

The Analysis of the Impact of Debt on the Indonesian Economy for the Period 1976-2021: Comparative Study between Budget Regimes

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ABSTRACT

Foreign debt has an important and inseparable role in the history of Indonesia's national development. The government has changed seven times, foreign debt is always present to fill the development budget deficit. Debt is expected to help move the wheels of the economy, create growth, create jobs, and alleviate poverty. This study aims to analyze the effect of debt, budget, inflation and differences in government regimes on the Indonesian economy (GDP and Income per Capita) in Indonesia for the 1976-2021 period. The study uses secondary data obtained from Bank Indonesia, the National Development Planning Agency (Bappenas), the Central Statistics Agency (BPS), the World Bank, and other reference sources such as books, journals and scientific papers. The data used are the value of foreign debt, APBN, national income (GDP), population, inflation rate, and government regime in the period 1976 - 2021. The results of multiple regression analysis with dummy variables (using the Eviews 10 application program) show the following results: Foreign debt and APBN have a correlation with the condition of the national economy, especially the value of GDP. Debt and the state budget tend to increase the value of GDP. In terms of debt management as a driver of economic growth, the Suharto Era (New Order) tended to be better than the eras that followed. However, relatively speaking, the Habibie and SBY eras tended to be better than the Megawati era, the Abdurrahman Wahid era, and the Jokowi era. In fact, Jokowi's era is no better than previous eras.

Keywords: Budget, Inflation, GDP, Indonesian Economy

INTRODUCTION

Sustainable development is needed to sustain the wheels of a country's economy. As a developing country, Indonesia has limited capital in realizing its national development programs. Indonesian Government, from regime to regime, always face the problem of limited capital to support development financing. In every period of government, there is almost always a gap between revenue and expenditure.

In an effort to overcome the development budget deficit, the Government of Indonesia carried out a series of policies in the form of stimulus from within the country (internal) and from abroad (external). In addition to boosting sources of state revenue through tax and non-tax extensification and intensification, the Indonesian government from time to time has implemented foreign debt and foreign investment policies.

According to the Great Indonesian Dictionary (Kamus Besar Bahasa Indonesia), debt is money borrowed from other people. While etymologically, debt (English) comes from the French term *dette* or the Latin term *debtum* which means "the one who owes." The term debtor is said to have been first used in English in the early 13th century (Etymology Dictionary, 2021).

The Great Indonesian Dictionary also defines a *loan* as a debt borrowed from another party with an obligation to repay. Meanwhile, Foreign Loans are a number of funds obtained from other countries (bilateral or multilateral) which are reflected in the balance of payments for investment activities, closing the saving-investment gap and foreign exchange gap carried out by both the government and the private sector.

According to the Decree of the Minister of Finance and the Head of Bappenas (No. 185/KMK.03/1995 and No. KEP.031/KET/5/1995) Foreign Loans are state revenues, both in the form of foreign exchange, and/or foreign exchange in rupiah or in the form of goods, and or services obtained from the provision of foreign loans that must be repaid with certain conditions.

People, companies and the state institutionally are never free from the practice of debt. Not only for business purposes, but also to meet consumer needs. From a business perspective, debt is considered a common thing to increase business capital. The same thing happens in the governance of a country. Almost all countries have even continued to borrow to increase their national development funds or capital. Indonesia, as a developing country,

has a long history of debt or loans to external parties, both bilaterally and multilaterally through international and regional financial institutions.

According to Lincoln Arsyad (2010), foreign debt is a source of financing the government budget and economic development. Foreign debt is used to finance state spending so that it can support economic activities, especially productive activities, which in turn will encourage economic growth. Debt is usually used to finance budget deficits. The resulting growth in turn contributes to job creation and poverty reduction.

Indonesia has long known foreign debt. Even before independence, there was already a legacy of debt from the Dutch colonial government. From year to year, our foreign debt increases. This applies from the era of the Old Order, the New Order, to the present Reform Order. At the beginning of independence, Indonesia had a debt of about 2 billion dollars. By the end of 2021, Indonesia's debt was close to a value of US\$ 424 billion. The development of Indonesia's foreign debt in dollars can be seen in Table 1 and Graph 1.

