

## CHAPTER VI

### CONCLUSION

#### 6.1 Conclusion

The goal of this research is to analyze the relevance of human capital and the rule of law on Foreign Direct Investment in Muslim countries for the period of 2000 – 2017. Based on panel data of this study, the writer sees significant findings. First, human capital is still relevance to attract the FDI in Muslin Countries. Labor Force Participation Rate has a positive relationship to attract FDI in Muslim countries, while the Secondary Enrollment ratio has a negative correlation between attracting FDI in Muslim Countries. The companies invest in countries that have a higher level of labor or the lower cost of labor. It is relative depending on the conditions of manufacturing/industry activities in a country. The manufacturing sector refers to a segment of the economy where the raw material is converted into tangible output (products). The industrial industry refers to a particular part of the economy, and need the high skill of labor. That's why the manufacturing sector still seeking cheap employment compared to the industry sector that needs high skill labor.

Second, the rule of law has a negative and significant effect of attracting the FDI to Muslim Countries. under the weak rule of law, a country is still able to attract FDI because Investors can use personal relationships with business partners and government connections to reduce the uncertainty created by the weak rule of law. Finally, the authors argue that economic opportunities may outweigh potential risks associated with the weak rule of law.

Last, the Growth Rate GDP and Trade Openness have a significant positive effect on attracting FDI. The variable of Growth Rate reflects a market size, which is crucial for multinationals aiming to get closer to customers. So, FDI will mainly go to larger market size to support their economies of scale. (market seeking). Trade openness reflects a country's openness to international trade. The more open a country, the more economic activity, so it is attractive to investors because they can know the local conditions in a country so that it is safe to invest.

## 6.2 Implication and Suggestion

Finally, some policy recommendations are presented to improve the variables studied and increase FDI absorption:

1. Provide free public education at least up to the level of secondary school in the countries considered to enhance the quality of the workforce and human capital.
2. Adjust all policies according to the conditions of economic activity in the country under study.
3. Improve laws and regulations, revise regulations that are not by current conditions, and conduct oversight of its implementation.
4. Revise, improve, and focus on policies such as tariffs and non-tariff barriers, imports, and export rules.

