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Implementation of Bank Indonesia's Monetary Policy on Procurement of Main Equipment of The Indonesian Armed Forces Indonesian National Armed Forces

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Abstract

In Presidential Regulation Number 48 of 2014 concerning the Master Plan for the Acceleration and Expansion of Indonesia's Economic Development (MP3EI) 2011 - 2025, it is stated that the main weapons system equipment is included in 22 main economic sectors. The main issue that the government is trying to solve through this Presidential Regulation plan is the implementation of the modernization of defense equipment which is not running according to the initial target (behind schedule). This research uses descriptive qualitative research. The results showed that the cause of the implementation of defense equipment that did not go well was a change or review of the Minimum Essential Force which had been adjusted several times. The next impact is the gap in the procurement of defense equipment between the Army, Navy, and Air Force dimensions. In addition, the Ministry of Defense's defense equipment and infrastructure should be prioritized to strengthen national defense.

Keywords

Main weapons system equipment, Bank Indonesia, Economy, Policy, Defense

Introduction

Since 2005 Bank Indonesia has implemented a monetary policy framework with inflation as the main target of monetary policy (Inflation Targeting Framework) by adopting a free-floating exchange rate system. The role of exchange rate stability is very important in achieving price stability and the financial system. Therefore, Bank Indonesia also implemented an exchange rate policy to reduce excessive exchange rate volatility, not to direct the exchange rate at a certain level. Financial system instability can be triggered by a variety of causes and fluctuations. This is generally a combination of market failure, either due to structural or behavioral factors. Market failure itself can be sourced from external (International) and internal (Domestic). Risks that often accompany activities in the financial system include credit risk, liquidity risk, market risk, and operational risk. The increasing trend of globalization of the financial sector supported by technological developments has caused the financial system to become more integrated without time lags and regional boundaries. In addition, financial product innovation is increasingly dynamic and diverse with increasing complexity. These various developments, apart from being able to increase and diversify the sources of triggers for financial system instability, can also make it more difficult to overcome this instability (Bakri Siregar, 1980).

Monetary policy is a policy that aims to achieve internal balance (high economic growth, price stability, equitable development) and external balance (balance of payments balance) to achieve macroeconomic goals. There is a relationship between domestic economic stability and the state security sector. If you look at Presidential Regulation Number 48 of 2014 concerning the Master Plan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI) 2011 - 2025, it is stated that the main weapons system is included in the 22 main economic sectors that will be the focus of the government in developing strategies and policies to carry out Indonesia's sustainable development agenda in 2045. Economic development in the defense equipment sector is directly correlated with increasing the state's ability to maintain national security. There are positive reciprocal effects that arise between the procurement of defense equipment and the country's economy. A safe and conducive country will make domestic economic activities develop and grow otherwise, a stable domestic economy will have an impact on the defense sector, including the maintenance and renewal of defense equipment.

The economic activities of the defense equipment system are also faced with many problems that are inhibiting factors for growth and development. One of them is because Law number 16 of 2012 concerning the Defense Industry is considered not optimal. As a result, the domestic defense industry has not been able to meet the needs of defense equipment and domestic military defense facilities. The development of the state defense system planning has been carried out since 2007 through the MEF (Minimum Essential Force) but its realization is considered to be

slowing down. Not only based on the MEF, but delays in the development of the main defense equipment sector can also be assessed based on the Strategic Defense Industry planning that is in the attachment of Presidential Regulation Number 48 of 2014. It is stated in the attachment to the Presidential Regulation, that the Defense Strategic Industry begins to "take off" towards independence after 2020. Development of defense equipment activities until 2025 emphasizes increasing the fulfillment of the needs of the Indonesian National Armed Forces / Defense Facilities and Special Material Equipment Indonesian Republic Police. This is done through strategies: synchronizing the fulfillment of defense equipment needs with the capabilities of domestic industries, accelerating the process of technology transfer (transfer of technology) for infrastructure development and increasing local content and production cooperation (joint production), and encouraging domestic economic activities.

