

ABSTRACT

Bank Indonesia's policy rate (BI7DRR) is expected to be transmitted effectively to banking interest rates so that monetary policy can influence economic activity. However, changes in BI7DRR are not necessarily passed through fully to lending and deposit rates. This study analyzes the Interest Rate Pass-Through (IRPT) of BI7DRR to the lending and deposit rates of HIMBARA (state-owned) banks through the interbank money market (PUAB), covering the short-run and long-run pass-through, the speed of adjustment, and the response to positive and negative interest rate changes. This study uses monthly data from April 2016 to December 2024, comprising 105 observations, analyzed using a two-stage Autoregressive Distributed Lag (ARDL) and Nonlinear Autoregressive Distributed Lag (NARDL) approach.

The results show that the transmission of BI7DRR to PUAB is strong, with a long-run pass-through coefficient exceeding one and a speed of adjustment of approximately 3.49 months. The transmission of PUAB to consumption and investment lending rates is symmetric and shows no significant long-run effect, while the transmission to working capital lending rates is significant and asymmetric in both the short and long run. Meanwhile, no long-run relationship between PUAB and deposit rates was identified under the linear ARDL specification. However, the nonlinear NARDL model detected a long-run relationship, with asymmetry occurring only in the short run.

These findings indicate that the effectiveness of monetary policy transmission in Indonesia varies across banking interest rate instruments. Furthermore, the nonlinear approach is able to capture transmission dynamics that are not identified by the linear model, providing a more comprehensive understanding of the interest rate pass-through mechanism in Indonesia.

Keywords: *interest rate pass-through, BI7DRR, PUAB, ARDL, NARDL, asymmetry, HIMBARA Banks.*