Determinants of Bank Credit in Indonesia

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Abstract

This study aims to determine and analyze the long-term and short-term effects of internal banking factors (CAR, LDR, NPL) and banking external factors (GDP, Inflation, Interest Rates, Money Supply, Industrial Production Index) on lending to commercial banks. The analytical method used is the Error Correction Model (ECM). The data used is time series data, which is compiled periodically in a monthly analysis from January 2014 to December 2020 in a time series. CAR and NPL have a significant negative effect on lending. In the short term, the LDR, GDP, Money Supply, and Industrial Production Index variables have a positive and significant effect on lending, while inflation and interest rates have no effect on lending in the short term, and lending has no effect on inflation, while the LDR, PDB, JUB, and IPI variables have a positive and significant effect on lending in the long term. And the reference interest rate variable has a positive and significant effect on lending in the long term.

Keywords: *CAR, GDP, Inflation, Benchmark Interest Rate, Money Supply*

Abstrak

Penelitian ini bertujuan untuk menganalisis pengaruh dalam jangka panjang dan jangka pendek faktor internal (CAR, LDR, NPL) dan faktor eksternal (PDB, Inflasi, Suku Bunga Acuan, Jumlah Uang Beredar, Indeks Produksi Industri) perbankan terhadap penyaluran kredit pada bank umum di Indonesia. Metode analisis yang digunakan adalah analisis Error Correction Model (ECM). Data yang digunakan dalam penelitian adalah data time series bulanan dari Januari 2014 sampai dengan Desember 2020. Hasil penelitian menunjukkan dalam jangka pendek variabel CAR dan NPL berpengaruh negatif signifikan, variabel LDR, PDB, JUB, IPI berpengaruh positif dan signifikan serta inflasi dan suku bunga acuan tidak berpengaruh terhadap penyaluran kredit. Sedangkan dalam jangka panjang CAR dan inflasi tidak berpengaruh terhadap penyaluran kredit. Sedangkan variabel LDR, PDB, JUB, IPI berpengaruh positif dan signifikan terhadap penyaluran kredit dalam jangka panjang. Dan variabel suku bunga acuan berpengaruh positif dan signifikan terhadap penyaluran kredit dalam jangka panjang.

Kata Kunci: CAR, PDB, Inflasi, Suku Bunga Acuan, Jumlah Uang Beredar

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INTRODUCTION

The development of the financial sector is one of the important factors in a country's economy. The role of the financial sector in economic activity is through funding sourced from banks because almost all sectors related to financial activities require the services of banking institutions. The role of banking is as a financial institution that regulates, collects, and distributes funds from and to the public. In those situations, in which the bank has an intermediary function, namely as an intermediary between parties who have excess funds and those who lack funds in the form of lending.

The main sources of banking income come from public funds as well as interest, which is the remuneration for credit. Credit distribution is an activity to return funds that have been collected from the community through the distribution of loan funds. Various policies are carried out by the Central Bank to increase the growth of existing lending so that the benefits of banking can be felt by the public and can also increase Indonesia's national income.The determinants of bank credit in developing market economies (EMs) are an interesting issue regarding the boom-bust cycle several EMEs experienced before and after the global crisis (Guo & Stepanyan, 2011).

In 2020, there was an economic recession caused by COVID-19, which affected various sectors without exception, including bank lending. Commercial bank lending was the most contracted banking institution at -2.41% compared to other banking institutions. And in the last seven years, bank lending has continued to experience a slowdown and is not in accordance with the targets set by Bank

Indonesia. And if this continues to happen, it can result in people not trusting banking, which ultimately has an impact on the economic sector being shaken.
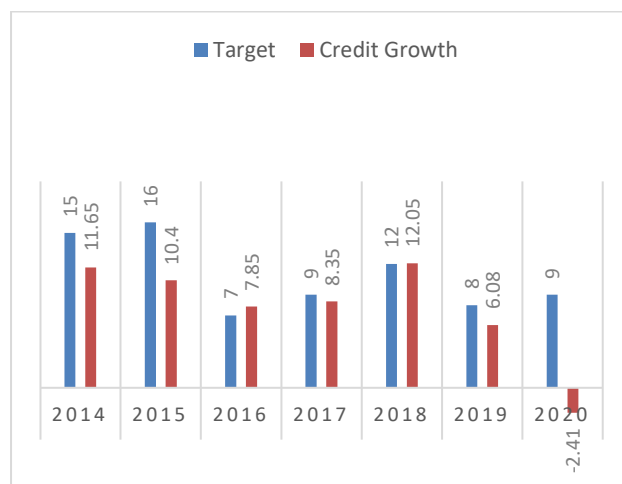

