

THE INFLUENCE OF FOREIGN EXCHANGE POLICY FROM EXPORT PROCEEDS, IMPORT PAYMENTS, INFLATION RATE, AND RUPIAH EXCHANGE RATE ON FOREIGN DIRECT INVESTMENT IN INDONESIA



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Abstract

Various factors influence foreign direct investment in Indonesia. This study's main objective is to determine the influence of foreign exchange policies resulting from exports, imports, inflation rates, and exchange rates on foreign direct investment (FDI) in Indonesia in 2018-2022. This data was obtained from the Central Statistics Agency, Bank Indonesia, Ministry of Finance and Trade. The analysis technique used in this research is multiple linear regression. Apart from that, a t-test can be carried out to determine the significance of the influence of the independent variable on the dependent variable. The calculation results show that the Export, Import, and Inflation variables in the short term and long term have a positive and significant effect on foreign direct investment in Indonesia, while the exchange rate does not have a positive and significant effect on Foreign Direct Investment. Variables This research is quantitative research using time series financial data from 2018-2022.

Keywords: Foreign Direct Investment, Exports, Imports, Inflation, Exchange Rates

INTRODUCTION

Indonesia is a large country with the fourth largest population in the world a large workforce and abundant natural resources. This makes Indonesia one of the promising countries for investment. As a developing country, Indonesia needs a fairly large budget to carry out national development. This need for funds occurs because of efforts to advance development that are lagging behind developed countries both in the regional and global regions.

Indonesia still needs funds for the development implementation process. Apart from seeking to source domestic financing, the government also invites foreign sources of financing, one of which is Foreign Direct Investment (FDI). Foreign Direct Investment is known as an important catalyst for a country's economic development because of its ability to increase the competitiveness of companies in the host country and FDI also brings in new capital, new technology, and creates jobs, and increases international trade (Felicity Defung, 2021).

Foreign investment has been carried out by several developed countries in developing countries. As a developing country, Indonesia has diverse resources but the utilization of these resources is not yet optimal due to limited capital (Eliza, 2013).

Foreign investment has an important role in spurring the economic growth and development of a country. Foreign investment not only provides additional capital but also provides technology, management, and employment that contribute to economic diversification and increase the competitiveness of national industry (Firnandha Adhi, 2017). Foreign Investment often called PMA is an economic activity in which long-term investment is usually carried out by external parties from abroad to another country to carry out a business in the country receiving the capital.

Foreign direct investment (FDI) is a long-term investment for developing countries, which can also help economic development in Indonesia. Increasing foreign direct investment can also improve the standard of living of Indonesian people and foreign investment can also help companies to help control international business operations and increase profits.(Saepuloh, 2019). Investment in the form of FDI is a relatively stable investment in the long term and FDI is also useful for accelerating economic recovery

because it receives financial assistance and a fairly extensive workforce absorption. Apart from that, the influx of FDI shows the confidence of foreign investors to carry out their economic activities in the destination country, thereby encouraging capital inflow (Wildan, 2019).

The increase in output from time to time which can be used as an important indicator to measure the success of a country's development is a process of economic growth. Indonesia's economic growth is said to be quite slow, but the slow economic growth is offset by high levels of imports, therefore Indonesia is still said to be a developing country. This condition can occur because of the adoption of an open economic system whose activities cannot be separated from the phenomenon of export and import relations between one country and another. Several factors are directly or indirectly related to foreign investment activities in the country, including trade openness. Trade openness can be obtained through export and import trade activities.

Exports are one source of foreign exchange reserves. Foreign exchange will decrease if the level of imports is greater than the level of exports. The greater the foreign exchange reserves in a country, the country can carry out international trade activities with other countries the size of a country's accumulated foreign exchange reserves will usually be determined by trade activities (exports and imports) and the country's capital flows (Virgoana Gandhi, 2006).

Indonesia adheres to a free foreign exchange system in its foreign exchange policy, which means that capital flows freely in and out so that the country's economy will be vulnerable to risks arising from the speculative activities of capital owners who can withdraw their funds at any time (Katmas & Indarningsih, 2022). With this, the foreign exchange reserve policy in Indonesia is directed at maintaining healthy economic conditions, encouraging exports, controlling imports, and supporting market stability and foreign exchange rates (Putri, 2017).

Foreign exchange proceeds from exports are funds obtained from export activities of goods and services received by Indonesia from other countries (Rizal et al, 2024). Its foreign exchange policy can affect trade flows and the rupiah exchange rate. Foreign Exchange Proceeds from Exports can be a sustainable source of funds for national economic

development and support the creation of stronger financial markets and macroeconomic stability if the placement is carried out through the Indonesian financial system. Therefore, it is necessary to monitor foreign exchange proceeds from exports.

Apart from foreign exchange from exports, there is Foreign Exchange for Import Payments which also needs to be monitored to support the optimization of obtaining information on demand for national foreign exchange payments (Aulya & Hasmarini, 2024). Meanwhile, to maintain the continuity of national development, support the improvement and resilience of the national economy, as well as optimize the utilization of natural resources which are used as much as possible for the prosperity of the people, the Government has issued a policy regarding the income and placement of foreign exchange proceeds from exports originating from business activities, management, and/or processing of natural resources into the Indonesian financial system.

