ABSTRACT

ANALYSIS OF FACTORS THAT AFFECT FISCAL SUSTAINABILITY IN INDONESIA

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Fiscal sustainability is a government policy that attempts to manage the budget for healthy and sustainable. The exit of Indonesia from the IMF's membership and the economic crisis that struck Indonesia in mid 1997 has led to increased private and government debt. This condition can affect fiscal sustainability the government of Indonesia and provide a huge pressure for the state budget (APBN). Sustainable fiscal durability is a situation that shows the establishment of sound fiscal continuously indicated by the reduction in government debt positions, both domestic debt and foreign debts. The implication is that fiscal sustainability will largely depend on the government's ability to obtain sources of tax revenue through economic growth, efficiency needs of the budget through increased revenues and expenditures sharpening, and sources of financing through revenue non-tax. Therefore, the Indonesian government must be able to manage its finances (both in terms of revenue and expenditure) in an effective and efficient so as to increase economic growth and that ultimately the ratio of debt to GDP will decline.

This study aims to determine the effect of economic growth, exchange rates and inflation on the ratio of debt to GDP of Indonesia. This study uses secondary data. The data used is the type of time series data for the period 1999 - 2009. Analysis tool used in this study is multiple linear regression analysis with the Ordinary Least Square approach (OLS).

From the analysis concluded that economic growth can negative effect the debt ratio to GDP. This negative influence can be interpreted that with the increase in economic growth it will lower the debt ratio to GDP. The exchange rate significantly influence the ratio of debt to GDP with a coefficient of negative sign. This negative influence can be interpreted that the increase in the exchange rate or in other words the value of the rupiah to appreciate it will lower the debt ratio to GDP. Inflation has positive influence on the ratio of debt to GDP. This positive influence can be interpreted that with rising inflation will increase the ratio of debt to GDP.

Keywords: Fiscal Sustainability, the State Budget, Government Debt.