

PUBLIC SAVINGS AT PT. BANK NTT (PERSERO) MAIN BRANCH KUPANG AND THE FACTORS AFFECTING THEM

¹Salomon Leki, ²M.E Perseveranda, ³Adrianus Ketmoen*, ⁴Agnes Susanti Indrawati,
⁵Angelina Wulandari Daok

^{1,2,3,4,5}Faculty of Economics and Business, Widya Mandira Catholic University Kupang
^{1,2,3,4,5}Jln. Jend Achmad Yani No. 50-52, Merdeka Village, Kota Lama District, Kupang City

¹salomonleki21@gmail.com, ²perseverandaerse@gmail.com, ³adriketmoen@gmail.com,
⁴agnesusantiindrawati9@gmail.com, ⁵angelinawulandaridaok@gmail.com

*Corresponding author: ³adriketmoen@gmail.com

Abstract

The formulation of the problem in this study is (1) Whether the interest rate, inflation rate, and Regional Minimum Wage have a partial effect on the community's savings at PT. Bank NTT (Persero) Kupang Main Branch Unit?; (2) How do interest rates, inflation and regional minimum wages affect the level of public savings at PT. Bank NTT (Persero) Kupang Main Branch Unit? The purpose of this study is to analyze the influence of interest rates, inflation rates, and regional minimum wages on the amount of savings, both partially and simultaneously. The analysis technique used is quantitative analysis using a multiple linear regression model. In this study, the smallest square regression approach (Ordinary Least Square) was also used. The results of this analysis show that simultaneously: interest rates, inflation rates, and regional minimum wages have a significant effect on savings. Meanwhile, partially, interest rates have a significant positive effect on savings, while inflation and the regional minimum wage have a negative but significant effect. The value of the determination coefficient was 0.115 which indicates that 15.5% of the variation in savings can be explained by all three variables, while the remaining 84.5% is influenced by other factors outside the model. The researcher suggested that Bank NTT needs to strengthen the innovation of savings products and digital financial services in order to be able to increase public fund collection.

Keywords: Interest Rate, Inflation, UMR, Community Savings

INTRODUCTION

The rapid development of globalization has brought significant changes in various sectors, including economic development. In the development process, the role of financial institutions is crucial because the availability of funds is the main prerequisite to support economic growth. Banks, as financial institutions, occupy a strategic position in collecting funds from the public, redistributing them in the form of credit, and providing various financial services that support economic activities. (Putri, Valeriani, & Yunita, 2022); (Putra, Juliana, Firmansyah & Marlina, 2023); (Sánchez Serrano, 2024); (Ramadhan, Ermawati, Fariyanti, 2023).

According to Law No. 7 of 1992 which has been perfected into Law No. 10 of 1998, banks function to collect funds from the public in the form of deposits and redistribute them in the form of credit to improve the standard of living of many people. Therefore, the existence of banks is not only a means of financial intermediation, but also an important instrument in maintaining national and regional economic stability (Ali, Apriliana, & Fathonah, 2023).

Public savings are one of the main funds for banks to distribute credit, so they have an important role in regional economic growth (Mankiw et al., 2019). According to Keynes' theory, the level of savings is influenced by income, interest rates, and people's expectations of the economy in the future (Ramly, Rumerung, & Payapo, 2023). Meanwhile, the theory of financial intermediation emphasizes that regional banks such as Bank NTT have a strategic role in strengthening the local economy through the mobilization of macroeconomic funds and increasing financial inclusion. In this context, macroeconomic factors such as savings interest rates, inflation rates, and regional minimum wages (UMR) are important variables that can affect people's savings levels. These three variables not only reflect macroeconomic conditions but also influence individual decisions in allocating income between consumption and savings (Marty, 1961). Thus, this study has an urgency to understand the dynamics of public savings in Bank NTT, including the influence of factors such as interest rates, inflation, and the Regional Minimum Wage so that it can be the basis for bank management and local governments in formulating strategies to increase fund collection, strengthen regional economic resilience, and support sustainable development in East Nusa Tenggara.

