THE PREFERENCES FOR HOUSING LOAN DEMAND IN INDONESIA BEFORE AND AFTER THE LOAN-TO-VALUE POLICY CHANGE

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ABSTRACT

The high price of houses causes a person to not be able to buy a home. The way that someone can own a house is by taking advantage of the credit offers provided by the bank. A macroprudential policy needed that aims to overcome financial system instability, one of which is the policy on easing the loan-to-value (LTV) ratio for housing loans (KPR). The adjustment of LTV ratio aims to increase the potential demand for property, especially housing and household appliances, in line with an increase in the incomes of the lower middle class, and to control risks in the property sector. This study analyzes the impact of savings, loan interest rates, property sector NPLs, and the number of housing loans before and after a LTV policy revision. The data analysis used the Paired t-test, Wilcoxon signed-rank test, and multiple linear regression. The study results showed that there were differences between savings, loan interest rates, property sector NPLs, and the number of mortgages before and after a LTV policy change. Savings and NPLs in the property sector have no impact on the demand for housing loans while loan interest rates and LTV policy significantly affect the demand for housing loans.

JEL: E12, E52, G51.

Keywords: housing loans, savings, loan interest rates, non performing loan, loan-to-value policy.

1. INTRODUCTION

The fundamental problem that makes someone unable to buy a house is that house prices are getting more expensive. This can be overcome by applying for a loan from a bank (Siravati, 2018). The macroprudential policy in the form of a loan-to-value (LTV) ratio regulation issued by Bank Indonesia aims to encourage economic recovery and increase banking intermediation to achieve financial system stability (Bank Indonesia, 2018a). This policy also aims to facilitate consumers to purchase houses at more affordable prices and prevent defaults as property ownership loans and property-backed consumer loans are considered to have high risks (Saraswati, Tripalupi & Artana, 2014).

The implementation of LTV policy has an impact on the banking sector and companies engaged in the property sector (developers). Credit disbursement risks affect the real estate market. The dependence of real estate market on banking products is considered relatively high, including the use of a property. A study by Canepa & Khaled (2018) finds that a decline in property prices has led to a decrease in the quality of bank assets and bank profitability, resulting in reduced borrowing capacity. The graph of new KPR and KPA lending based on the 2021 Bank Indonesia Banking Survey can be seen in Figure 1 below.
The realization of new KPR/KPA lending from the first quarter to the third quarter of 2018 quarterly (QoQ) grew positively as indicated by the Net Weighted Balance (SBT) of new loan requests of 66.7 percent. In the second quarter of 2020, the growth of new KPR/KPA loans fell to -38.7 percent as indicated by the WNB of 23.7 percent. In Quarter III-2020 of the quarterly (QoQ), the new credit growth was higher than in the previous quarter. The WNB showed this in the third quarter of 2020 of 25.0 percent, which was higher than the 23.7 percent growth during the last quarter. The growth in the first quarter of 2021 slowed down again to 57.1 percent, but there was an increase in the demand for new KPR/KPA loans by 31.4 percent. Increases in new credit growth for KPR/KPA cannot be separated from monetary and economic conditions, and these minimize credit disbursement risks.

The findings of research by Tarne, Bezemer & Theobald (2021) show that borrower-specific LTV limits differently affect household debt, wealth inequality, and consumption volatility, mediated by changes in the pattern of housing market transactions from the model. Research by Jácome & Mitra (2015) indicates that LTV and DTI effectively reduce loan growth and improve borrower debt repayment performance but do not necessarily limit housing price growth. Armstrong, Skilling & Yao (2019) empirically prove that a LTV policy can effectively suppress house price inflation by limiting the demand for housing loans, the amount of which depends on the rate of growth of house prices at the time the policy is implemented.

