Does Financial Development Absorb or Amplify the Shock?

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Sumber  
Bulletin of Monetary Economics and Banking, No 2, Vol 14, October-2011

Subyek  
1. FINANCIAL DEVELOPMENT
2. SHOCK
3. OUTPUT VOLATILITY

Abstrak / Anotasi

This paper analyze the role of financial development on economic output in Indonesia. Using vector autoregressive method, the result confirm the positive impact of financial development on output growth. The interaction between the financial development and the shock either in financial or real sector show that the financial development has a positive role to dampen the negative impact of the shock on the output growth, while strengthen the positive one. Another variable on the model, which significantly effect the output growth are excess money, term of trade, and the price. Compare to these variables, the marginal effect of financial development on output is smaller.