European Journal of Research Development and Sustainability (EJRDS)
Available Online at: https://www.scholarzest.com
Vol. 3 No. 1, January 2022
ISSN: 2660-5570

MONETARY POLICIES AND DIRECT FOREIGN INVESTMENTS AFFECT ECONOMIC GROWTH IN INDONESIA AND VIETNAM

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Article history:

Received: 26th October 2021
Accepted: 24th November 2021
Published: 5th January 2021

Abstract:

Putri Anggreni B., 2021. "The Effect of Monetary Policy and Foreign Direct Investment on Economic Growth in Indonesia and Vietnam". State University oh Gorontalo. The Principal Supervisor is Dr. Muhammad Amir Arham, M.E. and the Co Supervisor is Fitri Hadi Yulia Akib, SE, ME.

The research aims to determine the effect of monetary policy and foreign direct investment on economic growth in Indonesia and Vietnam. This research applies a quantitative method, in which it uses data in the form of numbers as a tool to analyze information that needs to be collected. The research subjects that are available.

The research findings reveal that the inflation variable has a positive and significant effect on Indonesia's economic growth, whereas it has a negative and significant effect on Vietnam's economic growth between 1991-2020. In addition, the interest rate variable has a positive and significant effect on Indonesia's economic growth, while it has a positive but insignificant effect on Vietnam's economic growth between 1991-2021. Additionally, the exchange rate variable has a positive but insignificant effect on Indonesia's economic growth, whereas it has a negative and significant effect in Vietnam's economic growth between 1991-2021. Lastly, foreign direct investment variable has a positive and insignificant effect on Indonesia's economic growth, whereas it has a positive but insignificant effect on Vietnam's economic growth between 1991-2020.

Keywords: Monetary Polic, Inflation, Interest Rate, Exchange Rate, Investment Foreign Direct, Economic Growth, Indonesia, Vietnam

1. INTRODUCTION

Economic growth as a process of increasing output from time to time is an important indicator of the success of a country's development, Todaro (2005) in Ma'ruf (2008 :12). In a development, growth is definilety expected. The development objective of development policy is to harmonize growth and reduce inequality. If economic growth is high, then development will succed. In order to encourage the transformation of the structure of the national economy towards a balanced and dynamic economy, high economic growth is required.

Economic growth is one of the indicators to assess the performance of the economy, especially in analyzing the results of economic development that has been carried out by a country. Economic growth shows the extent to which economic activity can generate additional income or social welfare within a certain period of time.

The figures for economic growth in various countries, especially Indonesia and Vietnam from 1991-2020 are based on data from the World Bank which is presented in graphic form as follows:

Source: World Bank and Trading Economics data, 2020
Graph 1.1 Economic growth of Indonesia and Vietnam (in percent)

Graph 1.1 above shows that Indonesia's economic growth rate in 2020 contracted by 2.07%. This decline in economic growth was caused by the outbreak of the Covid-19 Virus that hit the whole world including Indonesia and Vietnam at the end of 2019. In the midst of the declining economies of various countries, as for the countries that did not experience a contraction due to the Covid-19 virus pandemic, one of them was Vietnam, which is the only country in ASIA that did not experience a contraction. Although seen from the graph above, Vietnam's economic growth in 2016 decreased, but the achievement of its economic growth has become one of the countries in Asia with the fastest economic growth. The slowdown in growth was caused by various factors, one of which was the weather, marine environmental disasters and the unfavorable global economic conditions that year. However, it did not last long, from 2017 to 2018 Vietnam's economic growth rate increased by 7.07%. This achievement is one of the highest in the world. Then in 2020 Vietnam's economic growth rate only grew by 2.6%. There has been a drastic decrease from the previous year due to the Covid-19 virus pandemic. Even though its economic growth is declining, it doesn't make Vietnam's economic growth experience a contraction or a recession

The factors that caused the world's economy to decline were due to a large-scale lockdown that caused production to decline and the demand side to slow down significantly. This has caused Indonesia to experience a decline in people's income and purchasing power as well as falling commodity prices which then made it difficult for Indonesia to export, decreased income from the tourism, aviation, and various other sectors and many businesses were closed due to weakening demand, supply and demand. production. The increase in unemployment was caused by massive layoffs from various companies. Then, with the decline in world commodity prices and also the weak performance of several components of the government and investment in the construction sector, which led to a lack of domestic foreign investment. In addition, the government's handling of the Covid outbreak is considered slow, causing economic growth to decline.

