

BANK CREDIT GROWTH IN INDONESIA DURING THE COVID-19 PANDEMIC AND ITS REGULATIONS

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Submitted: 22 August 2022 - Last revised: 13 July 2023 - Accepted: 29 September 2023

Abstract

Credit growth related to production, consumption, investment, exports, and imports is considered crucial for economic growth. The Covid-19 pandemic has had a major impact on the economies of countries in the world, as seen from a significant decline in credit growth. This study examines the effects of Economic Growth, Exchange Rate, Inflation, BI Rate, Third Party Funds (TPF), and Non-Performing Loans (NPL) on Banking Credit Growth in Indonesia during the COVID-19 Pandemic Period and regulations issued during that period. Analysis using multiple linear regression method using EViews 10 software with data type in the form of time series. The results of this study showed that only TPF growth had a significant effect. Simultaneously, the variables of Economic Growth, Exchange Rate, Inflation, BI Rate, NPL and Deposit Growth have a significant effect. The most dominant influencing variable is deposit growth.

Keywords: *Credit Growth, Indonesian Banking, Covid-19 Pandemic*

I. INTRODUCTION

The Covid-19 pandemic has had a devastating impact on the economy in various parts of the world, including Indonesia. The impact felt by banks during the pandemic included slowing credit growth, which is one of the factors influencing a country's economic growth. Through credit offerings, banking plays a major role in the central activities of the economy. Banking credit can boost the economy¹ through consumption,² production, distribution,³ and even exports and imports.⁴

¹ Guillermo A. Calvo, "Capital Markets and Exchange Rates with Special Reference to the Dollarization Debate in Latin America," *Journal of Money, Credit, and Banking* 33, no. 2 (2001): 312–34, <https://doi.org/10.2307/2673902>; Javier Andrés and Oscar Arce, "Banking Competition, Housing Prices and Macroeconomic Stability," *Economic Journal* 122, no. 565 (2012): 1346–72, <https://doi.org/10.1111/j.1468-0297.2012.02531.x>.

² Pierre-Richard Agenor, "Benefits and Costs of International Financial Integration: Theory and Facts," *The World Economy* 26, no. 8 (2003): 1089–1118, <https://doi.org/10.1111/1467-9701.00564>; John N. N. Ugoani, "The Power of Bank Credit on Economic Growth: A Nigerian Perspective," *International Journal of Financial Economics* 1, no. 3 (2013): 93–102.

³ Lance Taylor, *Income Distribution, Inflation, and Growth: Lectures on Structuralist Macroeconomic Theory* (The MIT Press, 1991).

⁴ Rokiah Alavi, *Industrialization in Malaysia: Import Substitution and Infant Industry Performance* (London: Routledge, 1996).

Looking at the Indonesian Banking Statistics (SPI) report from the Financial Services Authority (OJK), credit distribution during the pandemic shows critical conditions. In commercial banks, the largest decrease in credit disbursement reached IDR 102,057 billion (1.79%) which occurred in April 2020. During the pandemic until September 2021, the lowest amount of credit disbursement occurred in January 2021, which was only IDR 5,397,123 billion, which was the peak of the loan decline until the trend improved again. Meanwhile, in rural banks, the largest decrease occurred in May 2020 of IDR 574 billion (0.51%)⁵ with the lowest point of the number of rural bank loans disbursed during the pandemic period ending September 2021 of IDR 110,172 billion. The amount of credit disbursed to rural banks has not decreased significantly, but after the economy began to recover, the trending credit growth in rural banks is much better than before the pandemic hit.

Credit growth itself is influenced by several factors, including Economic Growth, Exchange Rates, Inflation,⁶ BI Rate, Third Party Funds (TPF),⁷ and Non-Performing Loans (NPL).⁸ Economic growth contracted strongly during the pandemic.⁹ In the second quarter of 2020, a contraction of 5.32% (yoY) due to the pandemic affected all sectors. This contraction was the largest contraction since 1998. Household consumption, for example, as the largest component of GDP, which amounted to 57.85% contracted by 5.51%. Meanwhile, the largest contributor to the contraction was in the Transportation and Warehousing component by 30.84%. Followed by Import and Export components of 11.66% and 16.96% respectively.

The decline in the Indonesian economy has caused the IDR exchange rate against the USD to weaken significantly, with the lowest exchange rate occurring in April 2020 at IDR 16,250/USD. This exchange rate depreciation causes the price of imported raw materials to rise and domestic production is depressed as a result. In addition, foreign loans are getting larger due to the smaller value of the Rupiah. This in turn causes the national economy to

⁵ Bank Indonesia, "Indonesia's Financial Statistics for September" (Jakarta, 2021).

⁶ Arif Widodo & Istianah Asas, "Determinants of Islamic Rural Bank Financing in Indonesia," *JEJAK: Jurnal Ekonomi dan Kebijakan* 10, no. 2 (2017): 273–88, <https://doi.org/10.15294/jejak.v10i2.11293>.

⁷ *Ibid.*

⁸ Jerimie S. Sinaga, Iskandar Muda, & Amlsy Syahputra Silalahi, "The Effect of BI Rate, Exchange Rate, Inflation and Third Party Fund (TPF) on Credit Distribution and Its Impact on Non-Performing Loan (NPL) on XYZ Commercial Segment Bank," *Universal Journal of Accounting and Finance* 8, no. 3 (2020): 55–64, <https://doi.org/10.13189/ujaf.2020.080301>.

⁹ Nugroho Tulus Rahayu & Harjum Muharam, "Dampak Pandemi Covid-19 terhadap Kinerja Ekonomi Provinsi di Indonesia," *Jurnal Analisis Manajemen* 10, no. 1 (2021): 23–36, <https://doi.org/10.15294/maj.v10i1.43950>; Mursalina Mursalina, Raja Masbar, & Suriani Suriani, "Impact of Covid-19 Pandemic on Economic Growth of the Tourism Sector in Indonesia," *International Journal of Quantitative Research and Modeling* 3, no. 1 (2022): 18–28, <https://doi.org/10.46336/ijqrn.v3i1.261>.

deteriorate.¹⁰ Meanwhile, Indonesia's lowest inflation was recorded in August 2020 and June 2021, at 1.32% and 1.33% respectively.¹¹ This low inflation caused the domestic economy to become sluggish, public consumption drops dramatically, and leads to stalled business wheels.

High fluctuations in inflation during the pandemic prompted the government to be cautious in setting Bank Indonesia's interest rates. The Bank Indonesia Board of Governors Meeting on 17-18th March 2021 decided to maintain the BI 7-Day Reserve Repo Rate (BI7DDRR) at 3.5%, the Deposit Facility rate at 2.75%, and the Lending Facility rate at 4.25%. The BI Rate at this level was even maintained until September 2021, based on global financial market uncertainty and domestic economic growth which was estimated to decline from before after the spread of the Covid-19 delta variant.

