



International Journal of Economic Research

ISSN : 0972-9380

available at <http://www.serialsjournals.com>

© Serials Publications Pvt. Ltd.

Volume 14 • Number 15 (Part 3) • 2017

The Effect of Domestic Saving, Foreign Debt and Foreign Direct Investment on Indonesia Economic Growth

Chairil Anwar¹, Marhawati M², Anhulayla MP³, Syamsuddin HM⁴ and Sahlan Ilyas⁵

¹Economic Faculty, Tadulako University, Indonesia, anwarchairil12@gmail.com

²Agricultural Faculty, Tadulako University, Indonesia, wati_chairil@hotmail.com

³Economic Faculty, Tadulako University, Indonesia, anhulayla@yahoo.co.id

⁴Economic Faculty, Tadulako University, Indonesia, syam.1960@yahoo.ac.id

⁵Faculty of Law, Tadulako University, Indonesia, Sablan321@gmail.com

ABSTRACT

This study aims to examine and analyze the effect of national saving, foreign debt and foreign investment on Indonesia economic growth. The result of regression analysis and through the ARCH and GARCH model and EGARCH model show that independent variables (domestic savings, foreign debt, and foreign investment) had a significant effect on Indonesia economic growth in 2000. Q1 - 2013.Q4 . However, it partially shows different effects. Domestic saving has a positive effect while the foreign debt variable has a negative effect, and foreign investment shows a positive and significant impact on Indonesia economic growth during that period.

Keywords: Domestic Saving, Foreign Debt, Foreign Investment, Economic Growth.

1. INTRODUCTION

High economic growth is one indicator to assess the success of a country's development and become the main development target for many developing countries, including Indonesia. Development is intended to accelerate the achievement of higher welfare level for population. In addition, high growth is also intended to catch up the development compared to other countries (Widowati, 2010). The high level of economic growth in Indonesia is seen from real GDP data every year. After the monetary crisis of 1997/1998 and global crisis in 2008 which also affected the Indonesian economy, Indonesia economic growth in last five years has experienced fluctuating growth every year.

Annual report of Bank Indonesia shows that Indonesia economic growth only grew by 4.6% in 2009. However, in year 2010 to 2013, Indonesia economic growth gradually improved compared to 2009, although followed by fluctuating growth, which In 2012 and 2013 has decreased slightly. Indonesia economic growth in 2010 and 2011 grew by 6.2% and 6.5%, respectively, while in 2012 and 2013 grow 6.3% and 5.8%, respectively.

The Indonesian economy is still very vulnerable and inconsistent over time. It makes Indonesia cannot maintain its economic stability from influence of internal and external factors. There are many internal factors that are suspected as the cause of instability, including the low capital formation rate, in this case domestic savings. The external causes is foreign debt both in form of foreign debt and foreign investment. Domestic saving is an important element to finance a country's economic development. In addition, domestic savings are also required to finance domestic investment. The amount of domestic savings unable to finance the very high needs of economic development in Indonesia. It increase the amount of foreign debt and FDI in Indonesia to cover the lack of domestic savings as a major source of development financing and investment to boost economic growth.

The theory of economic growth emphasizes that foreign debt can help to eliminate the savings barriers through capital inflows. In long term, amount of foreign debt needed would equal with the difference between an increase in investment and an increase in savings generated by rising incomes. If the savings gap disappears, target rate of economic growth will be maintained (Jhingan, 2004: 489). Foreign debt can help to finance economic development in Indonesia to increase the people prosperity. However, unwise foreign debt and without prudential principles makes the foreign debt will actually plunge the debtor country into a prolonged foreign debt crisis, it is very burdensome because of foreign accumulation debt is very large (Atmadja, 2000). Investment in a country can create new capital to absorb new production factors to create new jobs or employment opportunities, It will absorb labor which in turn will reduce unemployment. Therefore, it will increase the output and new income on production factor that will increase the national output and economic growth (Sukirno, 2000: 109).

