Journal of Islamic Economics, Management, and Business (JIEMB)
Vol. 5, No. 2 (2023), 203-226, DOI: 10.21580/jiemb.2023.5.2.21672
Magister of Sharia Economy, Faculty of Islamic Economics and Business
Universitas Islam Negeri Walisongo (p-ISSN: 2721-0197; e-ISSN: 2721-0324)
Published online in http://journal.walisongo.ac.id/index.php/JIEMB

Evaluating the impact of fiscal and monetary policies on Indonesia's macroeconomic stability and growth (2015-2019)

Muzayaanah[1], Ega Triyana[2], Ken Agastya Nawang Aura[3]
[1,2,3] Institut Agama Islam Negeri Syekh Nurjati Cirebon, Indonesia
Corresponding author: muzayanah0111@gmail.com

Abstract

Effective management of Indonesia's macroeconomic variables –production, inflation, money supply, aggregate demand, and interest rates– is crucial for economic stability and growth. This study examines the fiscal and monetary policies implemented by the Indonesian government from 2015 to 2019 and assesses their impact on key macroeconomic variables. Utilizing a qualitative research approach and comprehensive literature review, the study analyzes the principles and implementation of these policies. Fiscal policies, including infrastructure development, social protection, and tax amnesty, significantly contributed to economic growth and reduced unemployment. Monetary policies, such as interest rate adjustments, open market operations, and reserve requirements, maintained inflation around 3% and improved liquidity. However, economic growth fluctuated, indicating the need for better policy coordination. The study highlights the importance of strategic fiscal and monetary policies in achieving macroeconomic stability and offers insights into optimizing these tools for addressing economic challenges and promoting long-term development in Indonesia.

Keywords: Indonesian government; macroeconomic management; fiscal policy; monetary policy; economic growth

Introduction

The Indonesian government plays a critical role in managing the nation's macroeconomic variables, including production, inflation, money supply, aggregate demand, and interest rates. These variables are vital in determining the economic growth and development trajectory of the country (Dzorgbo, 2017). Effective economic management involves the strategic use of two primary tools: monetary policy and fiscal policy (Nwaogwugwu & Evans, 2016).

Economic stability is essential for ensuring sustainable growth and improving the welfare of citizens (Juneldi & Sentosa, 2022). Macroeconomic stability involves maintaining price levels, providing business certainty, and promoting investor confidence. It is a fundamental factor that underpins sustainable economic growth. The maintenance of economic stability not only supports domestic economic activities but also enhances the country's attractiveness to foreign investors, thereby fostering long-term economic prosperity.

In addition to promoting economic growth, controlling inflation, achieving full employment, and ensuring a stable balance of payments are critical macroeconomic objectives (Satrianto, 2017). Economic growth, unemployment, inflation, and the balance of payments are the primary macroeconomic challenges faced by every country (Curatman, 2010). Managing these challenges requires a delicate balance and well-coordinated policies to achieve desired economic outcomes.

The Indonesian economy, like many others, is influenced by both internal and external factors. Internally, government policies, consumer behavior, and business investments play significant roles. Externally, global economic conditions, trade relationships, and foreign investment flows are crucial. The interplay of these factors necessitates comprehensive and adaptive economic management strategies to navigate the complexities of the modern global economy.

From 2015 to 2019, Indonesia's economic performance demonstrated fluctuations that highlight the dynamic nature of its macroeconomic environment. During this period, the government implemented various fiscal and monetary policies aimed at stabilizing and stimulating the economy. These policies were designed to address both immediate economic challenges and long-term development goals.

Figure 1 illustrates the development of key macroeconomic variables in Indonesia from 2015 to 2019. The data indicates an increase in economic growth from 2015 to 2017, accompanied by a decrease in the unemployment rate, with the highest growth observed in 2017. However, economic growth declined in 2018 and 2019, suggesting that the growth experienced in the earlier years was not sustainable. Despite these fluctuations, inflation remained

controlled, and the unemployment rate continued to decrease, with the exception of a slight increase in 2018.

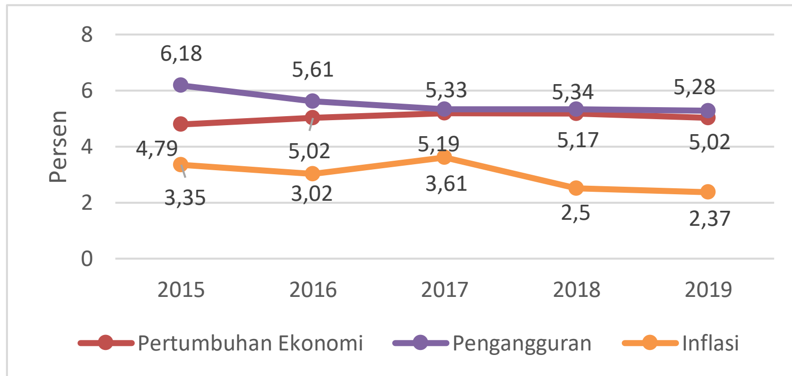

Figure 1. Development of economic growth, unemployment and inflation in Indonesia in 2015-2019
Source: Bank Indonesia, BPS, 2015-2019

In terms of external economic stability, the balance of payments is a critical indicator. Figure 2 shows the fluctuations in Indonesia's Balance of Payments from 2015 to 2019. The balance experienced notable deficits and surpluses over the years, with a significant deficit of 7.1 billion US dollars in 2018. This was contrasted by surpluses in the preceding years, with the highest surplus recorded at 12 billion US dollars in 2016. These fluctuations reflect the varying external economic conditions and the impact of global economic trends on Indonesia's economy.