The process of planning a Presidential Regulation on the modernization and investment of defense equipment for the long term is currently being drawn up by the government. The budget planning needed is said to reach Rp 1,760 trillion for 25 years. This figure is relatively small for 25 years, especially when compared to Indonesia's potential GDP over the next 25 years which could reach more than IDR 375,000 trillion. In other words, the defense budget for the next 25 years is only 0.5 percent of GDP (Tempo, 2021). As a comparison, the budget for the modernization of the defense equipment contained in the MEF III development strategy for 2020-2024 is IDR 186,623.3 billion, or around IDR 2.7 trillion per year. The main issue that the government is trying to solve through this Presidential Regulation plan is the implementation of the modernization of defense equipment which is not running according to the initial target (behind schedule). The reason is a change or review of the MEF which has been adjusted several times. It is not impossible, this has resulted in the stalling of several plans to purchase defense equipment and the final target of strategic plan II in 2019 was not achieved. The next impact is the gap in the procurement of defense equipment between the Army, Navy, and Air Force.

Member of Commission I of the House of Representatives, Syaifullah Tamliha, said that currently, almost all defense equipment owned by Indonesia was purchased or grants from foreign countries in the past. Thus, the Indonesia National Army's budget is used more for the maintenance of defense equipment instead of buying new, especially the defense equipment of the Navy and Air Force. Defense Minister Prabowo explained that the issue of the Rp 137 trillion budget is not only for spending on defense equipment, but the government should buy new defense equipment so that the annual budget burden is not drained for the maintenance of the outdated defense equipment. (Compass, 2021). Meanwhile, there is also an opinion that military spending can have a positive effect on the economy. This proposition is known as "guns and butter". Proponents of this argument see military spending as essential to maintaining national security, which is vital to supporting economic activity. Military spending can increase aggregate demand in the

economy, create jobs, encourage adaptation of military technology for civilian goods, support human resource development, and stimulate the economy. Indonesia's military spending affects the country's economic growth positively with economic growth, this is most likely due to the development of human resources as an effect of military spending. The procurement of defense equipment is part of the defense investment strategy, overall the procurement of Indonesian defense equipment is aimed at meeting the needs of national defense and building an independent defense industry. For this reason, Indonesia requires reciprocity and technology transfer in procurement from abroad.

There have been many studies examining the relationship between the domestic economy and the defense sector, particularly the procurement of defense equipment. One of them is a study conducted by Saputro and his colleagues where the results generally state that the defense budget and Indonesia's domestic economic growth have a significant positive relationship. This means that the defense budget has an important role in increasing Indonesia's economic growth. Not only that, but this is because the optimal national economic growth (GDP) as a result of the formulation of macroeconomic policies will provide more fiscal space (APBN) for the government, the import of defense equipment also has a positive relationship with economic growth. In other words, imported defense equipment procurement activities can support the Indonesian defense sector which in turn will support positive economic growth (Saputro et al, 2021). Another study was conducted by Hadi and his colleagues in 2018, where the results stated that the macroeconomic policy mix that was considered appropriate and strategic was expansionary fiscal policy (through a budget deficit) combined with expansionary monetary policy. This formula if managed properly can have a positive impact on increasing the strength of the defense budget. This is because the optimal national economic growth (GDP) as a result of the formulation of macroeconomic policies will provide more fiscal space for the government so that the growth of the defense sector budget is very possible without sacrificing the development budget for other sectors (Hadi et al. 2018). The defense economy is needed in maintaining the stability of the national economy from threats from the global, regional and national economic strategic environment. A strong defense will have an impact on national security and national economic growth activities. The defense economy approach realizes strong national economic growth and the people are sovereign, prosperous, and safe, thus realizing a strong developed country of Indonesia. The defense economy has policy instruments, strategies, and efforts as well as economic law, and political economy as a supporting capacity for the political economy, to respond to economic threats that can reduce national economic growth so that weakens state finances.