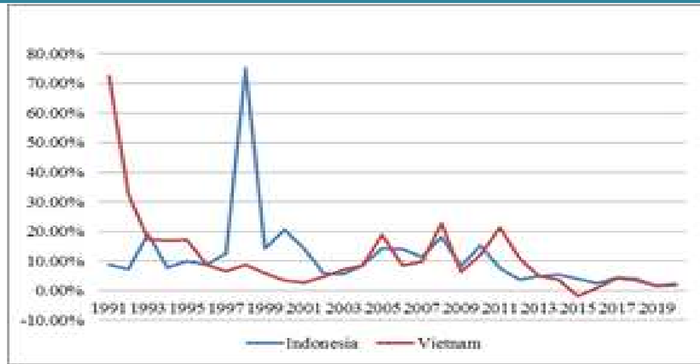
In contrast to the country of Vietnam, which handled the pandemic faster, Vietnam avoided contraction and did not even experience a recession. Based on Nikkei Asia data, Vietnam's economic growth (y.o.y) grew by more than 0.39%. Meanwhile, Vietnam's GDP in the July-September 2020 period increased by 2.62%. The factor that causes Vietnam's economic growth to grow is that the demand for exports of personal computers used by workers and students is increasing worldwide. Then in the third quarter, Vietnam's exports actually rose 11% with a value reaching 80 billion US dollars. Coupled with the increase in steel exports to China and in the January-September period, Vietnam's exports to the United States increased by 12.7% with a value of 5.4 billion US dollars.

The gross domestic product (GDP) per capita in Indonesia per year in 2020 according to BPS is USD 3,911.7 or Rp 15,434.2 trillion (exchange rate of Rp. 14,080.95 per USD). Meanwhile, the GDP per capita in Vietnam as of 2020 is USD 2,777,000 or VND 63,932.54 dong (exchange rate of VND 23,022.16- per USD).

With the slowing down of economic growth in Indonesia and the weakening of the value of the rupiah currency which was influenced by several factors, one of which was the trade war between the United States and China, then coupled with the Covid-19 pandemic which caused the economy to experience further declines, monetary policy was urgently needed to maintain and maintain rupiah stability. The strategy for implementing monetary policy is carried out differently from one country to another, according to the objectives to be achieved and the transmission mechanism that is believed to apply to the economy in question.

Monetary policy plays an important role in creating economic stability. An excessive increase in the money supply can cause prices to rise beyond the expected level, which can disrupt long-term economic growth. Conversely, if the increase in the money supply is very low, there will be sluggishness. If this situation continues, the prosperity of society as a whole will in turn decline. This condition is caused by the efforts of the government or the monetary authority of a country in controlling the money supply in the economy.

In general, monetary policy affects inflation, interest rates, credit, exchange rates, and several other economic and financial variables. Inflation is the percentage change in prices that rapidly increases in a certain period. Where inflation is a measure of people's economic problems. Inflation occurs due to pressure from the supply side (cost push inflation), from the demand side (demand pull inflation) and inflation expectations. The inflation rate in Indonesia and Vietnam in 1991-2020 is presented in graphic form as follows:



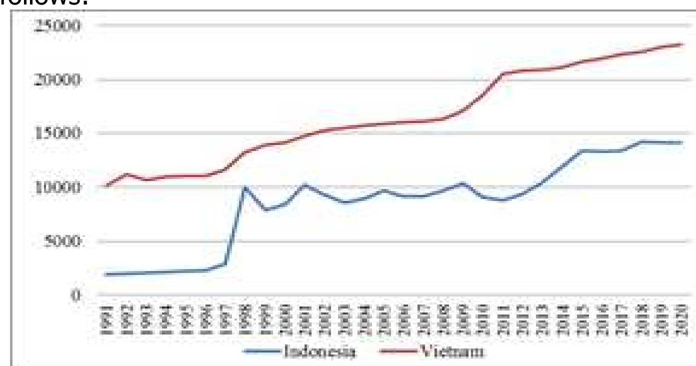
Source: World Bank Data, and Trading Economics, 2020
Graph 1.2 Inflation in Indonesia and Vietnam (in percent)

Not only inflation, interest rates are also very influential on monetary policy. The interest rate is the return on the invested capital. The bigger the capital, the higher the interest rate. The interest rate (already in inflation correction) occurs when there is an interaction between the supply of savings to be loaned and the demand for savings, where the actual productivity and the prospect of loan objectives close the gap between investment and available sources of funds. The interest rate is also the price or profit obtained from investors for the use of investment funds in calculating the economic value for a certain period. Bank interest rates aim to control the economy of a country.