Figure 1. Commercial Bank Credit Development
Source: Indonesia Banking Statistic, 2021

Figure 1 shows that in the last seven years, namely the period from 2014 to 2020, credit growth in Indonesia has fluctuated. In the 2016 period, it was at 7.85%, which was a decrease compared to the previous year, 2015, which was recorded at 10.4%. The decline in lending also occurred in 2019, which was only recorded at 6.08% due to credit requests from business actors who did not want to expand due to the sluggish domestic economy.

This figure was far from the credit growth target set by the OJK, which was confident of 10-11% in 2015. And the worst credit growth occurred in 2020, which fell freely to -2.41% due to the contraction of the economy both domestically and abroad due to the COVID-19 virus attack, which forced people to stay at home to prevent its spread. The impact was also extraordinary to economic sector, such as declining purchasing power, rising

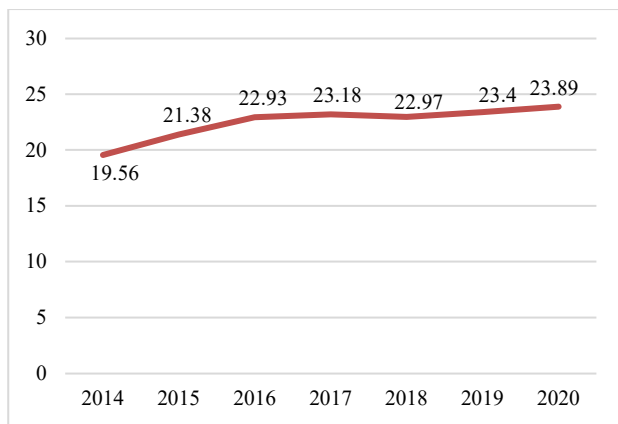unemployment, and the business sector going bankrupt.

Figure 2. Commercial Adequacy Ratio 2014-2020
Source: Indonesia Banking Statistic, 2021

Credit distribution is the main business activity for a bank that has various internal and external factors that can influence it. Internal factors, which come from within the banking sector itself, can affect credit distribution, such as CAR, LDR, and NPL. One of the factors that can affect lending is bank capital, which can be described by the CAR ratio. CAR itself is the ratio of bank capital in providing funds for business activities and as a reserve fund in the event of a risk of loss. According to research by Kaidar (2011), CAR has a positive effect on lending.

Figure 2 shows a fluctuating CAR. With the highest CAR ratio recorded in 2020 at 23.8%, this ratio increased from the previous year, which was 23.4%. For the past seven years, the CAR in Indonesia has been maintained or stable, which means that it is at a safe limit, which means that the bank is in a healthy condition in terms of its capital. With Bank Indonesia regulating the size of the banking CAR, namely the minimum bank capital adequacy ratio of 8%. So, it can be seen

from the existing CAR ratio in 2020 that the ratio was recorded well above the set limit, which means that the banking system can be said to be healthy. which is expected to increase bank confidence in lending.
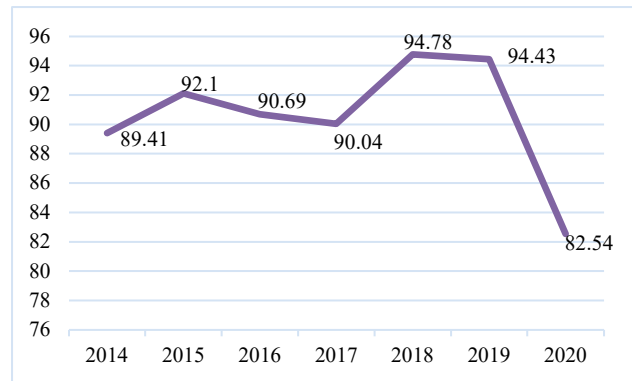

Figure 3. Loan to Deposit Ratio 2014-2020
Source: Indonesia Banking Statistic, 2021

The level of bank liquidity is an indicator that must be considered because it can affect lending as reflected by the LDR ratio. An LDR is a comparison between lending and funds collected from the community. There is a positive relationship between LDR and credit distribution, namely when LDR increases, credit distribution also increases. According to research by Febrianto (2013), it is stated that LDR has a significant positive influence on credit distribution.

