THE IMPACT OF FOREIGN DIRECT INVESTMENT ON INDONESIAN ECONOMIC GROWTH (2000 – 2015)

Thesis by: **Elfira Oktaviani Nalda**

Thesis Advisor by: **Prof. Dr. H. Firwan Tan, SE,M.Ec,DEA. Ing**

ABSTRACT

This study is to analyze the effect of Foreign Direct Investment (FDI), Interest Rate (IR), Exchange Rate (ER), External Reserve (EXRV), Trade Open (TO) on Gross Domestic Product (GDP) in Indonesia during 2000Q1 – 2015Q3. The data is quarterly data. This research using Error Correction Model (ECM) to predict short run and long run. The result indicates that Foreign Direct Investment (FDI) and Trade Open (TO) have significant and negative relationship with GDP in short run while other variables are insiginificant in short run. The Foreign Direct Investment (FDI), Interest Rate (IR) and External Reserve (EXRV) has significant and positive relationship with GDP in long run, Exchange Rate (ER) has significant and negative relationship with GDP in long run while Trade Open is insignificant in long run. The study recommends that to improve the capital inflow in order to reduce poverty and increase the job field. These are crucial in order to increase the economic growth in Indonesia.

Keyword: ***GDP, FDI, Interest rate, Exchange Rate, External Reserve, Trade Open, ECM***