Table 1. Indonesia's Debt Development Period
1976 - 2021

YEAR	DEBT\$	INFLANTION	POPULATION	GDP\$	ERA
1976	8,295	6%	134010690	37,269	SOEHARTO
1978	11,33	8%	140665856	51,456	SOEHARTO
1980	12,994	14%	147490365	72,482	SOEHARTO
1981	13,945	10%	150978840	85,518	SOEHARTO
1984	16,886 7	8%	161555583	84,854	SOEHARTO
1987	12,108 8	15%	171728917	75,93	SOEHARTO
1990	15,942 1	8%	181436821	106,141	SOEHARTO
1991	15,052	9,53%	184591903	111,11	SOEHARTO
1992	15,785	9,52%	187739786	120,67	SOEHARTO
1993	20,176 8	4,94%	190879523	158,007	SOEHARTO
1994	21,145	9,77%	193917462	167,25	SOEHARTO
1995	22,615	9,24%	196934260	197,44	SOEHARTO
1996	24,987	8,60%	199914831	227,37	SOEHARTO
1997	38,264	6,50%	202826446	248,66	SOEHARTO
1998	68,7	11,10%	205715544	95,446	HABIBIE

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1999	132,2	77,60%	208612556	140,001	HABIBIE
2000	129,3	2,00%	211540429	165,021	A WAHID
2001	122,3	9,40%	214506502	160,447	A WAHID
2002	136,9	12,55%	217508059	195,661	MEGAWATI
2003	135,4	10,03%	220545214	234,772	MEGAWATI
2004	141,27	5,16%	223614649	256,837	MEGAWATI
2005	134,5	6,40%	226712730	285,869	SBY
2006	132,63	17,11%	229838202	364,571	SBY
2007	141,18	6,60%	232989141	432,217	SBY
2008	155,08	6,59%	236159276	510,229	SBY
2009	172,87	11,06%	239340478	539,58	SBY
2010	202,41	2,78%	242524123	755,094	SBY
2011	225,17	6,96%	245707511	892,969	SBY
2012	252,37	3,79%	248883232	917,87	SBY
2013	266,11	4,30%	252032263	912,524	SBY
2014	293,33	8,40%	255131116	890,815	SBY
2015	310,73	8,40%	258162113	861,256	JOKOWI
2016	320,00 6	3,40%	261115456	932,259	JOKOWI
2017	357,46 9	3,00%	264102584	978,87	JOKOWI
2018	375,43	4,30%	265050000	10042,5 3	JOKOWI
2019	403,52 9	3,13%	266910000	1101,95	JOKOWI
2020	416,58 7	3,32%	273540231	1063,49	JOKOWI
2021	424,0	3,10%	273870000	1191,19 7	JOKOWI

Source: BPS, BI, World Bank and other publications

Normatively, every foreign debt is used by Indonesia for development spending. The hope is to help finance various development projects and create economic growth as indicated by an increase in the value of GDP and create jobs, which in turn can contribute to reducing poverty.

In practice, not all foreign debt is spent on development spending. Some of the debt is even used to cover the principal and interest installments. Hernatasa's research (2004) found the Fisher Paradox, a

situation where the more foreign debt installments are made, the greater the accumulation of foreign debt. A similar condition was stated by other researchers that the installments plus interest on foreign debt were substantially financed by new debt, resulting in a net transfer of financial resources from Indonesia to foreign creditors (Swasono and Arief, 1999).

This condition is certainly not favorable. This is because most of the State Revenue and Expenditure Budget (APBN) which is expected to stimulate the economy is actually being sucked in by routine expenditures, most of which are allocated on principal installments and interest on debt. Debt whose main target is to support development and economic growth will be the burden of the government when paying the debt. Payment of principal and interest on foreign debt has an effect on the economy because under certain conditions the payment of these installments can have a negative impact on the economy, thereby eliminating the positive contribution of foreign debt (Hernatasa, 2004).

Foreign debt is needed to have a positive influence on economic growth, such as by increasing production (GDP), expanding job opportunities and improving the balance of payments. However, if debt is used improperly, it is likely that the debt will have a negative impact on economic growth and even threaten the country's macroeconomic stability.

The apprehensive condition of Indonesia's foreign debt, both in terms of quality and quantity, certainly cannot be separated from the previous economic conditions. In other words, the poor performance of the economy in previous years could be a driving force for the emergence of foreign debt problems today.

PROBLEM FORMULATION

Since gaining independence, Indonesia has experienced seven changes of national leadership. Starting from Soekarno, Suharto, BJ Habibie, Abdurahman Wahid, Megawati, Susilo Bambang Yudhoyono (SBY), to Joko Widodo. During that time, foreign debt was always present to cover the development budget deficit. How they manage foreign debt in the context of development, namely driving economic growth and

poverty alleviation is interesting to study. How is debt related to GDP and poverty levels?

This study was conducted to answer the following problems: 1 . How do foreign debt, budget (APBN) and inflation affect the value of Indonesia's GDP? 2. How is the relative debt management comparison between the New Order era (Soeharto) and the government regimes that followed (Habibi, Abdurrahman Wahid, Megawati, SBY, and Jokowi)?.

Meanwhile, the research objectives are;

1. Analyzing the significance of the influence of foreign debt, APBN and inflation on economic growth and poverty levels in Indonesia
2. Analyzing the relative difference in debt management between the New Order (Soeharto) government period and the subsequent government regimes?

