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Identifying Proprietary Channel Impact as A Digital Financial Services Indicator on Inflation in Indonesia

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Abstract: Availability of financial services by Banks in Indonesia can make transactions in some sectors of economy more flexible and easier. This inclusiveness creates a new habit in society for payments, money transfer, and other transaction, furthermore, the use of digital financial services can boost the selling performance of MSME's, especially in e-commerce. Nowadays, the increasing of digital financial services using, affecting money in circulation to prevent inflation. This research aims to measure the extent of the digital financial services can impact inflation by measuring of money supply that use a digital financial service making an econometrics model of Error Correction Model. This model construct of digital financial services that be indicated by proprietary channel. Some variable of proprietary channel includes the use of mobile-internet banking as first variable and the use of phone banking as second variable. This research will find which variable can affect the money supply as an inflation indicator. The finding of this research can be concluded that mobile-internet banking has a significant impact on inflation and phone banking has a significant impact on inflation too. These variables also have simultaneously significant impact on inflation in short run and in long run. So, maintaining inflation have to be considered by the relevant authority.

Keywords: digital financial services; proprietary channel; inflation

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INTRODUCTION

Inflation is an economic phenomenon that describes the general and sustained increase in the price of goods and services over a certain period of time in an economy. Inflation can generally be measured using a price index in the form of changes in the average price of goods and services consumed by a household. In the Indonesian context, inflation can be influenced by various factors, including monetary policy, government spending, exchange rate changes, and external factors such as global commodity prices (Blanchard, 2021; Mishkin, 2019; Sahay et al., 2020).

Research conducted by Rangkuti et al. shows that trade liberalization can have an effect on inflation in Indonesia, where market opening can increase costs and inflationary pressures over a certain period of time (Rangkuti et al., 2024). However, for domestic indicators, factors that are factors for inflation are monetary adjustments and fiscal policy are also important factors that can affect inflation (Agur et al., 2022; Demirgüç-Kunt et al., 2021). Sutawijaya, in his research, stated that variables such as interest rates, money supply, and exchange rates had a significant impact on the inflation rate in Indonesia from 1985 to 200 (Sutawijaya, 2012a).

Inflation can have a wide impact on the economy. For example, high inflation can erode people's purchasing power, affect business planning, and cause uncertainty in investment. This will result in turmoil in the economy, where the MSME (Micro, Small and Medium Enterprises) sector will certainly feel the impact of the increase in the inflation rate. The MSME sector, which is one of the core economic sectors that plays a significant role for Indonesia, is threatened with sustainability if inflation becomes uncontrollable. Such as a decrease in people's purchasing power will have an impact on the sales performance of these MSMEs. Therefore, maintaining price stability through control against inflation is highly expected in economic growth in Indonesia (International Monetary Fund, 2023; World Bank, 2022). According to research by Lumbantoruan et al., unstable inflation can disrupt capital market performance, especially in the financial sector (Frizt Y Y Lumbantoruan, 2023). In addition, research by Wahyuni et al. also emphasized that price stability is crucial for economic growth, especially in developing countries such as Indonesia (Wahyuni et al., 2022a).

In this case, the government has an important role in controlling inflation through monetary and fiscal policies. The right policies so that they can stabilize inflation and ensure sustainable economic growth (Blanchard, 2021; Mishkin, 2019)(Pratami, 2020). shows that appropriate government intervention can minimize the negative impact of inflation on economic growth. Therefore, understanding inflation and its impact on the economy is key to decision-making in economic policy (Sahay, 2020).

In addition, Sitorus et al. emphasized the importance of the role of monetary policy in controlling inflation. Bank Indonesia has a responsibility to ensure that inflation remains within reasonable limits to support economic growth (Novita Sari Sitorus et al., 2024). Proper control of monetary variables helps stabilize prices and prevent uncontrolled inflation. Stable and controlled inflation is often seen as a sign of economic health, where entrepreneurs and consumers can better plan their economic activities. However, high or unexpected inflation can cause uncertainty, where investment and consumption will be negatively affected.