This paper seeks to explore the relationships and effects of domestic saving, foreign debt and foreign investment on Indonesia economic growth. This paper provides an overview the relationships and influences, which can provide the basis for future policy. The state in essence still requires considerable investment. But it should to be careful because it can create dependence to foreign. If domestic savings are not sufficient to support development, then most countries will seek sources from abroad (Subandi, 2012: 180).

2. THEORETICAL REVIEW

2.1. Economic Growth

The term economic growth can be interpreted as an increase in output or increase aggregative national income in a certain period, *e.g.* one year. The economy of a country have grown if the number of real remuneration of production factors usage in a given year is greater than in previous years. Definition of economic growth can be interpreted as an increase in physical production capacity of goods and services within a certain time (Prasetyo, 2009: 237).

Economic growth is defined as higher ability of an economy to produce goods and services. In other words, economic growth refers to quantitative change and usually measured by gross domestic product (GDP) data, or income or output per capita (Nanga, 2001: 273).

2.2. Domestic Savings

Domestic saving is a source of development financing obtained from government and public sector. The government savings is saving in State Budget (APBN). It is difference between domestic revenue and routine expenditure. While public savings is an accumulation of public savings in National Development Savings (Tabanas), Futures Savings (Taska), and Time Deposits, as we know many terms of savings and deposits in development of banking now (Subandi, 2012: 181). This savings is needed to finance investment. The gap between saving and investment is closed by inflow of foreign capital into public and private sectors. Generally the saving-investment gap is negative. However, if traced deeper the source of deficit comes from private sector and SOEs. The central government initially could always finance its investment from savings, but after economic crisis 1997 the central government also has a deficit to finance its investment. Even to finance its investment the central government must privatize state-owned enterprises, and even some of SOEs are privatized (Subandi, 2012: 182).

2.3. Foreign Debt

The role of foreign capital in development creates controversy among economists, their outline is follows. First, foreign capital can be utilized by NSB as a basis to accelerate investment and economic growth. Second, higher economic growth needs to be followed by changes in production and trade structures. Third, foreign capital can play an important role in fund mobilization or structural transformation. Fourth, need for foreign capital declines as soon as structural change actually occurs (Kuncoro, 2010: 359). In relation to development policies in developing countries, foreign debt is mainly analyzed and viewed from a useful standpoint to assist economic development. In this light, there are two major roles of foreign debt: addressing the shortage of savings and foreign currency shortages. These two funding deficits are called the double gaps problem, which means that savings in country is not enough to finance foreign exchange gaps, meaning that available foreign money is insufficient to finance the required imports (Sukirno, 2006: 325).

Empirical study the impact of foreign capital on growth is generally focused on estimating the Neo-Classical production function. It illustrates how economic growth is determined by accumulation of production factors, such as capital and labor. These production factors can be separated in according to their origin, domestic or abroad. The study findings generally indicate that foreign capital inflow has a positive impact on economic growth in NSB Asia and Pacific region. The basic assumption behind the idea is that every single dollar of foreign capital will lead to a one dollar increase in imports and investments. With this assumption and a stable Incremental Capital Output Ratio (ICOR), it is possible to calculate the impact of foreign capital inflow on economic growth. Vice versa, it can be calculated how much foreign capital is needed to achieve certain economic growth targets (Kuncoro, 2010: 359).

2.4. Foreign Direct Investment (FDI)

United Nations Conference on Trade and Development (UNCTAD) defines FDI as an investment made by a company in a country to a company in other country. Therefore, FDI shows a relationship between the parent company and its affiliated company in another country, referred as Transnational Corporations (TNC). To be qualified as FDI, investments made by parent company should be able to control the operations of affiliated companies abroad. United Nations Conference on Trade and Development (UNCTAD) defines such controls with a minimum shareholding of 10 percent. Investments made with ownership of less than 10 percent are defined as portfolio investments. This concept is the same as that adopted by IMF and used in recording to balance of payments statistics (Arifin et al, 2008: 175).

