

## CHAPTER VI

### CONCLUSIONS

#### 6.1. Summary

Based on theoretical review, research finding and discussion on previous chapter, this chapter summary some following results:

- 1) Simultaneously, the six governance quality indicators and tax holiday have positive and significant influence to foreign direct investment. In other words, voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, control of corruption and tax holiday could increasing the level of foreign direct investment.
- 2) Partially, the linkage of governance quality, tax holiday and foreign direct investment are:
  - a) Voice and accountability (VA) and Regulatory quality (RQ) have negative and significant effect toward foreign direct investment. The coefficient of VA is -5.547, it means if the voice and accountability increase 1 unit then foreign direct investment will decrease 5.547 fold. Further, the coefficient of RQ is -1.222, it means if the regulatory quality increase 1 unit then foreign direct investment will decrease 1.222 fold.
  - b) Political stability and absence of violence/terrorism (PV), control of corruption (CC), and tax holiday (TH) have positive and significant effect toward foreign direct investment. The coefficient of PV is 1.019, it means if the political stability and absence of violence/terrorism increase 1 unit then foreign direct investment will increase 1.019 fold. The coefficient of CC is 2.165, it means if the control of corruption increase 1 unit then foreign direct investment will increase 2.165 fold.

- c) Government effectiveness (GE) and rule of law (RL) have positive but insignificant effect toward foreign direct investment. The coefficient of GE is 1.411, it means if the government effectiveness increase 1 unit then foreign direct investment will increase 1.411 fold. The coefficient of RL is 2.071, it means if the rule of law increase 1 unit then foreign direct investment will increase 2.071 fold.
- 3) Foreign direct investment has positive and significant effect toward economic growth (gross domestic product). The coefficient variable is 0.336, it means if the foreign direct investment increase 1 unit then economic growth will increase 0.336 fold.
- 4) Voice and accountability has the highest coefficient result of effect toward foreign direct investment. In other words, voice and accountability has the dominant effect toward foreign direct investment.

## **6.2. Suggestions**

According to the research result, some recommendation or suggestion are offered as follows:

- 1) Foreign direct investment directly give effect to economic growth. Although the coefficient is relative small but government must attempt to increase foreign direct investment which can increasing economic growth. Government can using tools such as tax incentive facility, or governance quality indicator (political stability and absence of violence/terrorism, government effectiveness, rule of law, and control of corruption) which have positive effect to foreign direct investment.

- 2) Because the result of the research indicates political stability and absence of violence/terrorism, control of corruption, and tax holiday have the positive and significant effect to foreign direct investment, Indonesian government should give attention and maintain that three variables in order to attracting more foreign direct investment.
- 3) The result show that the dominant effect is created by voice and accountability and the effect is negative and significant. It means foreign investor view the public participation in democracy as a threat. This research suggest the government should reduce and limit the public participation on the democracy proses.
- 4) Lastly, this research has limitation on research location which is using national value of foreign direct investment and economic growth. Future research would be accurate if employ data from specific location or area where has different investment sector. For instance, an area with natural resources like oil and gas or mineral content will receive more investment, it can be compared whether tax holiday has effect or not to the investment on that area.