ABSTRACT

Monetary policy is a tool used to maintain a stable currency value that is reflected in the inflation rate. To achieve this goal, Bank Indonesia sets a policy rates as an instrument to influence the activities of the Indonesian economy. The optimal changes in interest rates at private banks and the government in each period must be in accordance with the provisions of Bank Indonesia's monetary policy at that time. But in fact, when Bank Indonesia decided to change the Bank Indonesia Interest Rate, conventional banks could not change their interest rates at that moment or it could be said that there was a time lag in change of interest rate.

Data used for this study is secondary data, Credit Base Interest Rate and Interest Rates called BI 7 DRR. The data collection period is from early January 2014 to September 2019. The analytical tool used in this study is the VAR model testing.

The results obtained from the study show that the time lag for government and private banks varies depending on the type of prime lending rate, except for the prime lending rate for KPR*, both types of banks show the same results. The amount of time lag at Government Banks on the Corporate Prime Lending Rate is 21 periods, 24 periods for Retail, 23 for Micro, 14 for* KPR *and 12 for Non KPR for 12 periods. The amount of time lag for private banks on the prime lending rate for corporations is 23 periods, 21 periods for Retail, 22 for Micro, 5 for* KPR*, and 17 for Non KPR for 17 periods. Researcher's suggestion for government and private banking is authors suggest to accelerate the process of changing credit interest rates. With the faster changes in the prime lending rate, the level of investment consumption will be better. These changes will increase the quantity of GDP. With the increase in GDP, inflation can be controlled. So it can be said that the more optimal the change in prime lending rate, the faster the economy will be repaired.*

Keywords: Monetary Policy, SBDK*, Interest Rate, Var's model*