

CHAPTER V

CONCLUSION & SUGGESTION

A. Conclusion

Based on the research and data analysis, the result from regression model by using Error Correction Model aims to measure the relationship among foreign direct investment, export, infrastructure, and inflation on economic growth which is represented by gross domestic product in Indonesia. The conclusion can be seen in these following explanation:

1. As one of the alternatives financing in Indonesia, based on the result, FDI has positive and significant influence on the economic growth in Indonesia, whether in short or long run which is relevant with the research done by Mofrad (2012). The capitalization is a media to pool the saving and investment to be allocated to the more productive, such as the land opening that lead to the more job opportunities. In the end it will stimulate the economic growth.
2. The export has positive and significant influence in short and long run. It also becomes the highest contributor for the economy. This result is relevant with a number of researches such as Pranoto (2016), Koojaroenprasit (2012) and Mofrad (2012). According to Pranoto (2012), with the high export, it helps to maintenance the trade balance and add more state budget to be used as the capital in the economic development that results in economic growth.

3. Infrastructure variable that is represented by road length has no significant and negative influence on the economic growth in Indonesia in short run and long run which is relevant with the research from Wibowo (2016). It can be caused that this variable is not the principal variable on the economic growth nationally. It is estimated that there is the decreasing quality on the road in Indonesia. That leads to the negative sign of the coefficient in short run, it also caused, by the huge capital from government that is used for establishing the road. Despite having a negative relationship, but the relationship between the length of road infrastructure and the Indonesian economic growth (GDP) is not significant it is proved that the budgetary resources for the length of road infrastructure in Indonesia is not only derived from the GDP, but also from other sources such as investments.
4. Inflation has significant and negative influence on the economic growth both for short and long run. The negative value might be caused by the decreasing of economic growth that results in the decreasing of income and it hampers the economic growth in Indonesia. This result is relevant with the research Kasidi and Mwakenda (2013) that inflation has negative and significant influence on economic growth.

B. Suggestion

The suggestions for several parties linked to the FDI, Export, Infrastructure, and Inflation will be mentioned, as follow;

1. In order to increase the FDI, government should evaluate the policy performance to ease the bureaucracy for the foreign companies. The government should also keep the decent condition in order to have stable foreign investment in this country.
2. Export has an important role in the economic growth in Indonesia, because it is one of the variables in the spending aggregate equation. Government has to keep and to protect the goods made within the country. From time to time, there are a number of foreign goods invade the country. The protection should be done to keep the positive influence on the export value.
3. Infrastructure is an important thing in Indonesia economy, because it eases the distribution from one region to another. From the finding, the government is hoping to allocate the budget efficiently in order to avoid mistakes. With the road development in Indonesia, the maintenance should be performed as well as the pivot in doing the economic activities.
4. With the inflation problem, it is a need to have a precise decision from Central Bank (BI) as a monetary decision maker. It needs an appropriate strategy to anticipate the inflation rate which is the Inflation Targeting Framework (ITF). The government should do strict action on deciding which instrument to be used, either base money or the interest rate, to keep the price stable.

