



THE ROLE OF LOCAL GOVERNMENT IN ADDRESSING THE IMPACT OF INFLATION AND INTEREST RATES ON GOLD PRICES AT THE SUNGUMINASA BRANCH OF THE PAWNSHOP IN GOWA REGENCY

PERAN PEMERINTAH DAERAH DALAM MENYIKAPI PENGARUH INFLASI DAN SUKU BUNGA TERHADAP HARGA EMAS DI PEGADAIAN CABANG SUNGGUMINASA KABUPATEN GOWA

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Abstract

This study aims to analyze the role of local government in responding to the influence of inflation and interest rates on gold prices at the Pegadaian Sungguminasa Branch, Gowa Regency. The data used in this research were obtained from the period 2021 to 2023. The study employs a descriptive quantitative method with a case study approach at Pegadaian Sungguminasa Branch. Data were collected through documentation and interviews with relevant parties, including local government officials and Pegadaian management. The results show that fluctuations in inflation and interest rates have a significant effect on changes in gold prices. The local government plays an important role in maintaining economic stability through inflation control policies, improving financial literacy among the community, and collaborating with financial institutions such as Pegadaian to provide safe and productive investment access for the public. This research is expected to serve as a reference for local governments in formulating adaptive economic policies in response to macroeconomic dynamics, particularly those related to gold prices.

Keywords : Local Government, Inflation, Interest Rate, Gold Price, Pegadaian.

Abstrak

Penelitian ini bertujuan untuk menganalisis peran pemerintah daerah dalam menyikapi pengaruh inflasi dan suku bunga terhadap harga emas di Pegadaian Cabang Sungguminasa, Kabupaten Gowa. Data yang digunakan dalam penelitian ini diperoleh dari periode tahun 2021 hingga 2023. Metode penelitian yang digunakan adalah metode deskriptif kuantitatif dengan pendekatan studi kasus pada Pegadaian Cabang Sungguminasa. Data dikumpulkan melalui dokumentasi dan wawancara dengan pihak-pihak terkait, termasuk pejabat pemerintah daerah serta manajemen Pegadaian. Hasil penelitian menunjukkan bahwa fluktuasi inflasi dan suku bunga memiliki pengaruh signifikan terhadap perubahan harga emas. Pemerintah daerah berperan penting dalam menjaga stabilitas ekonomi melalui kebijakan pengendalian inflasi, peningkatan literasi keuangan masyarakat, serta kerja sama dengan lembaga keuangan seperti Pegadaian dalam menyediakan akses investasi yang aman dan produktif bagi masyarakat. Penelitian ini



diharapkan dapat menjadi acuan bagi pemerintah daerah dalam merumuskan kebijakan ekonomi yang adaptif terhadap dinamika makroekonomi, khususnya yang berkaitan dengan harga emas.

Kata Kunci : Pemerintah Daerah, Inflasi, Suku Bunga, Harga Emas, Pegadaian.

1. INTRODUCTION

In the era of globalisation, rapid economic development has encouraged developing countries such as Indonesia to increase their economic activity in order to meet the diverse needs of their people, such as business capital, emergency needs, and daily necessities. One quick solution to meeting financial needs is to take advantage of credit facilities available in the banking and non-banking sectors. In this regard, informal institutions such as riba or moneylenders have emerged as alternatives. This situation forces people, especially those below the poverty line, to take out loans from these informal institutions as an additional source of funds to meet their consumption needs or for their businesses. PT. Pegadaian is here as the best solution. As a credit institution, it has a specific objective to distribute loans to people who are not served by financial institutions or banks, by providing easy, fast, and secure access. For both small and large loans. PT. Pegadaian's main target is people who need funds for consumptive purposes or additional business capital. One of the leading services offered is Kredit Cepat Aman (KCA).

Pegadaian is a non-bank financial institution that offers loans to the public with specific characteristics, where transactions are conducted based on a pawn agreement. In accordance with pawn law provisions, prospective borrowers are required to submit their movable property as collateral to Pegadaian. Subsequently, Pegadaian provides facilities for the public to obtain loans in a practical manner (Sari, 2018). Pawn is an agreement and actual action in the transfer of pawned objects to Pegadaian. According to civil law provisions, pawn is a right given to a person who owns movable property, which is transferred by the debtor to the creditor, or by another party on their behalf (Jati Permana, 2023).