Inflation can be described through an increase in the amount of money circulating in the community, that is, if inflation occurs, the prices of various kinds of goods will increase so that the money needed as a means of payment will increase in the amount of circulation. One of the efforts to control the circulation of the money supply by utilizing technology is through the improvement of digital financial services. The existence of digital financial services is expected to have an impact on the efficiency of operational costs so that inflation can be suppressed (Demirgüç-Kunt & Huizinga, 1999; Frost et al., 2019). The novelty that wants to be discussed in this study is to see the extent to which digital financial services through the use of technology such as smartphones and the internet whose services in the form of mobile-internet banking and phone banking have an impact on inflation with the latest data.

The use of mobile banking, internet banking, and phone banking in Indonesia has increased rapidly in recent years, this phenomenon is triggered by technological advances and changes in consumer behavior that continue to adapt to changing technology (Bank Indonesia,

2023; Demirgüç-Kunt et al., 2021). The impact of the use of mobile banking, internet banking, and phone banking on inflation is an interesting theme to analyze, considering its role in improving transaction efficiency and the accessibility of banking services in recent years has become increasingly massively used. Digital financial services such as Mobile banking contribute to increased liquidity in the economy. When consumers access financial services easily, they tend to make more transactions (Frost et al., 2019; Z. Hasan & Putri, 2021). Research shows that the development of financial technology, including mobile banking, can affect the financial performance of banks, which in turn can affect inflation through changes in operational costs and interest rates on loans offered by banks (A. R. Hasan, 2021).

The increase in efficiency generated by digital financial services can also speed up the process of distributing money in society. With more individuals and businesses using these services such as mobile banking, money can circulate faster, which has the potential to increase demand for goods and services. If this demand is not balanced by adequate supply, it can lead to inflation (Appiah-Adu, 1998a). Inflation can be triggered by an increase in demand that is not offset by an increase in production (Cukierman, 2008; Hoong et al., 2023; Tweedie & Whittington, 2009).

However, mobile banking can also help stabilize inflation through monetary policy. When central banks, such as Bank Indonesia, are able to adapt quickly to changes in the economic environment triggered by an increase in non-cash transactions, they can make adjustments to interest rates and monetary policy to contain the rate of inflation (Agurto et al., 2023; Auer, 2002). Research by Janah and Pujiati emphasizes that proper monetary policy arrangements can help neutralize the inflationary effects that may be caused by increased liquidity (Ulfatul et al., 2018).

On the other hand, inflation itself can affect the behavior of mobile banking, internet banking, and phone banking users. The increase in the cost of goods and services due to inflation can cause people to prefer to save money in more liquid forms, such as funds that can be accessed through mobile banking, to apply for loans or make transactions more easily. Therefore, the relationship between mobile banking use and inflation is not one-way, but interactive (Appiah-Adu, 1998a, 1998b; Sari Nurmetri & Muhammad Adnan, 2024).

Overall, the use of digital financial services such as mobile banking, internet banking, and phone banking has significant potential to influence inflation through various mechanisms (Dafermos & Nikolaidi, 2021; Sutawijaya, 2012b; Yudi Setiawan et al., 2016). The resulting increase in efficiency and liquidity can have an impact on aggregate demand and monetary policy strategies, all of which play an important role in determining the rate of inflation in Indonesia(Avalos & Huang, 2022; Fadilla & Havis Aravik, 2018; Maggiori, 2021; Wafik Azizah & Binar Nan Baik, 2024; Wahyuni et al., 2022b).

Based on the above explanation, research related to digital financial services (mobile-internet banking and phone banking) on inflation is very interesting to discuss, this is because people have better financial inclusion, for example, when there is inflation and turmoil in the economy, people can postpone their transactions and be diverted to other financial instruments that are safer, interest rate adjustments through monetary authorities to control inflation can also be done by quickly accessible by the public whether to make loans or credit or increase savings by postponing various purchases, delaying the purchase of goods or services can reduce the rate of inflation in the form of demand pull inflation. Therefore, research with the title Identifying Proprietary Channel Impact As A Digital Financial Service Indicator On Inflation in Indonesia is interesting to do.

