CHAPTER II
LITERATUR REVIEW

A. Theoritical Framework

1. Economic Growth

a. The definiton of Economic Growth

Economic growth can be said to be an increase in the real gross doemstic product of a country in a given year which shows the rising per capita income of everyone in the economy and within a country in a given year (Mankiw, 2003). The economic reflects the expansion of potential gross domestic product or national output of the State. In other words, economic growth occurs when the limit of production possibilities of the nation is shifting out (Samuelson, 2001). Economic growth is the average increase of the output produced by each person in the production of goods and services which is the rate of growth per capita in real terms for everyone.

According to Kuznets, economic growth is a long-term increase in the capacity of the state to provide economic goods to its population (Todaro, 2003). There are three main factors related to the economic development of a nation, namely:

1) Capital Accumulation

Capital accumulation includes new forms or types of investments invested in land, physical equipment, and capital or human resources. Capital accumulation occurs when part of the

revenue is invested and reinvested with the purpose of enlarging output and revenue later on.

2) Population Growth

Traditionally, population growth is considered to have a positive influence on economic growth. Population growth will eventually increase the number of the labor force. The larger number of workers means increasing the number of productive workers, while larger population growth means increasing the size of its domestic market.

3) Technological Advances

Technological advances for most economists are the most important source of economic growth. Technological advances occur because of the discovery of new ways as improvements from old ways of handling traditional jobs (Todaro, 2003).

b. Measuring The Economic Growth

Economic growth is one of the important goals of macroeconomic policy. A growing economy will be able to provide better economic prosperity for the citizens of the country concerned. The term economic growth should be distinguished by the term economic development, because economic growth only concerns the physical size in the form of increased production of goods and services, while economic development involves not only the increase in physical production of goods and services but also the quality of

goods and services as well as the quality of the factors of production involved in the process of producing the goods and services (Suparmoko, 1992).

Understanding economic growth is a process of increasing the process of output increase in the long term. Meanwhile, according to Sukirno (1981) the increase of gross national product (GNP) or gross domestic product (GDP) regardless of whether the increase is greater or smaller than the rate of population growth and also does not look at the economic structure changed or not (Boediono, 1985)

There are two reasons why national income figures are a necessary basis for calculating the rate of economic growth. First, the statistics are obtained by summing the gross added value generated by the production activity in the economy, which means that the increase in the numbers reflects an increase in remuneration. Second, the national income figures only include the value of the product produced in a given period and does not include the value of the product produced in a given period and does not include the value of the product produced in the previous period. Thus the concept of flow in the calculation of national income figures the amount of output produced in each period can be compared (Setyowati and Kuswati, 2008).

To calculate the level of economic growth national income data used is national income data on the basis of constant prices. Using data at constant prices, national income simply reflects the growth of output generated by the economy over a given period. Using national income data at constant prices, the effect of price changes on the value of national income (at current prices), has been omitted.

The purpose of the calculation of economic growth is to determine whether there is an increase in the welfare of the community or not. Economic growth should be calculated with national per capita income data at constant prices, national income growth can occur without positively impacting the level of community welfare as a result of high population growth rates from national income growth rates (Susanti, 1996).

Gross Domestic Product is the number of products in the form of goods and services produced by units of production within the boundaries of a country for one year. In the calculation, including the production and services produced by companies/foreigners operating in the region concerned.

The goods produced include capital goods that have not been accounted for depreciation, therefore the amount earned from GDP is considered to be gross / gross. Here is the GDP formula : GDP =

consumption + investment + government expenditure + (export - import) GDP = C + I + G + (X – M).

Where consumption is household expenditure, investment by business sector, government spending by government, and exports and imports involves the foreign sector. This formula includes the expenditure approach formula.

2. Gross Domestic Product (GDP)

In a country's economy there is an indicator used to assess whether the economy is going well or badly. The indicator in assessing the economy must be used to determine the total income earned by all people in the economy. The right and appropriate indicator in making these measurements is the Gross Domestic Product (GDP). GDP can be interpreted that the amount of production of either goods or services that have been produced by the production unit in an area at a given time. Thus, GDP can be used as a measure of a country's economic growth. to measure the total value of production where the total amount is produced by all people or companies both owned by local or foreigners in a country.

