

CHAPTER IV

INDONESIAN'S ECONOMIC POLICIES IN 2008-2009

Government's policy response is very significant to learn in anticipating any potential crisis in the future. Each country has specific economic characteristic and different problems. In anticipating global uncertainty, each country would surely take necessary steps to survive. Thus, it means that policy response taken would put national interest into priority. This chapter will elaborate Indonesian government economic policies toward economic condition in the middle of the United States' financial crisis in 2008.

Indonesian government has the way to solve the effects of financial crisis that triggered from the United States of America. The ways were through government policies action, particularly in the economic side. Government has some instrument policies to influence economic activity that include to the macroeconomic activity. This macroeconomic activity include to the economic as a whole of economic activity such as national output, job vacancy, prices and international trade. Indonesian government instrument policies as the economic variable under government control which influence one or more target of macroeconomic side.

Mainly, Indonesian government has four economic policies (*fiscal policy, monetary policy, International economic policy and income policy*).⁵⁷ However, in this chapter the writer would elaborate government responding toward the

negative effects of the United States' financial crisis in 2008 include only in two economic policy packages, those are *fiscal policy and monetary policy*. Nevertheless, international economic policy and income policy less used by Indonesian government in economic policy packages 2008 because those policies have included into two major economic policies (fiscal policy and monetary policy). Indonesian government economic policies (2008-2009) would elaborate as follows;

A. Fiscal Policy

Indonesian government has efforts to solve the effects of financial crisis caused from the United State. For the example, the effort was started from the liquidity in national budget (APBN) to help liquidity of financial need in public sphere, took priority program to society welfare and save them from the possibility of crisis attack. Surely, that way through the program reduced the problem of poverty and increased society welfare program. Rationally, government asked that public could cooperate in the situation of financial crisis and global economic recession in 2008. However, participation and the role of all parties are very absolutely important to solve the effects of crisis.

President Susilo Bambang Yudhoyono held a Special Cabinet Meeting at the State Secretary's Main Building Jakarta to address the impact of global financial crisis, triggered by the financial crisis in the United States. Besides being attended by related Ministers, this Cabinet Meeting also invited Bank Indonesia (BI), the board of the Indonesian Commerce and Industry Chamber (Kadin), Banking circle and Economic observer. The administration is slated to issue its

last package of economic policies in 2008 to help expedite private investment and spur economic growth ahead of next year's elections in 2009. According to the package,

“..the economic team will focus in the remaining 16 months before next year's general election on improving the investment *climate* and stabilizing the macro-economy and financial institutions. Improving the management of the country's natural resources, environment, and agriculture sector, empowering small and medium enterprises, reforming the labor and transmigration sectors are other key policies and also address energy supply, upgrading infrastructure and speeding up the economic integration of the Association of Southeast Asia Nations (ASEAN)”.⁵⁸

A day before, acting Coordinating Minister for Economy Sri Mulyani Indrawati Sunday (5/10/2008) has held a coordination meeting between economic ministers and BI to discuss the anticipation of the effects of the global financial crisis. Sri Mulyani advised people not to panic in facing the effects of the United States' economy crisis because the government will always monitor its development and have prepare policies to overcome the effect of the crisis.

In addition, the coordination among parties above has purposed to maintain the growth of Indonesia's economic. The summary of coordinating are *first*, every body should be optimistic and synergy to keep economic growth and participate to solve the problem that caused by crisis, especially crisis from America in 20008. Government recommended public to think rationally to solve these problems. That actually, assumed that Indonesia has been attacked by the financial crisis from the United State. *Second*, economic growth target to around 6 percent this year from an initial forecast of 6.4 percent due primarily to

accelerating inflation from skyrocketing global commodity prices. The component that should be maintained was like consumption, state expenditure, investment, export and import. And *third*, the action to maintain the growth of national economic was using domestic economic through increasing the activity of Small and Medium Enterprises (SMEs), farming and informal sector. Indonesian economic in the last 2008 has developed significantly. It was indicated by the rate of economic growth, the balance of payments and foreign exchange reserves.

