

ABSTRACT

The need for investment as factors triggering the development of a country has a very important role. But with limited funds owned by a state, the role of foreign investment may be necessary to achieve the economic growth target that was set. Foreign Direct Investment is one form of foreign investments that are considered to have a more significant impact than foreign investments in portfolio. In addition to contributing to the transfer of capital, the establishment of the factory as a center of growth and employment, FDI also contributed to the transfer of management, science and technology, as well as the potential increase in state income taxes. To the researchers consider it important to know the determinants of FDI policy that aimed to encourage the flow of FDI into Indonesia could be more effective.

In this research, several factors are considered influential on FDI include Gross Domestic Product (GDP), Inflation, Interest Rate, and whether there is a crisis dummy variables during the study period. The method used is multiple linear regression with time series data. The study was conducted using data from 1981 to 2012 period.

The results of the regression shows that GDP has a positive effect on FDI, while Inflation and Interest Rates have no effect and the financial crisis negatively affect the development of FDI in Indonesia.

Key words: FDI, GDP, Inflation, Interest Rate, and Monetary Crisis.