ABSTRACT

Financial Stability (SSK) is an important issue in the economy, it is related to maintaining public confidence and preventing crisis shocks. The covid-19 pandemic hit Indonesia and threatened the condition of SSK. SSK failure can pose a systemic risk. To prevent this, Central Bank of Indonesia (BI) and Financial Services Authority (OJK) implemented two policies, namely macroprudential and microprudential. Both policies were implemented to prevent systemic risk and increase confidence in the SSK. This study aims to analyze the level of effectiveness of macroprudential and microprudential policies in maintaining SSK, measured by the Financial System Stability Index (ISSK), during Covid-19. The data is taken secondary through the BI and OJK websites from 2018 to 2021. This study uses the Structural Vector Autoregression (SVAR) model with optimal lag analysis methods, Structural Impulse Response Function, and Structural Variance Decomposition. The optimal lag results show that both policies need 4 months to provide ISSK responses. Structural IRF results show that macroprudential and microprudential policies are effective in safeguarding SSK. The structural results of the VD show that the PLM and LCR variables are the most powerful in influencing ISSK.

Keywords: *Financial Stability* (SSK), *covid-19, effectiveness, macroprudential, microprudential.*

SEMARANG

FEB UNDIP