However, the effects of financial crisis from the United State would influence export target activity. But, the grade of export was not too large. It concludes that government would discuss about export in 2010 and economic growth level. Alternative export purposed to avoid the growth of economic not decreased lower than 6 percent. The growth it self would be effect to the worker live. So, to maintain the growth of economy in 6 percent economic policy should fulfill some requirement such as maintaining production activity and increasing in the movement of investment. The improvement of investment also could be seen from the increasing of demand level from the import products especially for capital goods and raw material. The demand of imported capital goods in August 2008 up to USD 11,62 million. The grade higher than imported capital goods in 2007 about USD 6,62 million. Indonesia's government was also give stimulus to the world business in the fiscal incentive about Rp. 12,5 trillion which is given in the kind of tax that become government's responsibility.⁵⁹ The government has also ratified decree number 1 of 2007 on income tax facilities for investment in

certain sectors and regions. Under the decree, investors are meant to be given a 30 percent income tax reduction for a period of six years. In 2008, there were more than 17 firms with a total investment of US\$7 billion waiting for the decree to be implemented.⁶⁰

In 2009, government would give budget about Rp. 71,3 trillion to business sector. The grade has 1,4 percent from PDB. It was expected that the increase consumer demand, Indonesian product and business activity increased.⁶¹

In 2008-2009, government focused in several economic areas in order to avoid the effects of the United State financial crisis. The efforts such as the supporting of the society economic creativity (home industry) which absorb labour and increased the ability of society buying level. Small Medium and Enterprises has also become the foundation for Indonesian economic. Since 1997-2006, SMEs member about 91,6 percent. The distribution of Small Middle Enterprises toward PDB or (Product Domestic Brutto) was about 54-57 percent.⁶²

On the other side, government would decrease the devise of compensation from the export commodity to primer export commodity like (industries of labour and tourism). That has reflected from the market did not depend on the state exporters. The domestic contribution of Indonesian worker in foreign and tourism sector was bigger. It was also has normalization the state expenditure to stimulate and build social safety. One thing that paid attention is that the preparation of infrastructure and stimulus of economic growth through the settlement of poverty become priority matter. The grade of budget planning also should be transparent

“accurate” and “rational” or the budget should not disturb the target of growth with equity. This could be accommodated through the government observation toward state asset budget deficit and the output of budget in the department and ministry. The dries up liquidity in the case of slow economic growth would influence the income of state budget deficit which actually come from market oriented. In 2008, government has not closed the budget deficit with public with the new obligation letter, although the deficit of budget about Rp. 60,5 trillion. To close the deficit in 2009, government had sought the other resources input that targeted about 1,5 percent.⁶³

However, the world enterprises especially for real sector should move on steady, in order the state income on stable and the grade of unemployment decrease. The expansion of firms could be reduced, it caused by financial crisis in the United States. But, government asked to the private sector to be more adaptive and maintains their work. They should seek the opportunity of share and hard-shift.

Indonesian banking and merger should improve their policy in order to prepare the credit and liquidity always for the public. On the other side, government would make the regulation policy and incentive. All parties (government, businessmen, politician, and society) should be active seek job vacancy and opportunity to do trade and made economic cooperation with the

The government would remove export products from the United State to the several other states that did not affect by the financial crisis. Approximately, the growth of Asian economic would be better especially in China. Although the market trade in the United States and Europe would be likely closed and weakened the export product from Indonesia. It has been done to maintain Indonesian export in the world trade. So, the market that still in the good growth was China, Korea, Taiwan and India. On the other part, the new target market oriented would focused in Brazil (Latin America), Middle East and Russia. Significantly, they have the rich economic resources so they less affected to the financial crisis in the United State. Mainly, Brazil potential export product was consumer goods, building goods and other farming products like rubber. In Middle East, the good product was diamond and consumption products. Consumptive export product such as house and textile would possibly decrease the demand society in the United State. Then, the following years would influence economic stabilization which is not only happen in the United States but also in Europe. Therefore, Indonesia should seek new market oriented such as Asian market. That market expansion would stabilize economic movement and Indonesian trade. Involved to that case, government would increase bilateral relationship with the state which has potential market oriented. On the other side, government would discuss with the World Trade Organization (WTO) as the mechanism multilateral to support all of member state in the WTO to decrease the tariff and standard import quality goods in each country. The decreased of tariff in export products was also become government planning in the improvement of

economic policy in Indonesia. The support to use domestic product from Indonesia is the way to strengthen of the domestic market. The involvement of minister of finance by recommended incentive/disincentive for society, using local products and avoid dumping of foreign products in the domestic market are very important. The Indonesian president has also recommended to the government and parliament to facilitate goods service in the government institution or (procurement) that majority using the national industry product.

