

The Effect of BI Interest Rate and Exchange Rate on Profitability at PT. Pegadaian Tbk (Period 2017-2024)

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INDEXING	ABSTRACT
Keywords: Keyword 1; Interest Rate Keyword 2; Exchange Rate Keyword 3; Profitability Keyword 4; Entrepreneurship Keyword 5; Excessive interest	This study seeks to analyze the impact of the Bank Indonesia interest rate and currency rate on the profitability of PT. Pegadaian Tbk from 2017 to 2024. The employed research methodology is quantitative, utilizing population data that includes the Bank Indonesia interest rate, the US Dollar exchange rate, and the Return on Assets (ROA) of PT. Pegadaian Tbk. The sample was chosen using purposive sampling from 2017 to 2024. The study's results suggest that, to some extent, the Bank Indonesia interest rate and exchange rate do not significantly impact the profitability of PT. Pegadaian Tbk. Moreover, concurrent data indicate that neither variable affects the company's profitability. The data indicate that variations in interest and exchange rates do not immediately affect PT. Pegadaian Tbk's profitability.

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INTRODUCTION

Profitability is the paramount indicator for a corporation (Albinia & Sofyan, 2020). Profitability refers to a company's capacity to create profits over a specified period utilizing its assets and capital, including both total and equity capital. Profitability serves as a significant criterion for evaluating corporate performance. This component is crucial as it serves as a mechanism to assess the company's efficiency in resource management for profit generation. A substantial amount of profitability signifies superior corporate success, as it reflects a high rate of return. In addition, profitability is also the main factor for people in deciding to invest their funds. Thus, profitability plays a significant role, not only for the company itself, but also for society and the national economy (Karismayani & Suarmanayasa, 2023).

Entrepreneurship research typically views firm growth as a favorable performance outcome. Typically, companies strive to attain optimal profits in order to demonstrate strong profitability. The acquisition of maximum profit enables the company to finance its operational activities, thereby ensuring business continuity. Moreover, a high level of profitability serves as an indicator of the company's financial health, which is crucial for shareholders and investors in evaluating the company's performance and future growth potential (Agriyaningsih, 2024). The current profitability level indicates the organization's productivity and operational status under existing conditions (Liu et al., 2023).

As stated by Adnania et al. (2021), interest rates are a macroeconomic factor that influences a company's profitability. The financial sector functions as a crucial conduit through which interest rate operations influence macroeconomic activity and the banking

sector at the micro level (Oyadeyi, 2023). Excessive interest rate hikes can hinder entrepreneurs or investors from fulfilling their interest payments and obligations, as elevated rates augment the company's cost burden, potentially diminishing its earnings. These rates can be regarded as factors that the central bank aims to regulate in order to sustain a stable level of inflation and economic production (Karagiannis et al., 2014). Research by Karismayani and Suarmanayasa (2023) on national private commercial banks in the Indonesian Stock Exchange indicates that interest rates influence profitability, whereas a study by Nainggola and Sitorus (2024) on banking firms listed on the Indonesia Stock Exchange demonstrates that interest rates do not affect profitability.

The exchange rate is also a crucial factor that affects a company's profitability. Exchange rate fluctuations cause uncertainty in investment interest, as the decision to invest depends on conditions that can provide benefits when the exchange rate changes. This situation certainly has an impact on the amount of financing disbursed by the financial services sector (Solihin et al, 2022). Research conducted by (Nugrahaeni & Nugraeni, 2024) on Conventional Banking reveals that exchange rates can affect profitability, and other research such as (Khusnul & Khotimah, 2024) on Sharia Banking states that exchange rates have no influence on profitability.

