THE SYNERGY OF FISCAL AND MONETARY POLICY FOR REAL SECTOR

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ABSTRACT

One of the causes of low growth and the real sector's contribution is economic policy, both fiscal and monetary that is less supportive of the economic actors in the real sector. From the fiscal side, the budget magnitudes can be seen to the real sector (e.g. Agriculture) that is less than 5 percent. The funds are still skimpy that assessed it is difficult to develop the agricultural sector. From the monetary side, the interest rate is judged still too high and cause economic actors in the real sector is quite difficult to get capital access. This study aims to find synergies between fiscal and monetary policy to support the real sector. This research was using Analytical Hierarchy Process (AHP) through the distribution of questionnaires to respondents of SME in Surabaya. The results showed that interest rate and capital access to financial institutions are factors considered by SME in obtaining credit (monetary policy). On the other hand, raw materials subsidies and fuel are also a major concern for them to increase production output (fiscal policy).

Key words:Fiscal Policy, Monetary Policy, Real Sector, SME, AHP.

SINERGI KEBIJAKAN FISKAL DAN MONETER PADA SEKTOR RIIL

ABSTRAK

Salah satu penyebab rendahnya pertumbuhan dan kontribusi sektor riil adalah kebijakan ekonomi, baik fiskal dan moneter yang kurang mendukung pelaku ekonomi di sektor riil. Dari sisi fiskal, besaran anggaran dapat dilihat untuk sektor riil (misalnya Pertanian) yang kurang dari 5 persen. Jumlah dana yang masih minim ini dinilai sulit untuk mengembangkan sektor pertanian. Dari sisi moneter, suku bunga dinilai masih terlalu tinggi dan menyebabkan pelaku ekonomi di sektor riil cukup sulit untuk mendapatkan akses permodalan. Penelitian ini bertujuan untuk mengetahui sinergi antara kebijakan fiskal dan moneter untuk mendukung sektor riil. Penelitian ini menggunakan Analytical Hierarchy Process (AHP) melalui distribusi kuesioner kepada responden UKM di Surabaya. Hasil penelitian menunjukkan bahwa tingkat suku bunga dan akses modal untuk lembaga keuangan merupakan faktor yang dipertimbangkan oleh UKM dalam memperoleh (kebijakan moneter) kredit. Di sisi lain, subsidi bahan baku dan bahan bakar juga menjadi perhatian utama bagi mereka untuk meningkatkan hasil produksi (kebijakan fiskal)..

Kata Kunci: Fiscal Policy, Monetary Policy, Real Sector, SME, AHP.

INTRODUCTION

The global financial crisis that occurred in the United States and as a member of the Greek debt crisis is dragging the euro zone European economy, directly and indirectly impact on the Indonesian economy. The growth of the financial sector is so rapid and leave the real sector is a major cause of the economic crisis that occurred in various countries. To address the financial crisis, then that needs to be considered when the policy is not only limited to the financial sector, but also the real sector need more attention due to the real sector concerns the welfare of the people. In the event of shocks in the real sector, the production will be hampered or even stalled. The impact is the bank will reduce the credit to the real sector that will lead to further layoff and increased unemployment in Indonesia.

The impact of the crisis on real sector in the country connected through export and import activities. Most developed countries experiencing a recession, so the demand for export commodities in Indonesia is also reduced. The market share of developed countries is around 60% of the GDP of the world. What happens to the poor economic conditions of developed countries of course have an impact on Indonesia. On the other hand, the Government does liberalization practices hard stem of imported goods coming into the domestic market, such as imported goods from China (Nusantara, 2009).

In an economic concept, there are two main policies, namely fiscal policy and monetary policy. Monetary policy is the control of monetary sector, while fiscal policy is the management of the government's budget (budget) in order to achieve development goals. The objective of monetary policy is to maintain economic stability, price stability, increase employment, and improve balance of trade and balance of payments. While the goal of fiscal policy is to increase economic growth, price stability, and equitable distribution of income, both economic policies can have a broad impact on the real sector.

Indonesia's economic development which adopts capitalism makes the Indonesian econ-

omy worse off. Dependence on foreign debt in closing state budget became a crowding out the domestic output does not increase, rising prices of goods and people has led to more reliance on consumption of imported goods. Improper transformation of development would reduce productivity, resulting in development transformation turn out toward employment and industries that are not environmentally friendly and disrupt ecosystems that inhibit the development of agriculture and marine (Restiyanto and Yusroni, 2006). Monetary and fiscal policy should lead to economic growth soundness for real sector in the country. From data of sectoral contribution to Gross Domestic Product (GDP) and employment sector showed that there were a sectoral imbalance between real sector (agriculture and industry) and non real sector (service sector).