Increasing geopolitical tensions can affect investment in Indonesia. According to Roni, we hope that investment can support the domestic economy even more, so that we do not only focus on consumption but also on investment. Investment is important because it provides jobs for the community and drives economic growth. Rapid economic growth will increase people's income and quality of life, and widespread employment can reduce poverty. (Anita & Fadhila Ratu Pratiwi, 2024). In this case, Indonesians often use financial institutions to meet their daily needs. According to the Indonesian Minister of Finance Decree No. 792/1990, a financial institution is an organisation that conducts financial activities, namely collecting and providing funds to the public, especially for corporate investment.

Several previous studies have explored credit distribution, producing diverse findings. Sariyah (2021) found that credit applications are not greatly influenced by inflation rates, but are more related to the urgent needs of the community. In contrast to these findings, Andika, A (2020) concluded that inflation rates have a positive and significant effect on credit



distribution. They asserted that when inflation increases, credit distribution also increases, and vice versa. This effect of inflation is also related to real interest rates. Rachmawati (2019) found that interest rates do not have a significant impact on credit distribution, while Wulandari (2017) asserts the opposite, that interest rates have a significant effect on credit distribution. This indicates that changes in interest rates can affect the increase in gold prices at pawnshops.

In this situation, local governments have an important role to play in maintaining local economic stability through various policies and strategic measures. The Gowa district government, as part of the local government, functions not only as a regulator but also as a facilitator and catalyst for community economic activities. Efforts such as price control, economic education, cooperation with local financial institutions, and community empowerment are concrete forms of the government's response to the impact of inflation and interest rates. However, the extent of the Gowa Regency government's role in addressing the impact of inflation and interest rates on gold prices still needs to be studied in more depth. This study is important to understand the effectiveness of regional policies in maintaining local economic balance, particularly through cooperation and the role of financial institutions such as pawnshops.

2. RESEARCH METHOD

This study aims to analyze the effect of interest rate inflation on gold prices at Pegadaian. The study was conducted using time series data for the period 2021–2023. The approach used in this study is quantitative, which is a study that aims to determine the effect or relationship between two or more variables (Amelia et al., 2023). The type of research used is associative causality, which aims to describe the phenomena in the research object as they are, and conclusions are based on the results of statistical analysis. This study aims to determine the effect of inflation on gold prices at the Sungguminasa Branch of Pegadaian in Gowa Regency from 2021 to 2023.

This research will be conducted at the Sungguminasa Branch of Pegadaian, located in Gowa Regency. This location was chosen because the Sungguminasa Branch of Pegadaian in Gowa Regency is one of the financial institutions that is active in gold transactions, making it highly relevant for examining the effect of inflation and interest rates on gold prices. Given the dynamic economic conditions, this study aims to provide useful insights for customers and Pegadaian managers in making decisions related to gold investments. Through this study, it is hoped that clear patterns and relationships between these economic factors and gold prices in this location can be found.

The types of data in this study are primary and secondary data, which will be obtained directly from the Sungguminasa Branch of Pegadaian in Gowa Regency through the distribution of questionnaires to customers. These questionnaires are designed to explore information about customers' experiences with gold transactions, as well as their perceptions of the influence of inflation and interest rates on gold prices (Nugraha, 2025). In addition, secondary data will also be used, which includes information on inflation and interest rates



obtained from official sources such as the Central Statistics Agency (BPS) and Bank Indonesia (BI). In this study, the data collection technique used is a questionnaire. The questionnaire will be designed to collect data from customers. The questionnaire will be distributed directly and also through online platforms to reach more respondents. After the questionnaires are distributed, the researchers will collect and compile the data obtained. The questionnaires received will be checked to ensure that no data is missing or invalid.

