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ANALYZING OF BI RATE, EXCHANGE RATE, AND MONEY SUPPLY ON INFLATION: EVIDENCE FROM INDONESIA

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ABSTRACT

Economic stability is a fundamental concern faced by every nation, with monetary policy serving as a primary tool to maintain such stability, particularly in controlling inflation. This study aims to examine the impact of the Bank Indonesia interest rate (BI Rate), currency exchange rate, and money supply on the inflation rate in Indonesia. A quantitative research method was used with secondary data obtained from official publications of Bank Indonesia and the Central Statistics Agency (Badan Pusat Statistik). The study utilizes monthly time-series data covering the period from January 2021 to December 2024. In this research, inflation serves as the dependent variable, while the BI Rate, currency exchange rate, and money supply act as independent variables. The empirical results show that the currency exchange rate and money supply have a significant influence on inflation, whereas the BI Rate does not. These findings indicate that managing the exchange rate and controlling money supply are effective measures to maintain price stability. Furthermore, Bank Indonesia adopts the Inflation Targeting Framework (ITF) supported by a floating exchange rate system and Open Market Operations (OMO) to ensure macroeconomic stability.

Keywords: BI Rate, Currency Exchange Rate, Money Supply, Inflation

ABSTRAK

Stabilitas ekonomi merupakan aspek krusial yang dihadapi oleh setiap negara, dengan kebijakan moneter sebagai instrumen utama dalam menjaga keseimbangan dan mengendalikan inflasi. Penelitian ini bertujuan untuk menganalisis pengaruh suku bunga Bank Indonesia (BI Rate), nilai tukar mata uang, dan jumlah uang beredar terhadap tingkat inflasi di Indonesia. Pendekatan penelitian yang digunakan bersifat kuantitatif dengan memanfaatkan data sekunder yang diperoleh dari publikasi resmi Bank Indonesia dan Badan Pusat Statistik (BPS). Data yang digunakan berupa data bulanan dari Januari 2021 hingga Desember 2024. Hasil penelitian menunjukkan bahwa nilai tukar mata uang dan jumlah uang beredar berpengaruh signifikan terhadap inflasi, sedangkan BI Rate tidak memiliki pengaruh yang signifikan. Temuan ini mengindikasikan bahwa pengelolaan nilai tukar dan pengendalian jumlah uang beredar merupakan kebijakan efektif untuk menjaga stabilitas harga. Bank Indonesia menerapkan Kerangka Target Inflasi (Inflation Targeting Framework) dan Operasi Pasar Terbuka sebagai instrumen utama dalam memperkuat stabilitas makroekonomi.

Kata kunci: BI Rate, Nilai Tukar Mata Uang, Jumlah Uang Beredar, Inflasi

I. INTRODUCTION

Economic stability represents a fundamental issue faced by many countries, including Indonesia. Efforts to maintain and enhance economic stability have been implemented through various policies aimed at promoting public welfare (Senen et al., 2020). Among the key instruments utilized to preserve such stability is monetary policy, which plays a strategic role and is directly administered by Bank Indonesia. Well-maintained economic stability serves as a crucial prerequisite for fostering an environment conducive to sustainable economic growth. One of the primary objectives of monetary policy is to stabilize inflation to ensure it remains under control (Natania & Sari, 2025).

As the monetary authority, Bank Indonesia holds a strategic role in formulating and implementing monetary policies to manage inflation and maintain price stability. In addressing inflation, Bank Indonesia adopts an inflation-targeting framework by setting specific targets as benchmarks for policy formulation. Inflation is understood as a process rather than a mere increase or decrease in price levels. Hence, relatively high price levels do not necessarily indicate inflation. Inflation is more accurately viewed as a continuous process of price changes that interact and influence one another (Lestari, 2018).

The government's long-term objective is to maintain a condition of controlled and steady inflation. Accelerating inflation does not foster economic development; instead, it may lead to adverse effects such as the erosion of real income, depreciation of monetary wealth, worsening income distribution, and a decline in long-term growth prospects. Conversely, low inflation reflects price stability that benefits the economy by preserving purchasing power, strengthening investor confidence, supporting sustained economic growth, and maintaining exchange rate stability (Sukirno, 2019). According to Damanik et al. (2025), inflation constitutes one of the main factors contributing to economic instability and is a major concern

for the government, as its adverse impacts can affect both production cost structures and societal welfare levels. Elevated inflation rates can undermine a nation's economic stability and efficiency; therefore, maintaining low inflation remains a central goal of government policy (Sari & Nurjannah, 2023).