PT Pegadaian Tbk is predominantly owned, with 99.99998% of its shares held by PT Bank Rakyat Indonesia Tbk (Series B Shares), while the Government of the Republic of Indonesia holds a minority stake of 0.00002% (Series A Dwi Warna Shares). The company operates within the pawn industry. In 2024, the company's assets of PT. Pegadaian Tbk has reached 102.62 trillion rupiah. Meanwhile, the products and services provided by PT. Pegadaian Tbk is a pawn business, fiduciary microcredit business, sharia business, distribution of gold bar ownership loans and other service businesses. A subsidiary of PT. Pegadaian Tbk is PT. Artha Gasia Auction Center and PT. Pegadaian Galeri Dua Four, PT. Pegadaian became the first institution in Indonesia to obtain a license to run a bullion business from the Financial Services Authority (OKJ) on December 23, 2024 (Pegadaian.co.id)

Based on the background description above, the researcher is interested in researching how interest rates and exchange rates affect profitability in PT. Pegadaian Tbk. As a follow-up to the research, a research hypothesis was made as a parameter for the existing influence. The hypothesis is: H1) Interest rates partially affect the profitability of PT. Pegadaian Tbk; H2) The Exchange Rate partially affects the Profitability of PT. Pegadaian Tbk; H3) Interest Rates and Exchange Rates simultaneously affect the Profitability of PT. Pegadaian Tbk.

LITERATURE REVIEW

According to (Widiyanti, 2023), interest rates can be understood as rewards or compensation provided by banks to customers based on conventional principles for the purchase or sale of their products. Furthermore, interest rates represent a cost incurred by clients borrowing cash from banks, while conversely, they provide income for customers depositing funds in banks. The interest rate is the percentage of fees levied for the utilization of investment capital. Interest rates influence an individual's investment or savings decisions (Cristoval & Anita, 2022). The BI Rate is a policy interest rate that signifies the monetary policy position established by Bank Indonesia and is publicly disclosed (Adnania et al., 2021).

Khotijah et al. (2020) assert that the interest rate functions as a price linking the present to the future, and like other prices, it is determined by the interplay of demand and supply. Interest rates significantly influence the company's profitability; when interest rates increase, the company's profit diminishes.

The exchange rate is the market price of foreign currencies relative to domestic currencies, or vice versa. Exchange rates are utilized in international commerce transactions and financial regulations between nations (Rizqi et al., 2024). An exchange rate denotes the quantity of foreign currency required to acquire one unit of another foreign currency (Solihin et al., 2022). The Jakarta Interbank Spot Dollar Rate (JISDOR) serves as a reference mechanism for interbank transactions involving the Rupiah exchange rate against the United States Dollar in Indonesia. The JISDOR value is determined by the weighted average of the transaction volume of the Rupiah exchange rate versus the US Dollar in the interbank spot market (R. Deden Adhianto, 2023).

Exchange rate movements can generally be categorized into two primary forms: appreciation and depreciation. An increase in the exchange rate, when a currency strengthens versus another, is termed appreciation, typically indicative of the economic strength of the respective country. Conversely, when the currency undergoes a depreciation or weakening versus the other currency, it often reflects economic challenges, inflationary pressures, or changes in market sentiment. Understanding these dynamics is crucial for investors and policymakers as they navigate the complexities of international finance.

Other currencies depreciate, which often indicates economic tensions or market pressures. This exchange rate change is a major concern for trade authorities and the government because it can affect economic stability, inflation, and international trade competitiveness data of a currency (Nugraheni & Nugraeni, 2024).

Profitability is a company's capacity to make profit relative to its sales, assets, and equity, as stated by Widiyanti (2023). The profitability ratio, as stated by Adnania et al. (2021), evaluates the total effectiveness of management by comparing the profit generated to sales or investments. This study employs Return on Assets (ROA) as the metric for assessing profitability. Return on Assets (ROA), as defined by Lase et al. (2022), is a ratio that indicates the return generated relative to the total assets employed by the company. This ratio compares net income to total assets. According to Adhianto (2024), Return on Assets (ROA) is a profitability statistic that assesses the capacity of a company's assets to generate profit through operational operations.