Foreign investment plays important role in economic development of developing countries in various forms. Foreign capital can reduce the shortage of savings. Import of capital equipment and raw materials increases the rate of capital inflow. In addition, low savings and investments reflect a lack of technological capital in underdeveloped country. Along with money and physical capital, foreign capital brings its technical skills, experts, organizational experience, market information, advanced production techniques, product renewal and others. It also trains local workforce on new skills. All this will eventually accelerate the economic development of an underdeveloped country (Al Maulidi, 2013).

As a result of foreign investment, the procurement of state infrastructure, establishment of new industries and utilization of new sources tend to increase employment opportunities in economy. In other words, capital imports create more jobs. This situation is an advantage of foreign investment (Al Maulidi, 2013).

3. RESEARCH METHODS

The study uses secondary time series data in form of quarterly data from Indonesia Economic Growth, Domestic Savings, Foreign Debt, and FDI in 2000.Q1 up to 2013.Q4. The data source is obtained from Central Bureau of Statistics and Bank Indonesia Website, as well as various sites related to research.

3.1. Analysis Method

Multiple linear regression analysis is used to analyze data. It includes Autoregressive Conditional Heteroscedasticity (ARCH) and Generalized Autoregressive Conditional Heteroscedasticity (GARCH). ARCH / GARCH is used to analyze the estimated OLS (Ordinary Least Square) with heteroscedasticity problems (variance error is not constant). ARCH / GARCH ignores the problem of heteroscedasticity and using it for modeling and forecasting (Ajija, et al, 2011: 101).

Analytical methods to form ARCH and GARCH models have following formula:

$$Y_t = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + e_t \quad (1)$$

Based on equation (1), it can be described mathematical model of research:

$$PDB = \beta_0 + \beta_1 \text{Saving} + \beta_2 \text{FD} + \beta_3 \text{FDI} + et \quad (2)$$

Description:

$$Y_t = \text{Indonesia economic growth (PDB)}$$

$$X_{1t} = \text{Domestic Saving (Saving)}$$

$$X_{2t} = \text{Foreign Debt (FD)}$$

$$X_{3t} = \text{Foreign Direct Investment (FDI)}$$

$$\beta_0 = \text{Intercept (Constant)}$$

$$\beta_1, \beta_2, \beta_3 = \text{Regression coefficient of } X_1, X_2, \text{ and } X_3$$

$$e_t = \text{Residual}$$

1. ARCH model (p)

$$\sigma^2_t = \alpha_0 + \alpha_1 e^2_{t-1} + \alpha_2 e^2_{t-2} + \dots + \alpha_p e^2_{t-p}$$

2. GARCH model (p, q)

$$\sigma^2_t = \alpha_0 + \alpha_1 e^2_{t-1} + \dots + \alpha_p e^2_{t-p} + \lambda_1 \sigma^2_{t-1} + \dots + \lambda_q \sigma^2_{t-q}$$

3.2. Test Stationarity

Stationarity test uses unit root test of Dickey-Fuller. It is known as Augmented Dickey-Fuller (ADF) test. The procedure to determine whether the data is stationary or not is by comparing the statistical value of ADF with critical value of Mackinnon's statistical distribution. The statistical value of ADF is shown by t value of statistical coefficient γY_{t-1} in equations (1) to (3). If the absolute value of ADF statistic is greater than its critical value, then the data is not stationary (Widarjono, 2005: 344).

3.3. Johansen Cointegration Test

The Johansen cointegration test is developed by Johansen. It can be used to determine the cointegration of a number of variables (vector) in long run.

3.4. Classic assumption test

Normality test is used if the number of observations is less than 30, to find out whether the error term approaches the normal distribution. If the number of observations is more than 30, then no normality test is required. Because, distribution of error sampling term near normal (Ajija, et al, 2011: 42).