Interest rates are regulated and determined by the government to maintain the continuity of a country's economy. Interest rates are important to consider because the average investor always expects a higher investment return. The interest rates in Indonesia and Vietnam in 1991-2020 are as follows:

Source: World Bank Data, 2020 and Trading Economics, 2020
Graph 1.3 Interest Rates in Indonesia and Vietnam (in percent)

Economic growth is also related to the exchange rate of a country's currency. The exchange rate is defined as the value of the domestic currency against foreign currencies. Exchange rate is the number of units or units of a certain currency required to obtain or purchase one unit or units of another type of currency. The nominal exchange rate is the value used when currency exchange occurs between countries to other countries. While the real value is the value that can be used in the exchange of goods and services from one country to another. The exchange rates in Indonesia and Vietnam in 1991-2020 are as follows:



Source: World Bank Data, 2020 and Trading Economics, 2020
Graph 1.4 Exchange rates in Indonesia and Vietnam (LCU per US$)

Stable economic growth cannot be separated from the role of domestic (domestic) and foreign (foreign) parties. Therefore, it takes funds or investment financing that is quite large in realizing equitable economic development. Limited funding is a problem in the economic development of a country. One source of financing to cover the limited burden of developing the economy is investment. In terms of capital formation, both domestic and foreign investment through foreign direct investment contributes to economic growth.

Foreign investment in financial assets, especially investment institutions, is higher than the income from similar investments in the country. Through foreign direct investment, foreign capital can make a better contribution to the development process. Given the importance of foreign investment in driving economic growth, developing countries such as Indonesia and Vietnam must continue to make profitable investments through deregulation, debureaucratization and simplified licensing mechanisms to attract foreign investors to invest. For developing countries whose economies are still very dependent on loans or assistance from other countries, the export of high value-added products is very important.

The number of foreign direct investment in Indonesia and Vietnam from 1991-2020 is based on World Bank data which is presented in the form of a graph as follows:

Source: World Bank Data, 2020 and Trading Economics, 2020

Graph 1.5 Foreign direct investment, net inflows (Billion US$)

In 2016 foreign direct investment in Indonesia again experienced a drastic decline when compared to the previous year. Then in 2018 foreign direct investment again experienced a significant decline to US $ 18.909 billion. According to INDEF, the decline in the realization of foreign direct investment in 2018 was the result of an error in the investment licensing mechanism carried out by the government. The transition of the Online Single Submission (OSS) investment permit service from the Coordinating Agency for the Economy is considered the main trigger for the realization of foreign direct investment to decline in 2018. And it increased again in 2019 by US$24,515 billion. But then it fell again in 2020 by US $ 11.110 billion due to investors delaying business decisions due to the corona virus pandemic. When there is a decline in the level of foreign investment, the government will make monetary policy decisions by reducing the interest rate of the central bank so that investment is expected to increase

2. THEORETICAL STUDIES

A. Economic Growth

According to Sukirno (2006) in Deluma (2019: 12) economic growth is defined as an increase in the physical production capacity of goods and services within a certain period of time. An economy is said to be growing if there is an increase in output per capita in the long run from a certain year compared to previous years.

The theory of economic growth in this study is divided into two, namely endogenous economic growth and exogenous economic growth. The theory of endogenous growth was developed by Paul Romer in the late 80s. This theory views that growth is determined by the system that regulates the production process (endogenous) not by forces from outside the system. Because, this theory views the importance of identifying and analyzing factors originating from within (endogenous) the economic system that affect economic growth (Mankiw, 2007) in Sinta (2017: 27). Endogenous growth theory focuses on the importance of human capital and research and development (R&D) variables. These two variables are closely related to government policies which are reflected in government spending in the fields of infrastructure, education and health for the formation of human capital and technological progress. and on the theory of exogenous growth put forward by Robert Solow. The theory of exogenous growth is very simple, but makes sharp predictions about the sources of economic growth. Such as, what causes the standard of living to increase over time, what happens to the rate and rate of growth of aggregate income as the saving rate or population growth rate increases, and what we should observe happens to the relative standard of living across countries over time. . This theory is much more optimistic about the prospects for long-term improvements in living standards. Continuous improvement in the standard of living is possible but continuous technological progress is urgently needed. Robert Solow argues that economic growth is a series of activities originating from humans, capital accumulation, as well as the use of modern technology and outputs.