RESEARCH METHOD

The type of research chosen is the quantitative method. The population data selected are Bank Indonesia interest rate data, US Dollar exchange rate/exchange rate and ROA of PT. Pegadaian Tbk. From the existing population, samples were taken based on purposive sampling in the 2017-2024 period. Before processing, the data must be tested with a classical assumption test. If the data meet the criteria, it will proceed with multiple linear regression testing and to test (T and F tests) of the hypotheses that have been made.

RESULT AND DISCUSSION

Table 1. Multicollinearity Test Results

		Coefficients^a					Collinearity Statistics	
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	-3.862	4.385		-.881	.419		
	X1	.747	.324	.650	2.304	.069	.869	1.151
	X2	.000	.000	.301	1.067	.335	.869	1.151

a. Dependent Variable: Y

Source : Processed Data (2025)

The Variance Inflation Factor (VIF) for the X1 variable is 1.151, and for the X2 variable, it is also 1.151. The VIF value for the second independent variable is less than 10, but the tolerance value for variable X1 is 0.869, and for variable X2 it is also 0.869. Since these values exceed 0.100, it may be stated that the assumption of multicollinearity is satisfied, indicating the absence of multicollinearity symptoms.

Table 2. Autocorrelation Test Results (Runs Test)

Runs Test	
	Unstandardize d Residual
Test Value ^a	-.03392
Cases < Test Value	4
Cases >= Test Value	4
Total Cases	8
Number of Runs	5
Z	.000
Asymp. Sig. (2-tailed)	1.000

a. Median

Source : Processed Data (2025)

The results of the autocorrelation test from the Runs Test showed a test value of -0.03392 and a significance value of 1.000, which is above 0.05. This indicates that autocorrelation did not occur.

Table 3. Normalization Test Results (Kolmogorov Smirnov)
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual	
N		8	
Normal Parameters ^{a,b}	Mean	.0000000	
	Std. Deviation	.62960843	
Most Extreme Differences	Absolute	.185	
	Positive	.148	
	Negative	-.185	
Test Statistic		.185	
Asymp. Sig. (2-tailed) ^c		.200 ^d	
Monte Carlo Sig. (2-tailed) ^e	Sig.	.578	
	99% Confidence Interval	Lower Bound	.565
		Upper Bound	.591

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

Source : Processed Data (2025)

The asymptotic significance (2-tailed) value of 0.200 (>0.05) indicates that the data is normally distributed, as the obtained value exceeds 0.05. This suggests that there is no significant deviation from normality, allowing for the application of parametric tests in further analysis. Additionally, it supports the reliability of any conclusions drawn from the dataset.

Table 4. Heteroscedasticity Test Results (Park Test)

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	30.695	14.639		2.097	.090
	X1	-.674	1.083	-.203	-.623	.561
	X2	-.002	.001	-.635	-1.946	.109

a. Dependent Variable: LN_RES

Source : Processed Data (2025)

The significance value for variable X1 is 0.561, while for variable X2, it is 0.109. The independent variable exhibits a significance value exceeding 0.05, leading to the conclusion that there are no indications of heteroscedasticity, thus confirming that the assumptions of the heteroscedasticity test have been satisfied.

Table 5. Determination Coefficient Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.733 ^a	.538	.353	2.48717

a. Predictors: (Constant), X2, X1

Source : Processed Data (2025)

The adjusted R-squared value of 0.353 indicates that factors X1 and X2 account for a 35.3% influence on Y, whereas 64.7% is attributed to external variables not examined in this study.

Table 6. F Test Results

ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.253	2	2.627	4.733	.070 ^b
	Residual	2.775	5	.555		
	Total	8.028	7			

a. Dependent Variable: Y

b. Predictors: (Constant), X2, X1

Source : Processed Data (2025)

The significance value obtained is 0.070 (>0.05), indicating that the variables X1 and X2 do not exert a significant simultaneous effect on Y. This suggests that any observed relationship between these variables may be due to chance rather than a true underlying connection. Further analysis may be required to explore other factors that could influence Y more significantly.

