CHAPTER VI

CONCLUSIONS AND RECOMMENDATIONS

Based on the empirical results of study and discussion from the previous chapter, the main objective of this research is to examine the impact of domestic investment, foreign direct investment and external debt toward gross domestic product in Indonesia during period 1981 to 2015. In this study, the writer used Error Correction Model (ECM) model empirically test the impact of domestic investment, foreign direct investment, toward gross domestic product in Indonesia. From the analysis of data that has been conducted, it is obtained the following conclusions and recommendations.

6.1 Conclusions

The result of hypothesis testing can explain as follow:

1. Domestic Investment (DI) has positive and significant impact to Gross Domestic Product (GDP) in short run as well as in long run. It shows that increase in domestic investment will increase the total of GDP in Indonesia during period of 1981 to 2015.
2. Foreign Direct Investment (FDI) has positive and significant impact to Gross Domestic Product (GDP) in short run as well as in long run. It shows that increase in foreign direct investment will increase the total of GDP in Indonesia during period of 1981 to 2015.
3. External Debt (ED) has negative and significant impact to Gross Domestic Product (GDP) in short run, nevertheless negative and

insignificant in long run. It shows that increase in ED will decrease the total of GDP in Indonesia during period of 1981 to 2015.

6.2 Recommendations

Based on the study, it can be given Recommendations as follows:

1. Government should stimulate domestic investor to invest their money in Indonesia in order to boost economic growth in Indonesia.
2. Indonesia should increase the capital inflow in order to increase economic growth in Indonesia. Capital inflow has a strong relationship to economic growth. It has significant in both short run and long run.
3. Government should control the capital inflow. It should be obvious the flow of investment in Indonesia. The target of capital inflow in order to economic development in Indonesia.
4. Government should considerate before taking a debt from external, because so far the external debt not really contribute to our economic growth, except if the debt could be distributed to strategic sector that can stimulate the economic growth in Indonesia.
5. For further study, it will be better if all relevant macroeconomic variables are included as factors affect the level of gross domestic product and then compare to another developing countries.