Figure 1. Annual National Consumer Price Inflation Rate, 2021–2024 (Percent)
Source: (BPS, 2025)

Based on the data above, Indonesia's inflation rate from 2021 to 2024 generally experienced fluctuations. The highest level of inflation occurred in 2022, reaching 5,51%. However, in 2023, inflation was successfully reduced to 2,61% and further declined to 1,57% in 2024. This indicates that the government has taken significant and consistent measures to address high inflation, successfully lowering it to a level below that of the previous year.

Government efforts to control inflation can be implemented through monetary policy, which involves regulating monetary aggregates such as the money supply alongside determining the BI Rate to maintain macroeconomic stability. In addition, Bank Indonesia holds the responsibility of managing the exchange rate (Lestari, 2018).

The BI Rate is established by Bank Indonesia as the reference interest rate as part of the central bank's monetary policy framework, particularly for controlling inflationary pressures (BI, 2025). In response to inflationary pressures, Bank Indonesia usually raises the BI Rate. when inflation is projected to exceed its target and to lower it when inflation is expected to fall below the target (Senen et al., 2020).

The Keynesian perspective, specifically the Liquidity Preference Theory, describes a negative relationship between interest rate movements and inflation fluctuations. When interest rates rise, individuals tend to reduce consumption and prefer to save, which in turn leads to lower inflation (Wijaya & Juliannisa, 2023). Keynes' theory suggests that inflation is influenced by interest rates and aggregate demand. Theoretically, economic theory suggests a negative correlation between interest rates and inflation. Such that rising interest rates are followed by falling inflation, and conversely declining interest rates are associated with rising inflation. Higher interest rates raise borrowing costs, leading to declines in consumption and investment. The resulting reduction in aggregate demand ultimately decreases inflationary pressure (Natania & Sari, 2025). Another theoretical framework explaining the correlation between interest rates and inflation in Indonesia is the Fisher Effect, pioneered by Irving Fisher. The analysis adopts the theoretical perspective that increases in nominal interest rates are associated with higher inflation. Bank Indonesia increases short-term nominal interest rates with the objective of reducing the money supply and controlling inflation. (Rohmah & Waluyo, 2024).

The exchange rate denotes the value relationship between a unit of foreign currency and the domestic currency. In Indonesia, the exchange rate commonly used as a benchmark is the value of the Rupiah relative to the US Dollar. This is because the U.S. Dollar is widely regarded as a stable and dominant currency in the global economy (Rozaini et al., 2024). The interaction between exchange rate movements and inflation is highly significant, as large fluctuations in the exchange rate can influence overall price levels. Exchange rate changes directly affect production costs, particularly through the pricing of imported goods (Anggraeni & Dwiputri, 2022).

According to exchange rate theory, the relative value between two currencies determines a country's purchasing power for goods and commodities. David Ricardo, a classical economist, introduced the concept of

Purchasing Power Parity (PPP), which is founded on the "law of one price". This principle assumes that identical goods in two different countries will have similar prices when measured using an equivalent exchange rate (Nasution & Lubis, 2017).

Furthermore, the Mundell-Fleming Theory, developed by Robert A. Mundell and J. Marcus Fleming from an open-economy macroeconomic perspective, reveals that movements in exchange rates tend to coincide with changes in inflation in the same direction. An increase in domestic interest rates tends to attract foreign capital inflows, leading to Rupiah appreciation and lower inflation as a result of reduced import costs. Conversely, a decrease in interest rates may stimulate domestic demand and exert upward pressure on inflation, while weakening the exchange rate, thereby contributing to an increase in the cost of imported items (Prasetyo et al., 2025).

Another relevant framework is the Exchange Rate Pass-Through (ERPT) theory, which explains that a depreciation of the exchange rate typically leads to an increase in inflation. When the Rupiah depreciates, inflation tends to rise, while currency appreciation tends to suppress inflation. A weaker exchange rate can stimulate exports by making domestic goods more competitive in international markets, eventually leading to a potential appreciation of the local currency. However, an overly strong Rupiah can also generate inflationary pressures within the domestic economy (Rozaini et al., 2024).

