



UNIVERSITAS ANDALAS

**THE IMPACT OF FINANCIAL FLOWS AND TRADE ON INDONESIA'S
ECONOMIC GROWTH: AN ASYMMETRIC APPROACH TO
EXTERNAL DEBT**

UNDERGRADUATE THESIS

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**The Impact of Financial Flows and Trade on Indonesia's Economic Growth:
An Asymmetric Approach to External Debt**

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ABSTRACT

This study analyses the impact of trade, international financial flows, and economic variables such as foreign direct investment (FDI), external debt, official development assistance (ODA), exchange rate, and trade openness on Indonesia's economic growth during the period 1983–2022 using the Nonlinear Autoregressive Distributed Lag (NARDL) model. This model is used to identify the symmetric and asymmetric effects of these variables in the short and long run. The results indicate that external debt has an asymmetric impact on economic growth, while FDI, ODA, exchange rate, and trade openness have significant effects. Based on these findings, the study recommends the diversification of exports into high-value-added products, enhancing FDI attractiveness through a conducive investment climate, managing debt and ODA for productive sectors, and implementing policies for competitive exchange rate stability to support Indonesia's economic growth.

Keywords: Financial Flows, External Debt, Trade, Economic Growth, Nonlinear Autoregressive Distributed Lag

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