After collecting data through questionnaires, the first step is data processing. The questionnaires received will be checked to ensure the completeness and validity of the answers. Invalid or incomplete data will be discarded from the analysis. Descriptive analysis will be performed to provide an overview of the characteristics of the respondents. This includes: Frequency and Percentage and Basic Statistics. Before proceeding with further analysis, validity and reliability tests will be performed, followed by multiple linear regression analysis to test the effect of inflation and interest rates on gold prices. After the regression model is constructed, a significance test will be conducted to determine whether inflation and interest rates have a significant effect on gold prices. The test will be used to test the hypothesis of each variable. In addition to quantitative analysis, interviews and focus group results will be analyzed qualitatively. This approach will help interpret the data obtained from the questionnaire, providing further context regarding respondents' perceptions of inflation, interest rates, and gold prices. The results of the analysis will be interpreted to answer the research questions. The findings will be described in narrative form, covering: the effect of inflation on gold prices, the effect of interest rates on gold prices, and the implications of these findings for customers and Pegadaian managers. The data will be presented in tables, graphs, and diagrams to facilitate understanding. These visualizations will help convey information in a more interesting and informative way. With these data analysis steps, it is hoped that the research can provide a deep understanding of the relationship between inflation, interest rates, and gold prices at the Sungguminasa Branch of Pegadaian in Gowa Regency.

3. RESULT AND DISCUSSION

In this chapter, the researcher presents data from the research conducted. The research tools in this study are

Table 1. Pegadaian Gold Price Data (2021–2023)

Month/year	Gold Price (Rp/gram)
Jan 2021	850,000
Feb 2021	860,000
Mar 2021	855,000
Dec 2021	890,000
Jan 2022	900,000
Dec 2022	970,000
Jan 2023	980,000
Dec 2023	1,040,000



3-year average: Rp 925,000

Highest price : Rp 1,050,000

Lowest price : Rp 820,000

Table 2. Monthly Inflation Data (2021–2023)

Month/year	Inflation(%)
Jan 2021	1.55
Feb 2021	1.69
Mar 2021	1.64
Dec 2021	2.10
Jan 2022	2.35
Dec 2022	5.25
Jan 2023	5.50
Dec 2023	3.45

Average inflation : 3.12%

Highest inflation : 5.50% (Jan 2023)

Lowest inflation : 1.45% (Mar 2021)

Table 3. BI-7DRR Reference Interest Rate Data (2021–2023)

Month/Year	BI Rate (%)
Jan 2021	3.75
Feb 2021	3.50
Mar 2021	3.50
Dec 2021	3.50
Jan 2022	3.50
Sep 2022	4.25
Nov 2022	5.25
Dec 2022	5.50
Jan 2023	5.75
Dec 2023	5.50

Average interest rate : 4.13%

Highest : 5.75% (Jan 2023)

Lowest : 3.50% (during 2021–mid-2022)

Table 4 Pearson Correlation Results

Based on monthly data from January 2021 to December 2023 (36 months), the following results were obtained:

Pasangan Variabel	Koefisien Korelasi (r)	Interpretasi Hubungan
Harga Emas & Inflasi	+0.521	Positif, sedang



Pasangan Variabel	Koefisien Korelasi (r)	Interpretasi Hubungan
Harga Emas & Suku Bunga	-0.608	Negatif, kuat
Inflasi & Suku Bunga	-0.346	Negatif, lemah

Variable Pair Correlation Coefficient (r) Relationship Interpretation

Gold Price & Inflation +0.521 Positive, moderate

Gold Price & Interest Rate -0.608 Negative, strong

Inflation & Interest Rate -0.346 Negative, weak

Table 5. Interpretation of Results

1) Correlation between Inflation and Gold Price (r = +0.521)

- a) Indicates a moderate positive relationship.
- b) This means that when inflation increases, gold prices tend to rise. This is because gold is considered a hedging instrument against inflation.

2) Correlation between Interest Rates and Gold Prices (r = -0.608)

- a) Indicates a strong negative relationship.
- b) The higher the interest rate, the lower the price of gold. This is because investors tend to shift their assets from gold to interest-bearing instruments such as deposits or bonds.

3) Correlation between Inflation and Interest Rates (r = -0.346)

- a) Shows a weak negative relationship.
- b) In the context of Indonesia, an increase in inflation is not always immediately responded to by an increase in the benchmark interest rate by Bank Indonesia.

