

## **ABSTRACT**

*The Loan to Asset ratio shows the ability of bank funds to meet credit demand, where the LTA ratio will change at any time to adjust to economic conditions. The mismatch between bank behavior in determining the LTA ratio with macroeconomic conditions allows bank behavior to be influenced by macroeconomic uncertainty. Therefore, the purpose of this study is to analyze the effect of macroeconomic uncertainty on the allocation of Indonesian banking credit. This study uses the LTA ratio as credit allocation (AK). Meanwhile, indicators of macroeconomic uncertainty are used as inflation volatility variables (VOL\_INF), interest rate volatility (VOL\_TB), exchange rate volatility (VOL\_NT), and business cycle volatility (VOL\_SB).*

*The data analysis method used in this study is Generalized Autoregressive Conditional Heteroscedasticity (ARCH-GARCH) to measure volatility and regression analysis using Autoregressive Distributed Lag (ARDL). The ARDL model also includes dependent lag as a regressor. The data used is time series data. The subject of the study is Indonesian Banking. The time period of this study is monthly, from January 2012 to September 2024.*

*The results of the study show that simultaneously the variables VOL\_INF, VOL\_TB, VOL\_NT, VOL\_SB affect the AK of Indonesian banks. Partially, the variables VOL\_INF, VOL\_TB, VOL\_NT, and VOL\_SB have a negative and significant effect on credit allocation. The results of the study prove that banks in Indonesia act homogeneously in facing macroeconomic uncertainty, namely tending to act more carefully in allocating credit.*

*Keywords: Macroeconomic Uncertainty, Credit Allocation, Generalized Autoregressive Conditional Heteroscedasticity (ARCH-GARCH), Autoregressive Distributed Lag (ARDL).*

