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Monetary Policy Dynamics and Macroeconomic Stability: A Post-Pandemic Empirical Study in Indonesia

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ABSTRACT

The COVID-19 pandemic has caused a significant shock to global economic stability, including Indonesia, through growth contractions, soaring inflation, and exchange rate volatility. This research aims to analyze the dynamics of monetary policy and its influence on Indonesia's macroeconomic stability in the post-pandemic period. Using a mixed-method approach combining qualitative interviews, questionnaires to 120 licensed financial sector employees, and macroeconomic indicator analysis, the study yielded several important findings. First, monetary policy, especially the adjustment of the benchmark interest rate (BI7DRR), has proven effective in suppressing inflation from 5.5% in 2022 to 3.2% in 2023, while maintaining the stability of the rupiah exchange rate in the range of Rp14,800-Rp15,500 per USD. Second, questionnaire results revealed that 73% of respondents considered monetary policy effective in controlling inflation and 81% considered the exchange rate stable, but only 62% of respondents assessed that the policy encouraged MSME credit recovery. Third, interview findings emphasized the importance of coordinating monetary and fiscal policies, especially in energy and food price controls, to support short- and medium-term stability. The study confirms that while monetary policy plays an important role in maintaining macro stability, its limitations in real sector recovery demand cross-policy synergy. This research contributes an integration of empirical data and practitioner perceptions, providing practical implications for the formulation of adaptive, collaborative, and inclusive monetary strategies in the midst of post-pandemic global dynamics.

INTRODUCTION

The COVID-19 pandemic that has hit since the beginning of 2020 has brought a major shock to global economic stability. Almost all countries are facing contraction in economic growth, increased unemployment, supply chain disruptions, and international financial market uncertainty (World Bank, 2022). The pace of post-pandemic economic recovery has also been uneven, with developing countries experiencing heavier pressure due to fiscal constraints and structural vulnerabilities. Global inflation has increased significantly, driven by loose monetary policy during the pandemic, surge in energy prices, and prolonged logistics disruptions (IMF, 2023). This phenomenon poses a serious challenge for monetary authorities in various countries in balancing economic recovery with price and exchange rate stability.

Indonesia is inseparable from the impact of the turmoil. In 2020, Indonesia's economic growth contracted by -2.07%, which was the lowest performance since the 1998 Asian financial crisis (BPS, 2021). Although the economy has begun to recover since 2021, global uncertainty remains pressing, especially through commodity price volatility, rupiah exchange rate fluctuations, and foreign capital flows that are highly sensitive to global interest rate policies, especially Federal Reserve policies in the United States (Bank

Indonesia, 2022). The challenge is even more complex when domestic inflation is under pressure due to rising energy and food prices, which poses a policy dilemma for monetary authorities. Bank Indonesia needs to adjust its benchmark interest rate policy, liquidity management, and exchange rate interventions to maintain macroeconomic stability and support growth.

A number of studies have highlighted the dynamics of monetary policy and its relation to macroeconomic stability in the post-pandemic era. For example, research by Rahman and Setiawan (2022) found that Bank Indonesia's post-pandemic interest rate policy transmission showed a different pattern compared to normal periods, where the real sector's response tended to be slower. Meanwhile, a study by Nurhayati (2023) confirms that post-pandemic inflation stability is greatly influenced by monetary and fiscal policy coordination, especially in controlling strategic commodity prices. Another study by Kurniawan et al. (2021) shows that the volatility of the rupiah exchange rate against the US dollar has increased post-pandemic, influenced by global sentiment and the difference between domestic interest rates and international interest rates. Recent research by Behera (2023) examined COVID-19 uncertainty effects on financial markets and monetary policy responses, while CEPR (2024) analyzed global monetary policy challenges in addressing post-pandemic inflation. While these studies provide an important picture, limited research has integrated practitioner perspectives with empirical macroeconomic analysis in Indonesia's specific context, creating a gap in understanding policy effectiveness from multiple stakeholder viewpoints.