Based on GDP 2011, agriculture accounted for contribution to GDP of 14.7 percent compared to 2010, decreased by 15.3 percent. Employment in the agricultural sector is still the highest compared to other sectors, reaching 39.9 percent of workforce. For other sectors such as industrial, real contribution to GDP in 2011 was 24.3 percent lower than 2010, which reached 24.8 percent. The industrial sector in 2011 was able to absorb 14.54 percent of workforce, an increase over 2010 which is only 13.82 percent. Increasing contribution of GDP is quite convincing occurred in the service sector, in 2010 amounted to 48 percent in 2011 and rose by 48 percent. Labor absorption is relatively low of 24.48 percent in 2010 to 26.06 percent in 2011 (*Badan Pusat Statistik*, 2012).

The low growth and contribution of real sector can be caused by economic policies (both fiscal and monetary) are less supportive for real sector. On the fiscal side, the amount of its budget to the real sector (such as agricultural) is still below 5 percent. These lean budgets will be difficult to develop agricultural sector. On the monetary policy side, the interest rate, is still considered too high and cause economic actors in real sector quite difficult to get access to capital. In 2012, *BI rate* was reaching 5.75 percent (Yustika, 2012), but

NIM *(net interest margin)* banks up to 5.9% (the highest is BPD 8% and 6.6% followed by state-owned banks). This interest margin is much higher than Malaysia by 2.8%, Vietnam 3.1%, Thailand 3.4% and Philippines 4.8%, and even in Singapore is only 1.9%. Thus, small-scaled economic actors are experiencing difficulty to get capital from banks.

This study aims to develop an economic policy that can synergize fiscal and monetary policy, so it can be used by the real sector. The focus of this research is real sector of SMEs around Surabaya. To reach this objective, we used Analytical Hierarchy Process (AHP) through macroeconomic variables of monetary and fiscal. Monetary variables were interest rates, inflation, exchange rates, and access to formal financial institutions. While fiscal variables chosen were taxes, subsidies, licensing of business, labor wage, income increasing, and non capital government assistance.

THEORETICAL FRAMEWORK
Monetary Policy
The economic development can be said being increased or decreased based on a few basic macroeconomic indicators, including interest rates, money supply, inflation, exchange rates, and unemployment. Bank Indonesia (BI) as the Monetary Authority has been conducting stabilization through the instrument of interest rates on Bank Indonesia Certificates (SBI), where the determination of the SBI was done to control the amount of money in circulation. When there is excess money supply, it will cause the onset of inflation (Kuncoro, 2013: 53). It means that the increase in money supply was disproportionate to the increase in the goods and services that are available.

Inflation Targeting Framework
From the monetary side, since mid-2005 there has been a paradigm change, i.e. the change from stabilization based on money supply into Inflation Targeting Framework (ITF) by using interest rate instrument. With this framework, Bank Indonesia announced inflation target explicitly to the public and a monetary policy geared to achieving a target inflation set by the Government.

The final goal of monetary policy is to maintain and preserve stability of rupiah, one of which is reflected in low and stable rate of inflation. To achieve this goal, Bank Indonesia sets BI rate as the main policy instrument for influencing economic activity with the ultimate goal of achieving the inflation. But the decision of transmission or the BI rate up with the inflation target is very complex and requires time (called time lag).

Inflation rate fluctuation in Indonesia with a variety of factors that influence it, lead to more difficulty in controlling inflation, thus Bank Indonesia and the government must know the factors forming inflation. The government and central bank policies in controlling inflation will not directly affect inflation, but through a long process in which banking sector has a sluggish response to monetary policy, which in turn have an impact on the real sector also (Kuncoro 2013:54-55).

BI Rate, SBI, and Inflation
Bank Indonesia uses some monetary instruments consisting of reserve requirement, discount facility, moral suasion, and open market operations. In open market operations, the central bank is buying and selling securities including Bank Indonesia Certificates (SBI). SBI is a bearer security in dollars issued by Bank Indonesia in recognition of short-term debt with discount system. Until recently, SBI rate (especially 1 month) is regarded as a signal for changes in money market interest rates, deposit rates, and lending rates (Kuncoro 2013:55). SBI is issued in an attempt to control the money supply (M2) through open market operations policy. Open market operations policy is closely associated with interest rate policy and the policy to control inflation in a country (Kuncoro 2013:55).

Fiscal and Monetary Policy
In any organization of the country, the Government set a decision or policy that aims to maintain the stability of the economic, political, social and cultural, and defense which implied an attempt to materialize the well-

being of the whole community. Everyone has been aware of it that in carrying out this decision isn't always easy, because of the various weaknesses and constraints that must be completed first.