As the monetary, banking, and payment system authority, Bank Indonesia's main task is not only to maintain monetary stability, but also the stability of the financial system (banking and payment system). The success of Bank Indonesia in maintaining monetary stability without being followed by financial system stability

will not mean much in supporting sustainable economic growth. Monetary stability and financial stability are like two sides of a coin that cannot be separated. Monetary policy has a significant impact on financial stability and vice versa, financial stability is a pillar that underlies the effectiveness of the monetary policy. The financial system is one of the transmission lines of monetary policy so in the event of instability in the financial system, the transmission of monetary policy cannot run normally. On the other hand, monetary instability will fundamentally affect the stability of the financial system due to the ineffective functioning of the financial system, which affects the procurement of the main weapons system equipment, especially imports of the prices of defense and security equipment. This is the background of why financial system stability is still the duty and responsibility of Bank Indonesia. The defense economy can encourage the growth of financial services that can maintain the stability of the national financial system to encourage increased national economic growth. If national economic growth grows well, it will have an impact on individual consumption income, people's purchasing power will increase and national income will increase, the state budget will be healthy, able to pay off state loans. State finances become strong, state defense expenditures are met, and the people are prosperous and safe, so the country is strong (Supandi, 2019).

The problem with the procurement of the Indonesian National Armed Force's defense equipment is that there is a limited budget in the government considering that most of the existing defense equipment is quite old, it is better to be transparent and require modern and sophisticated defense equipment that is adapted to the times and has human resources who are experts in their fields. No research specifically examines monetary policy on the procurement of defense equipment, using George Edward III's theoretical model consisting of communication, resources, disposition/attitude of implementers, and attitude of bureaucracy. This is because previous studies are general about the relationship between the defense budget and economic growth. It is hoped that this research coincides with the government's plan to formulate the Presidential Regulation on the defense master plan, as has been mentioned in the narrative above. Not only that, but this research is also expected to be one of the basic empirical considerations that can be used as material of further studies for the government's plans in the future. The author has not found any studies or research that explores how the implementation of monetary policy on defense equipment procurement policies. Based on this gap, the researcher conducted research entitled "Implementation of Bank Indonesia's Monetary Policy in Procurement of defense equipment for the Indonesian National Armed Forces".

Research methods

This study uses descriptive qualitative research methods as defined by Cresswell, namely qualitative methods demonstrate a different approach to scholarly inquiry than methods of quantitative research. Qualitative methods rely

on text and image data, have unique steps in data analysis. Qualitative methods and draw on diverse designs (Cresswell, 2014). If it is related to the object of this research, more specifically the type of qualitative research used is descriptive qualitative, where the researcher aims to describe the implications of Bank Indonesia's monetary policy on the procurement of military defense equipment accurately and systematically. In this context, the role of the researcher is to conduct observations, collect, and process data and information obtained through centralized interviews with research subjects and related scientific literature. In general, the research consists of four stages. Each stage is tailored to the needs of the research. The first stage is still in the form of preliminary literature studies sourced from secondary manuscripts and making research proposals. Next, the second stage is to start the process of data collection, processing, and data analysis. The second stage has the longest duration. Each of the activities in the second phase depends on the dynamics of the field and the research subject or key informant. After the data has been collected, the researcher then conducts data processing and analysis using discussion and review to the literature or previous research. During the second stage of the process, the researcher carried out activities to check the validity of the data. The third stage, namely the interpretation of the results of the analysis and writing of research reports carried out in parallel with the second stage. The last stage is the completion of the final research report which is carried out by prioritizing guidance and discussion between researchers.

The data processing technique in this study uses a triangulation model of technique and analysis of the Interactive Model of Miles, Huberman, and Saldana (2014). In this study, data collection was conducted through interviews with seven sources representing Bank Indonesia and the Ministry of Defense. The data from the interviews were then condensed (data condensation) or summarized by using coding methods, marginal notes and reflective notes, which were carried out in a structured and integrated manner with other stages. Next is the presentation of data (data display) which aims to make the reduced data more organized and visible patterns and relationships, so that they are easy to understand. Data is presented in the form of narrative text and the processing of charts or images. The presentation of good data is one of the factors for the success of the research and the validity of the results of the qualitative analysis. The last stage after the other three stages are carried out is the conclusion and verification stage. At this stage, the researcher has made a decision on the data to be used, based on the meaning, weight, representativeness of the data, the influence of the researcher, and checking. Conclusions in this type of descriptive qualitative research are in the form of a description of the analysis of the implementation of Bank Indonesia's monetary policy on the procurement of military defense equipment which is described through the framework of George III's policy implementation model (communication, resources, disposition, and bureaucratic structure).