The country's foreign exchange reserves controlled by Bank Indonesia are recorded on the assets side of Bank Indonesia's balance sheet, which includes, among others, gold, foreign banknotes, and claims in the form of demand deposits, time deposits, money orders, foreign securities and others in foreign currency to foreign parties. which can be used as a means of payment abroad. In managing foreign exchange reserves, Bank Indonesia can carry out various foreign exchange transactions and can receive loans. The amount of foreign exchange reserves is influenced by exports and imports. The development of the world economy is largely determined by exports and imports carried out by countries in the world (Virgoana Gandhi, 2006).

The accumulation of a country's foreign exchange reserves is usually determined by trade activities (exports and imports) and the country's capital flows. Meanwhile, the adequacy of foreign exchange reserves is determined by the size of import needs and the exchange rate system used. In a freely floating exchange rate system, the function of foreign exchange reserves is to maintain monetary stability and is limited to actions to reduce exchange rate fluctuations that are too sharp. Therefore, the required foreign exchange reserves do not need to be as large as the foreign exchange reserves required if the country adopts a fixed exchange rate system (Virgoana Gandhi, 2006).

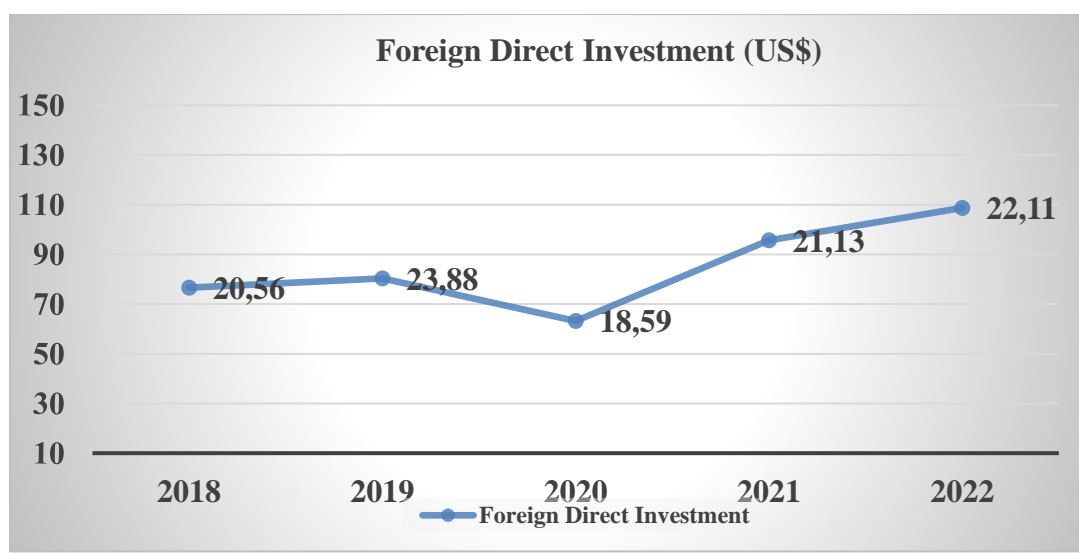
Apart from exports and imports, a country's inflation rate can also affect foreign direct investment. The presence of a high level of inflation can cause production costs to rise, which can reduce company profits, thereby reducing the competitiveness of the economy. Inflation is also a factor that influences the level of a country's foreign exchange reserves. In this case, if inflation in a country is high, the prices of goods and services in the country will be high. This causes changes in the value of the currency, impacts commercial bank demand deposits, and impacts foreign exchange reserves. In other words, the higher the inflation rate, the more the value of a currency will increase due to the increase in prices of goods and services on the market.

Increasing inflation will cause exporters to be unable to produce optimally, causing exports to decline because producing export commodities requires relatively high costs. Indonesia as an exporting country is of course greatly influenced by the level of domestic inflation. When inflation is high, the price of export commodities will increase (Agung, 2021). Goods and services become less competitive in conditions of high inflation, real money's value drops drastically, and people tend not to have cash. This encourages people to carry out transactions in the form of bartering which is usually followed by a decrease in the production of goods, thereby inhibiting new investment (Saepuloh, 2019).

The economy needs inflation at a certain and reasonable level to grow. Inflation is a tool used to determine the economic condition of a country where the economy is weakening due to inflation because the prices of goods and necessities continue to increase (Desrita, 2024).

However, excessive inflation will be very detrimental to people's daily lives. Inflation has proven to be very important for maintaining price stability or the value of the rupiah. The exchange rate is the amount of domestic currency that must be paid to obtain one unit of foreign currency. refers to recent changes in exchange rates. If a currency appreciates, it is said that the currency has strengthened because it can buy more foreign currency, so the price of export commodities becomes more expensive. Meanwhile, when the value of the currency depreciates, the value of the domestic currency will weaken against the value of the foreign currency, which in turn will weaken the value of the foreign currency, thereby causing export commodity prices to become cheaper (Agung, 2021).