RESEARCH METHODS

The study uses secondary data obtained from Bank Indonesia, the National Development Planning Agency (Bappenas), the Central Statistics Agency (BPS), the World Bank, and other reference sources in the form of books, journals, and other publications. The data collected are in the form of foreign debt data, Gross Domestic Product (GDP) data, national income data, population data, data on the number and ratio of poor people, inflation rate and so on. The data is in the form of time series data from the period 1976 -2021.

The data collected is then grouped into the dependent variable (dependent) and the independent variable (independent). The dependent variable is the value of GDP (US\$). Meanwhile, there are nine independent variables, namely the amount of debt (US\$), the population, the inflation rate, and the dummy variable for the government period with the Soeharto government era as a comparison or reference. Processed data were analyzed quantitatively descriptively with multiple regression models with dummy variables. The effect of debt on economic growth and poverty reduction can be known by proposing the Econometric Model (GDP and Poor) as follows:

$$\text{GDP} = \beta_0 + \beta_1\text{Debt} + \beta_2\text{Budget} + \beta_3\text{Inflation} + \beta_4\text{Population} + \beta_5\text{Era1} + \beta_6\text{Era2} + \beta_7\text{Era3} + \beta_8\text{Era4} + \beta_9\text{Era5} + \varepsilon$$

GDP is the annual gross domestic product value variable. Poor is a variable of poverty rate (expressed in the number of population or the ratio of the poor to the total population of Indonesia); Debt is an indicator of foreign debt expressed in percent. Population is the total population of Indonesia in the current year. Inflation is the annual rate of inflation. To see a comparison of debt management in each era of government, six dummy variables were made, namely; Era1 (comparing the Old Habibie Order Era with the Suharto Era); Era2 (comparing the Abdurahman Wahid Era with the Suharto Era); Era3 (comparing the Megawati Era with the Suharto Era); Era4 (comparing the SBY Era with the Suharto Era); Era5 (comparing the Jokowi Era with the Suharto Era). According to the research question, this study has two hypotheses, namely: H01 debt, opulation, inflation and era have no effect on GDP
H11 debt, population, inflation and era affect GDP

RESULTS AND DISCUSSION

From the search results, it was not easy to get the required data in full. Especially regarding data on the amount of debt, the value of GDP, inflation and the number of poor people. From various sources, the following is a recapitulation of data collected by the author.

Table 2. Data on Debt, GDP, Population, Inflation and Poverty Figures 1949-2017

Year	Debt (Million \$)	GDP (Million\$)	Population	Inflation	Era
1949	0.79	1.71	76948780	11	Soekarno
1950	0.514	1.78	78255665	10	Soekarno
1956	0.618	1.837	86002245	22	Soekarno
1963	1.7	1.2445	10155665	30	Soekarno
1966	2.015	1.6158	109593000	190	Soekarno
1969	2.437	2.593	118054000	9.9	Soeharto
1972	3.617	3.195	127466839	5.6	Soeharto
1976	8.295	37.269	134010690	5.8	Soeharto
1978	11.33	51.456	140665856	7.7	Soeharto
1980	12.994	72.482	147490365	13.5	Soeharto
1981	13.945	85.518	150978840	10.4	Soeharto
1984	16.8867	84.854	161555583	8.05	Soeharto
1987	12.1088	75.93	171728917	15.44	Soeharto
1990	15.9421	106.141	181436821	7.72	Soeharto
1993	20.1768	158.007	190879523	8.88	Soeharto
1996	24.987	227.37	199914831	8.85	Soeharto

