

Determinants of Indonesia Income Velocity of Money

Susan Sunila Sharma, author

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Abstrak

ABSTRACT

Using monthly time series data and both short and long-run models, our paper examines the determinants of Indonesias income velocity of money. Our findings strongly suggest that in the long-run, tax revenue, short term interest rates, and industrial production, and in the short run, money demand significantly determines income velocity of money. Our analysis suggests that the effect on income velocity is mostly over the long run as most determinants are dormant in the short run. The implication from a policy perspective is that shocks that are transitory are unlikely to burden income velocity.