
RESEARCH ARTICLE

The Effect of Decreasing the Idr Exchange Rate, Interest in Transactions, and Interest in Borrowing Capital on Msms Profitability with Inflation as Moderation Variable: A Case Study on MSMEs in Serang Banten in 2016 – 2020

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ABSTRACT

This study aims to analyze the effect of Rupiah (IDR) Exchange Rate, Interest in Transaction, and Interest in Borrowing Capital on MSME Profitability with Inflation as Moderating variable (Case Study on MSMEs in Serang Banten in 2016 – 2020). This study uses quantitative methods, with secondary data in the form of panel data with data collection by Accidental Sampling. 84 MSMEs actors registered in the Banten Indonesian Farmers Cooperative (KPIB) in 2016 – 2020. The data obtained are then processed with the SPSS Version 23 analysis tool. The analyses used in this study are. Descriptive Statistical Test, Data Normality Test, Multicollinearity Test, Heteroscedasticity Test, Autocorrelation Test, Multiple Regression Analysis Test, Coefficient of Determination Test, t-Test, and Moderating Regression Analysis Test. The results of this study show that the decline in the IDR exchange rate affects the profitability of MSMEs; interest in the transaction does not affect the profitability of MSMEs; interest in capital borrowing affects the profitability of MSMEs; Inflation moderates the effect of the decline in the IDR exchange rate on MSME profitability; Inflation moderates the effect of interest in a transaction on MSME profitability; and Inflation moderates the Effect of Interest in Capital Borrowing on MSME Profitability.**)

KEYWORDS

Exchange Rate Decrease, Interest in Transaction, Interest in Borrowing Capital, Inflation, Profitability.

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1. Introduction

The contribution of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia to the development of the national economy is quite large. This can be seen in the recruitment of workers which is quite large as well. This sector can accommodate a workforce that is not covered by large-scale businesses. For this reason, Micro, Small and Medium Enterprises (MSMEs) have a fairly helpful influence in dealing with unemployment in Indonesia (Haryadi, 2010).

According to Rudjito (2020), An UKM is a firm that plays a central role in trade in Indonesia's territory, as measured by the number of job openings it may generate from the overall business factor. Micro, Small and Medium Enterprises (MSMEs) are business activities that are able to expand employment opportunities, provide broad economic services to the general public, increase economic growth and play a role in realizing national stability and as one of the main pillars of the national economy that must get the main opportunity, support, and support as much as feasible, preservation and development as a type of strong alignment with the people's economic business group.

Indonesia's trade growth rate has lately grown by 0.05 percent, according to the Ministry of National Development Planning (Bappenas). The expansion of minor industrial activity, both in traditional and contemporary terms, is one of the cornerstones of economic growth (MSMEs). This independent firm, owned by the lower middle class, plays a key role in fueling the nation's economy. For the time being, the proportion of Micro, Small, and Medium Enterprises (MSMEs) in the Gross Domestic Product

(GDP) has risen to 60.34 percent. This demonstrates that small companies in Indonesia contribute 93.4 percent of GDP, followed by medium businesses at 5.1 percent, and big firms at 1%.

Every organization, according to Setiawati and Lin (2016), must have a goal. Profit maximization, profit maximization, or profit maximization is one of these objectives. Profitability refers to a company's capacity to earn profits at a certain level of sales, assets, and own capital during a given time period. As a result, profitability is a critical component of a company's long-term sustainability. The greater the intended profit, the company is able to survive, improve, develop and be tough to fight competition, Lukviarman (2016).

Profitability, according to Putri (2013), is a critical aspect of the company's continued growth. Companies with high profits or profitability demonstrate their capacity to add assets that may be utilized to expand their firm, whereas companies with low earnings will struggle to exist. According to Putri (2013), the profitability of a firm may be determined by utilizing a profitability ratio to determine how effective management is at managing the organization.