In general, the stability of the economy can be grouped into three, namely the stability of the markets of goods and services, the stability of the money market, and the stability of foreign markets. The policy on the goods and services market is fiscal policy and the money market is monetary policy. Fiscal policy determined by the Government and the House of Representatives by way of changing the size of the tax assessment to the taxpayer that the implementation is done by all taxpayers and voting and controlling conducted by government authorities. Therefore, fiscal policy is the adjustment of the income and expenditures of the State Budget to achieve better economic stability and the desired economic development rate is generally set out in the development plan.

Similarly, monetary policy that is set by monetary authority (central bank), by changing monetary aggregates and interest rates of money and the implementation is done by the monetary authorities and financial institutions. In practice, these two policies can be applied simultaneously. Policies with varying taxation or fiscal policies do because of the government's desire to change the government revenue from taxpayers, which will be used to change the government's ability to fund the program in promoting economic growth or community welfare. Monetary policy is conducted by varying the money supply or interest rate aimed to increase income through increased investment and production so that economic improvement can be realized (Sudirman 2011:1-2). Therefore, the two policies are very important in maintaining economic stability of a country.

Previous Research

Edsel (2010) conducted research in several countries, i.e. Australia, Bangladesh, Brazil, China, Colombia, Dominican Republic, Egypt, El Salvador, France, Germany, Guatemala, India, Mexico, Morocco, Pakistan, Philippines, Portugal, Spain, United Kingdom, and the United States. He used Vector Auto Regression (VAR) and several variables such as International Remittances, economic factors (fiscal, monetary, and exchange rate) and economic sectors. Fiscal variable is a proxy of government expenditure, a proxy of monetary policy is inflation. The result showed that government macro policies that do not facilitate real economic sectors (industry and agriculture) lead countries can not enjoy developing long-term economic growth. International remittances is one cause of the decline in real sector in the various countries, thus there is a "Dutch disease" or resource curse for a country who rich in natural resources.

Guncavdi and Ulengin (2008) conducted a study in Turkey using a forecast model of decomposition. The result indicates that financial sector in Turkey will continue to grow rapidly but import of commodity sector is increasing. Therefore, imports of Turkey as an emerging market that is increasing not only the tradable sector but also imports of capital flows on the financial sector. This will have an impact on economic growth during the growing Turkish EU and the U.S. was hit by the financial crisis.

RESEARCH METHOD

This is a descriptive study. This is called descriptive because it describes or gives an idea of the variety of fiscal and monetary policy. It also uses Analytical Hierarchy Process (AHP) as a quantitative approach, i.e. the analysis of decision-making that involves many parties with different interests. Respondents of this research are real sector, especially small-medium enterprises (SMEs) around Surabaya. They were given a questionnaire about which variables are considered most affected the real sector.

In this study, the respondents are SMEs engaged in manufacturing, i.e. changing the material base into finished goods. The type of business of the respondents in this study include: furniture, clothes-making, handicraft, printing, catering, the manufacture of leather for handbags, shoes, and jackets, and other

Table 1
AHP Results in Comparison of Main Criteria Obtaining Capital

AHP Result	Weight	Ranking	Consistency Index
Interest rate	62.4	1	0.000
The ease of capital access	37.6	2	

Table 2
AHP Results in Comparison of Interest Rate Sub criteria

AHP Result	Weight	Ranking	Consistency Index
Credit rate	58.9	1	0.000
Deposit rate	41.1	2	

Table 3
AHP Results in Comparison of Capital Access Sub criteria

AHP Result	Weight	Ranking	Consistency Index
Bank	76.5	1	0.000
Nonbank	23.5	2	

Table 4
AHP Result in Comparison of Banks Sub criteria

AHP Result	Weight	Ranking	Consistency Index
Government-owned bank	53.7	1	0.068
State-owned bank	24.6	2	
Private bank	21.7	3	

manufacturing businesses.

AHP itself is a decision-making process by using pair wise comparisons to explain the evaluation factors and weighting factors in a multifactorial condition. Thus, AHP is used when a decision will be taken involves many factors, where the decision makers have difficulty in making the weight of each factor. AHP tests the consistency of an alternative assumption in decision making, so when it discovers an inconsistency in the consideration and weight, it is necessary to reevaluate the weights given to each factor. For that reason, in conditions where there is trouble, it would require the assistance of experts in determining the weighted factor.

DATA ANALYSIS AND DISCUSSION
Key Criteria Weighted Result
In the first model, AHP hierarchy constructed to determine the consideration in obtaining loans. The results of this analysis are used to capture the perceptions of respondents regard-

ing consideration when looking for a loan. This hierarchy of models will be calculated weight that includes two things, i.e. (1) interest rate and (2) the ease of capital access. The result is presented in Table 1.

