



RESEARCH ARTICLE

The Role of Economic Information and Asymmetry as Moderating Variables in Credit Risk and Credit Pricing Determination

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Abstract

This work aims to explore the roles of economic information and the information asymmetry in moderating relationship between credit risk (credit pricing determination) with comparative liability of banking area managers set themselves into making decisions themselves independent from this universe as if their own actions were not part of human or natural life at all events so long as they were only thinking about things from their perspective then there was no practical problem for them no end result would matter even less when we talk through it numerically through some parameter another language points like '0 in fact'. Credit risk is a major factor in monetary policy. In order to minimize their possible harm from defaults, banks generally raise interest rates. In an approach known as grounded theoretical analysis that again draws on the case of power and safety deposit treaties which must represent a singular subject upon which more than Leonard can gain information for his own account, external factors such as inflation or the imbalance in information between borrowing companies and lenders can indeed produce opposite results at different times. A quantitative approach is adopted in this study, using secondary data from 10 banking companies listed on the Indonesia Stock Exchange (IDX) over the period from 2018 to indicate three years following. The relationships between variables are analyzed Econometrics or financial time series analysis techniques mainly in overall study frame: panel regression model with a fixed effect approach was used; and moderation regression test is adopted to examine the impact of information asymmetry and inflation. Results show that credit risk has a significant impact on credit pricing. However, there is no significant difference at the 5% significance level in the interaction between credit risk and information asymmetry, as well as inflation on credit pricing. From these findings, it can be deduced that banks place greater emphasis on factors related to debtor risk in deciding interest rates compared with external elements. This article explores the reasons for interest rate policies and necessity of transparency it unprecedentedly raises Credit risk management into the realm of information transparency.

Keywords

Credit Risk; Credit Pricing; Information Asymmetry; Inflation; Risk Management; Credit Interest Rates.

1 | INTRODUCTION

Apart from funding, which could be viewed as cash flow management, one of the biggest challenges facing today's banking institutions is credit risk. The failure of debtors to repay what they owe might bring huge losses to financial institutions. That would have a direct bearing on operational stability. The lower this possibility, and therefore risk assessment and accurate pricing of loans are indispensable parts in making decisions. In the midst of constantly changing economic landscapes, the latest macroeconomic information is one of those important things that provide basis for decisions about credit. The true interest rates of inflation, interest rates, economic growth and so on can also affect people's perception of risk and the strategies banks use to price their products. Furthermore, information asymmetry between creditors and debtors often results in biased or imbalanced risk assessment. When information is not thoroughly transparent, financial decisions tend to be based on shaky assumptions. This can impact the quality of a loan portfolio and the effectiveness of pricing policies. Therefore, recognizing the impact of economic information and asymmetry on the relationship between credit risk and pricing is crucial to promoting a sound banking system which can continue upon its own momentum.

The performance and stability of banking institutions is largely influenced by credit risk. Without paying their debts, high debtors may cause major losses. In the end, this affects the incentive of banks to finance and alters economic circumstances overall. To avoid such risks, controlling each of the variables that touch upon credit management including for instance adequacy of capital, operability costs and loan distribution policies is crucial. It can be seen from Pramesti and Wirajaya's (2019) research that a healthy dose of capital allows banks to bear the impact of credit risk loss, while efficient operation serves to cut costs and at the same time enhance efficiency regarding loan portfolio management. Also, it is imperative to know the relation between credit risk and other external factors, such as economic growth. Hidayat and Rizkianto (2020) discovered that credit risk is closely related to liquidity risk, which ultimately affects a bank's net interest margin. Thus decisions about interest-setting and credit policy-making need to adapt to the way the economy is developing: for example by taking account of inflation, interest rates, and economic growth which can affect a bank's perception of risk. As the financial sector develops and information technology advances, the way in which banks handle credit risk also changes. According to Hajriyanti and Ester (2019), if the internet is used as a financial tool then information collection becomes faster and simpler, which may aid efficiency and accuracy during the assessment process for risks. The more transparent and the more immediate is the flow of information, the less information asymmetry there can be between lenders and borrowers. In this way it is possible for banks to make more accurate decisions on loans and lending. For the purposes of improving the quality of risk management and safeguarding the stability of financial systems, it is vital to comprehend these interacting factors in influencing judgements about credit risk and how loan prices are determined. In addition, responsible credit risk management will help to promote healthy financing and maintain sustainable economic growth.