The money supply denotes the overall stock of money, including currency and deposits, available in the economy at a certain time, encompassing not only the physical currency held by the public but also all forms of money issued by Bank Indonesia (Sari & Nurjannah, 2023). The money supply plays a critical role in influencing inflation dynamics. This interaction demonstrates that when the money supply expands beyond money demand, it exerts upward pressure on prices. Public demand for money in economic activities is influenced by the prices of goods and services. where an increase in prices typically leads to higher demand for money to

facilitate transactions. Consequently, a new economic equilibrium emerges through the interaction between money demand and the level of liquidity in the economic environment (Akhyar et al., 2024).

The Quantity Theory of Money serves as a key analytical framework in monetary economics, illustrating the relationship between monetary expansion, price movements, and real output. This theory was introduced by Irving Fisher in 1911. According to the theory, inflation arises when the circulation of money exceeds the volume of goods and services available in the economy (Wahyudi & Riana, 2024). The theory posits that inflation emerges when money supply growth outpaces the production of goods and services. According to this theory, inflation arises when the money supply grows more rapidly than the production of goods and services, highlighting monetary expansion as the principal driver of inflation. The theory suggests that there is a direct and positive link between monetary growth and inflationary pressures, meaning that when the money supply expands, inflation rates are likely to rise.

Furthermore, the monetary school of thought, pioneered by Milton Friedman, emphasizes a positive correlation between monetary expansion and inflationary trends. According to this theoretical stance, inflation arises when the money supply grows faster than the real output of the economy, as this expansion of money relative to output leads to rising prices and inflationary pressures (Lestari, 2018).

The empirical study conducted by Senen et al. (2020) examined the effects of exchange rate movements, changes in the BI Rate, and fluctuations in foreign exchange reserves on Indonesia's inflation, using quarterly data from 2008:Q1 to 2018:Q4. The empirical results demonstrated that variations in the exchange rate and foreign exchange reserves did not exert a statistically significant influence on inflation, whereas changes in the BI Rate were found to have a significant effect on inflationary trends.

Natania & Sari (2025) carried out an empirical analysis to assess how fluctuations

in interest rates, exchange rates, and the money supply affect inflation in Indonesia, utilizing quarterly observations from 1993 through 2024. According to the results, inflation was negatively and significantly affected by interest rates, positively influenced by the money supply, and not significantly affected by exchange rate variations.

Akhyar et al. (2024) also investigated the influence of interest rate, money supply, and government expenditure on inflation in Indonesia, based on annual observations from 2017 to 2022. The study found that inflation was negatively affected by interest rates, unaffected by exchange rate fluctuations, and positively influenced by government expenditure.

The study conducted by Damanik et al. (2025) examined the impact of monetary and fiscal factors—specifically the money supply, interest rate, and budget deficit—on inflation in Indonesia, using annual data from 2005 to 2024. The empirical findings revealed that expansions in the money supply and increases in interest rates both had a significant positive effect on inflation, whereas the budget deficit exhibited a negative but statistically insignificant influence on inflationary trends.

According to Rohmah & Waluyo (2024), short-term dynamics revealed that the BI Rate and exchange rate significantly increased inflation, while variations in money supply did not produce a meaningful statistical effect. These findings underscore the greater short-run sensitivity of inflation to interest rate and exchange rate fluctuations compared to money supply changes.

Based on the literature review, it can be concluded that variations exist in the type and frequency of data employed in previous studies. Prior research utilized datasets with annual, quarterly, or monthly frequencies, covering various periods—for example, from July to August. In contrast, this study employs monthly data spanning from January to December, which is expected to provide a more comprehensive and detailed analytical outcome.

The primary purpose of this study is to evaluate the influence of the BI Rate,

exchange rate, and money supply on inflation in Indonesia. It is expected that the findings will contribute to both theoretical and practical knowledge, offering insights into the mechanisms through which monetary instruments affect inflation and thereby informing policymakers and researchers.

II. RESEARCH METHODS

A. Data

A quantitative framework is employed in this study, with secondary monthly data from Bank Indonesia and Badan Pusat Statistik covering January 2021 to December 2024 used for the analysis. Inflation is designated as the dependent variable, measured by the national consumer price inflation rate in percentage terms. This study's independent variables include the BI Rate (percent) as the central bank's benchmark interest rate, the exchange rate of Rupiah against the U.S. Dollar (in Rupiah), and money supply, defined as the sum of currency in circulation and demand deposits (in billion Rupiah).

B. Data Analysis Techniques

The statistical analysis in this research is conducted using classical assumption testing alongside multiple linear regression analysis. to ensure that the regression model meets statistical requirements, classical assumption tests such as normality, multicollinearity, heteroscedasticity, and autocorrelation are applied.