Previously, the BI Rate had been lowered by 25bps in June, July, and November 2020.¹² Setting the BI Rate at this level encouraged economic activity in the real sector¹³ so that people would withdraw funds from banks. However, during the pandemic, TPF actually experienced a marked increase due to public fears that there would be economic upheaval due to the new variant of COVID-19. The highest growth of deposits at commercial banks of 2.85% (IDR 179,718 billion) occurred in August 2021. Meanwhile, in rural banks, the highest credit growth occurred in May 2021 at 1.58% (IDR 1,699 billion). Deposit must be utilized by banks to expand credit to be in line with the government's goal to accelerate the wheels of the economy. However, banks are very cautious in providing credit to the public with the consideration of Non-Performing Loans (NPLs) becoming more influential.¹⁴

In commercial banks, NPLs increased sharply from April to July 2020, respectively by 2.53%, 3.33%, 2.88%, and 3.39%. The highest NPL occurred in July at IDR. 178,399 billion in 2020 and then decreased until October 2020. After that, it increased again in August 2021 by IDR 186,161 billion. Meanwhile, in BPR, the highest NPL was in May 2020 of IDR 9,562 billion, which then

¹⁰ Muhyiddin Muhyiddin & Hanan Nugroho, "A Year of Covid-19: A Long Road to Recovery and Acceleration of Indonesia's Development," *Jurnal Perencanaan Pembangunan: The Indonesian Journal of Development Planning* 5, no. 1 (2021): 1–19, <https://doi.org/10.36574/jpp.v5i1.181>.

¹¹ Bank Indonesia, "Indonesia Financial Statistics for September."

¹² *Ibid.*

¹³ Mangasa Augustinus Sipahutar et al., "Linkage of Credit on BI Rate, Funds Rate, Inflation and Government Spending on Capital," *Trace* 10, no. 1 (2017): 1–11, <https://doi.org/10.15294/jejak.v10i1.9123>; Enok Sarah Wildatunjanah & Budhi Suparningsih, "The Effect of Debt to Equity Ratio and Price Earning Ratio to Stock Price with Moderation as a BI Rate Variable in Retail Sector Companies Listed on the Indonesia Stock Exchange (IDX)" *East African Scholars Journal of Economics, Business and Management* 2, no. 6 (2019): 307–317.

¹⁴ Bank Indonesia, "Indonesia Financial Statistics for September."

experienced a decline until December 2020¹⁵ and increased again, although not as significantly as at the beginning of the pandemic. The impact of the Covid-19 pandemic has created a situation that is difficult to control across the country. This situation is predicted to continue to change as credit distribution changes. Therefore, it is important to control the factors that determine the level of lending so that bank credit channelled to deal with the pandemic can be distributed appropriately.¹⁶

Based on this explanation, this study examines the influence of each variable partially and its influence simultaneously and find the variables that have the most dominant impact on bank credit growth. The first hypothesis proposed is that Economic Growth, Exchange Rates, Inflation,¹⁷ BI Rates,¹⁸ Third Party Funds,¹⁹ and NPLs²⁰ individually have a significant effect on Indonesia's banking credit growth. The second hypothesis, namely Economic Growth, Exchange Rates, Inflation, BI Rate, Third Party Funds, and NPLs simultaneously has a significant effect on Indonesia's banking credit growth. The third hypothesis is that deposits are the most dominant variable affecting Indonesia's banking credit growth. The analysis tool used is a multiple linear regression model processed using EViews 10 software. Therefore, this study raised the title "The Influence of Factors on Indonesian Banking Credit Growth During the Covid-19 Pandemic and its Regulations."

There are a number of limitations in this study, including the combination and quantity of variables raised are only enough critical variables affected by the consequences of the pandemic. Future studies have the option to include other relevant independent item variables, such as Credit Interest

¹⁵ Financial Services Authority, "Indonesian Banking Statistics," n.d.

¹⁶ Sitara Karim et al., "Sustainable Banking Regulation Before and During the Coronavirus Outbreak: The Moderate Role of Financial Stability," *Istrazivnja Economic-Economist Research* 35, no. 1 (2022): 3360–77, <https://doi.org/10.1080/1331677X.2021.1993951>; Gönül Çolak & Özde Öztekin, "Impact of the COVID-19 Pandemic on Banking Lending Worldwide," *Journal of Banking and Finance* 133 (2021): 106207, <https://doi.org/10.1016/j.jbankfin.2021.106207>.

¹⁷ Sri Haryati, "Banking Credit Growth in Indonesia: Intermediation and the Influence of Macroeconomic Variables," *Journal of Finance and Banking* 13, no. 2 (2009): 299–310; Ida Ayu Putu Megawati & I Ketut Wijaya Kesuma, "The Effect of GDP, Inflation and Third Party Funds on Credit Growth of PT. BPD Bali," *E-Journal of Management of Udayana University* 3, no. 2 (2014): 475-492.

¹⁸ Agus Murdiyanto, "Influential Factors in Determining Banking Credit Disbursement Study on Commercial Banks in Indonesia for the Period 2006 - 2011," *1st Conference in Business, Accounting, and Management* 2012 (Indonesia, 2012); Greydi Normala Sari, "Faktor-Faktor yang Mempengaruhi Penyaluran Kredit Bank Umum di Indonesia (Periode 2008.1 – 2012.2)," *Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi* 1, no. 3 (2013): 841-959.

¹⁹ Haryati, "Banking Credit Growth"; Billy Arma Pratama, "Analysis of Factors Influencing Banking Lending Policy (Study on Commercial Banks in Indonesia for the Period 2005 - 2009)," *Journal of Business Strategy* 1, no. 2 (2010): 135–48; Murdiyanto, "Influential Factors"; Sari, "Factors Affecting"; Megawati and Kesuma, "The Effect of GDP."

²⁰ Sari, "Factors Affecting"

Rate, Operating Expenses to Operating Income (BOPO), Return on Assets (ROA), Net Interest Margin (NIM), Loan to Deposit Ratio (LDR), Capital Adequacy Ratio (CAR) and Minimum Statutory Current Accounts (GWM). In addition, scientific analysis tools are not limited to multiple linear regression only, researchers can create and combine them with other relevant analytical techniques. The observation period is also limited, so the period should be extended so that the study results more accurately describe the real situation, remember that there are still virus variants that have a little new effect on economic conditions.

II. LITERATURE REVIEW

Banks are major financial institutions that actively collect and distribute funds to the public through various types of credit and payment services. Law of the Republic of Indonesia Number 10 of 1998 concerning Banking defines a bank as a business entity that collects funds from the public in the form of savings and transmits them back to the public in the form of credit or other financial services. Credit itself refers to any form of loan that must be paid back at a specified time, with interest in accordance with the agreement between the lender and the borrower.²¹ According to Law of the Republic of Indonesia Number 10 of 1998 concerning Banking, credit is the provision of money or other types of bills based on loan agreements between banks and other parties. The borrower is required to pay off the debt within a certain term.

