

ABSTRACT

The existence of instability in banking system had caused the crisis for the last three decades ago, in 1998-2008. By the concern of crisis tragedy in 2008, many countries have created the macroprudential policy for mitigating the growth of Non Performing Loan ratio increasing and preventing the shock to be happen anymore. One of macroprudential which would be utilized, is Loan to Value ratio. There are some researchs providing the information as to how LTV manage to cure the Non-Performing-Loan problem.

The aims of this particular research is to examine the effect of LTV ratio's existence to controlling the NPL ratio of property sector in long term and short term period by including the range data of 2011-2017. The methodology, which would be used, was the Error Correction Model (ECM) analysis.

The observations have provided that the macroprudential policy was not fitted to mitigate the growth of NPL at conventional bank in Indonesia. Although it was significant. In the other hand, the short term period has been proven to be able to manage the growth of NPL ratio increasing before it would reach out to the equilibrium in long term period. In addition, Interest rate, Growth Domestic Product (GDP, and House Price Index (HPI) have a significant positive effect to the growth of NPL in long term.

Keywords: NPL, LTV, ECM