According to the study, while MSME in Indonesia has grown and become cornerstones of the national economy, this does not mean that they have been able to function without hitches thus far. According to a poll conducted by the LIPI (Indonesian Institute of Sciences), sales and earnings for micro, small, and medium companies (MSMEs) have decreased by more than 50%. He said that if MSMEs are unable to survive, they may face bad loans, layoffs, supply and demand decreases, and possibly insolvency as a result of this circumstance (Bisnis.com). Meanwhile, according to the Tempo.co website, the findings of a study performed by a number of organizations and the MSMEs Ministry revealed that over 40% more MSMEs had closed their doors owing to dwindling sales and earnings. Bank Indonesia itself highlighted that non-performing loans in the MSME sector were caused by the fall in the profitability of Indonesian MSME, which reached Rp.4,310 billion. Furthermore, it can be noted that the proportion of loans issued to UMKM by conventional credit institutions is still less than 14%.

The decline in MSME profits within the scope of the region also occurs in Serang Banten. It happens because the government does not pay attention to MSMEs, so the profit and growth of MSMEs in Serang have not been so stretched. Many MSMEs in Banten are still shackled by limited capital, whereas MSMEs play an important role in helping the country's economy. The presence of MSMEs is a symbol of the economic spirit that is directly carried out by the people. The Ministry of Cooperatives said that MSMEs in Banten still have problems in developing their businesses. One of them is due to limited capital. He said that access to capital assistance provided by banks could not be reached by all MSMEs. The application of loans to banks is limited to formal conditions and guarantees, so not all small business people can fulfill it because they do not have collateral for the loan. According to him, limited capital and difficulties in accessing capital assistance often make MSMEs trapped in mobile bank loans. In general, he sees the limited capital of MSMEs also occurs in Indonesia. As a result, the number of entrepreneurs in Indonesia is still minimal. Kabarbanten.com.

According to Welta and Lemiyana (2017), there are several factors that can affect the company's profitability growth. One of the factors that affect profitability growth is the decline in the exchange rate. The decline in the exchange rate is a deliberate decrease in the value of a country's currency by the government against the value of a foreign currency. In short, the value of a country's currency is below the average value of foreign currencies. Other currency exchange rates are used in various transactions, including international transactions or short-term money between countries that cross geographical boundaries or legal boundaries, Adirwarman in Welta and Lemiyana (2017).

One of the results of previous studies related to the discussion above is the research conducted by Ekananda (2014) which says that the foreign exchange rate has a significant effect on company profitability. It is said that in transaction activities, the exchange rate of foreign currencies is a concern because it can affect the level of profitability. With fluctuations in foreign exchange rates, MSMEs will earn income in the form of fees and foreign exchange differences which will affect profitability. The previous research related to interest in transaction or buying interest, the research conducted by Setyorini et al. (2019) the finding is that interest in the transaction has a significant effect on profitability as proxied by Return on Assets (ROA). It is said that business transactions via the internet are a new phenomenon in today's era. Business transactions via the internet offer convenience for consumers to shop. Because people really like to shop through the internet (online), sellers also feel that opening an online shop is one way to increase company profits, so in this case, interest in transactions affects the growth of company profitability. And another previous research related to interest in borrowing capital, research conducted by Mardiana (2007), the finding is that interest in borrowing capital has a significant effect on the growth of company profitability. In that research, it is said that debt is a sacrifice of economic benefits arising from the obligation of an entity to deliver assets or provide services to other entities in the future as a result of past transactions. The amount of debt in the form of short-term debt, long-term debt and total debt on assets owned by MSMEs will affect the capital structure of MSMEs, and the capital structure can affect the profit or net profit of MSMEs so that, in this case,

the interest in borrowing capital affects the growth of company profitability. Meanwhile, Wulandari (2019) shows that inflation has a negative and insignificant effect on the IDR exchange rate against the US dollar. So an increase in inflation will cause the IDR exchange rate to depreciate against the US dollar. Meanwhile, the result of previous studies related to moderating variables is the research conducted by Febriyana (2018); the finding is that inflation moderates the effect between savings and profitability as proxied by Return on Assets (ROA).

Based on the background and looking at the existing phenomena, the researcher wishes to research "The Effect of Decrease in IDR Exchange Rate, Interest in Transaction, and Interest in Borrowing Capital on Profitability Growth of Micro, Small and Medium Enterprises (MSMEs) with Inflation as a Moderating Variable (A Case Study of the Banten Indonesian Farmers Cooperative (KPIB) in 2020)."