Economic growth refers to an economy's ability to produce goods and services over a defined period. There are two methods for calculating economic growth, namely by comparing Gross Domestic Product (GDP) between the current period and the previous period or comparing per capita income between the current period and the previous period. To measure economic growth consistently over time, utility calculations are generally used using fixed GDP calculations.

The foreign exchange rate is the value of a currency measured against the value of the foreign currency. These measurements were originally designed to facilitate cross-border trade. There are three common exchange rate systems used, namely: a fixed exchange rate, where the value of the currency is set by the government and pegged at a certain level to be exchanged for foreign currency; floating exchange rates, where currency rates can fluctuate according to demand and supply in the foreign exchange market; and a floating controlled exchange, where the exchange rate is allowed to float within a certain range,

²¹ Malayu S.P. Hasibuan, *Fundamentals of Banking* (Makassar: Earth Script, 2007).

but where the government may intervene if the floating exchange rate is too high or low. In a floating controlled exchange rate system, the government will intervene to regulate the exchange rate if it is considered too volatile.

Inflation is a sustained increase in prices over time.²² An increase in prices on a number of products cannot be called inflation. According to the definition of Bank Indonesia (BI), inflation is a general increase in prices that lasts continuously for a certain period, and this increase causes an increase in the price of various types of goods. Then inflation is closely related to the BI Rate. The BI Rate from Bank Indonesia is Bank Indonesia's policy rate which has a period of one month. The BI Rate is announced periodically and automatically by Bank Indonesia as an indicator of monetary policy. The determination of the BI Rate is related to the implementation of monetary policy imposed on the public. The BI Rate is determined through a meeting of members of the Board of Governors considering domestic and global economic conditions. The result of this meeting then becomes a monetary policy strategy used to determine the benchmark interest rate that will be used as a benchmark by banks in Indonesia. Variable deposits are funds collected from the public and become the main source for the distribution of funds through lending. This deposit consists of funds stored in the form of current accounts, savings, and deposits collected by banks²³.

During the pandemic, there was a high NPL problem in banks. NPL or Non-Performing Loans is one of the indicators used to measure the level of credit risk in banks. NPL shows the extent of credit risk that occurs, which involves loans that cannot be repaid by the borrower within a specified period.²⁴ NPL (Non-Performing Loans) can be divided into two categories, namely Gross NPL, which measures the number of loans with substandard, undecided, and stale status in a bank's credit portfolio. This Gross NPL is used as an indicator to measure the health of banks, and usually should not exceed 5% of total credit. If the proportion of Gross NPLs exceeds 5%, Bank Indonesia will intervene in the bank's management, given the potential for bank bankruptcy. On the other hand, Net NPLs measure the proportion of bad loans to total loans, considering loans that have been adjusted and written off.

The Monetary Policy Transition Mechanism is a long path that must be taken by monetary policy to achieve the targets. This process involves several stages, starting with the setting of the Interbank Money Market (PUAB) interest rate target. Furthermore, targets are reflected in the money supply, the credit provided by the bank, and the level of value. The ultimate objective of

²² Nopirin, *Introduction to Macro and Microeconomics* (Yogyakarta: BPFE UGM, 1997).

²³ Mudrajad Kuncoro, *Banking Management: Theory and Application* (Yogyakarta: BPFE UGM, 2000).

²⁴ *Ibid.*

monetary policy, as stipulated in Law No. 3/2004 on Amendments to Law No. 23/1999 on Bank Indonesia (art. 7, paragraph 1), is to achieve and maintain stability in the value of the Rupiah.

Monetary policy has three targets. The objectives are as follows: *first*, the initial objective is a short-term operational objective reflected in the Interbank Money Market (interbank money market interest rate) with monetary variable criteria that have a stable relationship with intermediate objectives and can be controlled by the Central Bank and are accurate and not frequently revised;²⁵ *Second*, intermediate objectives are targets to measure the extent to which operational objectives have successfully achieved the final target, this is reflected in monetary aggregates (M1 and M2), bank credit, and exchange rates;²⁶ and *Third*, the ultimate goal consists of price stability (inflation rates), balance of payments, job availability, and economic growth.²⁷

Central banks in various countries have conducted conventional monetary policy, namely by lowering the benchmark interest rate to a certain level. In addition, non-conventional policy efforts or Quantitative Easing (QE) are also taken, namely by buying government bonds or other long-term financial assets from the open market. This will increase market liquidity, improve credit and investment growth, and lower the price of money. Generally, QE policies are carried out by countries in Advanced Economies or developed countries. But now QE is also taken by Central Banks of Emerging Markets or developing countries to help overcome limited government fiscal headroom.

To minimize the impact of the pandemic, various countries set monetary policy by cutting lending rates. The implementation of low interest rates is expected to increase market confidence so that the financial sector performance is more stable. Global financial market conditions that experienced shocks made the Federal Reserve Bank of the United States, the Fed, cut interest rates by 150 bps in March 2020 in two stages. The first phase of the Fed lowered 50 bps to 1.00-1.25 percent. Two weeks later, interest rates were lowered to the 0.00 – 0.25 percent level. In the following month the Fed decided to hold the benchmark interest rate, because it had been at the lower threshold until the economy begins to recover, the labour market reached full employment, inflation has reached 2%, and stabilized for some time. The Fed also signalled that it would not raise interest rates until at least 2023. US interest rates during the pandemic were at the same level as during the global financial crisis in 2008.

²⁵ Frederic. S. Mishkin, *Money Economics, Banking, and Financial Markets* (New York: Addison Wesley Longman, 2004).

²⁶ Peter Bofinger, *Monetary Policy: Objectives, Institutions, Strategies and Instruments* (New York: Oxford University Press, 2001).

²⁷ Frederic S. Mishkin & Stanley G. Eakins, *Financial Markets & Institutions, Seventh Edition*, (Boston: Pearson - Prentice Hall, 2012).

Another developed country, Japan, kept its benchmark interest rate at -0.1%. Meanwhile, South Korea had since May 2020 set its benchmark interest rate at 0.5% considering that it is necessary to observe the impact of monetary and fiscal policies that have been taken and consider economic uncertainty during the pandemic.

BRIC nations (Brazil, Russia, India, and China), specifically China cut interest rates by 10 bps since February 2020, and April by 20 bps 2020, until finally landed at the level of 3.85%. Meanwhile, India has lowered by 75 bps since March 2020 and again lowered by 40 bps in May 2020, until maintained at 4%. Similarly, Brazil and Russia gradually lowered interest rates to maintain economic uncertainty.

Five ASEAN countries revised their benchmark interest rates more often than developed countries and countries classified as BRICs, this is a response to global financial market uncertainty. Indonesia made cuts by 25bps in February, March, June, July, and November 2020, as well as February 2021. Malaysia, the Philippines, and Thailand acted similarly. Meanwhile, Vietnam made higher cuts of 100 bps in April 2020, and 50 bps in May and October 2020.