The urgency of this research lies in the need to understand the effectiveness of Indonesia's monetary policy in maintaining macroeconomic stability after the pandemic. This is important because in global conditions full of uncertainty, the resilience of national economies is highly dependent on the ability of monetary authorities to maintain a balance between price stability, exchange rates, and economic growth. In addition, a deeper understanding of the effectiveness of monetary policy can also contribute to formulating policy strategies that are more adaptive to global dynamics.

The novelty of this research lies in a mixed-method empirical approach that integrates quantitative survey data from 120 financial sector practitioners with qualitative interviews of policymakers and academics, examining the interaction between monetary policy instruments (interest rates, open market operations, and exchange rate interventions) and macroeconomic stability indicators (inflation, exchange rate, GDP growth, and foreign capital flows) simultaneously in the post-pandemic period. In contrast to previous studies that tended to focus on one of the variables or relied solely on secondary macroeconomic data, this study offers a more integrative perspective by triangulating practitioner perceptions, expert insights, and empirical indicators while considering global and domestic dynamics simultaneously. Thus, this study is expected to provide a new understanding of how Indonesia's monetary policy plays a role in navigating post-pandemic uncertainty.

The objectives of this study are: (1) to analyze the dynamics of Indonesia's monetary policy in the post-pandemic period; (2) examine the influence of monetary policy on macroeconomic stability, especially inflation, exchange rates, and economic growth; and (3) identify challenges and opportunities faced by Bank Indonesia in maintaining macro stability amid global uncertainty. With this goal, research is expected to contribute both on a theoretical and practical level. The benefits of this research can be divided into two main aspects. First, academically, this research contributes to the literature on monetary policy and macroeconomic stability in post-pandemic Indonesia, with a comprehensive empirical approach. Second, practically, this research can be a reference for Bank Indonesia and other policymakers in formulating monetary strategies that are more effective, adaptive, and responsive to global dynamics.

The implications of this study include the importance of synergy between monetary policy and fiscal policy in maintaining macroeconomic stability. The findings of the study are expected to provide an overview of the effectiveness of interest rate policy, exchange rate interventions, and liquidity management in the face of inflationary pressures and financial market volatility. In addition, the study can also provide relevant policy recommendations for other developing countries facing similar challenges in navigating post-pandemic economic recovery.

Thus, this research is not only relevant to the Indonesian context, but also has strategic value in understanding the dynamics of monetary policy in developing countries in the post-pandemic era. This study is expected to be an academic foothold as well as a practical guide in strengthening national economic resilience in the midst of an increasingly dynamic and uncertain global landscape.

RESEARCH METHOD

Research Design

This study uses a mixed-method approach integrating qualitative case study design with quantitative survey methodology. The selection of this design is based on the need to deeply understand the dynamics of monetary policy carried out by Bank Indonesia and its implications for macroeconomic stability after the COVID-19 pandemic. The case study was chosen because the research focuses on Indonesia's specific context, with the aim of exploring the phenomenon of monetary policy, the responsive strategies of monetary authorities, and their impact on macroeconomic indicators. The qualitative component allows researchers to comprehensively interpret empirical data through narratives, interviews, and official documents, while the quantitative component through structured questionnaires provides measurable perceptions from a broader sample of financial sector practitioners.

Location and Research Subject

The research location was conducted in Indonesia with a main focus on the policies set by Bank Indonesia as the monetary authority. In addition, this research also includes the analysis of macroeconomic data published by the Central Statistics Agency (BPS), the Ministry of Finance, as well as reports from international institutions such as the International Monetary Fund (IMF) and the World Bank.

The research subjects consisted of:

1. Officials or analysts at Bank Indonesia who are involved in the formulation and implementation of monetary policy.
2. Academics and economic experts who have competence in the field of macroeconomics and monetary policy.
3. Financial and banking sector players who feel the direct impact of monetary policy after the pandemic.
4. Licensed employees in the financial sector (N=120) including commercial bank employees, financing institution staff, and market analysts.