Multicollinearity shows the existence of a perfect or definitive linear relationship among some or all of explanatory variables of regression model. The multicollinearity can be seen from correlation coefficient of each independent variable. If the correlation coefficient between each independent variable is greater than 0.8, then there is multicollinearity (Ajija, et al, 2011: 36).

Heteroscedasticity is a state in which all the disorders in population regression function do not have the same variance (Ajija, et al, 2011: 36). Medium autocorrelation shows the correlation between members of a series observations sorted by time or space. To detect the autocorrelation can be seen by data autocorrelation test through correlogram statistic. The correlation between data can be determined by looking at probability value of statistical correlogram that has a statistical significance. If the probability value is greater than 5% or 0.05 then the data does not have autocorrelation problem (Nachrowi and Usman, 2006: 433).

3.5. Coefficient of Determination

The coefficient of determination shows the ability of regression line to explain variation of dependent variable [the proportion (percent) of dependent variable variation that can be explained by independent variable]. The value of R^2 or (R^2 adjusted) ranges from 0 to 1. The closer to 1 is better (Ajija, et al, 2011: 34).

3.6. Hypothesis testing

The f test or model test as a whole is done to see if all the regression coefficients differ by zero or the model accepted, by comparing F count $>$ F table at 95% confidence level ($\alpha = 0.05$).

The t test is used to test of coefficient of variable estimator or independent variable. The coefficient estimation needs to be significantly different from zero or p-value is very small.

4. RESEARCH RESULTS AND DISCUSSION

4.1. Stationary Test Results

The data in table 1 below shows the result of stationarity test:

Table 1
Stasionerity Test at First different stage

<i>Variables</i>	<i>ADF</i>			<i>Description</i>
	<i>t-stat</i>	<i>Critical Value 5%</i>	<i>Prob</i>	
PDB	-7.226542	-2.916566	0.0000	Stationary
SAVING	-11.56315	-2.916566	0.0000	Stationary
FD	-3.018099	-2.917650	0.0396	Stationary
FDI	-12.36830	-2.916566	0.0000	Stationary

Table 1 shows that probability values for GDP (Indonesia economic growth), Saving (Domestic Savings), FD (Foreign Debt), and FDI (Foreign Direct Investment) variables are smaller than the degree of error (α) = 5% or 0.05 (Prob <0.05) and absolute test statistic value is greater than the critical value of 5% (ADF t-stat > 5% critical value). It can be concluded that data is stationary at first different stage.

4.2. Johansen Cointegration Test Results

Johansen cointegration test shows that there are two long-term cointegrations at $\alpha = 0.05$ among the observed variables. The first cointegration indicates that value of trace statistic > critical value or 67.08690 > 47.85613 with probability 0.0003, while the maximum eigenvalue statistic > critical value or 35.71498 > 27.58434 with probability 0.0036. The second cointegration shows that value of trace statistic > critical value or 31.37192 > 29.79707 with probability 0.0327, while the maximum eigenvalue statistic > critical value or 22.89059 > 21.13162 with probability 0.0280.

4.3. Classic Assumption Test Results

4.3.1. Normality test

Table 2 below shows the normality test result.

Table 2
Normality Test

<i>Jarque-Bera</i>	<i>Chi-Square (X2)-Tabel</i>	<i>Probability</i>
1.556502	69.83216	0.459209

Table 2 shows that Jarque-Bera statistical test score of $1.556502 < \text{Chi-Square (X}^2\text{)}$ of table namely 69.83216. In addition, probability value of 0.459209 is greater than the significance level (α) = 0.05. It can be concluded that there is no normality problem.

4.3.2 Multicollinearity Test

Table 3 below shows multicollinearity test results

Table 3
Multicollinearity Test

	<i>Correlation</i>			
	<i>PDB</i>	<i>LOGSAVING</i>	<i>LOGFD</i>	<i>LOGFDI</i>
PDB	1.000000	0.008397	0.140407	0.199811
LOGSAVING	0.008397	1.000000	-0.115290	-0.145160
LOGFD	0.140407	-0.115290	1.000000	0.195284
LOGFDI	0.199811	-0.145160	0.195284	1.000000

Multicollinearity test result shows that all correlation coefficient value of all independent variable is below 0.8. It can be concluded that this research model does not have multicollinearity problems.