Based on the importance weight of each criterion in Table 1, Consistency Ratio (CR) is less than 0.10. It suggests that a pairwise comparison matrix is consistent. The results show that interest rate is the most important consideration (62.4%), followed by capital access (37.6%). It gives information that in obtaining or making loans, SMEs will consider interest rate, then access to loans/credit.

In the mid of 2005 there has been a paradigm shift, which was based on stabilization of money supply into an Inflation Targeting Framework (ITF) using interest rate. The monetary policy stance is reflected by the policy-setting interest rate (BI rate) that is expected to affect money market interest rate, deposit rate and bank lending rate. Changes in the interest rate will eventually affect output

and inflation. High interest rates, on the one hand, will increase the public desire to save money, and the bank will increase the amount of funds (Kuncoro 2013:55-56).

However, high interest rates will encourage bank lending rates are also high, thus the cost of capital for SME will be higher in obtaining capital. Meanwhile, SMEs capital access issues are also investigated by Beck and Dermiguc-Kunt (2006). SMEs form a large part of the private sector in many developed and developing countries. They found that small firms face greater obstacles than medium and large companies, and have less access to formal sources of external financing.

Sub Criteria Weighted Result (Interest Rate)

Consideration of the interest rates includes two things, i.e. (1) credit rate and (2) deposit rate. The result is in Table 2. Based on the importance weight of each criterion in Table 2, Consistency Ratio (CR) is less than 0.10. It shows that matrix of pair wise comparisons among the main criteria are consistent. The result indicates that credit rate is the most important consideration (58.9%), followed by deposit rate (41.1%). This figure provides information that lending rates are highly considered by SMEs to obtain additional capital loans. Therefore, interest rate will have an impact on the development of real sector. If interest rate is rising, then the credit to real sector will reduce, and vice versa. The same explanation applies to the results based on research conducted by Kuncoro (2013), Berger and Udell (2002), and Beck and Dermiguc-Kunt (2006).

Sub Citeria Weighted Result (Capital Access)

In addition to interest rates, another consideration in obtaining working capital loan is the ease of access to loans. Access can be obtained from banks or non bank financial institutions. The result is as in Table 3.

Based on the importance weight of each criterion in Table 3, Consistency Ratio (CR) is less than 0.10. It shows that matrix of pair

wise comparisons among the main criteria are consistent. The result shows that capital access from banks is the most important consideration (76.5%) followed by non bank financial institutions (23.5%). Through this fact regarding access to capital suggest that SME tend to get their loan/credit from banks than non bank though bank requires collateral. It proves that the availability of capital is needed by SMEs who have difficulty to get funds.

Sub Criteria Weighted Results (Bank Loans)

The objective is to know the main considerations in choosing the access of bank loans from government-owned banks, state-owned banks, or private banks. The result is as follows:

Based on the importance weight of each criterion in Table 4, Consistency Ratio (CR) is less than 0.10. It suggests that the main pair wise comparison matrix is consistent. The result indicates that the most preferable loan access is government-owned banks (53.7%), followed by state-owned banks (24.6%) and private banks (21.7%).

The result shows that SMEs prefer to get credit from government-owned banks because these banks have an interest rate lower than state-owned or private banks. Furthermore, SMEs also know that government-owned banks, such as Bank Rakyat Indonesia (BRI), have special programs for SMEs, therefore, they feel better getting a great opportunity to get special credit. Meanwhile, some respondents expressed that they prefer state-owned banks to get loan access, such as Bank Jatim.

According to respondents, they prefer state-owned banks because these banks have a loan access relatively easier than private banks. From interest rate standpoint, respondents said that the interest rate between government-owned and state-owned banks is relatively the same. For private banks, they get a smaller percentage due to SMEs perception that they feel private banks do not have special programs related to the development of real sector.

Table 5
AHP Result in Comparison of Banks Sub criteria (Nonbank Financial Institutions)

AHP Result	Weight	Ranking	Consistency Index
Cooperatives	35.8	2	0.000
BMT	43.4	1	
Leasing	20.8	3	

Table 6
AHP Results in Comparison of Production Output Criteria

AHP Result	Weight	Ranking	Consistency Index
Tax	3.1	12	0.045
Interest rate	4.4	11	
Subsidy	8.4	6	
Ease of business license	10.4	4	
Labor wages	10.1	5	
Community income	7.9	7	
Raw materials subsidy	11.7	1	
Production means subsidy	11.2	2	
Fuel subsidy	10.8	3	
Government assistance	7.7	8	
Technical assistance	7.6	9	
Product promotion	6.5	10	

Sub Criteria Weighted Results (Nonbank Financial Institutions)

The objective is to understand the main considerations in choosing a non bank financial institution for credit access such as cooperatives, BMT, or leasing. The result is in Table 5.

