic conditions. Theoretical explanations for this phenomenon can be traced through the theory of consumer behavior under conditions of uncertainty. Beckmann & Czudaj (2026) explains that the effect of uncertainty on inflation depends on the credibility of monetary policy and the anchor of inflation expectations (Inflation Expectation Anchoring). In the Indonesian context, when global uncertainty increases, Bank Indonesia tends to adopt more accommodative monetary policies to maintain financial system stability, which can reduce domestic inflationary pressures through exchange rate and expectations channels. Sarjono et al.

(2026) identify that in emerging economies such as Indonesia, a proactive policy response to external shocks can create buffer effect which reduces the transmission of inflation shocks to the real sector. An alternative explanation is that in conditions of high global uncertainty, consumers may adopt a strategy Precautionary Borrowing, i.e. access credit in anticipation of possible future revenue declines or restrictions on credit access (Credit Rationing) when economic conditions deteriorate. This behavior may explain why the negative influence of inflation on consumer credit becomes weaker as uncertainty increases. Inogamov & Leon-Gonzalez (2024) found that the co-movement of inflation between countries increases during periods of uncertainty, but consumer responses to inflation vary depending on expectations and the availability of mechanisms Hedging risk. The theoretical implication of these findings is the need to integrate uncertainty theory and rational expectations within the framework of the analysis of inflation transmission to consumption credit, particularly in the context of an open economy that is vulnerable to external shocks.

#### 4.4. Comparison with Previous Research and Implications

The results of this study show consistency with some previous studies but also provide new findings that enrich the literature. The finding that inflation has a significant negative effect on consumer credit is in line with Inogamov & Leon-Gonzalez (2024) which states that high inflation is negatively correlated with real credit activity. Asab (2025) supports these findings by identifying that supply-side shocks which triggers inflation is the main factor that affects economic dynamics in developing countries. However, the study goes further by identifying the role of global uncertainty moderation, which was not explored in these studies. The insignificance of the effect of interest rates on consumer credit in this study contrasts with the findings Naro et al. (2021) and Firdaus et al. (2022) who found a significant influence of interest rates on credit. This difference can be explained by differences in observation periods and economic structural characteristics. Badrudin et al. (2025) provides an alternative perspective by showing that consumers' financial stress is more influenced by current financial pressures than changes in interest rates, which is in line with the findings of this study. The main contribution of this study is the identification of the moderation effect of global economic policy uncertainty. Beckmann & Czudaj (2026) emphasizing that the influence of uncertainty on inflation depends on the credibility of monetary policy, which supports the study's findings that global uncertainty weakens the negative impact of inflation on consumer credit. Sarjono et al. (2026) and Inogamov & Leon-Gonzalez (2024) reinforcing the argument that in emerging economies integrated with global economies, external shocks have complex impacts that are not always linear to domestic variables.

Practically, the findings of this study have important implications for three stakeholder groups. First, for Bank Indonesia as a monetary authority, these results indicate that the effectiveness of interest rate policy in influencing consumer credit may be limited, so it needs to be combined with other policy instruments such as macroprudential policy and exchange rate stabilization policies to optimize monetary policy transmission. Second, for Financial Services Authorities and banks, an understanding of the moderation effects of global uncertainty can help in designing credit risk management strategies that are more adaptive to global dynamics, including the development of stress testing scenarios that consider the interaction between domestic inflation and external uncertainty. Third, for academics and researchers, these findings open up further research opportunities to explore more specific transmission mechanisms, including heterogeneity analysis of the effects of moderation across different segments of consumer credit (property, motor vehicles, multipurpose) and comparative analysis across developing countries. Oktaviani & Zulvia (2026) reminding the importance of financial stability in the face of economic pressures, which is relevant to the banking context in distributing consumer credit in the midst of macroeconomic volatility. Thus, this study not only confirms the existing theory but also expands the understanding of the complexity of the interaction between domestic and global factors in influencing the dynamics of consumer credit in Indonesia. Overall, the results of this study confirm the importance of considering external factors in analyzing the dynamics of domestic consumption credit, while showing that the relationship between macroeconomic variables and consumption credit is not deterministic but contingent on global uncertainty. These findings enrich the literature on the transmission

of monetary policy in the context of an open economy and provide evidence-based insights for policy formulation that is more responsive to the complexity of the contemporary global economy.

#### 4.5. Research Limitations

This study has several methodological limitations that need to be considered in the interpretation of the results and generalization of the findings. First, the use of aggregate time series data at the national level is not able to capture regional heterogeneity in the distribution of consumption credit, considering that Indonesia has significant economic disparities between regions with different demographic characteristics, income levels, and access to banking. Second, the linear regression model used in this study assumes a linear relationship between variables, so that the possibility of non-linear relationships or threshold effects between inflation, interest rates, and global uncertainty on consumption credit cannot be optimally detected. Third, the observation period, which includes 118 monthly observations (June 2015 - March 2025), although long enough for time series analysis, is still relatively limited to capture different monetary policy regimes and different economic cycles, thus limiting the statistical power to detect more subtle or subtle moderation effects. Fourth, this study does not include other control variables that potentially affect the dynamics of consumer credit such as the unemployment rate, real economic growth, consumer confidence index, macroprudential regulations such as the Loan-to-Value ratio (LTV) and the Debt-to-Income ratio (DTI), as well as banking structural factors such as the level of competition and market concentration. Fifth, the use of the Global Economic Policy Uncertainty Index as a proxy for global uncertainty may not fully capture the specific dimensions of uncertainty relevant to Indonesia, given that this index reflects more uncertainty in developed countries. Sixth, this study is associative and cannot fully claim causal inference due to the limitations of observational research design. Thus, the results of the study must be interpreted with these limitations in mind, and these findings are more appropriately viewed as preliminary evidence that requires further validation through research with different methodological approaches or more specific contexts.

## V. Conclusion

Based on multiple regression analysis of monthly time series data for the period June 2015 to March 2025, this study concludes that inflation has a negative and significant influence on consumer credit (coefficient -2.104,  $p < 0.05$ ), confirming that rising inflation erodes people's purchasing power and reduces demand for consumer credit. Meanwhile, the interest rate (BI Rate) showed a negative but insignificant influence (coefficient -0.258,  $p > 0.05$ ), indicating the phenomenon of interest rate rigidity in Indonesia. The main contribution of this study is the identification of the moderation effect of global economic policy uncertainty which is proven to significantly weaken the negative influence of inflation on consumption credit (interaction coefficient 0.360,  $p < 0.05$ ). A complete model with moderation variables was able to explain 51.3% of the variation in consumption credit disbursement, showing the importance of considering external factors in analyzing domestic credit dynamics. Further research is suggested to explore the heterogeneity of the effect of moderation on various segments of consumer credit (KPR, KKB, multipurpose loans) using panel data. A cross-country comparative study of ASEAN is needed to identify patterns of global uncertainty moderation effects. The integration of additional control variables such as the unemployment rate, economic growth, and macroprudential policies can increase the explanatory power of the model. The use of advanced econometric methods such as Threshold Regression or the Markov Switching Model can identify non-linear effects of global uncertainty. Practically, Bank Indonesia needs to optimize the combination of monetary and macroprudential policy instruments in responding to inflationary shocks, while banks need to develop stress testing scenarios that take into account the interaction of domestic inflation and external uncertainties.

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