4.3.3. Heteroscedasticity Test

Table 4 below shows heteroscedasticity test results.

Table 4
Heteroscedasticity Test

<i>Heteroskedasticity Test: ARCH</i>			
F-statistic	1.265048	Prob. F(1,53)	0.2658
Obs*R-squared	1.282181	Prob. Chi-Square(1)	0.2575

Table 4 shows that Obs * R-Squared value is 1.282181. This value is smaller than table X^2 of to 69.83216 (Obs * R-Squared < table X^2). In addition, value of Probability Chi-Square of 0.2575 is greater than the significance level (α) = 0.05. It can be concluded that there is no heteroscedasticity problem.

4.3.4. Autocorrelation Test

Table 5 below shows autocorrelation test results.

Table 5 shows that probability of statistical correlogram (Q-Stat) is greater than the significance level of (α) = 0.05. It can be concluded that there is no autocorrelation problem.

Table 5
Autocorrelation Test

<i>Autocorrelation</i>	<i>Partial Correlation</i>		<i>AC</i>	<i>PAC</i>	<i>Q-Stat</i>	<i>Prob</i>
. *.	. *.	1	0.101	0.101	0.5920	
. *.	. *.	2	0.213	0.204	3.2658	0.071
. *.	. *.	3	0.135	0.102	4.3623	0.113
. .	. .	4	0.043	-0.018	4.4747	0.215
* .	* .	5	-0.127	-0.188	5.4877	0.241
. .	. .	6	-0.033	-0.038	5.5593	0.351
* .	. .	7	-0.113	-0.051	6.3925	0.381
. .	. .	8	-0.036	0.034	6.4800	0.485
. .	. .	9	-0.035	0.020	6.5646	0.584
. *.	. *.	10	0.099	0.115	7.2479	0.611

4.4. Multiple Linear Regression Test with ARCH and GARCH Methods

Multiple linear regression analysis using ARCH and GARCH model estimation cannot be done once. It means that ARCH and GARCH model estimation have to go various iterative processes to get best estimation result. Results of each ARCH and GARCH estimation models be compared between models with each other. The model proposed in this study is the result of experimental techniques of various ARCH and GARCH models and residual lag and certain variants by looking at feasibility of model in terms of significant coefficient marks, R2 values, lowest AIC and SIC values, as well as the largest DW values. With nine models tested, it is expected to provide the best and right model to examine the research problems.

This study uses most appropriate EGARCH model. It can be seen from all independent variables that significant, with R² value of 0.721117, it can be interpreted is good enough because above 50%. In addition, low AIC value of 1.612754 and SIC 1.904729 shows concluded that EGARCH model is the best model than other models, with equation as follows:

$$\begin{aligned}
 PDB = & 8.650006 + 0.870134*SAVING - 1.778718*FD + 0.138950*FDI + et \\
 & (5.805837) \quad (2.922994)* \quad (-3.409507) * \quad (2.043578)* \\
 Ln\sigma^2_t = & -0.553533 + (-1.085166* \left| \frac{e_{t-1}}{\sigma_{t-1}} \right|) + 0.620959* \ln\sigma^2_{t-1} \\
 & (-2.397200) \quad (-4.245000) * \quad (5.431844)
 \end{aligned}$$

Description: * Significant at $\alpha = 5\%$

4.5. Coefficient of Determination

Multiple regression tests with ARCH and GARCH method shows that R-squared value equal to 0.721117. This means that regression model shows that 72.1117% variation of Indonesia economic growth can be explained by domestic saving, foreign debt, and foreign investment variables and other 27.8883% is influenced by other variables outside model like export-import, Exchange rate, inflation, and others.