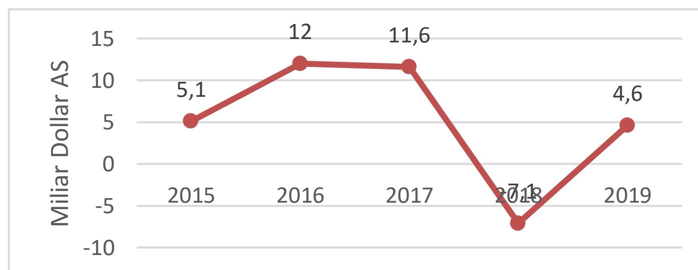

Figure 2. Development of Indonesia's balance of payments 2015-2019
Source: BI NPI Report, 2015-2019

The fluctuations in Indonesia's macroeconomic variables underscore the need for effective government intervention. According to Keynesian economic theory, as cited in Deliarnov (2010), government intervention is crucial, particularly during periods of economic instability. Through well-crafted fiscal and monetary policies, the government can influence these economic

variables, stabilize the economy, and promote sustainable growth (Samuelson, 2004; Satrianto, 2017).

Fiscal policy, which involves government spending and taxation, plays a vital role in influencing economic activity. By adjusting tax rates and public expenditure, the government can steer the economy towards desired outcomes. This includes stimulating economic growth during downturns and cooling down the economy during periods of overheating. Effective fiscal policy requires a careful balance between revenue generation and prudent expenditure to avoid excessive deficits that could lead to inflation or public debt crises (Sudirman, 2017; Oktaviana & Harahap, 2020).

Monetary policy, managed by the central bank, involves regulating the money supply and interest rates to achieve macroeconomic stability. This policy aims to control inflation, manage employment levels, and ensure stable economic growth. Key monetary instruments include interest rate adjustments, open market operations, and mandatory minimum reserves. The central bank's interventions are crucial in maintaining price stability and fostering a conducive environment for investment and consumption (Jannah, 2023; Risa, 2023; Rewa, 2023).

Given the current economic conditions in Indonesia, it is crucial to examine the fiscal and monetary policies implemented by the government from 2015 to 2019. This study aims to analyze these policies and evaluate their impact on key macroeconomic variables, contributing to a better understanding of their effectiveness in achieving economic stability and growth. By examining the interplay between fiscal and monetary policies, this research seeks to provide insights into how these tools can be optimally used to navigate economic challenges and promote sustainable development.

Literature review

Fiscal policy

Fiscal policy is a government strategy used to regulate economic performance through mechanisms involving government revenue and expenditure (Zaini, 2013). This policy includes adjustments in tax rates and government spending to influence the economy's direction (Sudirman, 2017). Essentially, fiscal policy encompasses government actions related to both revenue and

expenditure, aiming to steer the economy towards desired outcomes (Oktaviana & Harahap, 2020; Aulawi, 2020).

Faried (2000) explains that fiscal policy involves changes in tax levels and government expenditures with the primary goals of stabilizing prices, maintaining output levels, increasing job opportunities, and fostering economic growth. Mannan (1995) further elaborates that fiscal policy represents government efforts to implement changes in the tax and/or spending system to address economic challenges within a country. This includes adjustments in government revenue and expenditure as outlined in the State Budget, aiming to secure necessary funds and exercise discretion in spending these funds to achieve better economic stability and drive economic development according to planned objectives (Sudirman, 2017; Oktaviana & Harahap, 2020).

The adjustments in taxation and government spending are crucial for achieving macroeconomic objectives, such as controlling inflation, reducing unemployment, and stimulating economic growth. By managing tax levels and government expenditure, the government can influence aggregate demand, which directly impacts economic output and employment levels (Faried, 2000; Mannan, 1995). Moreover, fiscal policy plays a significant role in redistributing income and wealth, promoting social equity and economic justice.

Effective fiscal policy requires a balance between revenue and expenditure to prevent excessive deficits that could lead to inflation or public debt crises. Sudirman (2017) emphasizes that careful planning and implementation of fiscal policy are essential to maintaining economic stability. This involves not only adjusting tax rates but also optimizing government spending to ensure efficient and effective resource allocation.

In conclusion, fiscal policy is a fundamental tool used by governments to guide the economy towards desired outcomes. Through strategic adjustments in taxation and government spending, fiscal policy aims to achieve economic stability, growth, and development. The insights provided by Faried (2000), Mannan (1995), and others highlight the importance of well-crafted fiscal policies in addressing economic challenges and promoting sustainable development. This literature underscores the necessity for governments to carefully design and implement fiscal policies

that balance revenue generation with prudent expenditure to foster long-term economic health and stability (Sudirman, 2017; Oktaviana & Harahap, 2020).

Monetary policy

Monetary policy is the central bank's strategy to regulate the amount of money in circulation within a society to achieve macroeconomic stability, which is reflected in price stability, increased real output, and job creation (Jannah, 2023). When stability in economic activity is disrupted, monetary policy can be employed as a stabilization measure (Risa, 2023; Rewa, 2023). This policy is implemented by adjusting the money supply or interest rates, with the aim of boosting people's income through investment and production, thereby fostering economic improvement (Sudirman, 2014).

Monetary policy is a crucial component of any economy; economic growth cannot be thoroughly analyzed without considering monetary factors. Key monetary indicators include interest rates, the money supply, and exchange rates, all of which are controlled by the central bank to achieve economic stability. These indicators play a vital role in maintaining cost or price balance and preventing excessive inflation (Rasyidin et al., 2022).

Monetary policy is a government action aimed at achieving macroeconomic management goals by influencing the macroeconomic environment through the money market or the money supply (Zein, 2015). The effectiveness of monetary policy objectives is influenced by two factors: the relationship between monetary policy and economic activity, and the timing of policy changes in response to economic activity (Latifah, 2015).

According to Hossain (2009:87) as cited in Sitinjak et al. (2016), monetary policy is the prerogative and responsibility of a country's central bank to modify monetary and financial conditions within the economy. The goal is to manage inflation while ensuring economic growth, maintaining the balance of payments, and stabilizing interest rates and exchange rates. From the definitions provided, it can be concluded that monetary policy is vital compared to other policies, as it regulates the management of money circulation to ensure price stability and economic growth wherever it is applied.

In summary, monetary policy is essential for achieving macroeconomic stability. By regulating the money supply and interest rates, central banks can influence economic activities such as investment and production, leading to overall economic improvement. The literature emphasizes the importance of central bank interventions in maintaining economic stability and preventing inflation, highlighting the critical role of monetary policy in economic management (Jannah, 2023; Risa, 2023; Rewa, 2023; Sudirman, 2014; Rasyidin et al., 2022; Zein, 2015; Latifah, 2015; Sitinjak et al., 2016).