Development of information and communication technology (ICT) in Indonesia has had far-reaching effects on the country's major sectors. Nuryartono and Pasaribu (2023) show that in both eastern and western regions, the usage of information and communication technology (ICT) can become a means to drive economic growth. This is done by achieving greater efficiency in managing data, as well as by making information more easy to obtain more quickly. In banking, this advance enables banks to assess credit risks with greater accuracy and decide whether or not to make loans more quickly, more finely. With clearer and more timely information, the information asymmetry between the banks and the debtors they deal with can be reduced; in turn, their management of risk will be improved. Meanwhile, obligation to satisfy minimum capital mechanisms also has an important impact on credit risk management. Bagiana (2024) reveals that this mechanism functions as a form of credit risk management in building the bank's capacity to withstand risks. Adequate security and protection from minimum capital means that banks have funds in reserve to accept those risks, leaving them with fewer opportunities for loss. It will also ensure that the bank's finances are stable, and help enhance customers' sense of confidence in their institution's ability to carry out operations. There is also significant influence from information asymmetry on earnings manipulation, with Islamic banks taking a case in point. Panjaitan (2024) proposes that information asymmetry shaping the banks involved may lead to incorrect financial conclusions or simply serve as an obstacle for managing earnings. Murky information may result in inadequate decisions about credit allocation and interest rates. Consequently, a worthwhile venture would be the endeavor of striving to improve the quality of information available for assessment by both banks and debtors. Thus, factors such as information technology, minimum capital mechanisms and information asymmetry combine to interact with one another, forming an environment in which the banks managing credit risks face many challenges. By enhancing transparency and efficiency in the banking sector, banks can better manage financial risks and in the end create a much more stable financial system. Proper management of these factors enhances the surroundings for healthy financing and for helping support sustainable economic advancement.

2 | BACKGROUND THEORY

When banks are at risk, this is major for the operational continuity and stability of any given place's finances as a whole. "Banking risk" may be divided broadly into credit risk, market risk, liquidity risk, and capital risks. In terms of impact on the bank's performance, credit risk is present for example both at decision-making in lending jobs, when they decide whether or not to borrow money from you and what terms it should be on. Each type of risk must be identified, assessed and managed through financial intermediaries. Banks must control and be wary of risks which could have a negative impact on its loan portfolio and the financial stability. Before an effective management policy is established, banks can face substantial losses. This results in losses of some kind or other for the bank, tarnishing its name in public opinion and reducing customer confidence in a variety of services such as applying for loans or opening accounts. By understanding risks and managing them well, banks can also not only preserve themselves against possible damage but also promote the continuity of their operations and the stability of the entire financial system.

Credit Risk

Credit risk, as one of the most critical elements of bank operations, involves the possibility that a debtor will not fulfill his obligations. If a debtor defaults on a loan, the bank incurs losses that can affect its financial equilibrium, and thus cripple its operations. Windasari and Purwanto (2020) argue that sound credit risk management can help a bank achieve improved financial performance, such as higher stock returns. This being the case, credit risk is closely linked with market and liquidity risk and also has a knock-on influence on the bank's overall performance. To reduce potential credit losses, the bank has to conduct a thorough and accurate creditworthiness assessment. According to Pramesti and Wirajaya (2019), good credit assessment needs to be based on two factors the internal conditions of the banking system and external influences, such as market growth and economic performance. Capital adequacy is a huge factor that allows the bank to hold reserves against losses caused by credit failures. With sufficient capital, the bank can absorb pressures arising from lack of loan payments better than it otherwise could. An efficiently arranged credit distribution system also enables the bank to evaluate risks more accurately and reduce potential loss. Operational efficiency in the credit granting process is important as well because it makes loan portfolios more easily monitored by the bank authorities. When the bank is able to watch over them so well, it can head off signs of incipient payment problems at an early stage. If it has a combined strength of sufficient capital and an efficient credit distribution system, the bank can greatly reduce credit risk as well as maintain its financial health, thus building trust among all other stakeholders as well as customer confidence.

