

CHAPTER VI

CONCLUSIONS AND RECOMMENDATIONS

This chapter will be presented some conclusions to the discussion and description of the variables studied model estimation result. From these conclusions, will put forward some suggestions that would be required and the problems associated with the proposed formulation. It is expected to be input to the relevant parties.

6.1 Conclusion

From the explanation in the previous chapter and the calculation of data analysis has been done on the unemployment, foreign direct investment, inflation and gross domestic product in Indonesia using Autoregressive Distributed Lag (ARDL) method, so it can be concluded as follows:

1. The development of variable that used in this study (Unemployment, Foreign Direct Investment, Inflation and Gross Domestic Product) start from 1986-2015 are fluctuated, except for gross domestic product. Gross domestic product is always increase, it just decrease in 1998.
2. Based on the result of stationary data, only variable inflation pass the stationary, while the other three are not stationer. But after first difference are used, all of the variables stationer.
3. The estimation results have Adjusted R-squared of 0.77. It's mean that the independent variable has been able to explain the dependent variable of 77%, the rest is explained by other variables outside the model.
4. Based on the results of cointegration test, bound test shows that all variables have long-term cointegration between dependent and independent variables. The results of the

cointegration can be seen that all variables is cointegrated to unemployment demand in Indonesia in the long term.

5. Based on estimation ARDL model in the short run, foreign direct investment significant and have negative relationship with unemploymnet in Indonesia 10% in lag 1, and 1% in lag2, 5% in lag3. Infation significant and have positive relationship with unemployment in Indonesia, 5% in lag 1, 3 and 4, and 1% in lag 2. For gross domestic product is significant at 5% and have negative relationship in lag 1. In lag2, foreignn direct investment is significant at 10% and have negative relationship with unemployment in Indonesia. In lag 3 the gross domestic product is not significant, but in lag 4 significant at 5% of significane.

6.2 Recommendation

Based on the study, it can be given recommendations as follows:

1. For the gorvernment as consideration in arrange the policy to control the unemployment in Indonesia since the result of this study found that in long run, foreign direct investment have negative relationship with unemployment. Inflation in the short run have positive relationship. Gross domestic product in long run have positive relation but in the short run in first difference gross domestic product have negative relationship. So, the government hopely pay more attention in these macroeconomic indicator.
2. For the future researcher as reference material for further research, and was advised to try using another methods and variable or more variables used which made positive effect on unemployment in Indonesia.