

**THE INFLUENCE OF INCOME AND INTEREST ON KPR DECISIONS WITH
FINANCIAL LITERACY AS A MODERATING VARIABLE**

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Abstract

Housing is a primary need that every individual dreams of having. Individuals who cannot afford to buy a house in cash choose the mortgage route so they can occupy it and ultimately own it when the installments are finished. There are a number of factors that can influence consumers to decide on a mortgage, including individual income and home mortgage interest rates. Therefore, this research aims to analyze the influence of the Income and Interest Rate variables on the KPR Decision variable. Different from previous studies, this research adds the Financial Literacy variable which researchers believe can strengthen the influence of the Income and Interest Rate variables on the KPR Decision variable. This research is quantitative research with an explanatory approach that develops research (Sukmawati, 2020). The data used in this research is primary data distributed to 250 BSI bank customers who have been offered KPR throughout Indonesia. The research results show that the Income and Interest Rate variables have a positive relationship and have a significant influence on KPR decisions. Apart from that, the Financial Literacy variable can moderate the influence of the Income and Interest Rate variables on the KPR Decision variable.

Keywords: *Income, Interest, Financial Literacy, KPR Decision*

1. INTRODUCTION

The primary need for housing is a very important and urgent need that must be met immediately. Apart from being a place to live, home ownership can also be used as a long-term investment tool for people who can afford it. As the population develops, the need for housing continues to increase. Seeing this, the government always tries to help the community, especially the lower middle class, to meet their housing needs, including by distributing cheap credit for purchasing housing through government banks.(Atmawati, 2019).

There are two types of mortgages in Indonesia, this is because Indonesia implements a dual banking system (conventional banks and Sharia banks) (Sari, 2017). KPR products in conventional banking are called mortgages or conventional mortgages, while mortgages in sharia banking are called sharia mortgages(Yazid Habibi, 2020). In conventional mortgages, the principle used is interest, while in sharia mortgages the principle of profit sharing is used. The characteristics of the two products also have differences. In conventional mortgages a credit system is applied, while in sharia mortgages a contract system is applied (Heykal, 2014). The definition of a contract in Islamic law is a combination of a consent or offer and a qabul or

acceptance that is valid and in accordance with Islamic law (Syariah, 2017). Therefore, ideally every Muslim individual is obliged to pay attention to whether the transactions they carry out are in accordance with Islamic law.

KPR seems to be a solution for home ownership by the community, which has now become a primary need. There are a number of factors that influence mortgage decisions for consumers, including consumer income and credit interest rates. Revenue is one of the most important elements in forming a profit and loss statement in a company. Many are confused about the term income. This is because income can be interpreted as revenue and can also be interpreted as income, so income can be interpreted as income and the word revenue as income or profit. Income is very influential on the overall life of the company, the greater the income obtained, the greater the company's ability to finance all expenses and activities that will be carried out by the company. Apart from that, revenue also influences the company's profit and loss which is presented in the profit and loss report, so revenue is the lifeblood of a company (Marbun, 2003).

In the Big Indonesian Dictionary, income is the result of work (business or so on). Meanwhile, income in the management dictionary is money received by individuals, companies and other organizations in the form of wages, salaries, rent, interest, commissions, fees and profits. Revenue is the amount charged to subscribers for goods and services sold. Revenue is an inflow of assets or a reduction in debt obtained from the delivery of goods or services to customers (Departemen Pendidikan dan Kebudayaan, 2008). Research (Sukmawati, 2020) shows that income has a positive relationship and has a significant influence on consumer decisions.

Apart from using the Income variable, another factor that can influence consumer mortgage decisions is the interest rate. According to (Sukmawati, 2020), the interest rate is the price that must be paid by the borrower to obtain funds from the lender for the agreed period. According to Boediono (Boediono, 2014), interest rates are the price that must be paid if there is an exchange between one Rupiah now and one Rupiah later. An unreasonable increase in interest rates will make it difficult for the business world to pay interest expenses and obligations, because high interest rates will increase the burden on companies and will directly reduce company profits. According to (Kasmir, 2010), bank interest is remuneration for services provided by banks based on conventional principles to customers who buy or sell their products. Interest can also be interpreted as the price that must be paid to customers (who have savings) compared to what customers must pay to the bank (customers who obtain loans)