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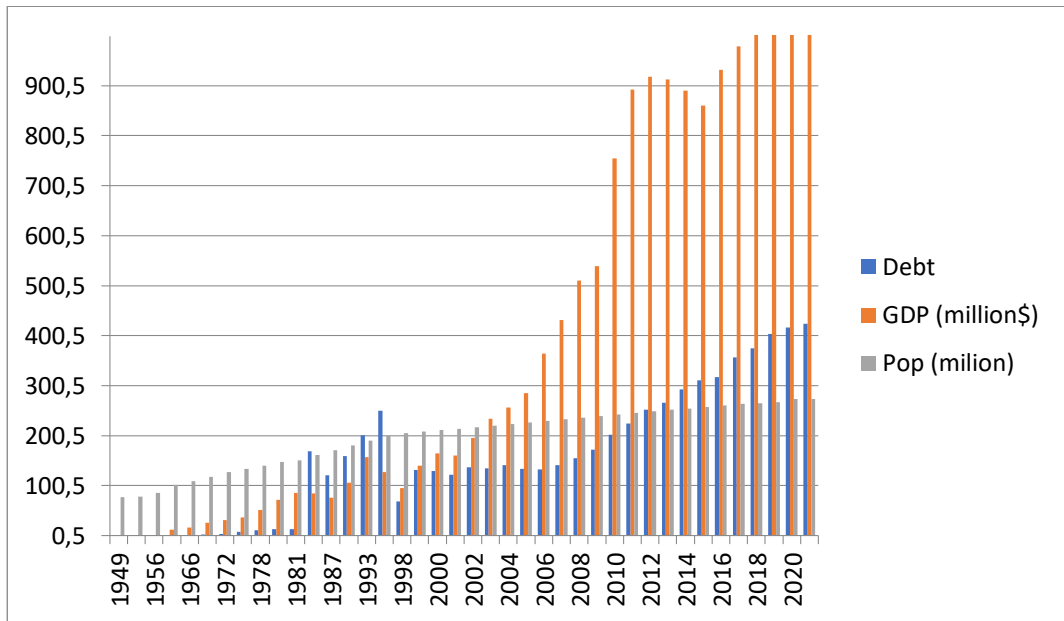
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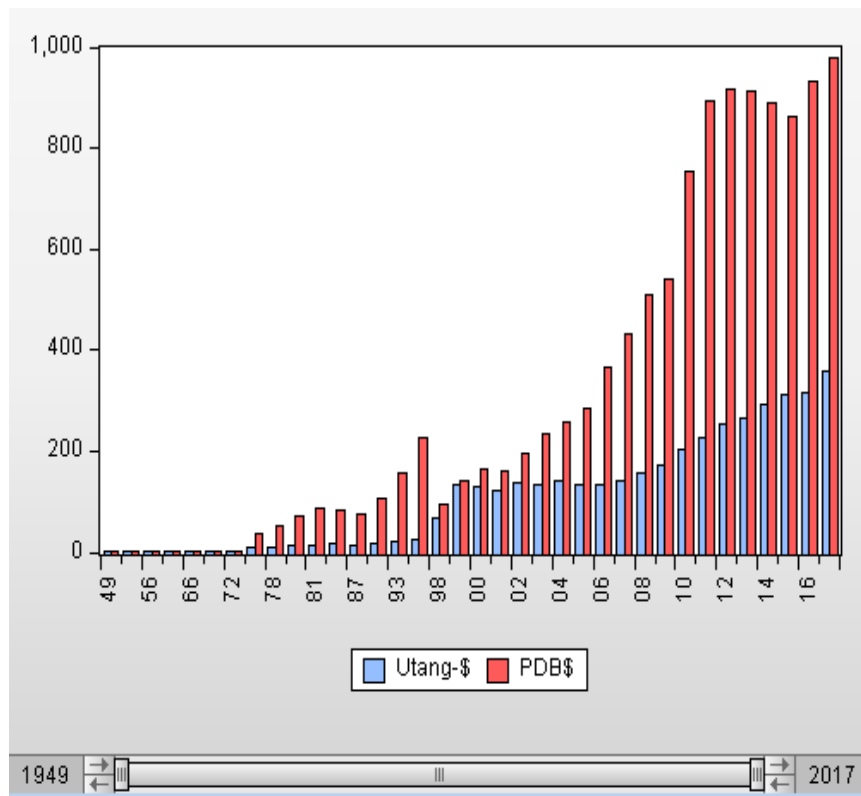
1998	68.7	95.446	205715544	77.6	Habibie
1999	132.2	140.001	208612556	2	Habibie
2000	129.3	165.021	211540429	9.4	A. Wahid
2001	122.3	160.447	214506502	12.55	A. Wahid
2002	136.9	195.661	217508059	10.03	Megawati
2003	135.4	234.772	220545214	5.16	Megawati
2004	141.27	256.837	223614649	6.4	Susilo BY
2005	134.5	285.869	226712730	17.11	Susilo BY
2006	132.63	364.571	229838202	6.6	Susilo BY
2007	141.18	432.217	232989141	6.59	Susilo BY
2008	155.08	510.229	236159276	11.06	Susilo BY
2009	172.87	539.58	239340478	2.78	Susilo BY
2010	202.41	755.094	242524123	6.96	Susilo BY
2011	225.17	892.969	245707511	3.79	Susilo BY
2012	252.37	917.87	248883232	4.3	Susilo BY
2013	266.11	912.524	252032263	8.4	Susilo BY
2014	293.33	890.815	255131116	8.4	Susilo BY
2015	310.73	861.256	258162113	3.4	Jokowi
2016	317.09	932.259	261115456	3	Jokowi
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2019	403.529	1101.95	266910000	3.13	Jokowi
2020	416.587	1063.49	273540231	3.32	Jokowi
2021	424.0	1191.197	273870000	3.10	Jokowi

Sumber: BPS, BI, Bappenas dan Rujukan lain diolah

Since independence, Indonesia has experienced seven changes of national leadership. Starting from Soekarno, Suharto, Habibie, Abdurahman Wahid, Megawati, SBY, to Jokowi. From the tables and graphics it can be seen that the amount of debt and GDP tends to continue to increase from year to year, in all periods of government. The exception occurred in the era of the Abdurahman Wahid government where during his time there was an accumulative decline in the amount of Indonesia's foreign debt.