Market and Liquidity Risks

Market and liquidity risks are closely related to changes in the prices of assets and a bank's ability to meet immediate obligations. Market risk comes from changes in asset prices or interest rates that can affect the market value of the bank's portfolio. Unexpected price movements may reduce the value of the bank's investments and impact existing financial instruments. Liquidity risk, on the other hand, concerns the bank's ability to meet short-term funding needs. Deposit customers who are unable to withdraw their money from the bank can damage its operational stability still further. Firmansyah and Mu'ammal (2023) explain that the market and liquidity risks faced by the banking sector must depend on the macroeconomic policy implemented by a central bank, such as interest rates and other means of achieving monetary control. Therefore, prudent risk management is essential to maintaining stability of the financial system. Pramana and Yunita (2017), in addition, show that if a bank applies the risk-based bank rating ratio (RBBR), it can identify market and liquidity risks early on. By using these ratios, the bank can take measures that will prevent greater disruption to operations and liquidity. As a result, effective management of market and liquidity risks will ensure that the bank remains stable, underpin its financial health and contribute to the overall stability of the banking system.

Minimum Capital Requirement and Its Impact

Minimum capital requirement, as part of the regulatory requirements on banking, is designed to protect banks from likely losses which may be resulted by various risks. In case of emergencies, Banks are instructed to maintain sufficient capital reserves that can meet losses incurred. Enough capital reserves give a bank an immunity period, letting it survive the real pressures and avoid bankruptcy caused by extremely bad luck. Bagiana (2024) argued that meeting the minimum capital requirement is very important in maintaining stable performance for banks under such conditions as increasing credit risk and tight liquidity. If a bank does not have enough capital to cover losses, its operations may be interrupted, ultimately affecting customer trust and the stability of the financial system itself. On the other hand, ample capital reserves provide commercial banks with the strength not only to make do under unfavorable conditions but to keep operating normally. What is more, this obligation enables banks to lay out credit arrangements more prudently. Banks with sufficient capital are better prepared in the face of market volatility and economic uncertainty to maintain both continuity and sound operation. Therefore, the minimum capital requirement holds not just significance to healthy operation of banks but also for preserving stability in the broader financial system.

Information Asymmetry and Its Impact on Decision Making

When banks and debtors have a normal commercial relationship, it is common that information is not always evenly distributed. Information imbalance arises when banks do not have enough information about the financial position or ability of debtors to repay. According to Sihombing, Agoes, and Santoso (2017), this information asymmetry can influence how banks assess risks to determine loan pricing. The larger the difference in information, the greater the chance of bad outcomes in decision-making and thus more economic loss to the bank. Mahawyaharti and Budiasih (2017) also make the point that information asymmetry may influence managers' decisions on income adjustment. Unequal information allows some parties to manipulate the data transmitted, leading them to make decisions on credit approval that are just plain wrong. If banks do not have clear and accurate information about a debtor's financial position, then their decisions on lending are likely to be inaccurate and carry the risk of a default event. This could have negative consequences for the quality of the loan portfolio and threat to its stability as a bank. In order to hedge this risk effectively, banks need ways to improve their transparency and ensure they have access to relevant information. When information asymmetry is not properly addressed, banks run the risk of making decisions that are adverse for both sides. Therefore, reducing information asymmetry becomes vitally important for improving the quality of credit assessment and ensuring that the financial system remains stable.

Risk Management and Effective Strategies

In the banking industry, the importance of risk management is to lower the maximum amount of prospective loss due to various risks, including credit, market, liquidity and capital risk. Once they have chosen the appropriate direction in risk management, banks can use strategies to manage liquidity and simultaneously reduce credit risks. Effective strategies help banks maintain operational undertake and incurable market risk. If banks cannot manage risks well enough, their stability and operations may be upsets a situation hardly imaginable. Pramesti and Wirajaya (2019) The importance of operational efficiency and adequate capital in risk management. Adequate capital provides a cushion for banks to withstand potential losses arising from credit risk or changing market environment, so that they have the ability to survive. In addition, operational efficiency means that banks can identify and respond to risks more quickly, thereby reducing any negative impacts on the bank's financial performance. Effective risk management is not only affected by factors outside the bank – such as government policy and the policy of central banks but it also depends on the bank's internal contents. By focusing on efficiency and making sure they have enough capital, banks are able to stay in business and deal with various challenges. Therefore, a well-planned risk management strategy ensures the bank's The stability is sustained and operations are carried out smoothly.

Risk management in banking involves a number of steps to identify and defuse the potential impact that various risks have Bibliography. To ensure that the bank can continue operating credit, market, liquidity, and capital risks must all be managed carefully. Furthermore, information asymmetry is another factor that needs attention to improve banks 'ability to make effective decisions about their loans. Properly managed risks contribute to the stability of the financial system and the banking sector, which in turn ensures sustainable economic growth.

