Model Controlling Economic Stability Through Interest Rate at TIMI Countries (Thailand, Indonesia, Malaysia, India)

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Abstract. This study examines the influence of monetary policy, particularly interest rates, on economic stability in the TIMI countries (Thailand, India, Malaysia, and Indonesia). It underscores the vital role of interest rates in controlling inflation and stimulating economic growth. Utilizing a Vector Autoregression (VAR) model, the research analyzes the reciprocal relationships between crucial economic indicators such as GDP, CPI, exchange rates, consumption, interest rates, and trade balances from 2008 to 2022. For instance, adjustments in interest rates can influence investment levels, consumption patterns, and inflation rates, thereby affecting overall economic activity. The Granger causality tests indicate that short-term relationships between these variables are insignificant, but long-term interactions are evident. This supports the Johansen cointegration results, which confirm two cointegrated equations at the 5% significance level. The study emphasizes maintaining interest rate stability for sustainable economic growth and price stability. It highlights that fluctuations in interest rates, influenced by global economic conditions and domestic economic policies, play a crucial role in the economic performance of TIMI countries. Recommendations for central banCM include implementing responsive and adaptive interest rate policies to manage inflation, foster economic growth, and maintain exchange rate stability. This approach is essential for addressing disparities in income, education, healthcare, and technology access, which are critical for equitable economic development. In conclusion, this research underscores the importance of a nuanced understanding of monetary policy's impact on economic stability and the need for coordinated efforts between fiscal and monetary authorities to achieve long-term.

Keywords: Interest Rate, GDP, Economic Stability, Consumption

1. INTRODUCTION

Economic stability is a condition reflected in the improvement of macroeconomic fundamentals. In supporting more optimal macroeconomic stability and creating a solid and anticipatory monetary policy framework, it is necessary to have the proper monetary policy to achieve stability targets in the long term. The ultimate goal of monetary policy is to protect and maintain the stability of the rupiah value, which is reflected in a low and stable inflation rate (Rusiadi, 2018).

Controlling economic stability through monetary policy involving interest rates is an essential aspect that can affect TIMI countries' economic growth (Thailand, India, Malaysia, and Indonesia). In this context, it is essential to understand how monetary policy and interest rates can affect vital economic variables such as investment, consumption, inflation, and overall economic growth. The study by Pangaribuan (2024) highlights the effect of interest rates on economic growth, where the setting of interest rates can affect the level of investment,

consumption, and inflation, suggesting that proper monetary policy in controlling interest rates
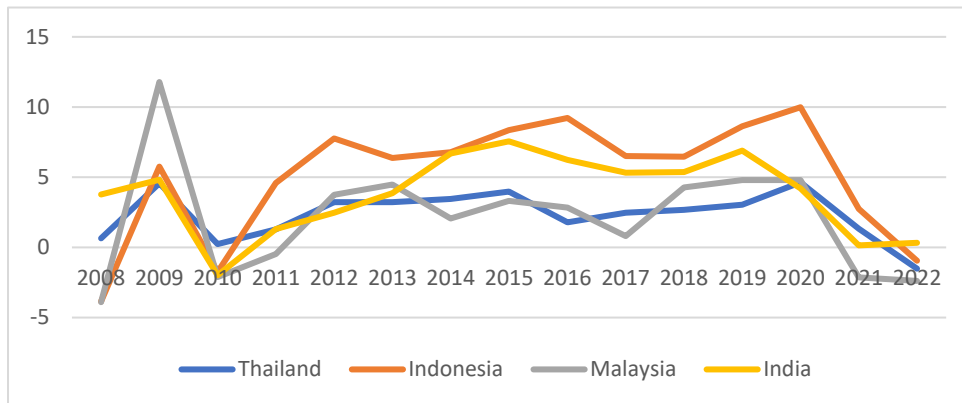can positively impact overall economic activity.

