ABSTRACT

Fiscal policy in Indonesia is reflected through the state are often planned deficit. It aims to maintain economic growth through fiscal stimulus and maintaining fiscal sustainability. Fiscal sustainability can be described by the ratio of the primary balance. Problems arise when the ratio of the primary balance in Indonesia began to show negative numbers. Primary balance deficit ratio could indicate if fiscal sustainability in bad condition.

This study aimed to analyze the effect of total debt, government revenue, exchange rate, 3-month SBI interest rate, and crude oil prices on fiscal sustainability in Indonesia in 2005.Q1 - 2015.Q4. The analytical method used is the Vector Error Correction Model (VECM). The results of the study describes the short as well as long-term debt of the total variable significant and positive impact, while the exchange rate and negative significant effect on fiscal sustainability in long-term. Furthermore, the 3-month SBI interest rate, and the price of crude oil in the short term as well as long-significant and negative impact on fiscal sustainability. Meanwhile, government revenues in the short and long term have no effect on fiscal sustainability.

Keyword: Total debt, government revenue, exchange rate, 3-month SBI interest rate, crude oil prices, fiscal sustainability