

Analysis of Monetary Strategies and Policies to Manage the Inflation and Public Purchasing Power in Indonesia

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Abstract:

This study aims to analyze how the strategies and monetary policies implemented by Bank Indonesia in managing inflation and increasing people's purchasing power in Indonesia. Inflation and purchasing power are interrelated, by keeping inflation stable, prices for goods and services maintained, and people's purchasing power increasing so as to encourage Indonesia's sustainable economic growth. The research in this article uses library research, while the data used is secondary data obtained from several sources, including the Central Statistics Agency (BPS), Bank Indonesia and the Institute for Development of Economics and Finance (INDEF). Based on the results of this study, it was found that Indonesia will experience 5.51% inflation throughout 2022. Throughout 2022, the highest inflation was recorded in the transportation expenditure group, namely 15.26% with a share of 1.84%. Meanwhile, the contribution of household consumption decreased to 51.7% compared to 2021 of 52.9%. The government is currently continuing to coordinate with Bank Indonesia through monetary policies to control this inflation.

Keywords: *Inflation, Purchasing Power, Monetary Policy*

Abstrak:

Penelitian ini bertujuan untuk menganalisis bagaimana strategi dan kebijakan moneter yang diterapkan Bank Indonesia dalam mengelola inflasi dan

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meningkatkan daya beli masyarakat di Indonesia. Inflasi dan daya beli saling berkaitan, dengan menjaga inflasi tetap stabil, harga barang dan jasa tetap terjaga, dan daya beli masyarakat meningkat sehingga mendorong pertumbuhan ekonomi Indonesia yang berkelanjutan. Penelitian dalam artikel ini menggunakan penelitian kepustakaan, sedangkan data yang digunakan merupakan data sekunder yang diperoleh dari beberapa sumber antara lain Badan Pusat Statistik (BPS), Bank Indonesia, dan Institute for Development of Economics and Finance (INDEF). Berdasarkan hasil penelitian tersebut diketahui bahwa Indonesia akan mengalami inflasi sebesar 5,51% sepanjang tahun 2022. Sepanjang tahun 2022, inflasi tertinggi terjadi pada kelompok pengeluaran transportasi yaitu sebesar 15,26% dengan porsi sebesar 1,84%. Sementara kontribusi konsumsi rumah tangga menurun menjadi 51,7% dibandingkan tahun 2021 sebesar 52,9%. Pemerintah saat ini terus melakukan koordinasi dengan Bank Indonesia melalui kebijakan moneter untuk mengendalikan inflasi tersebut.

Kata Kunci: *Inflasi, Daya Beli, Kebijakan Polisi*

INTRODUCTION

In general every economy in a country always want to realize level well-being high economy for marked society with stability its economy. Stability economy required to use guard income society or not eroded by increases prices (inflation). A country from time to I also want time realize growth a strong and steady economy. Growth current Indonesian economy This showing development to direction positive, with see Product Indonesia's Gross Domestic Product (GDP) in 2022 shows number growth Indonesia's economy is growing of 5.31% compared to two years previously that is where in 2020 growth Indonesia's economy is experiencing decline drastic figure -2.07% caused Covid-19 pandemic, and back grow figure is 3.70% in 2021 (BPS data). However, aside growth Indonesia's improving economy, problems macro economy like inflation sticking out become fundamental challenges that must be faced by the Indonesian government. The rupture war between Russia and Ukraine trigger

crisis food and energy ultimately cause surge inflation in various countries including Indonesia (Budihardjo et al, 2023).

In a modern economy, inflation targets are targets inflation is a must achieved by Bank Indonesia in collaboration with government. Government setting an inflation target based on Bank Indonesia Law no. 23 of 1999. In a memorandum of understanding between government and Bank Indonesia, targets inflation set through Minister of Finance Regulation (PMK) for three years to front based on Target PMK Inflation No.101/PMK.010/2021. Estimation government for 2022-2024 period is 3.0%, 3.0% and 2.5%, both in range $\pm 1\%$ (BI, 2022). At the same time, inflation can influence by factors or shock side offers, like increase price world oil and failure or flood. Part of inflation in basket index price consumer represented by groups price food and administration, which vary consequence impact from factor surprises and covers about 40% of weight index price consumer (Triwahyuni, 2021).