The empirical results of research by Kim & Oh (2020) show that LTV and DTI shock significantly affect house prices, household bank loans, and CPI and IP, mainly when the two policies are applied simultaneously. Itoo, Mutharasu & Filipe (2013) in their research find that gender, age, marital status, income, loan interest rate, loan type, loan amount, repayment amount, LTV, LTI, the form of guarantee, collateral value, loan purpose, and financial reserves are positively correlated with the number of outstanding loans.

The findings of Shkvarchuk & Slav’yuk (2021) indicate that the rate of economic growth is the main factor influencing household lending decisions. However, the cost of debt capital expressed in terms of interest rates does not affect the decisions. The housing market cycle is highly dependent on economic activities, but credit market conditions are critical in the case of a housing
boom. Empirical findings show that a monetary policy is essential to influencing loan interest rates and the likelihood of a housing boom (Agnello, Castro & Sousa, 2018).

Taufik & Soesilo (2017) analyze the impact of a Loan-to-Value (LTV) ratio policy on the growth of housing loans in Indonesia. This study concludes that the relaxation of LTV policy is less significant in encouraging the development of housing loans. The findings of Morgan, Regis, & Salike (2015) show that a LTV ratio policy has a significant effect on housing mortgage loans compared to other variables, such as savings, stock price index, gross domestic product, house prices, and exchange rates. A LTV policy, along with actual interest rates and several other macroprudential tools, is significantly correlated with mortgage lending (Morgan, Regis & Salike, 2019).

The estimation results of the Engle-Granger Error-Correction Model from research by Fauzia, Rahayu & Nugroho (2019) indicate that, in a short-term period, income affects demand for housing loans while mortgage interest rates have no significant effect. Based on the results of a long-term analysis, housing prices, revenue, and LTV ratios have a statistically significant impact on the demand for housing loans. The macroeconomic variables of interest rates and inflation do not affect the market for new housing loans. In contrast, a LTV policy has a negative impact on the demand for new housing loans (Nasution, 2013). The findings of Khoirudin (2022) reveal that economic growth, loan interest rates, and LTV do not have a significant impact on the number of mortgages in the Province of NTB.

Judging from those previous studies, there are inequalities in the empirical results, giving rise to research gaps. LTV policy and loan interest rates, on the one hand, can affect demand for housing loans but, on the other hand, do not have a significant effect. This condition is then used to examine various problems regarding the impact of the implementation of LTV policy on the demand for housing loans in Indonesia. The research problem focuses more on the market for housing loans which is influenced by several variables such as the amount of savings, loan interest rates, and NPLs in the property sector.

Enacting change in the LTV policy No. 20/8/PBI/2018 provides more convenience for people who want to buy a house compared to the previous policy. This is because Bank Indonesia provides easing in provisions for down payment rules of up to zero percent. The research results are expected to contribute to both developers and consumers. Residential developers can increase market share by easing down payment policies while consumers prefer paying for larger loans to paying for large down payments. Thus, the target for growth in demand for housing loans is expected to be higher.

2. LITERATURE REVIEW

Theoretically, a decrease (increase) in interest rates positively affects the number of loans demanded by households and firms. On the other hand, some heterodox economists argue that interest rates do not stimulate corporate credit demand but are permissible for loans made available to homes (Deleidi, 2018). An increase in loan interest rates results in a decrease in credit lending to households, thereby reducing the demand for housing. The policy on raising interest rates for corporate loans has led to a reduction in loans to construction companies, which result in a decrease in the housing supply (Nobili & Zollino, 2017).
In his theory, Keynes expresses his opinion that savings is not determined by interest rates but by income levels. The greater the income, the higher the savings owned by a household. The speculative savings theory asserts that households save for speculative investments, such as buying housing for resale. A high income will increase the amount of savings along with rising house prices (Wan, 2015). The higher the payment, the higher the protection, and vice versa.

