ABSTRACT

Although its contribution to gross domestic product (GDP) experienced a decline during the period of 2013-2019, the agricultural sector continued to play a significant role in Indonesia's economic growth as one of the major contributors. The Covid-19 pandemic in 2020 caused a significant decrease in the contribution of the agricultural sector once again. Nevertheless, the agricultural sector maintained its position as one of the top three contributors to GDP until 2022, with a contribution of 12.40%. During the period of 2018-2022, the agricultural sector showed an increase in export growth, with the highest export value and volume in 2022. Some researchers attribute this growth in agricultural exports to the inflation rate and banking credit level.

Drawing on previous research as a reference and utilizing theories of international trade and macroeconomics as the foundational theory, this study aims to identify the influence of inflation rates and banking credit on the export levels of the agricultural sector in Indonesia. Thus, the study seeks to validate previous research theories and provide a deeper understanding of the relationship between inflation rates, banking credit, and agricultural export levels from the researcher's perspective.

This research employs a causal approach between inflation rates and banking credit (X) to the export levels of the agricultural sector (Y) by adopting a time-series research methodology covering the period from 2013 to 2022. The analysis utilizes a distributed-lag model involving validity and reliability testing, model testing, and stability testing. Stationarity tests, cointegration, determination of optimal lag, and classic assumptions serve as techniques for testing the validity and reliability of the data, aiming to identify data feasibility. Meanwhile, IRF, FEVD, and CUSUM & CUSUMQ tests serve as techniques for testing stability, aiming to identify the validity of research outcomes.

The research findings reveal that there is cointegration or a long-term relationship between inflation rates, banking credit, and the export levels of the agricultural sector. Using the Vector Error Correction Model (VECM), it was found that inflation rates have a significant positive influence on exports in the long run and a positive but not significant influence in the short run. However, banking credit does not have a significant influence on the export levels of the agricultural sector in both the long and short terms.

This study is expected to contribute to the creating/development of new theories or further research by considering the shortcomings identified in this study. Furthermore, it is hoped that this research will assist in considering the optimization of inflation and banking credit policies and the formulation of long-term strategies for relevant stakeholders.

Keyword: *agricultural sector, export, inflation, banking credit, vecm*