Bank Indonesia is in charge organize and maintain stability price with control inflation. Bank Indonesia uses policy monetary like determination ethnic group interest and reinforcement open market policy for control inflation. At the same time, the govt role in increase Power buy public through policy fiscal. Control inflation is very important for become attention public. Inflation can worsen distribution income, that is become no balanced, which reduces savings domestic, which is source investment for developing countries, and inflation can also cause enhancement deficit trade and foreign debt. Apart from that, the effects caused by inflation can influence Power buy public. Inflation usually produce cost more social tall than the average should be covered citizen. Inflation own effect negative on the distribution income. Depreciation and income flower burdened by the inflation it causes decline Power buy (Nugroho & Utomo, 2022).

One of effective policy for overcome condition the country's economy does not stable is policy monetary. Stability the country's

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economy is reflected from stability price in the sense of no happen fluctuation what a great price you can get harm public good consumer nor producer and damage joints economy. Apart from inflation, power buy public role important in guard growth economy national (Hidayat, 2023). Therefore need exists coordination between government with Bank Indonesia for take the right steps. Policy adopted need consider balance between control inflation and increase Power buy public. Strategy and policy proper monetary _ can help control inflation and increase Power buy public. With guard inflation still stable, price goods and services awake, and energized buys increasing society so that push growth sustainable Indonesian economy (Triwahyuni, 2021).

Several studies examining the handling of monetary policy have been carried out by previous researchers, such as research conducted by Fitriyani (2019) which explains that monetary policy is very determining in the economic stability of a country. While Wartoyo et al (2024) in their research found that misalignment of monetary and fiscal policies can have a negative impact on a country's economy, this is supported by research conducted by Triwahyuni (2019) and Budhiharjo (2023). Meanwhile, this research will emphasize more on the analysis of controlling inflation and people's purchasing power through monetary policy.

Based on background behind above, goal study this is analyze what strategies and policies monetary policy carried out by Bank Indonesia in manage inflation and increase Power buy society in Indonesia. With thereby results from analysis this can know strengths and weaknesses from policy monetary done, so expected can help government in take decision related policy monetary future for manage inflation and maintaining Power buy society in Indonesia.

RESEARCH METHODS

Research methods in articles this use library research, namely method data collection with understand and learn theories related

literature with study. Collecting the data use method searching and compiling data from various source like books, journals, articles and studies. Library materials obtained from various source analyzed in a way critical and comprehensive for support suggestions and ideas. (Adlini, 2022). Meanwhile, the data used in article This is secondary data obtained from a number of sources including the Central Statistics Agency (BPS), Bank Indonesia and *the Institute for Development of Economics and Finance (INDEF)*.

DISCUSSION

Inflation and Purchasing Power society in Indonesia

Inflation is something problem classic in something economy that can result decreasing income real society that is sustainable have impact negative in economy macro (Santosa, 2017). Inflation is one of the effects from crisis prolonged economy that can hit a country. Inflation is something circumstances Where there is increase price constant sharpness continuously during period time (Mahendra, 2016).

Spike inflation that will occur in 2022 affected by the increase fuel prices in early September 2022 will reach peak 5.95% (yoy). However, Bank Indonesia took note inflation post the increase in fuel prices shows trend under control, visible from expectations and pressure inflation returns decline at the end of 2022 (Figure 1). In December 2022 it will show inflation affected by the rise part big index group expenditure (Figure 2).

Figure 1
Inflation Trends Throughout Calendar Year 2022



Figure 2
Share Inflation on Expenditure Group December 2022



Source: Central Statistics Agency (BPS), 2023

According to The Central Statistics Agency (BPS) report as in Figure 1 explains that Indonesia is experiencing inflation 5.51% throughout 2022. Throughout 2022 is recorded inflation highest occurs in groups expenditure transportation, namely 15.26% with share 1.84%. Then group expenditure maintenance personal experience inflation 5.91% with share 0.37%; group food, beverages and tobacco 5.83% with share 1.51%; as well as group expenditure provision food and beverages / restaurants 4.49% with share 0.4%. As for groups expenditure information, communication and services finance experience deflation 0.36% with share 0.02% (BPS, 2023).