In this study, the normality of residuals is evaluated through the Jarque-Bera test. Residuals are deemed normally distributed if the associated probability value is greater than 5%, ensuring that the regression model satisfies this key statistical assumption. Multicollinearity is detected when independent variables are linearly correlated within the regression model. To examine multicollinearity, the correlation coefficients between all pairs of independent variables are analyzed. If no correlation exceeds 0.80, the regression model is considered free from multicollinearity problems. The heteroscedasticity test examines whether there are unequal variances of error terms across observations in the regression model. This

study employs the Glejser test to detect heteroscedasticity based on the probability values of each variable; when these probability values exceed 5%, the model is considered free from heteroscedasticity. Furthermore, the Lagrange Multiplier (LM) Test is applied to detect autocorrelation among residuals. The criterion for detecting autocorrelation is the probability value of ObsR-squared. If this value is greater than 5%, it can be concluded that the regression model is free from autocorrelation problems (Ghozali & Ratmono, 2017).

To examine the relationships among variables, this study applies the Ordinary Least Squares (OLS), estimated using EViews. The regression equation is defined as follows:

$$INF = \alpha + \beta_1 SBA + \beta_2 KURS + \beta_3 JUB + \varepsilon \quad (\text{Equation 1})$$

$$\text{LnINF} = \alpha + \beta_1 \text{LnSBA} + \beta_2 \text{LnKURS} + \beta_3 \text{LnJUB} + \varepsilon \quad (\text{Equation 2})$$

Where INF represents inflation, SBA denotes the Bank Indonesia benchmark interest rate (BI Rate), Kurs refers to the exchange rate, JUB indicates the money supply, α is the intercept, β_1 , β_2 , and β_3 are the regression coefficients, and ε represents the error term.

The t-test is utilized in the regression framework to examine the partial contribution of each independent variable to the dependent variable. If the probability associated with its t-statistic is less than 5%. In this study, the F-test evaluates the collective impact of the independent variables on the dependent variable. An F-statistic probability value under 0.05 indicates that the model is statistically significant. The coefficient of determination (R^2) demonstrates the extent to which the regression model captures the variation in the dependent variable; higher R^2 values indicate more effective explanation by the independent variables.

III. RESULTS AND DISCUSSION

A. Results

Classical Assumption Testing

The regression model is evaluated through classical assumption tests, which

consist of normality, multicollinearity, heteroskedasticity, and autocorrelation assessments, to ensure statistical validity and reliability.

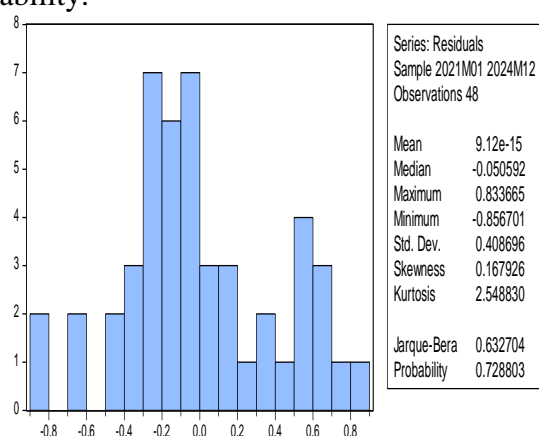


Figure 2. Results of the Normality Test

Sources: Eviews data, processed in 2025

Figure 2 indicates that the Jarque-Bera statistic is 0,632704, with a probability value of 0,728803. This result, being above 5%, suggests that the dataset used in this study follows a normal distribution.

The results of the multicollinearity test can be observed in the correlation matrix, as summarized in the table below:

Table 1. Results of Multicollinearity Test

Variable	LnSBA	LnKURS	LnJUB
LnSBA	1.000000	0.463432	0.730792
LnKURS	0.463432	1.000000	0.354728
LnJUB	0.730792	0.354728	1.000000

Source: Eviews data, processed in 2025

Based on the information presented in the table above, all variables have correlation coefficients below 0,8, indicating the absence of a multicollinearity problem.

