

V. CONCLUSION AND IMPLICATION

A. Conclusion

Based on the results of the discussion of interest rates, exchange rates, and fuel price on inflation rates in Indonesia, it can be concluded:

1. Overall, in 2001-2020, the interest rate, exchange rate and fuel price variable have significant effect on inflation in Indonesia.
2. Interest rates had positive and significant effect both in the short and long run on inflation rate in Indonesia 2001Q1-2020Q4.
3. Exchange rates had no effect in the short run but negative and significant in the long run on inflation rate in Indonesia 2001Q1-2020Q4.
4. Fuel price had positive and significant effect in the short run and positive insignificant in the long run on inflation rate in Indonesia 2001Q1-2020Q4.

B. Implication

From the results of research analysis and the conclusions that have been explained, then there are several implications, namely as follow:

1. Interest rate has significant effect on inflation. It can occur because interest rates rise, it will be difficult for producer to make loans which in turn will have an impact on increased production cost. If production cost rise, producer will look for ways to balance expenses and income.

One way is to increase the price of goods. If prices continue to rise, it can be said that inflation will occur. Therefore, the government can get around the problem by making regulations that are in accordance with the problems at hand.

2. Exchange rate has insignificant effect on inflation. Therefore, the government can get around the problem by promoting Indonesia so foreign investors will be interested to invest in Indonesia. The government can also increase exports and reduce imports so that the country's income is more balanced.
3. Fuel price has significant effect on inflation. Therefore, the government can get around the problem by stabilizing fuel price by working with Pertamina.

C. Limitations of Research

There was too little data at the beginning of the experiment which made a lot of data not pass the test, so it is suggested for further research to add the amount of data, time period and variables.