Figure 3 shows that the LDR fluctuates from year to year. The LDR ratio in the seven-year period, which is around 82.54%–94.78%, illustrates the health of commercial banks in Indonesia because they are within the safe limit set by Bank Indonesia, which is 78%–100%. With the highest LDR in 2018, which was recorded at 94.78%, However, the LDR decreased in 2020, only recording 82.53% compared to the previous year's 2019 LDR of 94.43%. This decline occurred

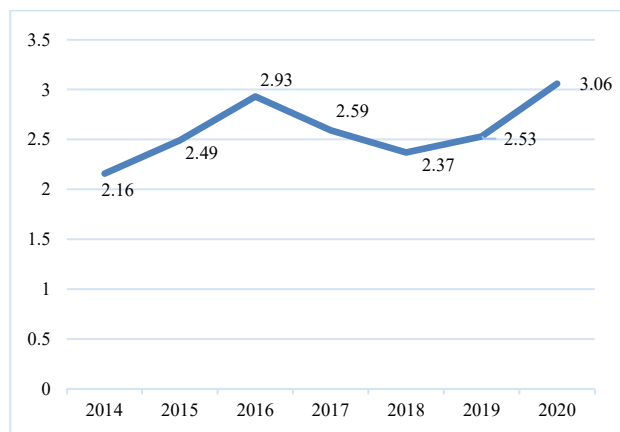when people did not apply for credit much during the COVID-19 pandemic.

Figure 4. Non-Performing Loan 2014-2020
Source: Indonesia Banking Statistic, 2021

There are many risks in a bank's decision to extend credit, especially credit risk. Credit risk is the risk resulting from default by the customer, so when disbursing credit, you must be careful so that it can be returned in accordance with the agreed regulations and agreements. In research by Sari (2013), it was stated that NPL has a negative and significant influence on lending.

Figure 4 shows that the NPL ratio fluctuates. Judging from the data above, in the period 2014–2020, NPL was around 2.16%–3.00%, which means that commercial banks in Indonesia are healthy because they are below the maximum limit set by Bank Indonesia, which is 5%. Starting from 2014, the NPL was at a value of 2.16%. However, there was a drastic increase in NPL in 2020, which was 3.06%, compared to the previous year in 2019, which was 2.53%.

Meanwhile, from the external side, there are macroeconomic variables (GDP, inflation, reference interest rates, money supply, and industrial production index) that can reflect the economic conditions of a country and become a signal for banks in extending credit. A stable and controllable economic condition is one of the external factors that affect credit distribution through a country's GDP indicator.
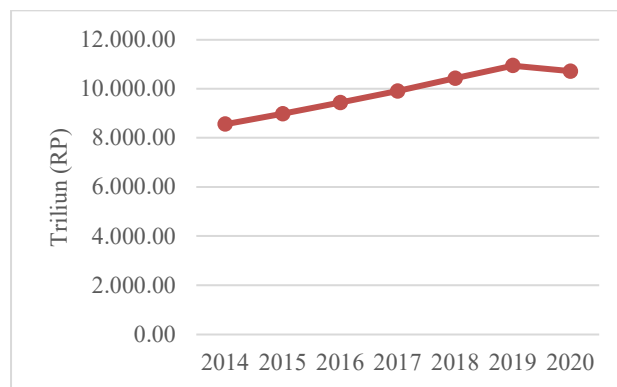

Figure 5. Gross Domestic Product 2014-2020
Source: Statistics of Indonesia, 2021

When GDP increases, it means that the country is experiencing economic growth. So that it reflects the high purchasing power of the people and makes business actors expand. Which is in accordance with Ramelda's research (2017), which states that GDP has a positive effect on banking credit distribution for commercial banks.

Figure 5 shows that Indonesia's GDP has increased, which has a positive trend. This shows that the Indonesian economy is being maintained. With each year continuing to increase, the highest GDP was recorded in 2019 at 10.949 trillion, but when viewed from the growth rate in the same year, the economy only grew 5.02%. This figure decreased from the previous year, which was 5.16 percent. However, in the following year, 2020, GDP decreased by 10.722 trillion.

