ABSTRACT

This study evaluates the relationship between the Loan-to-Value (LTV) policy and consumer credit growth, taking into account the moderating role of the BI Rate, in Indonesian commercial banks with core capital above IDR14 trillion. It uses quarterly panel data from six conventional banks over the period 2012Q1–2025Q4 with 324 observations. Estimation is conducted using a Fixed Effect Model with Driscoll-Kraay Standard errors, presented in two models, namely a model containing only policy variables and a model that adds bank-level variables. The conditional relationships among variables are analyzed through the Interaction term of the LTV stance score and the BI Rate, together with the computation of Marginal effects.

The results show that the Interaction term between the LTV stance score and the BI Rate is negative and significant at the 5% level ($\hat{\beta} = -0.0031$; $p = 0.017$), indicating that a higher BI Rate makes the relationship between the LTV stance score and consumer credit growth more negative. Marginal analysis shows that the relationship between the BI Rate and consumer credit growth is negative and significant when the LTV stance is relatively tight. Meanwhile, the relationship between LTV and consumer credit growth shifts from positive and significant at low BI Rate levels to negative at high BI Rate levels, with a sign-change point at a BI Rate of approximately 6.59%. Among the bank-level variables, the Loan to Deposit Ratio is negatively and significantly associated with consumer credit growth.

The findings indicate that the empirical relationship between the LTV policy and consumer credit growth is conditional on the level of the BI Rate, so that the evaluation of the LTV policy needs to consider the prevailing monetary policy conditions simultaneously. These findings represent a conditional empirical association and are not intended as causal evidence.

Keywords: Loan-to-Value, BI Rate, consumer credit, interaction model, Marginal effects.