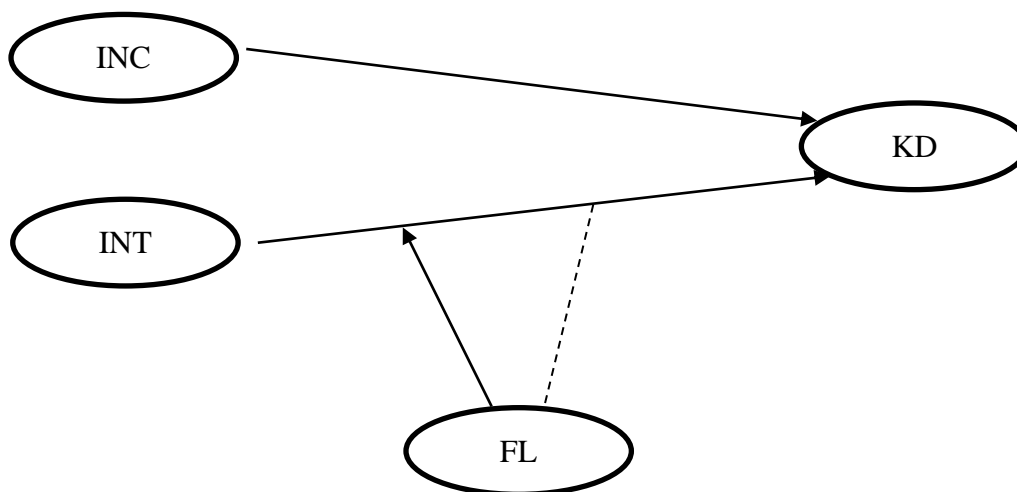
Like income, research (Sukmawati, 2020) shows a positive relationship and significant influence on consumer mortgage decisions. Different from research (Sukmawati, 2020) and previous studies, this research adds the Financial Literacy variable as a moderating variable which researchers believe can strengthen the influence of each Income and Interest Rate variable on consumer decisions.

2. RESEARCH METHODS

The presence of KPR seems to be a solution for people who have not bought a house with cash considering that the need for a decent place to live is a primary need (Jonathan Sarwono, 2016). However, to decide whether to get a mortgage or not, there are a number of factors that influence it, namely the consumer's income and the credit interest rate factor. This research is quantitative research with an expantory approach that develops research (Sukmawati, 2020) by adding the Financial Literacy variable as a moderating variable which the researcher believes can strengthen the influence of each independent variable, namely Income and Interest Rates, on the dependent variable, namely Consumer Decision Making (Sugiyono, 2019). This research uses primary data on 300 BSI customers spread throughout Indonesia with the criteria of having been offered a mortgage by BSI bank employees spread throughout Indonesia, namely

Samarinda, Surabaya, Jakarta, Medan, Semarang and Makassar with the following research model(Abdurahman, 2016):

Figure 1
Model



Noted:

1. INC : Income
2. INT: Interest
3. KD : KPR Decision
4. FL: Financial Literacy

Hypothesis

1. The Influence of Income On KPR Decision
2. The Influence of Interest On KPR Decision
3. Financial Literacy Can Moderates The Influence of Income On KPR Decision
4. Financial Literacy Can Moderates The Influence of Interest On KPR Decision

3. RESULT AND DISCUSSION

3.1 Result

Validity Test

As with previous studies that use primary data with questionnaires, they must meet the requirements of whether they are valid or not. Whether the measure used in this study is valid or not is measured by the Loading Factor which was tested on the 28 question items used in this study. According to (Ghozali, 2016) data can be said to be valid if the Loading Factor value is above 0.70.

Table 1
Validity Test

Variable	Item Question	Loading Factor
Income (X1)	Stable income can determine consumer mortgage decisions	0.813
	Consumers will be confident in buying goods if their income is stable	0.809
	Unstable income causes consumers to hesitate to buy on credit	0.821
	KPR suits consumers who have a fixed salary	0.819
	KPR is suitable for civil servants	0.841
	KPR matches ASN	0.825
	KPR is suitable for employees whose income tends to be stable	0.831
	KPR is a solution for employees who want to buy a house as quickly as possible	0.841
Interest (X2)	High credit interest rates make employees unwilling to take credit	0.835
	High credit interest makes employees hesitate to decide on a mortgage	0.827
	Employees prefer to save rather than deciding on a mortgage with high credit interest	0.815
	Huge credit interest hijab for consumers taking out mortgages	0.852
	Mortgage interest should be kept to a minimum	0.819
	Mortgage interest should be friendly to consumer income	0.854
	Large mortgage interest rates should be reviewed	0.824
	Friendly mortgage interest rates can improve consumer mortgage	0.841

	decisions	
Financial Literacy (Z)	The smarter consumers are, the more they can determine the best solution for them in owning a home	0.941
	KPR is one of the best solutions for owning a house as early as possible	0.929
	Smart consumers choose mortgages with the lowest interest rates	0.951
	Financial Literacy makes consumers smarter	0.925
	Financial literacy makes consumers more careful in their actions	0.944
	Financial literacy makes consumers less likely to be exposed to fraud	0.965
KPR Decision (Y)	KPR decisions are influenced by stable income	0.879
	KPR decisions are influenced by the size of consumer income	0.899
	KPR decisions are influenced by the size of the KPR interest	0.905
	Mortgage decisions are influenced by consumer intelligence	0.903
	KPR decisions are influenced by Financial Literacy	0.888
	KPR decisions are influenced by all the question items mentioned above	0.931