A Non-Performing Loan (NPL), another term for bad credit, means an irregular loan in which the interest and principal amount are not paid regularly for a certain period. NPLs do not only limit bank profits but also reduce borrowing capacity by reducing bank assets (Al-Amin, Rahman & Hossain, 2021). Salem, Labidi, & Mansour (2020) state that a high level of NPL encourages banks to expand loan interest rates, which increase credit spreads. The growth in NPLs increases banks’ need for liquidity and tightens credit supply conditions.

A home loan includes five elements, namely the loan amount, the loan interest rate, the subsidiary’s collateral consisting of tangible assets to guarantee the loan (mortgage), the amount of the subsidy, and the amount of the down payment. The mortgage is foreclosed if the contract is not fulfilled. In terms of housing finance, housing subsidies represent a sizeable monetary transfer from the state to selected households. An outstanding LTV ratio is driven by household characteristics, life cycle effects, and characteristics of the type of mortgage. LTV has decreased with time since the inception of mortgage. Still, the levels are consistently higher (about 10%) for non-repayment mortgages (such as interest-only or endowment mortgages) than for repayment mortgages (such as linear or annuity mortgages) (Freitas, Magnabosco & Cunha, 2013).

The implementation of LTV restriction policy in Brazil is an effective macroprudential tool to reduce the risk of some housing loans (Araujo, Barroso & Gonzalez, 2020). Ruben et al. (2021) apply different LTV limits for different types of agents: first buyers, second and subsequent buyers, and investors as buyers. The researchers analyzed the results of household debt, wealth inequality, and consumption volatility. The findings of this study indicate that borrower-specific LTV limits affect household debt, wealth inequality, and consumption volatility in different ways mediated by changes in the housing market transaction pattern of the model. Borgersen (2020) finds the effect of higher LTV on housing user fees as a net effect of higher borrowing costs and the associated leverage advantage.

The findings of Pontines (2021) show that during the study the limit on the value of loans to achieve financial stability goals in Korea in terms of limiting credit and appreciating house prices lies under an inflation targeting regime. Cunha, Lambrecht & Pawlina (2013) suggest that an outstanding LTV ratio is driven by household characteristics, life cycle effects, and characteristics of the type of mortgage. These results indicate that the growth in the proliferation of non-payment mortgages has been driven by tightening financing constraints as affordability in the housing market declines and the overall quality of outstanding mortgages has substantially deteriorated over time.

Loan to Value (LTV) and Debts Service to Income (DSTI) policies are related to housing loan demand. These policies aim to overcome obstacles that occur in household budgets and thus limit the ability of households to borrow the funds needed to purchase houses (Kuttner & Shim, 2016). The LTV ratio in Indonesia has been adjusted four times since it was first implemented, starting from 70 percent in March 2012 to 80 percent in September 2013, 85 percent in June 2015,
and back to 80 percent in August 2016. This was done to maintain a stable housing market based on the condition of the Indonesian economy (Lim & Nugraheni, 2017).

By the Presidential Regulation No. 20/8/PBI/2018, housing loans are also given to landed houses, flats, and shophouses/offices that have come into effect since 30 July 2018. The substance of the provisions in the 2018 LTV/FTV regulations includes adjustments to the LTV ratio for property loans and FTV ratio for property financing, adjustments to the maximum amount in property credit facilities or property financing for pivot property ownership, and adjustments to the stage settings and the amount of disbursement of loan property or property financing for pivot property ownership. The change in LTV policy is granted for the second and third property credit facilities, including a maximum of 80 percent for landed houses and flats with a building area of over 70 m² and a maximum of 85 percent for landed houses and apartments with a building area of 22 m² to 70 m². The LTV policy for flats with a building area of up to 21 m² is also a maximum of 85 percent, and similarly the highest for a shophouse or office is 85 percent (Bank Indonesia, 2018b).