Research methods

This study employs a qualitative research approach utilizing a library research methodology. The primary data sources for this research are literature materials, including digital reference sources such as e-books and journal articles. The study aims to describe and analyze the fiscal and monetary policies implemented by the Indonesian government and their impact on the macroeconomy.

Data collection for this research was conducted through an extensive literature review focusing on relevant academic and policy documents. The search for literature was carried out using digital platforms, primarily Google Scholar, to access e-books, journal articles, and other academic publications. The reference sources were collected over two months, from February to March 2023.

The data analysis in this study involves both descriptive and analytical techniques. The descriptive approach is used to outline the general principles and components of fiscal and monetary policies, detailing the specific policies implemented by the Indonesian government from 2015 to 2019. The analytical approach evaluates the effectiveness of these policies in achieving macroeconomic stability and growth, considering the interplay between fiscal and monetary policies.

To enhance the validity of the findings, the study employs triangulation by cross-referencing data from multiple sources. This includes comparing policy documents with academic literature and analyzing statistical data from reputable sources like Bank Indonesia and the Ministry of Finance. Future studies could benefit from incorporating primary data collection methods, such as interviews with policymakers and stakeholders, to provide deeper insights into

the practical implications and challenges of implementing these policies.

By utilizing a comprehensive literature review and robust analytical techniques, this research provides valuable insights into the effectiveness of Indonesia's fiscal and monetary policies in promoting macroeconomic stability and growth.

Results and discussion

Analysis of fiscal policy on macroeconomics in Indonesia

To achieve macroeconomic stability, the Indonesian government needs to implement effective policies. One critical policy in this regard is fiscal policy. Optimizing revenue through taxation and ensuring expenditures are directed towards productive development are key components in this effort (Sugiyanto, 2012).

From 2015 to 2019, the direction of Indonesia's fiscal policy aimed to strengthen fiscal management to support sustainable and equitable economic growth, thereby realizing prosperity. This policy direction was formulated to address economic dynamics, overcome challenges, and support the achievement of targets set in the 2015-2019 National Medium-Term Development Plan (Rencana Pembangunan Jangka Menengah Nasional, RPJMN) (Annual Report, 2015).

Fiscal policy involves optimizing government revenue primarily through taxation. By adjusting tax rates and expanding the tax base, the government can increase its revenue. This additional revenue is crucial for funding various public services and infrastructure projects that stimulate economic growth (Zaini, 2013; Sudirman, 2017). The literature highlights that changes in tax levels can stabilize prices, maintain output levels, and increase job opportunities, thereby fostering economic growth (Faried, 2000).

Government spending must be carefully managed to ensure it contributes to productive development. Investments in infrastructure, education, and healthcare are essential for long-term economic growth and development (Mannan, 1995). By directing expenditures towards these areas, the government can enhance human capital, improve productivity, and stimulate economic activities, leading to sustainable economic development (Oktaviana & Harahap, 2020).

The Indonesian government's fiscal policy from 2015 to 2019 focused on strengthening fiscal management to support sustainable and equitable economic growth. This involved improving the efficiency and effectiveness of public spending, enhancing revenue collection mechanisms, and ensuring fiscal discipline. These measures were aimed at achieving the targets set in the RPJMN, including reducing poverty, improving infrastructure, and promoting inclusive growth (Annual Report, 2015).

The policy direction was also designed to respond to economic dynamics and challenges. This included dealing with external shocks, such as fluctuations in global commodity prices and changes in international trade dynamics. By adopting a flexible and responsive fiscal policy, the government aimed to mitigate the adverse effects of such shocks and maintain macroeconomic stability (Sugiyanto, 2012).

The effectiveness of fiscal policy in achieving macroeconomic stability in Indonesia is evident in the government's ability to optimize revenue and direct expenditures towards productive uses. The strategic adjustments in taxation and government spending have played a significant role in stabilizing the economy, promoting growth, and ensuring equitable development.

Policy for accelerating infrastructure development in macroeconomic control

The infrastructure development program is a form of implementation of fiscal policy on the expenditure side. During the administration of President Joko Widodo, the infrastructure sector has been one of the primary focuses aimed at improving connectivity and stimulating economic growth (Aini, 2020). The average annual budget for infrastructure has consistently reached 18.5 to 19 percent of the state budget. The portion of state spending on infrastructure development has increased sharply since 2015, as shown in Figure 3, which illustrates the development of the infrastructure budget in Indonesia from 2015 to 2019.

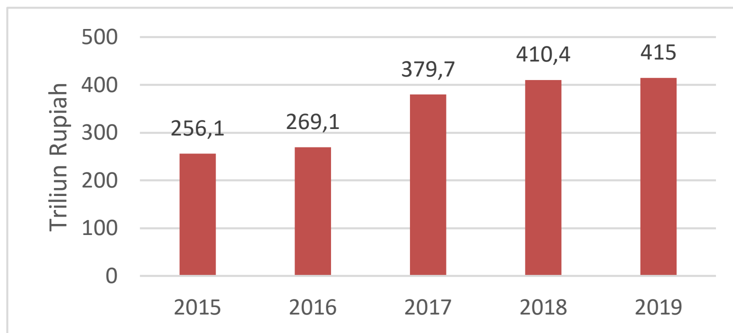

Figure 3. Development of the infrastructure budget in Indonesia in 2015-2019
Source: Kemenkeu, 2015-2019

Research by Puspitasari & Sarifah (2019) indicates that government spending on infrastructure has a significant effect on economic growth in Indonesia. Proper and appropriate infrastructure provision can facilitate the production process of goods and services, thus enhancing economic growth and improving community welfare (Silvia et al., 2013). Additionally, infrastructure development can boost investor confidence and create new investment opportunities, leading to increased production and economic growth (Warsilan & Noor, 2015).