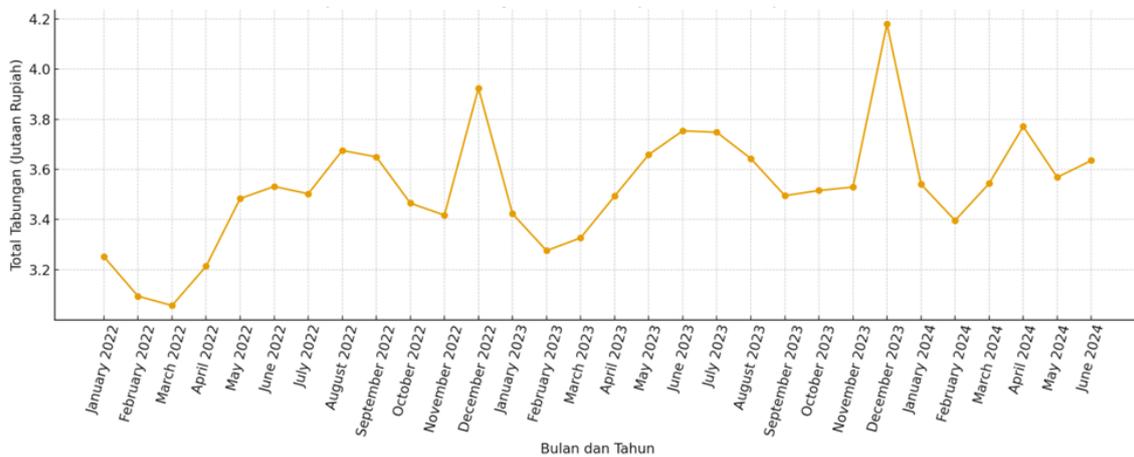


Figure 1. Data on the Total Savings of Bank NTT Kupang Main Branch January 2022-June 2024 (in Millions of Rupiah)

Source: Annual Financial Report of PT. Nusa Regional Development Bank Southeast East

Based on the Figure 1, it can be seen that during this last period, the amount of savings at Bank NTT Main Branch Kupang has increased. When viewed from the last two years, the 2022-2024 period of savings experienced a *growth* of 251.557 million or at 6.41%. This means that the condition of BPD's capital and savings at this time is in stable and good condition. The role of community funds in the form of savings, attracts the author's interest to conduct a more in-depth study on the factors that can affect the size or size of a community savings amount in PT. Bank NTT (Persero) Kupang Main Branch Unit. This study aims to determine the magnitude of the influence of interest rates and inflation on public savings at PT. Bank NTT (Persero) Kupang Main Branch Unit both partially and simultaneously.

Based on Bank NTT data, as of December 31, 2021, Bank NTT managed to record public deposits in the form of Third Party Funds (DPK) of IDR 12.49 trillion, an increase of IDR 2.20 trillion or 21.8% from 2020 of IDR 10.29 trillion. The amount of people's savings continues to fluctuate from 2022 to 2024, although the long-term trend

is likely to increase. This indicates the dynamics of people's saving behavior which is influenced by changes in economic conditions, namely fluctuations in interest rates, inflation, and the regional minimum wage (Sartien K., Sanam, & Renoat, 2021). Some previous research Putri et al., (2022); Asnawi and Fitria (2024); Ali et al., (2023) has discussed the role of financial institutions in economic development, but studies that specifically examine the influence of interest rates, inflation, and UMR on public savings at Bank NTT are still limited. On the other hand, increasingly fierce interbank competition, digitalization of financial services and government policies related to monetary and fiscal have also added to the complexity of factors that affect saving behavior. This gap is the phenomenon of gaps, so this research is important to fill the literature gap as well as answer the empirical dynamics in NTT.