![Diagram](image-url)

**Figure 2. Research Conceptual Framework**

The effects of savings, loan interest rates, NPLs in the property sector, and LTV policy change are on the demand for housing loans before and after the change in LTV policy. The research framework can be seen in Figure 2. The difference in this study lies in the selection of independent variables where the researcher includes the property sector NPL variable, which reflects the number of non-performing loans in the property sector. In addition, this study uses the LTV PBI variable No. 20/8/PBI/2018, where the policy provides freedom regarding the amount of the down payment for the purchase of the first house changed from the previous provision for a down payment of 10 percent of the house price. It is expected that banks can reduce the level of
non-performing loans in the future, especially in the property sector. Based on the conceptual framework above, four research hypotheses can be formulated, in which the amount of savings, loan interest rates, NPLs in the property sector, and change in Loan-to-Value policy have a significant effect on the housing loan demand. This study also analyzes whether there are differences in the market for housing loans before and after the Loan-to-Value policy change.

3. RESEARCH METHODS

The objective of this research was how the macroeconomic variables and change in LTV easing policy influenced the demand for housing loans in Indonesia. The commercial banks that distribute Home Ownership Loans (KPR) in Indonesia registered with Bank Indonesia became the population in this study. The operational definition of the research variables could be defined following the grouping of each variable used in the research which consisted of independent and dependent variables. A more detailed description of the variables is presented in Table 1.

<table>
<thead>
<tr>
<th>Variable Operational Definition</th>
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<tbody>
<tr>
<td><strong>Dependent Variable</strong></td>
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<tr>
<td>LTV Policy (LTV)</td>
</tr>
<tr>
<td><strong>Independent Variable</strong></td>
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<tr>
<td>Savings (SAV)</td>
</tr>
<tr>
<td>Loan Interest Rate (SBK)</td>
</tr>
<tr>
<td>Property Sector NPL (NPL)</td>
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<tr>
<td>Home Ownership Loans (KPR)</td>
</tr>
</tbody>
</table>

The data summarized in this study was in the form of time series data covering the amount of savings, loan interest rates, NPLs in the property sector, and the number of mortgages from September 2015 to April 2021. The sampling technique used the saturated sampling method, namely using the entire population as the research sample, thereby obtaining 68 samples in total.

The analysis technique used was the Paired t-test, Wilcoxon signed-rank test in the SPSS version 22 program and multiple linear regression with Eviews 10. The selection of the methods and analysis techniques was based on the problems to be studied. This study examined the demand for housing loans before and after the change in LTV policy and identified the effects of macroeconomic variables and LTV policy on the demand for housing loans. The formula for calculating the paired sample t-test is as follows:

\[ t = \frac{D}{S_D/\sqrt{n}} \] ................................. (1)

\[ D = \frac{\sum D}{n} \] ................................. (2)

\[ S_D = \sqrt{\frac{\sum D^2 - (\sum D)^2}{n(n-1)}} \] ................................. (3)

The test criterion for the paired difference test is that if the significance value is less than 5 percent, there is a significant difference between before and after there is a change in LTV policy. However, if the significance value is more than 5 percent, then the variable does not significantly differ between before and after the LTV policy change.
The Wilcoxon signed-rank test was used to determine whether there was a difference between two samples of paired data that were not normally distributed. The Wilcoxon signed-rank test can be calculated using the following formula (Cooper & Schindler, 2014):

\[ \text{Mean} = \mu_T = \frac{n(n + 1)}{4} \]  \hfill (4)

\[ \text{Standard Deviation} = \sigma_T \sqrt{\frac{n(n+1)(2n+1)}{24}} \]  \hfill (5)

\[ Z = \frac{T - \mu_T}{\sigma_T} \]  \hfill (6)

The test criterion in the Wilcoxon signed-rank test is if the probability value (Asymp. Sig) is less than or equal to 5 percent, then Ho is rejected, thus indicating that there is a difference between before and after the LTV policy change. Meanwhile, if the probability is more than or equal to 5 percent, then Ho is accepted, resulting in no difference before and after the change in LTV policy.