Based on the importance weight of each criterion in Table 5, Consistency Ratio (CR) is less than 0.10. It shows that the matrix of pair wise comparisons among criteria is consistent. The result indicates that loan access on non bank financial institutions for BMT is the most (43.4%), followed by cooperatives (35.8%), and leasing (20.8%).

These perceived values tell us that cooperative which has been touted as a leading contributor of SMEs, its role was defeated by BMT. This is due to several things, among others: first, cooperative generally has interest rate higher than commercial banks. Second, cooperative also has strict rules similar to commercial banks that each credit application should be based on collateral. Third, SMEs feel lighter if they get credit from BMT due to credit remuneration is not based on interest but from their operating results. Fourth, no matter how small the funds needed, BMT is usually willing to give, so it feels easier for SMEs.

For other financial institutions, such as leasing, are still considered has a small role in SME lending because most SME view these financial institutions serves only for vehicle credit, not a working capital credit. With so many non bank financial institutions, it is actually a great opportunity for SME to get capital access. However, the interest rate remains a major concern SME for borrowing decision.

Production Output Considerations

SMEs have raised a variety of considerations in production. There are 12 considerations analyzed, the result is shown in Table 6.

Based on the importance weight of each criterion in Table 6, Consistency Ratio (CR) is less than 0.10. It suggests that the pair wise comparison matrix is consistent. The result indicates that raw materials subsidiza-

tion is the most consideration of SMEs (11.7%), followed by production means subsidy and fuel subsidy (10.8%).

For SMEs, subsidy, of course, is highly desirable because it can reduce the cost of production. However, subsidies may have a negative impact, called market distortion; it does not motivate users to save on consumption, and huge financial burden for countries. Implementation of fuel subsidies in Indonesia is considered still not on target, although the government is still trying to find the right target subsidy policy. For example, subsidies are gradually shifting from price subsidies are less effective and well-targeted subsidies materials to the basic needs for disadvantaged communities. Provision of subsidy by the government in recent years this number has increased quite large. Nevertheless, the provision of the subsidy must consider the financial capacity of the state (Munawar 2013).

The role of the real sector of national economy cannot be denied again. Since the crisis hit Indonesia in 1997 followed by the global crisis of 2008, it is until now proven to be the real sector to float in the safeguards the national economy. Real sector and SMEs by many experts and economic experts were later expected to be the motor of the national economy. It is not unlikely to happen.

From its contribution to GDP (based on current prices) in 2011, SMEs accounted for approximately 55.56% of the total GDP. The contribution of SMEs, are also dominant in terms of the number of business units absorbed. The number of business units in the SME absorbed, reaching 99.99% of total business units. In addition, SMEs also play a major role in employment nationally, reaching 90.9 million of people, or 97.10% of the total national workforce (BPS 2012).

Analysis of lending essentially rests on five components as commonly known as the 5C's analysis of credit, namely (1) Character; factors concerning personal of the debtor if the debtor has in good faith to pay, (2) Capacity, factors related to the ability debtors to pay, (3) Capital, the factors that contribute to determining the amount of the deb-

tor's ability to repay; (4) Condition; include condition of economic, external conditions, which are beyond the control of the applicant's credit; (5) Collateral; which is used by banks to provide assurance that the loan will be paid. Banks will use collateral if the debtor cannot repay the loan.

In lending practices, collateral is the determining factor for the bank's decision. It seems to be a classic problem for real sector credit, and it became the main findings in this study. The results showed that the interest rate is the most considered factor in developing business and capital by the 62.4 percent figure perception. As a whole the results show that the AHP perception of SMEs in obtaining information capital is shown in Figure 1.

From Figure 1, interest rate is the most considered by real sector with value perception of 62.4 percent of value perception. While the access portion of the loan received by the perception of the second largest percentage at 37.6 percent perceived value. In detail, lending rate is more important than deposit rate, with perceived value of 58.9 percent. Therefore, the magnitude of interest rate will have an impact on the development of the real sector. If interest rate goes up, the supply of credit to the real sector will be reduced. Conversely, if interest rates fall then the supply of credit to the real sector will be increased.

In Indonesia, based on the data, interest rates are still too high and lead to economic actors in the real sector is quite difficult to get access to capital. In 2012 the BI rate to reach 5.75 percent (BPS 2013), even last November 2013 BI rate rose to 7.5 percent, but until recently NIM (net interest margin) banks still at 5.9 percent (the highest NIM BPD is 8 percent and 6.6 percent followed by state-owned banks). Interest margin was much higher than Malaysia's by 2.8 percent, Vietnam 3.1 percent, Thailand 3.4 percent and Philippines 4.8 percent. Even NIM in Singapore only 1.9 percent (Yustika 2012). Accordingly, small-scale economic actors engaged in the real sector find it difficult to get the flow of capital from banks.