The urgency of this research lies in the importance of savings for the sustainability of banking intermediation and regional economic development, this study was conducted to empirically analyze the influence of interest rates, inflation, and regional minimum wages on people's savings in Bank NTT. The urgency of this research lies in its contribution in providing a clear picture of the factors that encourage or inhibit savings growth, which ultimately has implications for banks' ability to distribute productive credit. Theoretically, this study is expected to enrich the literature related to the relationship between macroeconomic variables and people's savings behavior at the regional level. Meanwhile, practically, the results of this research can be an input for the management of Bank NTT in formulating a more effective fundraising strategy and for local governments in sustainable development in East Nusa Tenggara.

According to the description above, it is necessary to have research related to savings at PT. Bank NTT (Persero) Kupang Main Branch Unit and the variables that affect it. Research Objectives: 1) To analyze the extent of the influence of interest rates, inflation, and regional minimum wages partially on public savings at PT. Bank NTT (Persero) Kupang Main Branch Unit; 2) Analyze the extent of the simultaneous influence of interest rates, inflation, and regional minimum wages on public savings at PT. Bank NTT (Persero) Kupang Main Branch Unit.

LITERATURE REVIEW

Savings are one of the important components in the economy, because they act as a source of funds for investment financing and national development. In the context of banking, savings reflect people's trust in financial institutions in storing their excess funds (Biswas & Ahamed, 2023). According to Law No. 10 of 1998 concerning Banking, banks have the main function as an institution that collects funds from the public in the form of deposits and distributes them in the form of credit. Keynes' theory states that a person's decision to save is influenced by the income received, interest rates, as well as future expectations (Luís et al., 2023); (Meissner et al., 2023). In this case, the amount of savings is influenced by macroeconomic variables such as interest rates and inflation which affect an individual's economic decision to set aside their income.

Interest rates are one of the monetary instruments used by financial authorities to regulate the money supply. In theory *Loanable Funds*, high interest rates provide incentives for people to keep their money in banks, because the returns obtained will be greater. In Asnawi and Fitria (2024) research's, it was found that interest rates have a significant and positive effect on national savings in Indonesia. Similar results were also found in a study by Badrawani (2024), which analyzed regional development banks in

Indonesia and showed that rising interest rates increased people's interest in saving. This reinforces the view that interest rates are one of the dominant factors in saving decisions (Sudirman & Fitrianti, 2022).

On the contrary, inflation is a factor that reduces people's purchasing power. High inflation causes the prices of goods and services to increase, so the portion of income that can be saved tends to decrease. Theory of *Fisher Effect* explains that when inflation increases, the real value of the interest received decreases, thus reducing the incentive to save (Aydin & Çiğdem, 2024); Irving, (1930); (Gocer & Ongan, 2020). Research results by Riyadi, Nurdin and Aulia, (2022) emphasized that high inflation will cause people to prefer to consume now rather than save, because the value of money will continue to decline. Other findings from, Rumerung, Effendy, Ferdinandus, (2023) It also shows that inflation has a negative effect on savings because it reduces the real value of people's deposits.

In addition to interest rates and inflation, another factor that can affect savings is the Regional Minimum Wage (UMR). Keynes' *theory of the Absolute Income Hypothesis* states that the higher a person's income, the greater the tendency to save, although not all of that additional income will be saved. Meanwhile, in the *Life-Cycle Hypothesis theory*, people tend to save when their income increases to be used in the future, for example in retirement. Thus, the increase in UMR has the potential to increase people's savings because it provides additional real income after basic consumption needs are met. Several empirical studies show that the increase in UMR has a positive impact on household savings, because with the increase in minimum income, some workers are able to set aside their income for savings. Therefore, UMR can be one of the important variables in explaining the dynamics of savings in the regional banking sector.

Previous studies have discussed the influence of interest rates and inflation on savings, both on a national scale and large banking institutions. However, there is still limited research that specifically examines these factors in the context of local or regional banking, such as Regional Development Banks (BPD). This is the basis of the novelty or *state of the art* of this research, namely conducting an empirical analysis of the influence of interest rates and inflation on public savings specifically at PT. Bank NTT (Persero) Kupang Main Branch Unit. Bank NTT as the only BPD in East Nusa Tenggara Province has different customer characteristics and regional reach from national banks, so the results of this analysis can make a distinctive contribution to the regional economic literature.