Graph 1 Indonesia's Debt Development 1949-2021



Graph 2 Development of Indonesia's Debt and GDP 1949-2017

How is the influence of debt on the Indonesian economy (GDP), time series data analysis has been carried out to see the significance of the influence of debt on the dynamics of GDP in each era of government. Statistical analysis (using Eviews 10) obtained the results as listed in Table 2 Results of Multiple Regression The Effect of Debt on GDP.

Table 3. Results of Analysis of Factors Affecting GDP Value (Eviews 10)

Dependent Variable: GDP\$

Method: Least Squares

Date: 03/16/22 Time: 05:45

Sample: 1976 2021

Included observations: 38

Variable	Coefficien t	Std. Error	t-Statistic	Prob.
DEBT\$	2.401469	0.500178	4.801226	0.0001
BUDGET\$	2.135493	1.002113	2.130991	0.0423
INFLANTION	-382.1596	213.3581	-1.791165	0.0845
POPULATION	1.09E-06	9.37E-07	1.166601	0.2536
EXC_RATE	-0.010897	0.013197	-0.825727	0.4162
ERA1	10.24916	171.2398	0.059853	0.9527
ERA2	-190.8257	87.77816	-2.173954	0.0386
ERA3	-189.0160	79.10375	-2.389470	0.0241
ERA4	-61.93077	84.31109	-0.734551	0.4689
ERA5	-203.8275	125.8832	-1.619179	0.1170
C	-104.5249	133.8112	-0.781137	0.4415
R-squared	0.987667	Mean dependent var	438.5692	
Adjusted squared	R- 0.983099	S.D. dependent var	382.5455	
S.E. of regression	49.73195	Akaike info criterion	10.88837	
Sum squared resid	66778.20	Schwarz criterion	11.36241	
Log likelihood	-195.8790	Hannan-Quinn criter.	11.05703	
F-statistic	216.2258	Durbin-Watson stat	1.194975	
Prob(F-statistic)	0.000000			

At a glance, the variables of debt, budget, inflation, Era2 (Abdurahman Wahid), Era3 (Megawati) affect the dynamics of Indonesia's GDP. Meanwhile, the variables of population, exchange rate, Era1 (Habibie), Era4 (SBY), and Era5 (Jokowi) have no effect on Indonesia's GDP. To ensure its validity, a multicollinearity test was conducted first. The results can be seen in table 4

as follows:

Table 4. Variance Inflation Factors

Date: 03/16/22 Time: 07:45

Sample: 1976 2021

Included observations: 38

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
DEBT\$	0.250178	153.1850	66.99337
BUDGET\$	1.004230	116.8916	46.32322
INFLANTION	45521.69	15.85400	9.674375
POPULATION	8.78E-13	650.7580	19.95229
EXC_RATE	0.000174	225.7937	70.09723
ERA1	29323.06	23.71201	22.46401
ERA2	7705.005	6.230630	5.902702
ERA3	6257.404	7.590047	6.990833
ERA4	7108.360	28.74077	21.17741
ERA5	15846.59	44.85004	36.58819

From table 4, it is known that the VIF value is quite high in the exchange rate (exc rate) and debt variables. To eliminate the effect of multicollinearity, the exchange rate was excluded from the analysis system. Meanwhile, the debt variable is still used because it has become an important research object in this regard. After the exchange rate is issued, the results of the analysis are as follows (Table 5):

Table 5 Analysis of Factors Affecting Indonesia's GDP 1976-2021

Dependent Variable: GDP\$

Method: Least Squares

Date: 03/16/22 Time: 07:49

Sample: 1976 2021

Included observations: 38

Variable	Coefficien t	Std. Error	t-Statistic	Prob.
DEBT\$	2.180571	0.420217	5.189157	0.0000
BUDGET\$	2.581900	0.838967	3.077474	0.0046
INFLANTION	-2.265692	9.951176	-2.276809	0.0306
POPULATION	6.05E-07	7.23E-07	0.837092	0.4096
ERA1	-119.7552	66.95847	-1.788499	0.0845
ERA2	-236.9347	67.34034	-3.518466	0.0015
ERA3	-228.9394	62.25113	-3.677674	0.0010

