

**ANALYSIS THE INFLUENCE OF MONEY SUPPLY, EXCHANGE RATE,
INTEREST RATE, AND GROSS DOMESTIC PRODUCT TOWARDS
INFLATION IN INDONESIA**

**ANALISIS PENGARUH JUMLAH UANG BEREDAR, NILAI TUKAR,
SUKU BUNGA, DAN PRODUK DOMESTIK BRUTO TERHADAP
INFLASI DI INDONESIA**

UNDERGRADUATE THESIS

Submitted in partial fulfilment of the requirement for the degree of Bachelor of Economics (Sarjana Ekonomi) at International Program for Islamic Economics and Finance (IPIEF), Economics Department, Faculty of Economics and Business Universitas Muhammadiyah Yogyakarta



Written By:

YUNITA HAPSARI

20140430297

**INTERNATIONAL PROGRAM FOR ISLAMIC ECONOMICS AND
FINANCE**

**FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA**

2019

DECLARATION

Name : Yunita Hapsari
Student Number : 20140430297

I hereby declare that this thesis entitled “ANALYSIS THE INFLUENCE OF MONEY SUPPLY, EXCHANGE RATE, INTEREST RATE, AND GROSS DOMESTIC PRODUCT TOWARDS INFLATION IN INDONESIA” is my own work as one of requirement for consideration of the award for Bachelor degree of Economics at International Program for Islamic Economics and Finance (IPIEF), Economics Department. Where any of content shown is the result of input or data from related research program is duly acknowledged thereby it is possible to ascertain how much of the work is my own. To ensure the originality of my work and does not breach copyright law, I have fully cited and referenced all material and results that are not original to this work.

Yogyakarta, March, 5th 2019

Yunita Hapsari

MOTTO

“In the darkest time, Hope is something you give yourself”.

(Iroh)

DEDICATION PAGE

In the name of the Almighty God, Allah SWT, the most Merciful and Gracious. All praise to Him, whom we seek for His help, and ask for His forgiveness. I am grateful to Allah who gave me courage, guidance, and love to complete this thesis. Also, Peace and salutation always be to the prophet Muhammad peace be upon him altogether with his accompanies.

I would like to give my sincere dedication of this undergraduate thesis for my beloved parents, brother, and friends, as well as Universitas Muhammadiyah Yogyakarta.

ACKNOWLEDGEMENT

All praise to Almighty God, Allah S.W.T, the most gracious and merciful for His guidance and blessing during this study is conducted. Peace and salutation may upon Prophet Muhammad SAW altogether with his accompanies.

After the establishment of this study on “ANALYSIS THE INFLUENCE OF MONEY SUPPLY, EXCHANGE RATE, INTEREST RATE, AND GROSS DOMESTIC PRODUCT TOWARDS INFLATION IN INDONESIA” I would like to gives special appreciation to the parties who support the accomplishment of this study, In particularly they are:

1. The respectable Dr. Lilies Setiartiti, SE.,M.Si together with Ms. Faiza Husnayeni Nahar, SE.,M.Ec as my supervisor for all the helps, supports, advices, guidance, all material and non-material dedications.
2. The respectable Rizal Yaya, S.E., M.Sc., Ph.D., Ak., CA as the Dean of Economics and Business Faculty.
3. Dear all IPIEF lectures and IPIEF staff: Diah S Dewanti, M.Sc., Yuli Utami, M.Ec., Dyah Titis Kusuma Wardani, S.E., MIDEc., Dr. Endah Saptutiningsih, MasyhudiMuqorobin, S.E., Akt., M.Ec., Ph.D., Dr. Imamudin Yuliadi, SE, M.Si., Dr. Abdul Hakim, SE., M.Ec., Ph.D., Dimas Bagus WiranataKusuma, SE., M.Ec., Dr. Nano Prawoto, SE, M.Si., Drs. Hudyanto, M.Si., Dr. Wahdi Yudhi, Mr. Hendrianto, M.Ec., Mrs. Linda Kusumastuti, SE,

4. Mahrus Luthfi who is willing to take time to help understanding the data processing process, so I did not experienced any troubles because of his help.
5. For my beloved mother and Father, Tumini and Ue Hwat Kiem. For the supports and everything.
6. For my brother Hari Setia Budi. For the concerned, indirect motivation, and helps in many ways. And all the relatives that I cannot mention one by one.
7. My collage friends whom I spent thick and thin with: Hafifah, Heni Rahmawati, Shela Tamra Putri, and Tazkiyyah Nafs El Hawwa, thanks for all the supports and all you have given and shared to me.
8. Fatimah Az Zahra and Haniefah Rasyidah whom always guide and help me in religious way.
9. All my IPIEF 2014 classmates whom I cannot mentioned one by one who always supports and helps me in many ways.
10. Reza Melia who become each other guardian, source of supports, and place to share thoughts in yogya.
11. To all my friends, colleagues, and every persons I met for making my college memories become much more precious.