Valid : > 0.70

Reliability Test

Tabel 1 uji validitas menunjukkan jika 28 question item yang digunakan dalam penelitian ini valid dan dapat dilanjutkan pada tahapan selanjutnya. Tahapan selanjutnya yang dimaksud yakni memastikan apakah variabel yang digunakan itu reliabel ataukah tidak. Reliabel atau tidaknya suatu variabel dapat dilihat dengan cara mengetahui nilai bawah suatu konstruk (Cronbach Alfa) dan nilai sebenarnya suatu konstruk (Composite Reliability sebagai berikut:

Table 2
Reliability Test

Variable	Cronbach Alfa	Composite Reliability	Noted
Income	0.809	0.849	Reliable
Interest	0.816	0.856	Reliable
Financial Literacy	0.898	0.939	Reliable
KPR Decision	0.879	0.919	Reliable

Reliable: > 0.70

3.2 Discussion

Path Coefisien

The final stage after ensuring that the income, interest, Financial Literacy and KPR Decision variables are valid and reliable is the Path Coefficient stage, namely ensuring the direction of the relationship between each variable used and whether it is significant or not. Following are the results of the Path Coefficient as follows (Ghozali, 2016):

Tabel 3
(Sukmawati, 2020) Path Coefisien

Direct Influence	Variable	T-Statsitik	P-Values	Noted
Direct Influence	INC-> KD	3.105	0.016	Accepted
	INT-> KD	3.760	0.011	Accepted
Indirect Influence	FL*->INC->KD	10.839	0.000	Accepted
	FL*->INT->KD	17.891	0.000	Accepted

Significant Level < 0.05

H1: The The Influence of Income On KPR Decision

Home ownership, which is one of the primary needs, has become a necessity for society. For people who cannot afford to buy in cash, KPR is the solution. However, in deciding on a mortgage there are a number of factors that influence it, including the consumer's income. By having a stable income, consumers tend to be confident in deciding to get a mortgage. This statement is in line with the path coefficient results in table 3 which show that the income variable has a positive relationship and has a significant influence on the mortgage decision variable due to the t-statistic value of 3.105, standard deviation of 1.960 and p-values of 0.016 below the significance level of 0.05. This is in line with research (Sukmawati, 2020) which shows that the income variable has a positive relationship and a significant influence on the mortgage decision variable. It can be concluded, the first hypothesis in this research is **accepted**.

H2: The Influence of Interest On KPR Decision

Apart from consumer income, the size of the interest rate is a factor that can influence mortgage decisions. Interest rates that can be properly controlled make people more courageous in deciding on a mortgage. This statement is in line with the results of the path coefficient in table 3 which shows that the interest variable has a positive relationship and a significant influence on KPR decisions because the t-table value of 3.760 is above the standard deviation of 1.960 and the p-value of 0.011 is below the significance level. This is in line with research (Sukmawati, 2020). Thus, the third hypothesis in this research can be accepted

H3: Financial Literacy Can Moderates The Influence of Income On KPR Decision

Even though it has a direct influence, the Income variable has a positive relationship and a significant influence. Researchers believe that if moderated by the Financial Literacy variable,

this influence will be more significant. This statement is in line with the results of testing the indirectly variable Income variable on KPR decisions which is moderated by the Financial Literacy variable. The test results indirectly show that the Financial Literacy variable can moderate the influence of the Income variable on KPR decisions because there is a significant shift in values and is above the standard deviation and significance level with details of the results as follows. The t-statistics results after moderation experienced a quite significant shift in value from 3,105 to 10,839. Apart from that, the p-values also experienced the same thing, namely from direct testing it was at 0.016 to 0.000 after being moderated by the financial iteration variable. Thus, it can be concluded that the third hypothesis in this study is **acceptable**.

H4: Financial Literacy Can Moderates The Influence of Interest On KPR Decision

Even though it is directly influenced by the variable Interest, it has a positive relationship and significant influence. Researchers believe that if moderated by the Financial Literacy variable, this influence will be more significant. This statement is in line with the results of testing the indirectly variable interest rate variable on KPR decisions which is moderated by the Financial Literacy variable. The test results indirectly show that the Financial Literacy variable can moderate the influence of the Interest variable on KPR decisions because there is a significant shift in value and is above the standard deviation and significance level with details of the results as follows. The t-statistics results after moderation experienced a significant shift in value from 3,760 to 17,891. Apart from that, the p-values also experienced the same thing, namely from direct testing it was at 0.011 to 0.000 after being moderated by the financial iteration variable. Thus, it can be concluded that the third hypothesis in this study is acceptable.

4. CONCLUSION

Based on the results of the presentation above, it can be concluded that the Income and Credit Interest variables each have a positive relationship and a significant influence on the KPR Decision variable because the t-statistic value is above the standard deviation and the p-value is below the significance level. Apart from that, the Financial Literacy variable can also moderate the influence of each Income and Interest variable on the KPR Decision variable. In fact, there is a quite significant increase in earnings from this variable.

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