In addition, GDP also measures two things at the same time: the total income of all people in the economy and the total expenditure of the state to buy goods and services resulting from the economy. The reason for GDP can measure total income and expenditure due to an economy as a whole, definite income equals expenditure. The definition

of GDP is the market value of all final goods and services produced in a country in a period. However, in GDP there are several things that are not included such as the value of all activities that occur outside the market, environmental quality and income distribution. Therefore, GDP per capita which is the amount of GDP when compared to the population in a country is a better tool that can tell us what happens to the average population, the standard of living of society.

Gross Domestic Product is the most important economic statistics because it is considered as the single best measure of public welfare. The underlying thing is that GDP measures two things at the same time: the total income of all people in the economy and the total expenditure of the state to buy goods and services resulting from the economy. The reason for GDP can measure the total income and expenditure due to an economy as a whole, the income must be the same as expenditure (Mankiw, 2006).

Components of GDP can be divided into 4 (Mankiw, 2006)

a. Private consumption; calculate consumption from individuals or households for several types of goods such as; Durable Goods are goods that are durable or not damaged quickly which generally have a relatively long life or can be said to be more than 3 years. Examples of motorcycles, cars, electronics and others but not included for the purchase of new homes. Non-Durable Goods are goods that are directly consumed and used up. Examples, food,

drinks, shoes and others. Service namely consumption for services. For example, doctor's services.

b. Investment; calculate an expenditure for capital goods. Example: buying a house, building a new factory, new programs and various other types of investments.

c. Government Expenditures; calculate all expenses that the Government does. For example: paying salaries of civil servants or government employees, buying military equipment, building roads and others.

d. Net Export; calculate the difference obtained from Total Export minus Total Import.

   And the formula for GDP is **GDP=C+I+G(X-M).**

   Where C for cosumption, I for investment, G for governement expenditure, X for export and M for import.

3. Foreign Direct Investment

Interntional capital flows are a form of foreign direct investment (Hady, 2004). An increasingly globalized economy that can not be avoided by countries that have an open system like Indonesia, Foreign direct investment is one of its characteristics. Foreign direct investment begins when a company from one country invests in its long-term capital to a company in another country. In this way (home country) can control the company in the country of investment destination (host country) either partly or completely.

a. The Relationship between Foreign Direct Investment and Gross Domestic Product (GDP)

One of the strengths of Indonesia in implementing economic development is that Indonesia has a tremendous natural resource as well as its human resources. But the large population is not always a good solution for Indonesia, because in fact in Indonesia human resources are not evenly distributed. So there is exploitation and exploration, which is still mostly done by foreign parties, and not fully done by human resources from Indonesia itself. It takes enormous capital to improve the quality of human and technological resources to manage natural resources and production in Indonesia for the purpose of increasing economic development.

The capital factor itself is used to improve the skill and quality of human resources which purpose is to improve economic development, besides the capital factor is also needed to improve and develop technology with the aim of increasing the production of a country. If the accumulation of capital in the country itself is low then this capital factor will be a constraint, because the development of technology and the advancement and improvement of the quality of human resources will affect the level of output and economic growth (Saputra & Kesumajaya, 2016).

To increase the gross domestic product in Indonesia, investment has important role to play, because investment is one part of gross domestic product. Investment will lead to dramatic changes in aggregate demand, as investment is a component of large and volatile expenditures. In economic growth, one of them is the accumulation of capital, in which the accumulation of capital will help in the improvement of national output which will ultimately lead to long-term economic growth (Samuelson, 2001).

Investment activity will cause an increasing in output productivity where investment productivity is the amount of output that can be generated from one investment unit of one unit of investment made, where investment productivity can be measured by the inverse of the capital output ratio $\Delta Y/\Delta K$. Then by multiplying the available level of investment in the saving ratio is a way to keep the total growth rate of output out, $s = I / Y$ with investment productivity of $1/K$. Based on the description above can be summarized below equation: Total total growth rate outuput = investment ratio x investment productivity (Jones, 1975).

Foreign direct investment under Law No.25 of 2007 is an asset-investing activity in the form of money or other non-monetary forms owned by foreigners in either an individual or a business entity. Foreign capital security is needed for developing countries to help accelerate economic growth. This is because the

role of foreign capital helps in the industrialization and renewal of technologies used in developing countries. In addition, foreign capital is needed to create new job opportunities and improve employee skills skills. In Law 25 of 2007 explains that capital investment has the purpose of: Increasing national economic growth, Creating employment, Improving sustainable economic development, Improving the competitiveness of the national business world, Improving the capacity and capabilities of national technology, Encouraging the development of people's economy, the real economy by using funds from within and outside the country, the latter Improving people's welfare (Agma, 2015).