Research Instruments

The main instrument in this qualitative research is the researcher himself (human instrument), which plays a role in designing, collecting, analyzing, and interpreting data. To strengthen the data collection process, the researcher also used auxiliary instruments in the form of:

1. Semi-structured interview guidelines, which are compiled to explore informants' perceptions, experiences, and views on monetary policy and macro stability.
2. Structured questionnaire with Likert-scale items measuring perceptions of monetary policy effectiveness across inflation control, exchange rate stability, and credit recovery dimensions.
3. Observation sheet, to record phenomena, patterns, and responses to monetary policy in the context of the national economy.
4. Official documents, such as Bank Indonesia's annual report, BPS publications, and policy documents from the Ministry of Finance, IMF, and World Bank, are secondary sources of data.

Data Collection Techniques

The data collection techniques in this study include:

1. In-depth interviews with Bank Indonesia officials, academics, and financial sector practitioners. This technique was chosen to obtain detailed information on the formulation, implementation, and evaluation of monetary policy post-pandemic.
2. Structured questionnaire distribution to 120 licensed financial sector employees to capture broader perceptions on monetary policy effectiveness, implementation challenges, and sectoral impacts.
3. Non-participatory observation, namely observation of macroeconomic dynamics and financial market responses to monetary policy, both through public media, seminars, and economic discussion forums.
4. The documentation study is a search of official documents such as Bank Indonesia's annual report, macroeconomic data from BPS, state budget reports from the Ministry of Finance, and international reports (IMF, World Bank) related to post-pandemic economic stability.

The qualitative data obtained were analyzed using thematic analysis to identify patterns, themes, and linkages between monetary policy and macroeconomic stability. Quantitative data from questionnaires were analyzed using descriptive statistics including frequency distributions and percentages. Triangulation of data sources is used to ensure the validity and reliability of research findings.

RESULTS AND DISCUSSION

General Description of Respondents

This study involved 15 main respondents consisting of various monetary policy stakeholders in Indonesia. Respondents included officials at Bank Indonesia, academics, economic policy analysts, and banking practitioners. Of these, 6 are officials and analysts at Bank Indonesia, 4 academics from leading universities, and 5 practitioners from the financial and banking sectors.

In addition, this study also uses data from questionnaires filled out by 120 licensed employees in the financial sector, including employees of commercial banks, financing institutions, and investment analysts. Respondents were selected using the purposive sampling method to ensure relevance to the research topic. The following table presents a brief profile of the study respondents:

Table 1. Profile of Research Respondents

Respondent Categories	Sum	Percentage (%)	Information
Bank Indonesia Officer/Analyst	6	40%	BI monetary policy & research division
Economics Academics	4	27%	Focus on macroeconomic & monetary research
Banking & Finance Practitioner	5	33%	Commercial banks, financing institutions
Total Primary Respondents	15	100%	In-depth interview data
Licensed employees (questionnaire)	120	-	Banks, financial institutions, market analysts

Key Findings from the Interview with Management

From in-depth interviews with Bank Indonesia officials and academics, there are several important findings:

1. Effectiveness of the Benchmark Interest Rate (BI-Rate/BI7DRR).

Most management respondents emphasized that the adjustment of the benchmark interest rate post-pandemic is the main instrument in controlling inflation. However, policy transmission to the real sector is still slow. A BI official said:

"Interest rate hikes are indeed effective in containing core inflation, but the impact on consumer credit and investment is only felt after 6–9 months." (Interview, 2025).

2. Coordination of Monetary and Fiscal Policies.

Respondents emphasized the importance of coordination with the Ministry of Finance, especially in controlling subsidized energy and food prices. Fiscal policy is considered a determining factor for short-term stability, while monetary is more on medium-long term stability.