Figure 1. Interest Rates at TIMI Coutries

Source: World Bank Data

The data above shows the changes in interest rates in Thailand, Indonesia, Malaysia and
India from 2008 to 2022. Indonesia and Malaysia often had negative interest rates, especially
at the beginning of the period, indicating high inflation exceeding nominal interest rates. India
and Thailand had favourable interest rates more often. 2009 was a year of significant increase
for all countries, especially Malaysia, which had the highest interest rate of 11.78%. From 2010
to 2015, there were fluctuations, with Indonesia showing consistency in high interest rates,
peaking in 2016 at 9.22%. From 2016 to 2019, most countries experienced an upward trend. In
2020, Thailand and Indonesia peaked at 4.63% and 9.98% respectively. However, 2021 and
2022 show a decline, with Thailand, Malaysia and Indonesia experiencing negative interest
rates in 2022, while India remains positive but low.

The interest rate channel is crucial in transmitting monetary policy to control inflation
and ensure price stability. Changes in interest rates set by the central bank can affect lending
and deposit rates, affecting people's and firms' consumption and investment behaviour.
Research by Yusuf (2016) shows that the effectiveness of the interest rate channel can be seen
in how changes in interest rates affect vital economic variables such as inflation, consumption,
and investment.

According to Togarop (2013), the monetary policy transmission mechanism (MTKM)
explains how changes (shocCM) to monetary policy instruments can affect other
macroeconomic variables to realize the ultimate goal of monetary policy. How significant is
the effect on prices and activities in the real sector? It all depends on the behaviour or response
of banCM and other businesses to the shock of monetary policy instruments, namely bank
interest rates. Bank Indonesia, as the monetary authority, implements and establishes effective

and efficient monetary policy to maintain the stability of the rupiah exchange rate. The monetary policy is contained in Law No. 23 of 1999, amended by Law No. 3 of 2004 and Law No. 6 of 2009 concerning Bank Indonesia. Monetary policy is set and implemented by Bank Indonesia to achieve rupiah stability by controlling the money supply and interest rates.

The interest rate channel transmission mechanism emphasizes that monetary policy can influence aggregate demand through changes in interest rates. In this case, the effect of changes in short-term interest rates is transmitted to medium-long-term interest rates by balancing the demand and supply sides in the money market. The development of interest rates will affect the cost of capital, which will affect investment and consumption expenditure. The effectiveness of monetary policy and financial system stability can be monitored based on several essential parameters the central bank does not directly control. These parameters, such as elasticity of supply, demand for financial assets (securities) and tangible assets, as well as interest rates on deposits and loans, are relatively more influenced by the structure of the financial system, such as the condition and level of sophistication of the money market, competition, and the availability of alternative sources of financing (Miller, 2019). In Indonesia, the effectiveness of interest rate policy is particularly relevant given global economic instability, changes in commodity prices, and political and social instability. According to Novalina et al. (2018), an effective interest rate policy can help maintain economic stability and promote long-term economic growth.

Although interest rate policies have been implemented in TIMI countries to achieve economic stability, problems reflect the Difference between actual economic conditions and desired targets. These problems include inflation that exceeds the target, slow economic growth, and high unemployment despite prudent interest rate setting. For example, India often experiences inflation higher than the RBI's target, while Indonesia and Thailand struggle with slow economic growth despite lower interest rates to encourage consumption and investment.

These problems suggest that factors other than interest rate policy affect economic stability, such as global conditions, international capital flows, and political stability. This signals the need for a more comprehensive approach to managing the economy involving fiscal policy, structural reforms, and external risk management.

However, economic problems in the country illustrate the stark disparities between different economic groups regarding income, access to education, healthcare, and technology. These disparities not only affect social welfare but also exacerbate economic instability. In Timi, income disparities are striking, where most wealth is concentrated in a handful of the

wealthiest population. This results in a significant economic gap between high and low-income groups. For example, data shows that the wealthiest 10% of the population owns almost 50% of the country's total wealth.