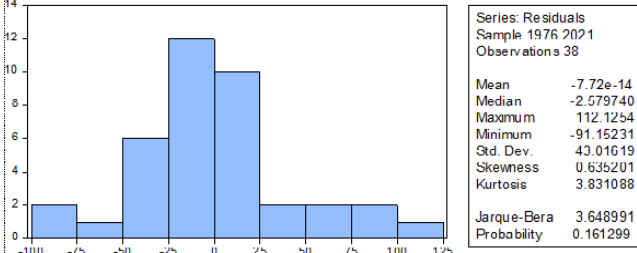
ERA4	-114.9480	54.33154	-2.115678	0.0434
ERA5	-267.6112	98.83035	-2.707784	0.0114
C	-55.83792	119.4358	-0.467514	0.6438
<hr/>				
R-squared	0.987356	Mean dependent var	438.5692	
Adjusted R-squared	0.983291	S.D. dependent var	382.5455	
S.E. of regression	49.44858	Akaike info criterion	10.86068	
Sum squared resid	68464.53	Schwarz criterion	11.29162	
Log likelihood	-196.3529	Hannan-Quinn criter.	11.01400	
F-statistic	242.9357	Durbin-Watson stat	1.119701	
Prob(F-statistic)	0.000000			

Table 5 shows that simultaneously all independent variables have a significant effect on GDP dynamics with a coefficient of determination of 98.74%. Partially, the debt, budget, inflation, and five dummy variables (Era1, Era2, Era3, Era4, and Era5) are correlated with the dynamics of Indonesia's GDP value. Meanwhile, the population variable does not significantly affect the development of GDP.

To ensure the validity of the analytical model, classical assumption tests were performed (multicollinearity, heteroscedality, autocorrelation, normality, and linearity). The results are briefly presented in the following Table 6:

Table 6 Summary of Classical Assumption Test Results

Classic assumption test	Results				Conclusion	
Multicollinearity (VIF)	Variable	Coefficient Variance	Uncentered VIF	Centered VIF	Safe from multicollinearity	
	DEBT\$	0.176582	109.3646	47.82914		
	BUDGET\$	0.703866	82.87118	32.84120		
	INFLANTION	9902.590	3.488452	2.128711		
	POPULATION	5.23E-13	392.3877	12.03064		
	ERA1	4483.436	3.667189	3.474179		
	ERA2	4534.721	3.709138	3.513920		
	ERA3	3875.203	4.754535	4.379177		
	ERA4	2951.917	12.07248	8.895511		
	ERA5	9767.439	27.96219	22.81126		
	C	14264.90	221.6893	NA		
	Six of the nine independent variables are multicollinearity. Multicollinearity exists in the debt and budget variables					

Autocorrelation	Breusch-Godfrey Serial Correlation LM Test: <table border="1"> <tr> <td>F-statistic</td> <td>2.347494</td> <td>Prob. F(3,25)</td> <td>0.0969</td> </tr> <tr> <td>Obs*R-squared</td> <td>8.351860</td> <td>Prob. Chi-Square(3)</td> <td>0.0393</td> </tr> </table> Probability F statistic 0,0969 > 0,05	F-statistic	2.347494	Prob. F(3,25)	0.0969	Obs*R-squared	8.351860	Prob. Chi-Square(3)	0.0393	Free from the influence of autocorrelation								
F-statistic	2.347494	Prob. F(3,25)	0.0969															
Obs*R-squared	8.351860	Prob. Chi-Square(3)	0.0393															
Heteroscedasticity	Heteroskedasticity Test: ARCH <table border="1"> <tr> <td>F-statistic</td> <td>3.524686</td> <td>Prob. F(1,35)</td> <td>0.0688</td> </tr> <tr> <td>Obs*R-squared</td> <td>3.385190</td> <td>Prob. Chi-Square(1)</td> <td>0.0658</td> </tr> </table> Probability F statistic 0,0688 > 0,05	F-statistic	3.524686	Prob. F(1,35)	0.0688	Obs*R-squared	3.385190	Prob. Chi-Square(1)	0.0658	Free from the influence of heteroscedasticity								
F-statistic	3.524686	Prob. F(1,35)	0.0688															
Obs*R-squared	3.385190	Prob. Chi-Square(1)	0.0658															
Normality	 Probability Jarque-Bera 0,1613 > 0,05	Data is normally distributed																
Linearity	Chow Forecast Test Equation: UNTITLED Specification: GDP\$ DEBT\$ BUDGET\$ INFLANTION POPULATION ERA1 ERA2 ERA3 ERA4 ERA5 C Test predictions for observations from 2021 to 2021 <table border="1"> <thead> <tr> <th></th> <th>Value</th> <th>df</th> <th>Probability</th> </tr> </thead> <tbody> <tr> <td>t-statistic</td> <td>1.097634</td> <td>27</td> <td>0.2821</td> </tr> <tr> <td>F-statistic</td> <td>1.204800</td> <td>(1, 27)</td> <td>0.2821</td> </tr> <tr> <td>Likelihood ratio</td> <td>1.658902</td> <td>1</td> <td>0.1978</td> </tr> </tbody> </table> Probability t statistic and F statistic > 0,05		Value	df	Probability	t-statistic	1.097634	27	0.2821	F-statistic	1.204800	(1, 27)	0.2821	Likelihood ratio	1.658902	1	0.1978	The model meets the linearity requirements
	Value	df	Probability															
t-statistic	1.097634	27	0.2821															
F-statistic	1.204800	(1, 27)	0.2821															
Likelihood ratio	1.658902	1	0.1978															
Conclusion	The model passes all classical assumption tests. Thus, the model can be said to be statistically valid.																	

