

# The impacts of economics crisis in indonesia

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The economic crisis, which hit Indonesia, began in Thailand in June 1997. It rapidly spread, causing stocks to tumble and many Asian currencies to fall, the worst of all the Indonesian Rupiah. Indonesia's worsening economic situation is mainly due to the sharp depreciation of Rupiah against the US dollar. Being out of our government's control, the Rupiah keeps on sliding further and at its lowest point touched a level of Rp. 17, 000 against the US dollar. Realizing that the economy will not recover overnight, it takes time and serious effort to bring back the economy on the right track.

In order to cover the budget deficit, the Indonesian government asked the assistance from the International Monetary Fund. As for the revival of the economic crisis, Indonesia needs massive aid. The crisis has caused the banking sector to collapse dramatically. The large number of banks in my country might be one of the main problems as there are more than 265 units. The recent economic crisis has put more burdens on the banking sector so the government decided to close down 16 ailing private banks without a full guarantee on the return of their deposit funds.

This has forced depositors to draw their savings and moved to foreign and government banks which resulted in a big rush for several private banks. Due to this, The Central Bank has to print new money for injection and bailing out the insolvent banks caused by the rush. By printing money, the government unintentionally prompted the outbreak of hyperinflation. Panicked by this, the Central Bank decided to raise interest rates. As a result, companies that were highly dependent on loans are forced to close down.

Many Indonesian factories are facing financial difficulties due to the huge and extensive overseas debts and a tremendous dependence on importing raw material and supplies. We know that most factories have been too dependent on imports and their owners much too attracted to foreign capital without hedging. They are facing problems with loan repayment due to the drastic depreciation of the Rupiah. Even medium and small enterprises are facing the same problem. They have difficulty in running their businesses since they could not afford to pay the high interest rate.

Meanwhile, the economy continues to deteriorate with the annual inflation rate once rising more than 100%. A lot of factories are closing down and the number of unemployed people increase. The increasing numbers of companies that went bankrupt and the factories, which are closing down, have intensified the quantity of jobless people and unemployment. To anticipate the long crisis, most companies have to restructure their management systems. It is important in the crisis era for companies to achieve efficiency and stick to market oriented operation.

For efficiency, companies cannot avoid but reducing the operation cost and working hours. This resulted in the huge number of lay-off and cutting down number of employees. According to prediction, this crisis has caused at least 20 million people to become jobless, 20% of the school children are at serious risk of dropping out of school as a result of shrinking family incomes, soaring unemployment, and hyperinflation. Along with the severe drought, which threatened to push as many as 50 million people into poverty, increasing unemployment, hunger and poverty has also been created.

This serious problem has incited crime, chaos, and social unrest. Poor people can no longer afford to buy staple food and basic essential commodities. Even subsidies could no longer assist with the people becoming more easily tempted and incited to commit crime. Stealing, robbing, looting, destroying, and burning could no longer be avoided. The tragedy was on May 14, 1998, when the mass riots started in Jakarta. The angry mobs started to loot, destroy and burn down shops, supermarkets, cars, housing complexes and even the Chinese minority became the target by being physically assaulted and abused.

The reason is because most Chinese dominate the business factor. Direct losses are approximately US\$ 909 million. This resulted in a stagnation of the business, transportation and distribution sector since most Chinese have fled the country. This mid-May riot has left a traumatic effect on me. I am deeply grieved that these things should happen to my own country and people. Motivated by this tragedy, I promise that I will contribute with my knowledge to help my country in difficult time like now. My strong commitment is to try to minimize the impact of the economic crisis.