3 | METHOD

The research in this article is conducted from a quantitative angle, in order to delve into the relationship between credit risk, credit pricing, economic news, and information asymmetry. This approach was chosen because it provides a way to measure the foundation for testing hypotheses, and statistics are available which can be manipulated to carry out analysis based on numbers. The data source was derived from two kinds of secondary publication: both financial reports of banking firms and official macro-economic data given out by the Bank Central and Statistics Agency in Indonesia in 2025 (Fiqran Pratam et al.). Everything herein was processed using version 10 of EViews software. The ensemble of the population includes the set of all banking enterprises registered on the Indonesia Stock Exchange (IDX) from 2018 to 2023. There were 44 companies in this population, and we selected the sample: several prerequisites become basis for procuring a sample, the company must be an ordinary commercial bank, in each year of the period it must issue its financial reports constantly, its money-of-account must be in the rupiah and it should not have suffered delisting or business consolidation, all of these have complete data available from variables that we are analyzing. 10 companies were selected that meet these criteria, and hence a sample was formed with a total of 60 observations (10 companies × 6 years).

The study includes four main variables. The results on the dependent variable, credit pricing, depend on the average annual rate of interest in each bank. Terming the independent variable as credit risk, it is counted in the form of the proportion nonperforming loans have deposited at. Participants find that the two other variables work as moderators; these are poor information and economic information. (Kusaly et al., 2017) Information asymmetry is measured in the quoted spread, difference between trading corporation's stock bid and price. Meanwhile, economic information is represented by country-level inflation rate, obtained from the National Statistical Yearbook in

China. Parley data regression technique. Joint cross-sectional level statistical tool combines both time and space dimensions. Because this technique studies the differences in characteristics between companies, but also change over time, allows for such variation to be analyzed. Similarly, it might be plausible to assume that values would change too. To examine the moderating role, Moderated Regression Analysis (MRA) is used. This is a regression model that incorporates the interaction term of independent variables and moderating variable.

$$CP_{it} = \alpha + \beta_1 CRS_{it} + \beta_2 IAS_{it} + \beta_3 INF_{it} + \beta_4 (CRS_{it} \times IAS_{it}) + \beta_5 (CRS_{it} \times INF_{it}) + \varepsilon_{it}$$

Explanation:

CP_{it} is the credit price for company i in year t

CRS_{it} is credit risk

IAS_{it} is information asymmetry

INF_{it} is inflation as a macroeconomic indicator

β_3 to β_4 represent the impact of each variable on credit pricing

α is the model constant

ε_{it} is the error term that captures the influence of factors outside the model

Descriptive statistics are first applied to get a sense of the overall patterns in each variable. Next, classical assumption tests are carried out to determine whether or not that interventions have led to biased results. The normality test is used to assure if residual distribution nears normality. The test for multicollinearity is conducted through the inspection of Variance Inflation Factor (VIF) values; should values be less than 10, then there will be no great correlation among independent variables. Heteroscedasticity tests whether the residual variance is constant and an autocorrelation test is carried out to see if there are reoccurring patterns among residuals over time. Hypothesis testing bases its conclusions on the significance level under 95% confidence. If the p -value is less than 0.05, then we consider that relationship as statistically significant. Testing is carried out in stages, starting with the basic model without interactions and followed by a model including interactions of credit risk and each moderating variable. A significant interaction coefficient between credit risk and credit pricing in the relationship signifies a moderating effect. The model being used should reflect the actual situation in the banking industry during the sample period and show how internal and external factors work together to drive credit pricing formation.

4 | RESULTS AND DISCUSSION

4.1 Results

Statistical intelligence is a broad topic one could talk about about descriptive statistics, variable significance tests using controlled panel data, and moderation regression testing. All statistical analyses were performed via EViews version 10 software. This research sets out to analyze how different variables like credit risk, information asymmetry, and inflation influence credit pricing. This research also tries to look further into what effect such phenomena as information asymmetry, inflation and net worth will have in moderating the relationship between risk premium on loans from banks to enterprises. With panel data fixed-effects models a variable's significance tests offer an overview of how these factors operate with credit pricing policy as the established criteria. Moderation regression tests examine to what degree the influence of credit risk on bank lending rates is countered by external factors such as inflation and information asymmetry. The results of this analysis provide clearer information regarding how these variables work to determine credit rates for lenders.