**Figure 1**
AHP Results Regarding Obtaining Capital
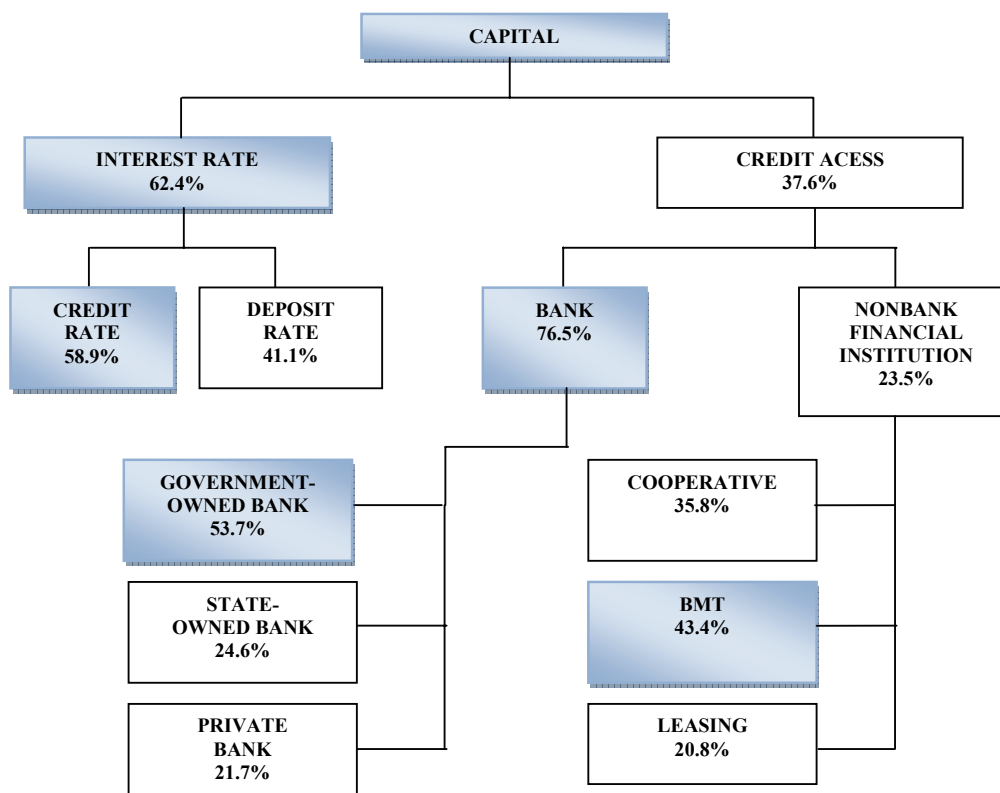
As mentioned by Yustika (2012), in the period of January - September 2012 the big banks to reap staggering profits. The seven largest banks in Indonesia net profit of Rp 32.5 trillion, or an increase of 20.4% compared to the same period last year. Bank Mandiri recorded the largest profit of Rp 11.1 trillion, followed by BCA (Rp 8.2 trillion), BNI (Rp 5 trillion), CIMB Niaga (Rp 3.1 trillion), Bank Danamon (Rp 2.9 trillion), BTN (Rp 1 trillion), and BII (Rp 922 billion). This huge profit continues the tradition of previous years, thus placing the banking sector as one of the most lucrative business activities compared to the real sector business in Indonesia.

When viewed from the side of capital access, real entrepreneurs prefer to get loans from financial institutions than from banks, non-bank financial institutions. It can be seen from the figures, the percentage perception of 76.5 percent and nonbank financial institutions is at 23.5 percent perception. It suggests that the tendency of SME to get his loan/credit from banks is very large. As we know, the availability of credit funds from the banks is very large compared to other financial institutions, although banks require collateral as a security for the loan. In practice, the value of the collateral to be provided by the debtor is much higher than the amount of the loan.

In particular, the real sectors prefer to government-owned banks to get credit access. Selection of government banks can be seen from the value of the percentage reaching 53.7 percent perception. In addition to the government-owned banks, they also rely on access to credit/loan from those banks (value of perception is 24.6 percent). Loan access from private banks gets a percentage of 21.7 percent. These results indicate that they are more confident to government-owned banks than private banks. This is because the interest rate of government-owned banks is lower than private banks. Another reason, sometimes the banks, such as Bank Rakyat Indonesia (BRI), has a special program for SMEs, so that SMEs have a great opportunity to get micro credit from the bank.