Methodologically, this study uses a quantitative approach with a multiple linear regression model (OLS) to measure the influence of interest rates, inflation and the Regional Minimum Wage on the amount of public savings at Bank NTT from January 2020 to June 2024. Based on the theoretical basis and empirical findings, the following hypotheses can be formulated: (1) interest rates have a positive effect on the level of people's savings; (2) inflation has a negative effect on the level of people's savings; and (3) UMR has a positive effect on the level of people's savings. Thus, this study not only examines existing macroeconomic theories, but also provides a contextual understanding of people's saving behavior in the East Nusa Tenggara region. The results of this study are expected to be an input for regional banks and policymakers to maintain interest rate stability and control inflation to encourage an increase in public savings. The research model is presented in Figure 2.

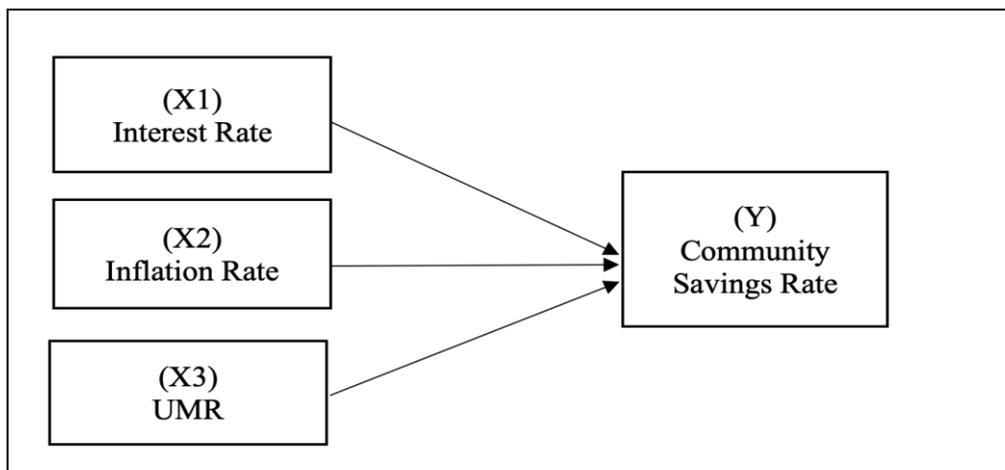


Figure 2. Research Model

RESEARCH METHOD

This research was carried out in Kupang City, precisely at Bank NTT (Persero) Kupang Main Branch Unit. The type of data used is quantitative, sourced from primary data and secondary data. Primary data is collected directly through interviews with the Bank's internal parties (leaders and employees). Meanwhile, secondary data is obtained from Bank NTT's monthly report. This study analyzed 4 variables, namely the amount of savings (Y) and the real interest rate (X1), the inflation rate (X2), and the Regional Minimum Wage (X3). This study uses monthly data from January 2020 to June 2024. In the analysis process, a quantitative approach was used through multiple linear regression, both partially (using the t-test) and simultaneously (using the F-test), as well as testing the value of the determination coefficient (R^2). Classical assumption tests consisting of normality tests, heteroscedasticity tests, multicollinearity tests and autocorrelation tests were carried out to ensure that all data met the requirements for estimation using multiple linear regression.

RESULTS AND DISCUSSION

The results of the descriptive analysis showed that the interest rate had an average value of 1.606 with a standard deviation of 0.204 with a minimum value of 1.25 and a maximum of 1.75. This condition shows that interest rates are relatively stable with small variations throughout the study period. The inflation rate has an average of 1.241 with a standard deviation of 1.095 and a value range of -0.23 to 4.35. This illustrates that there are quite varied inflation fluctuations, although within a range that is still under control. The UMR has an average of IDR 2,021,000 with a standard deviation of IDR 90,970, with a minimum value of IDR 1,950,000 and a maximum of IDR 2,187,000. This data shows a relatively moderate increase in UMR during the observation period.

