

Abstract

The bank lending channel is one of the five channels through which monetary policy is transmitted. This research aims to provide empirical evidence on the significance of bank loans in facilitating monetary policy in Indonesia. To achieve a comprehensive analysis, the study includes three types of bank loans: commercial banks, Sharia banks, and rural banks (BPR). Utilizing data from 2015 to 2022, the ARDL and ECM approaches were employed to examine both short-term and long-term relationships. The findings reveal that bank loans play a crucial role in the monetary policy transmission mechanism. Furthermore, disaggregated data analysis indicates that loans from commercial banks have a more significant impact on this transmission mechanism. These results suggest that the central bank should prioritize banking system stability when implementing monetary policy.

Keywords: monetary policy transmission, bank loan, ARDL model, ECM, Indonesia