



UNIVERSITAS ANDALAS

**MEASURING THE SUSTAINABILITY OF INDONESIA'S PRIMARY
BALANCE: A FISCAL RESPONSE TO THE GOVERNMENT'S FOREIGN
DEBT AND MACROECONOMIC FACTORS**

UNDERGRADUATE THESIS

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Measuring the Sustainability of Indonesia's Primary Balance: A Fiscal Response to the Government's Foreign Debt and Macroeconomic Factors

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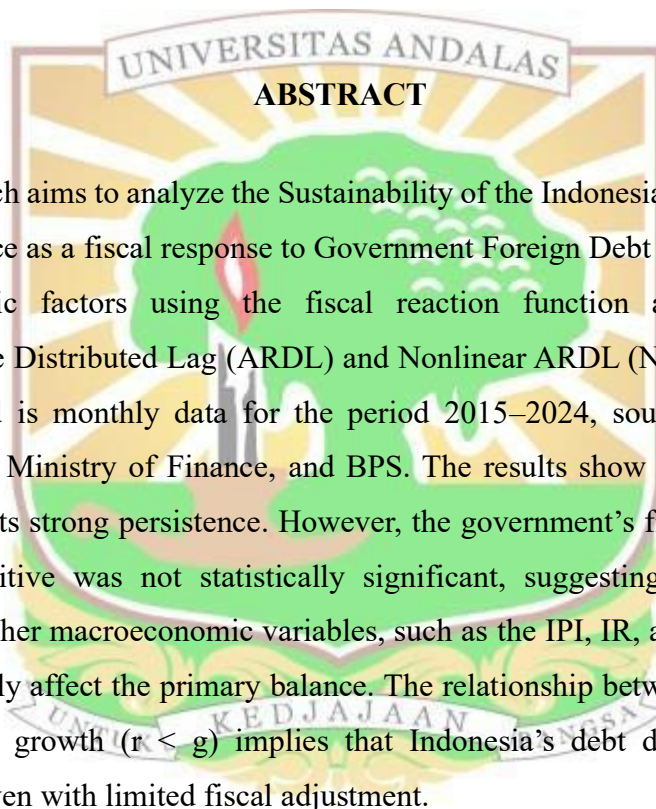
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ABSTRACT

This research aims to analyze the Sustainability of the Indonesian Government's Primary balance as a fiscal response to Government Foreign Debt and Macroeconomic factors using the fiscal reaction function approach, and Autoregressive Distributed Lag (ARDL) and Nonlinear ARDL (NARDL) models. The data used is monthly data for the period 2015–2024, sourced from Bank Indonesia, the Ministry of Finance, and BPS. The results show that the primary balance exhibits strong persistence. However, the government's fiscal response to past debt positive was not statistically significant, suggesting a weak direct adjustment. Other macroeconomic variables, such as the IPI, IR, and INF, also did not significantly affect the primary balance. The relationship between interest rate and economic growth ($r < g$) implies that Indonesia's debt dynamics remain manageable even with limited fiscal adjustment.

Keywords: Fiscal sustainability, Government's Foreign Debt, Primary Balance, Industrial Production Index, Interest of Debt, Inflation Rate, Fiscal Reaction Function, ARDL, NARDL

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