Improving domestic production capacity through infrastructure development can also increase export volumes in Indonesia (Purba, 2020). Better infrastructure accelerates the distribution of export goods and reduces transportation costs, thereby enhancing export competitiveness (Amri, 2019). This contributes to a surplus in the trade balance and positively impacts the balance of payments. However, poorly managed infrastructure development could lead to problems, such as increased imports of necessary goods and external debt burdens, potentially triggering a trade balance deficit and worsening the balance of payments.

Increased government spending on infrastructure development contributes to national income by boosting consumption and output. As Mankiw (2019) explains, higher incomes lead to increased consumption, which in turn boosts production. This results in greater labor absorption in the production sector, reducing the unemployment rate. Furthermore, infrastructure maintenance creates long-term job opportunities, contributing to economic stability (Fourie, 2006).

The infrastructure development program also plays a crucial role in controlling inflation in Indonesia. Adequate infrastructure

ensures supply stability, affordable prices, smooth distribution, and efficient communication, which are essential for controlling the inflation rate (Hendrawan, 2021). From 2015 to 2019, the Indonesian government's infrastructure development efforts helped maintain a low inflation rate, averaging around 3 percent (Bank Indonesia, 2019).

The Indonesian government's fiscal policy, particularly its focus on infrastructure development, has been instrumental in achieving macroeconomic stability. The strategic allocation of a significant portion of the state budget to infrastructure projects has not only improved connectivity and production capacity but also stimulated economic growth, enhanced export competitiveness, and contributed to controlling inflation.

Social protection policy as a step to achieve welfare

Social protection is a government effort to support communities in facing vulnerabilities throughout their life cycles (Setiawan et al., 2017). During periods of economic downturn, the government provides social protection to maintain people's purchasing power, particularly for the poor and vulnerable populations (Iping, 2020). The Indonesian government delivers social protection through social assistance, social security, and other governmental programs (Kemenkeu, 2022).

From 2015 to 2019, social protection was one of the focal points of fiscal policy, emphasizing the improvement of productive and priority spending quality (Annual Report, 2016). The social protection budget increased consistently during this period, as depicted in Figure 4, showing the development of the social protection budget in Indonesia from 2015 to 2019.

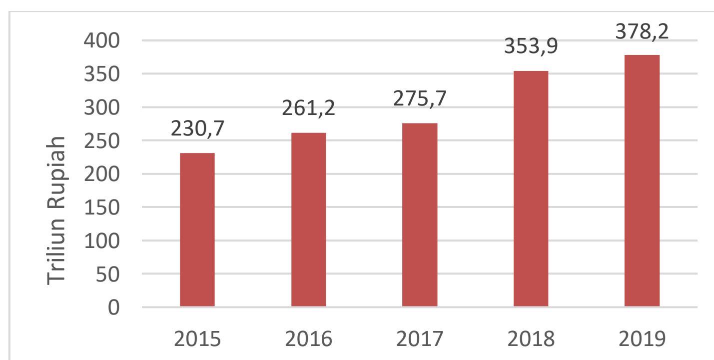

Figure 4. Development of the Social Protection Budget in Indonesia in 2015-2019
Souce: Kemenkeu, 2015-2019

Effective and well-targeted social protection programs contribute to increasing people's purchasing power by improving economic welfare, access to basic services, and income stabilization (Kemenkeu, 2022). Purchasing power is closely related to inflation; an increase in the price of goods and services due to inflation can weaken purchasing power (Umam, 2018). If purchasing power diminishes, it negatively impacts economic growth and increases unemployment, which can further lead to a decline in exports. Hence, social protection programs in Indonesia must be executed appropriately and effectively to sustain people's purchasing power.

The Indonesian government's fiscal policy, with a focus on social protection, plays a crucial role in achieving economic welfare and stability. The strategic increase in the social protection budget from 2015 to 2019 demonstrates the government's commitment to supporting vulnerable populations and enhancing economic resilience.

Tax amnesty policy in optimizing taxation

According to Law Number 11 of 2016, Article 1 Paragraph (1), tax amnesty is the elimination of taxes that should be payable through disclosing assets and paying a ransom, without being subject to tax administration and criminal sanctions in the field of taxation. The tax amnesty aims to accelerate economic growth and restructuring through the transfer of assets. During 2015-2019, the tax amnesty was carried out in 2016-2017. The tax amnesty was divided into three periods: the first period from July 1, 2016, to September 30, 2016; the second period from October 1, 2016, to December 31, 2016; and the third period from January 1, 2017, to March 31, 2017 (Kusuma, 2016).

The Minister of Finance of the Republic of Indonesia reported that the number of ransoms and assets declared was substantial. The tax amnesty ransom reached IDR 130 trillion, consisting of IDR 90.36 trillion from non-MSME individual taxpayers, IDR 7.56 trillion from MSME individuals, IDR 431 trillion for non-MSME corporate taxpayers, and IDR 0.62 trillion from MSME corporate taxpayers. The total declared assets amounted to IDR 4,813.4 trillion, including IDR 3,633.1 trillion in domestic asset declarations and IDR 1,466 trillion in repatriated assets (Setkab, 2017).

Tax amnesty is a policy that can optimize the tax function. The Indonesian Accounting Association (2012) states that the tax

function includes the functions of acceptance, regulation, redistribution, and democracy. If the tax function operates optimally, it can improve community welfare by using tax revenues to support government spending aimed at achieving economic stability (Mukhlis, 2011). Besides generating additional income, tax amnesty can help increase investment, thereby boosting economic growth, creating jobs, and increasing the production of goods and services, which can positively impact the balance of payments (Ispriyarso, 2019).

The 2016-2017 tax amnesty policy can be considered successful as it raised the economic growth rate to 5.3% in 2016 and 5.1% in 2017. Additionally, it encouraged funds to enter Indonesia, resulting in an increase in foreign exchange reserves. Bank Indonesia recorded US$ 115.7 billion in September 2016, higher than the US$ 113.5 billion recorded in August (Pravasanti, 2018).