Stable fluctuations in the rupiah exchange rate against foreign currencies (especially the US Dollar) will greatly affect foreign exchange reserves. The depreciation of the rupiah exchange rate against the dollar, for example, will have an impact on the development of the Indonesian economy abroad, especially in terms of price competition. If this happens, it will indirectly have an impact on the trade balance, because the value of exports will decrease compared to the value of imports. This will also have an impact on the balance of payments in Indonesia. On the other hand, a high exchange rate can be an obstacle for foreign investors who want to invest in Indonesia, because it makes products more expensive and less attractive to foreign buyers (Khoirun Nisa, 2023).



Source: BPS (Processed Data), 2023

Figure 1.

Foreign Direct Investment in Indonesia from 2018-2022

Based on the data from the results in Figure 1.1 above, it can be explained that foreign direct investment in Indonesia experienced quite significant fluctuations in 2018-2022. This fluctuation can be observed in several annual aspects. In 2018, foreign direct investment in Indonesia amounted to 20.56 billion USD, which was smaller than in 2019, namely 23.88 billion USD. In 2020, foreign direct investment in Indonesia had a value of 18.59 billion USD, because the COVID-19 pandemic had an impact on decreasing global demand and the Indonesian economy. In 2021, foreign direct investment in Indonesia began to recover and reached 21.13 billion USD, and in 2022 it will increase again by 22.11 billion USD. This is

caused by various factors, including global economic recovery, easing of restrictions related to the COVID-19 pandemic, and various government policies aimed at attracting foreign investment.

In economic development, foreign investment is nothing new for underdeveloped countries, even developed countries at the beginning of development depended a lot on foreign investment, especially foreign direct investment. Scarcity of capital, low savings, and low investment are obstacles to development in underdeveloped countries. It is not only the capital supply that is a problem, but also the rate of capital formation is still low. FDI (Foreign Direct Investment) or foreign direct investment is one of the important characteristics of an increasingly globalized economic system, starting when a company from one country invests capital in the long term into a company in another country. Apart from aiming to increase the functional value of a product or service, of course, this expansion aims to maximize company profits and widen the company's consistency in the international arena.

REVIEW OF LITERATURE

Export

Exports are efforts to sell commodities that we own to other countries with government regulations that expect payment in foreign currency (Ayunia Pridayanti, 2014). Exports are defined as foreign trade activities. Proceeds from international sales are denominated in foreign currency, also known as foreign exchange. A country has exported if it can produce competitive goods and services for the international market. Exports play an important role in a country's economy, namely in generating income or increasing domestic production activities (Novianti Sari et al., 2017).

Exports are trade activities between two countries that can increase domestic demand so that they can encourage the progress of foreign trade growth so that developing countries can compete with more developed countries (Kuswanto, 2017). One factor in increasing foreign exchange reserves is caused by export activities. Exports can increase trade between other countries to create economic relations with other countries (Hesniati, 2022).

Import

Import is an international trade activity that includes the activity of sending goods from abroad to all ports throughout Indonesia. Import activities are carried out to meet domestic needs, both in the form of food and for industrial activities and others (Juniantara, 2011). Import activities are carried out due to a lack of available resources and an inability to meet needs so the country imports commodities from other countries. Reducing imports is necessary because excessive imports will cause the quantity of foreign exchange reserves to decrease due to import payments (Jalunggono, 2020). The import process is generally the act of bringing goods or commodities from other countries into the country. Large imports of goods generally require intervention from customs in the sending and receiving countries (Jimmy Benny, 2013).

Imports are an important part of international trade, import activities are carried out to meet people's needs. A person involved in an import activity can be called an importer. An importer is a person or organization that makes sales by bringing products or services from abroad to the domestic market. A country that has a bilateral or multilateral cooperation agreement with another country will import goods and services from that country. Countries import goods or services that cannot be produced domestically. The value of imports depends on the level of national income of a country. If the level of national income is high then domestic production of goods will be low. The high amount of imports is the result of large amounts of national income leakage (Hodijah et al., 2021)

Inflation

Inflation is a condition when prices increase over a long period and result in an increase in the prices of other goods. Price increases apply to all items, not just some. An increase in the prices of goods and services will encourage people to carry out production activities so that the economy can be stimulated to increase national production activities (Fuad Anshari et al, 2017). In an economy, inflation is a process of general and continuous increase in prices which is interrelated with market mechanisms, inflation is also a process of continuous decline in the value of the currency (Dharma Sanjiwo, 2022). Inflation can be interpreted as a symptom of a general and continuous increase in the price of goods. The monetarist view considers inflation to be the result of too much money in circulation so that

the purchasing power of money decreases, and as a result, the price of goods rises. High and unstable inflation is a reflection of economic instability which results in continuous increases in the price level of goods and services, and results in higher levels of poverty in Indonesia (Fadilla, 2021).