The hypotheses for the analysis of Paired t-test and Wilcoxon signed-rank test can be formulated as follows:

Ho: There is no difference before and after the LTV policy change

Ha: There is a difference before and after the LTV policy change

The multiple linear regression analysis aims to analyze the effects of macroeconomic variables and LTV policies on demand for housing loans. The specification of the research model for the housing loan request case before and after there is change in LTV policy can be seen in the following equation.

\[ KPR_t = \beta_0 + \beta_1 SAV_t + \beta_2 SBK_t + \beta_3 NPLP_t + \beta_4 LTV_t + \varepsilon_t \]  \hfill (7)

Note:

- \( KPR_t \) = Home Ownership Loans in period t,
- \( SAV_t \) = Savings in period t,
- \( SBK_t \) = Interest rate loans in period t,
- \( NPLP_t \) = Property sector NPL in period t,
- \( LTV \) = Loan-to-Value policy in period t,
- \( \beta_0 \) = Constant,
- \( \beta_1, \beta_2, \beta_3, \beta_4 \) = Coefficient of SBK, SAV, NPLP, LTV
- \( \varepsilon_t \) = Error term

4. **RESULTS AND DISCUSSIONS**

The descriptive statistical analysis describes the overall data description of the variables, including the maximum and minimum values, mean, and standard deviation. The results of descriptive statistics on the housing loan demand variables are shown in Table 2 below.
The results of the descriptive analysis concludes that there was an increase in the average value of savings, NPLs in the property sector, and mortgages after the implementation of the new LTV policy increased compared to before the LTV policy change. The increase in average savings indicates that the new LTV policy implemented effectively increases savings. The increasing average NPL of the property sector after the implementation of the new LTV policy suggests that the new policy effectively reduces the number of non-performing loans and minimizes the occurrence of debtor defaults. Meanwhile, the average increase in mortgages after the LTV policy change can also increase the housing demand. In contrast, the average loan interest rates decreased after the LTV policy change compared to before such change. The decrease in the average loan interest rates indicates that the new LTV policy can increase people’s purchasing power to fulfill housing loans.

The normality test results above show that the variables of savings, loan interest rates, and NPLs in the property sector are typically distributed, whereas the number of mortgage loans is not normally distributed because the significance value is less than 5 percent. The normally distributed variables were then analyzed using the paired sample t-test, and variables that were not normally distributed were analyzed using the Wilcoxon signed-rank test.

Based on the paired sample correlation results, the correlation values for each variable of savings, credit interest rates, and NPLs in the property sector before and after the LTV policy change were 0.946, 0.967, and 0.714. These values indicate a very strong correlation between savings, loan interest rates, and NPLs in the property sector before and after the LTV policy change. The overall probability value of the variable was 0.000. This means that there is a significant relationship between savings, loan interest rates, and NPLs in the property sector before and after the LTV policy change because the significance value was less than or equal to 5 percent. The sample t-test analysis results are shown in Table 3 below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>t-statistic</th>
<th>Sig.</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAV Before – SAV After</td>
<td>-56.073</td>
<td>0.000</td>
<td>There is a difference</td>
</tr>
<tr>
<td>SBK Before – SBK After</td>
<td>43.265</td>
<td>0.000</td>
<td>There is a difference</td>
</tr>
<tr>
<td>NPL Before – NPL After</td>
<td>-19.586</td>
<td>0.000</td>
<td>There is a difference</td>
</tr>
</tbody>
</table>

Based on the output above, the t values for the variables of savings, credit interest rates, and NPLs in the property sector before and after the LTV policy change are -56.073, 43.265, and -19.586. The overall probability value of the variable is 0.000 with a significance level of less than
5 percent, which means Ho is accepted. The conclusion from the test results is that there are differences in the variables of savings, credit interest rates, and NPLs in the property sector between before and after the change in LTV policy.