In this study, the deductive method was carried out at the beginning by obtaining data sources from secondary literature and news related to the object of research. Furthermore, the inductive technique was carried out by collecting data by interviewing the informants and collecting data directly from key agencies and institutions. After the data has been collected, the next step is to categorize the data and organize it more systematically. Thus, the data interpretation process can run in a focused manner and is expected to produce sharp and specific research products at the core of the research problem. It can be concluded, in general, that the data analysis technique in this study is dominated by inductive analysis.

Research Results and Discussion

One of the tasks of Bank Indonesia is in the field of payment systems, which can be said to have been rooted in the days of De Javasche Bank (DJB). As the circulation bank for the Dutch East Indies Bank, De Javasche Bank has experience in implementing payment systems, both cash and non-cash payments. De Javasche Bank changed to Bank Indonesia on July 1, 1953, the task of implementing the payment system was re-established in Act Number 11 of 1953 or the main Act of Bank Indonesia 1953 in Article 7 paragraph 2 as follows: from banknotes, facilitate the flow of demand deposits in Indonesia and advance the flow of payments abroad". Since then, Bank Indonesia has conducted money circulation through a network of branch offices throughout Indonesia (Erwin, 2012).

Minister of Defense Regulation Number 28 of 2016 concerning the program and budget system. Minister of Defense Regulation No. 17 of 2014 concerning the implementation of the procurement of defense equipment within the Ministry of Defense and the Indonesia National Army. the limitations of human resources, it is not limited because they have been handled by professionals in their respective fields and to determine the APBN budget, Bank Indonesia does not stand alone to determine monetary policy, it must work together with National Development Planning Agency and the Ministry of Finance. In practice, Bank Indonesia has the authority to conduct monetary policy through setting monetary targets (such as money supply or interest rates) with the main objective of maintaining the inflation rate target set by the government. Operationally, controlling these monetary targets uses instruments, including Open Market Operations (OPT) in the money market, both rupiah, and foreign currencies, setting discount rates, setting minimum statutory reserves, and credit or financing arrangements. Bank Indonesia can also implement monetary control methods based on Sharia Principles (Mangani, 2009). Thus, Bank Indonesia must do something to maintain the stability of the rupiah exchange rate so that it remains stable and avoids the monetary crisis that causes the weakening of the economy. Bank Indonesia Regulation Number 24/6/PBI/2022 concerning the policy on the use of the rupiah in international activities.

Presidential Regulation Number 58 of 2015 concerning Organizational Structure of the Ministry of Defense and Bank Indonesia Law Number 3 of 2004

concerning Organizational Structure. The flow of the mechanism based on the president to the user level and adjust to the SOP concerned. During the procurement process for defense equipment, the government always uses foreign loans, which are carried out between suppliers of defense equipment goods and creditors, resulting in their position being too close and weakening the bargaining position of the Indonesian government. But now we will keep the procurement process separate from financing, this will be optimal in terms of financing. In addition to this project, other APBN projects that need banking support are possible to be financed, but must be transparent, and must have a Bookkeeping Order/Authentication, hereinafter abbreviated as SP3 is a warrant issued by the State Treasury Service Office as the Proxy of the State General Treasurer, whose function is equated as a Payment Order/Warrant for Disbursement of Funds to Bank Indonesia and work units to be recorded/ratified as receipts and expenditures in the State Revenue and Expenditure Budget for the realization of PHLN withdrawal through direct payment procedures, L/C, and/or pre-financing that be financed in advance by the Regional Government/State-Owned Enterprises.