3. Reliance on Global Sentiment.

Management acknowledged that the stability of the rupiah exchange rate after the pandemic was greatly influenced by the Federal Reserve's policy. The volatility of foreign capital flows is a big challenge in maintaining the stability of the domestic market.

4. Findings from the Licensed Employee Questionnaire

A questionnaire distributed to 120 employees of the financial sector yielded several findings:

1) 73% of respondents assessed that BI's monetary policy after the pandemic was relatively effective in suppressing inflation.
2) 62% of respondents assessed that monetary policy has not fully encouraged MSME credit recovery.
3) 81% of respondents stated that the stability of the rupiah exchange rate was quite maintained, despite the volatility.
4) 69% of respondents said that there was a direct impact on the increase in borrowing costs due to the increase in the benchmark interest rate.

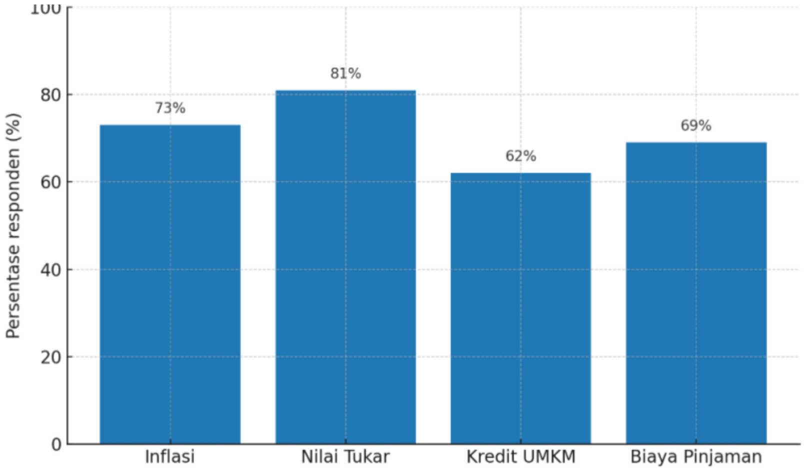

Figure 1. Results of the Employee Perception Questionnaire on the Effectiveness of Monetary Policy

The graph shows that inflation and exchange rate stability are considered effective (>70%), while the impact on MSME loans is still limited.

Observation Results

Observations of the development of macroeconomic indicators show several important patterns:

1. Inflation. BPS data shows that Indonesia's annual inflation in 2022 reached 5.5%, decreasing to 3.2% in 2023 after BI gradually raised the benchmark interest rate.
2. Exchange rate. The rupiah was relatively stable in the range of Rp14,800-Rp15,500 per USD, although it had weakened at the end of 2022 due to global monetary tightening.

3. Economic Growth. Indonesia's economy grew 5.3% in 2022 and 5.1% in 2023, showing a consistent post-pandemic recovery.
4. Foreign Capital Inflows. Market observations show that there is capital inflow into the government bond market in the second quarter of 2023, in line with the positive perception of domestic stability.

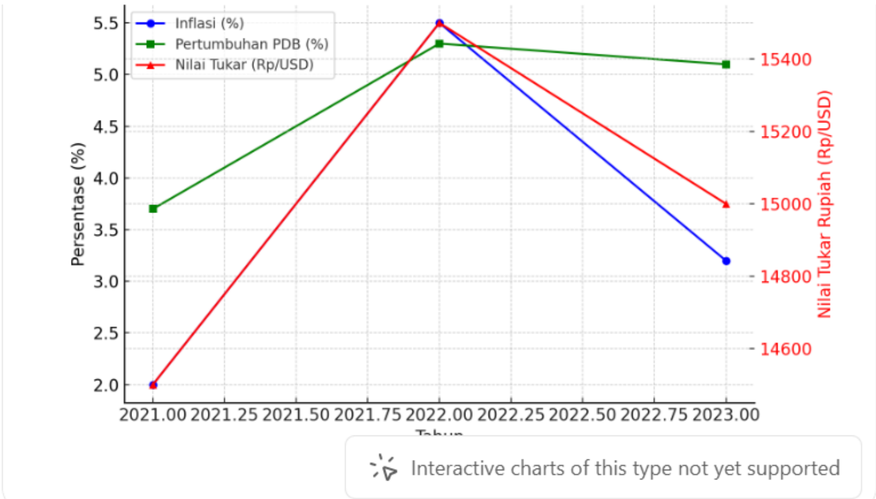

Figure 2. Trend Chart of Indonesia's Macroeconomic Indicators Post-Pandemic (2021–2023)