METHOD

This research method uses a quantitative method by applying the Error Correction Model (ECM) model and the type of data used is time series. In accordance with the explanation in the background of the research, namely about how the use of digital financial services through proprietary channels can affect inflation in the short and long term, the econometric model in the form of the Error Correction Model model is appropriate to be used as a model in the research. Through this model, not only the long-term impact can be obtained as a result of the research but also how the short-term response of the adjustment of the use of proprietary channels to inflation is. Proprietary channel is an independent variable consisting of two variables, namely Mobile-Internet Banking and the second Independent Variable is Phone Banking, while the dependent variable is Inflation. The Error Correction Model used is as follows.

$$DInflation = \alpha_0 + \alpha_1 DMIB + \alpha_2 DPB + \alpha_3 ECT(-1)$$

Description:

D	: First Difference
α	: Coefficient
Inflation	: Inflation
MIB	: Mobile-Internet Banking
PB	: Phone Banking
ECT(-1)	: Error Correction Term

As for the Long-term model, it is as follows.

$$Inflation_t = \alpha_0 + \alpha_1 MIB_t + \alpha_2 PB_t + \varepsilon_t$$

Description:

α	: Coefficient
Inflation	: Inflation
MIB	: Mobile-Internet Banking
PB	: Phone Banking
t	: time series data

The hypothesis built in this study to capture the phenomenon of inflation and proprietary channels is as follows.

- H01 : There is no short-term and long-term effect on independent variables on dependent variables
- H11 : There is a short-term and long-term influence on independent variables on dependent variables
- H02 : There is no simultaneous and partial effect of independent variables on dependent variables
- H12 : There is a simultaneous and partial influence of independent variables on dependent variables

The time range used in this study is three years consisting of 2022 to 2024 in the form of monthly data on each variable. The initial data used is from January 2022 to December 2024, so the total sample obtained is 36 samples in each variable. This amount is enough to be used in a research model with a type of data in the form of a time series. The reason for the election in 2022 is that in that year the economy can be said to have begun to recover from the covid-19 pandemic that occurred from 2020 to 2021, so the sample used in 2022 to 2024 is an ideal sample because in that year Indonesia's economic conditions were normal and there was no considerable turmoil. Therefore, this condition is quite ideal to obtain comprehensive research results.

RESULTS AND DISCUSSION

Estimasi Model Jangka Panjang

Long-term model estimation was carried out to see the long-term influence on proprietary channel variables consisting of Mobile-Internet Banking with the naming of MIB

variables and Phone Banking with the naming of PB variables to Inflation variables as dependent variables. The results of the Long-Term model estimation carried out using the OLS (Ordinary Least Square) model are as follows.

Dependent Variable: INFLASI
Method: Least Squares
Date: 04/22/25 Time: 23:51
Sample: 2022M01 2024M12
Included observations: 36

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	121.9193	2.088145	58.38642	0.0000
MIB	-3.49E-05	6.21E-06	-5.619329	0.0000
PB	-0.416043	0.179373	-2.319436	0.0267

R-squared	0.491388	Mean dependent var	110.7444
Adjusted R-squared	0.460563	S.D. dependent var	3.909493
S.E. of regression	2.871380	Akaike info criterion	5.027118
Sum squared resid	272.0793	Schwarz criterion	5.159078
Log likelihood	-87.48813	Hannan-Quinn criter.	5.073176
F-statistic	15.94124	Durbin-Watson stat	0.468897
Prob(F-statistic)	0.000014		

Figure 1. OLS Estimation

Figure 1 shows that the MIB variable has a probability level of 0.0000 and less than a significance level of 0.05 (<0.05), this shows that in the long term the MIB variable has a significant effect on inflation partially. The PB variable shows a probability level of 0.0267 and less than a significance level of 0.05, which means that in the long term the PB variable has a significant effect on the Inflation variable partially.

Figure 1 above also shows a probability level (F-Statistic) of 0.000014 and less than a significance level of 0.05 (<0.05) which means that the independent variables in the form of MIB and PB together have a significant effect on the inflation variable in the model as a dependent variable. The R-squared value of 0.491388 shows that the two independent variables, namely the MIB and PB variables, have an effect of 49 percent on the inflation rate and the rest are influenced by other variables outside the model.

