ABSTRACT

Banking crisis actually happened several times in Indonesia, but never as disastrous as the crisis hit in the middle of 1997. This paper examines wether the macroeconomic indicators can be a good early warning systems for the Indonesian banking crisis at the period 1983-2003. This paper uses two methods : first signal methods developed by Kaminsky Lizondo, and Reinhart (KLR) and second econometrics model especially logit model. Here, crisis period is proxied by money market pressure index. This paper using monthly and quarterly data from 1983-2003 collected from Bank Indonesia and International Financial Statistic

Using the signal method, the research found the crisis period in several degrees of measures. Crisis period occurs in 1984, 1990, 1993, 1997, 1998, 2000 and 2002. Generally, macroeconomics indicators operated in empirical models can be a good detector for the Indonesian banking crisis which can be seen from *the noise to signal ratio* that most of the value has less than 0,5 and by the value of *Quadratic Probability Score* (QPS), *Log Probability Score* (LPS), and *Global Square Bias* (QSB) that tend to 0.

Finally, the Econometric Logit model is used to analyze how the macroeconomic indicators influence the probability of banking crises. From the macroeconomics monthly data series, we found that there are four macroeconomic indicators that significantly influence the probability of Indonesian banking crises at 5% level of significant (α=5%), which are *bank deposit growth, domestic credit growth, currency growth,* and *M2 multiplier*. From the monthly data series there are no significant macroeconomic indicators that has significant influence to indonesian banking crises.