The Indonesian government's fiscal policy, particularly the tax amnesty policy implemented from 2016 to 2017, has played a significant role in optimizing taxation and supporting economic growth. The substantial amounts of ransoms and declared assets underscore the policy's effectiveness in encouraging asset disclosure and repatriation, thereby enhancing the government's revenue base.

Analysis of monetary policy on macroeconomics in Indonesia

To achieve macroeconomic stability, the Indonesian government must not only focus on fiscal policy but also effectively implement monetary policy. This involves regulating the money supply and interest rates (Nainggolan, 2020). In Indonesia, Bank Indonesia enacts its policies through various instruments, including interest rate adjustments, mandatory minimum current accounts, open market operations, and moral persuasion (Syah & Aziz, 2020).

Monetary policy is dynamic and evolves over time in response to changing economic conditions. According to Bank Indonesia's Annual Report from 2015 to 2019, the primary objective of monetary policy during this period was to support the transformation of the national economy to achieve sustainable growth.

The implementation of monetary policy by Bank Indonesia from 2015 to 2019 has been crucial in maintaining macroeconomic stability. The strategic use of interest rate adjustments, open market

operations, mandatory minimum current accounts, and moral persuasion has helped to balance economic growth with inflation control.

Interest rate policy: BI rate - BI 7-Day Reverse Repo Rate (BI7DRR)

The Bank Indonesia rate (BI rate), is the benchmark interest rate used in Indonesia to direct monetary policy operational steps set by the central bank to enhance economic efficiency (Manuela et al., 2014). Since 2016, the BI rate has transitioned to the BI 7-Day Reverse Repo Rate (BI7DRR) as a framework for Bank Indonesia's monetary operations in maintaining rupiah stability. Bank Indonesia updates the BI7DRR value monthly in accordance with the prevailing economic conditions (Nihayah & Rifqi, 2022). The evolution of interest rates in Indonesia from 2015 to 2019 is illustrated in Figure 5.

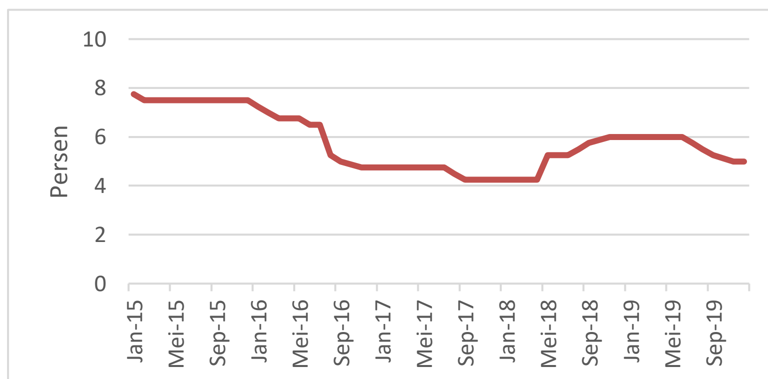

Figure 5. Development of interest rates in Indonesia in 2015-2019
Source: BPS, 2015-2019.

Interest rate policy is closely tied to the inflation rate within the economy. When the inflation rate rises, Bank Indonesia responds by increasing interest rates (Sutawijaya, 2012). Higher interest rates tend to boost savings as people find it more attractive to save, thereby reducing the amount of money in circulation (Widowati & Mustikawati, 2018). From 2015 to 2019, Bank Indonesia’s interest rate policies successfully controlled the inflation rate in Indonesia, maintaining it around 3 percent.

The setting of interest rates impacts various facets of economic growth in Indonesia. If Bank Indonesia raises interest rates, investment tends to slow down, and consumer spending decreases, which can lead to a deceleration in economic growth. However, interest rate hikes can also positively impact economic growth by

reducing inflation, which helps maintain price stability and increases investor confidence, contributing to long-term economic growth and positively influencing other macroeconomic variables (Arifin, 1998).

The implementation of monetary policy by Bank Indonesia from 2015 to 2019 has been pivotal in maintaining macroeconomic stability. The strategic use of interest rate adjustments, open market operations, mandatory minimum current accounts, and moral persuasion has helped balance economic growth with inflation control.

Open market operations in controlling the economy

Open Market Operations (OMOs) are one of the key monetary policy tools used by Bank Indonesia to regulate the economy. According to the Bank Indonesia Annual Report 2016, OMOs were a central focus of the five policy packages implemented in 2015 (Bank Indonesia, 2016). OMOs involve the buying and selling of government securities, such as Bank Indonesia Certificates (SBI) and Money Market Securities (Surat Berharga Pasar Uang, SBPU) (Darmawi, 2006). Purchasing securities is aimed at increasing the money supply, whereas selling securities reduces the amount of money in circulation (Fitriyani et al., 2019).

Economic growth can be significantly influenced by the purchase of Bank Indonesia securities through OMOs. When Bank Indonesia buys securities, it injects additional money into the economy, increasing liquidity in commercial banks. Enhanced liquidity typically leads to lower interest rates, which subsequently boosts aggregate demand. Lower loan interest rates make borrowing cheaper, encouraging both consumers to spend and businesses to invest. This increase in consumption and investment raises aggregate demand, ultimately driving economic growth (Fitriyani et al., 2019).

Giro Wajib Minimum (GWM) policy in encouraging economic growth

The Giro Wajib Minimum (GWM) policy involves placing a minimum reserve requirement at Bank Indonesia in the form of a current account. This policy aims to regulate bank liquidity and stimulate economic growth (Padanun et al., 2019). In Indonesia, the GWM is categorized into three types: primary, secondary, and Loan to Fund Ratio (LFR)-based GWM.

Primary GWM is the minimum deposit that banks must maintain at Bank Indonesia, calculated as a ratio of third-party funds. This requirement helps regulate the bank's liquidity position. Secondary GWM involves a minimum reserve in the form of securities, also determined as a ratio of third-party funds, and aims to influence liquidity reserves and deepen the financial sector. GWM LFR is based on the ratio of loans to total bank deposits and is designed to encourage credit distribution, which can stimulate economic growth in Indonesia (OJK, 2016).