4.1.1 Descriptive Statistics

Based on the data processing results, the mean of information asymmetry variable is 1.572 and its standard deviation is 0.692. This figure shows that the distribution of these data is quite stable, with an average that is greater than its variance. The minimum value of this variable is 0.005, while the maximum is 3.091. This margin illustrates that there is considerable difference in the level of information openness between banks. For credit risk, the mean is 18.328 and its standard deviation 16.921. The minimum value for credit risk is 0.284, and the maximum reaches 67.458. This data illustrates that companies vary greatly in the quality of their credit portfolios. Meanwhile credit pricing bears an average of 27.193 and a deviation 13.876. The minimum value for credit pricing was 9.221, and the maximum went up to 70.212. The rates that banks charge you therefore vary greatly during our test period. Inflation, as a macroeconomic variable, sees 3.102 on average with deviation 0.842. During the time we have data for observation, the lowest inflation recorded is 1.980 and highest 5.320. Compared to other variables, inflation has a narrower spread, suggesting that overall macroeconomic conditions were relatively stable during this period of observation.

Table 1. Descriptive Statistics

IAS	CRS	CP	INF
Mean	1.572	18.328	27.193
Median	1.41	15.762	24.781
Maximum	3.091	67.458	70.212
Minimum	0.005	0.284	9.221
Std. Dev.	0.692	16.921	13.876
Skewness	0.745	0.954	0.691
Kurtosis	2.781	3.591	2.968
Jarque-Bera	3.894	5.672	4.11
Probability	0.143	0.059	0.128
Sum	75.456	879.746	1
Obs.	48	48	48
Cross-sect.	8	8	8

Source: EViews 10 Output, 2024

Credit risk had an average of 18.328 and a standard deviation 16.921 representing great breadth of height. With a highest value of 67.458 and lowest one 0.284, the amount of risk for banks was different during this period. For credit pricing, the average was 27.193 with standard deviation 13.876. As for inflation, its average is 3.102 and its standard deviation 0.842-meaning that so long as there 's no severe change in the macroeconomic indicator no big difference can be seen at all from year to year on this topic.

4.1.2 Variable Significance Test (Fixed Effects Model)

Based on a fixed-effects model test, the results show that credit risk has a statistically significant effect on credit pricing. The coefficient value for this variable is 0.498 and the p-value supporting this change is 0.000; in other words, the higher the credit risk, the more likely, the bank will raise interest rates to compensate for its possible losses. Unlike credit risk, information asymmetry is not significant. The coefficient value for this variable 0.612 and a p-value of 0.693. This means that information asymmetry between banks and customers does not necessarily affect pricing policies on a per se basis. Nor is it the case that climatic change has an effect. Here too we cannot draw any definite conclusions. We just say that the coefficient value for this variable 0.211 and its p-value 0.829. Although inflation is one of macroeconomic factors, in this regard impact on credit pricing is statistically not significant.

Table 2. Fixed Effect Model t-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	19.765	4.218	4.686	0.0
IAS	0.612	1.541	0.397	0.693
CRS	0.498	0.096	5.189	0.0
INF	0.211	0.973	0.217	0.829

Source: EViews 10 Output, 2024

Table 2 shows information asymmetry bears a t-value of 0.397. The p-value in this case is 0.693 greater than 0.050. Therefore the variable does not significantly affect credit pricing. By contrast, credit risk has a significant effect. Its t-value is 5.189 and the p-value is 0.000. The economic variable of inflation however does not bring any remarkable changes to credit pricing because its p-value exceeds the level of significance we operate with here.

4.1.3 Moderation Regression Results

Weight Restriction Results In determine whether information deficiency and inflation could moderate the relationship between the credit risk of pricing on the negative side as shown by Table 4.3 above (audS-shaped curve). R-s a g from a value of 0.392 for R squared means that actually some 39.2% credit pricing variation can be explained by these variables used in our model. Employing a set of variables closer to what we had seen in G, (MFP/ GDP, money GDP and ER) the rest of variations will be determined by other things not included here also. The p-value of the F-statistic is 0.034 and the model is statistically significant as a whole. However, when looking at interaction terms the findings suggest that moderate roles linking if not yet strong. Interaction between information distortion and inflation exhibit a coefficient of -543 826 percent with t value -0.219, interaction between credit risk and inflation attain a coefficient 1 115 764 in significance of 0.655 Both interactions have p values above 0.050 therefore they are not significant contributors to credit pricing.

