

**ANALYSIS OF PRIMARY BALANCE DETERMINANT AS INDICATORS
OF INDONESIAN FISCAL SUSTAINABILITY
(PERIOD OF 1998 - 2014)**

By

IRMA YUNITA

ABSTRACT

One of the indicator to measure fiscal sustainability is to see the state of primary balance in the State Budget. Gap that occur between income and expenditure leads to a primary balance deficit state, this may cause an interference towards fiscal sustainability because debt interest burden must be covered with withdrawal of new principal debt that resulting in increased of debt ratio of gross domestic product. Thus, this research is aimed to know how the movement of primary balance fluctuation that causing state budget reach the budget deficit by knowing the influence of variables that significantly related to primary balance.

Empirically, times series data that is used is annual data in the years 1998– 2014. This research using quantitative analysis methods with ECM (Error Correction Model) to find out the influence in the short-term while using multiple regression analysis with OLS (Ordinary Least Square) method to find out the influence in the long term. Result of the estimation using ECM and OLS show that independent variables are significantly affect on the primary balance. Partially ECM show that in the short-term, variables state revenue, government expenditure, and world oil prices significantly affect of the primary balance while government debt, Inflation, and the rupiah exchange rate is not significantly affect of the primary balance. Based on the OLS method, in the long-term, state revenue, government debt, inflation, exchange rate, and world oil prices significantly affect of the primary balance.

Key words : Fiscal Sustainability, State Budget, Primary Balance, State Revenue, Government Spending, Governmend Debt, Inflation, Exchange Rate,World Oil Prices, ECM, OLS.