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INDONESIA'S FISCAL RESILIENCE TO CENTRAL GOVERNMENT DEBT 1990-2016

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ABSTRACT

The size of Indonesia's central government debt is one of the issues raised again and become a heated debate among experts in Indonesia. The government itself has explained the purpose and objective of the debt in order to encourage the Indonesia economy to become more competitive through infrastructure development. Theoretically, infrastructure development I said to be good because it will reduce the extra cost, especially transportation cost for business actors. But on the other hand, Indonesia's debt accumulation and the obligation to pay the principal of the debt and interest will burden the budget posture of the Indonesian State Budget (APBN). These concept of "debt stock" were assessed through fiscal resilience (APBN) of Indonesia in previous years as a reflection of whether Indonesia's fiscal sustain or not and became one of the considerations whether it is feasible for the government to continue to increase its debt by looking at the level of vulnerability of the Indonesian State Budget, especially this is reinforced by data showing that the government's expenditure on social assistance even by 2016 exceeds the value of government subsidies. Utilizing time series data from 1990-2016 on the variables of Government Revenue, Government Expenditure and Central Government Debt which is analyzed by Vector Autoregression (VAR) be known Indonesia fiscal condition (sustainable or not) and also be known short and long term cointegration to Indonesia fiscal condition. Through this research can be suggested that the Indonesian government should be more careful about new debt and it would better if the government of Indonesia prioritize efforts to increase production which impact on increasing government revenue.

Keyword: *Fiscal Sustainability, State Budget, Central Government Debt*

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