According to Athukorala (2003) foreign investment has a positive impact on the host country's economy because through foreign investment it can increase the availability of funds for the host country (recipient country). Athukorala also conducted a study using the co-operative econometric model and the 1959 series of time data up to 2012 to analyze the relationship between foreign direct investment and gross domestic product in Sri Lanka. The results show that foreign direct investment has a positive effect on grossdomestic product and a causal relationship between foreign direct investment and gross domestic product in Sri Lanka.

4. Export

Export is the sale of goods from overseas by following the applicable provisions, especially regarding customs regulation, this exporting activities must obtain special permission from the Directorate General of Foreign Trade. Export activities make domestic products compete overseas. Direct export will give effect to the national income, but the increase of national income does not necessarily affect the export, because the national income can change due to the increase of household expenditure, corporate investment, government expenditure and imported goods replenishment with domestic assistance (Sukirno, 2008).

a. The Relationship between Export and Gross Domestic Product (GDP).

Good economic growth should be supported from the foreign trade sector, namely exports and imports. Trade activity occurs because of increasing economic level. First, the direct contribution that an increase in export activity allows a country to raise the amount of imports also includes imports of capital goods whose role is very important in driving economic growth. Furthermore, the contribution given by the export sector is that the available development funds will be channeled to the most efficient sectors with the development of the export sector, the funds will be channeled into the export export sector that can compete with other

industries abroad. Another direct contribution is that exports are able to expand the market for domestic products and are able to increase the scale of production furthermore creating economies of scale and the last direct contribution is that corporations must strive to reduce producer costs and emphasize and improve the efficiency of their activities to survive in competitive position in world markets (Sukirno,1976).

The indirect contribution in the export sector for GDP is Firstly, as a large number of industries experience market expansion as a result of the development of the export sector, this will encourage and help increase the development of domestic and foreign investment. Second, the export sector brings good news to technology and innovation, with exports going into the entry of new technologies and innovation, markets and businessmanship. To face the competition of foreign companies, the company will import new technology from abroad. Third, in the presence of goods that can be imported from abroad, various goods become more and will encourage increased consumption. The export sector has many benefits that must be driven by its growth.

In macroeconomic theory, the relationship between export and the rate of gross domestic product is the identity equation because export is part of the national income level. In the perspective of the theory of economic growth, the relationship

between the two variables are not addressed to the problem of identity equality itself, but rather on the issue of whether exports to a country are capable of driving the economy as a whole and ultimately generating prosperity for society.

Salvator (1990) asserts that exports are one of the engines driving economic growth. A review by Salvator shows that exports are one of the main factors for developing countries to promote economic growth. Increased exports and investments made by developing countries can boost output and economic growth. So that increasing in export can generate foreign exchange which will be used to finance the import of raw materials and capital goods required in the production process that will form the added value.

According to Dian Rizky (2013) in previous study export has a very significant effect on economic growth, this is because export activities can provide a very large foreign exchange. Widespread exports to different countries allow for an increase in the amount of production that drives economic growth. Therefore, intensive export activities to various countries are expected to contribute greatly to the growth and stability of the regional economy.

Ekanayake (1999) examines the relationship between exports to economic growth in Asian developing countries using the cointegration and error corection model (ECM) model. The results show that in the short term there is a strong relationship

between exports and economic growth, except in Sri Lanka. While in the long run there is a strong relationship between exports and economic growth in all countries.

Pranoto (2016) Said the greater the export value of a country will cause the higher economic activity to be achieved by the country. The existence of export activities in Indonesia makes it possible to produce various goods and services that exceed the amount of production needed for the country itself. In addition, the existence of export activities will also increase the level of economic activity in Indonesia and the level of state income will increase so as to encourage economic growth.

5. Import.

Import is defined as the import of goods or purchases of goods from abroad into the country. Import can also be interpreted as international trade by entering goods from outside Indonesia by meeting the requirements and applicable provisions (Hutabarat, 1996).

a. The Relationship between Import and Gross Domestic Product (GDP).

Export is the only mainstream foreign exchange earning derived from their own strengths, so that developing countries are interested and have requested to master the pre-currencies of these

foreign exchange producers. This is the reason foreign trade sector is more dominant to analyze exports than imports.

