V. CONCLUSION AND IMPLICATION

A. Conclusion

Based on the research findings, it can be concluded that:

1. Money supply, partially does not have a significant influence on the difference between actual inflation and the inflation target.
2. Exchange rates, partially has a positive and significant effect on the value of the difference between actual inflation and the inflation target.
3. Interest rates, partially does not have a significant effect on inflation. However, together the variables of money supply, exchange rates and interest rates have a significant effect on inflation rates in Indonesia 2001Q1-2022Q4.

B. Implication

1. Based on result in this research, the money supply does not have a significant influence on inflation. However, there is a need for government and Bank Indonesia supervision to implement policies to maintain inflation at a controlled level.

   In addition, coordination between BI and the government must be strengthened to ensure consistency of monetary and fiscal policies. The government needs to maintain fiscal discipline to ensure macroeconomic stability, while BI must monitor risks in the financial system. Transparency and good communication to the public regarding inflation control policies are also important to maintain the trust of the public and market players. With this approach, the government and BI can keep inflation under control and support economic stability.

2. Based on research results, the exchange rate has a positive and significant effect on inflation. Policy suggestions that can be implemented by the government and Bank Indonesia (BI), need to implement steps to maintain exchange rate stability in order to control inflation. First, BI must actively monitor and intervene in the foreign exchange market to prevent a sharp depreciation of the rupiah, which could trigger a spike in the prices of imported goods. Interest rate policy must be adjusted appropriately to support exchange rate stability and control inflationary pressures.

On the other hand, the government needs to maintain fiscal discipline by controlling the budget deficit and ensuring debt levels remain within safe limits. This will increase investor confidence and help maintain rupiah stability. Monitoring the prices of strategic goods and commodity supplies is also important to avoid inflationary pressures due to rising import costs.

In addition, coordination between the government and BI must be strengthened to ensure policy consistency that supports economic stability. The government must also encourage increased productivity and innovation to reduce long-term inflationary pressures. Transparency and good communication with the public regarding exchange rate and inflation policies can help maintain the trust of the public and market players. With this coordinated and comprehensive approach, the government and BI can control the negative impact of exchange rate fluctuations on inflation and maintain overall economic stability.

3. The results of this study show that interest rates do not have a significant effect, thus indicating the existence of other variables that influence inflation. High interest rates will increase the company's burden because it directly reduces the company's net profit and can encourage companies to increase the prices of their products or services. This requires special attention from the Government and Bank Indonesia as the monetary authority in determining and implementing monetary policy instruments other than interest rates that are capable of controlling inflation. Alternative instruments such as open market operations, discount facilities, minimum reserve requirements, liquidity provisions, large-scale asset purchases, and forward guidance should be considered.

Bank Indonesia also needs to monitor credit and liquidity conditions in the financial system. Tight interest rates can impact credit availability and public consumption, so policy steps that support economic growth must be considered. Strong coordination between the government and BI is very important to ensure that monetary and fiscal policies support each other in maintaining inflation and economic growth. With a measurable strategy and good coordination, the government and BI can reduce inflation without hampering economic growth, thereby achieving a sustainable balance for the Indonesian economy.