The variable of housing loans (KPR) number, which was not normally distributed, was analyzed using the Wilcoxon signed-rank test to determine the hypothesis to be accepted for this variable. Overall, the sample data for the mortgage variable were in the positive ranking group, meaning that as many as 34 total mortgage loans after the LTV policy change have a considerable value. This shows that the value of mortgages tends to increase after the LTV policy change.

The statistical test results above showed a Z value of 5.086 with a probability of 0.000. The probability value of Z was then compared with 5 percent, resulting in the probability value of less than 0.05, and Ho was therefore rejected. This means that there is a significant difference between the number of mortgages before and after the implementation of LTV policy change. The analysis results conclude that the revised LTV policy in that period has not significantly affected the number of mortgage loans.

The following analyses were the multiple linear regression and hypothesis testing. However, a classical assumption test was carried out in advance to ensure that the research model was free from spurious regression. The normality test used the Kolmogorov-Smirnov method, where if the significance level is more significant than 0.05, then the data is declared normally distributed. The Jarque-Bera probability value showed 0.2832, indicating that the research data had a normal distribution.

The autocorrelation test used the Breusch-Godfrey LM-test, resulting in a probability value of less than 0.05, so this model contained an autocorrelation problem. Thus, corrections or improvements should be done to the standard errors. Standard errors that have been corrected are called HAC (heteroscedasticity and autocorrelation-consistent) common errors or Newey-West Standard Errors. The probability value in the Harvey test to detect heteroscedasticity was 0.1763 or more than 0.05, meaning that the model is free from heteroscedasticity problems.

The multicollinearity test used the client method by comparing the regression $R^2$ between the independent variables with the main model $R^2$. The results of the multicollinearity test showed that the regression $R^2$ values between the independent variables were 0.9629, 0.9779, 0.8635, and 0.7873, which were all smaller than the $R^2$ of the primary regression model of 0.9930. Based on these results, it can be concluded that the housing loan demand model does not contain multicollinearity problems. Furthermore, the housing loan demand model analysis can be seen in Table 5 below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>849131.8</td>
<td>90032.11</td>
<td>9.431432</td>
<td>0.000</td>
</tr>
<tr>
<td>SAV</td>
<td>0.025782</td>
<td>0.019295</td>
<td>1.336224</td>
<td>0.1863</td>
</tr>
<tr>
<td>SBK</td>
<td>-48029.90</td>
<td>5686.262</td>
<td>-8.446656</td>
<td>0.000</td>
</tr>
<tr>
<td>NPLP</td>
<td>0.204936</td>
<td>1.177281</td>
<td>0.174076</td>
<td>0.8624</td>
</tr>
<tr>
<td>LTV</td>
<td>20667.66</td>
<td>5430.371</td>
<td>3.805939</td>
<td>0.0003</td>
</tr>
</tbody>
</table>

Source: Processed Data, 2022

The regression results in the table above can be written in the equation below:

$$\hat{KPR} = 849131.80 + 0.03 \cdot SAV - 48029.90 \cdot SBK + 0.20 \cdot NPLP + 20667.66 \cdot LTV + \varepsilon \ldots \ldots (8)$$
The estimation results of the housing loan demand model show that there are two variables with a significant effect on the demand for housing loans, namely loan interest rates and LTV easing policy. The savings and NPL variables in the property sector have no impact on the demand for housing loans. The housing loan demand model is influenced by savings, loan interest rates, NPLs in the property sector, and LTV policy at 99.30 percent, while the remaining 0.70 percent is influenced by other variables not included in the research model.

Savings has a negative response to the change in LTV policy, which means that the new LTV policy has not been effective enough to increase the value of people's savings. This is because the income received by the community decreases, leading to a reduction in the funds that are usually set aside as savings. This finding is in line with the results of research conducted by Morgan et al. (2015), in which a LTV policy has a large effect on deposits, stock price index, gross domestic product, house prices, and exchange rates. The results of the hypothesis test illustrate that savings have no significant effects on the demand for housing loans. This is because the income received by the community is not able to meet people's desire to save, thereby making an impact on the amount of credit extended by banks, including housing loans. This condition causes people to have no purchasing power to meet their housing needs and invest in the property sector.