Inflation is a macroeconomic variable that will affect lending. Inflation control is important because when high inflation occurs, it will create

uncertainty in all fields, such as making expansion decisions, which will reduce credit distribution and economic growth. High inflation will cause a decrease in lending. Because when inflation is high, the costs incurred will increase because of the policy of increasing interest rates implemented to control inflation. According to research by Sharma & Gounder (2012), inflation has a negative and significant influence on lending.
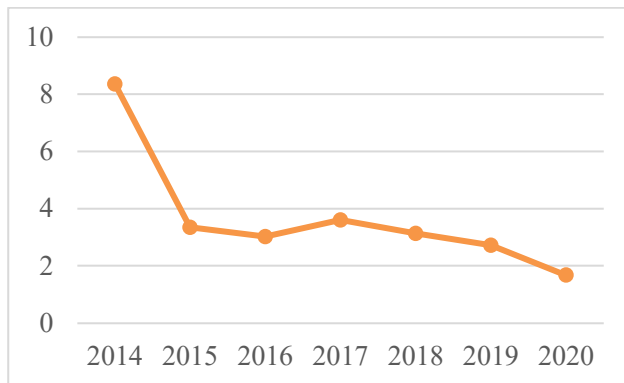

Figure 6. Inflation 2014-2020
Source: Bank of Indonesia (2021)

As seen from figure 6, inflation in Indonesia fluctuates from year to year. In 2019, the inflation rate reached 2.72%. This indicates a stable price level that did not experience a significant increase, but inflation in 2020 saw a significant decline, namely 1.68%, due to a decrease in the purchasing power of the public and the public, which tends to hold back spending during the COVID-19 pandemic.

Furthermore, the interest rates become a macroeconomic factor that can affect lending. When the benchmark interest rate set by the Central Bank rises, the costs that must be incurred also increase, so that business actors are reluctant to borrow funds from banks for expansion, which ultimately results in lower lending. And the reference interest rate has a negative and significant influence on lending to commercial banks in Indonesia (Siwi *et al.*, 2019).
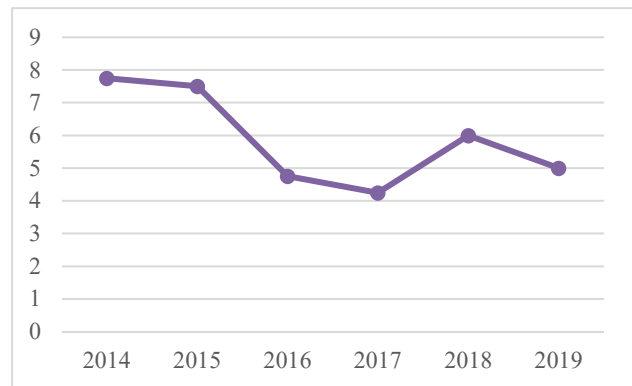

Figure 7. Interest Rate 2014-2020
Source: Bank of Indonesia (2021)

The data in Figure 7 shows that the benchmark interest rate continues to fluctuate, with the lowest value being in 2020 at 3.75%. The decline in interest rates is intended to improve the economy that is currently in contraction, which is expected to support the improvement of the banking intermediation function, namely that credit distribution can grow for the recovery of the domestic economy. And the highest interest rate was set at 7.75% in 2014 due to high inflation and to maintain domestic aggregate demand.

Money supply is another macroeconomic factor that can affect lending. The money supply is M1 (which consists of public-held currency and demand deposits), quasi-money, and securities issued by the monetary system. Specifically, increasing money supply will have an effect on increasing credit distribution. Anwar (2016) stated that the money supply variable has a significant positive effect on bank lending.

As can be seen from the data in Figure 8, money supply has fluctuated in the last seven years. The lowest was in 2014 when money supply reached 4,173 trillion IDR and the figure continued to rise, with the highest in 2020 reaching 6,900 trillion IDR. Industrial Production Index (IPI) is one of the next macroeconomic variables that can affect credit distribution.
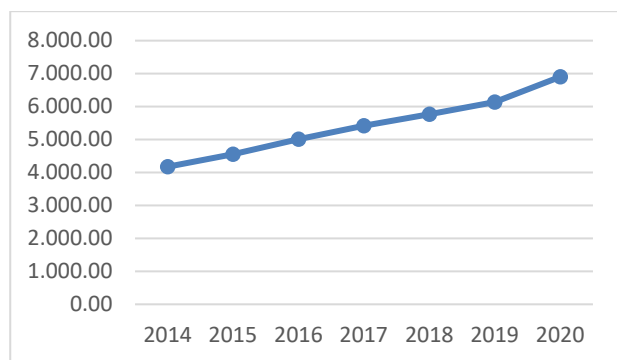