The estimation model that can be made from the results of long-term estimation is as follows.

$$\text{Inflation} = 121.91 - 3.49\text{MIB} - 0.416\text{PB} + e$$

The estimate shows that the constant is 121.91, which means that Inflation is influenced by other variables outside the model of 121.91, while the MIB has a coefficient value of -3.49, this shows that the MIB variable is negatively correlated with inflation which means that if the use of Mobile-Internet Banking increases by one unit it will result in a decrease in inflation of 3.49. Then for the PB variable has a coefficient of -0.416, this shows that the PB variable has a negative correlation with inflation, which means that if the use of Phone Banking increases by one unit, it will cause the Inflation variable to decrease by 0.416. This is in accordance with the purpose of this study which shows that the purpose of using Proprietary Channels in the form of Mobile Banking, Internet Banking, and Phone Banking has a significant influence in suppressing inflation in Indonesia. The rapid use of the internet and smartphones in recent years in Indonesia has affected transaction patterns in society. This increase in financial inclusion can be seen from the level of significance and coefficients owned by the MIB (Mobile-Internet Banking) variable that is greater than the PB (Phone Banking) variable. This shows that the ease of transactions and efficiency presented by Mobile-Internet Banking makes people reduce the use of SMS Banking

presented by Phone Banking with a simple appearance and sometimes there are separate costs to enjoy Phone Banking services. However, these two variables can control the level of public transactions and make it easier for monetary authorities to apply their policies.

Classic Assumption Test

Because this study uses multiple linear regression and the use of time series data, a Classical Assumption Test needs to be performed. This process is important to ensure that the long-term regression model that has been performed in Figure 1 provides accurate and reliable results. If the regression model cannot meet the classical assumption test, the output of the regression analysis in figure1 becomes biased and inaccurate. The results of the classical assumption test on the regression model are as follows:

Normality Test

This test is performed to see that the data used in the study is normally distributed, so that it can show whether the residue of the regression model is normally distributed or not. The results of the normality test in the regression model are as follows.

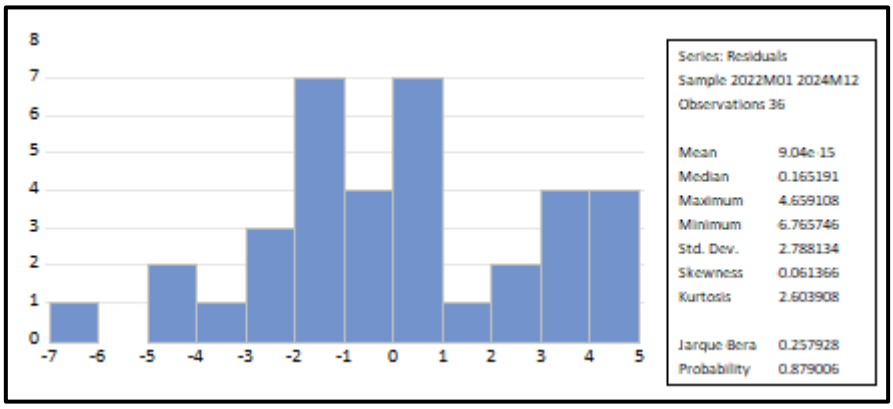

Figure 2. Normality Test

Based on Figure 2 above, the results of the normality test show that the Jarque Bera Probability has a value of 0.879006 and is greater than 0.05. This indicates that the residual of the long-term regression model in Figure 1 is normally distributed and there are no problems with the data tested on the model.

Homoskedasticity

The assumption of homogeneity indicates a condition in which the variance in the residual is constant in the range of its independent variables. If this homocedasticity test is met, then the long-term regression model can be said to be able to describe the results of efficient estimation and have the right hypothesis test results. The results of the homoskedacityticity test are as follows.

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	1.907054	Prob. F(2,33)	0.1645
Obs*R-squared	3.729762	Prob. Chi-Square(2)	0.1549
Scaled explained SS	2.513354	Prob. Chi-Square(2)	0.2846

Figure 3. Homoscedasticity test

Figure 3 shows that the homoscedasticity test results have a Probablilite value at Obs*R-squared of 0.1549 which is greater than 0.05. This shows that the assumption of homoscedasticity is fulfilled and there is no heteroscedasticity problem.