In addition, the disparity in access to education in Timi State is apparent. Children in rural areas often have less access to quality education than those in urban areas. This exacerbates future income disparities as education is essential to economic mobility. Access to healthcare in Timi State is also highly unequal. Health facilities are often minimal in remote areas, and medical personnel need more supplies. Low-income people need more access to health insurance and adequate medical facilities. Moreover, as for the technology gap, people in remote areas often need access to the internet and advanced technology that could improve economic productivity. These disparities hinder equitable economic development across the country.

2. LITERATUR REVIEW

Economic Stabilization

Economic stability theory is one of the fundamental aspects of macroeconomics that aims to understand, measure, and maintain economic equilibrium in the long run. Economic stability refers to a state in which economic variables such as prices, output, and the unemployment rate are relatively stable without extreme fluctuations. The main components that are the focus of economic stability theory are price stability and output stability. Price stability relates to the ability of an economy to control inflation, while output stability relates to the ability to avoid significant fluctuations in production levels and economic growth. In the economic literature, various approaches are used to achieve and maintain economic stability. One of the most recognized approaches is monetary policy. Central banCM control inflation and maintain price stability by setting interest rates and ensuring money supply. According to Taylor (1993), an effective interest rate policy can help stabilize the economy by adjusting interest rates according to current economic conditions. In this regard, the Taylor Rule is often used to guide central banCM in setting the optimal interest rate based on the inflation rate and output gap.

In addition to monetary policy, fiscal policy plays a vital role in economic stability theory. Fiscal policy involves using government spending and taxation to influence the aggregate level of demand and production. Keynes (1936), in his famous work, "The General Theory of Employment, Interest, and Money," argued that in a recessionary situation, the government should increase public spending to stimulate aggregate demand and reduce unemployment. Conversely, in periods of economic boom, reduced public spending and

increased taxes can help prevent the economy from overheating. Business cycle theory is also an integral part of economic stability theory. Business cycles refer to periodic fluctuations in economic activity that occur naturally in the economy. Economists such as Schumpeter (1939) argued that business cycles result from technological innovation and changes in the investment sector. Economic stability requires a deep understanding of business cycles and managing the negative impact of such fluctuations. Economic stability also depends on financial stability. Global financial crises such as the one in 2008 show that instability in the financial sector can significantly impact global economic stability. According to Reinhart and Rogoff (2009), financial crises are often.

The deep recessions and slow recoveries followed them. Therefore, strict regulatory and supervisory policies in the financial sector are essential to prevent economic instability. The importance of economic stability theory is also reflected in international efforts to create a framework that supports global economic stability. For example, the International Monetary Fund (IMF) provides financial assistance and policy advice to its member countries to maintain economic stability. Through economic surveillance, lending, and training programs, the IMF assists countries in overcoming economic challenges and maintaining macroeconomic stability (IMF, 2020). Economic stability also has a significant impact on people's welfare. Economic instability is often accompanied by rising unemployment, falling incomes, and increased poverty. Therefore, maintaining economic stability is crucial for sustainable economic growth and improving people's quality of life. In order to achieve economic stability, cooperation between various economic institutions and actors is required.

Coherent and coordinated economic policies between the government, central bank, and private sector are crucial to sustainable stability. In addition, transparency and accountability in implementing economic policies are essential to building public and market confidence in the government's ability to maintain economic stability. Overall, the Theory of economic stability provides an essential foundation for understanding how to maintain balance in the economy. Through monetary policy, fiscal policy, and financial regulation, countries can achieve economic stability that supports growth and prosperity. In conclusion, economic stability is a goal that should be achieved through concerted efforts and appropriate policies, which are based on a deep understanding of economic dynamics and business cycles.

