

**Effect of Governance Quality and Tax Holiday on
Foreign Direct Investment and Economic Growth in
Indonesia**

THESIS



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**DOUBLE DEGREE PROGRAM
MASTER OF PUBLIC ADMINISTRATION
FACULTY OF ADMINISTRATIVE SCIENCE
BRAWIJAYA UNIVERSITY
MALANG
2016**

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TESIS

EFFECT OF GOVERNANCE QUALITY AND TAX HOLIDAY ON FOREIGN DIRECT INVESTMENT AND ECONOMIC GROWTH IN INDONESIA

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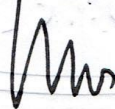


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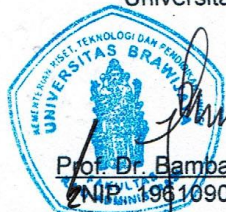


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RIWAYAT HIDUP

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UCAPAN TERIMA KASIH

Penulis bersyukur kepada Allah SWT yang telah memberikan berbagai kemudahan dalam menyelesaikan karya ilmiah ini, dan menyampaikan terima kasih kepada:

1. Dekan Fakultas Ilmu Administrasi Universitas Brawijaya, Bapak Prof. Dr. Bambang Supriyono, M.S;
2. Ketua Program Studi Magister Ilmu Administrasi Publik Universitas Brawijaya, Bapak Dr. Irwan Noor, MA yang penuh dedikasi dan keterbukaan;
3. Sekretaris Program Magister Ilmu Administrasi Publik Universitas Brawijaya, Ibu Firda Hidayati, S.Sos, MPA, DPA beserta staf akademik atas bantuan dan kemudahan administrasi pendidikan;
4. Komisi Pembimbing, Bapak Dr. Mardiyono, MPA, dan Ibu Firda Hidayati, S.Sos, MPA, DPA yang penulis hormati dan taati atas segala bimbingan dan saran demi keberhasilan penelitian dan penulisan tesis;
5. Dosen Penguji Bapak Dr. Kusdi, DEA dan Bapak Dr. Mohammad Nuh, S.IP, M.Si atas segala saran dan perbaikan dalam penyusunan tesis;
6. Para dosen pada program Magister Ilmu Administrasi Publik Universitas Brawijaya atas segala ilmu yang telah diberikan, semoga menjadi ilmu yang bermanfaat;
7. Orang Tua Penulis Bapak Hendrikus Adhikari dan Ibu Victoria Soebi yang telah meridhoi dan mendoakan setiap upaya yang penulis lakukan, istri tercinta Kartika Nur Indrayanti yang dengan sabar mendoakan dan mendukung penulis, kedua putri dan putra tersayang ananda Keiko dan Hansel atas doa dan kesabarannya;
8. Kepala Biro Perencanaan Kementerian Perindustrian, Bapak Sanwani, para Kepala Bagian dan Kepala Sub bagian beserta staf atas bantuan dan partisipasinya dalam penulisan tesis ini;
9. Kepala Pusbindiklatren Bappenas yang telah memberikan kesempatan dan dukungan materiil dalam menempuh studi Magister Ilmu Administrasi Publik Universitas Brawijaya;

10. Rekan-rekan *Double Degree Linkage Jepang Batch 9* yang senantiasa menjadi tempat bertukar pikiran selama menempuh pendidikan dan menyelesaikan penelitian ini.

Semoga Allah SWT senantiasa memberikan rahmat, nikmat, hidayah dan anugerahNya kepada semua pihak yang telah memberikan bimbingan, bantuan, doa dan dukungan kepada penulis.

Malang, 15 Agustus 2017

Penulis,

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ABSTRACT

This study aims to examine the relationship between governance quality, tax holiday, foreign direct investment, and economic growth in Indonesia. This study is trying to answer the question to what extent governance quality and tax holiday give effect to foreign direct investment and to what extent foreign direct investment give effect to economic growth.

This research is using a quantitative method which involve multiple linear regression and simple linear regression and employ SPSS software. It analyzes the national data from year 2001 – 2014 which is come from some institutions. They are governance quality data which is come from World Bank and consisting of six indicators, voice and accountability (VA), political stability and absence of violence/terrorism (PV), government effectiveness (GE), regulatory quality (RQ), rule of law (RL), control of corruption (CC). Further, tax holiday (TH) is a minister of finance regulation which is offered to public from 2011. Then foreign direct investment and economic growth where the data is come from BPS.

The research findings showing that in statistical measurement VA and RQ have negative and significant effect to foreign direct investment. PV, CC, and TH are found to have positive and significant effect to foreign direct investment. GE and RL have positive effect but not significant to foreign direct investment. Further, foreign direct investment is positively and significantly affecting the economic growth. According to the result, it is recommended if the government can maintain the indicators which have positive effect to increase foreign direct investment, they are PV, GE, RL, and CC. Meanwhile, because VA has the dominant effect and the effect is negative and significant, it is suggested if government can reduce the VA or public participation in a democracy process.

Keywords: governance quality, tax holiday, foreign direct investment, gross domestic product, economic growth

ACKNOWLEDGEMENT

Alhamdulillah, be grateful to Allah SWT for the blessing to me, so I can finish my study at faculty of administration science in Brawijaya University and finally finish this thesis.

I would like to thank Dr. Mardiyono, MPA and Mrs. Firda Hidayati, S.Sos, MPA, DPA for their support, valuable insight, and patience in assisting me during my research for this thesis. I would also like to thank to all lecturers in Faculty of Administrative Science, Brawijaya University for the valuable science that improve my knowledge and to all the faculty members for the support.

Thanks also go to my fellows at Brawijaya University, especially Batch 9 linkage. Many memorable moments we have been through in Malang. I hope our friendship will not end here.

Finally, I also thanks to my parents, my brother and his family for their support and prayer during my study. Last, the biggest thanks go to my lovely wife. Thank you for taking care our children. I dedicated this thesis for you.

Malang, 15 August 2017

Johanes Dwi Subadhi

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