Global recession would make the prices of crude product decreased and cost of product also decreased. It would affects to the competition of local product with foreign import products. So, government should protect local industry product from the foreign product through the limitation of import activity. If, government did not protect the domestic market then Indonesian product would decrease and the number of production less competitive. It matter would affect to the hard employment in industries. On the other side, government intensification on the observation of imported products, especially for the consumption product was significant. It should be done to avoid the circulation of imported products that canceled to sell in America, European Union and Japan. That states have been affected by financial crisis in the United State and made the economic weakness in the developing countries. Potentially, several states that have the big export market in the United State, European Union, Japan would change their market to Indonesia to another country. So, government would strengthen the security in the domestic market and stimulation the domestic market in Indonesia.

On the other side, government would close the illegal port harbor that often used for the media of illegal products along Indonesian coasts. Indonesian government would strength the export competition by reducing the high economic cost. The effort of Indonesian government to reduce the cost and time to transaction in businesses through such as National Single Window, Terminal Handling Cost and made blue print in the logistic system. In addition, Indonesian government would increase diversification market in product and state, the share of fiscal incentive and non fiscal to the industry toward pressed the cost of infrastructure of port harbor and energy electricity. And the other way was increase the efficiency and productivity of industry.

The strengthening of partnership among government, banking and world business should be maintained. Indonesian government through Indonesia banking would reach some steps such as strengthening of liquidity banking sector, keeping the growth of credit to support the purpose of economic growth and the policy that involve to the equilibrium payment. Anticipated and global liquidity should be kept to strengthen of banking sector and credit growth to support economic growth. In the other words, government would also observe the useful of output budget in the department of ministry and to liquefy the cost of state statutory deficit from the non market resources.

President Susilo Bambang Yudhoyono and his Cabinet have suggested the cooperation among institutions. Conflicts that happen among institutions would receive bad image from the society and also would slow the economic momentum growth. The result of working would not be optimal. And, as the effort to increase

the society believes toward conflict, government give solution that did not based on the certain interest group. President asked to all parties to implement the steps and policies for society interest in the middle of political year in 2008 and 2009 which happened general election activity. Indonesian government, Indonesian banking, parliamentary and world business could participate and constructive to solve the effect of the United States' financial crisis.⁶⁴ Government should give accurate communication with society. The information should be positive and optimistic. So, it did not create panic situation in the society environment. The government should observe the development information about the effect of global crisis and give information about the development of economic national and also the policy solving that would be taken together. In this case the role of mass media is very important to spread and absorb information that would be declared in society environment.

On the fiscal-policy side, government with some fiscal space can respond by injecting some well-designed fiscal stimulus into their economies, to generate domestic demand that can offset the expected decline in foreign demand. They have pressing needs that can be met through public investments. One such need is building of infrastructure, especially after a period when private sector growth has sometimes outstripped the ability of the public sector to provide the infrastructure needed to sustain that growth and rural infrastructure where the infrastructural gap exists between urban and rural areas. The second area for investment is social protection and human development, to ensure that a temporary shock is not

⁶⁴<http://www.setneg.go.id>. (Accessed on: 29 October, 2009/11:38)

converted into severe permanent declines in welfare of poorer households. There are many programs that have been shown in evaluations to be worth investing in; governments should prioritize protection and expansion of those that most effectively buffer the impact of crises on the poorest households. Examples of the types of programs to consider could include conditional cash transfer programs to keep disadvantaged children in school, public works employment (or workfare), subsidies on the consumption of inferior goods (those that are not consumed by the non-poor). Such programs will be appropriate responses for healthy reserves, current-account surpluses or small deficits, and solid fiscal policies.

Indonesian government decided to keep economic stabilization in the middle of crisis situation such as support worker by giving an incentive and disincentive. Government would implement the export incentive like improvement season and reduce transaction cost. On the other side, government would restructure tax tariffs payment and export import duties includes the strategy of market expansion to the new market and secure it from illegal product. Among the key issues in the economic package is a revision of government decree No. 1/2007 on income tax facilities for investment in certain sectors and regions. Investors have yet to enjoy the privileges outlined in the decree due to different legal interpretations between the tax office and the Investment Coordinating Board, which pledged the facilities. Under the decree, investors are meant to be given a 30 percent income tax reduction for a period of six years. At present, there

... of US\$7 billion waiting for the

decree to be implemented.⁶⁵ Those economic policies would be implemented by Inpres 5/2008. Indonesian government would try to attract foreign and domestic investors in order support them to invest their fund in real sector. Several ways that have been done such as the improvement of matters about investors' unsatisfied and control products import that consumptive through the increase of goods need in the state. On the other side, to increase the strengthening of Indonesian economic in real sector, Indonesia government supports private sector to increase the business growth based on manufacture industry. So, it could absorb many employments.