In 2015, Bank Indonesia lowered the reserve requirement for commercial banks from 8% to 7.5% of third-party funds (Bank Indonesia Annual Report, 2015). Subsequently, in 2016, it was further reduced to 6.5% (Bank Indonesia Annual Report, 2016), and in 2019, it was decreased to 5.5% (Bank Indonesia Annual Report, 2019). These reductions in reserve requirements increased bank liquidity, enabling banks to distribute more credit to the community, thus contributing to economic growth (Bank Indonesia, 2015).

Analysis of the impact of fiscal policy on macroeconomics in Indonesia

From 2015 to 2019, the Indonesian government focused on fiscal policies aimed at supporting sustainable and equitable economic growth to achieve prosperity. Key initiatives included programs to accelerate infrastructure development, social protection, and tax amnesty.

The infrastructure development program required a substantial budget, which increased sharply during 2015-2019, as depicted in Figure 3. This program contributed to economic growth but did not guarantee immediate increases in economic growth. For instance, in 2018, the infrastructure development budget increased by 30.7 trillion rupiah from the previous year, yet Indonesia's economic growth declined that year. Nevertheless, this program helped reduce the unemployment rate by generating labor demand for development projects and improving distribution efficiency, which stabilized the inflation rate at around 3 percent.

Similar to the infrastructure budget, the budget for social protection programs also increased during 2015-2019, as shown in Figure 4. These programs directly impacted people's purchasing power. A decline in purchasing power could lead to business losses, negatively affecting economic growth and increasing unemployment. Thus, social protection programs had an indirect

impact on economic growth and unemployment rates. The programs during this period contributed to reducing the unemployment rate.

The tax amnesty program in 2016-2017 aimed to maximize tax revenue to support government spending. The tax amnesty yielded significant results, with ransoms reaching Rp 130 trillion and asset declarations amounting to Rp 4,813.4 trillion. This policy succeeded in increasing economic growth rates to 5.3% in 2016 and 5.1% in 2017. Additionally, it attracted funds into Indonesia, boosting foreign exchange reserves to US$ 115.7 billion in September 2016 from US$ 113.5 billion in August.

The implementation of fiscal policies by the Indonesian government from 2015 to 2019 has played a significant role in achieving macroeconomic stability and growth. The focus on infrastructure development, social protection, and tax amnesty has contributed to economic resilience and prosperity.

Analysis of the impact of monetary policy on macroeconomics in Indonesia

Based on Bank Indonesia's Annual Report from 2015 to 2019, monetary policy has been strategically directed to support the national economic transformation and achieve sustainable growth. The key policies implemented include interest rate adjustments, open market operations, and mandatory minimum current accounts.

Interest rate policy is closely related to inflation control. Since 2016, Bank Indonesia transitioned from using the BI rate to the BI 7-day reverse repo rate (BI7DRR). The BI7DRR allows for more intensive control of inflation because it can quickly affect the money market, banking sector, and real sector. The shorter transaction time of the BI7DRR compared to the BI rate—being in multiples of 7 days—enhances its effectiveness. As shown in Graph 1, from 2016 to 2019, Bank Indonesia successfully maintained inflation around 3 percent through this policy.

The determination of interest rates also impacts economic growth. While raising interest rates can have a positive long-term impact by stabilizing the economy, it may slow down economic growth in the short term. For example, during 2018-2019, rising interest rates were accompanied by a slowdown in economic growth.

Open market operations (OMOs) involve the buying and selling of government securities to control the money supply. By purchasing securities, Bank Indonesia injects liquidity into the economy, encouraging lending and investment. Conversely, selling securities withdraws excess liquidity, helping control inflation.

The GWM policy requires banks to maintain a minimum reserve at Bank Indonesia. This policy aims to regulate bank liquidity and stimulate economic growth. During 2015-2019, Bank Indonesia continually reduced the GWM for commercial banks, thereby increasing bank liquidity. The reduction in reserve requirements allowed banks to extend more credit to the community, contributing to economic growth, as shown in Figure 2.

The implementation of monetary policy by Bank Indonesia from 2015 to 2019 has been crucial in maintaining macroeconomic stability and supporting economic growth. The strategic use of interest rate adjustments, open market operations, and GWM policies has effectively balanced economic growth with inflation control.

Conclusion

The analysis of fiscal and monetary policies in Indonesia from 2015 to 2019 reveals critical insights. The government's fiscal policies focused on strengthening fiscal management through infrastructure development, enhancing social protection, and implementing a tax amnesty program. These measures supported sustainable and equitable economic growth. Similarly, Bank Indonesia's monetary policies aimed at transforming the national economy to achieve sustainable growth included the control of monetary instruments such as the BI rate, the BI 7-Day Reverse Repo Rate (BI7DRR), open market operations, and the Giro Wajib Minimum (GWM).

While these prudent fiscal and monetary policies positively impacted Indonesia's macroeconomic variables, they did not fully stabilize the macroeconomy. Economic growth experienced between 2015 and 2019 was not consistently sustainable, indicating room for improvement in the implementation and coordination of these policies. However, the policies succeeded in maintaining inflation at an average rate of 3 percent and contributed to a gradual decline in the unemployment rate over the same period.

Future research should incorporate primary data, extend the analysis period, explore sector-specific impacts, and consider external economic shocks to provide a more comprehensive understanding of fiscal and monetary policy effects in Indonesia. Improved coordination and implementation of these policies are essential for achieving long-term economic stability and growth.

References

Aini, F. (2020). *Pengaruh Perkembangan E-Commerce dan Infrastruktur Telekomunikasi terhadap Pertumbuhan Ekonomi Indonesia Tahun 2001-2018*. Bachelor's Thesis, Fakultas Ekonomi dan Bisnis UIN Jakarta.