Interest Rate

Interest rate theory is a fundamental concept in economics and finance that explains how interest rates are determined and how they impact the economy. Some main theories explaining interest rates include the Liquidity Preference Theory, Limited Funds Theory, and Expectations Theory. The Liquidity Preference Theory, developed by John Maynard Keynes, argues that people's preferences for liquidity determine interest rates. According to this Theory, people prefer to hold cash rather than long-term assets because of uncertainty in the future. Interest rates act as an incentive to hold money as investments rather than holding it for liquidity. In this context, interest rates reflect the balance between the demand and supply of money (Keynes, 1936).

On the other hand, the Loanable Funds Theory suggests that interest rates are determined by the supply and demand for loanable funds in the financial market. This Theory assumes that the interest rate is the price that balances the amount of savings available for lending with the demand for loans. When the demand for loans increases or the supply of funds decreases, interest rates will rise to reach a new equilibrium (WicCMell, 1898). Expectations Theory states that long-term interest rates are the average of expected short-term interest rates. In other words, if investors expect short-term interest rates to rise, long-term interest rates will also rise, and vice versa. This Theory emphasizes the importance of market expectations in determining the structure of interest rates for different periods (Fama, 1976). Recent developments in interest rate theory also involve the analysis of central bank monetary policy. Central banCM play a crucial role in determining interest rates through benchmark interest rate policies and open market operations. For example, the Federal Reserve in the United States uses the federal funds rate as its primary tool to influence general interest rates and economic activity (Bernanke & Blinder, 1992).

Interest rate theory also considers global factors such as international capital flows and monetary policies from other countries. In an increasingly economically integrated world, economic conditions and policies abroad often influence domestic interest rates. For example, low interest rate policies in developed countries such as Japan and the European Union have created pressure to keep interest rates low in developing countries to prevent capital outflow (Rey, 2015). In the Indonesian context, the reference interest rate set by Bank Indonesia, the B.I. The 7-day Reverse Repo Rate is the primary tool for controlling inflation and exchange rate stability. This interest rate policy reflects domestic economic conditions.

Responding to global dynamics, Bank Indonesia has adjusted its benchmark interest rate in recent years to support economic growth while maintaining price stability (Warjiyo & Juhro, 2019). Interest rate theory provides an essential framework for understanding how interest rates

are determined and their economic impact. Through various theories and approaches, we can see that interest rates are not only influenced by domestic economic factors but also by global conditions and international monetary policy.

3.   METHODS

The approach to this research is associative/quantitative research. According to (Rusiadi, 2013), associative/quantitative research is research that aims to determine the degree of relationship and pattern/form of influence between two or more variables, where with this research, a theory will be built that has the function of explaining, predicting and controlling a phenomenon. To support quantitative analysis, the VAR model is used, where this model can explain the long-term reciprocal relationship between economic variables used as endogenous variables as well as look at the relationship between independent variables and dependent variables, which are distributed in panels in TIMI countries (Thailand, Indonesia, Malaysia and India). This research was conducted in TIMI countries (Thailand, Indonesia, Malaysia, and India) and used data from 2008 to 2022. The type of data used in this research is quantitative data. Based on the source, the data in this research is classified as secondary data, namely data obtained from the World Bank Data.

According to Ariefianto (2012), the VAR model was built to overcome the problem of the difficulty of fulfilling the identification of super homogeneity where the relationship between economic variables can still be estimated without the need to emphasize the problem of homogeneity. All variables are considered endogenous in this approach, and estimation can be carried out simultaneously or sequentially. The reason for using VAR compared to structural equations is, according to Ariefianto (2012), who states that in order for a reduced form to be estimated unbiasedly and consistently and can be used as a policy formulation tool, the exogenous variable is not only strongly exogenous but must be super exogenous and cannot be fulfilled.

Based on the opinion above, the author uses VAR to facilitate answering and proving empirically more complex reciprocal relationships in the long term. Economic variables are used as endogenous variables. Furthermore, the author used the Eviews 10 computer program to carry out the estimates and econometric analysis above.