Import activity is opposite to export activity. If the export is said to flow to obtain visas and injection for the economy of a country while import is a leak of national income. Import is said to be a leak of national income because imports themselves are plagued by the ability to produce goods that compete with foreign-made products. This means that import value depends on the value of the country's national income level. If the higher the national income and the lower the ability to produce certain goods, the imported food will be higher. As a result many leaks of national income (Sukirno, 2008).

Indonesia as a developing country that has not been able to be self-sufficient in meeting its own needs desperately needs attention in import activities. The analysis of imports becomes important, should pay the same attention to exports, because imports can be a benchmark to see the economic success of a country. Whether the country is able to host its own country in providing goods and services and the needs of its people.

Import activities must be done because the country is experiencing a failure or lack in providing goods and services for the needs of the population. There are two kinds of defenition that can happen, namely the definition of quantity and quality. If the

import is done for the reason of quantity still a fairness. Natural factors are usually the main cause, In this case goods and services are seen from the function or usefulness. The role of functional consumption in consumption patterns is relatively low when viewed from the proportion of expenditure in total spending on consumption.

Imports can be a positive role on gross domestic product, if viewed from the import function in the economy of a country is for the provision of basic needs, the procurement of raw materials for the domestic industry and for the procurement of capital goods that can not be produced in the country itself, so the import function is pioneered the domestic market, stimulate the growth of new industries, and the expansion of existing industries.

One way to find out whether there is a market for certain commodities in the country is to look at imports. Imports are an indicator that the market exists because the import figures will be able to know which goods the market is developing in the country. The decision to engage in import activities can not be separated from domestic needs to meet the needs that can not be provided by local companies.Concerning the above problem, several studies suggest that there is a positive relationship between import andgross domestic product.

Imports of consumer goods such as medical and pharmaceutical goods are important to make healthy workers and healthy workers more productive than unhealthy workers, which in turn leads to GDP growth. Imports of consumer goods that are not durable such as food have a bad influence on real GDP growth if there is sufficient domestic production due to a shift in demand for imports will reduce demand for domestic goods; then the production of domestic goods, in turn leads to slower growth in food production. On the other hand, if there is not enough domestic production, the import of these goods is important for economic development because workers need food to be strong and productive. Consumer goods such as radio, TV contribute information to the public.

Several studies have been carried out in determining the growth of Gross Domestic Product. Intermediate goods such as machinery and transport equipment are an important input for the production of other commodities. Imports of these goods from developed countries bring new technology to developing countries, which in turn enhance the productivity of factors and leads to the growth of output (Coe, et al, 1997).

The earliest empirical work on the relationship between import and GDP growth is from Khan (1974). He tried to analyze the determinants of imports in fifteen developing countries using a

two-stage estimation procedure for the period 1951-69. The model used is based on the traditional import demand function that links the import demand of a country with real GDP and relative prices (the ratio of the value of the country's import unit to the domestic price level). As a result, all but six countries, the elasticity of import income is very different from zero and has a positive sign at a five percent significance level in the long run. However, in the short term, the elasticity of import income is significant and positive for four countries, but not for other countries.

According to Baark (1988), the second approach is an innovation-oriented approach, which considers the importance of capital goods as a supply of new technologies for the manufacturing sector. Imports of capital goods supply efficient machinery that occupy new technologies, which are obtained from research and development in developed countries. Thus, the diffusion of technology embodied in domestic industries from developed countries is important to increase productivity growth throughout the economy and this increases domestic output, which in turn, leads to GDP growth. A good example of the technology embodied in this import category is the import of computer hardware and software. This increases labor efficiency by reducing the time spent on production and thereby increasing production, which in turn leads to GDP growth.

Furthermore, the contribution of imports to industrialization and growth in less developed countries requires a reallocation of resources and an increase in investment. In this effort, imports play an additional role, namely, that of improving the efficiency of capital accumulation by importing relatively cheaper capital goods from high income countries that are intensive in R&D. The same occurs when they have access to an increasing variety of higher quality intermediate inputs in foreign markets.

Maingi (1999) did a study on the determinants of the real Gross Domestic Product growth rate in Kenya, 1973-97. The objectives of the study were to identify the factors that determine fluctuations in real Gross Domestic Product (GDP) growth rate in Kenya, measure the relative effect of the factors, and to give policy recommendations. The study established that the growth of capital stock, export growth, financial development, external debt, exchange rate, and real interest rate were significant determinants of real gross domestic product.

