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ANALYZING THE INFLUENCE OF BI RATE AND FOREIGN FINANCES ON BNI'S CREDIT CIRCULATION

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Abstract: This study investigates the influence of the BI (Bank Indonesia) rate and foreign finances on the credit circulation of BNI (Bank Negara Indonesia), one of the leading banks in Indonesia. The BI rate, set by the central bank, plays a pivotal role in determining the cost of borrowing and lending in the banking sector. Additionally, foreign finances, including foreign investments and loans, have a significant impact on the liquidity and lending capacity of banks. Using econometric techniques, we analyze the relationship between the BI rate, foreign finances, and BNI's credit circulation over a specified period. Our findings shed light on the extent to which changes in the BI rate and foreign finances affect BNI's credit supply, loan growth, and overall financial performance.

Keywords: BI rate, Bank Indonesia, foreign finances, BNI, credit circulation, lending capacity, loan growth, banking sector, Indonesia, econometric analysis.

INTRODUCTION

The credit circulation of banks plays a crucial role in driving economic growth and development, facilitating investment, consumption, and business activities. In Indonesia, the credit market is influenced by various factors, including the policies of the central bank (Bank Indonesia or BI), foreign finances, and the lending capacity of individual banks such as Bank Negara Indonesia (BNI), one of the largest banks in the country. Among these factors, the BI rate and foreign finances are particularly influential in shaping the lending environment and credit supply of banks.

The BI rate, determined by Bank Indonesia, serves as a benchmark interest rate that influences borrowing and lending rates across the banking sector. Changes in the BI rate affect the cost of funds for banks, impacting their profitability, lending capacity, and credit circulation. Moreover, foreign finances, comprising foreign investments, loans, and capital inflows, play a significant role in providing liquidity and funding for banks, thereby influencing their ability to extend credit to borrowers.

Understanding the relationship between the BI rate, foreign finances, and BNI's credit circulation is essential for policymakers, economists, and market participants seeking to assess the health and stability

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of Indonesia's banking sector. By analyzing the impact of these factors on BNI's credit supply, loan growth, and financial performance, we can gain insights into the dynamics of the Indonesian credit market and the broader economy.

In this study, we aim to analyze the influence of the BI rate and foreign finances on BNI's credit circulation using econometric techniques. By examining historical data and conducting empirical analysis, we seek to elucidate the extent to which changes in the BI rate and foreign finances affect BNI's lending activities and overall financial health. Our findings are expected to contribute to a deeper understanding of the factors driving credit dynamics in Indonesia and inform policymaking aimed at promoting financial stability and sustainable economic growth.

METHOD

In our analytical process of exploring the impact of the BI rate and foreign finances on BNI's credit circulation, we implemented a structured methodology aimed at robustness and depth of understanding. Commencing with extensive data collection, we curated a comprehensive dataset encompassing historical BI rate data sourced from Bank Indonesia's official publications, along with pertinent financial metrics from BNI's reports, capturing credit circulation indicators such as loan disbursements and growth rates. Additionally, we gathered data on foreign finances, including investments and loans, to ascertain the external financing landscape influencing BNI's lending operations. This meticulous data aggregation phase laid the groundwork for our subsequent analytical steps.

Subsequently, leveraging advanced econometric techniques, we constructed regression models to quantify the relationships between the BI rate, foreign finances, and BNI's credit circulation metrics. These models incorporated the BI rate and foreign finance variables as independent factors, while BNI's credit circulation indicators served as dependent variables. Through estimation and analysis of model coefficients, we aimed to discern the magnitude and direction of influence exerted by changes in the BI rate and foreign finances on BNI's credit dynamics.

Following model estimation, we subjected our findings to rigorous statistical scrutiny, employing diagnostic tests to assess model validity and reliability. These tests included evaluations for multicollinearity, heteroscedasticity, and autocorrelation, ensuring the robustness of our regression results. Additionally, sensitivity analyses were conducted to evaluate the stability of our findings across various model specifications and parameter settings, enhancing the confidence in our conclusions.

We gathered a diverse set of data sources to capture the relevant variables for our analysis. This included historical data on the BI rate obtained from Bank Indonesia's official publications, as well as data on foreign finances, including foreign investments, loans, and capital inflows. Additionally, we collected data on BNI's credit circulation metrics, such as loan disbursements, loan growth rates, and non-performing loan ratios, from the bank's financial reports and regulatory filings.

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To assess the relationship between the BI rate, foreign finances, and BNI's credit circulation, we employed econometric techniques, specifically time-series analysis and regression modeling. We constructed econometric models that incorporated the BI rate and foreign finance variables as independent variables, with BNI's credit circulation metrics as dependent variables. By estimating the coefficients of these variables, we aimed to quantify the magnitude and direction of their impact on BNI's credit circulation.

Following the estimation of econometric models, we conducted statistical analysis to evaluate the significance and robustness of the results. This involved assessing the goodness-of-fit of the models, testing for multicollinearity, heteroscedasticity, and autocorrelation, and conducting diagnostic checks to ensure the validity of the regression assumptions. Additionally, we performed sensitivity analysis to evaluate the stability of the results under different model specifications and parameter settings.

In conclusion, our methodological process for analyzing the influence of the BI rate and foreign finances on BNI's credit circulation was characterized by thorough data collection, advanced econometric modeling, and comprehensive statistical analysis. By adhering to this structured approach, we aimed to generate reliable insights into the complex dynamics shaping credit markets in Indonesia, providing valuable information for policymakers, regulators, and market participants.

RESULTS

Our analysis of the influence of the BI rate and foreign finances on BNI's credit circulation yielded significant results. Through econometric modeling and statistical analysis, we observed a clear relationship between these variables and BNI's credit dynamics. The BI rate was found to have a substantial impact on BNI's lending activities, with lower rates associated with increased loan disbursements and higher loan growth rates. Additionally, foreign finances, including foreign investments and loans, were found to influence BNI's credit supply, particularly during periods of heightened external financing. These findings highlight the importance of both domestic monetary policy and external financing conditions in shaping BNI's credit circulation.

DISCUSSION

Our findings underscore the interconnectedness between monetary policy, foreign financing, and BNI's lending activities. Changes in the BI rate not only affect borrowing costs for BNI but also influence consumer and business borrowing behavior, impacting loan demand and credit circulation. Similarly, fluctuations in foreign finances, driven by global economic conditions and investor sentiment, can affect BNI's access to external funding sources, influencing its lending capacity and credit supply. These dynamics highlight the complex interplay between domestic and international factors in shaping Indonesia's banking sector and credit markets.

Furthermore, our analysis provides insights into the transmission mechanisms of monetary policy and the role of external financing in Indonesia's banking sector. By understanding how changes in the BI rate and

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foreign finances affect BNI's credit circulation, policymakers and regulators can make informed decisions to manage credit risks, ensure financial stability, and support economic growth. Additionally, market participants can use these insights to anticipate changes in credit conditions and adjust their lending and investment strategies accordingly.

CONCLUSION

In conclusion, our analysis of the influence of the BI rate and foreign finances on BNI's credit circulation highlights the importance of considering both domestic and international factors in assessing credit dynamics in Indonesia. By quantifying the relationships between these variables through econometric modeling and statistical analysis, we provide valuable insights for policymakers, regulators, and market participants. Moving forward, a deeper understanding of these dynamics will be essential for maintaining financial stability, promoting sustainable economic growth, and ensuring the resilience of Indonesia's banking sector in the face of evolving domestic and global challenges.

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