VAR Analysis Model with the formula:

$$GDP_t = \beta_{10}CPI_{t-p} + \beta_{11}ER_{t-p} + \beta_{12}CM_{-p} + \beta_{13}IR_{t-p} + \beta_{14}TB_{t-p} + e_{t1} \quad (1)$$

$$CPI_t = \beta_{20}ER_{t-p} + \beta_{22}CM_{t-p} + \beta_{23}IR_{t-p} + \beta_{24}TB_{t-p} + \beta_{25}GDP_{t-p} + e_{t2} \quad (2)$$

$$ERt = \beta30CMt\text{-}p + \beta31IRt\text{-}p + \beta32TBt\text{-}p + \beta33GDPt\text{-}p + \beta34CPIt\text{-}p + et3 \quad (3)$$

$$CMt = \beta40IRt\text{-}p + \beta41TBt\text{-}p + \beta42GDPt\text{-}p + \beta43CPIt\text{-}p + \beta44ERt\text{-}p + et4 \quad (4)$$

$$IRt = \beta50TBt\text{-}p + \beta51GDPt\text{-}p + \beta52CPIt\text{-}p + \beta53ERt\text{-}p + \beta54CMt\text{-}p + et5 \quad (5)$$

$$TBt = \beta60GDPt\text{-}p + \beta61CPI\text{-}p + \beta62ERt\text{-}p + \beta63CMt\text{-}p + \beta64IRt\text{-}p + et6 \quad (6)$$

Explanation:

GDP = Gross Domestic Product (%)

CPI = Consumption Price Index (%)

ER = Exchange Rate (US$)

CM = Consumption (%)

IR = Interest Rate (%)

TB = Trade Balance (%)

e = error term

P = Lag Length

4.   RESULTS

Stationarity Test

The stationarity test must be carried out with the unit root test extended by Dickey-Fuller. Apart from the Dickey fuller test, the Augmented Dickey fuller (ADF) tries to minimize autocorrelation. This test contains a regression of the first Difference of time series data on the lag variable: lagged difference terms, constants and trend variables (Kuncoro, 2011). To see stationarity using the D.F. or ADF test, the Mc Kinnon critical value at the 1% significance level is compared with the Augmented Dickey-Fuller value. Data that is not stationary can result in direct regression, so a data stationarity test must be carried out.

The first stage of this research was carried out by testing the stationarity of each variable used, namely CPI, CM, GDP, IR, TB and ER. The results of the data stationarity test for all variables are as follows:

Table 1. The Stationary Test

Root Test Root Test On 1st Difference				
Variable	Augmented Dickey-Fuller Value	Mc Kinnon Critical Value At 1% Significant Level	Prob.	Information
CPI	-7.973547	-3.548208	0.0000	Stationarity
CM	-8.667332	-3.548208	0.0000	Stationarity
GDP	-7.717581	-3.548208	0.0000	Stationarity
IR	-7.780659	-3.548208	0.0000	Stationarity
TB	-8.487100	-3.548208	0.0000	Stationarity
ER	-7.093405	-3.548208	0.0000	Stationarity

Source: Data Processed, Eviews v.10

The results of the Augmented Dickey-Fuller test in the table above show that of the six variables that were carried out with the unit root test with level and 1st Difference, they turned out to be stationary at the first Difference because they already have an ADF value more significant than the Mc Kinon value at the 1% significance level at this stage so that the analysis can continue.

Granger Causality Test

A Granger causality test is carried out to determine whether there is a short-term relationship between the variables studied by looking at the causal equation. The results of Granger causality testing carried out with the help of the Eviews 10 program are as follows:

Table 2. Granger Causality Test

Null Hypothesis:	Statistic	Prob.
CPI does not Granger Cause TB	5.40652	0.0073
IR does not Granger Cause CPI	2.75145	0.0872
CPI does not Granger Cause IR	1.77946	0.0523
CM does not Granger Cause TB	2.63645	0.0810
GDP does not Granger Cause IR	1.93228	0.0781

Source: Data Processed, Eviews v.10

The results of the Granger causality test show a relationship between the variables, meaning a relationship in the short term. Because most variables have a long-term relationship, further test analysis can be carried out.

