CHAPTER VI

CONCLUSION AND RECOMMENDATION

6.1 Conclusion

Based on empirical results research discussion from the previous chapter, the main objective of this research is to examine the impact of Government Expenditure, Exchange Rate and Interest Rate on Economic Growth in Indonesia in 1995-2015. In this paper, the author used Ordinary Least Square (OLS) model to empirically test the impact of Government Expenditure, Exchange Rate and Interest Rate on Economic Growth in Indonesia. From the analysis of data the conclusions are as follows:

1. The Government Expenditure in Indonesia has a positive and significant correlation on Economic Growth in Indonesia, because the increasing Government Expenditure, then the economic of indonesia will growth better. This is the linier variables which mean that if GDP increase, Government Expenditure sure increasing too.
2. The Exchange Rate in Indonesia has a positive and significant correlation on the Economic Growth in Indonesia, because the higher the exchange rate in Indonesia will increase the GDP but not significant.
3. The Interest Rate in Indonesia has a negative and no significant correlation on the Economic Growth in Indonesia, because the higher interest rate will decrease the economic growth in Indonesia but not significant.

6.2 Recommendation

Based on the Study, the resolution is:

1. For increasing economic growth in Indonesia, government should increasethe government expenditure by acting fiscal policy. Government expenditure can be alocated to build the infrastructure or goods and services.
2. In order to increasing the growth of economy in Indonesia, Bank of Indonesia should control interest rate and keep the exchange rate stable in order to increase the economic growth. If interest rate is high, investment will decrease and if the investment decrease, the economic growth will decrease.