2. Literature Review and Hypotheses Development

2.1 Agency Theory

Agency Theory is a notion that underpins the implementation of UKM business to date, including the following Micro, Small, and Medium Enterprises (UMKM). The link between the party granting authority (principal) and the party to whom power is distributed is explained by agency theory (agent). According to Luayyi (2010) in Nugraha Novia (2015), in agency theory or agency, there is a contract or agreement between resource owners and managers to manage the company and achieve the company's main goal of maximizing profits to be earned and managers may use various methods to achieve this goal, either in a good way or in a way that is harmful to many parties.

2.2 Profitability

Profitability refers to a company's capacity to earn profits at a certain level of sales, assets, and own capital during a given time period. As a result, profitability is a critical component of a company's long-term sustainability. The higher the expected profit/profit, the more likely the company will be able to survive, grow, and develop while remaining competitive, according to Lukviarman (2016). Profitability, according to Putri (2013), is a critical factor in a company's growth. Companies with high profitability demonstrate their capacity to add assets that may be utilized to grow their firm, whereas businesses with poor profitability will struggle to exist. According to Putri (2013), the profitability of a company may be quantified using a profitability ratio to determine how good management is at managing the organization.

2.3 Decrease in IDR Exchange Rate

The weakening of the value of a country's currency due to a planned system by the government to the value of a foreign currency is known as an exchange rate fall. The detail is that the value of a country's currency changes below the average foreign currency value. According to Adirwarman in Welta and Lemiyana (2017), other currency exchange rates are used in a variety of agreements, including international agreements or money for a specific length of time between nations that cross geographical or regulatory borders. The exchange rate, according to Musdholifah and Tony (2007), is the comparison between the price of one country's currency and the price of another country's currency. The rupiah exchange rate versus the US dollar, for example, illustrates how many rupiahs are required to exchange one US dollar. The exchange rate, according to Triyono (2008), is the comparison of the value or price between two distinct currencies.

2.4 Interest in Transaction

According to Assael (2001), transactional interest, or in this context, purchasing interest, is the proclivity of consumers to buy a brand or conduct activities linked to purchases, as evaluated by their ability to make purchases. According to Thamrin (2003), purchasing interest is a component of consumer behavior in consuming attitudes, which is the inclination of respondents to act before making a purchase choice. Purchase intention is part of the behavioral component of consuming attitudes.

Purchasing interest, according to Kinnear and Taylor (in Tjiptono, 2007), is the stage of the respondent's desire to act before the purchase decision is made. According to Ferdinand (2002), purchasing interest is a mental statement made by buyers that expresses their intention to acquire a lot of items from a specific brand. Meanwhile, a customer's purchasing interest, according to Kotler (2008), comes after obtaining a stimulation from the object he sees, followed by an interest in trying the product, and finally a desire to buy it in order to have it.

2.5 Interest in Lending Capital

The expense of managing asset inventories and UMKM operations is referred to as capital. The items on the right side of a balance sheet that make up capital include debt, common stock, preferred stock, and retained profits. In the meanwhile, capital is made up of both domestic and international capital. The financial structure is the balance between all foreign capital and own capital, while the capital structure is the long-term balance between foreign capital and own capital (Atmaja, 2010). Capital may be used for two purposes: first, it can be used for investment purposes, which means it can be used to acquire or finance fixed assets, and

second, it can be utilized repeatedly. Second, working capital is capital used for short-term financings, such as acquiring raw materials, paying salaries and wages, and covering operating expenditures (Kasmir, 2010). From the foregoing information, it can be determined that capital is a vital factor in a company's productive operations. Own capital, foreign capital, or a combination of own and foreign capital, referred to as the financial structure, are all sources of capital.

2.6 Inflation

Inflation, according to Sunariyah (2011), is an increase in prices that generally lasts for a long time. Inflation is a monetary phenomenon that is typically closely tied to the money supply; the money supply and inflation have a linear connection. Continuous price increases will reduce people's purchasing power and push interest rates to rise. The price of all things has risen by the same amount. There is an increase in the price of a product that generally takes place continuously at a certain time and can be measured using a price index, especially the consumer price index.

