

CHAPTER VI

CONCLUSIONS AND RECOMMENDATIONS

Based on the empirical results of research and discussion from the previous chapter, the main objective of this research is to analyze the effect of macroeconomics variables such as saving-investment Gap, GDP, foreign Debt and Domestic credit in Indonesia over quarterly period 2004 to 2015. In this paper, the author used Error Correction Model (ECM) method to empirically test the impact of Saving-Investment Gap to GDP, debt and Domestic Credit in Indonesia. From the analysis of data that has been conducted, it is obtained the following conclusions and recommendations.

6.1 Conclusions

From this research, the estimation results show if Domestic Credit increasing Rp.1 will raise the Saving-Investment Gap amounted to 1.102117% in short-term. This means that the value of ECT coefficient of -0.0362352 % indicates that the balance of short-term fluctuations will be corrected towards balance in the long term, in which the adjustment R-square occurs at 0.6090 in the next period. Model ECM also explain changes in economic growth as a result of the change of variables GDP, Debt and Domestic credit in the long term would be offset by the error correction compenent on four previous period.

In the short-term, positive effect implies an increasing in domestic credit to Saving-Investment gap, indirectly we have to reduce the amount of credit in order

to make Saving-Investment gap in Indonesia not increased. Increasing Domestic credit influence to Saving-Investment gap in the short term.

In the estimation of the long-term, the variables of GDP, Debt and Credit has a significant to Saving-Investment Gap. GDP variable has a significant and positive relationship to the Saving-Investment gap. This shows that when the Gross Domestic Product (GDP) increased by Rp.1 it will increase the Saving-Investment Gap at .0004001 % in period. The Variable of Debt has a significant and negative relationship to the Saving-Investment Gap. If the Debt increased by 1% it will decrease to Saving-Investment gap at 2.6826803%. The variable of Credit has a significant and negative relationship to Saving-Investment Gap variables in the long run, that means Credit increased by 1% it will decrease in Saving-investment Gap at .0010735 %. This long term effect will be distributed over future time periods according to the rate of .0314856%. The result of this studies same as with the result of previous studies in GDP and credit variables except in Debt variables, this variables differ from previous studies in long term.

6.2 Recommendations

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

Due to macroeconomic variables has the affect to the movement Saving-Investment gap in Indonesia (SIgap), the government and monetary authorities should maintain the stability of the macroeconomic variables .The government should be concerned about increasing in debt and credit because of rising debt and credit will affect to reduced Saving-Investment gap. The government should be able to stabilize increasing of debt from year to year as well and then the

government can be control increasing of credit to reduced saving investment gap for economy becomes stable.

The government should stimulate foreign investment to Indonesia in order to create a favorable investment climate in Indonesia so that foreign investors are interested to invest in Indonesia. If Increased foreign investment in Indonesia will increase investment, the government also must control increase in domestic savings cause if domestic savings and investment can be controlled the saving-investment gap can be reduced. For the next research, to deepen this study by adding other variables and extend the research data, to provide results that are more accurate and better.