Autocorrelates

This test is carried out to see if there is an autocorrelation problem in the model or not, meaning that the residuals between variables must be independent of each other. If there is an autocorrelation in the model, then the residual will show a pattern that should not exist, resulting in the standard error being inaccurate and the estimation parameter being biased. The autocorrelation test is as follows.

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.753214	Prob. F(2,30)	0.4795
Obs*R-squared	1.673467	Prob. Chi-Square(2)	0.4331

Figure 4. Autocorrelation

The results of this test are shown in figure 4 which shows the Obs*R-squared Probability value of 0.433 which indicates a value greater than 0.05 (>0.05). This value indicates that there is no autocorrelation problem between variables in the model, so that the third assumption test is fulfilled.

Multicollinearity.

This test is important to perform to ensure that there are no multicollinearity problems. If there is a high multicollinearity problem, it will cause the analysis results to be less accurate and the model to be unstable. The multicollinearity test with the VIF (Variance Inflation Factors) method whose value must be below 10 is as follows.

Variance Inflation Factors
Date: 04/23/25 Time: 00:09
Sample: 2022M01 2024M12
Included observations: 36

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	4.360347	19.03891	NA
MIB	3.86E-11	13.78378	1.113716
PB	0.032175	3.198236	1.113716

Figure 5. Multicollinearity

Based on the multicollinearity assumption test in figure 5 showing the VIF value for each variable of 1.113716 and less than 10 (the limit of high multicollinearity problems), this shows that the variables in the model do not have multicollinearity problems.

The results of the classical assumption test in each of the normality, homokedasticity, autokerlation, and multicollinearity tests showed that the long-term estimation regression model had met all classical assumptions and there were no problems in each test. This shows that the regression model that has been formed is a good and accurate model in measuring the influence of independent and dependent variables in the long term.

Short-Term Model Estimation – Model Error Correction

The Error Correction Model (ECM) is intended to see the long-term and short-term effects of the MIB and PB variables as independent variables against inflation variables as dependent variables. ECM is a technique used in correcting short-term imbalances towards long-term equilibrium and is aimed at delineating the relationship between independent variables and dependent variables in the present and past times. In addition, ECM is also able to analyze and examine the consistency of empirical models with econometric theory. Before estimating with the

ECM model, the step that must be taken is to perform a stationaryness test through a unit root test.

Unit Root Test.

This test is important to do before estimating the ECM model, if the data used in the model is not stationary, it will result in a poor estimation model and then it will cause a model to become spurious regression. If spurious regression occurs, the results of the analysis obtained will result in the wrong decision taken so that the follow-up impact is that the policy made will be wrong. The results of the root test unit are as follows.

Null Hypothesis: ECT has a unit root
Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=9)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.019340	0.0428
Test critical values:	1% level	-3.632900	
	5% level	-2.948404	
	10% level	-2.612874	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(ECT)
Method: Least Squares
Date: 04/23/25 Time: 00:11
Sample (adjusted): 2022M02 2024M12
Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ECT(-1)	-0.317046	0.105005	-3.019340	0.0049
C	0.213424	0.292196	0.730413	0.4703

R-squared	0.216458	Mean dependent var	0.222763
Adjusted R-squared	0.192714	S.D. dependent var	1.923846
S.E. of regression	1.728559	Akaike info criterion	3.987898
Sum squared resid	98.60119	Schwarz criterion	4.076775
Log likelihood	-67.78822	Hannan-Quinn criter.	4.018578
F-statistic	9.116415	Durbin-Watson stat	1.903240
Prob(F-statistic)	0.004859		

Figure 6. Unit Root Test.

The unit of Root Test in Figure 6 shows the probability value of the Augmented Dickey-Fuller test of 0.0428 which is less than 0.05, indicating that there is no problem with stationarity or that the data has been stationary at the level level. With the test results showing that the data is stationary at the level level, the next step to estimate the ECM model can be done.