4.6. Hypothesis Testing Results

4.6.1 F-Statistic Test

F-statistic test is used to analyze the simultaneous effect of all independent variables on dependent variable. If $F\text{-count} > F\text{-table} (\alpha ; k - 1 ; nk)$ at $\alpha = 0.05$ ($4-1 = 3$; $56-4 = 52$), independent variables simultaneously has a significant effect on dependent variable. Test results shows the F-count of $17.36137 > F\text{-table}$ is 2.78 at $\alpha = 0.05$. Therefore, it can be concluded that simultaneously independent variables (domestic saving, foreign debt, and foreign direct investment) significantly affect on dependent variable that (Indonesia economic growth) at 95% confidence level (Ho Rejected and Ha accepted).

4.6.2. Test t-Statistics

Table 7 below shows the results of t-Statistics test.

Table 7
Test of t-Statistics

<i>Variables</i>	<i>t-count</i>	<i>t-table</i>	<i>Prob.</i>	<i>Description</i>
Saving	2.922994	1.67469	0.0035	Positive and significant (Ho rejected and Ha accepted)
FD	-3.409507	1.67469	0.0007	Negative and significant (Ho accepted and Ha rejected)
FDI	2.043578	1.67469	0.0410	Positive and significant (Ho rejected and Ha accepted)

Domestic savings account has $t\text{-count}$ 2.922994 $>$ $t\text{-table}$ of 1.67469 (Appendix 17), it can be concluded that partially domestic saving positively and significantly effect on Indonesia economic growth at 95% confidence level ($\alpha = 0.05$). It means Ho is rejected and Ha accepted. The foreign debt (FD) has $t\text{-count}$ -3.409507 $>$ $t\text{-table}$ of 1.67469. It can be concluded that partially foreign debt has a negative and significant effect on Indonesia economic growth at 95% $\alpha = 0.05$). It means Ho is accepted and Ha is rejected. However, foreign direct investment (FDI) has $t\text{-count}$ of 2.043578 $>$ $t\text{-table}$ of 1.67469. It can be concluded that FDI has a positive and significant effect on Indonesia economic growth at 95% confidence level ($\alpha = 0.05$). It means Ho is rejected and Ha accepted.

5. DISCUSSION

5.2. Effect of Domestic Savings on Indonesia Economic Growth

The result of multiple linear regression analysis with ARCH and GARCH method shows that domestic saving has a positive and significant effect on Indonesia economic growth both in short and long term at $\alpha = 0.05$ with coefficient value equal to 0.870134. This means Ho is rejected and Ha is accepted. If domestic savings increase by 1%, it will be followed by an increase Indonesia economic growth of 0.870134%, if other variables are considered constant.

Domestic saving positively affects on Indonesia economic growth. It is consistent with previous theory proposed by Solow that national saving or domestic saving rate is an important determinant of long-term standard life. Both the government and private sector should strive to increase the level of national saving

In order to create the desired economic growth. Domestic savings is one most important sources of capital in development process in a country, whether developed or developing countries such as Indonesia. A high level of domestic savings can be used to finance the necessary investments in economic development process, which in turn will create high economic growth through infrastructure development and new job creation, thereby reducing unemployment and increasing national income.

5.3. The Effect of Foreign Debt on Indonesia economic growth

The result of multiple linear regression analysis with ARCH and GARCH method shows that foreign debt has negative and significant effect on Indonesia economic growth, both short and long term at $\alpha = 0.05$ with coefficient value equal -1.778718. This means, H_0 is accepted and H_a is rejected. If another variable is constant then the 1% rise in foreign debt will cause a decline in Indonesia economic growth of 1.778718%.

This result contradict with Hollis Chenery's theory that foreign debt plays an important role in economic development process of a country because it can overcome the shortage of savings and shortage of foreign currency or foreign exchange reserves. Laffer Curve Theory states that foreign debt is the effect of debt accumulation on economic growth. If the debt increase at a reasonable level, debt will boost economic growth, otherwise if the debt addition above normal limit then the foreign debt will not encourage economic growth or have negative impact (Aminuddin, 2013).

