CHAPTER V. CONCLUSION AND IMPLICATIONS

A. Conclusion

Based on the results of data analysis and discussion that has been carried out in this study, the results of this study can be concluded as follows:

1. Interest rates have a positive effect in the short run and a significant negative effect in the long run on Indonesia's foreign exchange reserves.
2. Fiscal deficit has a positive effect in the short run and a significant negative effect in the long run on Indonesia's foreign exchange reserves.
3. Exchange rates have a significant negative effect in the short run and have a significant positive effect in the long run on Indonesia's foreign exchange reserves.
4. Inflation has a significant positive effect in the short run and a significant negative effect in the long run on Indonesia's foreign exchange reserves.

B. Implication

The appropriate policy implications in accordance with the results of research and discussion in this study are as follows:

1. Interest Rate is one of the determining indicators before investors make decisions in investing, the government is expected to maintain interest rate stability so that more foreign investors invest in the country so that Indonesia's foreign exchange reserves will strengthen.

2. Based on the results of the study, the fiscal deficit needs to be minimized by the government by increasing foreign exchange and government income in order to reduce the need to attract new foreign debt, the way is to encourage an increase in surplus on net exports and encourage an increase in foreign investment in the form of FDI. The government also needs to direct foreign debt to be used in the productive sector, not to the consumer sector alone, for example to fund infrastructure development which is expected to have a direct impact on economic growth and generate reciprocal output greater than the level of debt spent so as to prevent a continuous increase in fiscal deficits.
3. The exchange rate is an important component in a country, government policy also affects the balance of exchange rates. Starting from the government's efforts to overcome foreign exchange rate problems, control international trade to keep it running in balance, and intervene in the money market. Therefore, the government is expected to maintain the stability of the rupiah exchange rate so that foreign exchange reserves are more stable.
4. The government is expected to limit spending, increase state revenues, and implement a contractionary monetary policy to overcome rising inflation so that foreign exchange reserves are not disrupted.

A. Research Limitations

Researchers realize there are still many shortcomings and limitations in this study. The limitation of this study is the available annual data period (time series) is not long enough so that short run and long run detection is not more than optimal. In addition, for further research it is recommended to use variables related to foreign exchange reserves or those specifically for foreign exchange reserves such as foreign debt, export and import.