ABSTRACT

This study aims to assess the effectiveness of macroprudential policy in reducing credit risk in the Indonesian banking sector, particularly in State-Owned Banks. In this research, Non-Performing Loan (NPL) is used as an indicator of credit risk, while macroprudential policy instruments such as Loan to Value (LTV), Macroprudential Intermediation Ratio (MIR), and Macroprudential Liquidity Buffer are used as indicators of macroprudential policy.

The research employs a panel data regression analysis method. Secondary data is utilized, with a time period consisting of quarterly data from 2018 to 2023, involving four State-Owned Banks. The method of estimating the panel data regression model in this study is the Random Effects Model (REM) or Generalized Least Squares (GLS). The research findings indicate that collectively, each macroprudential policy instrument, such as LTV, MIR, and MLB, has an impact on the credit risk of State-Owned Banks. Individually, LTV and MLB affect NPL, while MIR does not have an influence on NPL.

Keywords: Credit Risk, Macroprudential Policy, Random Effects Model (REM).