A previous study conducted by Sri Haryati found that in Indonesian Banking the Growth of Excess Liquidity (GEL) and Equity Growth (GEK) had an insignificant negative effect. GTPF, GDP, and inflation have a significant positive effect. BI Rate and Foreign Exchange Rate have a significant negative effect. In Foreign-Mixed Banks, GEL and Inflation have an insignificant negative effect. GTPF and GPD have a significant positive effect. GEK, BI Rate, and positive foreign exchange rates have an insignificant effect.²⁸ Billy Arma Pratama concluded that TPF had a significant positive effect. CAR and NPL have significant negative influences. SBI interest rates have a positive insignificant effect.²⁹

Agus Murdiyanto believes that third party funds (TPF) and SBI interest rates have a positive and significant effect on economic growth. CAR and NPL have a negative and significant effect.³⁰ Meanwhile, Greydi Normala Sari stated that deposits and BI Rate had a significant positive effect. While CAR and NPL negative are significant.³¹ Meanwhile, Ida Ayu Putu Megawati and I Ketut Wijaya Kesuma found that GRDP had a negative effect insignificant. Positive inflation is significant. Significant negative TPF.³²

²⁸ Haryati, "Banking Credit."

²⁹ Pratama, "Analysis of Factors."

³⁰ Murdiyanto, "Influential Factors."

³¹ Sari, "Factors Affecting"

³² Megawati and Kesuma, "The Effect of GDP"

This study provides a number of advantages compared to previous studies. First, the study studies economic conditions during the Covid-19 pandemic, while the previous studies tended to examine the conditions of the 2008 global financial economic crisis. Second, previous studies tended to use credit distribution as a dependent variable, while this study used credit growth as a dependent variable. This ensures that all variables have the same unit so as to reduce the risk of deviation of research results. Furthermore, the difference lies in the combination of variables that are adjusted to the problems faced by the banking world, both macro and micro, namely Economic Growth, Exchange Rate, Inflation, BI Rate, Third Party Funds (TPF), and Non-Performing Loans (NPL). Finally, the scope of previous research tends to only examine commercial banks as research objects, and even some studies are limited to a regional or even city scope. In this research the scope is broader, namely all Indonesian Banks, both Commercial and Rural (BPR).

III. METHOD

The scope of this research is the relationship between economic growth, exchange rates, inflation, BI Rate, third party funds (TPF), and Non-Performing Loans (NPL), credit growth in Indonesian Banking during the Covid-19 Pandemic, specifically from April 2020 to December 2021. The banks in question are Commercial Banks and BPR along with their Sharia business units, as well as Sharia commercial banks. Ownership structures vary among of state-owned banks, foreign exchange, and non-foreign exchange private commercial banks (BUSN), and regional development banks (BPD).

This research is quantitative research using an associative approach, namely by testing a theory, consisting of variables that can be measured by numbers and analysed with statistical procedures to determine whether the predictive generalization of the theory is correct.³³ This study used time series data obtained by observing an object in several time periods. Time series data can be recorded based on daily, weekly, monthly, yearly, or other time periods with the same time range.³⁴ With this type of data, the value of observations in a certain period is assumed to be influenced by the value of observations in the previous period, so analysis of this type of data makes it possible to forecast.

³³ JW Creswell, *Research Design Qualitative, Quantitative, and Mixed Methods Approaches*, Second Edition, Second Edi (California: SAGE Publications, 2003).

³⁴ Adrian E. Raftery, "Time Series Analysis", *European Journal of Operational Research* 20, no. 2 (2008): 127-137, [https://doi.org/10.1016/0377-2217\(85\)90052-9](https://doi.org/10.1016/0377-2217(85)90052-9).

III. A. Variables and Operational Definitions

The variables in this study have unit percentages sourced from the Central Bureau of Indonesian Banking Statistics (SPI) by OJK and the Central Agency for Indonesian Banking Statistics (SSKI) by BI with a range of April 2020 – December 2021.

Table 1.
Variables and Definitions Operational Variable

Variable	Operational definition
Credit Growth (Y)	The data used is monthly credit growth figures disbursed by Indonesian banks during the Covid-19 Pandemic (April 2020 – December 2021). The credit in question is all the provision of money in Rupiah and foreign currencies to third parties, not banks of all types. Data is obtained from the Indonesian Banking Statistics published by the Financial Services Authority 2020 – 2021 in percentage units.
Economic Growth (X $\neg 1$)	The data used is quarterly Indonesian economic growth (yoy) data which is then interpolated in the form of monthly data during the Covid-19 pandemic in Indonesia (April 2020 – December 2021). Data obtained from the Indonesian Financial System Statistics published by Bank Indonesia 2020 – 2021.
Exchange Rate (X $\neg 2$)	The data used is the development (%) of the IDR/USD exchange rate from month to month during the Covid-19 Pandemic (April 2020 – December 2021). Data obtained from the Indonesian Financial System Statistics published by Bank Indonesia 2020 – 2021.
Inflation (X $\neg 3$)	The data used is General Inflation (yoy) expressed as a monthly percentage during the Covid-19 Pandemic in Indonesia (April 2020 – December 2021). Data was obtained from the Indonesian Financial System Statistics published by Bank Indonesia 2020 – 2021.
BI Rate (X $\neg 4$)	The data used is the BI-7 Day (Reserve) Repo Rate which is expressed as a monthly percentage during the Covid-19 period in Indonesia (April 2020 – December 2021). Data obtained from Indonesian Financial System Statistics published by Bank Indonesia 2020 – 2021
TPF Growth (X $\neg 5$)	The data used is the growth of third-party funds collected by Indonesian banks during the Covid-19 Pandemic (April 2020 – December 2021). The monthly data is expressed as a percentage, obtained from the Indonesian Banking Statistics published by the Financial Services Authority 2020 – 2021
NPL (X $\neg 6$)	The data used is NPL Gross or the ratio of loans with subcurrent, doubtful, and bad status in Indonesian Banking during the Covid-19 Pandemic period (April 2020 – December 2021). Data is obtained from Indonesian Banking Statistics published by the Financial Services Authority 2020 – 2021 with percentage units

III.B. Data Analysis Techniques

III.B.1. Assumption Test Classic

The classical assumption test is used to produce an estimate of a model with a number of data meeting the basic classical linear assumptions called the Best Linear Unbiased Estimator (BLUE) assumption. Tests in classical assumption

tests consist of normality tests, heteroscedasticity tests, multicollinearity tests, and autocorrelation tests.

