

## ABSTRACT

The main objective of this research is to analyze the factors that influence the change of the International Reserve. The topic chosen based on the several reasons. They are the theoretical gap, the research gap, the modeling expansion and the empirical gap. Then the research analysis is based on the Keynesian Balance of Payment Theory (KBPT) and the Monetary Approach to the Balance of Payment (MABP). The KBPT is focused on the short term analysis and the MABP is focused on the long term analysis. In connection with those, the Error Correction Model (ECM) is utilized to analyze the data. To support it the Error Correction Term (ECT) must be significant.

Using the technique, it is found that the value of the ECT is -0.145. Statistically the value is significant. This shows that if the past period has 1 % disequilibrium, the International Reserve will adjust -0.145 %. Additionally it means that the economy needs 6-7 periods or 1.5 years to reach the new equilibrium of the International Reserve.

It is also found that in the long run the change of International Reserve is influenced by the Economic Growth, the changes of Domestic Credit, Exchange Rate and Interest Rate. The effect directions of the independent variables to the change of International Reserve are consistent with the theories which are chosen especially with the MABP. Statistically the influences are significant for partial influences and simultaneous influence.

In line with the MABP, it is also found that the Economic Growth influences the change of International Reserve positively. The change of Domestic Credit influences the change of International Reserve negatively. The change of Exchange Rate influences the change of International Reserve positively. The change of Interest Rate influences the change of International Reserve negatively. The Economic Crisis influences the change of International Reserve negatively. Furthermore the variation of the change in the International Reserve is dominated by the Economic Growth, the change of Domestic Credit, the change of Exchange Rate, the change of Interest Rate and the Economic Crisis. The results are like better following the MABP.

Keywords: *The International Reserve, Keynesian Balance of Payment Theory (KBPT) and the Monetary Approach to the Balance of Payment (MABP), Error Correction Model (ECM), Error Correction Term (ECT).*