Figure 2
Scoring Result of Production Output Standpoint
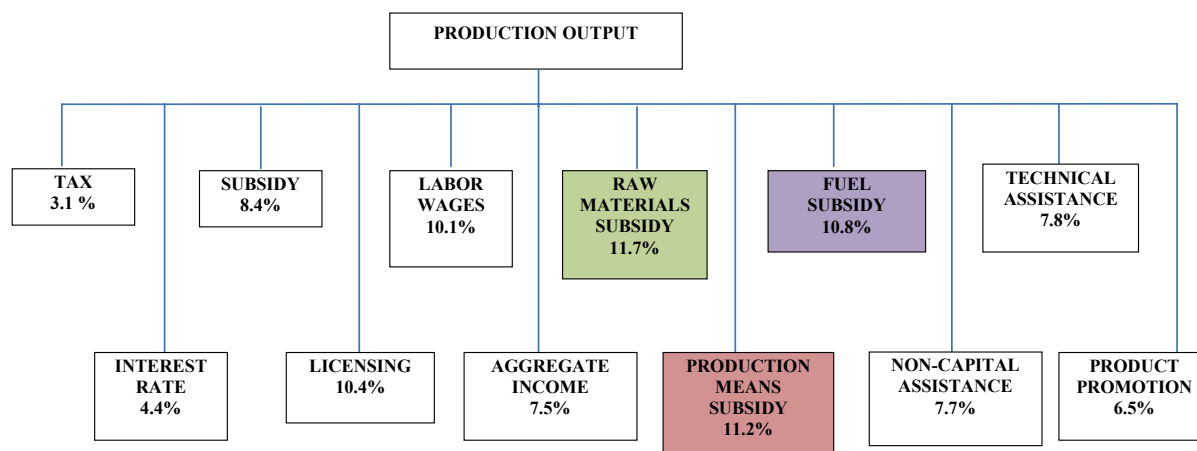
For state-owned banks, some respondents stated that they prefer stated-owned banks to get credit access. For example, it is Bank Jatim. This is because access to credit is relatively easier than private banks. From the magnitude of interest rates standpoint, it can be concluded that the interest rate between state-owned banks and government-owned banks are relatively the same. Private banks get a small percentage due to the perception of SME that those banks do not have a special programs related to SME.

For the access loans from non bank financial institutions, there are three options chosen by respondents, including: cooperative, Baitul Maal wat Tanwil (BMT), and leasing. The results showed that the AHP score for the cooperative is the second highest percentage of perception i.e. 35.8 percent, the highest perception is BMT with a percentage value of 43.4 percent, and the third is leasing with 20.8 percent perception.

The above perception values indicate that the role of cooperatives was defeated by BMT. This is due to several things, among others: First, the existing cooperatives in implementing interest rates were higher than commercial banks. Second, there are also cooperatives that implement rules as strict as banks that each credit application should be with collateral or guarantee. Third, SMEs find it easier if they obtain credit from the BMT due remuneration system used BMT is the profit sharing, not the interest rates.

Fourth, no matter how small the funds needed, BMT is usually willing to give it, so it feels easier for SMEs.

The findings of the above facts can be a blow to the cooperative particularly in Surabaya. However, not all cooperative system remuneration is like that. There is still a cooperative that runs its business based on the actual identity of the cooperative, which is the welfare of its members. In contrast, for the BMT (Islamic cooperative), this is a great opportunity for them to become a partner for the real sector, especially SMEs in this sector to absorb a lot of labor to bring the benefit of the people.

For other financial institutions such as leasing, it is still perceived a small role for lending for the real sector because these institutions serve only vehicle loans, not working capital loans. So many non-bank financial institutions are actually a great opportunity for SMEs to get access for the capital. But again, the interest rate remains a major concern for businesses to get credit.

From the standpoint of fiscal policy, the conditions of the production capacity can be seen from Figure 2. For the fiscal policy side, the expectations of real sector, there are two things that could be considered by the government in formulating policies that support policies that could support efforts in improving the real sector, especially SMEs. From the observations and data processing using AHP obtained that from the aspect of the fiscal side,

