

CHAPTER I

INTRODUCTION

1.1 Background

In general, every country has economic problems. Developing countries generally have economic problems such as high inflation rates and slow economic growth. Inflation is an important economic indicator, the growth rate is always kept low and stable so as not to cause macroeconomic diseases which will later have an impact on instability in the economy (Salim et al, 2021). Economic growth is a benchmark for assessing a country's economic development. Where economic growth describes a real impact of the development policies implemented. To measure economic growth in a country, it can be seen from the level of the country's Gross Domestic Product (GDP). (Hakim, 2023).

Economic growth in Indonesia is related to the welfare of its people. If people in that country do not receive prosperity, then it can be concluded that the economy in that country can be said to have not improved or the economy is weakening (Pratama, 2022). Indonesia is currently transforming from a developing country to a more advanced country. The large population makes Indonesia experience difficulties in dealing with the economic problems that occur.

Inflation is an economic condition where prices generally increase over a long period of time. Temporary price increases, such as price increases during the Eid period, are not considered inflation, because after the Eid period, prices can fall again. Inflation generally occurs because the amount of money in circulation is more than needed. Inflation is an economic phenomenon that can never be completely eliminated. Efforts made are usually limited to reduction and control. (Fihri, 2021).

The exchange rate is the price of a country's currency measured or expressed in another currency. Exchange rate play an important role in spending

decisions, because they allow us to translate prices in different countries into one common language. Other things being equal, a depreciation of a country's currency relative to other currencies (an increase in the price of that country's foreign currency) makes its exports cheaper and its imports more expensive. Meanwhile, appreciation (a decrease in the foreign exchange price of the country concerned) makes exports more expensive and imports cheaper. (Fihri, 2021).

One of the regions with a large GRDP contribution to Indonesia is Riau Province, which has a GRDP contribution that is included in the 10 largest contributing provinces. Riau Province itself consists of 10 districts and 2 cities. Of these 12 districts/cities, the district with the highest GRDP is Bengkalis Regency, (Susanti et al, 2022)

The rate of economic growth in Bengkalis Regency can be seen based on the increase in GRDP every year. The following is GDP data based on current prices from 2003 – 2021:

Table 1.1 GRDP of Bengkalis Regency

Years	Non-Oil and Gas GRDP (Billions) based on current prices
2021	73.398,5
2020	66.324,9
2019	64.292,9
2018	59.540,8
2017	57.663,2
2016	55.153,3
2015	50.679,0
2014	44.579,5
2013	36.612,6
2012	34.109,7
2011	18.371,4
2010	15.393,0
2009	12.984,4
2008	11.088,4
2007	9.066,1
2006	10.321,2
2005	8.771,6
2004	7.253,4
2003	5.711,9

Source: Bengkalis Regency Central Statistics Agency

Based on table A.1, it can be seen that the economic growth of Bengkalis Regency (non-oil and gas) increases every year. Where the lowest non-oil and gas GRDP was in 2003, namely 5,711.9. And the highest GRDP (non-oil and gas)

will be in 2021. The economic conditions reflected in economic growth are of course related to the exchange rate and also inflation.

Based on the background above, the authors are interested in conducting research with the title **The Influence of Exchange Rate and Inflation on the Economic Growth in Bengkalis Regency.**

1.2 Formulation of the Problem

Based on the above background, the formulation of the problem taken from this research is how the Influence of Exchange Rate and Inflation on the Economic Growth in Bengkalis Regency.

1.3 Purpose of the Study

Based on the formulation, the author can state the objectives of this research are:

1. To determine the influence of Exchange Rate on the Economic Growth in Bengkalis Regency
2. To determine the influence of Inflation on the Economic Growth in Bengkalis Regency
3. To determine the influence of Exchange Rate and Inflation on the Economic Growth in Bengkalis Regency

1.4 Significance of the Study

Based on the formulation of the problem, the author can mention the objective of this study are:

1. For Academics

This research that the author has done is expected to be useful library in the college which one day will be achieved for academic purpose.

2. For Authors

This research is expected to train the author's knowledge so that the author can continue to explore knowledge and information about things that the

author has never known, both theoretically to be studied and in good writing.

3. For Other Parties

This research is expected to be a used as additional information, knowledge and reference study material for readers from many circles.

1.5 Scope and Limitation the Problem

Based on the background of the various problem that have been described. The author can identify the scope and limitations of this research problem, namely only doing research on how The Influence of Exchange Rate and Inflation on the Economic Growth in Bengkalis Regency. For this research only on the Bengkalis Regency.

1.6 Writing System

In order for the writing of this thesis report to be systematic and neatly structured, a systematic report writing is required. The following is the systematics of thesis report writing:

CHAPTER I : INTRODUCTION

This chapter describes the background of the problem, the formulation of the problem, the purpose of the research, the benefits of the research, the scope and limits of the problem and the systematics of writing a thesis.

CHAPTER II : LITERATURE REVIEW

This chapter clearly describes the theory that generates ideas and underlies the chosen topic or thesis title, where the literature review contains previous research, theoretical foundations, and frameworks of thought.

CHAPTER III : RESEARCH METHODOLOGY

This chapter describes in detail the steps taken to complete the chosen thesis topic. Where in the Methodology and Completion Process contains the location, time and object of

research, Types and Data Sources, Population and Samples, Sampling Techniques, Data Collection Techniques, Data Processing Techniques, Scale Measurements, Validity and Reliability Testers, Data Analysis Methods, Research Hypotheses, Research Models, Research Types, Conceptual and Operational Definitions of Variables.

CHAPTER IV : RESULTS AND DISCUSSION

This chapter contains test results, discussion and limitations of research results. The results of the thesis are made in the form of tables, graphs, photos / pictures or other forms so that it is easier to follow the description of the discussion. The discussion of the results obtained is made in the form of theoretical explanations, either qualitatively, quantitatively or statistically.

CHAPTER V : CONCLUSION AND SUGGESTION

Contains conclusions and suggestions from research that has been carried out.

REFERENCES

WRITER BIOGRAPHY