

## CHAPTER VI

### CLOSING

#### 6.1 Conclusion

This research analyse the effect of corruption on foreign direct investment in ASIA PASIFIC+15 Countries by using Corruption Perception Index is used in the model and has a positive correlation with the Foreign Direct Investment Inflow. This research uses another variable which is GDP Growth, number of Trade, Government Expenditure and Gross Capital Formation. This research has a time series data from 2006-2015 and analyse the fifteen countries in Asia Pasific from Developed Countries to Developing Countries. So the conclusion of this research is :

- a) From the result of the estimation. Corruption which measured by CPI has a positive correlation with Foreign Direct Investment which measured by FDI inflow. The value of the coefficient correlation is 0,195250. This result prove the hypthesis that Corruption which measured by CPI has a positive correlation with Foreign Direct Investment inflow. This findings means the more clean the countries from practical of corruption will increase the Foreign Direct Investment inflow and vice versa. If the countries has a high practical of corruption, the Foreign Direct Investment will be decrease and will be less attractive for the foreign investor to invest in the countries. This result also prove the theory of Corruption become *Sand the Wheels* in the process of Foreign Direct Investment inflow in the countries.

b) Eventhough the result shows that Corruption become *Sand the Wheels* in attracting Foreign Direct Investment. The more analysis shows that there is a five countries which have a negative relation between Corruption Perception Index and Foreign Direct Investment Inflow. These are Singapore, Malaysia, Thailand, Japan, South Korea and New Zealand. This findings shows that there is a paradox where its supposed to be the Corruption Perception Index has a positive relation with Foreign Direct Investment Inflows in ASIA PASIFIC+15 Countries but there is a negative correlation between Corruption Perception Index with Foreign Direct Investment in these six countries. This result means the higher practical of corruption in the countries will attract more Foreign Direct Investment to the countries. This result also shows that Corruption becomes *Grease The Wheels* in economic activity.

c) There is also a Independent factors that affecting Foreign Direct Investment in ASIA PASIFIC+15 Countries during 2006-2015 such as GDP Growth, Number of Trade, Government Expenditure and Gross Capital Formation. From the result of analysis using panel data shows that Gross Capital Formation has a highest coefficient in affecting Foreign Direct Investment because every the increase of Gross Capital Formation for 1 billion US\$ will increase the Foreign Direct Investment for 1,0625 US\$ with the value of probabality is 0.0000. The highest second variables is Trade with every increase of Trade for 1 billions will increase foreign direct investment for 0,969493 with the

value of Probability is 0.0019. GDP Growth also have a positive and significant correlation with Foreign Direct Investment with every increase for 1% of GDP Growth will increase Foreign Direct Investment for 0,044400 US\$ with the value of probability is 0.0017.

## 6.2 Sugestion

- a. From the result of the estimation in this research shows that the Countries in ASIA PASIFIC+15 still have a high risk of Practical Corruption that affect negatively into Foreign Direct Investment. The Government in should have a system and decisions that can eradicating the practical corruption as the Foreign Direct Investment will be increase as the result. The Government should increase the Corruption Perspective Index every year as a progress of decreasing practical corruption to attract and ensure the foreign investor to invest their money in the countries. In order to increase the Corruption Perception Index in the countries, the government should build a system the administration of process that transparant to decrease the practical corruption, the government also should strengthen the Independent Institution who fighting againts corruption in each country. The Government also should strengthen the law in eradicating corruption to give a big effect for the corruptor. The Governement should build the education of anticorruption because education has a significant role in shaping the behaviour of the citizens so it will decrease the practical of corruption in the future. The government should also build the system that will easier the process of foreign investment in the countries.

- b. The other factor which important in affecting Foreign Direct Investment is Gross Capital Formation and Number of Trade. The Government should make the easier process of investing and keep the political stability for the investor to create a good environment for investment in the country. The Government should increase the number of Trade by build more partnership across countries in each country to increase the economic activity and attracting the investor as the growing of the economic activity. The result of these two efforts above will create a higher GDP Growth that will convince the foreign investor to invest their money as the larger size of economy will attract more investor to invest their money.
- c. The sugestion for the next research is analyse the effect of the Foreign Direct Investment into Inequality in the countries because the result of the Foreign Direct Investment in the countries is to increase the economy activity, create an employment for people that will increase the productivity and increasing the income of people. It can give an indication how corruption affecting in decreasing the gap between the rich and the needy people.

