

SUMMARY

ROJALI ROKHMAN HAKIM. Effect of government policy on the decrease interest rate of KUR Micro loan to Non-KUR loan migration at bank XYZ. Supervised by HERMANTO SIREGAR and TUBAGUS NUR AHMAD MAULANA.

The role of banks in economic development is to channel funds of them in the form of credit for UMKM. In an effort to increase the real sector and poverty alleviation and empowerment of UMKM, the Government makes economic policy on the reduction of the interest rate of People's Business loan (KUR) into single digits. The micro rate is initially stable at 22% interest rate later in 2015 down to 12%. The government then reduced it back to 9% in 2016.

XYZ Bank as one of the banks that focus business on UMKM and bank for micro credit lending, so the effect of interest rate change will be felt in XYZ bank both in the amount of distribution and the number of micro credit creditors. With the change of interest rate policy, the debtor will switch to credit scheme with low interest. This will lead a migration form Non-KUR debtor to KUR Mikro debtor, both in term of outstanding and number of outstanding for instance.

Base on the research that Regional offices that have outstanding migration and the smallest debtors are the Jayapura regional office whereas the regional offices that have the *oustanding* migration and the largest debtors are the Bandung regional office.

Independent variable of KUR Micro loan interest rate, Non-KUR loan interest rate, KUR Micro loan migration proportion as well as *dummy* variable affecting outstanding migration and KUR Micro loan debtors with variation level of 0.998% and 0.989%. The increase in Non-KUR interest rate has a real effect on the migration of outstanding and KUR Micro loan borrowers, this happens because the ceiling given by the bank is different between micro and Non-KUR loan credit. KUR Micro loan interest rates and proportional migration of KUR Micro loan are directly proportional to outstanding migration and KUR Micro loan debtors.

The policy implications can be suggested is a bank should anticipate the decrease of the interest rate of the micro curve in order to avoid too many outstanding migrants and debtors. Other factors beyond the interest rate should be management priority in maintaining the retention rate and the acquisition of Non-KUR loan debtors. The proportionate increase of migration has a significant effect on the outstanding migration and the number of debtors so banks need to create innovative products that can maintain the consistency of non-credit debtors.

Keywords : panel data, debtor, KUR micro loan, migration, non-KUR loan, outstanding and interest rate