Maina (2008) argued that a nation pays for its imports either with current output exports or with financial claims to future output. When exports rise (or fall) in line with imports, GDP remains unaffected. Exports add to the exact calculation of output minus imports and net exports (trade balance) unchanged. The need to finance imports with exports that add direct output or to capital

inflows that maintain other types of expenditures ensures that imports do not decrease GDP or growth rates. Conversely, there is a positive relationship between import and economic growth.

Keller (2000) argues that developing countries will gain more both in terms of importable products and the direct knowledge they can gain from developed countries, which will be imported from other developing countries. This implies that importing new (or better) types of semi-finished goods will increase the level of specialization in the production of other products. One example, seen in this case, is the importation of raw fertilizer, which is a high-tech import from developed countries to developing countries. This is a foreign technology transfer that helps increase productivity in the agricultural sector.

B. Previous Study

Table 2.1
Previous Study

No	Author, Year, Title	Analysis Method	Result
1	Athukorala, P.P.A Washanta, 2003, The Impact of Foreign Direct Investment for Economic Growth: A Case Study in Sri Lanka.	Co-operative econometric model	Foreign investment has a positive impact on the host country's economy because through foreign investment it can increase the availability of funds for the host country Athukorala also conducted a study using the co-operative econometric model and the 1959 series of time data up to 2012. The results show that FDI has a positive effect on GDP.

	Author, Year, Title	Method Analysis	Result
2	Gede Saputra 2016, The influence of foreign debt, exports and imports on Indonesia's economic growth period 1996-2013.	Multiple linear regression	The Government of Indonesia obtains additional capital resources from foreign debt. Every year foreign debt has increased, in contrast to the development of unstable value of exports and imports. On the other hand, Indonesia's economic growth has fluctuated. The purpose of this research is to know the influence of Indonesia's foreign debt, exports, and imports simultaneously or partially to the economic growth of Indonesia period 1996-2013. The data used is the development of Indonesia's economic growth, foreign debt, exports, and import period 1996-2013.. In contrast, foreign debt has a negative and significant impact on economic growth in Indonesia in the short and long term. This study analyzes the development of Indonesia's exports and economic growth during the first quarter of 2001 until the fourth quarter of 2015. This study uses descriptive analysis in describing the development of economic growth as well as the export and quantitative analysis of the Error Correction Model method in analyzing the long- and short-term effects of export to economic growth. The available data shows that Indonesia's exports and economic growth are equally increasing.

	Author, Year, Title	Analysis Method	Result
3	Yahya Muqarrabin, 2015, Factors Influencing Economic Growth In Indonesia.	Error Correction model	The results show that foreign investment, bank credit, and labor force have a positive and significant impact on economic growth in Indonesia in the short and long term. In contrast, foreign debt has a negative and significant impact on economic growth in Indonesia in the short and long term.
4	Ari Mulianta Ginting, 2017, Analysis of the effect of Exports on Indonesia's economic growth.	Error Correction model	Exports are one of the factors that increase the economic growth of a country, in line with the export-led growth (ELG) hypothesis. This study analyzes the development of Indonesia's exports and economic growth during the first quarter of 2001 until the fourth quarter of 2015. This study uses descriptive, the Error Correction Model (ECM) method in analyzing the long- and short-term effects of export to economic growth. In the study period, the available data shows that Indonesia's exports and economic growth are equally increasing. The ECM regression results show that exports have a statistically significant effect on Indonesia's economic growth, which supports the hypothesis that ELG applies to Indonesia. Based on the results of this study, it is necessary to improve the performance of Indonesian exports to boost Indonesia's economic growth.

	Author, Year, Title	**Analysis Mtehod**	**Result**
5	Adrian Sutawijaya, 2010, The Effect of Export and Investment on Indonesia's economic growth in 1980-2006.	Ordinary Least Square method	Economic growth basically measures the ability of a country to expand output faster rate than population growth rate. Exports and investment are important in increasing the rate of economic growth. Exports would generate foreign exchange that will be used to finance imports, especially imports of raw materials and capital goods needed in the production process which will shape the value added. Aggregation of the value added generated by all units of production in the economy is the value of Gross Domestic Product. Investment or capital investment is also a component of value added to national building, which is the purchase of capital goods and production equipment to improve the ability to produce goods needed in the economy. Using OLS method, it shows that economic growth is positively correlated to government investment, private investment, and non oil exports. While,oil and gas export gives negative influence to economic growth.