The basic of industry manufacture from government such as textile products, shoes, electronic consumption, pulp and paper, chemical industry, cement, steel, electricity machine, farming tools and fabric tools. Indonesia government would also protect domestic industry from the flows of foreign product, closed the illegal port harbor that often used for save illegal things (dumping). In the Small Medium and Enterprises sector, government has implemented the process of credit program for society and the other SMEs program facilitation. SMEs should be developed because SMEs sector in Indonesia support with 48,9 billion of firms in the part of Indonesia country. The contribution from SMEs it self to the increasing of PDB or (Product Domestic Brutto) about Rp. 1.778 trillion or (53,3 percent) and it would help absorb labour in industry about 96 percent.⁶⁶ Indonesian government also supported the effort the development of commodity product in several business sectors.

B. Monetary Policy

Basically, Indonesian government has three regulations of act amendment. These acts are the law foundation of decision making process toward economic policies. Three government regulations have been proposed to the House of Representatives (DPR) to be enacted into law. The Government Regulations in Lieu of Law (Perpu) were issued in anticipation of handling financial crises. Their passing into law is seen as being critical for the Department of Finance and the central bank, Bank Indonesia (BI), to make crucial decisions for the economy, especially in light of the current global financial crisis. Actually, those acts are; Perpu No.2/2008 on Amendments of Law on Bank Indonesia (BI). In the article 11 of the Perpu, BI may provide short-term financing as facility. Perpu No.3/2008 amends Law No.24/2004 on Indonesia Deposit Insurance Corporation (LPS) and Perpu No.4/2008 which deals with Financial Safety Nets (JPSK). These regulations were issued in anticipation of moves that will be taken in handling the financial crisis. Below is the government regulation as the amendment of acts;

1. Government regulation in lieu of acts (Perpu) number 2 of 2008 about Bank Indonesia

Government regulation in lieu of acts number 2 of 2008 is contains the second amendment to the act number 23 of 1999 and amendment of act number 3 of 2004 on saving loan and Bank Indonesia. As an article said with considering on;

That in respond to the global economic crisis which influences stability of the financial system including banking, it is necessary to take efforts to maintain public trust on banks so as to not bring about any short-term funding difficulty for Bank due to imbalances between inflows and outflows of funds.....”

That based on The Act Number 23 of 1999 concerning Bank Indonesia as amended by Act Number 3 of 2004, Bank Indonesia may provide credit or financing based on Sharia Principles for Bank to overcome short-term funding difficulty of Bank;⁶⁷

As a respond to the global financial crisis, the Government of Indonesia has taken various anticipative and responsive measures in maintaining the public trust on banks in order not to bring about short-term funding difficulties for bank due to imbalances of inflows and outflows of funds is to change the criteria of collateral to be guaranteed by Bank to obtain credit or financing based on Sharia Principles from Bank Indonesia. The mandate of Act No. 3 of 2004 concerning Bank Indonesia, Article 11 paragraph (5), which provides for decision making under conditions of financial difficulties with systemic impact, and anticipate the danger posed by the global financial crisis for Indonesia's financial system stability and economy, it is necessary to prepare a strong legal basis, an inter agency coordination mechanism for stakeholders in the national financial system and a decision making mechanism for integrated, efficient and effective prevention and resolution of crisis. Government has also implemented some policies as the way to keep liquidity banking reserve in the difficult situation. Indonesian banking made deregulation which is portfolio or letter of credit (L/C) could be developed to get credit from Indonesian banking. These acts covered all of the kind of assets that using by bank to get facilitation in the short term from central bank. The bank that dried up of liquidity but did not have asset and liquidity such as Indonesian banking certificate or obligation could use credit asset with easy colectibility.