Table 3. Summary of Moderation Regression Results

Statistic	Value
R-squared	0.392
Adjusted R-squared	0.224
S.E. of regression	0.012
Sum squared residuals	0.003
Log likelihood	1572.316
F-statistic	2284.141
Prob (F-statistic)	0.034
Durbin-Watson stat	1.801

Source: EViews 10 Output, 2024

The R square value of 0.39 showed that almost 39% of variation in dependent variable credit pricing is explained by independent variables. The rest is due to other factors not included in the model. The p value for the F-statistic was 0.034, which is less than our threshold 0.050. This means that the comprehensive regression model has a statistical significance: All variables combined together have some relationship to credit pricing. On the other hand, there might still be other unnoticed factors playing a role in dependent variable variation.

4.1.4 Panel Regression Model

The findings of the panel regression analysis produce a clear survey for staffers of how variables are statistically related two-by-two. Two kinds of equations were set up and tested in various ways to determine how different risks and costs of credit pricing are directly related. As the two variables are used to represent risk, people now take an active interest in whether credit risk affects interest rates are affected more or less so by these outlying factors. In our analysis of this data, fixed effects is a more appropriate way of handling the data features under study without extra effort. Overpriced credit: when a mathematical model was developed, the variable which had the most lasting impression on credit pricing was credit risk. (3) The coefficient for credit risk is a positive and significant decision, meaning that if banks face higher risks, their rates should be accordingly higher--to save them from possible default. This paper on credit pricing concentrates attention, not on the benefit side of an increase in risk appetite or how well various risk-takers can resist risks for profit but it makes suggestions, scarcely informative for modern banking practice banks surely attempt to price their risk about rates where they expect more rather than less trouble with risky borrowers.

The intersection of stewardship risk as well as the other two variables, information asymmetry and inflation, has led to serious damage in the credit pricing segment. Although information asymmetry and inflation can alter the risk profile of a bank in general terms, this is not sufficient to change the fundamental relationship between profits and credit pricing. These findings suggest that banks consider primarily inside factors directly connected with the borrower, such as creditworthiness and repayment patterns, but only secondarily external ones like inflation or information imbalance. This may indicate that while inflation and information asymmetry help shape overall risk assessments within an organization (and therefore in turn the nature of any given outflow from there to borrowers) their effect on credit pricing decisions is smaller.

Based on the results obtained, the regression model can be written as follows.

$$CP = 1,735,256 + 3,021,473(IAS) + 0.284(CRS) + 1,018,247(INF) - 543,826(IASINF) + 1,115,764(CRS*INF)**$$

Where:

CP is the credit price applied by the bank,

IAS is information asymmetry,

CRS is credit risk,

INF is the inflation rate.

The model data shows that, while credit risk is the primary determinant of credit pricing, other external factors are not so significant as to change the relationship between two variables: interest rates offered by banks and credit risk level. Thus an analysis of this data indicates that factors such as debtor evaluation and the quality of the bank loan portfolio are key determinants in policy on interest rates. Although other external variables may in all likelihood influence the comprehensive risk evaluation, the more important features of credit pricing are determined by internal factors such as the debtor's financial condition and quality of loans granted by bank institutions.

4.2 Discussion

This stage of work will study how bank credit settlement is reasonably adjusted when interest rates are at 30 percent rather than 15%. In practice, it is found that interest rates will go up as the risk is greater, so as to make up for potential losses in default. Capital adequacy and operational efficiency in managing credit risk The research spftware showed by Dongru Gu and Zhongshun Zhang make it clear that these measures can only go so far to solve the problem. According to

the PBL model, when a bank has sufficient capital to draw on its own resources after experiencing increased risk, it is easier for internal characteristics of the bank rather than external factors to affect how interest rates are set. Therefore it is Capital that is decisive in this case. It is worthwhile to point out that while credit risk affects credit pricing, variables such as inflation and information asymmetry have no significant impact on this research. Information asymmetry does not have enough impact on the bank's decision to set interest rates, despite being a key consideration when assessing risk. So it cannot be said that this finding by Wang Chunxin et al. Supporting the opinion of Sihombing et al. that although information imbalance does affect overall credit decisions it has a limited impact on credit pricing. Banks look more at internal debtor-related credit profile information like quality of loans and how the assets are covered than dealing in terms of asymmetrical deals with external agents.

