

**DETERMINANTS OF ECONOMIC GROWTH IN SELECTED APEC
MEMBER COUNTRIES**

***FAKTOR-FAKTOR PENENTU PERTUMBUHAN EKONOMI
DI NEGARA-NEGARA ANGGOTA APEC TERPILIH***

UNDERGRADUATE THESIS



By:
Mohammad Yusril
20170430280

**INTERNATIONAL PROGRAM FOR ISLAMIC ECONOMICS AND
FINANCE
DEPARTMENT OF ECONOMICS
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA
2021**

DECLARATION

Name : Mohammad Yusril

NIM : 20170430280

I hereby declare that this undergraduate thesis entitled: **“DETERMINANTS OF ECONOMIC GROWTH IN SELECTED APEC MEMBER COUNTRIES”** does not consists of any content that ever being proposed for any degree in order university, ideas of any study and publication of others, in exception all quotes and ideas which are purposely taken are considered as the research references and listed in the reference list. Therefore, if any violation of intellectual right is found in this research, I agree to accept any relevant academic consequences.

Yogyakarta, 15th September 2021



Mohammad Yusril

*This Undergraduate Thesis I dedicate to Allah SWT,
My beloved family, Mother “Alif Layyinah”, Father “Mujiburrahman”,
My Sister“ Qorinatul Afidah”*

ACKNOWLEDGEMENT

Bismillahirrahmanirrahim

In the name of Allah, the Most Merciful, and the Most Gracious. All praise is due to Allah; we praise Him, seek His help, and ask for His forgiveness. I thankful to Allah SWT, who supplied with the courage, guidance, and the love to complete this thesis. Also, peace and salutation always to the Prophet Muhammad SAW. Peace be upon him altogether with his accompanies. This undergraduate thesis entitled “**DETERMINANTS OF ECONOMIC GROWTH IN SELECTED APEC MEMBER COUNTRIES**” has been made as partial compliance of the requirement to achieve the bachelor degree in economics. So, I would like to thank all people who have contributed and a special appreciation to the parties. In particular, they are:

1. Allah SWT as the Lord of the worlds who has given the ease and fluency in completing this research to me.
2. My father, mother, and sisters who always give encouragement and attention to me so that I can complete this research.
3. Dr. Lilies Setiartiti, S.E., M.Si as the Lecture of the Economics Research Program at the Muhammadiyah University of Yogyakarta as well as the author's thesis supervisor and Mr. Dimas Bagus Wiranatakusuma, Ph.D as the thesis supervisor of writers who was full of patience in guiding and providing input during the process of preparing this thesis.
4. My ride or die, Rayi Andita Putri, Aprilia Ayu Setiyani, Ganjar Primambudi, Almas Arafatul Musfirah, Moch. Rizki, Anita Fitria and Aurellia Azh Nindy. Thank you for being there when I needed you the most. Thank you for always listening, supporting, accompany, believing in me, make me feel safe and secure. Because of your part also, I can finish my thesis.
5. For my Beloved classmate, Ratu, Sara, Latifah, Sabil, Muthia, Fitri, Suci, Raviano, Cena and Also all of my friends while I'am in Yogyakarta, so wonderful almost 4 years that we have been through together. Thank you so much for all the joy and laughing.
6. Thanks to Mr. Dimas Bagus Wiranatakusuma, Ph.D as my best lecturer and my best director of IPIEF. Thankyou so much for all the help, knowledge, caring, and many things. Thank you for always encourage me until now. My deepest thanks to you sir
7. For all lecturers and staff of IPIEF who always provided outstanding supplies, lessons and all parties who have provided support to this thesis can be solved.
8. My beloved Almamater Muhammadiyah University of Yogyakarta where I can complete my studies, meet amazing people and get so much new knowledge and experiences.

May Allah SWT give multiple rewards to all of us. For the sake of further improvement,

constructive suggestions and criticism will be accepted by the author with pleasure. Finally, only to Allah SWT, the author will leave everything. Hopefully it can be useful for writers in general for all of us

Yogyakarta, 15th September 2021

A handwritten signature in black ink, appearing to read 'M. Yusril', with a long horizontal flourish extending to the right.