Inflation has not been able to be controlled by the government. This is because the form of intervention carried out by the government is adaptive. This means that the government only positions itself as a regulator and supervisor, while the provision of public goods is left to the market. Government intervention as a provider and manager is very dependent on market mechanisms. If the government feels the market is effective, then its intervention tends to be low. This point is the weakness of the Indonesian government's economic liberalization which has an impact on the regions (Djirimu & Kunciututu, 2021)

Rupiah Exchange Rate

The exchange rate or exchange rate is the amount of domestic currency that must be paid to obtain one unit of foreign currency. The exchange rate is divided into two, namely the nominal exchange rate and the real exchange rate (Pingkan Kaligis, 2017). The exchange rate of a country's currency is one of the important indicators in an economy, the currency exchange rate, or what is often called the exchange rate is the price of one unit of foreign currency in domestic currency or it can also be said to be the price of domestic currency against foreign currency (Dewi Kartikaningsih, 2020). A country's currency can experience substantial changes due to changes in economic and socio-political conditions. The value of the foreign currency is the price of a currency expressed in another currency, in simple terms, the exchange rate can be interpreted as the price of a domestic currency against the currency of another country (Rini Silaban, 2022). Exchange rates change frequently, and these changes can take the form of depreciation or appreciation. Currency appreciation and depreciation refer to changes in the value of one currency compared to another currency (Rina Nurjanah, 2023).

International trade (exports and imports) will cause differences in the currencies used between the countries concerned. As a result of currency differences between exporting and importing countries, this creates differences in currency exchange rates or exchange rates.

The exchange rate or exchange rate is the amount of domestic money needed, namely the number of rupiahs needed to obtain 1 unit of foreign currency. The exchange rate is a relative price that is defined as the value of one currency against another currency.

Influence of Independent Variables on Dependent Variables

Exports Against FDI

Foreign direct investment (FDI) and exports are very important components of an open economy in the current era. Exports are defined as foreign trade activities. Proceeds from international sales are predominantly denominated in foreign currency, also known as foreign exchange. A country has exported if it can produce competitive goods and services for the international market.

Exports can also affect foreign direct investment because foreign direct investment (FDI) and exports have the opposite relationship (negative relationship) with FDI if exports increase the impact is that FDI will be depressed so it will decrease (Wildan & Najih, 2019). FDI entering Indonesia has a positive impact on Indonesian exports which follows the general theory of development and indicates that FDI entering Indonesia is direct foreign investment or Vertical FDI (Mayang Pramadhani, 2011). Meanwhile, FDI has a positive long-term impact on exports and a short-term negative impact on exports (Suci Safitriani, 2014).

Imports Against FDI

Import is the process of transporting goods or commodities from one country to another legally, generally in the trade process (Shindy Oktavia, 2022). Imports can also influence foreign direct investment or FDI positively or negatively. If FDI output tends to complement other imported products, it will encourage an increase in imports, but if FDI is concentrated in import substitution industries, it will reduce imports because previously imported goods can already be produced in the host country by foreign investors. An increase in imports in a country will encourage domestic import substitute companies to innovate and restructure themselves to compete with foreign rivals, thereby increasing productivity efficiency (Suci Safitriani, 2014).

There are two possible causal relationships between FDI and imports. First, an increase in imports within a country causes an increase in FDI inflows to the same country.

Imports indicate demand for commodities. As a result, multinational companies may be interested in making direct investments in the country to produce domestic products. Second, the presence of multinational companies in the host country stimulates increased imports through increasing demand for imported supplies, such as raw materials and intermediate products, as well as capital goods from the home country (Pacheco-López, 2005).

Inflation Against FDI

Inflation can also affect foreign direct investment because high inflation will cause high prices of goods and services so production input costs increase. The large or small factor of incoming foreign direct investment/FDI is very dependent on the inflation rate. Inflation also has an indirect impact on investment. When inflation occurs indirectly, foreign companies will tend to reduce their investment, which ultimately causes investment to decrease (Dwi Resti, 2020). The direct impacts of inflation include increasing production costs and decreasing consumer demand, which can reduce industrial competitiveness and reduce the interest of foreign investors. Indirect impacts include macroeconomic stability and monetary policy which can affect foreign investor confidence (Firandha Adhi, 2017).

Inflation also has an unfavorable impact on the economy. Among the negative impacts caused by inflation are: First, if prices in general rise continuously then people will panic, so that the economy will not run normally, because on the one hand there are people who have too much money and buy up money while those who lack it. money cannot buy goods as a result the country is vulnerable to all kinds of chaos it causes. Second, as a result of this panic, people tend to withdraw their savings to buy and accumulate goods so that many banks are in a rush as a result of which banks lack funds, resulting in them closing (bankruptcy) or low investment funds available (Shindy Oktavia, 2022).

