ABSTRACT

Macroeconomic instability can trigger banking risks, this can be seen from GDP and inflation in Indonesia in 2020 which have decreased, thereby increasing banking risk exposure represented by RWA, LDR, and NPL. One of the instruments used by the government in dealing with this problem is banking as the macroprudential policy authority which is collaborated with the effectiveness of the board of directors as policy implementers can be one of the solutions to this problem. The implementation of this policy and the effectiveness of the board of directors show positive developments in RWA, LDR, and NPL which can be seen in 2021 and 2022.

This study aims to analyze the effect of macroprudential policies and the effectiveness of the board of directors on the risk-taking behavior of banks in Indonesia in the period 2018-2022. The aspects studied include bank risk behavior, macroprudential policy, board effectiveness, company size, and inflation. The method used is panel data regression using time-series and cross-sectional data for a certain time span. The data collection used is secondary from the official websites of Bank Indonesia, Financial Services Authority, Indonesia Stock Exchange, and bank companies.

The results of this study indicate that only the effectiveness of the board of directors and company size have a significant effect on risk-taking behavior partially. While macroprudential policies, macroprudential policies that moderate the effectiveness of the board of directors, and inflation are considered to have no effect on bank risk-taking behavior, this is due to differences in bank-specific characteristics, the effectiveness of corporate governance, policy implementation in the form of policy easing and tightening, and the interaction between macroprudential policies and monetary policy. However, macroprudential policies, board effectiveness, macroprudential policies that moderate board effectiveness, firm size, and inflation simultaneously have a significant influence on bank risk-taking behavior.

The results of this study are expected to be used as a reference for banking management to be selective in choosing the board of directors related to bank risk-taking behavior. In addition, this research can be used as an evaluation for regulators regarding the tightening and loosening of macroprudential policies that can have an impact on bank risk-taking behavior. This research can also be further developed by future researchers by providing more detailed specifications for the samples taken, especially bank-specific characteristics, corporate governance, and macroprudential policy implementation.

Keywords: *Risk taking behavior, macroprudential policy, effectiveness of the board of directors, moderation, inflation, company size, macroeconomic instability.*