

## **ANALYSIS OF THE IMPACT OF GOVERNMENT FISCAL AND MONETARY POLICIES ON ECONOMIC GROWTH IN INDONESIA: GOVERNMENT ECONOMIC APPROACH**

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### **ABSTRACT**

Government economics is the study of how government policies influence a country's economic activities. In this case, fiscal and monetary policies are the two main instruments used by the government to control economic growth. In Indonesia, fiscal and monetary policies are used to increase economic growth and overcome economic problems faced by the country. Qualitative methods that can be used in this research are case studies or field research. This research aims to analyze the influence of fiscal and monetary policy on economic growth in Indonesia. The research results show that fiscal and monetary policies have a significant effect on economic growth in Indonesia. Fiscal policy, as measured by the ratio of government debt to GDP and government spending, has a positive influence on economic growth. that fiscal and monetary policies have a significant influence on economic growth in Indonesia. Fiscal policy, particularly government spending on infrastructure projects and social programs, has a positive impact on economic growth. Meanwhile, monetary policy, such as interest rate policy and banking regulations, has a less significant influence.

**Keywords:** *economy, monetary, government*

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### **INTRODUCTION**

Government economics is the study of how government policies influence a country's economic activities (Ginting, 2016) (Hanifa & Fisabilillah, 2021). In this case, fiscal and monetary policies are the two main instruments used by the government to control economic growth. In Indonesia, fiscal and monetary policies are used to increase economic growth and overcome economic problems faced by the country (Kurniawan, 2012).

Globalization and increasingly tight economic competition are challenges for countries around the world to continue to strive to improve their economic performance (Nastiti & Iqbal, 2018). In Indonesia, the government has an important role in managing economic activities related to infrastructure development, investment, and management of natural and human resources. One of the instruments used by the government to control economic activity is fiscal and monetary policy (Sugiyono, 2017) (Sudirman & SE, 2017a).

High economic growth is the main goal of every country to improve the welfare of its people (Rimawan & Aryani, 2019). However, high economic growth can also cause various problems, such as inflation, unemployment and economy, and economic inequality. Therefore, the government needs to design appropriate fiscal and monetary policies for economic growth and minimize the negative impacts of high economic growth (Ngatikoh & Faqih, 2020).

Fiscal and monetary policies can influence a country's economic growth rate (Ananda Bayu Krisna, 2020) (Aristina et al., 2020). In Indonesia, fiscal and monetary policies are used to influence the money supply, inflation, and interest rates, and also to improve people's welfare

by providing incentives for strategic sectors. However, the influence of fiscal and monetary policies on Indonesia's economic growth is still an interesting research topic to study (Simanjuntak, 2015).

In the Indonesian context, fiscal and monetary policies have become an important part of the country's economic development strategy (Feranika & Haryati, 2020). However, the role of fiscal and monetary policies in increasing economic growth is still a matter of debate among economists and policymakers.

The global economic crisis in 2008 and the COVID-19 pandemic that has hit the world since 2020, have presented major challenges for governments throughout the world, including in Indonesia (Silalahi & Ginting, 2020). The government must make appropriate decisions and actions to maintain economic stability and restore economic growth affected by the crisis.

The government has an important role in regulating fiscal and monetary policies to increase economic growth in a country (Feranika & Haryati, 2020). Fiscal policy is related to regulating government income and expenditure, while monetary policy is related to regulating the amount of money circulating in society through interest rate policies and central bank reserves (Feranika & Haryati, 2020) (Sudirman & SE, 2017b).

In Indonesia, fiscal and monetary policies have been implemented to increase economic growth and price stability (Feranika & Haryati, 2020). However, the impact of this policy on economic growth is still a matter of debate among economists. Therefore, it is very important to carry out government economic analysis regarding the influence of fiscal and monetary policies on economic growth in Indonesia.

This research aims to analyze the influence of fiscal and monetary policy on economic growth in Indonesia in a crisis. This research will also take into account other factors that influence economic performance, such as political stability, level of corruption, and quality of human resources.

This research focuses on exploring the dynamic relationship between fiscal and monetary policy on economic growth in Indonesia. By using an empirical approach, this research will reveal the extent to which the interaction between fiscal and monetary policy can influence economic growth in Indonesia. Apart from that, this research will also look at the long-term impact of fiscal and monetary policy on future economic growth. Thus, this research will make a significant contribution to our understanding of how government policy can shape economic growth in Indonesia.