Inflation pressure increase consequence its height price energy and materials food on the world market as well impact from change domestic fuel prices. In August 2022, inflation index price consumer (CPI) of 4.69% (yoy), also inflation group regulated price _ government (*administered prices*) increase amounted to 6.84% (yoy), and core inflation amounted to 3.04% (yoy). Temporary that's

inflation group food decrease amounted to 8.93% (yoy) because increasing supply from centers industry processing. Pressure CPI inflation is expected increase consequence from adjustment Subsidized fuel prices are the cause its height price global energy and food. Enhancement core inflation and expectations inflation estimated as impact from increase fuel prices continued and strengthened pressure inflation request. Development the estimated will push inflation exceed the upper limit of $3.0 \pm 1\%$ in 2022, so required the synergy strongest between government central and regional and Bank Indonesia on the side demand and supply for ensure inflation will return to aim at the beak second in 2023 (BI, 2022).

The Power buy public is ability public as consumer for buy goods and services needed. Purchasing power said increase If ability buy goods and services more long from period before, on the contrary Power buy said decrease If ability public in buy goods and services lower from period previously (Yuniati & Amini, 2020). Can be concluded that Power buy is ability somebody for buy something goods and services with the money he has. If price goods and services increase, so the money owned by society will more A little value so that public will more difficult buy the same goods and services like previously. Then deep case this Power buy public will decrease (Wartoyo, et al, 2024).

Referring from BPS data regarding Growth Product Gross Domestic (GDP) in terms of accumulative experienced in 2022 increase of 5.31% compared year previously. However, in the fourth quarter of 2022 it shows decline growth Indonesia's economy was 5.01%. According to Director *Institute for Development of Economics and Finance* (INDEF) Tauhid Ahmad, Growth Indonesian economy in the fourth quarter of 2022 will give impact big to quarter I/2023, views from inflation in January 2023 which is still high 5.28%, consumption House ladder only amounting to 4.93% in the fourth quarter /2022 because effect fuel increase (BPS, 2022).

Figure 3
Contribution Household consumption Year 2022

Pengeluaran Konsumsi Rumah Tangga	Nilai	Kontribusi
a. Makanan dan Minuman, Selain Restoran	1065132.09	40.32
b. Pakaian, Alas Kaki dan Jasa Perawatannya	85417.00	3.23
c. Perumahan dan Perlengkapan Rumah tangga	332716.95	12.59
d. Kesehatan dan Pendidikan	182097.43	6.89
e. Transportasi dan Komunikasi	590721.29	22.36
f. Restoran dan Hotel	263957.73	9.99
g. Lainnya	121846.41	4.61

- Pendapatan dialokasikan paling besar untuk mengkonsumsi makanan dan minuman (non durable goods)
- Pengeluaran besar lainnya untuk transportasi dan komunikasi sebagai dampak kenaikan harga BBM

Sumber: BPS, diolah, 2023

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Source: Institute for Development of Economics and Finance (INDEF), 2023

Influence high inflation trigger pressure Power buy increasing society. Can be seen from contribution Household consumption to growth the economy in the fourth quarter of 2022 declined figure 51.7% compare in 2021 amounting to 52.9% (BPS data). This matter because part big income public spent for need finished use like food, drink, necessities house ladder. And only A little income society used for needs health and education namely 6.89% of total expenditure consumption House ladder. Therefore, power buy society in Indonesia becomes decrease or low (Figure 3).

Policy Monetary for Control Inflation

Policy monetary in essence is an integral part of policy economy macro, implemented by institutions monetary or central bank form control amount of money for guard balance activity economy with growth sustainable economy (Bank Indonesia). In practice, balance activity economy the is reach stability economy

macro, which is reflected, among other things, by stability price that is low rates inflation and rising growth economy or real output country, as well availability chance extensive work (Warjiyo, 2017).

Policy strategy monetary done every country is different. Determining policy strategies monetary done with respond moderate conditions happens, and more based on evaluation from time to time with take into account moderate conditions taking place. According to Fitriyani, et al (2023) explain that conditions that occur in Indonesia are inflation actual No can achieve the inflation target as a result appear deviation between inflation actual with an inflation target. If there is a problem this No can overcome so will cause problem new, like decline Power buy public Because price increasing commodities. However no accompanied with enhancement nominal income, widening gap income society, hinder investment productive, and reducing desire public for save Because public only consumption oriented (Usman & Wartoyo, 2024).

