

THE IMPACT OF BANK INDONESIA'S INTEREST RATE POLICY: A QUALITATIVE ANALYSIS BASED ON LITERATURE SYNTHESIS

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ABSTRAK: Kebijakan suku bunga merupakan instrumen utama kebijakan moneter yang mempengaruhi stabilitas ekonomi dan intermediasi perbankan dalam sistem keuangan. Dalam konteks sistem perbankan ganda di Indonesia, perubahan suku bunga acuan berpotensi mempengaruhi pembiayaan perbankan syariah meskipun tidak menggunakan mekanisme bunga secara langsung. Penelitian ini bertujuan menganalisis dampak kebijakan suku bunga Bank Indonesia terhadap pembiayaan syariah melalui pendekatan kualitatif dengan metode studi kepustakaan. Dalam hal ini, data dianalisis menggunakan studi kepustakaan melalui pengelompokan tematik dan komparasi temuan penelitian yang relevan. Hasil kajian menunjukkan bahwa pengaruh suku bunga terjadi secara tidak langsung melalui kompetisi penghimpunan dana, penyesuaian margin pembiayaan, serta ekspektasi risiko pasar. Selain itu, sensitivitas pembiayaan syariah juga bervariasi sesuai jenis akad, di mana pembiayaan berbasis bagi hasil relatif lebih stabil dibandingkan pembiayaan berbasis margin tetap. Meskipun demikian, independensi operasional perbankan syariah terhadap dinamika suku bunga belum sepenuhnya tercapai sehingga diperlukan penguatan instrumen moneter syariah dan kebijakan regulasi yang adaptif guna meningkatkan kemandirian sistem keuangan syariah.

Kata kunci: kebijakan suku bunga, pembiayaan syariah, transmisi moneter, dual banking system.

ABSTRACT: Interest rate policy is the primary monetary policy instrument influencing economic stability and banking intermediation within the financial system. In the context of Indonesia's dual banking system, changes in the benchmark interest rate have the potential to impact Islamic banking financing, even though they do not directly utilize the interest mechanism. This study aims to analyze the impact of Bank Indonesia's interest rate policy on Islamic financing through a qualitative approach using a literature review method. Data were analyzed using a literature review through thematic grouping and comparison of relevant research findings. The study results indicate that interest rates influence indirectly through competition for funds, adjustments to financing margins, and expectations of market risk. Furthermore, the sensitivity of Islamic financing also varies by contract type, with profit-sharing financing being relatively more stable than fixed-margin financing. Nevertheless, the operational independence of Islamic banking from interest rate dynamics has not yet been fully achieved, necessitating the strengthening of Islamic monetary instruments and adaptive regulatory policies to enhance the independence of the Islamic financial system.

Keywords: interest rate policy, sharia financing, monetary transmission, dual banking system.

1. INTRODUCTION

Interest rate policy is the main instrument of monetary policy in maintaining price and macroeconomic stability, with the benchmark rate serving as a signal that shapes inflation expectations and aggregate demand. Within the Taylor Rule framework, (1993)

central banks adjust nominal interest rates in response to inflation deviations and the output gap to preserve credibility and stabilize the economy. Mishkin (1996) identifies the interest rate channel as the primary mechanism through which rate changes affect borrowing costs, consumption, and investment. Higher interest rates suppress credit demand and economic activity, while lower rates stimulate financing and output growth. Monetary policy also operates through the credit channel, highlighting the importance of banking balance sheets and financing constraints in shaping credit distribution to the real sector. In Indonesia, Bank Indonesia implements policy through the BI Rate and the BI 7-Day Reverse Repo Rate, and changes in these rates significantly affect national bank credit distribution (Karim et al., 2016). Although Islamic banks operate on profit-sharing principles within the dual banking system, market competition causes Islamic financing to remain influenced by interest rate dynamics (Hasna et al., 2019).

Bernanke and Blinder (1992) show that changes in the benchmark interest rate influence bank reserves and lending capacity. Higher interest rates reduce bank liquidity and constrain credit distribution, reinforcing the role of financial intermediation in monetary transmission. Furthermore, Kashyap and Stein (1997) further emphasize that credit responses depend on bank-specific characteristics, particularly liquidity and size. Banks with lower liquidity are more sensitive to monetary tightening than those with stronger reserves. This implies that interest rate adjustments generate heterogeneous effects across financial institutions. Although Islamic banking does not apply interest, murabahah financing often exhibits pricing characteristics similar to conventional credit (Chong & Liu, 2005). In Indonesia, the BI Rate is empirically correlated with Islamic financing margins, indicating indirect monetary transmission to sharia banking (Triwibowo et al., 2022). This indicates the indirect transmission of interest rate policy to sharia financing.

