

**THE EFFECT OF THE INFLATION AND INTEREST RATE
ON THE EXCHANGE RATE IN INDONESIAN**



FINAL PROJECT

**Prepared to Meet Requirements to Complete Research
Diploma IV Majoring in Public Sector Accounting
Sriwijaya State Polytechnic**

By:

Taufik Nur Arifin

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**ACCOUNTING DEPARTMENT
POLITEKNIK NEGERI SRIWIJAYA
PALEMBANG
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Palembang, 21 September 2023

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MOTTO

“O you who believe, make patience and prayer your helper, verily Allah is with those who are patient”

[Q.S. Al-Baqarah: 153]

“Indeed, after hardship there is ease”

[Q.S. Al-Insyirah: 6]

“If you never try, you will never know”

[Taufik Nur Arifin]

I dedicate it to:

- Both parents and extended family
- Pride Alma Mater
- Supervisor
- Friends of Class 8 MSU

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Hereby declare:

1. The thesis that I wrote with the title as mentioned above and its contents is the result of my own writing.
2. The thesis is not plagiarism or copying someone else's thesis.
3. If this thesis is found to be plagiarism or copying someone else's thesis, then I am willing to bear the consequences.

Thus, I have made this statement in truth for the information of interested parties.

Palembang, 21 September 2023

My Regards,

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IMPLEMENTATION OF THESIS REVISION

The following Students,

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In writing this final project report, the author feels far from perfect, due to the limitations of the abilities and knowledge that the author possesses. Therefore, all constructive criticisms and suggestions are highly welcome by the author as improvements for the future. May Allah SWT reward the kindness and sincerity of all parties who have assisted me in completing this final project by bestowing His Blessings and Grace.

ABSTRACT

THE EFFECT OF THE INFLATION AND INTEREST RATE ON THE EXCHANGE RATE IN INDONESIA

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At the end of 2019, Wuhan, China, saw the start of the COVID-19 epidemic that eventually spread across the globe. Early in 2020, the COVID-19 epidemic reached Indonesia. The COVID-19 pandemic has resulted in several changes in many different fields, including the economic, social, and educational sectors. Depreciation has a significant negative effect on the rupiah's exchange rate with the dollar. The purpose of this study is to examine the factors that influence changes in currency exchange rates. In particular, this study discusses the effect of inflation and interest rates on exchange rates in Indonesia. This study uses a quantitative approach. The data was collected from secondary data through the websites of Bank Indonesia (BI), which is monthly time series data from 2018 to 2022. For the sample, 60 observations were used for Indonesian monthly data from 2018 to 2022. The collected data was analyzed using EViews. The results of the study state that inflation has a positive and significant effect on the exchange rate. Meanwhile, the interest rate has a negative and insignificant effect on the exchange rate. This study is also equipped with a discussion, limitations, suggestions, and conclusions.

Keyword: Exchange Rate, Interest Rate, Inflation

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