The development post crisis global finance 2008/2009 Bank Indonesia changed objective *The Inflation Targeting Framework* (ITF) becomes a flexible ITF. The purpose of flexible application of ITF This is for change inflation caused by *backward looking* expectations become *forward looking expectations*. By historical, condition the global economy has giving rise to Lots shock negative to Indonesian inflation over two decades. Finally, start from the global crisis in 2008-2009, foreign debt crisis 2010-2012, adjustment price global commodities 2014-2016, and the Covid-19 pandemic from 2019 to now and war between Russia and Ukraine which influences economy many countries in the world (Fitriyani et al, 2023).

Government use policy monetary that is stability price for control inflation. Therefore _ that is necessary mechanism transmission policy monetary along with the instrument will used (Fauziah, 2015). The Central Bank or Bank Indonesia carries out track transmission inflation policy monetary in Indonesia through a number of track policies that address the issues period length that can

be provides a multiplier effect, including paths ethnic group flower credit, value exchange rupiah, credit consumer, path price assets, and paths expectations (Bank Indonesia, 2022).

For overcome inflation, govt can do action form emit policy for reduce the amount of money in circulation, because matter the is one of reason happen inflation. Policy monetary following can solve problem inflation:

1. Political discount (*Discount Policy*)

Political discount is one of type policy monetary that can be influence the amount of money in circulation with raise or lowest level ethnic group flower. With raise ethnic group interest, then can reduce the amount of money in circulation. On the other hand, if ethnic group flower down, then can increase the amount of money in circulation. For overcome inflation, policy political necessary discount issued by the central bank is raise level ethnic group flower.

2. Open market politics (*Open Market Policy*)

Open market politics is related policies _ with buying and selling letter valuable with purpose for influence the amount of money in circulation. With policy this, the central bank in a way active buy or sell letter valuable with level fixed interest, so sell buy letter valuable the influence the amount of money in circulation.

3. Political Restrictions Credit (*Credit Policy Ceiling*)

Political restrictions credit is restrictive policies _ loan or giving credit to public. Political this can do with method choose or selecting for determine which ones really need it. Credit given more formerly determined restrictions many credits (quantity) and nature credit (quality).

4. Tight Money Policy (*Tight Money Policy*)

Tight money policy is targeted policy for reduce the amount of money in circulation with method raise ethnic group flowers, sell letters valuable, and so on.

5. Politics (*Cash Ratio Policy*)

Political cash reserves are related policies with connection between cash held by commercial banks with giving credit to public. Central bank can determine amount minimum cash reserves required are in commercial banks with the purpose for which credit is given to public can controlled.

Final destination from policy monetary is for ensure and maintain stability the value of the rupiah is one of them reflected from level low and stable inflation. For reach objective Accordingly, Bank Indonesia determined the BI-7-Day Reverse Repo Rate (BI7DRR) as tool policy main for influence activity economics, with objective end reach inflation. BI7DRR is framework operations implemented by Indonesian banking guard stability mark exchange rupiah. Bank Indonesia always renew BI7DRR value each month. BI7DRR value consider price goods and services in society. If overall price goods and services in a way aggregate increases (inflation), then BI7DRR value will also increase. Ascension price aggregate assessed as excessive circulation of public money Lots compared to with production sustainable goods and services. Therefore, Bank Indonesia increased it BI7DRR value for the public and commercial banks interested For embed the funds are in Bank Indonesia. With Thus, money circulates in society reduced and expected inflation return down (Nihayah & Rifqi, 2022).

Reviewed from Report Policy Monetary Quarter IV 2022, at the Bank Indonesia Board of Governors (RDG) Meeting held 18-19 January 2023 decided for increase the BI-7 Day Reverse Repo Rate (BI7DRR) by 25 bps to 5.75%, rate flower *Deposit Facilities* by 25 bps to 5.00%, and interest rates flower *Lending Facility* by 25 bps to 6.50%. Decision to raise ethnic group flower the is step advanced For in a way *front loaded, pre-emptive, and forward looking* For lower inflation and ensuring inflation This return to target $3.0\pm 1\%$ at half-life second in 2023, as well strengthen policy stability mark exchange rupiah to be in line with the fundamental value of the consequences its height

global financial market war, in the middle enhancement request economy fixed domestic strong. Bank Indonesia will also Keep going strengthen mix policy for guard stability and recovery economy as following:

1. Strengthen operation monetary with raise structure ethnic group interest on the money market is appropriate with increase ethnic group the BI7DRR interest for lower expectation inflation and ensuring core inflation returns to the target level.
2. Strengthen stability mark exchange rupiah as part from control inflation with intervention in the forex market Good through spot transactions, *Domestic Non deliverable Forward (DNDF)*, as well as purchase / sale of Government Securities (SBN) in the secondary market.
3. Continue sale / purchase of SBN in the secondary market (*operation twist*) for strengthen stability mark exchange rupiah with increase Power pull return SBN results for entry investment portfolio foreign To use strengthen mark exchange rupiah, via increase term tenor SBN *yield* short in line with increase ethnic group BI7DRR interest and increase structure *yield* Term SBN longer length _ low , with consideration pressure inflation more nature period short and will decrease return to the target in period intermediate long .
4. Implement instrument operation monetary (OM) foreign exchange in the form of foreign exchange TD from Export Proceeds (DHE) as instrument DHE placement by exporters via bank to Bank Indonesia.
5. Continue policy transparency ethnic group flower base credit (SBDK) with focuses on response ethnic group bandage interest6on rates flower policy.
6. Strengthen system payment in frame keep the momentum keep recovery economy, with:
 - a. Push BI-FAST implementation via expansion BI-FAST membership is good through banks and Non-Bank

- Institutions (LSB), channels service as well as implementation service phase 1 phase 2 (*Bulak Credit, Direct Debit, and Request for Payment*);
- b. Push implementation and socialization Card Credit Government Domestic according to the timeline in 2023;
 - c. Continue expansion implementation of QRIS through the 45 million strategy users and 1 billion transaction volume by 2023 as well development inter-country QRIS and QRIS features;
7. Strengthen cooperation international with expand cooperation with central banks and partner country authority others, as well facilitation maintenance promotion investment and trade in the sector priority cooperate with agency related. Apart from that, Bank Indonesia is collaborating with related Ministries/Institutions for succeeding ASEAN Chairmanship 2023 in particular through track finance (BI, 2022).

Coordination policy with Central Government, Regional Government and partners strategic in the Control Team Central and Regional Inflation (TPIP and TPID) will Keep going strengthened through effectiveness implementation of the National Control Movement Inflation (GNPIP) in various area. Synergy policy between Bank Indonesia and policy sector Government and with Committee Stability Financial System (KSSK) will the more strengthened for guard stability macroeconomics and finance, encouraging distribution credit / financing to the business world, especially for support growth economy in sectors priority, and export as well as increase inclusive and green economy and finance (Bank Indonesia, 2023).

Growth increasingly global economy slow down compare with forecast previously. This matter caused Still ongoing fragmentation politics and economics as well as tightening policy

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aggressive monetary policy in developed countries. Correct projection growth economy in projection growth the new economy, shows significant decrease _ with increasing risk recession in the United States (US) and Europe. However deletion *Zero Covid Policy* in China predicted will limit slowdown growth global economy. By overall, Bank Indonesia lowered projection growth global economy to 2.3% of previously by 2.6% in 2023. Pressure global inflation apparently start reduce along with slowing down growth global economy, however still supported by price high energy and food, chain _ power supply and markets work is tight, especially in the United States and Europe. With decreasing pressure inflation, developed country economies the more approach peak tightening policy monetary with ethnic group expected interest still high throughout in 2023. Uncertainty in global financial markets is also expected will start subsided which had an impact on growth capital flows to developing countries. Plus, pressure weakening mark exchange rates in developing countries are also starting reduced (Bank Indonesia, 2022).

Impact of Strategy and Policy monetary in Control Inflation

Bank Indonesia's decision to increase the *BI-7 Day Reverse Repo Rate (BI7DRR)* by 25 bps to 5.75%, rate flower *Deposit Facilities* by 25 bps to 5.00%, and interest rates flower *Lending Facility* of 25 bps to 6.50% had an impact on the decline The Consumer Price Index (CPI) in January 2023 is compared with inflation by month previously.