III.B.2. Test Statistics

Multiple linear regression is a data analysis method used to answer problem formulations and prove hypotheses in this study. The results of this regression analysis are regression coefficients for each independent variable. The coefficient is obtained by predicting the value of the dependent variable using equations. The goal is to minimize the deviation between the actual value and the estimated value of the dependent variable, as well as to optimize the correlation between the actual value and the estimated value of the dependent variable. The basic model is as follows:

$$CG = \alpha + \beta_1 EG + \beta_2 ER + \beta_3 INF + \beta_4 BIR + \beta_5 DPK + \beta_6 NPL + ei$$

Dimana :

CG	= Credit Growth (%)
α	= Constant
EG	= Economic Growth (%)
ER	= Exchange Rate Development (%)
INF	= Inflation (%)
BIR	= BI Rate (%)
NPL	= Non-Performing Loan (%)
GTPF	= Growth TPF (%)
$\beta_1..\beta_4$	= Free variable coefficients
ei	= Error term

IV. RESULTS AND DISCUSSION

IV.A. Classic Test Assumption

The classical assumption test was used to produce an estimate of a model with a number of data meeting the basic classical linear assumptions called the Best Linear Unbiased Estimator (BLUE) assumption. Tests in classical assumption tests consist of linearity tests, normality tests, heteroscedasticity tests, multicollinearity tests, and autocorrelation tests.

Table 2.
Assumption Test Results Classic

Test	Criterion	Results		Interpretation
Normality	Prob. Jarque-Bera > 0.05	0.534559		Distributed normally
Multicollinearity	Cantered VIF < 10	EG	5.170700	multicollinearity problem
		ER	3.061767	
		INF	4.921772	
		BIR	7.438631	
		GTPF	1.552220	
		NPL	2.765625	
Heteroscedasticity	Obs*R-squared Prob.Chi-Square(4) > 0.05	0.7408		heteroscedasticity problem
Autocorrelation	Obs*R-squared Prob.Chi-Square(2) > 0.05	0.2615		autocorrelation problem

Source : EViews 10, data is processed

First, based on the results of the residual normality test using the Jarque-Bera method, the p value in Probability is 0.534559 which is greater than 0.05, meaning that the variable data is normally distributed with a significance level above 0.05. *Second*, the results of the multicollinearity test show that the value of the Cantered VIF on each independent variable is less than 10, so it can be stated that there is no multicollinearity problem in the prediction model with a significance level below 10. *Three*, heteroscedasticity test results using the Breusch-Pagan-Godfrey method, p value shown in Prob. Chi-Square(4) at Obs*R-squared of 0.7408 which is greater than 0.05, shows the regression model does not have heteroscedasticity problems, or the model is homoscedasticity with a significance level above 0.05. *Fourth*, based on the results of the autocorrelation test using the Breusch-Godfrey Serial Correlation LM Test method with a p value on Prob. Chi-Square(2) of 0.2615 which is greater than 0.05, means there is no autocorrelation problem with a significance level above 0.05.

IV.B. Equation Multiple Linear Regression

Based on the results of multiple linear regression statistical tests, the following equation is obtained:

$$CG = 0,0852 + 0,0010EG + 0,1035ER + 0,0070INF - 1,3335BIR + 0,3976TPF - 1,5011NPL + ei$$

The interpretation of the regression equation above is as follows. *First*, the constant (C) of 0.0852 shows that if the independent variable does not change or is constant, then bank credit growth increases by 0.0852%. *Second*,

the Regression of Economic Growth (X1) of 0.0010 shows that if there is an increase in Economic Growth by 1% and other independent variables are constant, then credit growth will increase by 0.0010%. *Third*, the Exchange Rate regression coefficient (X2) of 0.1035 shows that if there is an increase in the Exchange Rate by 1% and other independent variables are constant, then credit growth will increase by 0.1035%.

Fourth, the Inflation regression coefficient (X3) of 0.0070 which shows that if there is an increase in inflation by 1% and other independent variables are constant, then credit growth will increase by 0.0070%. *Fifth*, the BI Rate (X4) regression of -1.3335 indicates that if there is an increase in the BI Rate by 1% and other independent variables are constant, credit growth will decrease by 1.3335%. *Sixth*, deposit regression (X5) of 0.3976 which shows that if there is an increase in deposits by 1% and other independent variables are constant, credit growth will increase by 0.3976%. *Finally*, the NPL regression coefficient (X6) of -1.5011% shows that if there is an increase in NPL by 1% and other independent variables are constant, credit growth will decrease by 1.5011%.

IV.C. Hypothesis Test

The Hypothesis in this study was tested using the Ordinary Least Square analysis method using EViews 10 2017 Edition data processing software.

Table 3.
Hypothesis Test Results

Test	Criterion	Results		Interpretation
coef. Correlation	R > 0.5	0.931445		Correlation strong
coef. Determination	R-squared > 0.5	0, 867591		Election decent variable
t test	Prob. Variable < 0.05	EG	0.4392	Not Significant
		ER	0.1323	Not Significant
		INF	0.2546	Not Significant
		BIR	0.0682	Not Significant
		GTPF	0.0007	Significant
		NPL	0.2746	Not Significant
F Uji test	Prob(F-statistic) < 0.05	0.000002		Significant
Dominant Test	by Partial significant & coefficient. regression farthest from number 0	Sig. coef. Reg.	0.0007 0.3976	GTPF

Source: EViews 10, data processed

A strong correlation coefficient test and determination coefficient test in research at least have a coefficient value of more than 50% (0.5). Meanwhile, the t test (partial) and F test (simultaneous) in this study used a significance

level of less than 5% (0.05). The value of the correlation coefficient cannot be seen in EViews so to get the value is done by finding the Catheter-Associated Urinary Tract Infection (CAUTI) root of the value of the Coefficient of Determination (R2). The value of the Coefficient of Determination (R2) can be seen in the R-squared which is 0.867591 which if rooted will get a result of 0.931445 as a correlation coefficient, meaning that there is a strong relationship between independent variables and dependent variables. The value of the coefficient of determination can be seen in the R-squared value of 0.867591 which means that the variation of the independent variable can explain 86.76% of the dependent variable. This shows that the variation of the independent variable in influencing the dependent variable is 86.76%, while the remaining 13.24% is influenced by other variables outside the model.

Partial test values can be seen in the Prob column. (Probability), the value of each independent variable is as follows. *First*, the value of Prob. Economic Growth of 0.4392, which is greater than 0.05, shows that Economic Growth has no significant effect on Indonesia's bank credit growth during the Covid-19 Pandemic. *Second*, the value of Prob. The Exchange Rate of 0.1323 which is greater than 0.05 indicates that the Exchange Rate did not have a significant effect on Indonesia's banking credit growth during the Covid-19 Pandemic. *Third*, the value of Prob. Inflation of 0.2546, which is greater than 0.05, shows that inflation has no significant effect on Indonesia's bank credit growth during the Covid-19 pandemic. *Fourth*, the value of Prob. The BI Rate of 0.0682, which is greater than 0.05, indicating that the BI Rate has no significant effect on credit growth in Indonesian banks during the Covid-19 pandemic. *Fifth*, the value of Prob. A deposit of 0.0007, which is smaller than 0.05, indicating that deposit has a significant effect on Indonesia's bank credit growth during the Covid-19 pandemic. *Sixth*, the value of Prob. NPLs of 0.2746, which are greater than 0.05, indicating that NPLs have no significant effect on Indonesia's banking credit growth during the Covid-19 pandemic.

