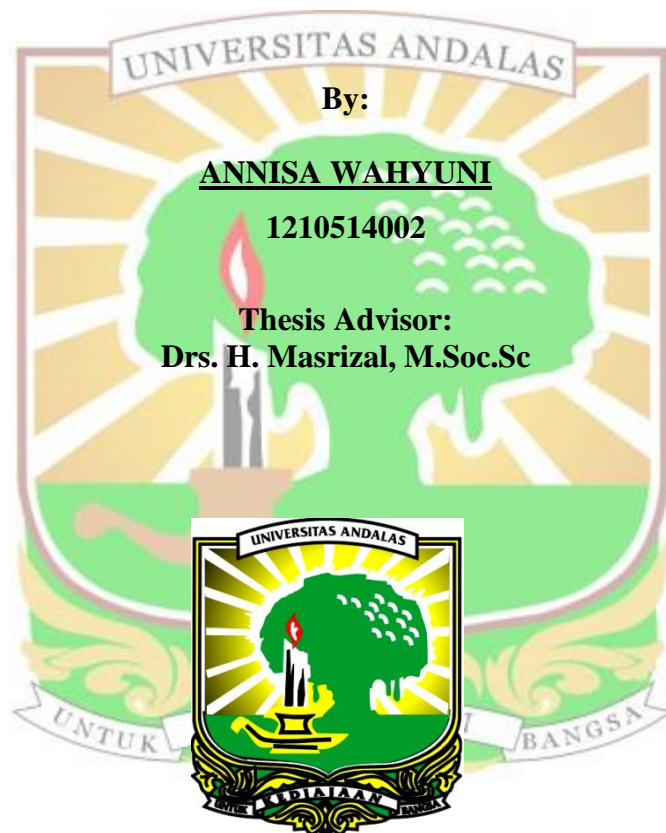


THE IMPACT OF FOREIGN DIRECT INVESTMENT AND INTEREST RATE ON INDONESIAN ECONOMIC GROWTH

THESIS

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The Impact of Foreign Direct Investment and Interest Rate on Indonesian Economic Growth

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ABSTRACT

This study is to analyze the effect of Foreign Direct Investment (FDI), Interest Rate (IR), Exchange Rate (ER), External Reserve (EXRV) on Gross Domestic Product (GDP) in Indonesia during 2000Q1- 2016Q4. 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) have significant and negative relationship with GDP in short run while other variables are insignificant in short run. The Foreign Direct Investment (FDI) and Effective Exchange Rate (EER) have significant and positive relationship with GDP in long run. Interest Rate (IR) and External Reserve (EXRV) has significant and negative relationship with GDP in long run. The policy implication is that efforts to stimulate growth of Indonesia through FDI should be supported with exchange rate policy, bank of Indonesia should control interest rate and keep the exchange rate stable in order to increase the economic growth.

Keyword: GDP, FDI, Interest rate, ECM