The heteroskedasticity test was conducted using the Glejser test, and the results are presented as follows:

Table 2. Results of Glejser Test

Variable	Prob.	Description
LnSBA	0,1950	No heteroskedasticity detected
LnKURS	0,6514	No heteroskedasticity detected
LnJUB	0,2562	No heteroskedasticity detected

Source : Eviews data, processed in 2025

Based on the Glejser test, all variables have probability values higher than the 5% significance threshold, confirming that the regression model is free from heteroskedasticity problems. The final classical assumption test is the autocorrelation test, which can be examined using the LM Test presented below:

Table 3. Results of the LM Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	1,252837	Prob. F (2,41)	0,2964
Obs*R-squared	2,706926	Prob. Chi-Square (2)	0,2583

Source : Eviews data, processed in 2025

The table above indicates that the Probability value of Obs*R-squared is 0,258, which is greater than 5%, implying that there is no autocorrelation problem in the model. The regression analysis was conducted using the Ordinary Least Squares (OLS) method, and the results are presented as follows:

Table 4. Regression Results

Variable	Coefficient	t-Statistic	Prob.
C	39,77399	2,180146	0,0346
LnSBA	0,181382	0,480467	0,6333
LnKURS	-7,160181	-4,62987	0,0000
LnJUB	2,022140	2,846400	0,0067
R-squared	0,468601		
Adjusted R-squared	0,432370		
F-statistic	12,93345		
Prob(F-statistic)	0,000000		

Source: Eviews data, processed in 2025

Partial Test (t-test)

Based on the regression analysis, the reference interest rate variable (BI Rate) yields a t-statistic of 0,480467 and a probability value of 0,633, suggesting that it does not have a statistically significant effect at the 5% significance level. These findings imply that the BI Rate does not exert a significant influence on inflation. The exchange rate variable shows a t-statistic of -4,629870 with a probability value of 0,0000, which is less than 0,05, indicating that the exchange rate significantly influences inflation. Meanwhile, the money supply (M1) variable exhibits a t-statistic of 2,180146 and a p-value of 0,0067, which is below the 5% significance level, indicating that the money supply has a significant effect on inflation.

Simultaneous Significance Test (F-test)

Table 4 shows that the p-value associated with the F-statistic is 0,000000. Since this value is less than 5%, it can be concluded that the reference interest rate (BI Rate), exchange rate, and money supply (M1) simultaneously have a significant influence on the inflation variable.

Coefficient of Determination (R^2)

According to the regression analysis presented in Table 4, the R^2 value of 0,468601 indicates that 46,86% of the variation in inflation can be explained by the reference interest rate (BI Rate), exchange rate, and money supply (M1), while the remaining 53,14% is explained by other variables outside the model. This finding confirms that inflation is influenced not only by monetary policy but also by other macroeconomic factors such as exports, imports, GDP, and government expenditure

B. Discussion

1. The Effect of Reference Interest Rate (BI Rate) on Inflation

The regression results show that the BI Rate has a positive but statistically insignificant effect on inflation, suggesting that increases in the BI Rate are generally associated with increases in inflation, and vice versa. These findings align with the classical economic theory, specifically the Fisher Effect Theory, which explains a direct and positive relationship between inflation and nominal interest rates. When a country experiences a significant increase in inflation, monetary authorities tend to implement policies that raise short-term nominal interest rates (Rohmah & Waluyo, 2024).

However, these results contradict the Liquidity Preference Theory proposed by Keynes, which suggests a negative correlation between the quantity of money demanded and the interest rate. According to Keynesian theory, an increase in interest rates will reduce the public's desire to hold cash, while a decrease in interest rates will increase money demand, potentially triggering inflation (Wijaya & Juliannisa, 2023).

The study demonstrates that changes in the BI Rate do not significantly affect the level of inflation. This study's results correspond with Ristiya et al. (2023) which found a similar positive but non-significant link between the BI Rate and inflation. Ratri & Munawar (2022) also observed a negative yet non-significant effect of the BI Rate on inflation, which aligns with the current findings.

In implementing monetary policy, Bank Indonesia utilizes the discount rate instrument by adjusting the BI Rate either increasing or decreasing it based on economic conditions. However, according to Hasbi et al. (2024), Bank Indonesia consistently strives to maintain a gradual decline in interest rates each year. This measure aims to stimulate economic activity, promote economic growth, and suppress inflationary pressures. Ideally, Bank Indonesia's policy should not solely focus on lowering the BI Rate but should also consider raising it when necessary to meet inflation targets.

Furthermore, monetary policy through the BI Rate has not yet proven effective in curbing inflation in the short term. Interest rate adjustments require time (lag) to transmit their effects throughout the economy through financial actors, consumption, investment, and banking credit. Consequently, if the observation period is relatively short, the influence of the BI Rate on inflation may not yet be fully observable.

