CHAPTER V. CONCLUSIONS AND IMPLICATION

A. Conclutions

This study was conducted to analyze the effect of the exchange rate, interest rate, and dummy sovereign rating on the occurrence of capital flight in Indonesia in 2000-2021 and to determine the independent variables (exchange rate, interest rate, and dummy sovereign rating) which have the most influence on dependent variable (capital flitght) using multiple linear regression analysis. Based on the results of the analysis and discussions that have been carried out, it can be concluded as follows:

1. Simultaneously exchange rate, interest rate, and dummy sovereign rating variables have a significant effect on the occurrence of capital flight in Indonesia in 2000-2021.
2. Partially, the exchange rate variable has a significant negative effect on and the interest rate variable has a negative and significant effect on capital flight. Meanwhile, dummy sovereign rating at the same time have no significant effect on capital flight in Indonesia 2000-2021.
3. The exchange rate variable is the most influential variable on the occurrence of capital flight in Indonesia in 2000-2021 with an elasticity of 3.8440 percent.

B. Implications

1. Capital flight as one of the economic problems makes it hoped that the Government of Indonesia can continue to maintain economic stability so that the value of capital flight is always under control by maintaining a balance of payments, increasing exports and reducing imports, keeping the inflation rate stable through fiscal policy, as well as the government through Bank Indonesia can pursue interest rate policies to keep them under control, stabilize the rupiah exchange rate, and inject liquidity (quantitative easing).

   The better the investment climate can increase investor confidence, as well as being the key for investors to attract or maintain their capital in the country. Several efforts to maintain a good investment climate include strengthening government policies on investment, facilitating investment licensing, improving the taxation system, encouraging technological innovation that has a positive impact on productivity and competitiveness, and improving public infrastructure to provide comfort for investors in investment activities.

2. The weakening of the rupiah exchange rate to the USD can cause capital flight decrease, so the government through Central Bank of Indonesia needs to keep the rupiah exchange rate to the USD stable so that does not effect capital flight. There are several things the government can do to maintain exchange rate stability, such as maintaining sufficient bank liquidity and minimizing inflation spikes that could affect the stability of

the rupiah exchange rate. Central Bank of Indonesia should also intervene in foreign exchange reserves through foreign exchange management not only for imports of basic needs but also for dollar intervention in the market by providing foreign exchange reserves when the demand for dollars is high (depreciation). So that when there is turmoil in the economy, the rupiah exchange rate can be in a safe and stable position. In addition, keeping the exchange rate stable can be done by maintaining economic growth by increasing the number of exports and reducing dependence on imports. From the public side, one can also help prevent inflation by buying domestically produced goods.

C. Research Limitations

1. This study uses exchange rate, interest rate, and dummy sovereign rating variables. However, the results of this study indicate that there are only two variables that have a significant effect on capital flight, namely the exchange rate variable and the interest rate variable. So to get better research results, further research on the factors that affect capital flight can use other variables that have a stronger influence or significance.
2. The research year used in this study starts in 2000-2021. Future research can use a longer or longer data period. Such as data before 2000 and data after 2021.