ABSTRACT

The 2008 financial crisis, known as Global Financial Crisis (GFC), started from financial system instability in United States. The crisis inspired many countries to implement countercyclical macroprudential policies to overcome financial system instability. Recently, however, arguments have emerged that question the powers of macroprudential policy. Cerutti dkk. (2015) found that macroprudential policies were only effective in controlling household credit growth and not credit growth for non-financial companies. The risks caused by this problem may be out of macroprudential policies area (Ahnert dkk. 2018). Using the Estimator General Method of Moments-difference (GMM-diff), this study proves that macroprudential policies are less effective in maintaining financial stability for corporate sector in 38 selected countries. Besides that, macroprudential policies have a bigger impact for developed countries than developing countries that have experienced this policy. The study suggests that policy alternatives such as capital control policies are needed to complement macroprudential policies. In addition, regulatory perimeter is needed in implementing macroprudential policies.

Keywords: *macroprudential policies, inefficiency, household credit growth, non-financial companies credit growth, GMM Estimator*