# CHAPTER VI

# CONCLUSIONS AND RECOMMENDATIONS

This chapter presented the conclusion, discussion and description of the variables studied model estimation result. From this conclusion, will put forward some suggestion that would be required and the problems associated with the proposed formulation. It is expected to be the input to relevant parties.

## 6.1 Conclusion

From the explanation on the previous chapter and the calculation from the data analysis on the gross domestic product as dependent variable and foreign direct investment, labor force, and capital formation as independent variable by using Autoregressive Distributive Lag (ARDL) method. Where the data stated from 1986 – 2015 in yearly data. Based on the empirical result mostly the independent variables are significant and have positive relationship toward GDP as dependent variable except for FDI in the long run where it's not significant and positive. Based on the result of stationary data, the entire variable did not pass the stationary. However, while using the first difference level, all of the variables are stationer.

The estimation result has Adjusted R-squared of 0.97. Its mean that the independent variable (FDI, Labor Force, and Capital Formation) has been able to explain the dependent variable (GDP) for 97%, the rest explained by another variable outside the model, it is means that the independent variable have big effect toward the dependent variable in this study.

Based on the estimation of ARDL model in the short run, foreign direct investment is significant and have a positive relationship with GDP in Indonesia by 5% in lag The Labor force is significant and has the positive relationship with GDP in Indonesia, by 5% in first difference. For capital formation is significant at 5% in first difference. This means that in short term all independent variables (FDI, Labor, Capital Formation) giving positive contribution toward GDP in Indonesia.

Based on the estimation of ARDL model, in the long run, Labor Force and Capital Formation is significant at 1% and have a positive relationship with GDP. Meanwhile, FDI is not significant toward GDP in the long run but have a positive relationship with GDP. This means that only FDI from independent variable that have not significant toward GDP in Indonesia in long term condition but, FDI have the positive relationship toward GDP in Indonesia.

**6.2 Recommendation**

Based on the analysis and discussion of the result of testing the hypothesis put forward some suggestion, where will be explain below,

For the government as a consideration in arranging the policy to maintain the GDP in Indonesia, since the result of this study found that in long run, foreign direct investment is not supported for the GDP it could be because of several factors such as inflation or exchange rate. In another way in term of creating the opportunity to increase the number of labor force especially for employment number because it's affected by the growth of GDP in short and long run. Then the government should pay attention for investment and labor in Indonesia to reach the sustainable grow for economic growth.

Future Researcher - as reference material for further research, and was advised to try using another method and variable or more variables used, as in the another variant sector such as Trade, Inflation and etc. On the other hand, there is the possibility for another analysis policy to compare with this study.