The simultaneous test value can be seen in the Prob (F-statistic) value of 0.00002 which is smaller than 0.05, meaning that the independent variables together (simultaneously) have a significant effect on Indonesia's banking credit growth during the Covid-19 Pandemic. The most dominant influential variable can be seen in the Prob column. and Coefficient, only the independent variable has a partial significant effect on the dependent variable that is included in the dominant test nomination. So, the most dominant significant variable is TPF because only TPF has a partial significant influence, with a regression coefficient value of 0.397561.

V. DISCUSSION

V.A. The Influence of Incremental Economic Growth on Credit Growth

The results showed that economic growth had a positive effect (0.001026) but not significant ($0.4392 > 0.05$). There is a positive relationship between economic growth and credit growth. Based on economic growth theory, when there is an economic contraction, each sector struggles to overcome the consequences of the pandemic which ultimately affects the growth of Gross Domestic Product (GDP),³⁵ especially the business sector which is affected by the accumulation of losses. The sector relies heavily on bank credit to carry out its activities³⁶, but is experiencing difficulties in obtaining the necessary credit. This has led to a decrease in working capital credit and has also resulted in a decrease in credit used for investment because investors have negative expectations of economic conditions, as well as consumer credit, especially among people with low incomes, especially those who do not have stable incomes. In this regard, BI has implemented accommodative policy, namely policy relaxation, including an extension of the rupiah reserve requirement easing by 50bps for banks that disburse MSME loans and import exports³⁷.

An insignificant effect can be seen from the comparison of statistical data on the amount of credit channelled to GDP. In the first quarter, II and III it showed that the percentage of credit disbursed was only 35.89%, 35.35%, and 34.80% of GDP. In terms of supply, the banking sector has not been able to expand credit because there are still concerns about the economic recovery that has not been fully stable. In terms of demand, investors, businesses, and affected communities need time to recover their finances, so economic conditions are a big concern. This result is in line with Megawati & Kesuma's research³⁸, and Wahab³⁹'s, but different from Eswanto's research⁴⁰.

³⁵ Daron Acemoglu, "Introduction to Economic Growth," *Journal of Economic Theory* 147, no. 2 (2012): 545–50, <https://doi.org/10.1016/j.jet.2012.01.023>.

³⁶ Farhad F. Ghannadian & Gautam Goswami, "Developing Economy Banking: The Case of Islamic Banks," *International Journal of Social Economics* 31, no. 8 (2004): 740–52, <https://doi.org/10.1108/03068290410546002>.

³⁷ Fenty T. Ekarina & Gabriel Fedrichson, "The Role of Central Banks in the Middle of the COVID-19 Pandemic," *Economic Developments and International Cooperation* III, no. September (2020): 47–78.

³⁸ Megawati and Kesuma, "The Effect of GDP."

³⁹ Abdul Wahab, "The Effects of GDP, Inflation, Bank Indonesia Interest Rates and Third Party Funds on Lending to Commercial Banks in South Sulawesi," *Ecces (Economics, Social, and Development Studies)* 2, no. 1 (2015): 1–25.

⁴⁰ Eswanto, Rita Andini, & Abrar Oemar, "The Effect of Loan Interest Rates, Non-Performing Loans, Third Party Funds, Inflation, and Gross Regional Domestic Product on Commercial Bank Credit Demand in Central Java for the 2009–2013 Period," *Journal of Accounting* 2, no. 2 (2016): 20–37.

V.B. The Influence of Incremental Exchange Rates to Credit Growth

The results showed that exchange rates had a positive influence (0.103552) on credit growth, but not significantly ($0.1323 > 0.05$). Please note that the data used is exchange rates from month to month. At the beginning of the pandemic, exchange rate depreciation led to a decline in credit growth. The decline in exchange rates resulted in a relatively small increase in the rupiah exchange rate, so that the price of imported goods, including raw materials, became more expensive, putting pressure on domestic businesses. Businesses that depend on credit are at risk of bankruptcy due to reduced credit availability to them. Business actors, companies, or banks that have foreign loans will pay more in paying off the loan. This encourages efforts to increase activity in the country.

The exchange rate has no direct influence on credit growth because business actors have previously chosen the option of using domestic raw materials instead of relying on imports. In addition, the amount of credit related to exports and imports only accounts for about 5% of the total credit disbursed by banks in Indonesia. Foreign exchange loans also have a very low proportion compared to rupiah-denominated loans, which is only around 0.0016%. Therefore, exchange rate appreciation or depreciation does not have a significant effect on credit growth in the Indonesian banking sector. This study is in line with that of Haryati and⁴¹ Frömmel⁴², and not in line with that of Kholisudin⁴³, Tandris,⁴⁴ and Igrisira⁴⁵.

V.C. The Influence of Inflation by Incremental to Credit Growth

The test results show that inflation has a positive effect (0.007003), but not significantly on credit growth ($0.2546 > 0.05$). The effect of inflation is positive due to the low inflation rate during the pandemic. Inflation at this time is the lowest figure since BPS released inflation figures in Indonesia. A low inflation rate indicates that an economy is experiencing sluggishness due to limited economic activity during the pandemic which leads to a decrease in public consumption and⁴⁶ businesses experiencing losses, which will cause a decrease in demand for bank credit.

⁴¹ Haryati, "Banking Credit Growth."

⁴² Michael Frömmel & Murat Midiliç, "The Role of the Real Exchange Rate in Credit Growth in Central and Eastern European Countries: A Bank-Level Analysis," *Czech Journal of Economics and Finance* 66, no. 5 (2016): 426–52.

⁴³ Akhmad Kholisudin, "Determinan Permintaan Kredit pada Bank Umum di Jawa Tengah 2006-2010," *Economics Development Analysis Journal* 1, no. 1 SE (2012), <https://doi.org/10.15294/edaj.v1i1.193>.

⁴⁴ Raimond Tandris, Parengkuhan Tommy, & Sri Murni, "Interest Rates, Inflation and Exchange Rate Effects on Banking Credit Demand in Manado City," *Jurnal EMBA* 2, no. 1 (2014): 243–53.

⁴⁵ I. M. Igrisira, "The Effect of Inflationary Interest Rates and Exchange Rates on Lending in Banks in Samarinda," *E-Journal of Business Administration* 5, no. 4 (2017): 904–916.

⁴⁶ Andrea Cerrato & Giulia Gitti, "Inflation Since COVID: Demand or Supply," *SSRN Electronic Journal*, August (2022), <https://doi.org/10.2139/ssrn.4193594>.