2.7 The Effect of a Decline in the IDR Exchange Rate on Profitability

The exchange rate, according to Nopirin (2012:163), is the price in the exchange of two distinct currencies that has a nominal difference from numerous foreign currencies; this comparison of values is known as the exchange rate. According to Ekananda (2014), the decrease in the exchange rate had a major impact on firm profitability.

H1: The decline in the exchange rate affects profitability

2.8 The Effect of Interest in Transaction on Profitability

According to Pramono (2012:136), transaction interest or consumer purchasing interest is the stage where consumers choose between several brands included in the choice set, then make a purchase on the option they like best or the process that consumers go through to buy an item or service based on various considerations. Meanwhile, Mittal and Dwityanti (2011) discovered that product and service quality are the functions of consumer interest. According to him, as the period progresses, technological advancements generate a shift in the pattern of communication between producers and customers. Consumers will seek information about a product to be purchased by comparing comparable items using information technology facilities rather than going to the field directly, such as online sales or e-commerce.

Setyorini et al. (2019) discovered that transaction interest has a considerable impact on profitability as measured by Return On Assets (ROA). He said that online commercial transactions are a relatively recent occurrence in today's world. Business transactions via the internet offer convenience for consumers to shop. Because consumers prefer to purchase on the internet (online), traders believe that having an online shop is one strategy to boost company earnings; therefore, interest in transactions influences corporate profitability in this scenario.

H2: Interest in Transaction affects Profitability

2.9 The Effect of Interest in Borrowing Capital on Profitability

Capital, according to Munawir (2006:19), is the firm's wealth, which consists of wealth deposited or coming from outside the company, and the wealth is the product of the company's own commercial activity. The major reasons why capital borrowing is crucial to consider in an effort to boost corporate profitability, according to Syamsuddin (2007), are that capital is part of the company's short-term expenditure, which is aligned with the firm's short-term aim of growing profitability. Second, capital is flexible, relatively variable, and rotates swiftly, depending on the job function. Third, working capital is a continual sector of activity as well as the company's primary support system.

Mardiana (2007) discovered that a company's interest in borrowing money has a major impact on its profitability growth. According to his study, debt is the loss of economic gains resulting from an entity's responsibility to provide assets or give services to other entities in the future as a result of previous transactions. The amount of debt on assets owned by MSMEs in the form of short-term debt, long-term debt, and total debt on assets will influence MSME's capital structure, and capital structure might affect MSME's profit or net profit; therefore, in this situation, interest on borrowing capital affects firm profitability growth.

H3: Interest in Borrowing Capital Affects Profitability

2.10 The Effect of Exchange Rate on Profitability If Moderated By Inflation Variable

Inflation, according to M Natsir (2014: 253), is a long-term trend of increasing the price of goods and services. The US dollar is a strong currency that serves as a reference point for most developing countries. Furthermore, because the United States is Indonesia's most important trading partner when the value of the Indonesian Rupiah versus the US Dollar fluctuates, it disrupts

trade, resulting in losses, and inflation reduces interest in transactions or people's purchasing power because the same amount of money last year was unable to buy the same thing this year. This leads the rupiah currency to devalue, which has an influence on the actual economy, such as people's slow businesses as a result of their inability to repay money owing to inflation. As a result of growing inflation, the actual worth of the currency will fall as consumers utilize their money to cover costs as the cost of commodities rises; thus, it will affect profitability—Sukirno in Febriyana (2018).

Inflation has a negative and minor influence on the rupiah currency rate versus the US dollar, according to Wulandari (2019). As a result, if inflation rises, the rupiah exchange rate versus the US dollar will fall. Meanwhile, Febriyana (2018) revealed that inflation moderated the impact between savings and profitability as measured by Return On Assets (ROA), based on the findings of prior studies on moderating factors.

H4: Inflation moderates the relationship between Exchange Rate Decrease, Interest in Transaction, Interest in Borrowing Capital on Profitability.

3. Research Methodology

This section describes the types of data collected, data sources, data periods, operational variables and the methodology used to test these relationships.