Exchange Rate/Exchange Rate Against FDI

In foreign investment, FDI is always related to the exchange rate or exchange rate. Of course, the exchange rate has a big influence on foreign FDI because when the exchange rate weakens a lot of foreign FDI comes in (Wildan & Najih, 2019). A country's currency can experience substantial changes due to changes in economic and socio-political

conditions. The exchange rate experiences continuous movements, and every year the Rupiah exchange rate depreciates against the US Dollar (Dewi Kartikaningsih, 2020).

The rupiah exchange rate is one of the factors that can influence foreign direct investment because if the exchange rate depreciates, Indonesian products will experience a decrease in prices for foreign buyers and labor wages will decrease. This could lead to increased direct foreign capital flows into Indonesia (Dwi Resti, 2020). If a currency appreciates, it is said that the currency has strengthened because it can buy more foreign currency, so the price of export commodities becomes more expensive.

Research Framework

This model aims to test the influence relationship between Exports on Foreign Direct Investment, Imports on Foreign Direct Investment, Inflation on Foreign Direct Investment, and Rupiah Exchange Rate on Foreign Direct Investment. The framework of this research can be structured as follows:

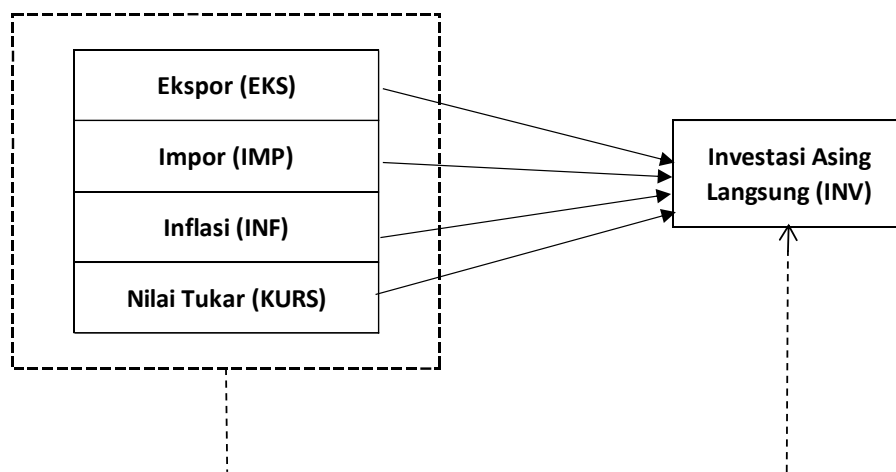


Figure 2.
Research Framework

RESEARCH METHOD

Data Type and Source

Financial data is a time series, namely data collected from time to time on a research object to describe periodic developments. This research uses tools to carry out data analysis

and hypothesis testing, namely Microsoft Excel, and Eviews 10. Data sources were obtained from official data sources such as Bank Indonesia, the Ministry of Finance, the Ministry of Trade, and the Central Statistics Agency (BPS).

Data Analysis

The analysis technique that can be used in this research is multiple linear regression because this research aims to determine the influence of several independent variables on the dependent variable. The dependent variable in this research is foreign direct investment in Indonesia, while the independent variables are foreign exchange policy resulting from exports, import payments, inflation rate, and rupiah exchange rate. In multiple linear regression analysis, the regression coefficient can be used to find out how much influence the independent variable has on the dependent variable. Apart from that, a t-test can be carried out to determine the significance of the influence of the independent variable on the dependent variable.

Multiple linear regression model with econometric model, as follows:

Where:

$$INV_t = \beta_1 EKS_t + \beta_2 IMP_t + \beta_3 INF_t + \beta_4 KURS_t + e_t$$

Information :

INV : Foreign Direct Investment

β_0 : Constant

$\beta_1, \beta_2, \beta_3, \beta_4$: Regression Coefficient

EX : Export

IMP : Import

INF : Inflation

Exchange Rate: Exchange Rate / Rupiah Exchange Rate

t : Time Series

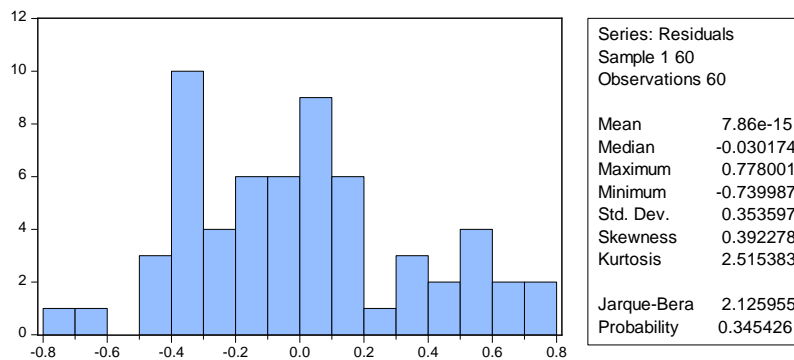
ε : Error

RESULTS AND DISCUSSION

Classic Assumption Test

The classical assumption test is carried out to test the regression model. The classical assumption test is a statement that can be used to analyze multiple linear regression. The classical assumption test consists of the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

Residual Normality Test



Source: Processed Data, 2024

Figure 1.
Residual Normality

In the results of data processing in this study, the results of the residual normality test were obtained where this test obtained a calculated JB probability value of 0.3454 with a significance value greater than α ($0.3454 > 0.05$). So, it can be concluded that the variables used in the regression model have met the normality assumption.