The result is that inflation, the general price level, is responsible for only a small part of interest rate fluctuations. Debts must be paid back in real money. Therefore, when prices rise, people will find it hard to repay their debts; when prices fall they become rich with a lifelong guarantee that calling in every favour owed them will go unconveniened. Having control over credit is unlike something which can be won furtively or lost unconsciously, like a bird that flies away for no reason. Rather than help borrowers, rising prices increase the risk of default. But in this study the impact of inflation on loans was less than expected. In this respect, it is similar to the findings made by Hidayat and Rizkianto (2020), who found that the influence of inflation on net interest margins is weaker than that of other factors. For instance, credit risk directly determines the interest rate at which a bank will lend money. Inflation will play a greater role in guiding the monetary policies adopted by the central bank, and this in turn affects the market interest rates. However, in terms of credit pricing itself, banks will focus on the debtor's individual conditions and the composition of his or her loans. The influence of inflation, while considerable in macroeconomic management, is not so great as that of credit risk itself in determining the interest rates charged to debtors.

It showed that although information asymmetry might affect a bank's credit distribution, its effect on interest rates is not significant. Further, while the information imbalance between the bank and the debtor indirectly intensifies risks, it does not have a significant effect on whether or not a bank decides to grant credit to another party and at what level of interest rate. Consequently, banks prefer internal information that is more accurate and more closely related. Panjaitan (2024) also pointed out that information asymmetry is but one factor for banks to consider in making choices. The effect of financial decisions made by these institutions, however, may not be as profound on hourly wage rate as internal factors such as firm-specific features (discrete consumer demand for example) when used to produce sectorial price indexes that reflect average prices charged per unit of production. Banks, therefore, must pursue information systems which are as perfect as possible and guarantee accuracy and transparency in credit evaluation to avoid the problem of information asymmetry that could influence decision-making.

The results of moderated regression show that information asymmetry and inflation have no significant impact on the relationship between credit risk and price. As far as these factors should be taken into account in evaluating risks, results of the analysis reveal that interaction between credit risk and variables 2 above are not strong enough to alter decisions on credit pricing. High p values for the two interactions indicate that external factors like inflation and information asymmetry cannot have a direct impact on at what rate lenders charge or how many points borrowers get charged when they borrow money. Instead, it means that this finding supports the view of Windasari and Purwanto (2020): while external factors play a part in risk-evaluating internal things connected directly with borrower are even more influential on decision-making. Continuing this idea, it follows that better risk management should involve the bank's own evaluation of debtor risks and loan portfolios, rather than relying on external influences which are more remote.

This study confirms that the main factor determining credit suite pricing is credit assignment. Credit risk is greater qualitative the more it containing. And higher interest is the bank's choice of prescription to treat a potentially dangerous consequences of any borrowers seeking credit under such conditions; this does not only make impact rates as an anti-social measure but also raise existential questions about life on earth. However, macro-control variables such as inflation and information asymmetry only play an urgent role in the overall risk assessment, and they will not sinceffect credit pricing. When setting credit pricing banks tend to care more about internal factors from the borrower, such as risk profiles and repayment capacity. While this study also finds that information asymmetry and inflation play only a limited role in moderating the relationship between credit risk and credit pricing, these two factors in general do only have a small impact (if any) on bank borrowing rates. They are barely strong enough to affect the interest rate policy of banks making new loans. Therefore is necessary for banks to further strengthen their inner evaluation mechanism and improve information transparency to smoothly handle credit risk.

5 | CONCLUSIONS AND FUTURE WORK

According to the report, credit risk exerts a great influence on bank credit pricing. The more risky the bank's loans are, higher interest rates it will need in order to make up for the possible losses from those defaults. This shows that banks are anxious to protect their exposure to risk by loading interest on debtors. But although external

variables such as inflation and information manques may affect decisions, neither of these factors has any significant impact on the relationship between credit risk and credit pricing. There's no influence between credit risks and inflation or between credit risks and information wrong feasibility. It is concluded that banks are more concerned about internal factors directly tied to the debtor such as risk profiles and repayment ability than they are with any external factor when setting interest rates. The results show how banks assess risk and set credit pricing. More important is management of internal knowledge, while the determination of risk profiles for debtors is even greater than these outside factors. Clearly inflation and information asymmetry should influence credit decisions, although they do not have enough impact to alter the credit pricing policies imposed by banks. This study opens the door for future research on other forces which may exert a greater influence over credit pricing. such as monetary policy or macroeconomic government situation changes.

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