

ABSTRACT

As a developing country, Indonesia needs substantial fund to implement its development. So that prompted the government to seek the source of development financing from both domestic and foreign. Alternative funding sources of development financing that comes from overseas FDI (Foreign Direct Investment) and foreign debt. FDI as one type of foreign investment that are important for developing countries and contribute significantly to the development through the transfer of assets and management, and technology to encourage economy countries. While the role of foreign debt to stimulate and encourage economic progress of a country. Both sources of foreign financing is used as matching funds for Export and Domestic Saving to improved Indonesia economic growth.

The objective is going to be achieved in this study is to analyze how and how much influence factor of FDI, Foreign Debt, Export and Domestic Savings on economic growth (GGDP) Indonesia using data period 1980-2008. The analytical tool used in this study are Engle-Granger's Error Correction Model (ECM EG). Error correction model that can include many variables in analyzing the phenomenon of long-term economic and empirical models to assess the consistency of economic theory.

The results showed that the variable FDI and Exports has a positive and significant impact on economic growth (GGDP) Indonesia in both the short and long term. Variable Foreign Debt and Domestic Savings has a negative and significant impact on economic growth (GGDP) Indonesia in both the short and long term. This happens because in the long-term foreign debt was raised several economic issues in Indonesia.

Key words: Growth Gross Domestic Product (GGDP), Engle-Granger's Error Correction Models (EG-ECM)