ABSTRACT

Investment is a crucial factor for an economic development of a country. Foreign Direct Investment (FDI) and Domestic Direct Investment (DDI) are an alternative of funding source for economic development. The existance of FDI can give either benefit and disadvantage to a country. FDI can decline the development of domestic companies and give no significant income to the government. Therefore, the efforts to increase DDI is more important to be performed. The development of DDI in Indonesia was in a positive trend before the economy crisis occurred. Although it had recovered its economy condition after the crisis over, but DDI hasn't showed a significant improvement. This was a problem for Indonesia in the middle of its efforts to develop its economy.

This study aims to examine the influence of credit interest rate, gross domestic product, inflation rate, and technological rate to the changes of DDI in Indonesia in the period of 1986 – 2008. The model used in the analysis was Ordinary Least Squares (OLS) regression method.

According to the result of regression analysis showed that gross domestic product and technological rate positively and significantly influenced the changes of DDI in Indonesia. Meanwhile, credit interest rate and inflation rate positively and insignificantly influenced the changes of DDI in Indonesia.

Keywords : DDI, credit interest rate, gross domestic product, inflation, technological rate.