

ABSTRACT

EFFECT OF FOREIGN CAPITAL FLOW, DEBT AND TRADE ABROAD ON INTERNATIONAL ECONOMIC GROWTH IN DINDONESIA

By

Puspita Sari Br Pelawi

Economic development is an absolute prerequisite for countries third world, including Indonesia, to minimize the gap distance in the field of economics and welfare of the community of advanced industrial countries. Economic development efforts in these countries, which are generally initiated by the government, somewhat hampered due to lack of available resources in the productive economy, especially the capital resources that often acts as a catalyst of development. To meet this shortage of capital resources, then the government tried to bring in capital resources from abroad through various types of loans. Capital resources which are imported from abroad, mostly from industrialized countries, this is its form can vary, such as foreign investment (direct Invesment), various forms of portfolio investment (portfolio Invesment) and foreign loans as well as the benefits obtained from trade international.

The purpose of this study was to determine the influence of foreign capital flows, foreign debt, and international trade to economic growth in Indonesia. Data used in this research is time series data. Economic growth, foreign capital, foreign debt, net exports, which began in 2001.1 - 2008.4. Data used in this study are secondary data obtained from the BPS, Statistics Indonesia Financial economics.

Analysis tools used in this study are linear regression statistical test, which is used to determine the influence of foreign capital, foreign debt, and international trade to economic growth in Indonesia in the period 2001.1-2008.4

Based on the results of the analysis conducted on the impact of foreign capital flows, foreign debt, and international trade to economic growth in the period 2001.1-2008.4, it is known that the variable is significantly and positively to economic growth in Indonesia. Foreign capital can provide a better contribution into the development process. Investment activities enables a society constantly

improving economic and employment opportunities, increase national income and improving the prosperity of the community that increase the rate of economic growth.

Foreign debt is significantly and positively to economic growth in Indonesia in the period 2001.1-2008.4 due to foreign debt if managed wisely and with prudence it is a matter of right, when the foreign debt to help finance the economy of the country, adding third-world countries, including Indonesia. So with the implementation of economic development, income per capita levels of society to grow and economic growth has also increased.

International trade is significantly and positively to the growth of international trade due to the implementation of increased public consumption, production increasing, and real incomes rose society. So trade can promote economics growth.