Figure 4
Consumer Price Index January 2023



Source: Badan Pusat Statistik

According to BPS data, Inflation the Consumer Price Index (CPI) in January 2023 recorded decline of 0.34% (mtm) compared with month previously it was 0.66% (mtm). Decline inflation This especially caused by decline inflation in the group Food fluctuates and prices are regulated. With development this, CPI inflation in general annual reached 5.28% (yoy), is lower than month previously reached 5.51 % (yoy). Development positive CPI inflation had achieved through coordination policy between Bank Indonesia, Central Government, Regional Government and partners strategic through the Control Team Central and Regional Inflation (TPIP and TPID) and the National Control Movement Food Inflation (GNPIP) in various area. Bank Indonesia believes that core inflation will still will be in the range of $3.0\pm 1\%$ in the first semester of 2023 and CPI inflation will return to the target of $3.0\pm 1\%$ in semester II 2023. Bank Indonesia will Keep going strengthen response policy monetary and coordinating with government for ensure reduction and control inflation (Bank Indonesia, 2023).

Analysis Policy Monetary measures applied in Indonesia

Bank Indonesia implements policy monetary with objective reach stability Rupiah value, maintaining stability system payment, and retention stability system finance to use support growth sustainable economy. This matter in accordance with the conditions listed in Article 7 of Law no. 23 of 1999 concerning Bank Indonesia, which has experienced a number of change final through Law no. 4 of 2023 concerning Development and Strengthening of the Financial Sector. " Stability Rupiah value " in context This refers to stability price goods and services as well as mark exchange Rupiah.

Stability The value of the Rupiah involves two aspects main, i.e stability price goods and services as well as stability mark exchange Rupiah against another country's currency. Success reach stability price goods and services can be measured through low and steady inflation stable. Temporary that is, stability mark Rupiah exchange rate is measured from consistency Rupiah value against foreign currency. Ensure inflation low and stable as well as guard stability mark exchange Rupiah into factor important in reach growth sustainable economy. Efforts to reach low and stable inflation no can separated from reach stability mark exchange Rupiah.

Bank Indonesia has applied framework policy known monetary as *Inflation Targeting Framework* (ITF) since 1 July 2005, as step for reach set goals. Within the framework that, focus main is on control inflation. Bank Indonesia continues do repair policy monetary for increase effectiveness and capability face change dynamics and challenges sustainable economy develop. As responsible institution answering on policy monetary in Indonesia, Bank Indonesia plays role important in guard stability Rupiah value and support growth sustainable economy.

ITF is A framework Work policy monetary set desired inflation target range _ achieved in period time certain and announced to public for show central bank commitment and

accountability. ITF applied through use ethnic group flower policy as signal policy monetary, and tribal interbank money market interest for period overnight time in Indonesia, which is known as IndONIA (Indonesia Overnight Index Average), is used as target operational. Framework Work This has enforced in a way official since July 1, 2005.

With set target clear inflation and announce it in a way transparent, Bank Indonesia provides signal to society and market players about central bank commitment in guard stability price and build trust public. Additionally, via application framework consistent and transparent work, Bank Indonesia improves accountability in operate policy monetary. Crisis global finance in 2008/2009 teaches importance flexibility for the central bank in respond development growing economy complex and increasingly important role strong from sector finance in influence stability economy macro. Based on experience said, Bank Indonesia has strengthened the ITF framework becomes *Flexible* ITF.

Flexible ITF is development from framework Work policy ITF monetary maintenance elements ITF key. This is strengthening central bank policy the role of the central bank in guard stability system finance in a way integrated with objective reach stability price. Framework *Flexible* ITF is based on five elements main as following:

1. Targeting strategy inflation (*Inflation Targeting*) as base policy monetary.
2. Policy integration monetary and macroprudential for strengthen transmission policies and achieve stability macroeconomics.
3. The role of policy mark exchange and internal capital flows support stability macroeconomics.
4. Strengthening coordination policy between Bank Indonesia and the Government For control inflation as well as guard stability monetary and system finance.

5. Strengthening communication strategies policy as part from instrument policy.

Overall, the Flexible ITF is more approach adaptive and responsive to development economics and finance, with consider various influencing factors stability macroeconomics and systems finance (BI, 2023).

For ensure success implementation of the ITF, is required framework comprehensive settings _ in sector so -called finance as *macroprudential regulatory framework*. Therefore that, Bank Indonesia strengthened the ITF framework becomes *Flexible* ITF with strengthen its mandate in guard stability price and also stability system finance. *Flexible* ITF implemented through flexibility in integrate framework stability monetary and system finance with use various instrument policy, like policy monetary, macroprudential, value exchange, capital flows, as well strengthening institution. The main goal is for optimizing role coordination and communication policy in reach stability a strong and secure economy.