Meanwhile, the dependent variable, namely savings (Y), has an average of IDR 3,554,000 with a standard deviation of IDR 217,000, with a minimum value of IDR 3,057,000 and a maximum of IDR 4,180,000. This shows that people's savings are quite large with a variety that is not too wide. In general, the descriptive results illustrate that the economic condition of the community is relatively stable even though it had

experienced pressure due to the Covid-19 pandemic. Controlled fluctuations and increased UMR tend to be allocated more for household consumption than increased savings.

Table 1. Classical Assumption Test Results

Types of Assumption Tests	Indicators/Statistics	Analysis Results	Test Criteria	Conclusion
Residual Normality Test	Shapiro-Wilk (p-value)	$P < 0.05$	$p > 0.05 =$ normal	Slightly deviated, but still valid model ($n > 30$, robust)
Multicollinearity Test	Condition Index < 30, Eigenvalue nonear 0	No serious problems found	There is no multicollinearity if $CI < 30$	Multicollinearity does not occur
Autocorrelation Test	Durbin-Watson=1.590 (p=0.054)	Approaching the number 2	DW value 1.5-2.5= no autocorrelation	No serious autocorrelation occurs
Homoskedasticity Test	Scatterplot residual vs predicted	Random distribution patterns, not forming a specific pattern	If there is no specific pattern of homoscedasticity is met	Homosexuality fulfilled

The results of the classical assumption test (Table 1) show that the regression model has qualified for further analysis. The residual normality test did show a slight deviation in distribution, but because the sample size was quite large ($n=54$), the regression model was still robust and feasible. The multicollinearity test showed no serious problems between independent variables because the condition index value did not exceed the limit of 30. The autocorrelation test with a Durbin-watson value of 1.590 ($p=0.0054$) was within the acceptable range, so there was no serious autocorrelation. The homoskedasticity test through residual scatterplots shows a random distribution of data and does not form a specific pattern, so that the homoskedasticity assumption is fulfilled. This shows that the regression model in this study is feasible to use in hypothesis testing.

Before multiple linear regression analysis is carried out, classical assumptions are first tested to ensure the validity of the model. The results of the autocorrelation test using the Durbin-Watson showed a value of 1.590 with a significance of 0.054 which is close to 2, so it can be concluded that there is no serious autocorrelation in the regression model. The multicollinearity test through collinearity diagnostics showed that there was no problem of multicollinearity between independent variables. The residual normality test showed a slight deviation of the normal distribution, but with an adequate number of samples ($n=54$), a robust regression model was used. Meanwhile, the scatterplot results between the residual and the predicted values show a random distribution, so it can be concluded that the model meets the assumption of homogeneity and the regression model is suitable for use in further analysis.

The results of multiple linear analysis showed that the regression model formed had values of $R=0.394$, $R^2=0.155$ and adjusted $R^2=0.105$. This means that 15.5% of savings rate variations can be explained by interest rate variables, inflation, and UMR,

while the remaining 84.5% are influenced by other factors outside the model. The relatively low value of R^2 is understandable considering that people's savings are also influenced by non-monetary factors such as consumption levels, lifestyle, risk preferences, fiscal policy, and external situations such as the Covid-19 pandemic that affect household income and expenditure. The multiple linear regression results are presented in Table 2.

Table 2. Multiple Linear Regression Analysis Results

Variable	Coefficient	t-count	Sig	Information
Constant	4.294.000	4,546	<0.001	Significant
X1	427.816	2,563	0,013	Significant (+)
X2	-46.231	-1,242	0,220	Insignificant (-)
X3	-0,678	-1,397	0,169	Insignificant (-)

R= 0.394
 $R^2= 0.1555$
Adjusted R2= 0.105
F= 3.064 b
Sig. F= 0.036

The multiple linear regression equations obtained are as follows:

$$Y = 4.294.000 + 427.816X1 - 46.231X2 - 0,678X3$$

This equation shows that the interest rate (X1) has a positive and significant effect on savings. This means that every one point increase in the interest rate will increase savings by IDR 427,816 assuming other variables are constant. In contrast, inflation (X2) and UMR (X3) have a negative coefficient, although neither has a significant effect on savings levels. The results of the simultaneous test (F-test) also show that together the three independent variables have a significant effect on savings, with values of $F=3.064$ and $p=0.036$ (<0.05).