The sinking of KRI Nanggala-402 opened the eyes of the public to the importance of strengthening as well as modernizing the main tools of the weapon system. The survey stated that to improve national defense and at the same time maintain the sovereignty of the Republic of Indonesia, improving the quality of the main weapons system or defense equipment is considered very important. From the Deputy official regarding communication that the procurement of the main defense equipment system, especially the machine is over 20 years old, it is better to rejuvenate the defense equipment. Currently, it has not been fulfilled, only on the assumption that the Indonesian Ministry of Defense does seem to have pocketed the largest State Revenue and Expenditure Budget (APBN). As an illustration, in 2021 they will be paid Rp134,254 trillion. However, it should be noted that looking at the budget from the point of view of nominal amounts is certainly not fair, because when compared to the value of the gross domestic product (GDP) it does not touch 1 percent. most of it is not for war equipment expenditure, but personnel expenditure. As a result, the small fiscal space makes the TNI unable to operate the best defense equipment. This year's budget ceiling has indeed increased by 14.12 percent, as well as being the largest in the last decade. The majority of the Ministry of Defense 2021 budget is allocated for management support programs. The amount reached Rp. 74.983 trillion or 55.2 percent of the total budget. The allocation for the modernization program for defense equipment, non-defense equipment, and defense facilities and infrastructure is IDR 39.02 trillion or 29.06 percent of the total budget. The rest is for other needs in the form of surgery, training, and education. The limited budget for the modernization of the defense equipment system will have an impact on the defense equipment maintenance process (routine and periodic maintenance) and the TNI's combat readiness in maintaining state sovereignty. Referring to data from the Stockholm International Peace Research Institute (SIPRI), as of 2020,

compared to other countries in the region alone, Indonesia's defense budget is among the lowest. Malaysia allocates 1.1 percent of GDP, Singapore 3.2 percent, Thailand 1.5 percent, and even Timor Leste also 1.2 percent of GDP. Imagine, we are the largest country in the region but have the lowest defense equipment budget, of course, the public should know this vulnerability.

Meanwhile, according to SIPRI data, countries with developed economies have defense spending above 3 percent of GDP. For example, the United States has 3.7 percent of GDP, Russia 4.3 percent, Saudi Arabia 8.4 percent, and Singapore 3.2 percent. However, if this plan is not realized, then Indonesia will need more time to modernize the defense equipment system. Meanwhile, other countries continue to try to claim Indonesian territory as their sovereignty. Recently, there has been news that the government is drafting a Presidential Regulation on the master plan for the modernization of defense equipment for the next 25 years. The scheme will use foreign loans in the amount of approximately Rp. 1,760 trillion. This figure was first disclosed by Member of Commission I DPR RI Major General TNI (ret) TB Hasanuddin in an interview on a television station some time ago, although the fantastic number has been denied by the Ministry of Defense. The master plan itself is the implementation of Defense Minister Prabowo on orders from President Jokowi who asked for planning for the procurement of defense equipment for 25 years since he was appointed as Minister of Defense in 2019. Although it is still just a design, this is enough to be a breath of fresh air for the country's defense system which has been difficult to advance. due to budget constraints.

Despite many criticisms of the jumbo budget, the Rp 1,760 trillion budget to buy defense equipment for 25 years is small when compared to Indonesia's potential GDP for 25 years, the amount of which could reach more than Rp 375 thousand trillion, which is only 0.5 percent. Defense Minister Prabowo should be commended for this formula because it answers the existing problems. If the government can implement the draft, then the target for defense spending of a maximum of 1.5 percent of GDP per year can be met, because the budget will be added to the routine defense budget of an average of 0.78 percent of GDP per year. I tried a calculation, assuming a defense investment of IDR 1,760 trillion, it is estimated that Indonesia will be able to maintain economic activities in this country for 25 years, with a turnover rate of IDR 375,000 trillion.

