

**THE RELEVANCE OF HUMAN CAPITAL & RULE OF LAW ON FDI IN
MUSLIM COUNTRIES**

THESIS

**Prepared and submitted to fulfillment of the requirement to achieve the
degree of Bachelor of Economics in the Department of Economics,
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BY

TOVAN BATAVIA

1510514022

THESIS ADVISOR

Prof. Dr. Syafruddin Karimi, SE, MA

Nip: 195410091980121001



**STUDY PROGRAM S-1 ECONOMICS FACULTY OF ECONOMICS
ANDALAS UNIVERSITY
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University Alumnus
Registrasion No:

TOVAN BATAVIA

Faculty Alumnus
Registration No:

Personal Identity

a) Place/Date of Birth: Jakarta/ April 1st 1996 b) Parents Name: Andi Saputra and Trisna Dewi c) Faculty: Economics d) Department: Economics e) Student No: 1510514022 f) Date of Examination: October 11st 2019 g) Graduate Standard: Very Good h) GPA: i) Lenght of Study Period: 4 Years 3 Months j) Parent's Address: Jl. Syekh Sulaiman Arasuli No.76 C, Bukittinggi

THE RELEVANCE OF HUMAN CAPITAL & RULE OF LAW ON FOREIGN DIRECT INVESTMENT IN MUSLIM COUNTRIES

Thesis by: Tovan Batavia

Thesis Advisor by: Prof. Dr. Syafruddin Karimi, SE, MA

ABSTRACT

The objective of this study is to analyze the relevance of human capital and also to identify government policies related to the rule of law that can increase attractiveness OIC countries as an FDI location. The estimated significant on the variables of labor force participation rate & secondary enrollment ratio implies that the human capital is still relevance in attracting FDI in OIC countries. In the case of this study, the rule of law has a significant negative effect on attracting FDI in OIC countries. It implies that under the weak rule of law, a state is still able to attract FDI because the investors can use personal relationships with business partners and government connections to reduce the uncertainty created by the weak rule of law. Finally, the economic opportunity may outweigh the potential risks associated with a weak rule of law.

Keyword: FDI, OIC, labor force participation rate, rule of law, growth rate of GDP and trade openness, panel data

This thesis has been presented before the examiners in the thesis examination and successfully passed the thesis examination on October 11st 2019

The abstract has been approved by the advisor and examiners:

Signature	1.	2.	3.
Full Name	Prof. Dr. Syafruddin Karimi, SE, MA	Indrawari, SE, MA, Ph.D	Yessi Andriani, SE, M.IDEC

Approved by:
Head of Economics Department:

Endrizal Ridwan, SE, M.Ec, Ph.D
NIP. 197209271998021001



The alumnus has registered to the Faculty of Economy of Andalas University and has obtained the Alumnus Registration Number.

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