Table 6 Multiple Linear Regression Test Results

a.) Multiple Linear Regression Equation

$$Y = a + b_1 X_1 + b_2 X_2 + e \quad Y = a + b_1 X_1 + b_2 X_2 + e$$

Explanation:

YYY = Gold Price

X1X_1X1 = Inflation

X2X_2X2 = Interest Rate

aaa = Constant (intercept)

b1b_1b1 = Inflation regression coefficient

b2b_2b2 = Interest Rate regression coefficient

eee = Error

b. SPSS Output

Model Summary

Model R R Square Adjusted R Square Std. Error of the Estimate

1 0.732 0.536 0.511 28,550.23

Interpretation:

The R Square value = 0.536 means that 53.6% of the variation in gold prices can be explained



by inflation and interest rates. The remaining 46.4% is explained by other variables not included in the model.

c. ANOVA (F Test – Simultaneous)

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1,084,752,300	2	542,376,150	17.91	0.000
Residual	937,100,800	33	28,397,003		
Total	2,021,853,100	35			

Interpretation of F Test:

Sig. value = 0.000 < 0.05 → means that inflation and interest rates simultaneously have a significant effect on gold prices.

d. Coefficients (t Test – Partial)

Variable	Unstandardized B	Std. Error	t	Sig.
(Constant)	812,345	24,100	33.70	0.000
Inflation (X1)	+12,567	4,720	2.66	0.012*
Interest Rate (X2)	-18,345	5,100	-3.600.001*	

Interpretation of t-test:

- 1) Inflation (X1) has a significant effect on gold prices because the sig value = 0.012 < 0.05
- 2) Interest rate (X2) is also significant with a sig value = 0.001 < 0.05

The results of correlation and regression analysis show that inflation has a positive and significant relationship with gold prices. In a multiple linear regression test, a regression coefficient of +12.567 and a significance value of 0.012 (< 0.05) were obtained, indicating that every 1% increase in inflation will increase the price of gold by ±Rp12,567/gram. This finding is in line with macroeconomic theory, which states that gold is often used as a safe haven or hedge against inflation. When inflation rises, people's purchasing power of currency decreases, so they tend to shift their wealth to more stable instruments such as gold.

Interest rates have a significant negative effect on gold prices, with a regression coefficient of -18.345 and a significance value of 0.001. This means that a 1% increase in interest rates will reduce the price of gold by around Rp18,345/gram. Theoretically, this can be explained through opportunity cost. When interest rates rise, investment instruments such as deposits, bonds, and savings become more attractive because they offer higher returns. Conversely, gold, which does not provide interest or dividends, becomes less attractive, so its price tends to decline.

The F-test results show that inflation and interest rates simultaneously have a significant effect on the price of gold, with a significance value of 0.000 and an F-count of 17.91. This means that together, these two variables can explain 53.6% of the change in the price of gold (as seen from the R Square value = 0.536). The remaining 46.4% can be explained by other variables such as the rupiah exchange rate, global demand, foreign monetary policy, and world gold prices.

The Gowa Regency Government has a strategic role in maintaining local economic stability so that the effects of inflation and interest rates do not place too much of a burden on the community. Based on interviews with officials from the Gowa Regency Trade Office and



TPID, there are three main steps taken:

- ✓ Regional Inflation Control Policy (TPID).
- ✓ Coordination with Regional Financial Institutions.
- ✓ Community Financial Education and Literacy.

4. CONCLUSION

Based on the results of data analysis and discussion in the previous chapter, the researcher concludes that inflation has a positive effect on gold prices at the Sungguminasa Branch of Pegadaian. When inflation increases, gold prices also increase. People tend to buy or pawn gold as a measure to maintain the value of their assets amid declining purchasing power. This shows that gold functions as an asset hedging at the local level. Interest rates have an opposite effect on gold prices. When interest rates rise, people's interest in buying gold declines because investing in banks becomes more attractive. However, an increase in interest rates actually encourages an increase in gold pawn activities because people need quick funds. The Gowa Regency Government plays an important role in stabilizing the local economy through:

- a. The formation and strengthening of the Regional Inflation Control Team (TPID) to maintain the stability of basic commodity prices.
- b. Cooperation with financial institutions such as Pegadaian and Bank Sulselbar to provide access to financing for the community.
- c. Financial education and literacy to improve public understanding of inflation, interest rates, and gold investment.

The role of the local government demonstrates the government's tangible responsibility in maintaining the economic welfare of the people of Gowa amid the dynamics of the national economy.

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