B. Monetary Policy

According to Perry Warjiyo, monetary policy is the policy of the monetary authority and the central bank in the form of control, especially monetary so as to be able to control the development of economic activities. Monetary policy consists of inflation, interest rates, exchange rates, credit, and the money supply. Monetary policy is carried out on instruments such as interest rates, minimum statutory reserves, intervention in the foreign exchange market and as a last resort for banks to borrow money when experiencing liquidity problems. The monetary policy issued by the Central Bank has a certain function for the economy of a country.

Inflation is a condition where there is a tendency to increase the price of goods and services in general and takes place continuously caused by an imbalance in the flow of goods and money in an economy. The price in question is the price of all people's needs while continuously means all increases in goods that occur not only once but repeatedly. Makaryo (see Dewi, 2016: 4).

An increase in the price of goods and services occurs when there is a lot of demand but inversely proportional to the supply or availability of goods and services in the market that remains or even decreases.

Apart from inflation, another important variable in monetary policy is the interest rate. According to Keynes, interest rates are a monetary phenomenon whose formation occurs in the money market. Where interest rates are determined by the supply and demand for money. Money will affect economic activity (GNP) as long as this money affects interest rates. Changes in interest rates will then affect the desire to invest and thus will affect GNP (Nopirin, 1992:35) in Hartin (2016: 7).

Then the exchange rate or commonly referred to as the exchange rate is the ratio of the price of one country's currency to the price of another country's currency. As in the value of the rupiah against the Vietnamese dong, it shows how many rupiahs are needed to be exchanged for one Vietnamese dong. An exchange rate or better known as an exchange rate is an agreement referred to as a currency exchange rate for current or future payments between two currencies in each country or region. The decline in the exchange rate against foreign currencies will cause an increase in the cost of imported raw materials for production and also increase interest rates, which will cause a decrease in company performance and investment in the capital market, but the strengthening of the exchange rate to a certain extent means that the performance of the money market is increasingly showing. repair.

C. Foreign Direct Investment

Developing countries require more investment, especially foreign investment because in general the level of domestic savings is low (Sadli, 2002) in Febriana (2004: 110). Investment, especially foreign investment, can act as a medium for transferring the need for resources such as technology, export routes and capital from developing countries. Therefore, investment will increase productivity and economic growth.

Foreign direct investment is a form of foreign investment that plays an important role in improving the welfare of the host country because of the benefits associated with new innovations, new technologies, management techniques, skills development, increasing capital, creating job opportunities and developing the industrial sector in the host country. (Wadhwa, 2011) in Febriana (2014: 111). Foreign direct investment is also a long-term flow of capital and is relatively not vulnerable to economic turmoil (Kurniati, et al. 2007) in Febriana (2014: 110).

Foreign direct investment is an important source of financing for developing countries, including Indonesia and Vietnam. Foreign direct investment is expected to make a major contribution to development through the transfer of assets, technology and managerial skills in order to increase economic growth

3. RESEARCH METHODS

A. Time and Research

This study includes 3 important components, namely monetary policy (inflation, interest rates, exchange rates), foreign direct investment and economic growth in Indonesia and Vietnam over the last 30 years, namely 1991-2020.

B. Types of Research

The type of research used by the author is quantitative research. Quantitative research is a method that uses data in the form of numbers as a tool to analyze information about what you want to know.

C. Method of Collecting Data

The data collected uses secondary data where secondary data is data obtained from other parties (already available) and has been processed by other parties which are usually in the form of publications. The type of data based on its nature used is quantitative data. The data collection process was obtained from government institutions such as BPS (Central Statistics Agency), Bank Indonesia, and the World Bank, and various other websites. The data used is the time series (time period) from 1991-2020.