Although studies on monetary policy transmission and Islamic banking have expanded, both strands of literature are generally examined separately. Research on monetary transmission primarily emphasizes the interest rate mechanism in conventional banking, whereas Islamic banking studies focus on sharia compliance, financing structures, and financial stability. As a result, limited research integrates these perspectives within a dual banking system framework. Empirical evidence on the transmission of Bank Indonesia's benchmark interest rate to Islamic financing remains scarce. A comprehensive analysis is therefore required to understand how interest rate changes influence cost of funds, margin determination, and financing volume in Islamic banks. This issue is crucial because Islamic banks operate without interest but remain exposed to conventional rate dynamics. Comparative studies assessing the sensitivity of Islamic financing relative to conventional credit are also still limited.

This research contributes to the development of monetary transmission theory within a dual banking structure. By examining the interaction between interest rate policy and Islamic financing, it enhances understanding of policy effectiveness in a two-system economy. The findings are expected to inform Bank Indonesia and the Financial Services Authority (OJK) in designing more adaptive monetary and regulatory policies while evaluating the operational independence of Islamic banking.

2. RESEARCH METHOD

This study uses a qualitative approach with a library research method. This qualitative approach was chosen because this study aims to deeply understand the concepts, theories, and empirical findings related to the impact of Bank Indonesia's interest rate policy on Islamic financing, rather than to test causal relationships through statistical data processing. Through this approach, the researcher attempts to critically interpret various relevant literature to build a comprehensive conceptual understanding.

This research method utilizes written sources as primary data. These sources include textbooks, scientific journal articles, research reports, official regulations of Bank Indonesia and the Financial Services Authority (OJK), and monetary policy documents. This study focuses on a systematic analysis of literature directly relevant to the theme of monetary policy transmission and the characteristics of Islamic banking financing.

Data collection techniques were conducted through the identification, selection, and documentation of literature relevant to the research focus. Literature inclusion criteria were based on thematic relevance, source credibility, and theoretical and empirical contributions to the discussion. The data analysis technique in this study employed a literature synthesis analysis approach, a method that integrates various collected scientific journal findings into a coherent and systematic analysis. This technique aims to identify patterns, similarities, differences, and trends in research findings related to the impact of Bank Indonesia's interest rate policy on Islamic financing.

Grouping is done in several stages, namely grouping journals based on (1) the theory of monetary policy transmission, (2) the interest rate mechanism in the dual banking system, (3) the sensitivity of Islamic financing to changes in interest rates, and (4) a comparison of Islamic financing and conventional credit. This grouping aims to facilitate the identification of conceptual relationships between study.

Thematic comparison At this stage, researchers conduct thematic comparisons, or comparisons of results and arguments between journals, to identify patterns of similarity (convergence) and differences (divergence) in research findings. Next, the analysis will focus on examining how each study constructs the interest rate transmission mechanism and examining the factors influencing the financing response of Islamic banking in various empirical contexts.

Integrative synthesis and critical interpretation. In this part, all analyzed findings are integrated into a more complete conceptual framework to gain a comprehensive understanding. Synthesis is carried out by formulating theoretical generalizations based on the trends in research findings that exhibit similar patterns. Next, researchers examine the relevance, methodological consistency, and strength of the arguments of each journal reviewed. Thus, the analysis process goes beyond a summary of the literature but also includes a critical assessment of each source's scientific contribution to explaining the relationship between interest rate policy and Islamic banking financing.

3. RESULT AND DISCUSSION

In studies on the effectiveness of monetary policy in Indonesia, understanding the transmission mechanism is crucial for explaining how policy instruments affect the real sector and the financial system. Empirical literature shows that in the context of a dual banking system, the monetary transmission process not only impacts conventional banking but also has implications for the Islamic banking sector. Warjiyo (2016) explains that the transmission of monetary policy in Indonesia works through interest rates, credit, exchange rates, and inflation expectations. Ascarya (2012) emphasizes that in the dual banking system, conventional monetary transmission still has an influence on the sharia sector through the funding market mechanism.

In the empirical context of the relationship between interest rate policy and Islamic banking intermediation performance, several studies have identified an indirect link between changes in benchmark interest rates and the dynamics of Islamic financing. These findings indicate that although Islamic banking does not normally use an interest system, its operational practices are still influenced by developments in market interest rates as part of the competition and pricing mechanisms. Triwibowo et al. (2022) claim that found the existence of *interest rate pass-through* on the financing margin of Islamic

banks. Meanwhile, Maharani et. al (2025) shows that changes in the BI Rate have a significant effect on the volume of murabahah financing.

