

CHAPTER VI

CONCLUSION AND SUGGESTION

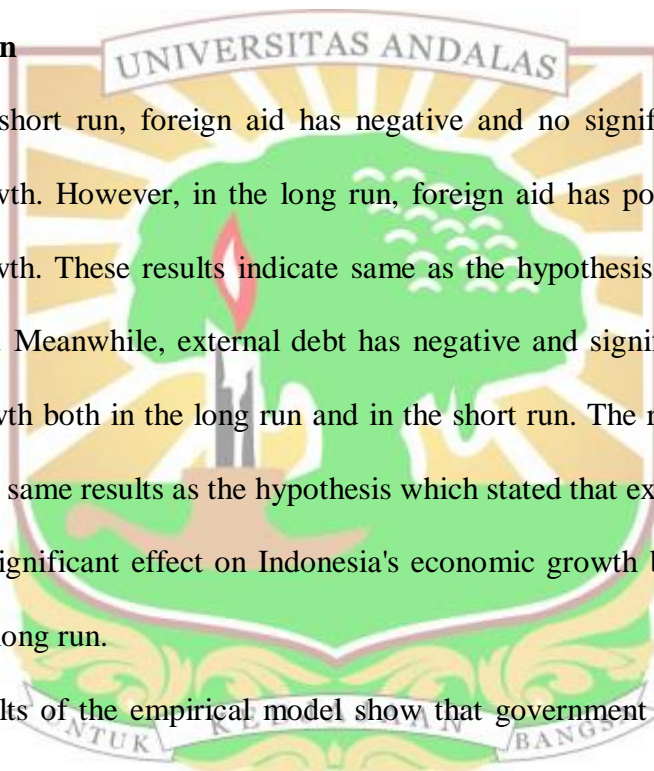
This study attempts to investigate empirically about the impact of official development assistance and external debt on economic growth. The empirical model used in this study is the ARDL method with data sets from 1970 to 2017. Based on the results of the research and data analysis that has been carried out, it can take some conclusions and suggestions as follows:

6.1. Conclusion

In the short run, foreign aid has negative and no significant impact on economic growth. However, in the long run, foreign aid has positive impact on economic growth. These results indicate same as the hypothesis that carried out by researchers. Meanwhile, external debt has negative and significant impact on economic growth both in the long run and in the short run. The result of external debt shows the same results as the hypothesis which stated that external debt has a negative and significant effect on Indonesia's economic growth both in the short run and in the long run.

The results of the empirical model show that government must be able to stimulate foreign aid both in the short and long term, so that it can have a positive impact on economic growth. On the other hand, external debt has a negative impact on economic growth, so it indicate that foreign debt is a burden at stake and an economic problem for a country especially in Indonesia.

The different result is due to the scarcity of resources and the quality of governance that must be improved in financing various development projects as



well as the budget deficit in order to be able to improve the quality of budget use allocation in increasing Indonesia's economic growth.

Other variables, such as Export and Gross Fixed Capital Formation have different impact on economic growth. Export and Gross Fixed Capital Formation have significant impact on economic growth both in the short run and in the long run.



6.2. Suggestion

The government must have good management in using external debt and good judgment when they will take external debt in the following years. Then the government must be able to allocate foreign aid to finance income-generating development projects in the future and must try to reduce the debt burden that damages all economic activities.

In the long run, foreign aid plays a constructive work in spurring economic activity. It is recommended to finance development projects that generate income both short and long term, but if the government needs funding needs it is recommended. Therefore, the government gets foreign assistance for its financing and must try to reduce the debt burden that damages all economic activities.

The government must provide convenience to exporters in carrying out exports and awards to exporters who obey the applicable laws. Improve the bureaucracy in terms of ease of trade, in order to increase income in the country.

