Chapter V

CONCLUSION AND IMPLICATION

5.1 Conclusion

Based on the analysis that has been done on the effect of Foreign Direct Investment, Domestic Direct Investment, Income Inequality, and Human Development Index on GDP per capita in Indonesia for a period of 30 years from 1994 to 2023. In this study, time series data is used with the Ordinary Least Square method to analyze the available input data. In this study, the following conclusions were obtained:

1. Foreign Investment (FDI) in Indonesia positively and significantly affects the GDP per capita, so the higher the FDI, the Indonesian economy will increase through GDP per capita.

2. Domestic Direct Investment (DDI) in Indonesia has a positive correlation with GDP per capita, so the higher the Domestic Direct Investment, the Indonesian economy will increase through GDP per capita.

3. Income Distribution (Gini Ratio) in Indonesia negatively and significantly affects Indonesia's GDP per capita, so the higher the value of the Gini Ratio, will decrease the GDP per capita.

4. The Human Development Index (HDI) in Indonesia positively and significantly affects Indonesia's GDP per capita, because the higher the value of HDI, the better the Indonesian economy will be through GDP per capita.

5.2 Implications

Based on the study, there are several implications:

1. Foreign Direct Investment needs to be increased because it has been proven to have a positive effect on increasing GDP per capita. Although proven to have a positive impact on GDP per capita, the increase in Foreign Direct investment must still be supported, so that development in Indonesia can continue to increase, for the sake of increasing economic growth. This must also be supported by creating a friendly environment for investors so that they also feel safe and interested in investing their capital in Indonesia.

2. Domestic Direct Investment needs to be increased because it has been proven to have a significantly positive effect on GDP per capita. Although the research has proven significant, Support for increasing Domestic Direct Investment must continue to be increased so that this investment can be managed well and can support investment in the regions so that economic growth is not centralized and is more evenly distributed. The government must also be concerned about this so that the increase in Domestic Direct Investment affects more absorbed labor. For example, providing support for access to capital and support through infrastructure for MSMEs.

3. Based on the research results, it has been proven that increasing inequality will reduce GDP per capita, so this is a challenge on how this inequality can continue to be reduced to support the acceleration of economic growth. The government must continue to be active in focusing on efforts to overcome this problem, increasing access to economic opportunities, through the opening of employment opportunities can be the right step to reduce inequality, in addition, increasing infrastructure to support community accessibility is also an effort that is worthy of being implemented, especially in disadvantaged areas.

4. The Human Development Index value must be increased through equal distribution of Education, Health, and standards of living so that all levels of society can contribute to efforts to increase GDP per capita. Increasing education and health budgets, especially in remote areas, must be a priority for the government. In addition, improving the quality of education and health must also be a priority for the government, because these two things not only improve human quality but in the long term will also support various other economic variables to support economic progress.