

## **ABSTRACT**

*This study aims to estimate the effect of the level of competition in the banking industry on the transmission of monetary policy through the bank lending channel in ASEAN-5 2012-2018. Changes in the level of competition are thought to be able to influence the transmission of monetary policy, especially on the lending channel. The level of competition is measured using the Herfindahl-Hirschman Index and Boone Indicator. The effect of the level of competition on lending channel was analyzed using the Arellano-Bond Generalized Method of Moments (GMM) method, namely the Two-Step Difference GMM with dynamic panel data at the bank level in ASEAN-5. This study also includes the characteristics of banks based on financial strength, namely the bank size, liquidity, and capitalization.*

*The results showed that there was increased competition in the banking industry in Indonesia, the Philippines and Thailand. While there is a decline in competition in the banking industry in Malaysia and Thailand. The results of the dynamic panel analysis show that the Boone Indicator, bank size, and capitalization have a positive effect on lending channel. The Herfindahl-Hirschman Index variable and liquidity have no significant effect on the lending channel.*

*Keywords: Banking industry, Herfindahl-Hirschman Index, Boone Indicator, lending channel, Two-Step Difference GMM*