Johansen Cointegration Test

The Johansen cointegration test is carried out to determine whether there is a long-term relationship between the variables studied by looking at the cointegrated equation. The results of the Johansen cointegration test carried out with the help of the Eviews Ten program,

From the Johansen cointegration test, it is known that there are two cointegrated

equations at the 5 per cent level, which means there is a long-term relationship between variables.

Structural Lag Stability Test Results

The lag structure stability test or VAR system stability needs to be carried out to see the stability condition of the system used. The stability test of this system is seen from the inverse roots characteristic of the A.R. polynomial. If all modulus values in the AR-nomial table are smaller than 1, then the VAR system is considered stable. This lag structure stability test can also be seen by calculating the roots of the polynomial function or the roots of characteristic polynomials. If the roots of the polynomial function are within the unit circle or if the absolute value is < 1, then the VAR model is considered stable. If the root modulus value is below 1, the image shows the root point is in a circle. Where the model specifications formed using Roots of Characteristic Polynomial and Inverse Roots Of AR Characteristic Polynomial obtained stable results, it can be shown that almost all root units are in the circle of the Inverse Roots Of AR Characteristic Polynomial image. Lag stability has been met. Then, the VAR analysis can be continued.

Leg Length Test Results

This lag length test was carried out to see which lag length is more optimal for the analysis. The Akaike Information Criterion (AIC) can determine the optimal lag length. A more optimal lag length is a lag that has a smaller Akaike Information Criterion (AIC) value. Based on the lag length test results, it is known that the AIC value at lag 1 is 46.40461, and at lag 2, the AIC value is 45.83606, so the lag length used in this research is lag 2.

Vector Autoregression

After all the assumption tests have been fulfilled, including the stationarity test, causality test, cointegration test, structural lag stability test, and the determination of the optimal lag level, the next step is to conduct an analysis using the VAR model. This analysis is used to see the simultaneity relationship (interrelated or mutual contribution) between the variables studied as exogenous and endogenous by including the element of time (Lag).

