ABSTRACT

Investment plays an essential role to boost economic growth in a region. As the dynamics of investment affect the economic growth, this can be the reflection of the sluggish economy. Therefore, in order to grow the economy, the government attempts to enact policy to stimulate the investment. The determinants of investment are GDP, credit interest rates, labor, inflation, and exchange rates.

This study aims to examine the factors that influence private investment in Central Java using multiple regression model with the Error Correction Model (ECM) method. The author uses secondary data obtained from the Office of Investment and One Stop Services of Central Java Province (DPMPTSP), Indonesian Economic and Financial Statistics (SEKI BI), the Central Statistics Agency (BPS), International Monetary Funds (IMF) which includes data from 1990 to 2019.

The results of this study indicate that to boost the private investment in Central Java for the long term requires the increasing of GRDP, credit interest rate, labor, and exchange rate. Meanwhile in the short term, it is necessary to focus on boosting the credit interest rate, labor, and exchange rate.

Keywords: private investment, GDP, credit interest rates, labor, inflation, exchange rates.