Figure 8. Money Supply 2014-2020
Source: The Ministry of Trade Statistics, 2021

The IPI reflects the total output produced by both the manufacturing and mining industries, with large and small-scale industries. The increase in Industrial Production Index, which has an impact on increasing the level of output and the need for raw materials, also increases credit distribution because in production, the company requires funds sourced from bank loans. So the assumption is that when there is an increase in Industrial Production Index, credit distribution will also increase.

From the data in Figure 9, the Industrial Production Index shows a positive trend over the last six years, but decreased in 2020 with a free fall of 73.03%, far from the previous year, which was at 105.10%. One of the reasons for this decline was the economy that was hit by the COVID-19 pandemic, which caused all economic

sectors to languish. Business actors found it difficult to produce due to social restrictions and sluggish public purchasing power.
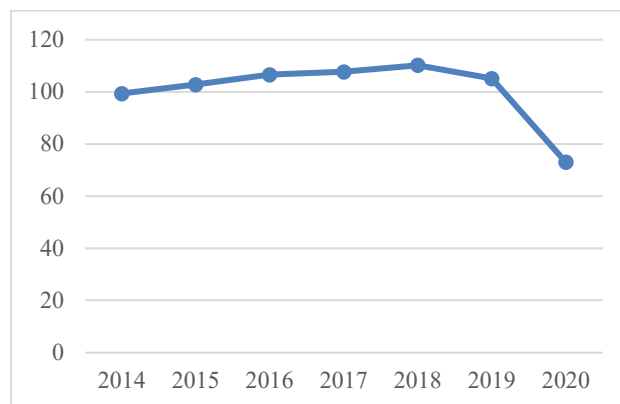
Figure 9. Industrial Production Index 2014-2020
Source: Business Statistics Division (2021)

If this continues to happen, it is possible that the business may go out of business. This study aims to determine and analyze the long-term and short-term effects of internal banking factors (CAR, LDR, NPL) and banking external factors (GDP, Inflation, Interest Rates, Money Supply, Industrial Production Index) on lending to commercial banks.

RESEARCH METHODS

This study uses quantitative research methods. The quantitative method is a research method based on the philosophy of positivism and used to examine certain populations or samples. Sampling techniques are generally carried out randomly, data collection is done using research instruments, and data analysis is quantitative or statistical with the aim of testing predetermined hypotheses (Sugiyono, 2010).

The type of data used in this research is secondary data in a monthly time series in the period January 2014–December 2020. The data is obtained from the official websites of Bank

Indonesia, BPS, OJK, the Ministry of Trade of the Republic of Indonesia, and Statistics.gr. The sample used is from the country of Indonesia. The variables used in this research are credit distribution, CAR, LDR, NPL, GDP, inflation, reference interest rate, money supply, and industrial production index.

The analytical method used in this study is the Error Correction Model (ECM) with E-views 9, which is used to correct the possibility of time series and spurious regression, as well as to correct imbalances in the short and long term (Widarjono, 2005). By using the long-term equation model as follows:

$(loan)_t = \alpha_t + \beta_1(CAR) + \beta_2(LDR) + \beta_3(NPL) + \beta_4(GDP) + \beta_5(INF) + \beta_6(SK) + \beta_7(JUB) + \beta_8(IPI) + u_t$ ....(1)

Where Loan is Total Credit Distribution of Commercial Banks, CAR is Capital Adequacy Ratio, LDR is Loan to Deposit Ratio, NPL is Non-Performing Loan, GDP is Gross Domestic Product, INF is Inflation, SK is Interest Rate, JUB is Money Supply, IPI is Industrial Production Index and Ut is Error. While the short-term equation model is as follows:

$D(loan)_t = \alpha_0 + \alpha_1 D(CAR) + \alpha_2 D(LDR) + \alpha_3 D(NPL) + \alpha_4 D(GDP) + \alpha_5 D(INF) + \alpha_6 D(SK) + \alpha_7 D(JUB) + \alpha_8 D(IPI) + ECT_{t-1} + e_t$ ....(2)

Where D(loan) is Total Credit Distribution of Commercial Banks, DCAR is CAR value this year – last year's CAR value, DLDR is LDR value this year – last year's LDR value, DNPL is NPL value this year – last year's NPL value, DPDB is GDP value for this year – GDP value last year, DINF is Inflation value for this year – Inflation value last year, DSK is Interest rates value for this year – Interest rates value last year, DJUB is Money supply value for this year – Money supply value last year, DIPI is IPI value for this year – IPI value last year and ECTt-1 is Error Correction Term.