So far, between infrastructure development, community welfare, or maintaining defense capabilities and state sovereignty with the modernization of defense equipment. Therefore, the welfare of the people should still be the focus of the government. Countries with a large number of poor people will also be vulnerable to foreign interventions which have fatal consequences on the defense and national security. Inevitably, with the necessity of a contextual APBN allocation or being made aware of the most urgent needs, it is necessary to organize the spending on defense equipment as planned. However, the government needs to pay attention to the tenor and interest of the loan. Defense Minister Prabowo needs

to negotiate with lenders to get loans with low interest and long tenors so as not to burden the state. The government needs to ensure that the budget is accountable and accountable.

Based on this description, the monetary policy on the disposition or attitude of implementation is for human resource personnel that is by their respective fields and expertise and have been adapted to the needs of their work units. The budget for defense equipment has not been fulfilled due to the limitations of the State Budget and Minimum Essential Force.

The bureaucracy for the procurement of defense equipment regarding the mechanism or procedure of Cooperation requires implementation stages that must be well planned and are expected to have an impact on the independence of the national defense industry in the future because it reduces dependence on imported defense equipment. The budget is adjusted to the needs by the existing monetary policy, for information on defense equipment, to accommodate the UO from both the Army, Navy, and Air Force. Modernization of defense equipment up to Rp 1,760 trillion, which is partly financed from foreign debt. The relationship and influence between the government should be a priority as well.

Modernization is a necessity because a strong defense related to state sovereignty and territorial integrity of the Unitary State of the Republic of Indonesia and the safety of the nation must be maintained in the long term. The Ministry of Defense also proposed a formula for modernizing the defense and security system through the reorganization of spending and financing for defense and security. This reorganization of spending and financing for defense and security will be carried out through the mechanism for spending on five strategic plans for defense and security, which will be spent in the first strategic plan for 2020-2024. In this way, Indonesia's ideal defense posture can be achieved in 2025 or 2026, and the ideal posture will last until 2044. The required financing is still under discussion and partly sourced from foreign loans. Dahnil ensured that the value would not burden or reduce the allocation of other expenditures in the State Budget. Because these loans from several countries have long tenors, the interest is very small and the payments are made using the Ministry of Defense budget allocation which is allocated every year in the State Budget. "With the assumption, the Ministry of Defense's budget allocation in the State Budget is consistent at around 0.8% of GDP over the next 25 years."

In general, the Indonesian National Armed Forces is an institution to be proud of despite the limited facilities and infrastructure to support the defense. Respondents hope in this opinion poll to illustrate, that the public does not deny that the government should be more concerned with providing more adequate defense facilities and infrastructure. Especially related to the procurement of defense equipment that has a high deterrence effect and ensures maximum work safety for all members of the Indonesian National Army. The government's seriousness is needed to build the independence of defense equipment. The reason is, that it not easy to provide a large budget and also get a transfer agreement with all the limitations of the government. To maintain the defense and sovereignty of

Indonesia's territory, the government needs to periodically add a defense system with the latest or more modern quality. Furthermore, the next priority is the procurement of defense equipment in the land and air dimensions. Public expectations for the strengthening of defense equipment in these two dimensions are relatively balanced, i.e., each ranges from 26-27 percent of respondents.

Details Per Dimension Meanwhile, the budget for modernization and maintenance and maintenance of defense equipment is as follows: Indonesia National Army amounting to Rp. 2.651 trillion for the procurement of materials and strategic defense equipment, and maintenance of defense equipment, aircraft overhaul, and transport helicopters amounting to Rp. 1.236 trillion. If it does not have a strong defense, Indonesia will not have a bargaining position against China. Not to mention the possibility of a war in the Asia Pacific region involving China and Australia getting stronger. This happened after Australia canceled its state funding cooperation program with China, through the concept of the Belt and Road Initiative (silk route). Australia is rumored to be increasing the capacity of its military base in the far north of Kangaroo Country and expanding joint exercises with US troops. On the other hand, China is reportedly monitoring the activities of several countries that are members of the Comprehensive Strategic Partnership (CSP), a partnership made by Australia with several countries, namely America, Japan, Vietnam, India, and Indonesia. Seeing the real threats in front of the eyes, it is time for Indonesia to have a strong defense and security. The tragedy of KRI Nanggala-402 should be a lesson for the government to focus more on the agenda of modernizing the main tools of the defense system. The Indonesian Navy amounted to Rp. 3.751 trillion, including the procurement of fast patrol boats, and the improvement of marine-dimensional aircraft and Rp. 4.281 trillion for the maintenance and upkeep of the defense equipment system. and supporting components of defense equipment. The policy issued by the central bank is known as monetary policy.