The insignificant effect of inflation is due to various government policies in order to turn the wheels of the economy, one of which is by encouraging banks to disburse credit, the existence of social security to maintain public consumption, simplification of the process in providing subsidized and intensive facilities for MSMEs, and placement of funds in banks to maintain liquidity. This research is in line with research from Kholisudin,⁴⁷ Tarigan,⁴⁸ Tandris,⁴⁹ Wahab,⁵⁰ Eswanto,⁵¹ Igiris,⁵² Suprijati, and Feliyagustin.⁵³ However, this departs from the studies of Megawati and Kesuma,⁵⁴ as well as Haryati.⁵⁵

V.D. The Influence of Incremental BI Rate to Credit Growth

The results of this study show that the BI Rate has a negative effect (-1.333493) and is not significant on credit growth (0.0682 > 0.05). The BI Rate is lowered assuming inflation is below the predetermined target. Changes in the BI Rate is implemented through monetary operations through liquidity management in the money market to achieve operational targets that will be reflected in interbank money, followed by a decrease in interest rate deposits followed by a decrease in interest rate loans so that credit growth will increase.⁵⁶ In this regard, BI's accommodative policy is pursued through interest rate cuts. Since early 2020, BI has lowered the BI7DRR by 100bps to 4.00%. The decline was carried out in February, March, June, and July 2020 by 25bps each.⁵⁷

The BI Rate does not have a significant effect because the purpose of setting the BI Rate takes a long time to achieve the final goals. Even after the BI7DRR, monetary policy transmission mechanisms still require a process to influence bank credit. As stated by BI itself, the BI Rate is not intended for sudden economic recovery. Boosting economic growth at this time requires stronger coordination between the government and BI through integrated macroeconomic policies from fiscal, monetary, and sectoral policies. Therefore, based on this explanation, the BI Rate has a negative and significant effect on

⁴⁷ Kholisudin, "Determinants of Credit."

⁴⁸ Meidi Tarigan, "The Effect of Inflation and Bank Indonesia Certificate Interest Rates on Investment Loans at Commercial Banks in Indonesia in 2000-2011," 2012, 1-10, <https://repository.unri.ac.id/bitstream/handle/123456789/2191/jurnal Meidi Tarigan 05.pdf>.

⁴⁹ Tandris, Tommy, & Murni, "Interest Rates."

⁵⁰ Wahab, "The Effects of GDP"

⁵¹ Eswanto, Andini, & Oemar, "The Effect of Loan."

⁵² Igiris, "The Effect of Inflation."

⁵³ Jajuk Suprijati & Neneng Feliyagustin, "The Effect of Macroeconomic Variables on Lending Policy at Commercial Banks in East Java," *Develop* 4, no. 1 (March 10, 2020): 45-62, <https://doi.org/10.25139/dev.v4i1.2279>.

⁵⁴ Megawati & Kesuma, "The Effect of GDP"

⁵⁵ Haryati, "Banking Credit."

⁵⁶ Zainul Kisman, "Model for Overcoming Decline in Credit Growth (Case Study of Indonesia With Time Series Data 2012M1-2016M12)," *Journal of Internet Banking and Commerce* 22, no. 3 (2017): 1-11.

⁵⁷ Ekarina & Fedrichson, "The Role of Central Banks."

bank credit growth. This study is in line with studies from Haryati,⁵⁸ Wahab,⁵⁹ Suprijati and Feliyagustin,⁶⁰ but not in line with Sari⁶¹ and Igirisa's⁶² research.

V.E. The Influence of Incremental Growth of Third-Party Fund to Credit Growth

The results of this study show that deposits have a positive effect (0.397561) and are significant on credit growth ($0.0007 > 0.05$). TPF from the community thrive during the pandemic because people prefer to splash their money in the midst of economic uncertainty which will have a positive effect on credit growth. With the increase in deposits, banks have the opportunity to increase credit expansion on a large scale, because this means that it will have the potential to increase bank profits through spreads (the difference between loan interest and deposit interest), so that this has a positive effect on credit growth.

Deposit growth has a significant effect on credit growth because the main source of bank credit is third party funds originating from the public. This research is in line with the research of Pratama,⁶³ Murdiyanto,⁶⁴ Sari,⁶⁵ Megawati and Kesuma,⁶⁶ as well as Wahab⁶⁷ which states that TPF has a significant effect. In contrast to research that says TPF has an insignificant effect by Satria and Subegti⁶⁸ and Eswanto.⁶⁹

V.F. The Influence of NPL Incremental to Credit Growth

The results of this study show that NPLs have a negative effect (-1.501127) and do not significantly impact credit growth ($0.2746 < 0.05$). NPLs are an indicator of the quality of credit in every bank. In internal banking mechanisms, the risk premium from lending is one of the considerations in determining loan interest rates and the amount of credit disbursed. Therefore, if there is a loss due to high non-performing loans (NPLs), the bank increases lending rates which in turn reduces demand for credit at least the bank reduces the volume of loans disbursed. Therefore, NPLs negatively affect credit growth.

⁵⁸ Haryati, "Banking Credit."

⁵⁹ Wahab, "The Effects of GDP."

⁶⁰ Suprijati & Feliyagustin, "The Effect of Macroeconomic."

⁶¹ Sari, "Factors Affecting".

⁶² Igirisa, "The Effect of Inflation."

⁶³ Pratama, "Analysis of Factors."

⁶⁴ Murdiyanto, "Influential Factors."

⁶⁵ Sari, "Factors Affecting"

⁶⁶ Megawati & Kesuma, "The Effect of GDP?"

⁶⁷ Wahab, "The Effects of GDP."

⁶⁸ Dias Satria and Rangga Bagus Subegti, "Determination of Commercial Bank Credit Distribution in Indonesia for the 2006-2009 Period," *Journal of Finance and Banking* 14, no. 3 (2010), <https://doi.org/10.26905/jkdp.v14i3.983>.

⁶⁹ Eswanto, Andini, & Oemar, "The Effect of Loan."

NPLs did not show a significant effect due to the government's program in providing credit restructuring to provide space for business actors and banks to avoid higher bad loans during the pandemic. This bank loan restructuring was given IDR 285.17 trillion to 3.59 million outstanding debts and IDR 493.74 trillion to 1.43 million outstanding debts from March 2020 to July 2021. Meanwhile, the loan restructuring provided to finance companies reached IDR 211.05 trillion to 5.15 million contracts as of August 16, 2021 (Wimboh Santoso, Chairman of the OJK Board of Commissioners).

In addition to credit restructuring, in order to reduce the high risk of NPLs, banks prefer to tighten lending to groups of people who are invulnerable to economic downturn. With this effort, NPLs do not have a significant effect on bank credit growth. This study is in line with studies from Satria and Subegti,⁷⁰ Eswanto, Rita Andini, and Abrar Oemar⁷¹ that NPLs do not have a significant effect on credit growth. In contrast to Pratama,⁷² Sari,⁷³ Putri and Akmalia,⁷⁴ Arianti,⁷⁵ and Murdiyanto⁷⁶ said that NPL has a significant effect.