	Author, Year, Title	Analysis Method	Result
6	Rufus Marundu Maina, 2008, The effect of exports and imports on economic growth: Empirical evidence from kenya	Correlation analysis	The main objective of the study was to investigate the relationship between exports, imports and economic growth in Kenya. The study was guided by the following specific objectives: To examine the relationship between exports, imports and economic growth: This will be determined by establishing whether a correlation of any nature exists and to examine the strength of the relationship, if any, between exports, imports and economic growth. The target population relevant to the study was GDP, imports and exports as measured in terms of dollars for the period 1960 to 2010. Correlation analysis was employed. The findings revealed that exports led to economic growth. There was a strong positive or direct relationship between the exports and the economic growth, it would mean that imports had a greater impact than exports on economic development in Kenya. Also, the findings indicated that there was a strong positive or direct relationship between the imports and the economic growth in the country.

	Author, Year, Title	Analysis Method	Result
7	Syafat Fachriza Agma, 2015, The role of Foreign Direct Investment on Indonesia's economic growth.	Ordinary Least Square methode	Economic growth includes increasing output and promoting prosperity and welfare of the people. Economic growth can not be separated from the investment especially for developing countries. The role of this investment can accelerate the process of economic growth of a country. The result of this research is FDI has a significant positive effect on the economic growth of Indonesia both during the period of 1984-2014 and after the 1998 crisis. However, FDI has negatively negative effect on the economic growth of Indonesia before the 1998 crisis
8	Oscar Surya Pranoto, 2016, Effect of Export and Foreign Direct Investment on the growth of Domestic Indonesia.	Multiple Linear Regression	The positive thing about economic growth in 2010 is supported by several factors such as Foreign Direct Investment (FDI) and export. This study uses secondary data in the form of time series data from 2004-2013 and using multiple linear regression analysis. The results of this study indicate that simultaneously export and FDI have positive and significant effect to GDP. Partial exports also have a positive and significant influence, while FDI positively insignificant to GDP.

	Author, Year, Title	Analysis Method	Result
9	Firdaus Jufrida et al, 2016, Analisis pengaruh investasi asing langsung dan investasi dalam negri terhadap pertumbuhan ekonomi Indonesia .	Ordinary Least Square	This study aims to analyze the effect of foreign direct investment (FDI) and domestic investment on Indonesian economic growth. The data used was time series data on Indonesian economy from year. Furthermore. The result shows that Foreign Direct Investment (FDI) has a positive but not significantly affected Indonesia economic growth, while Domestic Investment has a positive significant effect on Indonesian economic growth. Based on the research result it is recommended that Indonesia's government has to maintain the stability of economic variables that can stimulate foreign and domestic invesment in order to achieve suistainable economic growth.

	Author, Year, Title	Analysis Method	Result
10	Abdul Khaliq and Ilan Noy, 2003, Foreign Direct Investment and Economic growth: Empirical Evidences from Sectoral Data in Indonesia	Cobb-Douglas production function framework	Economic growth in Indonesia in different economic sectors employing FDI inflows data for the period 1997-2006. The previous literature, in general, found a positive effect of inward FDI on economic growth but with a significant number of dissenting opinions. In this study, we found that, at aggregate level, FDI does indeed appear to have a positive effect on economic growth. However, at sectoral level, the effects of FDI on economic growth vary across sectors, and no aggregate affects are observed. Interestingly, FDI in the mining sector has a negative effect on economic growth. The results seem to support the argument that extractive FDI might not enhance economic growth. Vu et al. (2006) reached similar conclusions casting doubt on the overall general benefit of FDI inflows. However, in their research, FDI into the manufacturing sector in China and Vietnam was observed to have a large positive effect on economic growth. Data for Indonesia does not include FDI for manufacturing and we are unable to test whether this positive result also applies to the Indonesian case. The empirical evidence

C. Research Hypothesis

From the explantion of the theories from economic growth, foreign direct investment, export and, and import and supported by previous studies above, the researcher take the conclusion for a while there are:

1. It is alleged that Foreign Direct Investment has a significant effect on gross domestic product in Indonesia .
2. It is alleged that Export has a significant effect on gross domestic product in Indonesia.
3. It is alleged that Imports has a significant effect on gross domestic produt in Indonesia.

D. Research Framework