CHAPTER V

CONCLUSION

A. Conclusion

Based on the analysis of the influence of the BI interest rate, exchange rate, money supply, imports, and world oil prices on inflation in Indonesia, the following conclusions can be drawn:

1. The BI interest rate has no significant effect in the short term but has a significant effect in the long term on inflation in Indonesia during the period 2019-2024. In the long term, fluctuations in interest rates can influence borrowing costs and public consumption patterns which in turn may potentially suppress or increase the rate of inflation.
2. The exchange rate has no significant effect in either the short term or the long term on inflation in Indonesia during the period 2019-2024. In the long term, changes in the exchange rate do not substantially affect inflation as the exchange rate has remained relatively stable and is supported by monetary policies that limit its direct impact on domestic prices.
3. The money supply has no significant effect in the short term but has a significant positive effect in the long term on inflation in Indonesia during the period 2019-2024. In the long term, growth in the money

4. supply can increase public purchasing power and stimulate demand for goods which in turn adds upward pressure on inflation.
5. Imports have no significant effect in the short term but have a significant negative effect in the long term on inflation in Indonesia during the period 2019-2024. The long-term results indicate that an increase in import volume contributes to improving the availability of goods in the domestic market thereby helping to reduce upward pressure on prices.
6. World oil prices have no significant effect in the short term but have a significant positive effect in the long term on inflation in Indonesia during the period 2019-2024. In the long term, an increase in oil prices leads to higher production and distribution costs across various sectors which ultimately drives up the prices of goods and fuels inflation.

B. Implications

Based on the analysis of the influence of the BI interest rate, exchange rate, money supply, imports, and world oil prices on inflation in Indonesia, the following conclusions can be formulated:

1. Based on the research findings, interest rates have a significant positive effect on inflation in the long term but do not have a substantial impact in the short term. This suggests that Bank Indonesia should maintain greater consistency in considering the long-term implications when adjusting the benchmark interest rate. Any changes in interest rates, whether increases or decreases should be directed toward sustaining price stability as their effects on inflation typically become evident only after a certain period. Furthermore, monetary policy involving interest rate instruments should be consistently integrated with other policy tools to mitigate short-term inflationary pressures.
2. Based on the research findings, the exchange rate has a significant negative effect on inflation in both the long and short term. This suggests that maintaining inflation stability cannot rely solely on exchange rate controls. Therefore, fiscal and monetary policies should consistently focus on strengthening the domestic production sector and ensuring the availability of strategic goods so that exchange rate fluctuations do not easily trigger inflationary pressures. In this context, Bank Indonesia should continue to

prioritize efforts to keep the exchange rate within a certain range to support smooth trade and investment even though its direct impact on inflation remains relatively limited.

3. Based on the results of this study, the money supply has a significant positive effect on inflation in the long term but does not have a significant impact in the short term. This finding confirms that Bank Indonesia needs to maintain greater consistency in regulating money supply growth (M2) to ensure it remains aligned with real economic developments. Controlling the money supply should be carried out continuously to prevent potential future price surges. Furthermore, close coordination between monetary and fiscal policies is essential to ensure that increased liquidity does not trigger structural inflation.
4. This study finds that imports exert a significant negative influence on inflation in both the short and long term. In light of this, the government and relevant authorities particularly the Ministry of Trade and Bank Indonesia should remain consistent in employing imports as a policy instrument to maintain price stability. The experience of 2019-2024 illustrates that imports served a crucial function in expanding supply while easing inflationary pressures, particularly for strategic commodities such as food and energy. By ensuring policy consistency, the stabilizing role of imports can be fully optimized without diminishing the competitiveness of domestic industries while at the same time reflecting the capacity of the

government and monetary authorities to adopt the most effective measures for sustaining economic stability.

5. Based on the results of this study, world oil prices have a significant positive effect on inflation in the long term but show negative significant effect in the short term. This situation requires the government, particularly the Ministry of Energy and Mineral Resources (ESDM) to remain consistent in implementing risk mitigation strategies through energy source diversification, the development of renewable energy, and well-measured energy subsidies. Given Indonesia’s high dependence on fossil fuels, efforts to stabilize fuel prices and distribution costs are strategic measures to mitigate the impact of global oil price fluctuations.

C. Limitations of the Study

This study has limitations due to the Covid-19 pandemic period (2020-2021) which ultimately caused a major shock to the Indonesian economy. The pandemic caused changes in consumer behavior, disruptions in supply chains, the implementation of mobility restrictions, and the introduction of unconventional fiscal and monetary stimulus measures. These conditions may have influenced the relationships between the variables analyzed meaning that the estimated results may not fully represent the economic conditions under normal circumstances.