ABSTRACT

Financial sector that has been supported by technological developments make the financial system integrated with each other. Learning from global financial crisis in 1997 and 2008, also a threat of crisis due to Russia-Ukraine conflict, so Bank Indonesia as the monetary authority responsible to maintaining financial system stability free from government intervention. The aim of this study is to analyze the relationship between the degree of independence of the central bank and financial system stability in Indonesia in the post-global financial crisis period.

This research apply error correction model as a analytical method to examine relationship between central bank independence variable on financial system stability variable in the short and long period. In addition, to examine the relationship, this research use time series data 1999 to 2022. The research results conclude that the degree of central bank independence does not affect the financial system stability in Indonesian. Exchange rate also does not affect the financial system stability in Indonesian. Meanwhile, deficit budget variable has a positive significant relationship on financial system stability in the short and long period.

Keywords : financial system stability, central bank independence, ECM