Multicollinearity Test

Table 1.
Multicollinearity Results

Variance Inflation Factors

Date: 12/18/23 Time: 16:14

Sample: 1 60

Included observations: 60

Variables	Coefficient		Centered VIF
	Uncentered Variance	VIF	
C	219.1540	98038.17	NA

LOG(EXPORT)	0.175484	7429.216	4.647094
LOG(IMPORT)	0.204628	8498.649	3.941226
LOG(INFLATION)	0.042870	28.84702	2.291162
LOG(COURSE_V ALUE)	2.210307	90809.74	1.258970

The results of multicollinearity testing with the help of Eviews 10 software can be seen from the Centered VIF table showing that none of the variables is greater than 10. So, it can be said that the regression model is free from multicollinearity.

Autocorrelation Test

Table 2.
Autocorrelation Results

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.079236 Prob. F(2.52)	0.9239
Obs*R-squared	0.179259 Prob. Chi-Square(2)	0.9143

Source: Processed Data, 2024

Based on Table 2, it is known that the value of Prob. (χ^2) calculation is greater than the alpha level of 0.05 (5%) which is 0.9143. It can be concluded that in the regression testing of this research, there was no autocorrelation.

Heteroscedasticity Test

Table 3.
Heteroscedasticity Results

Heteroskedasticity Test: White

F-statistic	2.283171 Prob. F(14.45)	0.0184
Obs*R-squared	24.91885 Prob. Chi-Square(14)	0.0354
Scaled explained SS	15.54114 Prob. Chi-Square(14)	0.3422

Source: Processed Data, 2024

Based on table 3, it is known that the value of the Chi-Square statistic (χ^2) is 24.9188 and the probability value of the Chi-Square statistic (χ^2) is 0.0354 which is greater than α

(0.0354 < 0.05). So, it can be concluded that there is heteroscedasticity in the estimated model.

Linearity Test

Table 4.
Linearity Results

Ramsey RESET Test
Equation: UNTITLED
Specification: FOREIGN_DIRECT INVESTMENT C EXPORT
IMPORT
INFLATION COURSE_VALUE
Omitted Variables: Squares of fitted values

	Value	df	Probability
t-statistic	3.227965	54	0.0021
F-statistic	10.41976	(1, 54)	0.0021
Likelihood ratio	10.58618	1	0.0011

Source: Processed Data

Based on the test above, the value of the F statistic is 3.2279 with a probability value of the F statistic of 0.0021 (< 0.05); so H0 is accepted which means the relationship is linear.

Results of Multiple Linear Regression Analysis

Multiple Linear Regression is a linear regression model involving more than one independent variable or predictor (Nuzwan Sudariana, 2021). Multiple regression analysis is used to determine the influence of foreign exchange policy on export proceeds (EKS), import payments (IMP), inflation rate (INF), and rupiah exchange rate (KURS) on foreign direct investment (INV) in Indonesia. This analysis was processed using Eviews.

Table 6.
Results of Multiple Linear Regression Analysis

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	5.379704	4.971765	1.082051	0.2840
EXPORT	-0.000229	8.01E-05	-2.859578	0.0060
IMPORT	0.000295	0.000106	2.791467	0.0072

INFLATION	3.491662	1.466892	2.380313	0.0208
EXCHANGE				
RATE	-0.000282	0.000344	-0.820547	0.4154
R-squared	0.228634	Mean dependent var	3,084000	
Adjusted R-squared	0.172535	SD dependent var	1.377550	
SE of regression	1.253090	Akaike info criterion	3.368757	
Sum squared resid	86.36290	Schwarz criterion	3.543286	
Log likelihood	-96.06272	Hannan-Quinn Criter.	3.437025	
F-statistic	4.075527	Durbin-Watson stat	0.642187	
Prob(F-statistic)	0.005784			

Source: Processed Data, 2024

Based on the table above, the following multiple linear regression equation is obtained:

$$\begin{aligned} \text{LogINV}_{it} = & 5,379704_{it} - 0,000229\text{LogEKS}_{it} + 0,000295\text{LogIMP}_{it} \\ & + 3,491662\text{LogINF}_{it} - \\ & *(0.000) \quad *(0.000) \\ & 0,000282\text{KURS}_{it} + \varepsilon \\ & *(0.000) \end{aligned}$$

Simultaneous Test (F Test)

The test results in Table 6 show that the variables Export, Import, Inflation, and Exchange Rate are all independent variables, having a calculated F significance of 4.075527 with a significance level of 0.000 which is smaller than the maximum significance level of 0.01. Thus, the results of the analysis in this study show that together the independent variables have a significant influence on foreign direct investment (INV) as the dependent variable.