Table 1. Operational Variables

Variable	Definition of Variable	Formula
Decrease in Rupiah Exchange Rate	The government gradually weakens a country's currency rate in relation to international currency rates. Musdholifah and Tony (2007) argue that a country's currency rate is lower than its usual foreign currency number.	$\text{Buying Rate} = \frac{\text{Foreign Currency Value} \times \text{Rupiah Value}}{\text{selling rate}}$ $= \frac{\text{Rupiah value}}{\text{Foreign Currency Value}}$
Transaction Interest	The inclination of buyers to pay for a brand or make payment decisions is assessed by the amount of probability of the buyer making payments, which is measured by transaction interest or, in this case, purchasing attention. Assael (2001).	Dummy variable: Given a value of 1 if UMKM implement e-commerce or use other social media as a medium for promoting their merchandise or who are members of the BRI market and are given a value of 0 if UMKM do not implement e-commerce
Interest in Capital Loans	According to the Big Indonesian Dictionary, capital loans are money that is used when the main (central) purpose is to perform business, leaving product funds and half that may be used to buy anything that enhances assets.	$DER = \frac{\text{Total Amount of Debt}}{\text{Total Equity}}$
Profitability	Profitability is the ability of UMKM to earn profits from trading in total assets or own capital. Sartono (2010: 122)	$ROA = \frac{\text{Profit and Loss After Tax}}{\text{Total Assets}}$
Inflation	Inflation is the emergence of an increase in tariffs which generally runs always within a certain time, Sunariyah (2011)	$INF_t = \frac{IHF_t - IHK_{t-1}}{\text{Total Asset}} \times 100\%$

3.1 Data, Population and Sample

Sources of data used in this study are financial statements that exist in the population. The population in this study is the Micro, Small and Medium Enterprises of Banten Province. More specifically, the object of this research is the UMKM of Serang Banten City, which are members of the Banten Indonesian Farmers Cooperative (KPIB) as many as 105 UMKM. The number of samples that will be used in this study will use the formula according to Slovin, who obtained as many as 84 samples.

4. Results and Discussion

4.1 Classic Assumption Test

Based on the results of the Kolmogorov Smirnov test, the Asymp.Sig (2-tailed) value of 0.095 fulfills the Sig. (p) 0.095 > 0.05 (level of signification). This indicates that the residual value follows a normal distribution. The value of VIF (Variance Inflation Factor) for

each independent variable in this study, namely the variable of a decrease in the exchange rate of 1.187, was calculated based on the results of the multicollinearity test above.

4.2 Data Analysis

The data analysis method used in testing the relationship between the variables of this study is the multiple linear regression analysis methods. Data analysis includes classical assumption test, regression equation, coefficient of determination, t-test, and moderating test.

The transaction interest variable is 1.064. The capital interest variable is 1.125. And the impact of Tolerance on each variable includes the variable drop in the exchange rate (0.842), transaction interest (0.940), and variable interest in the capital (0.889). The value of VIF (Variance Inflation Factor) 10 and the value of Tolerance > 0.1 are based on the findings of the multicollinearity test. The regression model does not appear to have any issues with multicollinearity. Based on the Heteroscedasticity Test using the Scatterplot graph test, it can be seen that the points spread randomly do not form a certain clear pattern and are spread both above and below zero (0) on the Y-axis. As a sequence, the resulting regression does not contain heteroscedasticity. The Durbin-Watson value of 2.040 may also be determined using the autocorrelation test and the DW test. This value will be compared with the value of the Durbin-Watson table using a significance value of 5%. The total number of samples (n) was 84, and the total number of independent variables (k=3) was 3. According to the Durbin-Watson table, the lower limit (dL) is 1.572, and the upper limit (dU) is 1.719, indicating that the regression model dU d 4-dU (1.7199 2.041 2.280).

4.3 Multiple Linear Regression Analysis Results

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	10,499	16,339		,643	,522
	PenurunanKurs_X1	12,214	2,632	,449	4,641	,000
	MinatTransaksi_X2	-11,665	8,747	-,122	-1,334	,186
	MinatModal_X3	11,527	3,624	,300	3,180	,002

a. Dependent Variable: Profitabilitas_Y
 Sumber : Output SPSS V.23

Because the regression model in this study passes the conventional assumptions test, it may be used. The regression equation is as follows, based on table 4.5:

$$Y = 10,499 + 12,214 X1 - 11,665 X2 + 11,527 X3 + e$$

Interpretation:

1. The constant coefficient of 10,499 indicates the profitability value is 10,499 if each independent variable is 0. The positive constant coefficient value indicates that the profitability value tends to increase.
2. The exchange rate decline variable above has a positive regression coefficient value of 12.214. Assuming the absence of other independent variables, if the decline in the exchange rate increases by one percent (1%), the profitability will increase by the value of the decline in the exchange rate, which is 12.214.
3. The transaction interest variable above has a negative regression coefficient value of -11.665. Assuming the absence of other independent variables, if transaction interest increases by one percent (1%), then profitability tends to decrease by the value of transaction interest, which is -11,665.
4. The capital interest variable above has a positive regression coefficient value of 11.527. Assuming the absence of other independent variables, if the interest in capital has increased by one percent (1%). So profitability tends to increase by the value of the interest in capital, namely 11.527.

4.4 Coefficient of Determination

Model Summary ^a					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,841 ^a	,770	,735	1,08650	2,041

a. Predictors: (Constant), MinatModal_X3, MinatTransaksi_X2, PenurunanKurs_X1
b. Dependent Variable: Profitabilitas_Y

Sumber : Output SPSS V.23

The value of R Square of 0.770, as shown in the table above, suggests that fluctuations in the three independent variables of fall in exchange rates, transaction interest, and capital interest can explain around 77 percent of the variance in profitability. Other variables outside the research account for the remainder (100 percent - 77 percent = 23 percent).

Additionally, the coefficient of determination is calculated as follows:

$$\begin{aligned} \text{KD} &= r^2 \times 100\% \\ &= 0,770^2 \times 100\% \\ &= 77\% \end{aligned}$$

According to the computation above, the contribution of the association between components X1, X2, X3, and X4 with Y is 77 percent, and 23 percent is impacted by additional factors not explored by the author.

4.5 Partial Test (t)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10,499	16,339		,643	,522
	PenurunanKurs_X1	12,214	2,632	,449	4,641	,000
	MinatTransaksi_X2	-11,665	8,747	-,122	-1,334	,186
	MinatModal_X3	11,527	3,624	,300	3,180	,002

a. Dependent Variable: Profitabilitas_Y

Sumber : Output SPSS V.23

The amount of effect of the independent variable on the dependent variable may be viewed as follows based on the SPSS test results:

4.6 Discussion

4.6.1 The Effect of Exchange Rate Decline on MSME Profitability.

The significance value for the exchange rate fall variable was 0.000, according to the calculation result using the SPSS V.23 system, as shown in the table. The size of the significant number determines whether or not confidence is taken or rejected when making a hypothesis choice. The hypothesis is accepted if the significance value is less than 0.05 or vice versa. Thus, our findings support H1, indicating that a partial fall in the exchange rate variable has a considerable impact on MSME's profitability.

This conclusion is consistent with Mahyus Ekananda's (2014) findings, which revealed that the fall in the exchange rate had a considerable impact on corporate profitability.

4.6.2 The Influence of interest in Transaction on MSME Profitability.

A significant number for the transaction interest variable is 0.186, according to the calculation results using the SPSS V.23 program, as shown in the table. The requirements that determine whether the hypothesis is accepted or rejected are based on the high number of significance. The hypothesis is accepted if the significance number is less than 0.05 or vice versa. As a consequence, H2 is rejected, implying that the transaction interest variable has no effect on MSMEs' profitability. This research supports previous findings, such as those of Rosihan Anwar and Wijaya Adidarma (2016), who showed that transaction interest had no impact on profits proxied by Return On Assets (ROA).

4.6.3 The Influence of Interest in Capital on MSME Profitability

The important number of interest in capital, according to the calculations, is 0.02. As a result of these findings, H3 is accepted, indicating that the capital interest variable has a partial impact on MSMEs' profitability.

This study concurs with Mardiana (2007), who discovered that interest in borrowing capital has a substantial impact on the growth of a company's profitability.

