

## CHAPTER VI

### CONCLUSIONS AND RECOMMENDATIONS

Based on the empirical results of study and discussion from the previous chapter, the main objective of this research is to examine the impact of external debt toward gross domestic product in Indonesia over quarterly period 2000Q1 to 2015Q3. In this study, the writer used Error Correction Model (ECM) model empirically test the external debt to the gross domestic product in Indonesia. From the analysis of data that has been conducted, it is obtained the following conclusions and recommendations.

#### 6.1 Conclusions

The conclusions that can be drawn from the results of research and discussion are:

1. External Debt (DBT) has a negative and insignificant impact on Gross Domestic Product (GDP) in short-run. But External Debt has a positive and significant impact on Gross Domestic Product (GDP) in long-run. So, Indonesia there is no debt overhang which is reflected from the positive external regression coefficient.
2. That during the study period, Indonesia's Foreign Debt is able to encourage Indonesia's Economic Growth. The sectors of the economy that absorb foreign debt are quite high, proving to be showing increasing GDP growth. And there is no Debt Overhang which, if at any point in the payment of foreign debt is smaller than foreign debt, but currently Indonesia is still a large debt repayment ability of the foreign debt. This is

evident from the increasing Gross Domestic Product in the long term followed even though External debt also increased.

## 6.2 Recommendations

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

1. Foreign Debt Officers shall draw up a list of project priorities and economic sectors financed by Foreign Debt.
2. The Government directs Foreign Investment to the economic sectors that really need funding and tighten the contract with investors so that the output generated by multinationals is also prioritized for the Indonesian economy.