In carrying out the estimation of the equation model using the ECM method, several classical assumption tests must be carried out through normality tests, autocorrelation tests, heteroscedasticity tests, and multicolonearity tests (Gujarati, 2012).

RESULTS AND DISCUSSION

The unit root test in this study used Phillips-Perron Test (PP). The PP test is used to determine the stationary of the data at the level when the data is not stationary at the level, and then it is continued with the degree of integration test at the level first difference. A stationarity test was carried out using the Phillips-Perron Test (PP) method. The degree of confidence used was 95%, and the alpha was 5%. At the level of all variables, none of which are stationary, and at the first difference, all variables used are stationary without exception. The concluded that the data is stationary in the first difference.

The results of testing the ECM model can be obtained by regression in the long term, which can be seen in Table 2. In the long-term model equation, the adjusted R2 value is obtained at 0.998843, which means that the ability of the independent variable used by the model to explain changes in the dependent variable, namely credit distribution, is equal to 99.8%, while the remaining 0.2% is explained by other variables outside the model.

After calculating the long-term equation, the cointegration test of the long-term residual

equation is carried out, which is called the Error Correction Term (ECT). If the ECT value is stationary at the level, then the variables used are declared to be cointegrated. This step is carried out to determine whether there is a short-term and long-term relationship between the variables so that the ECM model can be concluded to be valid when the ECT is negative and statistically significant (Widarjono, 2010).

Viewed from Table 3, it is known that the ECT probability value of 0.0000 is smaller than the 5% alpha, which means that the residual is stationary at the level, so it can be concluded that the data used in this study has a cointegration relationship between variables in the short and long term.

Table 1. Result of Unit Root Test Phillips-Perron

Variable	Prob Phillips-Perron	
	Level	First Difference
loan	0,0001	0.0914
CAR	0,0000	0.5238
LDR	0,0000	0.8580
NPL	0,0001	0.0908
LPDB	0,0016	0.6395
INF	0,0000	0.2180
SB	0,0000	0.8264
JUB	0,0001	0.8308
IPI	0.0204	0.9962

Source: Output Eviews 9

After calculating the long-term equation, the cointegration test of the long-term residual equation is carried out, which is called the Error Correction Term (ECT). If the ECT value is stationary at the level, then the variables used are declared to be cointegrated. This step is carried out to determine whether there is a short-term and long-term relationship between the variables so that the ECM model can be

concluded to be valid when the ECT is negative and statistically significant (Widarjono, 2010).

Based from Table 3, it is known that the ECT probability value of 0.0000 is smaller than the 5% alpha, which means that the residual is stationary at the level, so it can be concluded that the data used in this study has a cointegration relationship between variables in the short and long term.

Table 2. Long Run Results

Variable	Coefficient	t-Statistic	Prob	Adjusted R square
C	-1,861570	-6,999897	0,0000	
CAR	-0,000454	-0,388237	0,6989	
LDR	0,007505	10,78055	0,0000	
NPL	-0,016924	-4,410566	0,0000	
LPDB	0,125820	3,138496	0,0024	
INF	-0,0000343	-0,040357	0,9679	0,998843
SB	0,004571	3,849813	0,0002	
LJUB	0,945589	38,98961	0,0000	
IPI	0,000893	4,037069	0,0001	
T-Tabel		1,66543		

Souce: Output Eviews 9

Based on the short-term regression equation below, it is known that the ECT (Error Correction Term) value in the short-term regression results is negative. So, the ECT value used in this study is valid and shows that in the short and long term. With an ECT coefficient value of 0.573404, it means that the difference between credit distribution and the balance value is 57.3%, which will be adjusted each period.

