V. CONCLUSIONS AND IMPLICATIONS

A. Conclusions

This research was conducted to analyze the effect of the Gross Domestic Product, Exchange Rate, Trade Openness, Labor Force, and Labor Productivity in the short term and long term on Foreign Direct Investment (FDI) in Indonesia in the period of year 1991-2021 and to determine the independent variables among Gross Domestic Product, Exchange Rate, Trade Openness, Labor Force, and Labor Productivity which have the most influential variable on dependent variable (Foreign Direct Investment (FDI)) by using the Error Correction Model (ECM) with *Eviews 12* and Microsoft Excel. Based on the results of the analysis and discussions that have been conducted, it can be concluded as follows:

1. Based on the results of the research conducted, it was found simultaneously, Gross Domestic Product, Exchange Rates, Trade Openness, Labor Force and Labor Productivity variables in the short and long term have a significant effect on the Foreign Direct Investment (FDI) in Indonesia period of year 1991-2021.

   The results of the research indicate that partially, the Gross Domestic Product (GDP) in the short term have no significant effect on Foreign Direct Investment (FDI) in Indonesia from 1991-2021. However, in the long term, the Gross Domestic Product (GDP) have a positive and significant effect on Foreign Direct Investment (FDI) in Indonesia from 1991-2021.

Exchange rate variable in the short and long term has a negative and significant effect on Foreign Direct Investment (FDI) in Indonesia from 1991-2021. Trade Opennes and Labor Productivity variables in the short and long term has a positive and significant effect on Foreign Direct Investment (FDI) in Indonesia from 1991-2021. Meanwhile, Labor Force variable in the short and long term have no significant effect on Foreign Direct Investment (FDI) in Indonesia from 1991-2021.

2. The Labor Productivity (LP) variable is the most influential variable in the long and short term on Foreign Direct Investment (FDI) in Indonesia from 1991-2021.

B. Implications

Based on the result of this research, there are implications that are expected to be used as initiatives that Indonesia can consider to fulfilled investment needs in Indonesia by prioritizing the country's potential in the economic sector without ignoring other sectors and sub-sectors in understanding the factors that influence and attract investors' attention. Foreign investors, notably Foreign Direct Investment (FDI), are encouraged to invest in Indonesia.

The capabilities of investors and companies to understand and predict the country's macroeconomic situations in the future would be significantly advantageous in making profitable investment decisions. Investor’s trust affects investors' preferences to keep their investments in the country. In these conditions, the government is expected to maintain economic potential and stability in collaboration with fiscal, monetary, and financial institutions in order to create an investment climate and to retain international trust and keep investment values under control. While the economy is stable, there will be an increase in domestic production activity investment, an increase in capital stock in several production sectors, a reduction in unemployment due to job vacancies, as well as an increase and improvement of infrastructure facilities to facilitate distribution networks in the production process, and improving public services to meet basic needs and people's welfare.

1. To encourage the higher FDI inflows, the government must promote GDP growth. Hence, Indonesia may benefit from FDI inflows to promote more sustainable economic growth since it will affect company continuity and investor assurance of investment return. The government can enhance FDI by improving the investment climate and lowering regulations to make foreign investment easier. Furthermore, developing market potential is a great way to accommodate economic interests, both public and private (foreign investors).
2. The government and Bank Indonesia are expected to ensure macroeconomic stability in order to increase Foreign Direct Investment (FDI) in Indonesia by enforcing policies and paying better attention to the exchange rate. There are several things the government can do to maintain the rupiah exchange rate stability and volatility, because the exchange rate's stability affects the certainty of the rate of return on

investment for entering investment in Indonesia, including maintaining economic growth by increasing exports and decreasing imports; maintaining rupiah or banking liquidity; minimizing inflation spikes; strengthening supply and demand management for foreign exchange; and managing foreign exchange reserves.

3. Foreign investors attempt to prefer countries with investment facilities in markets with higher potential for benefit; however, there are no production activities with such potential, therefore the government is expected to increase trade openness by highlighting export-oriented trade policies; tariff and import obligation reductions on foreign goods and services; flexible government policies; and low transaction costs. These factors contribute positively to easing the process for domestic producers to sell their products on the international market, thereby increasing economic activity; and maintaining political stability in order to attract investors to invest their capital, while also increasing economic growth and trade openness.
4. Increasing labor productivity can be accomplished through functional cooperation or collaboration in the field of human resources involving central and regional governments, the private sector, and other relevant stakeholders such as educational institutions/agencies, training/professions, and certain community organizations by making an effort to conduct such as developing, organizing, and evaluating various activities, training programs, certification, as well as massive human

resource training and education to improve the quantity and quality of skills, capabilities, expertise, and competencies as labor in order to meet the labor market's needs in accordance to standards and needed by companies or the job market, both in developing industry and services. On the public side, hoped that they would always be adaptable and innovative to change, particularly in the development of digital technology competencies and knowledge to align with the necessities of companies.

C. Research Limitations

1. There are many other factors or variables out there that can affect the Foreign Direct Investment (FDI) such as Tax, Stock Price Index, Inflation Rate, Export, Net Portfolio Investment, Corruption Perception Index, Interest Rate, Road Infrastructure, and GDP per capita, but in this research used and focused on the Gross Domestic Product, Exchange Rate, Trade Openness, Labor Force, and Labor Productivity variables. However, the results of this study indicate that there are four variables that have a significant effect on Foreign Direct Investment (FDI), namely the Exchange Rate, Trade Openness, and Labor Productivity. Furthermore to get better research results, further research on the factors that affect Foreign Direct Investment (FDI) can develop research and use other variables that have a stronger influence or significance.

2. The research year used in this study were annual data from 1991-2021. The future research may use a longer (older) or longer data period (more recent data periods). For example, data before 1991 and data after 2021.