The higher amount of foreign debt every year, both by government and private sector, is one causes of the negative on Indonesia economic growth. That is because the share of foreign debt that basically in form of foreign currency to make the total foreign debt of Indonesia continues to increase due to rupiah exchange rate continues to fluctuate against foreign currencies, especially the US dollar. In addition, foreign debt financing that has matured through the APBN is very influential on deficit of state finances and will become the economic burden in future.

Foreign debt of Indonesia is increasing. Based on laffer curve theory, if the amount of debt accumulation has exceeded the normal or normal limit, can have a negative impact. Very large debt has larger burden to pay or restore the debt (Aminuddin, 2010).

The foreign debt to finance stabilization and development also has a very bad impact on economy. Foreign debt need to pay interest. Although the interest rate may be lower but the interest must be paid in foreign currency. In long run, past loans to be paid using foreign currency will cause some of foreign exchange reserves from export is used to repay the debt. If a country's exports do not grow rapidly and generate a large surplus in trade balance, obligation to pay interest and repay foreign debt will create pressure on stability of payments balance. It will affect the stability of exchange rate and domestic inflation rate.

5.4. The Effect of Foreign Direct Investment (FDI) on Indonesia economic growth

The result of multiple linear regression analysis with ARCH and GARCH method shows that foreign investment (FDI) has a positive and significant effect on Indonesia economic growth at $\alpha = 0.05$ with coefficient value equal to 0.138950. This means H_0 is rejected and H_a is accepted. If another variable is constant then 1% rise in FDI will be followed by an increase in Indonesia economic growth of 0.138950%, if other variables are considered constant.

The results of this regression are consistent with growth theory that foreign direct investment has key role in process of Indonesia economic growth, especially regarding the benefits of investment, where investment will be able to create income and increase the capacity of economy by increasing capital stock. The inflow of FDI in developing countries very supportive to Indonesia economic growth. FDI can transfer new technologies and new job vacancy for receiving countries which in turn will overcome unemployment and poverty problems that are generally experienced by developing countries.

Indonesia is one emerging countries leading to developed countries, which rely on FDI role as one source of development financing. The FDI in Indonesia is considered very helpful to achieve targeted economic growth. FDI inflow is expected to increase foreign exchange reserves in form of foreign currency. Therefore, the foreign exchange gap that commonly experienced by developing countries can be resolved.

6. CONCLUSIONS AND RECOMMENDATIONS

Domestic savings (Saving), foreign debt (FD), and foreign direct investment (FDI) simultaneously have significant effect on Indonesia economic growth for period 2000.Q1 - 2013.Q4 (Ho is rejected and Ha accepted). Partially, domestic savings (Saving) has a positive and significant effect, both short and long term to Indonesia economic growth (Ho is rejected and Ha accepted). However, foreign debt (FD) has a negative and significant relationship, both short and long term, on Indonesia economic growth. Foreign direct investment (FDI) has a positive and significant effect, both short and long term, on Indonesia economic growth (Ho is rejected And Ha accepted).

The government is expected to be able to optimize domestic savings as a major financing source for national development and domestic investment in order Indonesia will no longer rely on foreign funding sources. The government and private sector should strive to no longer rely on foreign debt because negatively affect the Indonesia economic growth. In addition, government must improve the management of foreign debt in order to use the right target and should consider rightly if want to do foreign debt in future. The government should improve the bureaucracy in terms of easier licensing of foreign direct investment in Indonesia because FDI in Indonesia has very positive effect on Indonesia economic growth. This finding finds a relationship and effect of independent variables on dependent variables, both simultaneously and partially. Finally, future researches expected to analyze more deeply range and variables to confirm these findings.