Test Moderating Regression Analysis

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1						
	(Constant)	75,351	16,554	4,552	,000	
	Z_PenurunanKurs	1,192	,321	,379	3,708	,000
	Z_MinatTransaksi	,547	,226	,185	2,419	,017
	Z_MinatModal	,736	,329	,171	2,237	,027
	Z_Profitabilitas	5,799	3,269	,192	1,774	,080

a. Dependent Variable: Z_Profitabilitas

b. Predictors in the Model: (Constant) Z_MinatModal Z_MinatTransaksi Z_PenurunanKurs

Sumber : Output SPSS V.23

4.6.4 The Effect of Decreasing Exchange Rates, Interests in Transaction, Interest in borrowing Capital on MSME Profitability If Moderated By Inflation Variables

According to the conclusion of the tabulation above, one of the variable's findings, namely the variable inflation*decrease in the exchange rate (Z*X1), has a value of 0.000 < 0.05. The existence of the inflation variable (Z) can be considered a pure moderator in moderating the link between the fall in the exchange rate and the profitability of MSMEs, based on the features of the collection of supplies.

The research also agrees with research that has been researched by Wulandari (2019). The US Dollar is encouraged because it is a currency that is used to begin global trade and because it is the leading currency and a benchmark for the majority of emerging countries.

It is indicated that one of the output variables, namely the inflation*transaction interest variable (Z*X2), has a significant result of 0.017 < 0.05 based on the results of the table above. It is based on decision-making criteria that the existence of the inflation variable (Z) can be regarded as a pure moderator in moderating the link between transaction interest and UMKM profitability.

This research also supports the research researched by Sukirno in Febriyana (2018). Inflation that occurs due to the unstable dollar causes transaction interest or public buying interest in a product to weaken because the same total funds in the previous period are unable to pay for similar products in the current period. Based on the results of the table above, it states that one of the output variables, namely the inflation * interest in capital (Z * X3) variable, has a significant value of 0.027 < 0.05. This suggests that the existence of the inflation variable (Z) may be considered a pure moderator in regulating the link between interest in capital and the profitability of MSMEs, based on the features of the collection of supplies. Sukirno's research in Febriyana (2018) is also supported by this study. Large amounts of inflation lead the rupiah currency to weaken, which has an impact on the general people, such as the reduction in MSME business due to difficulty in paying capital due to inflation.

5. Conclusion

The researcher may conclude from the foregoing findings that the fall in the exchange rate, transaction interest, and interest in borrowing capital have a substantial impact on UMKM's profitability. This demonstrates that the exchange rate of foreign currencies is a concern in buying and selling operations since it might influence profitability. UMKM will generate cash in the form of fees and foreign exchange discrepancies when foreign exchange rates fall, affecting profitability. Furthermore, while business transactions via the internet are a new phenomenon in today's era, they have not fully provided convenience for consumers to shop, and because many people still prefer to shop directly (offline), traders believe that opening an online shop is not yet a surefire way to boost company profits, so in this case, interest in transactions has no impact on UMKM's profitability. Debt also refers to the loss of economic gains resulting from an entity's responsibility to provide assets or provide services to other entities in the future as a result of previous transactions. The amount of debt on assets owned by UMKM in the form of short-term debt, long-term debt, and total debt on assets will influence UMKM capital structure, and capital structure might affect UMKM profit or net profit; therefore, in this situation, interest on borrowing capital affects firm profitability growth.

Meanwhile, in this study, inflation was shown to attenuate the association between the fall in the exchange rate, transaction interest, and interest on capital loans and UMKM's profitability. This is because the US Dollar is utilized as a form of payment in international trade, and it is a strong currency that most other developing countries use as a reference. Furthermore, because the United States

is Indonesia's most important trading partner when the Rupiah's value against the US Dollar fluctuates, it disrupts commerce, resulting in losses and inflation, with an increase in inflation causing the Rupiah's exchange rate to devalue against the US dollar. Inflation caused by an unstable dollar reduces interest in transactions or people's purchasing power because the same amount of money bought the same things last year cannot be purchased this year. As a result of growing inflation, the actual worth of the currency will fall as consumers utilize their money to cover costs as the cost of commodities rises, affecting profitability. Furthermore, excessive inflation leads the rupiah to devalue, which has repercussions on the actual economy, such as the slowness of public business due to the difficulties of recovering capital due to inflation. As a result, growing inflation will undermine the currency's value since consumers will spend their money to cover rising inflation-related expenditures, affecting profitability.

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