V. CONCLUSION AND IMPLICATION

A. Conclusion

Based on the results of the analysis and discussion it can be concluded as follows:

1. All variables in the model have one way causality except the Capital Outflow variable. The Fed rate variable has one-way causality to BI rate and Rupiah rate variable, and BI rate has one-way causality to Rupiah rate variable.

2. All the variables in the model have error-correction in the long run or have long-term relationship. While error-correction in the short term only found in variables: BI rate on lag-1, Capital Outflow on lag-1, and The Fed rate on the lag-3.

3. Shock caused by The Fed rate and Capital Outflow responded positively by BI rate and shock caused by Rupiah rate responded negatively by BI rate. This means that the impact of The Fed's monetary policy on the BI rate transmitted through the Capital Ouflow channel responded positively by the BI rate.

4. Connection transmission lines such as Rupiah rate and Capital Outflow variables are strongly influenced by the shock caused by the policies of the Fed rate and BI rate. Based on Impulse Respone results, the shock caused by the Fed rate and BI rate responded positively by the variable Rupiah rate and Capital Outflow.

The impact of The Fed’s monetary policy on the BI rate is transmitted into three lines, namely the BI rate (direct channel), the Rupiah rate, and the Capital Outflow lines. Based on the result of IRF analysis, the effect transmission of The

Fed policy on all variables in the model has a positive result. Meanwhile, The Fed's policy transmission to the BI rate through liaison line (Rupiah rate and Capital Outflow) is only transmitted positively through the Capital Outflow line, but in the Rupiah rate, it is strongly affected by BI rate. This means that since 2008-2016 there has been a trend change in the effect that the Rupiah rate has not affected the BI rate, but on the contrary that the BI rate has affected the Rupiah rate.

B. Implication

The Fed rate positively affects all the variables in the model. This means that when The Fed rate increases, it will be followed by an increase in Capital Outflow, Rupiah rate, and BI rate. Thus, it can be concluded that if The Fed rate affected BI rate, then indirectly The Fed will also affect the BI rate transmission such as: deposit rates, Rupiah rates, lending rates, and inflation expectations in Indonesia. Therefore, it is better for Bank Indonesia and the government to make more efforts in maintaining the volatility of the rupiah. to face of the uncertain global economic condition, Indonesia must have strong economic fundamentals and have a more effective monetary policy. One of the efforts of Bank Indonesia that the researcher think was right is the changed of BI rate policy into BI 7-days rate. Therefore, the researcher recommends for related subsequent research to use BI 7-days rate in research variables.