D. Data Analysis Techniques

This study uses multiple linear regression analysis techniques. This analysis is used to determine how much influence the independent variables, namely inflation (inf), Interest Rate (Rate), Exchange Rate (Exchange), and Foreign direct Investment (invest) have on the dependent variable, namely Growth.

$$\text{Growth} = \beta_0 + \beta_1\text{Inf} + \beta_2\text{Rate} + \beta_3\text{Exchange} + \beta_4\text{Invest} + \varepsilon$$

Where Growth is economic growth, $\beta_1\text{Inf}$ = Inflation regression coefficient, $\beta_2\text{Rate}$ = Interest rate regression coefficient, $\beta_3\text{Exchange}$ = Exchange rate regression coefficient, $\beta_4\text{Invest}$ = Foreign direct investment regression coefficient.

4. RESULT OF RESEARCH AND DISCUSSION

A. Data Analysis

Tabel 4.5 Multiple Regression Output

Variabel	**Indonesia**		**Vietnam**	
	Coef.	**Prob.**	**Coef.**	**Prob.**
INF	**0.095181**	*****0.0000**	**-0.018334**	****0.0222**
SB	**0.110946**	****0.0310**	**0.005136**	**0.9407**
NT	**4.71E-08**	**0.1072**	**-1.05E-07**	***0.0751**
INV	**2.13E-11**	**0.4467**	**2.42E-11**	**0.7953**
Prob > F	****0.000005**		****0.035165**	
Adjusted R-	**0.688323**		**0.221071**	

squared		
DW	**1.327308**	**1.145904**

Description: Sig level; *** α = 1%; **α = 5%; and * α = 10%.
Source: Processed Data (2021)

Based on the results above, it can be seen that:
1) Inflation variable has a positive effect on Indonesia's economic growth in 1991-2020, this means that for every 1% addition of inflation, Indonesia's economic growth in 1991-2020 will increase by 0.095181. While the inflation variable has a negative effect on Vietnam's economic growth in 1991-2020, this means that for every 1% addition of inflation, Vietnam's economic growth in 1991-2020 will decrease by 0.018334.
2) The interest rate variable has a positive effect on Indonesia's economic growth in 1991-2020, this means that for every 1% addition to the interest rate, Indonesia's economic growth in 1991-2020 will increase by 0.110946. While the interest rate variable has a positive effect on Vietnam's economic growth in 1991-2020, this means that for every 1% addition to the interest rate, Vietnam's economic growth in 1991-2020 will increase by 0.005136.
3) The exchange rate variable has a positive effect on Indonesia's economic growth in 1991-2020, this means that for every 1% addition of the exchange rate, Indonesia's economic growth in 1991-2020 will increase by 4.71E-08. While the exchange rate variable has a negative effect on Vietnam's economic growth in 1991-2020, this means that every 1% addition of the exchange rate, Vietnam's economic growth in 1991-2020 will decrease by 1.05E-07
4) The variable of foreign direct investment has a positive effect on Indonesia's economic growth in 1991-2020, this means that for every additional 1% of investment, Indonesia's economic growth in 1991-2020 will increase by 2.13E-11. While the foreign direct investment variable has a positive effect on Vietnam's economic growth in 1991-2020, this means that for every additional 1% of investment, Vietnam's economic growth in 1991-2020 will decrease by 2.42E-11.

B. Statistical Hypothesis Test

1. Determination Test of R2

The value of R2 shows the magnitude of the independent variables in influencing the dependent variable, in multiple linear regression it aims to find out how big the proportion (percentage) of the contribution of each independent variable to the dependent variable (Supranto, 2005) in Dewi (2015: 990).

Based on Table 4.5 the value of Indonesia's Adjusted R-squared is 0.688323. This means that the independent variable is able to explain the variable Indonesia's economic growth in 1991-2020 by 69% (rounded up), so it can be said that 69% of the value of economic growth can be explained by the model, while 31% is explained by other factors not included in the model. Meanwhile, Vietnam's Adjusted R-squared value is 0.221071. This means that the independent variable is able to explain the variable Vietnam's economic growth in 1991-2020 by 22% (rounded up), so it can be said that 22% of the value of economic growth can be explained by the model, while 78% is explained by other factors not included in the model.

2. F Test (Simultaneous Significant Test)

The F test is used to determine whether the independent variables jointly significantly affect the dependent variable. Based on Table 4.5, the p-value in Indonesia and Vietnam is less than the significance level value (α=0.05). This means that the independent variables jointly affect the dependent variable.