Within the framework of a targeting strategy inflation (*inflation targeting*), Bank Indonesia announced target inflation for period that has been determined. Target inflation the determined by the government in coordination with the central bank through Regulation of the Minister of Finance (PMK), which applies during three years to front. Every period, Bank Indonesia carried out evaluation to projection inflation to front to use ensure suitability with targets that have been set.

For strengthen effectiveness transmission policy monetary, Bank Indonesia took step on August 19, 2016 with sets the BI 7- *Day Reverse Repo Rate* (BI7DRR) as ethnic group flower existing policy indicator main response policy monetary in control inflation in accordance with set targets this decision is part from reformulation policy monetary policy carried out by Bank Indonesia. With using BI7DRR as ethnic group flower reference, term time instrument

finance become more shorted, in line with instrument monetary 7 days. The main goal is for speed up transmission policy monetary and directing inflation in accordance with targets that have been set.

BI7DRR changes as part from policy monetary own impact directly to the tribe flower deposits and rates flower credit offered by the institution finance. When Bank Indonesia increased BI7DRR, this indicated application policy tight monetary with objective control inflation through subtraction request aggregate. In terms of this, tribe flower deposits and rates flower credit banking tend to rise. The impact is decreasing request loans and expenses consumers, which then help reduce pressure inflation. On the other hand, when BI7DRR is lowered, the term flower credit will decrease. This is encouraging enhancement request credit from company and home ladder. Decline ethnic group flower credit also reduces capital costs for company for do investment. The impact is increasing activity consumption and investment, which in the end push growth economy. With Thus, BI7DRR changes play role important in transmission policy monetary through its influence to ethnic group flower deposits and rates flower credit, which in turn influence request aggregate, inflation, and growth economy (Usman & Wartoyo, 2023).

Additionally, changes ethnic group BI7DRR interest also affects transmission policy through track mark swap. If BI7DRR increase, this will create difference ethnic group more interest _ tall between Indonesia and other countries. The impact is encouraging foreign investors for allocate their capital to instrument finance in Indonesia because they can obtain level more returns tall. Foreign capital flows the Then potential increase mark exchange Rupiah. Enhancement mark exchange Rupiah will result price goods import become more cheap, temporary price goods export become more expensive or not enough competitive in international markets. This matter can push enhancement imports and decline export. In context this, the Rupiah has appreciated effect muffle inflation.

Thus, change ethnic group BI7DRR interest not only influence ethnic group flower domestic, but also have impact on value exchange Rupiah. In situations where BI7DRR increases, this can interesting foreign capital flows and causes appreciation mark exchange Rupiah, which in the end contributed to the decline pressure inflation through decline price goods import.

CONCLUSION

Government use policy monetary as controller inflation, that is stability price. Therefore that, is needed exists mechanism transmission policy monetary along with the instruments used. Meanwhile, Bank Indonesia is the central bank apply track transmission policy monetary to inflation in Indonesia through a number of track policies that address the issues period length that can be give *multiplier effect*, among them track ethnic group flower loan, value exchange rupiah, credit consumption, path price assets, and paths expectation. Policy Government For reduce the amount of money in circulation including: 1) policy discount (*Discount Policy*); 2) Open market politics (*Open Market Policy*); 3) Politics Restrictions Credit (*Credit Policy Ceiling*); 4) Tight Money Policy (*Tight Money Policy*); 5) Cash Reserve Politics (*Cash Ratio Policy*). Temporary Bank Indonesia policy for control inflation is with set ethnic group flower BI-7 Day Reverse Repo Rate (BI7DRR) policy as a policy instrument main for influence activity economy with objective end achievement inflation.

Apart from that, keep going strengthened it Coordination policy with Central Government, Regional Government and partners strategic in the Control Team Central and Regional Inflation (TPIP and TPID) through effectiveness implementation of the National Control Movement Inflation (GNPIP) in various area. Synergy policy between Bank Indonesia and policy sector Government and with Committee Stability Financial System (KSSK) continues strengthened in frame guard stability macroeconomics and sectors finance,

encourage credit / financing to the business world especially in sectors priority for support growth economy and exports, as well increase economics and finance inclusive and green.

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