Table 3. Estimate of VAR

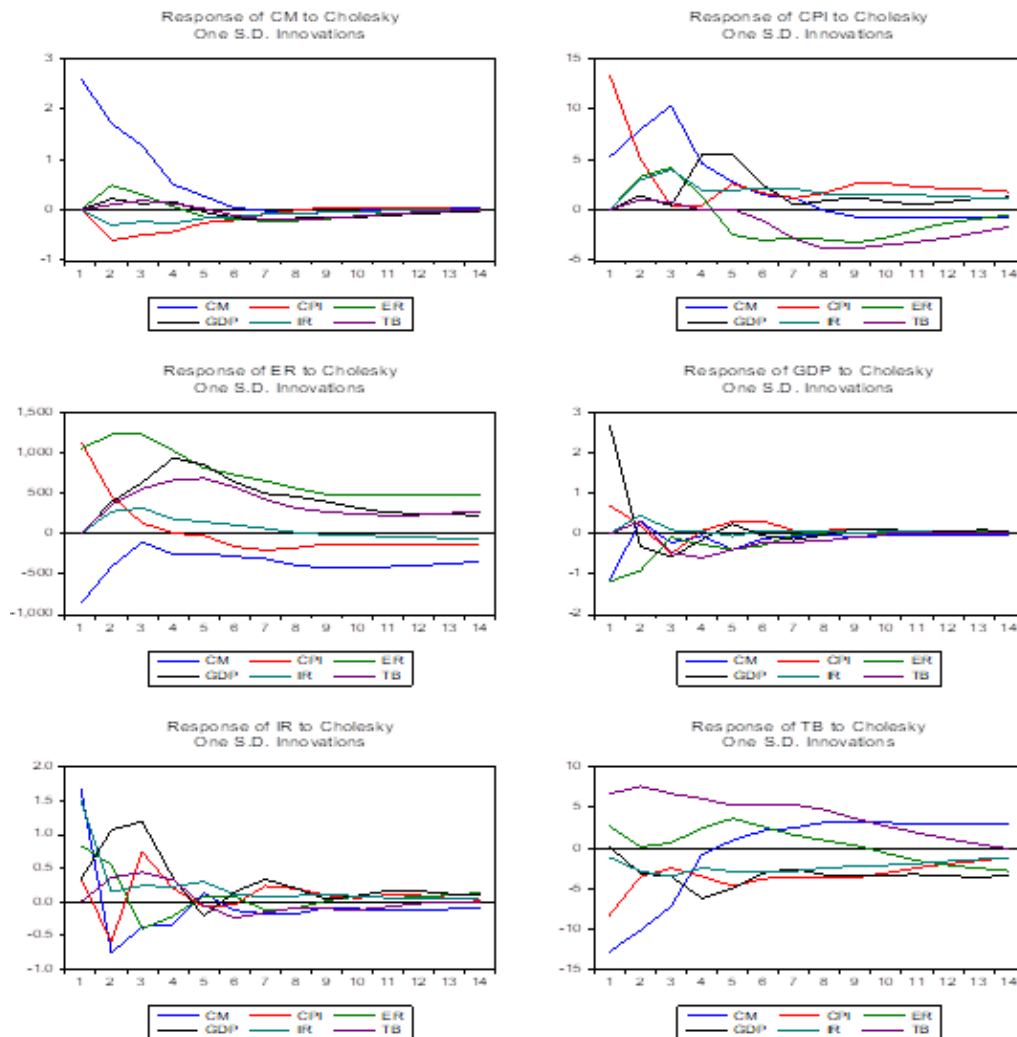| Variable	Biggest Contribution 1	Biggest Contribution 2
CPI	IR	CM
CM	CM	IR
GDP	IR	GDP
IR	GDP	IR
TB	TB	CM

ER	CM	IR

Figure 2. Impulse Response Function

Source: Data Processed, Eviews v.10

Table 4. Forecast Error Variance Decomposition

	CM	CPI	ER	GDP	IR	TB
Variance Decomposition of CM						
Short	100.0000	0.000000	0.000000	0.000000	0.000000	0.000000
Middle	87.83252	6.555762	2.631075	0.691238	1.827122	0.462282
Long	84.41159	6.687314	3.767190	1.711842	1.998383	1.423685
Variance Decomposition of CPI						
Short	13.27724	86.72276	0.000000	0.000000	0.000000	0.000000
Middle	39.76257	37.04588	6.326997	10.88138	5.708255	0.274917
Long	32.37957	32.41245	11.16911	9.962973	6.697900	7.377993
Variance Decomposition of ER						
Short	23.73635	41.29581	34.96785	0.000000	0.000000	0.000000

Middle	8.566962	12.62332	47.97514	17.85416	1.915387	11.06503
Long	10.35387	10.00322	45.61480	19.90454	1.508148	12.61542
Variance Decomposition of GDP						
Short	12.40663	4.798445	13.42286	69.37206	0.000000	0.000000
Middle	11.68915	6.452653	17.91747	56.22306	1.699263	6.018407
Long	11.49558	7.225926	17.93864	54.83973	1.792678	6.707450
Variance Decomposition of IR						
Short	46.63522	1.941983	11.64993	1.807129	37.96574	0.000000
Middle	31.25653	9.067526	10.40442	24.25073	21.36331	3.657486
Long	30.58359	9.502600	10.22856	24.54576	20.69543	4.444064
Variance Decomposition of TB						
Short	57.33210	24.02979	2.476013	0.005477	0.481761	15.67486
Middle	39.90812	15.13346	3.311368	10.66063	4.552507	26.43391
Long	32.85933	16.78121	3.392030	12.36947	6.294514	28.30346