Table 7. Hypothesis Test Results (T Test)

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.862	4.385		-.881	.419
	X1	.747	.324	.650	2.304	.069
	X2	.000	.000	.301	1.067	.335

a. Dependent Variable: Y

Source : Processed Data (2025)

The results in the table indicate that the X1 variable has a significance value of 0.069 (>0.05), leading to the conclusion that the X1 variable does not exert a significant effect on the dependent variable. The variable X2, with a significance value of 0.335 (>0.05),

exerts no meaningful influence on the dependent variable. The findings of this study indicate that BI's interest rate does not significantly affect the profitability of PT. Pegadaian Tbk from 2017 to 2024. As the significance value is 0.069, exceeding 0.05, the initial hypothesis, H1, is rejected. Changes in BI's interest rate level, whether an increase or decrease, do not directly influence the company's capacity to earn profits. The findings of this study corroborate the research by Nainggola and Sitorus (2024), which asserts that interest rates do not affect the profitability of banking firms listed on the Indonesia Stock Exchange. These findings also contradict a study by Karismayani and Suarmanayasa (2023), which indicated that interest rates influence the profitability of private banks listed on the Indonesia Stock Exchange.

The findings of this study indicate that the exchange rate does not significantly affect the profitability of PT. Pegadaian Tbk during the 2017-2024 period. As the significance value is 0.335, beyond 0.05, the second hypothesis, H2, is rejected. This signifies that variations in exchange rates do not directly affect the company's profit-generating capacity. The findings of this study align with those of the research conducted by Khusnul and Khotimah (2024) on Sharia banking, indicating that the exchange rate does not influence profitability. This result contrasts with the findings of research (Nugrahaeni & Nugraeni, 2024) on conventional banking, which indicates that the exchange rate can influence profitability.

The findings of this analysis indicate that the concurrent factors of BI's interest rate and currency rate do not influence the profitability of PT. Pegadaian Tbk throughout the period from 2017 to 2024. Since the significance value is 0.070, which exceeds 0.05, the third hypothesis, H3, is rejected. These results indicate that fluctuations in BI's interest rate and changes in exchange rates do not directly affect the ability of PT. Pegadaian Tbk in making profits. Although BI's interest rate is often seen as an important factor in financing and funding, PT. Pegadaian Tbk as a financial institution with typical business capital has an effective risk management mechanism and product diversification strategy so as to reduce the direct impact of interest rate changes on the company's profit. Similarly, the company appears to be less exposed to exchange rate fluctuations as most of its operations are more focused on the domestic market and mortgage financing with financial products that are less susceptible to exchange rate fluctuations. In addition, the profitability factor of PT. Pegadaian Tbk is more influenced by other variables such as world gold prices, inflation and gross domestic product.

CONCLUSION

The study concludes that hypothesis H1) has a partial effect on the profitability of PT. Pegadaian Tbk, which was rejected due to a significance value exceeding 0.05. The hypothesis H2) has a partial effect on the profitability of PT. Pegadaian Tbk, which was rejected due to a significance value exceeding 0.05. The hypothesis H3, which posits that both the BI interest rate and the exchange rate simultaneously influence the profitability of PT. Pegadaian Tbk, was rejected due to a significance value exceeding 0.05. The results indicate that variations in interest rates and exchange rates do not directly influence PT. Pegadaian Tbk's profitability. Other factors play a more significant role in determining the company's profitability than these macroeconomic variables.

Companies must consistently monitor fluctuations in BI interest rates and exchange rates, as substantial changes in these variables can significantly affect overall financial market conditions, despite the study's findings indicating a notable influence.

Future research should explore additional variables that may influence the profitability of PT. Pegadaian Tbk, including operational factors, capital structure, and company policies, while also utilizing extended data periods to achieve a more thorough understanding.

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