FUNDAMENTAL ANALYSIS OF ECONOMIC EFFECT INSTRUMENTS FOREIGN LOANS TO INDONESIA

By

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ABSTRACT

Since the economic crisis, Indonesia is one country which include foreign borrowing with the aim to improve the economy but until now foreign loan financing is done precisely to cover loans that have not been exhausted. In the short-term foreign loans to cover the budget deficit and it is much better in comparison with a policy of printing new money in circulation which will cost a pretty high that excessive government spending because it requires a number of capital without accompanied with the effect of increasing the price level general. The purpose of this study was to analyze how the effects of inflation, GDP, fiscal balance and current account balance of the foreign debt of Indonesia.

Results of regression using Ordinary Least Squares (OLS) show any increase in inflation one percent, the Indonesian foreign loans also encourage an increase of 0.008513 per cent on condition that other variables remain. Each of the increase in GDP of one billion, the Indonesian foreign loans also encourage an increase of 1.908099 per cent on condition that other variables remain. Each increase of one billion in the fiscal balance, the foreign debt of Indonesia is encouraging a decrease of 0.233860 billion or equivalent to 0.233860 per cent on condition that other variables remain. Any increase in the current account amounted to one billion, the foreign debt of Indonesia is encouraging a decrease of 0.042389 billion or equivalent to 0.042 per cent on condition that other variables remain. The fourth variable can explain the variable of foreign loans amounted to 86.19 percent and the remaining 13.81 percent is influenced by other variables outside the research model.

Keywords: Inflation, GDP, Fiscal Balance, Current account, Foreign Loan, Ordinary Least Squares (OLS).