Source: Data Processed, Eviews v.10

5. DISCUSSION

VAR Analysis of CPI; The previous period's IR makes the most significant contribution to the CPI, followed by the previous period's CM. VAR Analysis of CM; in the previous period, CM made the largest contribution to CM itself, and IR made the second largest contribution. VAR Analysis of GDP; in the previous period, IR made the largest contribution to GDP, and GDP itself made the second largest contribution. VAR Analysis of IR; the most significant contribution to IR was GDP in the previous period, and the second most significant contribution was IR itself. VAR Analysis of TB; the most significant contribution to TB is from the previous period, and the second most significant contribution is CM from the previous period. VAR Analysis of ER; the largest contribution to the ER is the consumption from the previous period, and the second largest contribution is the IR from the previous period.

After the global financial crisis that started in 2007, central banks in advanced economies eased monetary policy by reducing interest rates until short-term rates came close to zero, limiting options for additional cuts. Some central banks used unconventional monetary policies, buying long-term bonds to further lower long-term rates. Some even took short-term rates below zero. In response to the COVID-19 pandemic, central banks took actions to ease monetary policy, provide liquidity to markets, and maintain the flow of credit. To mitigate stress in currency and bond markets, many emerging market central banks used foreign exchange interventions, and for the first time, asset purchase programs. More recently, in response to rapidly growing inflation, central banks around the world have tightened monetary policy by increasing interest rates (IMF, 2023). A country's monetary policy is closely linked to its exchange rate regime. A country's interest rates affect the value of its currency, so those

with a fixed exchange rate will have less scope for an independent monetary policy than ones with a flexible exchange rate. A fully flexible exchange rate regime supports an effective inflation-targeting framework (IMF, 2023).

Controlling economic stability through interest rates primarily involves the use of monetary policy by a central bank. Here, we'll discuss a model for how central banks manage economic stability through interest rates, focusing on the mechanisms, tools, and effects on the economy. By adjusting interest rates, central banks can manage economic stability, balancing between controlling inflation and stimulating growth, which in turn affects trade, employment, and overall economic health.

6.   CONCLUSIONS AND RECOMMENDATIONS

Based on the VAR analysis of various economic indicators, several important conclusions can be identified. First, the Consumer Price Index (CPI) is strongly influenced by the Interest Rate (IR) from the previous period, with consumption in the previous period being the second most significant factor influencing it. Second, consumption is influenced mainly by consumption in the previous period, followed by IR in the previous period as the second most significant factor. Then, Gross Domestic Product (GDP) is most influenced by IR from the previous period, with GDP itself in the previous period as the second most significant factor. For the reference interest rate (IR), GDP in the previous period was the most influential factor, followed by the IR itself in the previous period. Trade Balance (TB) is influenced mainly by TB in the previous period, with consumption in the previous period as the second most significant factor. Finally, the exchange rate is most influenced by consumption in the previous period, with IR in the previous period as the second most significant factor. Overall. This analysis shows that many economic indicators are influenced by variables from previous periods, reflecting strong relationships between periods in economic data. In addition, IR has a significant role in influencing various indicators, emphasizing the importance of interest rate policy in economic management. Consumption also emerged as an essential factor influencing CPI, TB, and exchange rates, indicating the vital role of consumption in economic dynamics.

The suggestions given by the author are:
1) Considering that IR significantly influences the Consumer Price Index, Gross Domestic Product, and the exchange rate, the central bank must implement an interest rate policy that is responsive to current economic conditions. Interest rate adjustments must be

made to control inflation, encourage economic growth, and maintain exchange rate stability

2) To respond to rising inflation Consumer Price Index, tighter monetary policy increasing Interest Rates can be implemented to reduce inflationary pressures. On the other hand, to encourage economic growth, the IR can be lowered to increase consumption and investment.

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