2. Government regulation in lieu of acts (Perpu) number 3 of 2008 on the Lembaga Penjaminan Simpanan (LPS)

This act contains the criteria that should be fulfilled in order to be able to change the deposit value guaranteed by the department of Indonesian Deposit Insurance Corporation. It declared in the regulation on chapter 11 of act No.24/2004 about the Deposit Insurance Corporation. There were including to the stabilization on financial system committee that contain of minister of finance and governor of Indonesian banking (BI).⁶⁸ It committee has the duties to decide policy and ways in the situation to solved the effect of crisis in the financial sector and make coordination with many authorities. In this case, government has increase the value of loan to the depositors in bank through Indonesia Deposit Insurance Corporation (LPS) from 100 million became Rp. 2 billion.⁶⁹ This increased over 20 from the value of guarantee. With this policy, percentage of depositor guarantee would increase from 95 percent or 78,6 million from account of consumer that reached 81 million people.⁷⁰

The mechanisms of savings loan consist of government suggested to the society in order not to worry about their investment in bank. Learning from the coordination among institution about healthy package in financial sector in America hopefully could coordination between executive and legislative bodies. So, in the difficult situation executive would take the contingency ways that need help from the public.

3. Government regulation in lieu of acts number 4 of 2008 on Financial Safety Net System or Jaringan Pengaman Sistem Keuangan

On the basis of these considerations, the Government has enacted Government Regulation in Lieu of Parliamentary Act Number 4 of 2008 concerning the Financial Safety Net System.⁷¹ Generally, the FSSN (Financial Safety Net System) is a mechanism for safeguarding the financial system from the threat of crisis, encompassing crisis prevention and resolution. The overall goal of the FSSN is to create and maintain financial system stability through the regulation and oversight of financial institutions and the payment system, provision of short-term financing, the deposit insurance planning and prevention and resolution of crisis. However, given that regulation and oversight of financial institutions is stipulated in the laws concerning financial institutions, regulation of the payment system and provision of short-term financing is covered by the Bank Indonesia Law and the Government Regulation in Lieu of Parliamentary Act on Bank Indonesia and the deposit insurance scheme is stipulated in the Law on the Indonesian Deposit Insurance Corporation and the Government Regulation in Lieu of Parliamentary Act on the Indonesian Deposit Insurance Corporation, the scope of this Government Regulation in Lieu of Parliamentary Act covers only the area of crisis prevention and resolution. Actions for crisis prevention and resolution include:

- resolution of liquidity difficulties and/or insolvency at a bank with systemic impact, and
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- resolution of liquidity difficulties and/or insolvency at a non-bank financial institution (NBFI) with systemic impact.

The instruments to be used, depending on the need and the level of the threat to the financial system, are provision of the emergency financial facility and capital injection by means of temporary equity participation. If a Bank receives an emergency financing facility, Bank Indonesia is empowered to take over the rights and responsibilities of the General Meeting of Shareholders for the purpose of replacing the Bank management and to place the Bank under special surveillance. If a Bank receives temporary equity participation, the Bank must be placed fully in the hands of the Indonesian Deposit Insurance Corporation or a Special Agency established by the Government as referred to in Article 37A of the Banking Law.

In addition, to reduce the costs of a crisis to the state, the government may also offer incentives and/or facilities for resolution of liquidity difficulties and/or insolvency through actions by the private sector. These incentives and facilities may include the provision of fiscal incentives and relaxation of legal and regulatory requirements.

The source of Government funding for crisis prevention and resolution is the national budget, with funds raised through issuance of Government Securities or provided in cash. To ensure accountability, the use of budget funds for crisis prevention and resolution must be approved by the Indonesian Parliament.

To achieve the objectives of the FSSN, a Financial System Stability Committee (KSSK) has been established. The members of this committee, which is supported by a secretariat, are the Minister of Finance and the Governor of

Bank Indonesia. The KSSK decides policy and actions for prevention and resolution of any crisis in the financial sector and coordinates these actions with the various authorities involved.

With the issuance of the Government Regulation in Lieu of Law on the Financial System Safety Net, a more complete set of instruments is in place for safeguarding national financial system stability. This enables the Government, Bank Indonesia and relevant institutions to proceed with quick, effective actions for crisis prevention and resolution and in so doing minimize potential losses to the state.

As the basic strengthening of financial safety net, Indonesian banking and government include the institution of saving loan to be partners. The role of institution in financial arrangement becomes the lender of the last resort with the governance aspect. So, there were some mechanism arrangements if liquidity crisis happen in bank and obligation. Government and ministry would try to make summary of Financial Safety Net constitution if crisis happen in financial sector.