In the short-term model equation, the adjusted R^2 value is obtained at 0.873428, which means that the ability of the independent variable used by the model to explain changes in the dependent variable, namely credit distribution, is equal to 87.3%, while the

remaining 12.7% is explained by other variables outside the model.

Based on the results of the hypothesis testing that has been carried out, in the short term the t-statistic value is -2.974732, which means the value is greater than the t-table -1, 6654, so that it can be said that CAR in the short term has a negative and significant effect on lending. In the short term, when there is an increase in CAR, it is not matched by an increase in credit distribution.

Table 3. Cointegration Test Results

Variables	t-Statistic	Probs.
Residual ECT	-7,869300	0,0000

Source: Output Eviews 9

This is because banks prefer to hold these funds to maintain capital stability, which is what banks do when there is an economic downturn. Meanwhile, in the long term, the t-statistical value is -0.388237, which means the value is smaller than the t-table of 1.6654, which means that CAR has no effect on credit distribution in the long term. And in the long term, the increase in CAR does not increase lending. Because when the economy is sluggish, banks tend to withhold funds to anticipate the risk of loss.

Based on the results of the hypothesis testing that has been carried out, it shows that in the short term the t-statistic value is 8.243653 and in the long term the t-statistic value is 10.78055, which means that the value is greater than the t-table 1.6654, so it can be concluded that it is said that LDR has a positive and significant effect on lending in both the short and long term. When the LDR ratio increases, it will result in an increase in lending. This means that when the LDR is high, the funds

owned by the bank have been used for lending. The theory of risk absorption is that a larger capital ratio must be accompanied by a reserve fund that will create greater liquidity so as to increase lending. And in line with research by Adnan et al., (2016), they stated that LDR has a positive and significant influence on credit distribution.

Based on the results of the hypothesis testing that has been carried out, the short term the t-statistic value is -3.460321 and in the long term the t-statistical value is -4.10566, which means the value is greater than t-table -1, 6654, so that it can be interpreted that NPL in the short and long term has a negative and significant effect on lending. NPL can show the quality of lending.

When the NPL ratio is low, it means that the credit distribution provided is getting better, with a full rate of return, so that it can increase lending. On the other hand, when the NPL ratio is high, it means that the level of risk of loss has increased, eventually making the funds owned by the bank eroded to bear the risk so that credit distribution can decrease. Therefore, the amount of NPL must be maintained in accordance with what has been determined by Bank Indonesia the maximum is 5%.

Then if it is associated with the theory of commercial loan theory, in maintaining banking liquidity and in lending credit, the level of risk of loss of credit returns and credit provided should be preferably in the short term so that it is easy to disburse to reduce bank risk due to non-performing loans.

Based on the results of the hypothesis testing that has been carried out, it shows that in the short term the t-statistic value is 1.729563 and the long-term t-statistic value is 3.138496,

which means that the value is greater than the t-table 1.6654, so that it is obtained GDP has a positive and significant effect on lending in the short and long term.

An increase in GDP, it means that the economy is growing, which is a positive signal for business actors to expand due to an increase in people's purchasing power, which will increase credit distribution. Which is in accordance with the theory of economic growth, with economic growth that continues to rise, which is marked by an increase in GDP. This is also in line with research by Putra (2018) and Imran & Nishat (2013), which states that GDP has an influence on general banking credit distribution in Indonesia.

Table 4. Short Run Results

Variables	Coefficient	t-Statistic	Prob	Adjusted R square
C	0,002393	3,869947	0,0002	
D(CAR)	-0,004738	-2,974732	0,0040	
D(LDR)	0,005308	8,243653	0,0000	
D(NPL)	-0,014270	-3,460321	0,0000	
D(LPDB)	0,084691	1,729563	0,0879	
D(INF)	0,001285	1,397391	0,1665	0,873428
D(SB)	0,003947	1,582056	0,1180	
D(LJUB)	0,669736	14,19774	0,0000	
D(IPI)	0,001063	3,316346	0,0014	
ECT(-1)	-0,573404	-5,295973	0,0000	
T-Tabel		1,66543		

Sumber: Output Eviews 9

Based on the results of the hypothesis testing that has been carried out, it shows that in the short term the t-statistic value is 1.397391 and in the long term the t-statistic value is 0.040357, which means that the value is smaller than the t-table 1.6654, so it can be concluded that inflation has no effect on lending in the short and long term. That is, the rise and fall of inflation has no effect on bank lending.