Figure 3
The Synergy of Fiscal and Monetary Policy
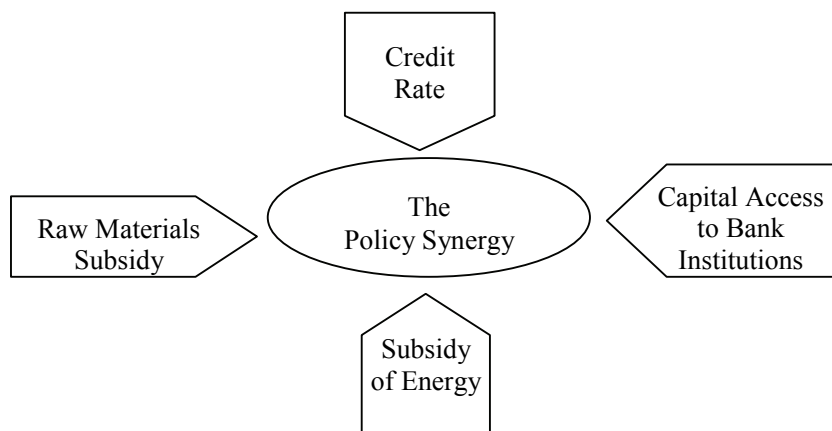
there are two things that concern for SMEs which is raw materials subsidy, production means subsidy, and fuel subsidies.

The raw material subsidy becomes necessary due to the availability of raw materials directly affects the production output, especially imported raw materials. The fluctuation of imported raw materials price is depends on foreign exchange rate. The increase in raw materials price results in selling price. In addition, the increase in imported raw materials price would cause inflation.

The type of inflation caused by the increase in imports of raw materials is known by importing inflation, the inflation that comes from abroad. An example is our country, where our country is still a lot of importing raw materials and other capital goods. If the price of imported goods went up the cost of production is also increased, which eventually will raise the price of goods and services. However, in fact, the raw materials subsidy is not a focus of government policy priorities, although there are policies that are not directly related to the raw material. For example, the input tax shelter policies for the imported raw materials. However this is not its priority, it is just an additional policies and incentives to businesses, including SMEs.

The next thing considered by the SME is the production means and fuel subsidies. Rising fuel prices will raise the entire cost of production, while business will charge the higher production costs by raising prices. The in-

crease in the price of goods produced by real sector will result in lower competitiveness of the products. In addition, higher product prices will weaken the purchasing power.

Based on Fiscal Policy Officer, subsidies related raw materials and fuel subsidies are as follows. Subsidy policy is not solely directed for the SMEs, so it is not a priority for their policies. SME policy priority lies in the financing policy, i.e. a policy of loan interest rate subsidy by a variety of programs, such as the Kredit Usaha Rakyat (KUR) as well as other programs that its essence lies in the provision of financing schemes (capital).

The model of fiscal and monetary policy synergy recommended based on the results of AHP is shown in Figure 3. This subsidy related issues still causing a lot of controversy. There are those who agree by subsidies and there are those who disagree by subsidies. The role of government is needed as the role of director, which is allocated or direct utilization of national resources effectively and efficiently. If this role can run well, then the national economy can provide optimal welfare for the people. It is clear that the government has a role for the protection and development of the real sector. The role of protecting the real sector can be done by subsidizing raw materials for the real sector whose are still in the stages of developing a business or a new business pioneer. This subsidy program should also on the target, so the success of the program can be significantly.

CONCLUSION, IMPLICATION, SUGGESTION AND LIMITATIONS

Fiscal and monetary policy can basically work together for the real sector. Based on the results of *analytical hierarchy process* (AHP) can be concluded that the perceived importance of monetary policy to the real sector is lending and access to capital to the banking financial institutions. In obtaining credit, real sector chooses to borrow at government-owned banks than private banks or non-bank financial institutions, because the interest rate on government-owned bank was lower than private banks or other financial institutions. As for the perceived importance of fiscal policy for the real sector are raw materials, production means, and fuel subsidies.

The real sector requires low interest rates to reduce their cost of capital, so that they can conduct business expansion. But in reality the central bank does not have the authority to determine the upper limit of lending rates. Meanwhile, on the side of fiscal policy is the policy of government spending, raw materials, production means, and fuel subsidy perceived importance to the real sector. Both of these subsidies can be used as the government's fiscal policy makers as compensation lending rates are still high.

Suggestions that can be recommended in this study are:

The central bank should keep bank lending rate is at a low level, especially for micro, small, and medium enterprises. It can be synergized with fiscal policy that is the interest subsidy for the micro, small, and medium enterprises to move their businesses in order to sustain the economic sustainability of the people.

As a central bank, Bank Indonesia should help facilitate access to capital to the financial institution. This facility can be prioritized access to capital in the real sectors that contribute to inflation. Access to capital may also be provided by the government, for instance through the Department of Cooperatives and SMEs. Thus both the policy makers can work together.

Reduction in fuel oil subsidy should be compensated by subsidies of raw material for the small business will be an impact multiplier effect greater than the compensation in the form of Bantuan Langsung Sementara (BLSM) or direct assistance of money to the poor.

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