Coefficient of Determination (Adjusted R2)

The results of calculating the regression coefficient in this study obtained an Adjusted R Square value of 0.1725. This means variations in the independent variables vizExports, Imports, Inflation, and Exchange Rates can explain variations in the dependent variable, namely foreign direct investment of 17.25% while the remaining 82.75% is explained by variations in other variables outside the model studied.

Partial Test (T-Test)

Table 7.
T-Test Results

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	5.379704	4.971765	1.082051	0.2840
EXPORT	-0.000229	8.01E-05	-2.859578	0.0060
IMPORT	0.000295	0.000106	2.791467	0.0072
INFLATION	3.491662	1.466892	2.380313	0.0208
EXCHANGE RATE	-0.000282	0.000344	-0.820547	0.4154

1. Exports, based on the tests in Table 7 it can be seen that Exports have a regression coefficient value of -0.000229 and a significance value of 0.0060 which is smaller than 0.01. This shows that exports have a significant effect on foreign direct investment.
2. Imports, based on the tests in Table 7 it can be seen that imports have a regression coefficient value of 0.000295 and a significance value of 0.0072 which is smaller than 0.01. This shows that imports have a significant effect on foreign direct investment.
3. Inflation, based on the test in Table 7, it can be seen that inflation has a regression coefficient value of 3.491662 and a significance value of 0.0208 which is smaller than 0.01. This shows that inflation has a significant effect on foreign direct investment.
4. Exchange rate value, based on the test in Table 7, it can be seen that the exchange rate value has a regression coefficient of -0.000282 and a significance value of 0.4154 which is greater than 0.01. This shows that the exchange rate does not have a significant effect on foreign direct investment.

The Effect of Exports on Foreign Direct Investment

Testing the effect of exports on foreign direct investment, a coefficient of -0.000229 was obtained, which means it is smaller than the significance level, namely 0.01 ($0.0060 < 0.01$), so it can be concluded that exports have a significant effect on foreign direct investment in 2018-2022. This means that if exports increase by 1 percent, the value of foreign direct investment will decrease, namely -0.000229.

The results of this study are in line with (Wildan, 2019). This research shows the importance of exports in each country. This is shown by the positive influence of exports on foreign direct investment. Investors invest their funds in the ASEAN region because these countries have a fairly wide export market share. This makes countries in this region very popular with investors from abroad. So, it can be said that exports can be a reference for foreign people to invest their capital.

According to (Farhah Bella, 2010). Export Value partially has a significant negative effect on Foreign Direct Investment. The negative relationship between Export Value and Foreign Direct Investment shows that the higher the Export Value, the lower the Foreign Direct Investment. This is because the majority of export value is used to finance imports of capital goods and intermediaries for domestic economic activities. Meanwhile, the results of the research (Bobby Kresna, 2013) states that total exports partially have a significant positive effect on the dependent variable, namely foreign direct investment in Indonesia in 1990-2012, meaning that foreign direct investment in Indonesia will increase with increasing total exports. The research results according to (Amin Mansur, 2023) stated that the export variable does not affect the level of foreign investment from China to Indonesia.

The Effect of Imports on Foreign Direct Investment

Testing the effect of imports on foreign direct investment obtained a coefficient of 0.000295 and a significance value of 0.0072 which is smaller than 0.01. This shows that H_0 is rejected and H_a is accepted, so it can be concluded that imports have a significant effect on foreign direct investment in 2018- 2022. This means that for every 1% increase in imports, foreign direct investment will decrease by 0.000295.

This is in line with the research (Suci Safitriani, 2014) that in the short term, past import behavior in the previous quarter has a significant influence on current import behavior. This is indicated by the coefficient of change in import value in the first lag being positive and significant. This shows that changes in the value of imports in the previous quarter will tend to cause an increase in changes in the value of imports in the following quarter. However, in imports, it was found that FDI had a positive impact on imports, although it was not statistically significant. As for research from (Putri Sri, 2015) which says that the imported variable has a positive influence on foreign direct investment, and it can be partially concluded that there is a significant influence between imports and foreign direct investment. This is because the higher the imports in Indonesia, the higher the foreign direct investment will be.

Meanwhile research from (Chaisrisawatsuk, 2007) state the positive and significant impact of imports from home and host countries from other trading partners on FDI inflows. Increased FDI inflows will stimulate more imports from home and host countries from around the world. For example, by investing in the host country, the home country receives profits from its international investments which increase the country's income and thereby stimulate more imports from other countries. Imports have a beneficial impact in increasing the flow of foreign direct investment (FDI) and are another indicator that has a positive effect on FDI stocks (Popescu Liviu, 2023).

The Effect of Inflation on Foreign Direct Investment

Testing the effect of inflation on foreign direct investment obtained a coefficient of 3.491662 with a significance value of 0.0208, which means it is smaller than the significance level of 0.01 ($0.0208 < 0.01$). So, it can be concluded that inflation has a significant effect on foreign direct investment. This means that for every 1% increase in inflation, foreign direct investment will decrease by 3.491662.