3. t test (Partial Significance Test)

The t-test is used to determine how far one independent variable individually can explain the dependent variable. Based on table 4.5 above, it can be seen that:
1) Inflation variable has a significant effect on Indonesia's economic growth in 1991-2020, because the Prob value of inflation is smaller than the Sig level. (0.01) so that H1 is accepted. While the inflation variable has a significant effect on Vietnam's economic growth in 1991-2020, because the Prob value of inflation is smaller than the Sig level. (0.05) so that H1 is accepted.
2) The interest rate variable has a significant effect on Indonesia's economic growth in 1991-2020, because the Prob value of the interest rate is smaller than the Sig level. (0.01) so that H1 is accepted. While the interest rate variable has no significant effect on Vietnam's economic growth in 1991-2020, because the Prob value of the interest rate is greater than the Sig level. (0.01) so that H0 is accepted.
3) The exchange rate variable has no significant effect on Indonesia's economic growth in 1991-2020, because the Prob value of the exchange rate is greater than the Sig level. (0.01) so that H0 is accepted. Meanwhile, the exchange rate variable has a significant effect on Vietnam's economic growth in 1991-2020, because the Prob value of the exchange rate is smaller than the Sig level. (0.10) so that H1 is accepted.
4) The foreign direct investment variable has no significant effect on Indonesia's economic growth in 1991-2020, because the Prob value of foreign direct investment is smaller than the Sig level. (0.01) so that H1 is accepted. Meanwhile, the foreign direct investment variable has no significant effect on Vietnam's economic growth in 1991-2020, because the Prob value of foreign direct investment is greater than the Sig level. (0.01) so that H0 is accepted.

C. Classic Assumption Test

1. Normality Test

Table 4.6 Normality Test Output

Indonesia	Vietnam
Prob. Jarque-Bera	**Prob. Jarque-Bera**
0.742	**0.217**

Source: Processed Data (2021)

Based on table 4.6 above, the country of Indonesia and the country of Vietnam the probability value of the independent variable (Jurque-Bera) is greater than the Significant level (0.01), so it can be concluded that the residuals are normally distributed

2. Multicollinearity Test

Table 4.7 Multicollinearity Test Output

Variabel	Indonesia	Vietnam
	VIF	**VIF**
INF	1.454573	1.766588
SB	1.369491	1.308648
NT	1.162169	5.621274
INV	1.228691	4.826133

Source: Processed Data (2021)

From table 4.7 above, it can be seen that the VIF (Variance Influence Factor) value between independent variables is below 10.00, thus the data in this study does not have multicollinearity problems.

3. Heteroscedasticity Test

Table 4.8 Heteroscedasticity Test Output

Heterokedastisitas	Indonesia	Vietnam
	Prob>chi2	**Prob>chi2**
Breusch-Pagan-Godfrey /Prob-White	**0.3269**	**0.1643**

Source: Processed Data (2021)

Berdasarkan tabel 4.8 di atas, nilai Probabilitas White lebih besar dari taraf signifikan 0.01 sehingga dapat disimpulkan data yang di teliti pada negara Indonesia dan Vietnam tidak terjadi heterokedastisitas.

4. Autocorrelation Test

In this study, the autocorrelation test was carried out using the Durbin-Watson test, the decision making whether there was autocorrelation can be seen from the following provisions (Santoso, 2012)

1). DW numbers below -02 have positive autocorrelation
2). DW numbers between -2 to +2 there is no autocorrelation
3). Dw numbers above +2 have negative autocorrelation

The DW statistic for Indonesia in this study is 1.32. By looking at the DW statistics, there is no autocorrelation. And the DW value of Vietnam's statistics in this study is 1.15. By looking at the DW statistics, the results do not occur autocorrelation

D. DISCUSSION

1. The Effect of Inflation on Economic Growth in Indonesia and Vietnam in 1991-2020

The results of this study indicate that the inflation variable has a positive effect on Indonesia's economic growth in 1991-2020, this means that for every 1% addition of inflation, Indonesia's economic growth in 1991-2020 will increase by 3.091696. Whereas in Vietnam, the inflation variable has a negative effect on Vietnam's economic growth in 1991-2020, this means that for every 1% addition, Vietnam's economic growth in 1991-2020 will decrease by 0.018334.