Analyzing financial system stability and the response of banking intermediation to monetary policy, comparing Islamic banking with conventional banking is an important aspect to examine. Differences in contract characteristics, financing structures, and operational principles of the two systems have the potential to result in varying levels of sensitivity to changes in benchmark interest rates (Fikri et al., 2021). According to Berlian et. al (2023) concluded that Islamic financing is relatively more stable than conventional credit when monetary tightening occurs, although it still shows a short-term response to changes in interest rates.

From the perspective of the contract structure and contractual characteristics of Islamic banking, differences in yield determination mechanisms are believed to influence the level of financing sensitivity to changes in monetary variables. Theoretically, a profit-sharing scheme (*profit and loss sharing*) has greater flexibility because the adjustment of returns depends on business performance, not on market interest rates. Yasmin et. al (2025) emphasized that profit-sharing-based financing (*mudharabah* and *musyarakah*) shows lower elasticity to interest rate fluctuations compared to sale-based financing.

Comparative results indicate differences in findings regarding the sensitivity of Islamic financing to BI interest rates. Several studies, Triwibowo et al. (2022) states that Islamic financing has a positive and significant relationship with changes in benchmark interest rates. This indicates that Islamic banks are still adjusting financing margins by considering market interest rate dynamics.

However, other studies, Yasmin and Arshed (2025) indicate that the impact is not as significant as in conventional credit. This difference is due to the structure of sharia contracts, which do not directly use an interest system. Furthermore, it shows that profit-sharing schemes tend to be more resilient to interest rate shocks than murabahah financing, which has a fixed margin. These differences in research results indicate that the sensitivity of sharia financing is heterogeneous, depending on the type of contract and the structure of the financing portfolio.

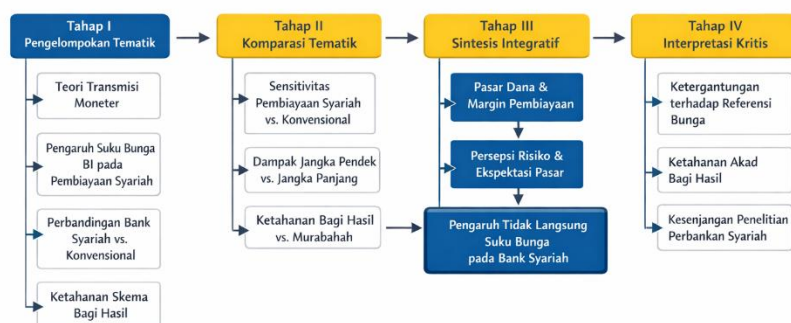


Figure 1: Synthesis of Interest Rate Policy on Sharia Financing

Bank Indonesia's interest rate policy continues to influence Islamic financing, albeit indirectly. This influence occurs through indirect mechanisms, including competition for third-party funding, adjustments to financing margins, and risk perceptions and market expectations. A literature analysis shows that in a dual banking system, Islamic banks' operational independence from interest rate policy has not been fully achieved. Although they do not use interest in principle, margin determination practices still consider conventional interest rates.

Methodologically, most studies employ a quantitative approach with VAR, VECM, or linear regression models. However, there are limitations in terms of observation periods and detailed separation of financing contract types. Furthermore, some studies fail to fully differentiate the short-term and long-term impacts of interest rate policy on Islamic

financing. This opens up room for more comprehensive follow-up research that considers the structural dynamics of the Islamic banking industry. Conceptually, the study results indicate that the existence of a dual banking system in Indonesia makes monetary policy transmission unavoidable to the Islamic sector. Therefore, strengthening Islamic monetary instruments is necessary to increase the independence of the Islamic financial system from the influence of conventional interest rates.

4. CONCLUSION

Bank Indonesia's interest rate policy has been shown to continue to influence Islamic banking financing through indirect mechanisms within Indonesia's dual banking system. This influence is reflected in the dynamics of competition for third-party funds, adjustments to financing margins, and changes in risk perceptions and market expectations. These findings suggest that the interconnectedness between the conventional and Islamic banking sectors makes it difficult for the Islamic banking industry to completely avoid monetary policy transmission. Islamic financing responses to interest rate changes are heterogeneous, depending on the type of contract and the structure of the financing portfolio, with profit-sharing schemes being relatively more adaptive than fixed-margin financing. Limitations of previous research, particularly related to methodological variations and observation periods, indicate the need for further empirical studies capable of distinguishing the short-term and long-term impacts of interest rate policy on various financing contracts. Therefore, strengthening Islamic-based monetary instruments and developing more responsive regulatory policies are necessary to enhance the independence and stability of the Islamic banking industry in Indonesia.

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