Error Correction Model

After confirming that the data has been stationary at the level level, ECM model estimation can be carried out. The results obtained are shown in figure 7. The results show that each variable has a probability level of less than 0.05 where the variable D(MIB) is 0.006, the variable D(PB) is 0.0276, and ECT(-1) is 0.0238 which means that each independent variable and the ECT(-1) variable have a significant effect on the dependent variable and are partially integrated in the short and long term. The value of R-squared is 0.425542 which means that simultaneously independent variables affect dependent variables by 42.6 percent and around 57.4 percent of dependent variables are influenced by other variables outside the model.

A good ECT (Error Correction Term) has a coefficient value between -1 to 0. The ECT coefficient value obtained in the estimation results in figure 7 is -0.238920 which means that this value can be said to be good for estimating a model. The coefficient value of ECT(-1) states that in

a short period of time there is cointegration or short-term adjustment in the independent variable to the dependent variable.

Dependent Variable: D(INFLASI)
Method: Least Squares
Date: 04/22/25 Time: 23:54
Sample (adjusted): 2022M02 2024M12
Included observations: 35 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.336831	0.287342	1.172229	0.2500
D(MIB)	-4.88E-05	1.27E-05	-3.843515	0.0006
D(PB)	-0.199646	0.086356	-2.311884	0.0276
ECT(-1)	-0.238920	0.100530	-2.376591	0.0238

R-squared	0.425542	Mean dependent var	-0.041714
Adjusted R-squared	0.369949	S.D. dependent var	2.001014
S.E. of regression	1.588319	Akaike info criterion	3.870440
Sum squared resid	78.20550	Schwarz criterion	4.048194
Log likelihood	-63.73271	Hannan-Quinn criter.	3.931801
F-statistic	7.654638	Durbin-Watson stat	1.827508
Prob(F-statistic)	0.000572		

Figure 7. Error Correction Model

Based on figure 7 which is the result of the regression of the Error Correction Model, the ECM model can be written as follows.

$$D(Inflation) = 0.336831 - 4.88D(MIB) - 0.1996D(PB) - 0.23892ECT(-1)$$

To test this ECM model is good for estimating a phenomenon, the condition that must be met is that the model is able to meet the classical assumption test consisting of normality, homokedasticity, auotcorrelation and multicollinearity tests, the results of which are as follows.

Classic Assumption Test

Because this study uses time series data, a Classical Assumption Test needs to be carried out. This process is important to ensure that the short-term and long-term regression models that have been performed in Figure 7 provide accurate and reliable results. If the Error Correction Model (ECM) cannot meet the classical assumption test, then the results of the ECM regression analysis can be inaccurate and biased. The results of the classical assumption test on the regression model are as follows.

Normality Test

This test is performed to see that the data used in the study is normally distributed, so that it can show whether the residue of the regression model is normally distributed or not. The results of the normality test in the regression model are as follows.

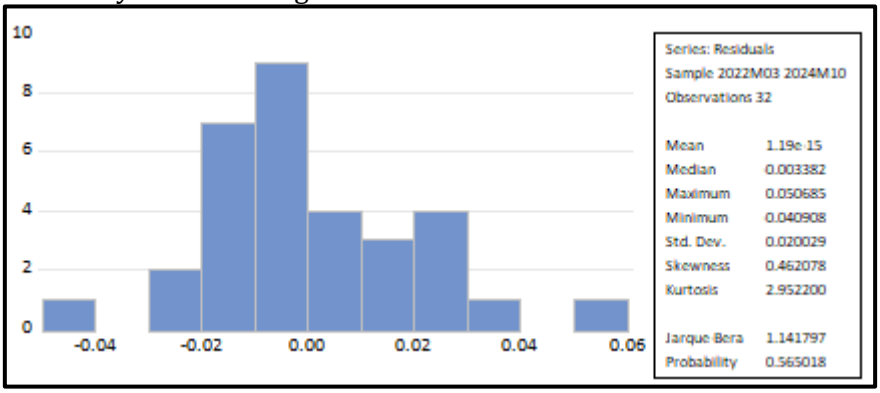

Figure 8. Normality Test

Based on figure 8 above, the result of the normality test is that the Jarque Bera Probability value is 0.565018 and greater than (>0.05) 0.05. this shows that the residual of the Error Correction Model in Figure 7 is normally distributed and there are no problems with the data tested on the model.