Amri, K. (2019). Apakah Infrastruktur Jalan Mempengaruhi Ekspor? Pendekatan Vector Autoregressive. *Inovbiz: Jurnal Inovasi Bisnis, 7*(2), 166-173. https://doi.org/10.35314/inovbiz.v7i2.1189

Arifin, S. (1998). Efektifitas Kebijakan Suku Bunga Dalam Rangka Stabilisasi Rupiah di Masa Krisis. *Buletin Ekonomi Moneter dan Perbankan, 1*(3), 1-26. https://doi.org/10.21098/bemp.v1i3.174

Aulawi, A. (2020). Penerbitan Peraturan Pemerintah Pengganti Undang-Undang Nomor 1 Tahun 2020 sebagai Strategi Kebijakan Pajak Pemerintah Indonesia dalam Menghadapi Dampak Pandemi Covid-19 terhadap Keuangan Negara. *Progress: Jurnal Pendidikan, Akuntansi dan Keuangan*, *3*(2), 110-132. https://doi.org/10.47080/progress.v3i2.936

Bank Indonesia. *Laporan Tahunan Bank Indonesia 2015-2019*. Jakarta: Bank Indonesia.

Budi, K. (2017). Tiga Skema Pembiayaan Infrastruktur untuk Pemerataan Ekonomi. Retrieved from https://kilaskementerian.kompas.com/fmb9/read/2017/12/05/160700728/tiga-skema-pembiayaan-infrastruktur-untuk-pemerataan-

Case, Karl E., Fair, Ray C, Oster, S. M. (2009). *Principles of Macroeconomics* (9 ed). New Jersey: Pearson Prentice Hall.

Curatman, A. (2010). *Teori Ekonomi Makro*. Sleman: Deepublish.

Danupranata, G. (2006). *Ekonomi Islam*. Jakarta: Saung Media Utama.

Darmawi, H. (2006). *Pasar Finansial dan Lembaga-Lembaga Finansial*. Jakarta: Bumi Aksara.

Deliarnov. (2010). *Perkembangan Pemikiran Ekonomi (3 ed).* Jakarta: PT. Raja Grafindo Persada

Fitriyani, F., Sapha, D., Rizki, C. Z., Aidar, N., Ferayanti, F., Siregar, M. I., & Irmalis, A. (2019). Perkembangan Kebijakan Nilai Tukar Rupiah

dan Pertumbuhan Ekonomi Indonesia. *Jurnal Bisnis dan Kajian Strategi Manajemen, 3*(1). https://doi.org/10.35308/jbkan.v3i1.1365

Fourie, J. (2006). Economic infrastructure: A review of definitions, theory and empirics. *South African Journal of Economics*, 74(3),530-556. https://doi.org/10.1111/j.1813-6982.2006.00086.x

Hendhrawan. (2021) *Pengendalian Inflasi di Indonesia Pada Masa Covid-19*. Diploma thesis, UIN Fatmawati Sukarno.

Ikatan Akuntan Indonesia (IAI). (2012). *Modul Pelatihan Pajak Terapan Brevet A dan B Terpadu*. 24 ed. Jakarta: Ikatan Akuntan Indonesia

Iping, B. (2020). Perlindungan Sosial Melalui Kebijakan Program Bantuan Langsung Tunai (BLT) di Era Pandemi Covid-19: Tinjauan Perspektif Ekonomi dan Sosial. *Jurnal Manajemen Pendidikan dan Ilmu Sosial, 1*(2), 516-526. https://doi.org/10.38035/jmpis.v1i2.290

Ispriyarso, B. (2019). Keberhasilan Kebijakan Pengampunan Pajak (Tax Amnesty) di Indonesia. *Administrative Law and Governance Journal, 2*(1), 47-59. http://creativecommons.org/licenses/by-nc/4.0.

Jannah, E. F. (2023). Analisis Kebijakan Moneter Bank Indonesia Pada Masa Pandemi Covid-19. *Journal of Economics and Social Sciences (JESS), 2*(1), 1-11. https://doi.org/10.59525/jess.v2i1.134

Juhro, S. M. (2004). Kurva Phillips dan Perubahan Struktural di Indonesia: Keberadaan, Pola Pembentukan Ekspektasi, dan Linieritas. *Buletin Ekonomi Moneter dan Perbankan*, *6*(4), 41-76. https://doi.org/10.21098/bemp.v6i4.838

Juneldi, J., & Sentosa, S. U. (2022). Efek Variabel Kebijakan Moneter dan Fiskal terhadap Inflasi, Pertumbuhan Ekonomi dan Tingkat Pengangguran di Indonesia. *Jurnal Kajian Ekonomi dan Pembangunan*, *4*(2), 1-10. http://dx.doi.org/10.24036/jkep.v4i2.13316

Kementerian Keuangan. (2016). *Laporan Tahunan 2016*. Jakarta: Kementerian Keuangan Republik Indonesia.

Kementerian Keuangan. (2021). *Data Perkembangan Anggaran Infrastruktur 2015-2019*. Jakarta: Kementerian Keuangan Republik Indonesia.

Kusuma, A. I. (2016). Pengampunan Pajak (Tax Amnesty) sebagai Upaya Optimalisasi Fungsi Pajak. *Inovasi*, *12*(2), 270-280. https://dx.doi.org/10.29264/jinv.v12i2.811

Latifah, N. A. (2015). Kebijakan Moneter dalam Perspektif Ekonomi Syariah. *Jurnal Ekonomi Modernisasi, 11*(2), 124-134. https://doi.org/10.21067/jem.v11i2.873

Mankiw, N. G. (2019). *Macroeconomics* (10 ed). Hampshire: Worth Publishers.

Simanjuntak, T.H. & Mukhlis, I. (2011). Pentingnya Kepatuhan Pajak dalam Meningkatkan Kesejahteraan Hidup Masyarakat. In: *Proceeding Simposium Nasional Perpajakan III Road Map Reformasi Perpajakan Indonesia Menuju Good Governance 2011*.

Nopirin. (2009). *Ekonomi Moneter. Buku 1, Edisi ke-3*. Yogyakarta: BPFE.