V.G. The Influence of Inflation, BI Rate, NPL, and TPF against Simultaneous Credit Growth

The results of this study show that the variables of economic growth, exchange rate, inflation, BI Rate, deposits, and NPLs have a simultaneous effect on credit growth ($0.00002 < 0.05$). The variation of the independent variable to the dependent variable is 86.76%, which means that both simultaneously and the coefficient of donation, the relationship of the independent variable to the dependent variable is significant and very strong.

In practice, credit growth depends on economic growth. The economic slowdown during the pandemic period resulted in slowing credit growth as well. The banking business sector is quite large. The amount of bank credit disbursed each quarter reaches 34-36% of GDP at mere prices. This amount is quite large in encouraging the economy. Economic contraction of -5.32% in the second quarter of 2020 resulted in credit growth experiencing negative results every month in 2020. On the other hand, the exchange rate also plays

⁷⁰ Satria & Subegti, "Determination of Commercial."

⁷¹ Eswanto, Andini, & Oemar, "The Effect of Loan."

⁷² Pratama, "Analysis of Factors."

⁷³ Sari, "Factors Affecting."

⁷⁴ Yua Molek Winarti Putri & Alien Akmalia, "The Effect of CAR, ROA, and LDR on Credit Distribution in Banking (Study on Banking Companies Listed on the Indonesia Stock Exchange for the 2011-2015 Period)," *Balance* XIII, no. 2 (2016): 82-93.

⁷⁵ Dwinur Arianti, Rita Andini, and Rina Arifati, "The Influence of Bopo, Nim, NPL and Car on the Number of Loans Disbursed to Banking Companies that Go Public on the Indonesia Stock Exchange for the 2010-2014 Period," *Journal of accounting* 2, no. 2 (2016).

⁷⁶ Murdiyanto, "Influential Factors."

a role in affecting bank credit, exchange rate depreciation in 2020 resulted in a smaller value of IDR/USD, the price of imported raw materials more expensive, making business actors depressed. Thus, this worsens credit from the demand side.

Domestic inflation that is too low also makes business in the real sector unprofitable because people's purchasing power has dropped dramatically. Which, this also affects the demand for credit. Therefore, in order to restore people's purchasing power, the Benchmark Interest Rate (BI Rate) continues to be cut by 25 bps to a level of 3.5%. This decrease will be followed by deposit rates, then lending rates. So that it can restore people's attractiveness to apply for credit and the money supply is increasing, and business turnover is accelerating.

In the midst of the lowest BI Rate in history, deposits in the banking industry actually thrived and became a great potential for banks to expand credit as much as possible. However, on the other hand, NPLs in the banking industry continued to increase during the pandemic, until the peak was at 3.44% in August 2021. The high NPLs are a heavy consideration for banks in increasing their lending because BI limits NPLs to only 5%, coupled with the economy that has not previously recovered and banks that are still overcoming debtors who experience bankruptcy is also a concern for banks to expand credit.

V.H. The Most Influential Variable to Credit Development

The results of this study show that deposits are the most dominant variable affecting credit growth (coef. regression 0.397561; sig. 0.0007). Macroeconomic variables in this study do not have a direct influence on bank lending, because credit distribution is the result of appropriate offers and requests between debtors and creditors. So that micro variables in banking play an important role, namely deposits.

The greater a bank's deposits, the greater the opportunity for banks to increase their credit offerings. Banking as a business entity whose main purpose is to seek profit optimizes profits in two ways. The first way, namely raising credit interest rates, is considered inappropriate, because each bank will set competing interest rates to attract debtors. While the second way is a fixed interest rate, the amount (volume) of credit distribution is enlarged. Thus, the fertile moment of deposits in the banking industry and low deposit rates will be used by banks to increase bank credit volume.

The large volume of credit provides an opportunity for banks to reduce the level of spread, which in turn will reduce lending rates so that banks will be more competitive in providing services to customers. An increase in credit volume can cover the decrease in the interest rate, so that in absolute

terms the bank's net income does not decrease. This research is in line with previous research conducted by Haryati,⁷⁷ Pratama,⁷⁸ Putri, Sari,⁷⁹ Megawati & Kesuma,⁸⁰ Wahab,⁸¹ Suprijati & Feliyagutin.^{82, 83}

VI. CONCLUDING REMARKS

VI.A. Conclusion

From the results of the research, this study concludes, *first*, deposits are the only independent variable that has a significant effect, while other independent variables, namely Economic Growth, Exchange Rates, BI Rate, and NPL partially do not have a significant effect on the growth of Indonesian banking loans during the Covid-19 Pandemic (April 2020 – December 2021). Therefore, if H0 is accepted, H1 is rejected. *Second*, economic growth, exchange rates, BI Rate, deposits and NPLs simultaneously have a significant effect on credit growth in Indonesian banks during the Covid-19 pandemic (April 2020 – December 2021). Then H0 is rejected, H2 is accepted. *And third*, the most dominant variable affecting Indonesia's banking credit growth during the Covid-19 Pandemic (April 2020 – December 2021) is deposits. Then H0 is rejected, H3 is accepted.

V.B. Implication

Based on the results of this study, the most dominant variable affecting credit growth is deposits, because deposits increase a bank's capital available for expanding credit. The amount of deposits in fixed banks must be supported by the government through the placement of funds in the banking industry, so that bank liquidity is at a safe level amid government efforts to provide restructuring, subsidies, or additional credit financing to the perpetrators' businesses. The placement of funds in the banking industry has multiple effects on bank credit growth. This can normalize the banking intermediation function that was disrupted during the pandemic. Even the government needs to convince banks through credit guarantees to increase the role of banks in driving business performance through lending.

The government has provided a large stimulus for businesses affected by the COVID-19 pandemic. This stimulus must be accompanied by the

⁷⁷ Haryati, "Banking Credit Growth."

⁷⁸ Pratama, "Analysis of Factors."

⁷⁹ Putri & Akmalia, "The Effect of CAR."

⁸⁰ Sari, "Factors Affecting"

⁸¹ Megawati & Kesuma, "The Effect of GDP"

⁸² Wahab, "The Effects of GDP"

⁸³ Suprijati & Feliyagutin, "The Effect of Macroeconomic."

development of the business world towards digitalization so that the business world in Indonesia does not rely on conventional entrepreneurial methods that are vulnerable to economic turmoil. Thus, credit distribution will increase if the business world develops. On the banking side, assistance to prospective debtors who experience bankruptcy must be more intensive. Meanwhile, on the supply side, the government and banks must work together to restore public confidence to apply for credit. Fearing that such a large society will occur, economic turmoil must again be overcome for growth, increased credit, and faster economic recovery.

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