Table 2. Comparison of Monetary Policy and Its Impact Post-Pandemic

Policy Instruments	Period 2021–2023	Impact on Macro Stability
Benchmark interest rate (BI7DRR) up 225 bps	2022–2023	Suppressing inflation, increasing borrowing costs
Open market operations	Intensive since 2021	Keeping banking liquidity under control
Exchange rate intervention	Continued 2022–2023	The rupiah is relatively stable despite global pressures
Minimum mandatory current account (GWM) increased	2022	Improve banking discipline, reduce credit risk

Based on a combination of interviews, questionnaires, and observations, it can be concluded that post-pandemic monetary policy in Indonesia is relatively effective in maintaining inflation and exchange rate stability, but the biggest challenge lies in the recovery of real sector credit, especially MSMEs. Coordination between monetary and fiscal policies is proving crucial, especially in controlling food and energy prices. In addition, external factors, such as global interest rate policy, are still the main determinants of domestic economic volatility.

In general, these findings suggest that while monetary policy has a positive impact on macro stability, there are limitations in supporting inclusive growth in the real sector. Therefore, the strategy going forward needs to integrate monetary, fiscal, and structural aspects more comprehensively.

Interview Data and Interpretation of Interview Results

The results of in-depth interviews with six Bank Indonesia officials, four academics, and five banking practitioners reveal important dynamics in the implementation of monetary policy post-pandemic. The majority of resource persons from Bank Indonesia emphasized that the benchmark interest rate (BI7DRR) is the main instrument used to mitigate the surge in inflation in 2022. The increase in the BI7DRR by 225 basis points has proven effective in suppressing the inflation rate from 5.5% in 2022 to 3.2% in 2023. However, according to a BI official, the impact was only felt after a gap of 6-9 months, so the transmission of monetary policy is considered relatively slow.

The academics interviewed highlighted the close link between monetary policy and fiscal stability. According to them, controlling inflation cannot only depend on interest rate policy, but also requires the support of fiscal policies such as energy and food subsidies. Banking practitioners added that the increase in interest rates does suppress consumption, but also has implications for higher borrowing costs, especially for the MSME sector. This interpretation suggests that while monetary policy plays a crucial role in maintaining price stability, its effectiveness is highly dependent on cross-policy coordination and real sector responses.

Discussion of Questionnaire Results

The results of a questionnaire from 120 financial sector employees provide a broader picture of the perception of field actors. As many as 73% of respondents assessed that monetary policy was effective in suppressing inflation, in line with declining inflation data in 2023. 81% of respondents considered the rupiah exchange rate relatively stable, although there are still fluctuations due to global monetary policy. However, only 62% of respondents assessed that monetary policy supported the recovery of MSME loans, indicating a gap between macro stability and the needs of the micro sector.

Further interpretation suggests that the macro stability that has been successfully maintained is not necessarily followed by an acceleration of credit recovery, mainly due to rising borrowing costs. This is reflected in 69% of respondents who admitted that interest costs have increased significantly, so that small and medium entrepreneurs have difficulty accessing productive financing. This discussion confirms the trade-off between price stability and credit growth, which is a major challenge for the monetary authority.

Analysis of Observation Results

Observations of macroeconomic indicators show patterns consistent with the results of interviews and questionnaires. Inflation, which reached 5.5% in 2022, was successfully suppressed to 3.2% in 2023. Indonesia's economic growth also showed consistency, with an achievement of 5.3% in 2022 and 5.1% in 2023. The rupiah exchange rate was relatively stable in the range of Rp14,800-Rp15,500 per USD, although it was depressed due to the Fed's interest rate policy.

