ABSTRACT

Investment is a key component in achieving economic growth. One of the funds that can be an alternative development financing for the country in terms of investment as well as getting technology transfer is by increasing Foreign Direct Investment. To attract more Foreign Direct Investment, several things need to be considered, namely macroeconomic variables in the form of Gross Domestic Product (GDP), interest rates, exchange rates, and exports. In addition, in the calculation of economic growth seen from the Gross Domestic Product, there is a limit to the existence of inappropriate calculations, namely referred to as the shadow economy.

This study aims to determine the influence of Economic Growth, Real Interest Rate, Foreign Interest Rate, Exchange Rate, Exports, and Shadow Economy on Foreign Direct Investment. The data used is annual World Bank, UNCTAD, and Federal Reserve Bank of St. Louis data from year 1988 to 2018. This study was conducted using the multiple linear regression method using E-views 12.

The results showed that during 1988-2018 the Foreign Interest Rate had a significant positive effect, while the Real Interest Rate, Exchange Rate, and Shadow Economy had a significant negative effect. Another result obtained from this study is that the variables of economic growth and exports have a positive, but not significant influence on FDI.

Keywords : Foreign Direct Investment (FDI), Economic Growth, Real Interest Rate, Foreign Interest Rate, Exchange Rate, Exports, Shadow Economy.