

CHAPTER VI

CONCLUSION AND RECOMMENDATION

A. Conclusion

Based on the test results and analysis on the effects of Foreign Direct Investment (FDI), Foreign Debt, Bank Credit and Labor Force on economic growth in Indonesia in the long term and short term it can be concluded that:

1. Foreign Direct Investment (FDI) in the long-term has a positive effect on economic growth with a coefficient of 0.027 significant at the 10 percent level. While in the short-term FDI also has a positive effect on economic growth with the same coefficient of 0.027 and a significant level increased to 5 percent, meaning there is tendency FDI has more effect on the short term.
2. Foreign Debt in the long term and short term has the same effect, that is a negative effect on economic growth in Indonesia with a coefficient of -0.14 significant at the 1 percent level. This means that there is no change in the behavior both in the long and short term.
3. Banking credit in the long-term has a positive effect on economic growth in Indonesia with 1,46 coefficient significant at one percent level, while the short-term bank lending also has a positive effect on economic growth with a coefficient of 0.15 significant at the one percent level. This means that bank

4. The labor force in the long-term has a positive effect on economic growth in Indonesia with a coefficient of 0.0017, significant at the one percent level. While in the short term there is also a positive effect on economic growth with a coefficient 0.84 and significantly decreased to 5 percent level. This means that there is a tendency that the labor force is more influential in the long run.
5. Together dependent variables (Foreign Direct Investment (FDI), Foreign Debt, Bank Credit, and Labor Force) both long-term and short-term have a positive effect on the independent variables (economic growth). In the long term it shows that R-Square value is 0.993205, meaning that 99.32 percent of the economic growth model can be explained by the independent variables, FDI, Foreign Debt, Bank Credit and Labor Force. While the remaining 0.73 percent is explained by other variables outside the equation. While in the short term shows R-Square value 0.827312, meaning that 82.73 percent of the economic growth model can be explained by variable changes in FDI, Foreign Debt, Bank Credit and Labor Force in the prior year period. While the rest of 17.27 percent is explained by other variables outside the model.

B. Suggestion

The study comes up with suggestion to the relevant parties as follows:

1. In enhancing the growth of investment in Indonesia, the government should be able to seek a favorable investment climate, economic stability, improve the security of the state and the proper regulation so that investors, both

result can increase economic growth. In terms of foreign direct investment (FDI), the government should be able to weigh the benefits of both short-term and long-term investments by foreigners, as well as more selective in choosing foreign companies to invest in Indonesia that gives more benefit.

2. The development of foreign debt must be considered in order to remain in the normal position, and the favorable economic development does not increase the burden of the Indonesian economy. Long-term debt must be made as minimum as possible since it is detrimental to the economy because of its greater risk. The need for reevaluation of debt should be undertaken in order to provide benefits rather than to the detriment of the country. Indonesia's economy is still vulnerable to outside influences, and thus the value of the exchange rate is still not stable to a great cause and should be considered by the government in taking foreign debt.
3. The use of *mudharabah* and *musyarakah* schemes (Profit loss sharing) to increase basis for economic development will encourage the real sector, and in turn will reduce national dependence on foreign fund (Foreign debt and FDI).
4. Bank credit should be noted again until covers all the lines, so it can create a balanced distribution of capital between large and small capital. So inequality of economic growth can be avoided.
5. It is necessary to increase the labor productivity through increased budgetary

provide skills training for workers and expanding employment opportunities

so that an increase in output may ultimately spur economic growth in