ABSTRACT

This study aims to analyze and understand the effect of funding through the capital market (stock issuance and bond issuance), Foreign Debt and Regional Transfer policies (General Allocation Fund and Special Allocation Fund) on the unemployment rate in Indonesia in the period 1992-2021. This research is motivated by the fact that efforts to reduce the unemployment rate are often hampered because the demand for labor by the private sector is not as high as expected, resulting in labor that cannot be absorbed. This study uses time series data from 1992-2021 and uses regression analysis of Ordinary Least Square and Error Correction Model (ECM) Engle-Granger.

The findings in this study indicate that the issuance of bonds and the General Allocation Fund have a negative impact on the unemployment rate in Indonesia, while foreign debt has a positive effect on the unemployment rate in Indonesia. As a driving force to increase labor absorption by the private sector, it is necessary to encourage policies to make it easier for the private sector to access funds in the capital market, as well as increase regional transfer funds to equalize income and increase private productivity in the regions. Foreign debt itself can be used to restrain public consumption in times of economic turmoil.

Keywords: Capital Market Funding, External Debt, Intergovernmental Financing, and Unemployment Rate.