In short, monetary policy is the policy of the monetary authority or central bank in the form of controlling monetary quantities to achieve the desired development of economic activity (Solikin, 2003). Between infrastructure development, community welfare, or maintaining defense capabilities and state sovereignty with the modernization of defense equipment. The implementation has been adjusted to the applicable regulations and adjusted to the state budget. The policy is adjusted to the needs of each dimension. If the implementation of a policy is to be effective, then policy implementers must not only know what to do but also must have the ability to implement it by their field, so that in practice it cannot happen (Leo, 2017).

If it is associated with previous research, what is almost the same as the researcher is the research conducted by Ferry Irawan and Sugiharso Saufan in 2005 in the Indonesian economic and development journal, entitled Monetary Policy, Economic Growth and Testing the Rational Expectation Hypothesis with VAR Analysis. The results show that the effectiveness of monetary policy in Indonesia over the last two decades often raises the question of how the effectiveness of the policy can be maintained. By using a rational expectation approach with Indonesian

data, this study finds that the inflation rate in Indonesia is significantly influenced by anticipated monetary policy. Anticipated monetary policy also has a significant positive effect on economic growth. The equation is using the qualitative method, monetary policy and economic. The difference is the locus is different by using VAR analysis and Budget effectiveness.

Even though the resources are available, policy implementers understand what their responsibilities are and they have the desire to do so, but it is less effective when the organizational structure of policy implementers is inefficient (Widodo, 2013). The responsibility of the user of the procurement of defense equipment in coordination with Bank Indonesia and the Ministry of Defense. BI organization is ideal with monetary policy. The bureaucratic structure in carrying out the implementation of Bank Indonesia's monetary policy on the procurement of the TNI's defense equipment will be examined. How is the relationship and bureaucratic flow from Bank Indonesia as the monetary policy maker to the Ministry of Defense in the context of procuring the Indonesian National Armed Forces Equipment?

If it is related to previous research, what is almost the same as the researcher is the research conducted by Iwan and Evi Novita, in 2020 in the journal of Islamic economics, finance, and business with the title Implementation of Indonesia's Economic Monetary Policy Period 2003-2009. Qualitative Method. The conclusions of M. Umer Chapra's thoughts can be applied to Indonesia. Growth in terms of assets also proves that Islamic banks are an ideal bank model to encourage the country's economic progress. However, in terms of service quality, Islamic banks must catch up with conventional banks that have already been established. Equality. Qualitative Methods Implementation of Monter's policies. Economic growth. The difference in locus is different from Islamic banks. Bank assets are for the quality of public services.

Conclusion

1. For the procurement of defense equipment, especially the machines that are over 20 years old, they should be rejuvenated and the Ministry of Defense can provide information to Bank Indonesia to accommodate organizational units (UO) from the Indonesia National Army. And for the relationship and the influence is very significant and mutually support one another.
2. Facilities and infrastructure for defense equipment defense systems with BI are very important, for example, in ordering defense equipment for budget support, it is adjusted to the order even though the foreign currency value has increased but by agreement, it should be adjusted. Especially for maintenance costs are required to be budgeted every year. For those who handle defense equipment, there are limited human resources, preferably by their respective competencies and fields of expertise. The budget has not been met for the procurement of defense equipment, this is due to the limited state budget of the government.

3. Monetary policy regarding disposition or implementation attitude is adjusted to existing needs.
4. The mechanism or procedure of cooperation is by the SOP between the Ministry of Defense and BI, for the responsibility of an organizational policy in the clarity of coordination authority, it is very necessary for cooperation and coordination with a long flow and mechanism so that it does not rule out the possibility of disbursement of funds that are lacking due to following the increasing decline in the value of foreign currencies.

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