References

- Ajija, Shochrul R., Dyah W. Sari, Rahmat H. Setianto, dan Martha R. Primanti. 2011. *Cara Cerdas Menguasai EViews*. Jakarta: Salemba Empat.
- Al Maulidi, Muhammad Iqbal. 2013. “*Pengaruh Utang Luar Negeri Dan Penanaman Modal Asing (PMA) Terhadap Pertumbuhan Ekonomi Di Indonesia Periode 1990-2011*”. *Skripsi*. FEB-UIN Syarif Hidayatullah. Jakarta.
- Aminuddin, A. Fatimah. 2013. “*Analisis Faktor-Faktor Yang Mempengaruhi Utang Luar Negeri Terhadap Pertumbuhan Ekonomi Di Indonesia Periode 2002-2011*”. Unpublished Thesis. FE-Universitas Hasanuddin, Makassar.
- Arifin, Sjamsul, Rizal A. Djafaara, dan Aida S. Budiman (editor). 2008. *Masyarakat Ekonomi Asean (MEA) 2015: Memperkuat Sinergi ASEAN di Tengah Kompetisi Global*. Jakarta: PT Elex Media Komputindo.

- Atmadja, Edwin Surya. 2000. "Utang Luar Negeri Pemerintah Indonesia: Perkembangan Dan Dampaknya". *Jurnal Akuntansi & Keuangan*, Vol. 2, No. 1, Mei 2000: 83 – 94.
- Bank of Indonesia. *Yearly Report (several edition)*. Jakarta: Bank Indonesia.
- Blanchard, Oliver. *Macroeconomics*, MIT, Printice Hall, New Jersey 07458, 1997.
- Dornbuch, Rudiger, Stanley Fisher and Richard Startz, *Macroeconomics*, 7th edition, New York, MacGraw Hill, 1998.
- Jhingan, M.L. 2004. *Ekonomi Pembangunan Dan Perencanaan. Edisi 1, Cetakan 10*. Jakarta: PT Raja Grafindo Persada.
- Johnston, J. *Econometric Methods*. International Edition, McGraw-Hill Kogakusha, Ltd, Tokyo.
- Kuncoro, Mudrajad. 2010. *Masalah, Kebijakan dan Politik Ekonomika Pembangunan*. Erlangga. Jakarta.
- Nachrowi, Nachrowi Djalal dan Hardius Usman. 2006. *Pendekatan Populer dan Praktis Ekonometrika Untuk Analisis Ekonomi dan Keuangan*. Jakarta: Lembaga Penerbit Universitas Indonesia
- Nanga, Muana. 2001. *Makroekonomi: Teori, Masalah, dan Kebijakan Edisi Kedua*. Jakarta: PT Raja Grafindo Persada.
- Prasetyo, P. Eko. 2009. *Fundamental Makro Ekonomi*. Yogyakarta: Beta Offset.
- Subandi. 2012. *Ekonomi Pembangunan*. Bandung: Cetakan kedua, Alfabeta.
- Sugiyono. 2009. *Statistika Untuk Penelitian*. Bandung: Cetakan Kelima Belas, Alfabeta.
- Sukirno, Sadono. 2000. *Makro Ekonomi Modern*. Jakarta: Edisi pertama, PT Raja Grafindo.
- _____. 2006. *Ekonomi Pembangunan: Proses, Masalah, dan Dasar Kebijakan*. Jakarta: Edisi Kedua, Cetakan ke-1, Prenada media Grup.
- Widarjono, Agus. 2005. *Ekonometrika; Teori Dan Aplikasi Untuk Ekonomi dan Bisnis, Edisi Kelima*. Yogyakarta: Ekonosia Fakultas Ekonomi UII.
- Widowati, Diyah Nur. 2010. "Analisis Pengaruh Utang Luar Negeri Dan Penanaman Modal Asing Terhadap Pertumbuhan Ekonomi Indonesia Periode Tahun 2000:1-2008:4". Unpublished thesis. FE-Universitas Sebelas Maret, Surakarta.
- www.bps.go.id