In this study, inflation is less than 10%, so inflation will not significantly affect economic growth, and in economic theory, inflation does affect economic growth. Because inflation that occurs below 10% inflation will not affect economic growth in this study, so inflation below 10% is a moderate inflation rate. A low and controlled inflation rate will be a simulator of economic growth. Uncontrolled inflation rate will increase the profits of entrepreneurs to make a profit.

2. The Effect of Interest Rates on Economic Growth in Indonesia and Vietnam in 1991-2020

The results of this study indicate that the interest rate variable has a positive and significant effect on Indonesia's economic growth in 1991-2020. It is said to be significant because the Prob value of the interest rate is smaller than the Sig level. (0.01) so it is H_1accepted. Meanwhile in Vietnam, the interest rate variable has a positive and insignificant effect on Vietnam's economic growth in 1991-2020, because the Prob value of the interest rate is greater than the Sig

level. (0.01) so it is H_0 accepted.

3. The Effect of Exchange Rates on Economic Growth in Indonesia and Vietnam in 1991-2020

The results of this study indicate that the exchange rate variable has a negative and insignificant effect on Indonesia's economic growth in 1991-2020. Thus, if the exchange rate increases, Indonesia's economic growth in 1991-2020 will decline. Whereas in Vietnam, the exchange rate variable had a negative and significant effect on Vietnam's economic growth in 1991-2020. Thus, if inflation increases, Vietnam's economic growth in 1991-2020 will decline.

To strengthen the results of the analysis, the researchers conducted a multicollinearity test to see if there was a correlation between the independent variables. Judging from the VIF (Variance Influence Factor) of the Indonesian exchange rate variable of 1.156404 and the VIF of the Vietnamese exchange rate variable of 5.621274, it is below 10.00, thus the data in this study does not have multicollinearity problems.

4. The Effect of Foreign Direct Investment on Economic Growth in Indonesia and Vietnam in 1991-2020

The results of this study indicate that the foreign direct investment variable has a positive and significant impact on Indonesia's economic growth in 1991-2020. Thus, if foreign direct investment increases, Indonesia's economic growth in 1991-2020 will increase. Meanwhile in Vietnam, the variable of foreign direct investment has a positive and insignificant effect on Vietnam's economic growth in 1991-2020. Thus, if foreign direct investment increases, Vietnam's economic growth in 1991-2020 will increase.

CONCLUSION

Based on the results of the research and discussion that has been described in the previous chapter which is a discussion of the data obtained, it can be concluded:

1) The inflation variable has a positive and significant impact on Indonesia's economic growth in 1991-2020. Meanwhile in Vietnam, the inflation variable has a negative and significant effect on Vietnam's economic growth in 1991-2020. It is said to be significant because the average inflation of the two countries is below 10%, this means that inflation will not affect economic growth in this study, so assuming inflation below 10% is a moderate inflation rate.
2) The interest rate variable has a positive and significant impact on Indonesia's economic growth in 1991-2020. Meanwhile in Vietnam, the interest rate variable has a positive and insignificant effect on Vietnam's economic growth in 1991-2020. It is said to be significant because the loan interest rates from the two countries are relatively high so that they have a positive influence on economic growth.
3) The exchange rate variable has a negative and insignificant effect on Indonesia's economic growth in 1991-2020. Whereas in Vietnam, the exchange rate variable had a negative and significant effect on Vietnam's economic growth in 1991-2020.
4) The variable of foreign direct investment has a positive and significant impact on Indonesia's economic growth in 1991-2020. Meanwhile in Vietnam, the variable of foreign direct investment has a positive and insignificant effect on Vietnam's economic growth in 1991-2020. This is because the large foreign direct investment of the two countries in public goods will encourage the growth of the private sector and households in allocating existing resources in an area. This will eventually lead to an increase in GDP.

SUGGESTION

Several suggestions or policy recommendations are proposed based on the results of the research described previously as follows:

1) The government is expected to provide or issue policies that can control the inflation rate because high inflation rates have a negative effect on economic growth.
2) It is expected that the role of the central bank in setting policy on interest rates must be in accordance with the procedures and circumstances.
3) It is expected that investors can consider the inflation rate, interest rate and exchange rate in investing in a country. And consider other variables that are not which are other variables outside the variables that have been included in this study.

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