

THE IMPACT OF FOREIGN DIRECT INVESTMENT ON POVERTY REDUCTION IN INDONESIA

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ABSTRACT

This research empirically analyzes the impact of foreign direct investment, gross domestic product and government expenditure on poverty reduction in Indonesia by using annual time series data from 1990-2015. Error Correction Model is the method used in this research. The result show that foreign direct investment, gross domestic product, and government expenditure were significantly and negatively on poverty in Indonesia. The government should encourage inclusive growth in which the economic growth can benefit all people without exception. The role of government in poverty reduction is needed, according to the government's role allocation, distribution and stabilization.

Keywords: Poverty, Foreign Direct Investment, Gross Domestic Product, Government Expenditure, ECM (Error Correction Model)