This research is in accordance with the research of (Firmandha Adhi, 2017) where in this research it is stated that partially the inflation variable has a significant effect on FDI in Indonesia. Inflation conditions in Indonesia are in the low category. Low inflation will have a positive impact on the economy. namely, it can stimulate the economy, especially

increasing economic growth which will then increase national income. This will increase demand in the market. So that it can increase investment, especially PMA.

Inflation partially has a significant positive effect on Foreign Direct Investment. This is because inflation does not have a direct effect on increasing investors' interest in making foreign direct investment (Farhah Bella, 2010). Meanwhile research according to (Nadya Khodijah, 2021) said that the Inflation Rate partially has a positive and significant effect on Foreign Direct Investment. When inflation increases, it indicates that the country is experiencing an increase in consumption. (Tsurai, 2022) argue that the negative influence of inflation on FDI is quite significant (fixed effects, dynamic OLS) while there is an insignificant adverse relationship between inflation to FDI.

According to research results from (Habtamu Legese, 2018) believes the negative and significant impact of inflation shows the importance of a more focused macroeconomic policy environment that supports the economy and builds the confidence of potential investors. Necessary steps must be taken to control inflation through the implementation of sound fiscal and monetary policies. Otherwise, we may face an influx of FDI. Inflation can have a negative impact on FDI, higher inflation can cause FDI returns to be lower therefore FDI will decrease (Muhamad Huzaifah, 2022).

The Influence of Exchange Rates on Foreign Direct Investment

Testing the effect of the exchange rate on foreign direct investment obtained a coefficient of -0.000282 with a significance value of 0.4154, which means it is greater than the significance level of 0.01 ($0.4154 > 0.01$). So, it can be concluded that the exchange rate does not have a significant effect on foreign direct investment. This means that for every 1% increase in the exchange rate, foreign direct investment will decrease by 0.4154.

This research is not in line with the research (Firmandha Adhi, 2017). Partially, the exchange rate variable has a significant effect on FDI in Indonesia. The exchange rate can have a positive effect on the economy, especially on the export side. Companies will increase their productivity as a result of increasing demand for goods and services in foreign markets. This encourages investors to invest their capital, especially foreign investors, which of course will increase the value of PMA. The research results are in line with the research (Felicity

Defung, 2021) where in this research it is stated that the exchange rate has a positive effect even though the coefficient is not statistically significant, this means that exchange rate movements do not affect FDI.

According to research from (Putri Sri, 2015), the exchange rate variable does not influence foreign direct investment. This is because the exchange rate factor is not a consideration for investors. According to research from (Asri Febriana, 2014) believes that the influence of the rupiah exchange rate against the US dollar on foreign direct investment in the short term shows a positive and significant sign on the dependent variable, while in the long term, it shows that the rupiah exchange rate against the US dollar has a negative and insignificant effect on foreign direct investment. Meanwhile, according to research from (Nadya Khodijah, 2021) said the results of his research showed that partially the Rupiah exchange rate had a negative and significant influence on foreign direct investment.

(Michael Asiamah, 2019) argue that the Log of exchange rate (LNEXR) which acts as an exogenous variable is statistically significant and has a negative impact on FDI. This means that an increase in the exchange rate of 1 percent in the long term will cause a decrease in FDI of 0.0808 percent. Thus, the negative and significant influence of the exchange rate on FDI is an indication that the exchange rate is the main channel through which the economy can experience difficulties.

CONCLUSION

Based on the results of research that has been carried out using quantitative methods, the conclusions of this research are as follows:

1. Exports have a positive and significant effect on Foreign Direct Investment, so hypothesis one is accepted.
2. Imports have a positive and significant effect on Foreign Direct Investment, so hypothesis two is accepted.
3. Inflation has a positive and significant effect on Foreign Direct Investment, so hypothesis three is accepted.

4. The exchange rate does not have a significant effect on Foreign Direct Investment, so the fourth hypothesis is rejected.

The differences between this research and other research are as follows:

1. The research method uses quantitative methods with multiple linear regression analysis techniques and in multiple linear regression analysis, the regression coefficient can be used to find out how much influence the independent variable has on the dependent variable. Apart from that, a t-test can be carried out to determine the significance of the influence of the independent variable on the dependent variable, which is different from previous research.
2. More independent variables were used than previous research, previous research used the variables Export, Import, and Exchange Rate, while this research uses variables including foreign exchange policy resulting from exports, import payments, inflation rate, and rupiah exchange rate.
3. Many previous research objects used the dependent variable of Foreign Exchange Reserves and Economic Growth in Indonesia, while this research uses the dependent variable of foreign direct investment in Indonesia.

The research limitations that researchers found when conducting this research were as follows:

1. It is difficult to get complete data because there is some data from independent variables that is incomplete.
2. The sample in this study was large but there was a lot of unofficial and relevant data so official and valid data had to be selected.

Some suggestions needed for future evaluation are as follows:

1. It is hoped that further research can add other independent variables outside this research to further examine the influence on Foreign Direct Investment.
2. Future research can expand the research by increasing the number of samples.

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