Based on the results of the classical assumption test, the statistical analysis model used has met the requirements as a valid analytical model. This means that the existing data and information can be used as a standard for further analysis and benchmarks. The results show that simultaneously all independent variables (debt, budget, inflation, population, Era1, Era2, Era3, Era4, Era5) have a significant effect on the dynamics of the GDP value as an important indicator of the national economy. The correlation level is very strong (R2 0.9874) with a coefficient of determination 98.74%. This means that nine independent variables can explain the dynamics of Indonesia's GDP value of 98.74%, the rest (1.26%) is explained by variables that are not examined.

Partially, at the 95% confidence level (error rate 5%), debt (in millions of US\$), total budget, inflation and differences in government regimes (Era1, Era2, Era3, Era4, Era5) have a significant effect on the

dynamics of Indonesia's GDP. Meanwhile, the population has no significant effect on the dynamics of Indonesia's GDP value.

Mathematically, the relationship between the independent variables and GDP can be written using the following econometric model;

$$\text{GDP} = - 55,8379 + 2,18 \text{ Debt} + 2,582 \text{ Budget} - 2,2657 \text{ Inflation} - 119,775 \text{ Era1} - 236.9347 \text{ Era2} - 228.9394 \text{ Era3} - 114.9480 \text{ Era4} - 267.6112 \text{ Era5}$$

Debt and budget are positively correlated with GDP. This means that every additional debt and budget is proven to increase the value of GDP. Meanwhile, inflation and differences in government regimes have a negative correlation with GDP. This means that inflation tends to erode the value of GDP. This phenomenon normally follows the rules of the relationship between inflation and the economy of a country.

Interestingly, all the dummy variables of regime differences are negative. This can be interpreted that the ability of the regimes after the New Order (Soeharto Era) in managing foreign debt to support the economy is no more than that of the Soeharto Era. The SBY era and the Habibie era were relatively better than the Abdurrahman Wahid era, Megawati era and Jokowi era. Relatively speaking, the Jokowi Era's debt management was even the worst compared to other regimes in the reform era.

The results of this study confirm previous research (Dedi Junaedi et al, 2018; 2019, 2020) which conducted research on the same theme as the 1949-2017 period database. The study concludes that foreign debt has a correlation with the condition of the national economy, especially the value of GDP and the level of poverty. Debt tends to increase the value of GDP and reduce poverty. many people. This applies to all government regimes. In terms of debt management as a driving force of the economy and poverty, the Soeharto Era and the Habibie Era tended to be different and better than the Soekarno Era. Meanwhile, debt management during the Abdurrahman Wahid Era, Megawati Era, SBY Era and Jokowi Era were no different or no better than the Soekarno era.

The results of this study confirm the research of Hernatasa (2004), that foreign debt has a positive impact on economic growth until it reaches a critical point which is a situation where foreign debt begins to have a negative marginal impact on economic growth, namely when the debt/GDP indicator is 55,097 percent.

The question is, why was debt management in the Jokowi era not better, or even worse, than the Suharto, Habibie and SBY eras? This is an

interesting study. In the Soekarno Era, debt was managed carefully and used for infrastructure development and development costs that could not be covered by domestic revenues. In the Soeharto Era, foreign debt was fully used for development spending. Procedures and management with strict and balanced budget discipline. In the SBY era, foreign debt was managed using a performance-based budget approach (Junaedi, 2020).

So what's the difference with the Jokowi era? In this era, apart from filling the budget deficit, debt is also allocated to cover the principal and interest installments. The allocation for the use of debt is indicated to be undisciplined. The proof is that the Minister of Finance and Bappenas failed to answer questions from members of the DPR who asked for detailed data on foreign debt. On several occasions, Minister of Finance Sri Mulyani also admitted that Indonesia had added new debt, among others, to cover debt installments. So debt is not fully used for development activities that really have an impact on production growth, the wheels of the economy and poverty alleviation programs. In other words, there are allocation posts that are not in accordance with the nature of the development goals.