The arrangement of constitution about Financial Safety Net is using as the foundation of law to anticipate the financial system maintenance. It was also as the law for authorities, depositors, government and Indonesian banking when they should take emergency action. It should be done to save the national economy. The draft of constitution of financial safety net would be prepared by government and Indonesia banking. Financial Safety Net created in order to manage decision ethic in bank when there is any the difficulties problem in financial banking that give systemic effect and facilitate emergency cost that come from the cost of

extend state expenditure. Social safety net program was used to minimize the effect of the United States' financial crisis, government would implement the social safety net program that did not consumptive but it able to create new job vacancy. That program such as Family Wishes Program, Cash Helping Cost, the group of business together, program of service and social rehabilitation for disability people, school operational cost, Small Medium of Enterprises guarantee program and program of national society creativity. On the other side, government has effort to keep stabilization price toward dairy products and energy. Budget for program to reduce poverty level has come from the income of extend state expenditure that has been increased from years to years. In 2009, target percentage poverty average would decrease about 12-14 percent with funding budget about Rp. 70 trillion.⁷² Indonesian government also suggested keeping the economic growth from the effect of the United States' financial crisis. Actually, to anticipate the effect of the financial crisis that happen in America, it needs the effort to seek opportunities in export target to other country or made export product more competitive and qualified than foreign products.

Actually, Indonesian government and Indonesian banking facilitated the ways to anticipate the effect of crisis with strengthening of financial industry position toward the effect of crisis. First, government and Indonesia Banking have the effort to anticipate the effect of the United States' financial crisis toward debtor and creditor banking. The mechanism would increase the maximum limit

⁷² *Indonesian government has declared the act about financial safety*

net sector. This act made to give basic law for government, Indonesian banking and institution of saving loan in take the decision when financial crisis happen. Third, Indonesian banking would permit bank to move portfolio or obligation letter from selling category to the owner category until limit time. That regulation has clear to secure bank from the bankruptcy because there were some reduction of obligation in market. Fourth, Indonesian banking reduced payment in statutory reserve from totally 9,08 percent became 7,5 percent.⁷³ Fifth, Indonesian government asked to the firms belong to the state that have strong financial to buy their firms anymore. Indonesian banking has confidently that inflation in 2009 could be controlled about 6,5-7,5 percent.⁷⁴ With the effort always cautious toward the recession and focus in maintain rupiah value. It has been reflected from the inflation and currency rate. Indonesian banking rate has accurate the achievement grade about 9,5 percent in order the real of interest rate around 2-2,5 percent. In the short term, the increased of Indonesian banking rate supposed to decrease the expectation inflation of market actors. The higher expectation of inflation made currency fall down about Rp. 9500 US\$.⁷⁵

However, the higher inflation would be dangerous that it could reduce asset from society in low level. In summary, monetary policy and increase interest rate aims to prevent excessive currency depreciation or capital outflows. But Indonesian government has provided some monetary stimulus by lowering interest rates and encouraging investment in sectors where industrial upgrading is most likely to have payoffs. Specifically, these sectors are those whose products

⁷³Ibid.,

⁷⁴Ibid.,

⁷⁵Ibid.,

exploit the country's areas of comparative advantage but that face some barriers to expansion as a result of market failures.

Finally, government would secure domestic financial liquidity through government budget cost. Indonesia's president Susilo Bambang Yudhoyono suggested that the role of government to declare the regulation on incentive climate in order real sector could mobilize was the good way of economic policies to solve the impact of the United States' financial crisis and it was also stimulate the growth of Indonesia's national economic. Indonesian government through Indonesian banking would take policies about the strengthening of bank liquidity sector, keeping the growth of credit in the good level to support target of economic growth and take the policy about equilibrium cost. The effort from government such as anticipated the dried up of global liquidity with the strengthening of banking sector; keep the credit growth in the level that able to support the growth of Indonesia national economy. Monetary stabilization, need to looking for the income cost of deficit budget and state output from the source of non market and the other resources income. That should be done because the cost through obligation letters has difficult to reach. Government has secured for scale payment with keep momentum of fund cashflow to the state, the observation of the budget output in ministry and state department. It involved to the dried up of liquidity in the financial market and banking. So, Indonesian banking has regulation about (Giro Wajib Minimum) or *statutory reserve* to add believes

... that condition of liquidity banking that more weak after affect to the

financial crisis.⁷⁶ Another way that such as open the facilitation to the Loan Obligation letter that would give long term of the limitation until three month. It has been done to keep the growth of economic in 2009. As a result of the global financial crisis, the financial system in some countries is no longer able to carry out its roles and functions effectively. This has led to fears of negative impact on financial system stability and threatens the sustainability of the national economy.

⁷⁶ Statutory reserve is minimum saving that protect by the bank in the kind of reserve account in Indonesian