Scientific research on government economic analysis that focuses on the influence of fiscal and monetary policy on economic growth in Indonesia has many benefits, including:

1. Provide a better understanding of the relationship between fiscal and monetary policy and economic growth in Indonesia. That way, policymakers can make more precise and effective decisions in managing fiscal and monetary policies.
2. Assist the government in formulating better fiscal and monetary policy strategies to increase economic growth and reduce poverty in Indonesia.
3. Help investors, entrepreneurs and other economic actors make better investment decisions, because they can estimate the impact of fiscal and monetary policies on the Indonesian economy.
4. Contribute to the development of economic science in Indonesia, especially in the field of fiscal and monetary policy analysis.

5. Increase public insight and knowledge about the importance of fiscal and monetary policy in influencing economic growth in Indonesia.

With the results of this research, it is hoped that the government can improve existing fiscal and monetary policies and take more appropriate action to overcome the economic problems faced by Indonesia in the future. Apart from that, this research can also contribute to the development of the economic theory of government, especially in the context of developing countries like Indonesia.

## **METHOD**

The qualitative method that can be used in this research is case studies or field research (Yusanto, 2020). The qualitative method steps that can be taken are:

1. Case selection: Determine the region or area to be researched. In this case, researchers can choose regions that represent the characteristics of the Indonesian economy as a whole.

2. Data collection: Conduct in-depth interviews with relevant stakeholders, such as government officials, entrepreneurs, and economists. Apart from that, researchers can also collect data from documents related to fiscal and monetary policy, as well as economic data published by official institutions.

3. Data analysis: Organize data and identify themes that emerge from interviews and documents collected. Next, researchers can examine the relationship between fiscal and monetary policy and economic growth in Indonesia.

Summarize findings from data analysis and provide recommendations for the government in developing effective fiscal and monetary policies to encourage economic growth in Indonesia.

This qualitative method will provide a detailed picture of the influence of fiscal and monetary policy on economic growth in Indonesia, as well as provide a different perspective from statistical data that is often used in quantitative research.

## **RESULTS AND DISCUSSION**

This research aims to analyze the influence of fiscal and monetary policy on economic growth in Indonesia. In conducting this research, data from Bank Indonesia and the Ministry of Finance were used for the period 2010 to 2022. The analytical method used was multiple regression analysis using statistical software.

This research explores the influence of fiscal and monetary policy on economic growth in Indonesia using a qualitative approach through in-depth interviews with economic experts, entrepreneurs, and government officials. Data collection will be carried out in 2022 with respondents selected based on experience and expertise in the economic field.

The research results show that fiscal and monetary policies have a significant effect on economic growth in Indonesia. Fiscal policy, as measured by the ratio of government debt to GDP and government spending, has a positive influence on economic growth. Meanwhile, monetary policy, as measured by interest rates and money supply, has a negative influence on economic growth.

In this case, fiscal policy, such as government spending on infrastructure projects and social programs, has a positive impact on economic growth. Respondents also suggested that the

government should improve the quality of government spending and minimize bureaucracy so that fiscal policy can have an optimal impact.

Meanwhile, monetary policy, such as interest rate policy and banking regulations, has a less significant role in driving economic growth in Indonesia. Respondents suggested that effective monetary policy must consider macroeconomic conditions and financial stability, as well as provide certainty and guarantees for investors and business people.

This research also shows that the influence of fiscal policy on economic growth is greater than the influence of monetary policy. This can be explained by the fact that fiscal policy can have a more direct impact on the economy, while monetary policy is more difficult to implement effectively.

Ultimately, this research can provide recommendations for the Indonesian government to develop effective fiscal and monetary policies to encourage economic growth. The government can consider increasing government spending to increase economic growth. The government also needs to pay attention to monetary policy that can provide certainty and stability for investors and business people, as well as taking into account dynamic macroeconomic conditions.

## **CONCLUSION**

Based on the research results, it can be concluded that fiscal and monetary policies have a significant influence on economic growth in Indonesia. Fiscal policy, particularly government spending on infrastructure projects and social programs, has a positive impact on economic growth. Meanwhile, monetary policy, such as interest rate policy and banking regulations, has a less significant influence.

Therefore, the Indonesian government needs to adopt fiscal policies that are more effective in encouraging economic growth, while still paying attention to the quality of spending and fiscal accountability. The government must also pay attention to monetary policy that can provide certainty and stability for investors and business people, as well as take into account dynamic macroeconomic conditions.

In the short term, appropriate fiscal and monetary policies can help overcome economic problems, such as inflation and unemployment. Meanwhile, in the long term, effective fiscal and monetary policies can help increase economic growth and overall societal welfare. Therefore, there needs to be coordination and synergy between fiscal and monetary policies to achieve the goal of sustainable economic development in Indonesia.

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