Oktaviana, M., & Harahap, S. B. (2020). Kebijakan Fiskal Zaman Rasulullah dan Khulafarasyidin. *Nazharat: Jurnal Kebudayaan*, *26*(01), 283-307. https://doi.org/10.30631/nazharat.v26i01.29

Otoritas Jasa Keuangan. (2016). Giro Wajib Minimum: Instrumen Moneter Untuk Atur Uang Beredar. Retrieved from https://sikapiuangmu.ojk.go.id

Padanun, M. P., Murni, S., & Tasik, H. H. (2019). Pengaruh Giro Wajib Minimum, Posisi Devisa Netto, Return on Asset terhadap Capital Adequacy Ratio pada Perusahaan Perbankan yang Terdaftar di BEI Periode 2013-2017. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi,* *7*(4). https://doi.org/10.35794/emba.v7i4.26405

Pravasanti, Y. A. (2018). Dampak Kebijakan dan Keberhasilan Tax Amnesty Bagi Perekonomian Indonesia. *Kompartemen: Jurnal Ilmiah Akuntansi*, *16*(1). https://dx.doi.org/10.30595/kompartemen.v16i1.2415

Purba, B. (2020). Analisis Tentang Pertumbuhan Ekonomi Indonesia Periode Tahun 2009–2018. *Jurnal Humaniora: Jurnal Ilmu Sosial, Ekonomi dan Hukum,* *4*(2), 244-255. https://doi.org/10.30601/humaniora.v4i2.1366

Puspitasari, J. M., & Sarfiah, S. N. (2019). Analisis Pengaruh Pengeluaran Pemerintah di Sektor Pendidikan, Sektor Kesehatan, Sektor Infrastruktur terhadap Pertumbuhan Ekonomi di Indonesia (Periode Tahun 2010-2017). *DINAMIC: Directory Journal of Economic*, *1*(1), 23-41. https://dx.doi.org/10.31002/dinamic.v1i1

Rasyidin, M., Saleh, M., Muttaqim, H., Nova, N., & Khairani, C. (2022). Pengaruh Kebijakan Moneter terhadap Inflasi di Indonesia. *Journal of Business and Economics Research (JBE), 3(2),* 225-231. https://doi.org/10.47065/jbe.v3i2.1761

Rewa, K. A. (2023). Kebijakan Moneter dan Fiskal dalam Permintaan Agregat. *Pengantar Ekonomi Makro (Teori dan Kebijakan)*, 231.

Risa, A. (2023). Peranan Kebijakan Moneter terhadap Inflasi dan Nilai Tukar di Asean-3 (2009: Q1-2021: Q4). Lampung: Universitas Lampung

Satrianto, A. (2017). Kebijakan Fiskal, Moneter dan Neraca Pembayaran di Indonesia: Suatu Kajian Efektifitas. *Jurnal Economac*, *1*(2), 54-64. https://doi.org/10.24036/20171241

Samuelson, N. (2004). *Ilmu Makro Ekonomi* (17th ed.). Jakarta: PT. Media Global Edukasi.

Sekretariat Kabinet. (2017). Realisasi Tax Amnesty. Retrieved from https://setkab.go.id/realisasi-tax-amnesty-menkeu-tebusan-rp130-triliun-deklarasi-rp4-8134-triliun-dan-repatriasi-rp146-triliun/

Silitonga, R. B., Ishak, Z., & Mukhlis, M. (2017). Pengaruh Ekspor, Impor, dan Inflasi terhadap Nilai Tukar Rupiah di Indonesia. *Jurnal Ekonomi Pembangunan,* *15*(1), 53-59. https://ejournal.unsri.ac.id/index.php/jep/index

Silvia, E. D., Wardi, Y., & Aimon, H. (2013). Analisis Pertumbuhan Ekonomi, Investasi, dan Inflasi di Indonesia. *Jurnal Kajian Ekonomi*, *1*(2). https://ejournal.unp.ac.id/index.php/ekonomi/article/view/749

Sudirman, W. (2014). *Kebijakan Fiskal dan Moneter: Teori dan Empirikal*. Jakarta: Prenada Media.

Sugiyanto, A. (2012). Dampak Defisit Anggaran terhadap tingkat Inflasi dan Perekonomian di Indonesia Tahun 1983-2009. Doctoral dissertation, Universitas Muhammadiyah Surakarta.

Sutawijaya, A. (2012). Pengaruh Faktor-Faktor Ekonomi terhadap Inflasi di Indonesia. *Jurnal Organisasi dan Manajemen,* *8*(2), 85-101. https://doi.org/10.33830/jom.v8i2.237.2012

Syah, T. A., & Aziz, J. A. (2020). Penerapan Suku Bunga Bank Indonesia sebagai Instrumen Utama Kebijakan Moneter di Indonesia Perspektif Ekonomi Islam ala Syafruddin Prawiranegara. *IQTISHADIA Jurnal Ekonomi & Perbankan Syariah*, *7*(2), 111-125. https://doi.org/10.19105/iqtishadia.v7i2.3487

Tahitu, A., & Lawalata, C. M. (2017). Kemiskinan Perkotaan: Strategi Pemulung di Kota Ambon. *Sosio Informa 3*(1).

Umam, M. (2018). Analisis Pengaruh Suku Bunga dan Nilai Kurs terhadap Tingkat Inflasi di Indonesia. KABILAH: *Journal of Social Community*, *3*(2), 202-209. http://dx.doi.org/10.35127/kbl.v3i2.3409

Warsilan, W., & Noor, A. (2015). Peranan Infrastruktur terhadap Pertumbuhan Ekonomi dan Implikasi pada Kebijakan Pembangunan di Kota *Samarinda*. *MIMBAR: Jurnal Sosial dan Pembangunan*, *31*(2), 359-366. https://doi.org/10.29313/mimbar.v31i2.1444

Widowati, A. S., & Mustikawati, R. I. (2018). Pengaruh Pengetahuan Produk Tabungan, Reputasi Bank, dan Persepsi Nasabah Mengenai Suku Bunga Simpanan terhadap Keputusan Menabung Nasabah. *Nominal:*

Barometer Riset Akuntansi dan Manajemen, 7(2), 141-156. http://dx.doi.org/10.21831/nominal.v7i2.21643

Zein, A. S. (2015). Apa dan bagaimana: mekanisme transmisi kebijakan moneter syariah di Indonesia?. At-Tijaroh: *Jurnal Ilmu Manajemen dan Bisnis Islam, 1*(1), 91-122