Yogyakarta, March, 5th2019

Yunita Hapsari

TABLE OF CONTENTS

TITLE PAGE	i
SUPERVISORS AGREEMENT PAGE	Error! Bookmark not defined.
EXAMINE APPROVAL	Error! Bookmark not defined.
DECLARATION	ii
MOTTO.....	iii
DEDICATION PAGE.....	iv
ABSTRACT.....	Error! Bookmark not defined.
INTISARI.....	Error! Bookmark not defined.
ACKNOWLEDGEMENT	ix
TABLE OF CONTENTS	xi
LIST OF TABLE	xiv
CHAPTER I.....	1
INTRODUCTION.....	1
A. Background	1
B. Limitations	6
C. Research Question.....	7
D. Research Objective.....	7
E. Research Benefit	8
F. Research Plan.....	8
CHAPTER II.....	11
LITERATURE REVIEW.....	11
A. Theoretical Framework	11
B. Previous Research	33
C. Hypothesis.....	38
D. Research Framework.....	39
CHAPTER III.....	41
RESEARCH METHODOLOGY	41
A. Research Object	41
B. Type of Data.....	41
C. Collecting Data Technique.....	42
D. Operational Definition Of Research Variables.	42

E. Research Model.....	44
F. Methodology	46
CHAPTER IV	50
BROAD IMAGE OF RESEARCH OBJECT	50
A. The Development of Inflation in Indonesia.	50
B. The Development of Money Supply in Indonesia.	52
C. The Development of Exchange Rate in Indonesia.....	53
D. The Development of Interest Rate in Indonesia.....	55
E. The Development of Gross Domestic Product in Indonesia.....	58
CHAPTER V.....	60
RESEARCH AND ANALYSIS	60
A. Research Result.....	60
1. Descriptive statistics.....	60
2. Unit Root Test.	61
3. Cointegration Test.	62
4. ECM Regression.....	65
5. Classical Assumption.	66
6. Statistics Test.....	70
B. Discussion.	74
CHAPTER VI.....	81
CONCLUSION	81
A. Conclusion.....	81
B. Recommendation.....	82
C. Research Limitation.	83
References.....	84
Appendix	88

LIST OF FIGURE

Figure 1-1 Inflation volatility period 2010.i-2017.iv	2
Figure 1-2 Volatility of M2, ER, BIR, and GDP period 2010.i-2017.iv	4
Figure 2-1 Demand-pull inflation	13
Figure 2-2 Cost-push inflation	14
Figure 2-3 Increase in the money supply	17
Figure 2-4 Disagregation inflasi.....	21
Figure 2-5 Increase in the money supply	29
Figure 2-6 Liquidity of money to the economy	30
Figure 2-7 Research framework.....	40
Figure 4-1 Inflation volatility period 2010.i-2017.iv	50
Figure 4-2 Money supply (m2) in indonesia period 2010.i-2017.iv	52
Figure 4-3 Exchange rate in indonesia period 2010.i-2017.iv	54
Figure 4-4 Interest rate in indonesia period 2010.i-2017.iv.....	56
Figure 4-5 Gross domestic product in indonesia period 2010.i-2017.iv.....	59

LIST OF TABLE

Table 5-1 Descriptive statistics	60
Table 5-2 Unit root test of variables	62
Table 5-3 Long-run estimation result.....	63
Table 5-4 Unit root test on ect.....	64
Table 5-5 Short-run estimation result	65
Table 5-6 Autocorrelation test result.....	66
Table 5-7 Linearity test result	68
Table 5-8 Multicollinearity test result.....	68
Table5-9 Heteroscedascity test result	69
Table 5-10 T-test result	70
Table 5-11 F-test result	72
Table 5-12 Determination coefficient result	73
Table 5-13 Coefficient estimation summary.....	74