

ABSTRACT

Consumer credit is a financial product provided by banks as a financing instrument to support household consumption. The interaction between the supply of funds and the demand for funds is an important issue to be analyzed within the context of Indonesia's financial market. This study aims to examine the dynamics of consumer credit during the period of 2010Q1–2023Q4 and to analyze the impact of the COVID-19 pandemic shock using a credit demand and supply equilibrium framework.

This study employs a quantitative approach using quarterly secondary time-series data in Indonesia from 2010Q1 to 2023Q4. The methodological approach begins with a simultaneous equations system and reduced-form equations to eliminate the simultaneous-equation bias associated with the credit interest rate variable. Subsequently, the credit interest rate is estimated using the Two-Stage Least Squares (2SLS) method within the structural demand and supply equations to investigate the effect of each determinant on consumer credit.

The results indicate that the Consumer Confidence Index, real Gross Domestic Product (GDP), Third-Party Funds, and inflation exhibit relationships that differ from the proposed hypotheses. Nevertheless, the COVID-19 pandemic shock is confirmed to have a negative and statistically significant effect on consumer credit. These findings suggest that the pandemic has become an important factor influencing the dynamics of consumer credit in Indonesia.

Keywords: Consumer Credit, Financial Products, Demand and Supply, Two-Stage Least Squares (2SLS), COVID-19 Pandemic.