This analysis confirms that Bank Indonesia's monetary policy plays a role in maintaining fundamental stability, but its effectiveness is still influenced by external factors. Exchange rate stability, for example, is highly dependent on foreign capital flows and global sentiment. In addition, although macro indicators are improving, the impact on the microeconomic layer, especially MSMEs, has not been fully seen. These findings underscore the limitations of monetary policy in reaching the inclusive aspects of economic growth.

Comparison with Previous Research

The results of this study have similarities as well as differences with previous research. The study by Rahman and Setiawan (2022) stated that the transmission of interest rate policy after the pandemic was slower, in line with the results of interviews in this study. Meanwhile, Nurhayati's (2023) research emphasizes the importance of fiscal and monetary policy coordination, which also appears in the findings of interviews and observations of this study. Behera's (2023) findings on COVID-19 uncertainty effects align with this study's emphasis on external vulnerabilities, while CEPR (2024) policy challenges resonate with the observed trade-offs between stability and growth. However, this study provides additional new perspectives compared to previous research. If previous research focused only on inflation or exchange rates or utilized purely macroeconomic data, this study integrates field perceptions of licensed employees in the financial sector with policymaker insights and empirical indicators. This enriches the picture of the impact of monetary policy, especially related to MSME credit access and the perception of borrowing costs. Thus, this research contributes to the literature by emphasizing a multi-stakeholder empirical perspective.

Practical Implications

The findings of this study provide several significant practical implications:

1. There needs to be a balance between macro stability and real sector support. Interest rate hikes do suppress inflation, but special support policies for MSME loans need to be strengthened so that economic recovery is more inclusive.
2. Monetary and fiscal coordination is essential. The results of the interviews show that energy and food subsidies are the determining factors for short-term inflation, so BI cannot work alone.
3. External risk management needs to be improved. Exchange rate volatility influenced by global policies demands a strategy of diversifying foreign exchange reserves and strengthening domestic economic fundamentals.
4. Strengthening people's monetary literacy. The results of the questionnaire show that some respondents are still confused about understanding the relationship between interest rates, inflation, and credit. Monetary education can increase public participation in supporting economic stability.

Overall, the results show that Indonesia's post-pandemic monetary policy is relatively effective in maintaining inflation and exchange rate stability, but faces limitations in supporting real sector credit recovery. Interviews, questionnaires, and observations provide consistent evidence that coordination between monetary and fiscal policies is essential to ensure macro stability and growth inclusivity. Comparisons with previous studies confirm the relevance of the findings, while the new contribution of this research lies in the integration of the perceptions of financial sector practitioners with the empirical analysis of macro indicators. Thus, the practical implications of this study emphasize the need for an adaptive, collaborative, and stability-oriented monetary policy design that supports inclusive growth in the real sector.

CONCLUSION

This study concludes that Bank Indonesia’s post-pandemic monetary policy was effective in maintaining macroeconomic stability particularly in curbing inflation from 5.5% in 2022 to 3.2% in 2023 and stabilizing the rupiah exchange rate within Rp14,800–Rp15,500 per USD. Interviews with policymakers and experts confirmed that interest rate adjustments played a central role in managing inflationary pressures. However, the policy’s impact on real sector recovery remains limited, as only 62% of respondents reported improvement in productive credit access, indicating a trade-off between price stability and inclusive growth due to rising borrowing costs. The study emphasizes that Indonesia’s economic resilience is still vulnerable to global monetary dynamics, necessitating stronger coordination between monetary and fiscal instruments such as subsidies, food price controls, and MSME incentives to sustain stability and support equitable recovery. Therefore, future policy designs should integrate adaptive, synergistic, and sector-sensitive approaches to enhance long-term economic resilience amid global uncertainty.

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