Mohammad Yusril

TABLE OF CONTENTS

UNDERGRADUATE THESIS	i
Submitted by	ii
DECLARATION	iii
MOTTO	iv
ABSTARCT	vi
ACKNOWLEDGEMENT	vii
CHAPTER I	1
INTRODUCTION	1
A. Background	1
B. Limitation of Research Problem	9
1. The dependent variable in this study is Economic Growth (GDP).	9
2. The independent variables in this study are Foreign Investment (FDI) and External Debt (FD) and the Exchange Rate.	9
C. Research Question	9
D. Research Objective	10
E. Purpose of Research	10
CHAPTER II	11
LITERATURE REVIEW	11
A. Theoretical Foundation	11
1. Economic Growth	11
2. Foreign Direct Investment (PMA)	18
3. Foreign Debt	23
4. Exchange rate	24
B. Previous Research	28
C. Hypothesis	30
D. Research Framework	31
CHAPTER III	31
RESEARCH METHOD	31
A. Research Method and Models	31
1. Research Subjects and Objects	31
B. Data Type.....	31
C. Data Collection Techniques	32
D. Operational Definition of Research Variables	32
1. Dependent Variable.....	32

2. Independent Variable	32
E. Data Analysis Method	34
F. Determination of the Estimation Model	35
1. Common Effect or Pooled Least Square (PLS).....	35
2. Fixed Effect Model (FEM).....	36
G. Stages of Data Analysis	37
1. Chow test.....	38
2. Hausman test.....	39
H. Classic assumption test.....	39
1. Multicollinearity Test.....	40
2. Heteroscedasticity test.....	40
I. Statistic test	41
1. Simultaneous Significance Test (F Test)	41
2. t test.....	41
3. Coefficient of Determination (R ²).....	42
CHAPTER IV	43
OVERVIEW	43
A. Overview	43
1. Object	43
2. Demographic	45
B. Overview of Research Variables.....	45
1. China	45
2. Malaysia	47
3. Indonesia	48
4. Philippines	50
B. General Description of The Research Subject	52
1. Economic Growth.....	52
2. Foreign Direct Investment.....	54
3. Foreign Debt	55
4. Exchange Rate	57
CHAPTER V	59
ANALYSIS AND DISCUSSION RESULT	59
A. Panel Data Estimation Model	59
B. Selection of Panel Testing Method	61
1. Chow test.....	61

2. Hausman test	63
C. Data Quality Test.....	64
1. Heteroscedasticity Test	64
2. Multicollinearity Test.....	65
D. Panel Data Model Estimation Results	66
E. Test Statistics	70
1. F test.....	70
2. Coefficient of Determination (R ²).....	70
3. t test.....	71
F. Discussion.....	72
1. The Effect of Foreign Direct Investment on Economic Growth	73
2. The Effect of Foreign Debt on Economic Growth	75
3. Effect of Exchange Rate on Economic Growth.....	76
CHAPTER VI	78
CONCLUSIONS, RESEARCH LIMITATIONS, AND SUGGESTIONS.....	78
A. Conclusion	78
B. Suggestion.....	79
C. Research limitations	80
BIBLIOGRAPHY	81
APPENDIX.....	1

LIST OF TABLE

Table 1. 1 Data for All APEC Members and Value of Economic Growth	4
Table 4. 2 Astronomy Location of APEC Selected Member	45
Table 5. 1 Command Effect Estimation Model, Fixed Effect and Random Effect	62
Table 5. 2 Chow Test Table.....	64
Table 5. 3 Hausman Table	65
Table 5. 4 Heteroscedasticity Test	66
Table 5. 5 Multicollinearity Test	67
Table 5. 6 Estimation Results of Fixed Effect Model.....	68
Table 5. 7 T-statistical Table	73

LIST OF FIGURE

Figure 1. 1Economic Growth in Selected Research Countries	6
Figure 4. 1 Map of Countries that have joined as APEC members	47
Figure 4. 2 Graph of Economy Growth in APEC Selected Member 2010-2019 ..	55
Figure 4. 3 Graph of Foreign Direct Investment	57
Figure 4. 4 Graph of Foreign Debt in APEC Selected Member 2010-2019	59
Figure 4. 5 Graph of Exchange Rate in APEC Selected Member 2010-2019	60