Homoskedasticity

The assumption of homogeneity describes the variance in the residual as constant over the range of its independent variables. If the homocedasticity test can be met, then the long-term regression model can be said to be able to describe efficient estimates and have results on the test hypothesis. The results of the homoskedacityticity test are as follows.

Heteroskedasticity Test: Glejser
Null hypothesis: Homoskedasticity

F-statistic	1.771234	Prob. F(3,31)	0.1732
Obs*R-squared	5.121471	Prob. Chi-Square(3)	0.1631
Scaled explained SS	7.296604	Prob. Chi-Square(3)	0.0630

Figure 9. Homoskedastisity test

Figure 9 shows that the results of the homoskedasticity test have a Probablilite value at Obs*R-squared of 0.1631 which is greater than 0.05. This shows that the assumption of homoscedasticity is fulfilled and there is no heteroscedasticity problem.

Autocorrelates

This test is carried out to see whether there will be an autocorrelation problem in the model or not, meaning that the residuals between variables must be independent of each other. If there is an autocorrelation problem in the model, then the residual will show an abnormal pattern and result in the standard error being inaccurate and the estimation parameter being biased. The autocorrelation test is as follows.

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.369582	Prob. F(2,29)	0.6942
Obs*R-squared	0.869921	Prob. Chi-Square(2)	0.6473

Figure 10. Autocorrelation

The results of this test are shown in figure 10 which shows the Obs*R-squared Probability value of 0.6473 which is greater than 0.05. This value shows that there is no autocorrelation problem between variables in the model, so the third assumption test is met.

Multicollinearity

This test is important to perform to ensure that there are no multicollinearity problems. If there is a high multicollinearity problem, it will cause the estimation model to have less accurate analysis results and become unstable. The multicollinearity test through the VIF (Variance Inflation Factors) method is as follows.

Variance Inflation Factors
Date: 04/23/25 Time: 00:29
Sample: 2022M01 2024M12
Included observations: 35

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.082565	1.145488	NA
D(MIB)	1.61E-10	1.161001	1.015285
D(PB)	0.007457	1.093830	1.093650
ECT(-1)	0.010106	1.085714	1.085593

Figure 11. Multicollinearity

Based on the multicollinearity assumption test in figure 11 shows the VIF value for each variable of 1.015285 in the D(MIB) variable, the D(PB) variable of 1.093650, and the ECT(-1) variable of 1.1085593 where the values are less than 10 (the limit of having a high multicollinearity problem), this shows that the variables in the model do not have multicollinearity problems.

The results of the classical assumption test consisting of normality, homokedasticity, autokerlation, and multicollinearity tests show that the Error Correction Model as a short-term and long-term estimation model has met all classical assumptions and there are no problems in each test. These results show that the ECM regression model formed is a good and accurate model in measuring the influence of independent variables and dependent variables in the long term and in the short term.

CONCLUSIONS

After going through a linear regression test through OLS (Ordinary Least Square) and ECM (Error Correction Model), the result of this study is H01 which means that there is a significant influence of independent variables on dependent variables in the short and long term. The results of the study also show that the independent variable has a simultaneous or partial effect on the dependent variable, which means that H02 is rejected.

The conclusion of the results of the research that has been carried out is that Proprietary Channels consisting of Mobile Banking, Internet Banking, and Phone Banking have a very significant role in suppressing inflation. The impact of the use of digital financial services has a significant influence in the long term to suppress inflation and is also able to provide a quick response in the short term so that inflation remains under control.

With the results of this study, monetary authorities must pay attention to various related sectors that play a role in the development of proprietary channels as a more efficient and inclusive transaction medium. The rapid development of technology and the internet in recent years can be felt through the pattern of public transactions in the use of digital financial services, such as payments using mobile banking for MSMEs and several other business sectors that provide their own passion in transactions so that it is expected to make it easier for MSMEs and various other business sectors to increase their sales in an inclusive manner so that economic growth targets can be achieved. Therefore, in the future, it is hoped that there will be an equal distribution of the use of digital financial services in various lines of Indonesian society.

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