Simultaneously, the results of the study show that interest rates, inflation, and UMR together affect people's savings at Bank NTT Kupang. This confirms that the dynamics of savings in the regions are not only determined by a single variable, but are the result of the interaction of various macroeconomic factors. Although the determination coefficient (R^2) value is relatively low, which is 15.5%, this result reflects that non-monetary factors such as consumption behavior, financial literacy level, saving culture, and access to digital banking services also influence people's decision to save. A research by Biswas and Ahamed (2023) shows that financial inclusion and public trust in banking play an important role in increasing savings. With the characteristics of NTT which is still in the stage of strengthening financial literacy and penetrating digital services, the results of this study provide strategic implications for Bank NTT to strengthen savings product innovation, improve financial education, and expand technology-based services to be able to encourage the growth of people's savings in a sustainable manner.

However, the results of the partial test showed that the interest rate (X1) had a significant positive effect on people's savings ($t=2.563$; $p=0.013$). This result is in accordance with macroeconomic theory which states that rising interest rates provide incentives for people to save because of greater returns. The results of this study are in accordance with the theory of loanable funds, which states that rising interest rates will increase savings incentives because they provide higher returns. In the context of Bank

NTT, people in Kupang respond to changes in interest rates by increasing their deposits because savings are seen as safe, liquid, and relatively low-risk financial instruments.

The inflation rate had a negative but insignificant effect ($t=-1.242$; $p=0.220$). This result can theoretically be explained through *the Fisher Effect*, where rising inflation lowers the real value of savings interest thereby reducing motivation to save (Aydin & Çiğdem, 2024; Gocer & Ongan, 2020). These findings are consistent with research by Riyadi et al. (2022) and Rumerung et al. (2023) which stated that high inflation is suppressing household savings because people's purchasing power is reduced and more funds are allocated for consumption. However, in the research period in NTT, inflation was relatively stable and under control after the Covid-19 pandemic, so the impact on people's savings was not too significant. This reflects that price stability is one of the important factors in maintaining public trust and motivation to save funds in regional banks.

The regional minimum wage also has a negative and insignificant effect on savings ($t=1.397$; $p=0.169$), because the increase in UMR is more allocated for basic consumption of the community than for increasing savings. In theory, *Keynes' Absolute Income Hypothesis and Life-Cycle Hypothesis* explain that increased income should increase savings after basic consumption needs are met. However, in the socio-economic reality of the people of NTT, the increase in UMR tends to be allocated more for household staple consumption needs such as food, education, and transportation, so that the space to save is limited. These results are in line with the findings of Rumerung et al. (2023) which show that an increase in income in the low-income group does not necessarily have an impact on increasing savings, but is more predominantly absorbed in daily consumption. Thus, although the UMR continues to increase, people's savings do not show a significant increase.

CONCLUSIONS AND SUGGESTIONS

The results of this study show that only interest rates have a significant positive effect on people's savings at Bank NTT Main Branch Kupang, while inflation and UMR have a negative but insignificant effect. Simultaneously these three variables are proven to significantly affect savings with an explanatory contribution of 15.5% and the rest are influenced by other factors outside the model. These findings underscore the importance of the role of monetary policy, especially the management of competitive interest rates, in increasing people's interest in saving, while local governments need to ensure inflation stability and wage policies that are not only consumption-oriented but also able to boost saving capacity. The practical implication is that Bank NTT is advised to strengthen digital-based savings product innovation and improve people's financial literacy so that saving behavior is more sustainable. For future research, it is recommended to include non-monetary variables such as consumption culture, financial literacy, and access to digital banking services in order to provide a more comprehensive picture of the factors that affect people's savings in the region and use other analyses.

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