This is because the inflation rate continues to fluctuate in the 2014-2020 period. As well as the consequences of the policies carried out by the government to restore the economy when inflation was low by lowering the benchmark interest rate, it was not immediately greeted with rising inflation in the 2020 period when there was an economic recession caused by COVID-*19*. However, the government must maintain a stable inflation rate because it can affect the purchasing power and demand made by the public.

Based on the results of the hypothesis testing that has been carried out, it shows that in the short term the t-statistic value is 1.582056, which means that the value is smaller than the t-table 1.6654, so it can be said that the reference interest rate in the short term has no effect on credit distribution. This means that when there is an increase or decrease in the benchmark interest rate, it will not affect lending. This is because the fall in the benchmark interest rate does not only make credit interest rates go

down, so it does not increase credit distribution because people are not interested in borrowing funds with high credit interest rates.

And in the long term, the t-statistic value is 3.849813, which means that the value is greater than the t-table of 1.6654, so that the reference interest rate can have a positive and significant effect on lending. This result is not accordance with macroeconomic theory, namely that lowering the benchmark interest rate will stimulate an increase in lending.

This situation often occurs in Indonesia when the Bank Indonesia takes a policy to lower the benchmark interest rate to increase lending to improve the economy. This policy, which is sluggish but not as expected, in which the decline in the benchmark interest rate is not accompanied by the decline in bank lending rates made lending also decline.

In accordance with what is happening now with the decline in the benchmark interest rate, which has reached its lowest point, it has not resulted in an increase in bank credit. It can be interpreted that interest rate policy is not always effective at encouraging credit disbursement growth. Due to the economic recession in the mid of the COVID-19 decline in the benchmark interest rate, which was not matched by an improvement in consumption demand, made banks hold back their lending due to the high risk of default.

Based on the results of the hypothesis testing that has been carried out, it shows that in the short term the t-statistic value is 14.19774 and in the long term the t-statistic value is 38.98961, which means that the value is greater than the t-table 1.6654, so that it can be said that the money supply in the short and long term has a positive and significant effect on lending. That

is, when the money supply increases, it is accompanied by an increase in lending. Assuming that money supply is stable, it means that the domestic economy is conducive.

With a conducive economy, business actors will expand due to an increase in people's purchasing power, which is marked by an increase in money supply. This is in line with research by Anwar (2016), which states that money supply has a significant positive influence on lending. Then if it is associated with the money supply theory, which states that banks' ability to carry out money supply will depend on the demand for money by debtors.

When the demand for money by debtors increases, it will cause an increase in money supply growth, which is influenced by the increase in bank lending. Based on the results of the hypothesis testing that has been carried out, it shows that in the short term the t-statistic value is 3.316346 and in the long term the t-statistic value is 4.037069, which means the value is greater than the t-table 1.6654. So it can be said that the Industrial Production Index (IPI) has a positive and significant effect on lending both in the short term and the long term. The increase in the IPI can illustrate that the condition of the domestic industry is improving. This will encourage business actors to expand with financing sourced from loans.

The banking sector provides banking opportunities through lending to develop the businesses of business actors in the industrial sector. Then if it is associated with the real business cycle, namely when the economy is growing, business actors will maximize their production level or be in a period of expansion, thereby making credit channels also increase because the capital funds came from bank loans.

CONCLUSION

Based on the results and discussion of the analysis of the effect of the variables CAR, LDR, NPL, GDP, Inflation, Interest Rate, Money Supply, and IPI on lending in 2014-2020, it can be concluded is CAR has a significant negative effect on lending in the short term, while in the long-term CAR has no effect on lending to commercial banks in 2014-2020. Then, LDR in the short term and long term has a positive and significant impact on lending to commercial banks in 2014-2020.

And NPL has a negative and significant impact on lending to commercial banks in 2014-2020 in the short and long term. The GDP in the short and long term has a positive and significant impact on lending to commercial banks in 2014-2020. Then Inflation in the short term and long term has no effect on lending to commercial banks in 2014-2020.

The Interest rate in the short term has no effect on lending. Meanwhile, in the long term, it has a positive and significant impact on lending to commercial banks in 2014-2020. While Money Supply in the short and long term has a positive and significant impact on lending to commercial banks in 2014-2020. And Industrial Production Index has a positive and significant influence on lending to commercial banks in 2014-2020 in the short and long term.

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