Credit interest rates are stated differently before and after the change in LTV policy. The positive response from loan interest rates indicates that the implementation of the new LTV policy is effective in increasing loan interest rates. The empirical results are in line with the hypothesis, which states that interest rates have a negative effect on the demand for housing loans. The variable coefficient of the credit interest rates was -48029.90, which means that if there is an increase in credit interest rates by 1 unit, it will increase the demand for housing loans by -48029.90, and vice versa. The results of the analysis are in line with the findings of Dajcman (2020), in which the growth of housing mortgage interest rates is negatively related to the demand for housing mortgage loans.

There are indications that differences exist in NPLs in the property sector before and after the LTV policy change. The NPLs in the property sector responded negatively to the new LTV policy. This condition indicates that the new LTV policy has effectively reduced the number of NPLs in the property sector. The regression results showed that the property sector NPL had no significant effects on the demand for housing loans. It is suspected that the quality of bank loans does not have the potential to increase NPLs in the property sector. According to Ghosh (2015), the quality of bank loans usually supports the scenario of an increase in NPL by taking into account the impact of microeconomic conditions other than bank capital and credit quality as well as effective cost management in assessing the financial health of banks.

Loan to Value has a positive impact on the demand for housing loans as seen from the coefficient value, which showed a positive sign and a significant probability. The 20667.66 coefficient means that the effects on the demand for housing loans after the change in LTV policy are greater than before the LTV policy change. The results of this study are in line with the findings of Fauzia et al. (2019), where the LTV ratio has a statistically significant effect on the demand for housing loans in the long term. The implications of LTV ratio as a financial construct for controlling housing demand in the housing market are best observed over a long-term period.
5. CONCLUSION

This study aims to examine the impact of changes in the loan-to-value (LTV) policy on total savings, loan interest rates, NPLs in the property sector, and the number of mortgage loans (KPR). In this case, the demand for housing loans remains to be the main issue that the government pays attention to in the policy-making. The LTV policy in this study refers to the Bank Indonesia Regulation No. 20/8/PBI/2018 concerning the Loan-To-Value Ratio for Property Loans, Financing-To-Value Ratio for Property Financing, and Down Payments for Motor Vehicle Loans or Financing. Overall, the research results have answered the problem formulation described. The researcher found that there were differences in the variables of savings, loan interest rates, NPLs in the property sector, and the number of mortgages before and after the LTV policy change. This finding is also supported by empirical results in which the loan interest rate variable and LTV policy have a significant impact on the demand for housing loans while savings and NPLs in the property sector have no significant effects.

The implementation of the new LTV policy is more effective in providing relief to people who want to buy a house, not only the first house but also the second house and so on. Bank Indonesia issued a policy on easing the LTV ratio, which is expected to facilitate low-income groups to be able to meet their housing needs. In addition, banks can consider low loan interest rates for homeownership loans to make people interested in taking affordable installments. Low interest rates and ease of mortgage facilities can encourage mortgage loan growth. Banks must also apply the 5C principle in providing credit, which is Character, Capacity, Capital, Collateral, and Condition, for customers. This policy is used to avoid the risk of non-performing loans in the property sector.

The limitation of this study lies in the number of variables used, which may still need to be added or readjusted to identify the demand for housing loans in Indonesia. Researchers can use the number of housing loans (KPR/KPA) variable as a dependent variable. Such variables such as residential property price index (IHPR), inflation rate, exchange rate, and economic growth can also be recommended as independent variables. In addition, the use of analytical models and techniques such as the partial adjustment model (PAM), Engle-Granger error correction model (EG-ECM), and others can be considered for further research in the hope that better results will be obtained.

REFERENCES


The Preferences for Housing Loan Demand in Indonesia


