

ABSTRACT

ANALYSIS OF THE EFFECT OF MONETARY POLICY (MONETARY BASE TARGETING FRAMEWORK 2002:01-2005:06 AND INFLATION TARGETING FRAMEWORK 2005:07-2013:06) FOR INVESTMENT IN INDONESIA

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This study uses two periods of research which are monetary base targeting framework and inflation targeting framework. Monetary base targeting framework with operational target is to control based money and inflation targeting framework with operational target is to control BI Rate.

This study is used to know comparison effect of monetary policy on monetary base targeting framework period 2002:01-2005:06 and monetary policy on inflation targeting framework period 2005:07-2013:06 to investment in Indonesia. This study uses Ordinary Least Square analysis.

The result shows that in monetary base targeting framework period base money has positive effect to investment, rate of investment credit and inflation has negative effect to investment in Indonesia. Then in inflation targeting framework period BI Rate, rate of investment credit, and inflation has negative effect to investment in Indonesia. Looking from R-squared on both of that period it shows that R-squared on inflation targeting framework period is bigger than in monetary base targeting framework period.

Keywords: Monetary Policy, Based Money, BI Rate, Rate of Investment Credit, Inflation, Ordinary Least Square.