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OVERVIEW THE RELATIVE EFFECTIVENESS OF INDONESIAN POLICY MEASURES DURING AND AFTER FINANCIAL CRISIS

YULI TEGUH HIDAYAT[1] & TUMPAK SILALAHI[2]

Doctoral Student, Faculty of Economics, Padjadjaran University, Bandung, Indonesia

ABSTRACT

The objective of this research is to overview the impact of crisis and policy measures taken during the crisis, evaluate the effectiveness of those measures and analyze the exit strategy in Indonesia. To achieve those objectives, this paper will review some policy measures in monetary, fiscal and financial sectors that had been taken to deal with the 2008 global financial crisis using descriptive and statistical analysis. Based on finding, we could conclude that Indonesia had clearly demonstrated the effective and timely response of monetary, fiscal and financial sector policies which helped Indonesia to recover from global economic crisis.

Additionally, the econometric model was used to evaluate the impact of monetary and fiscal policy to economic output using quarterly data from 1990 - 2010. The result shows that monetary and fiscal policies have significant impact to economic output. In the short run the changes in real GDP is significantly affected by changes in real monetary supply in the previous three quarter and real fiscal expenditures. The lesson learned from this research among other are that cooperation and coordination among the policy makers and the timely responses are very important in tackling the crisis; an effective conventional monetary policy in normal times may become less effective in a crisis thus unconventional monetary policy indeed necessary as timely policy response and the improvement for more timely disbursement of government expenditure is important to increase the effectiveness of this policy to stimulate economic output. Moreover, several Indonesian exit strategy and policies to face future challenges are very important to reach the ultimate objective of sustainable economic growth while maintaining macroeconomic stability.

JEL Classification: E52, E62, E63

KEYWORDS: Monetary Policy, Fiscal Policy, Financial Sector Policy, Global Financial Crisis

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