In addition, the proceeds from debt are used for, among other things, infrastructure development which has little direct impact on the national economy. Instead of creating jobs for the local people, some labor-intensive projects actually involve a lot of foreign workers. In the last three years, many media have reported the rapid inflow of workers from China into Indonesia. So, it is logical that development, which is financed by foreign debt, will not have too big an impact on efforts to empower and alleviate poverty in Indonesia.

Theoretically, according to Umar Juoro (1994), in the 1950s and 1960s, in the spirit of the Harrod-Domar economic duo, foreign aid was seen as having a positive impact on economic growth and increasing public saving as a result. The reason is that the flow of foreign aid can increase investment which in turn increases domestic income and savings and so on. So far, in theory, foreign aid actually produces a positive multiplier effect on the economy.

In the 1970s, two other economists Keith Griffin and John Enos in their book *Foreign Assistance: Objectives and Consequences* proved that foreign debt had a negative impact on growth. They put forward empirical evidence that foreign debt is negatively correlated with economic growth and an increase in public saving. Foreign aid has led the government to increase spending which reduces the impetus to increase tax revenues and so on. Economists in later eras also conducted studies that supported the conclusions of Griffin and colleagues.

M. Todaro (1998) argues that the accumulation of external debt is a normal phenomenon. Low domestic savings do not allow adequate investment to be made, so governments of developing countries have to attract loans and investment funds from abroad. Foreign aid can play a very important role in the country's efforts to reduce the main obstacle in the form of a shortage of foreign exchange, as well as to increase the level of economic growth.

According to Anik Wahyuningsih (anikwahyuningsih.blogspot.com), foreign debt has both positive and negative impacts on Indonesia. External debt has a positive impact on economic development and increasing public savings. The flow can increase domestic income and savings so that foreign debt produces a positive multiplier effect on the economy, by increasing economic growth and public saving. According to her, the flow of foreign aid can increase investment which in turn increases domestic income and savings and so on.

In theory, according to Supriyanto and Sampurna AF (1999), foreign aid actually produces a positive multiplier effect on the economy. In the short term, foreign loans can cover the state budget deficit. This is far better than allowing the state budget deficit to allow the government to carry out development. Thus, the government can carry out fiscal expansion to increase the rate of national economic growth. An increase in the rate of economic growth means an increase in national income, which in turn allows for an increase in per capita income. On the other hand, debt can have a negative impact. Among other things, it can trigger an economic crisis that is getting wider and deeper. The government will be burdened with the payment of the debt so that only a small portion of the APBN is used for development, the interest installments are increasingly burdensome for Indonesia's national economy. In addition, in the long term foreign debt can cause various kinds of economic problems for the Indonesian state. Among other things, it can cause the rupiah exchange rate to fall (inflation), and lead to dependence on debt and the interests of creditor countries.

CONCLUSIONS & SUGGESTIONS

Conclusions

The results show that simultaneously all independent variables (debt, budget, inflation, population, Era1, Era2, Era3, Era4, Era5) have a significant effect on the dynamics of the GDB value as an important indicator of the national economy. The correlation level is very strong (R^2 0.9874) with a coefficient of determination 98.74%). This means that nine independent variables can explain the dynamics of Indonesia's GDP value of 98.74%, the

rest (1.26%) is explained by variables that are not examined. Partially, at the 95% confidence level (error rate 5%), debt (in millions of US\$), total budget, inflation and differences in government regimes (Era1, Era2, Era3, Era4, Era5) have a significant effect on the dynamics of Indonesia's GDP. Meanwhile, the population has no significant effect on the dynamics of Indonesia's GDP value. Debt and budget are positively correlated with GDP. This means that every additional debt and budget is proven to increase the value of GDP. Meanwhile, inflation and differences in government regimes are negatively correlated with GDP. This means that inflation tends to erode the value of GDP.

Mathematically, the relationship between the independent variables and GDP can be written using the following econometric model;

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All dummy variables of regime differences are negative. This indicates that the ability of the post-New Order regimes (Soeharto Era) in managing foreign debt to support the national economy is no better than that of the Suharto Era. The SBY era and the Habibie era were relatively better than the Abdurrahman Wahid era, Megawati era and Jokowi era. Relatively speaking, the Jokowi Era's debt management was even the worst compared to other regimes in the reform era.

Suggestions

Based on the results and conclusions of the research, the authors suggest the following recommendations: 1. The Jokowi government and its successors will need to learn from the success stories of debt management in the era of its predecessors, especially during the New Order, Habibie and SBY Era. 2. To get more accurate research results, further research is needed with more complete data and wider parameters. 3. Development programs and policies should not only pursue national economic growth, but also aspects of equity and the welfare of the people as a whole.

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