2. The Effect of Exchange Rate on Inflation

Based on the regression analysis, the exchange rate shows a negative and statistically significant relationship with inflation. This indicates that a depreciation of the domestic currency against the US dollar tends to lead to higher inflation, while an appreciation is associated with lower inflation. This outcome contradicts the Mundell-Fleming Theory, which posits a positive relationship between the exchange rate and inflation. According to the theory, an increase in the money supply causes domestic interest rates to fall, prompting investors to move their funds abroad. This outflow of capital reduces

the demand for domestic currency, resulting in a depreciation of the exchange rate (Rozaini et al., 2024).

The analysis further confirms that the exchange rate has a significant impact on inflation. This result is consistent with the findings of Anggraeni & Dwiputri (2022), who emphasized the influence of exchange rate movements on inflation levels. Similarly, Prasetyo et al. (2025) revealed that the exchange rate and inflation have a reciprocal relationship and jointly contribute to maintaining national economic stability. Furthermore, Sari & Nurjannah (2023) also demonstrated that the exchange rate positively affects inflation.

Bank Indonesia is tasked with achieving and maintaining the stability of the rupiah, as stipulated in Article 7 of Law No. 3 of 2004. Here, “stability” refers to consistent prices of goods and services, typically measured by the inflation rate (Lestari, 2018). Since 2005, Bank Indonesia has implemented a monetary policy framework that targets inflation as its primary objective through the Inflation Targeting Framework (ITF) while adopting a floating exchange rate system to support stability. Under this system, foreign exchange rates are determined by market supply and demand, with Bank Indonesia refraining from direct intervention in the exchange rate mechanism.

3. The Effect of Money Supply (M1) on Inflation

Based on the regression analysis, the money supply demonstrates a positive and statistically significant relationship with inflation. This indicates that an increase in the money supply tends to heighten inflationary pressures. These results are consistent with the Quantity Theory of Money, as proposed by Milton Friedman and Irving Fisher, which asserts a positive correlation between money supply and the inflation rate. Essentially, an expansion in the money supply contributes to higher inflation, whereas a contraction in the money supply leads to lower inflation.

The present study confirms that the money supply significantly affects the level of inflation. This finding aligns with previous

studies conducted by Natania & Sari (2025), Damanik et al. (2025), and Kevin & Abidin (2023), all of which demonstrate that an increase in the money supply tends to significantly raise inflation.

Conceptually, inflation can be influenced by the amount of money circulating in the economy, consistent with the Quantity Theory of Money. According to Nopirin (2021), this theory asserts that price levels move proportionally to changes in the money supply. For instance, if the money supply triples, prices will also rise by a similar proportion. The Quantity Theory of Money highlights two main points. First, inflation arises from the expansion of the money supply, whether in the form of currency or demand deposits. Second, public expectations regarding future prices can also accelerate inflationary trends (Lestari, 2018).

IV. CONCLUSION

The findings of this study reveal that the exchange rate and money supply have a significant effect on inflation, indicating that both variables serve as crucial instruments in inflation control. Bank Indonesia has implemented the Inflation Targeting Framework with a floating exchange rate mechanism to maintain price stability, while also utilizing Open Market Operations to regulate the amount of money in circulation.

On the other hand, the BI Rate has been found to have no significant short-term impact on inflation. This is primarily due to the time lag required for interest rate policy effects to be transmitted to the real sectors of the economy, such as consumption, investment, and credit distribution. Consequently, the role of the BI Rate in mitigating inflationary pressures remains suboptimal in the short run.

V. SUGGESTIONS

This study provides findings that can serve as a foundation for formulating effective monetary policy, with an emphasis on maintaining price stability, exchange rate equilibrium, and the optimal control of money supply. Furthermore, policymakers should take into account external factors such as global commodity prices and international

economic developments, which may influence domestic inflation. Bank Indonesia is also encouraged to enhance transparency and improve the effectiveness of monetary policy communication to ensure that inflation expectations among the public and business actors remain well-anchored. Additionally, close synergy between monetary and fiscal policies is essential to achieve sustainable macroeconomic stability. The researcher recommends that future studies consider incorporating additional monetary variables, such as bank lending and deposit interest rates, foreign exchange reserves, and banking credit growth. Moreover, extending the research scope to include comparative analysis across countries would enrich the understanding of inflation dynamics. It is also advisable to lengthen the study period to increase the number of observations and strengthen the robustness of the findings.

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