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# THE EFFECT OF ECONOMIC GROWTH, LONDON INTERBANK OFFERED RATE (LIBOR), EXCHANGE RATES AND COVID-19 PANDEMIC ON FOREIGN DIRECT INVESTMENT IN INDONESIA PERIOD 2009-2023

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**Abstract:** This study examines the influence of Economic Growth, LIBOR, Exchange Rates, and the Covid-19 Pandemic on Foreign Direct Investment (FDI) in Indonesia from 2009 to 2023. A quantitative approach was used for analysis. The results reveal that, over the period studied, Economic Growth and LIBOR both have a positive but minimal impact on FDI in Indonesia. The Covid-19 Pandemic, represented as a dummy variable, shows a positive but statistically insignificant effect on FDI at a 5% significance level, though it has a significant impact at the 10% level. In contrast, Exchange Rates have a positive and significant effect on FDI.
**Keywords:** Economic Growth, LIBOR, Exchange Rate, Covid-19 Pandemic, Foreign Direct Investment

**Abstract:** Penelitian ini mengkaji pengaruh Pertumbuhan Ekonomi, LIBOR, Nilai Tukar, dan Pandemi Covid-19 terhadap Penanaman Modal Asing Langsung (FDI) di Indonesia dari tahun 2009 hingga 2023. Pendekatan kuantitatif digunakan untuk analisis. Hasil penelitian mengungkapkan bahwa, selama periode yang diteliti, Pertumbuhan Ekonomi dan LIBOR sama-sama berdampak positif namun minimal terhadap FDI di Indonesia. Pandemi Covid-19 yang direpresentasikan sebagai variabel dummy, menunjukkan efek positif tetapi tidak signifikan secara statistik terhadap FDI pada tingkat signifikansi 5%, meskipun memiliki dampak yang signifikan pada tingkat 10%. Sebaliknya, Nilai Tukar memiliki efek positif dan signifikan terhadap FDI.
**Kata Kunci:** Pertumbuhan Ekonomi, LIBOR, Nilai Tukar, Pandemi Covid-19, Investasi Asing Langsung

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## INTRODUCTION

Investment serves as a key driver for development activities and economic growth. However, domestic investment alone, typically funded by the state, has its limitations. Therefore, foreign investment plays a crucial role in helping to meet the targeted economic growth goals. Pratama & Aminda (2021) categorize foreign Investment can be categorized into two primary types: FDI and portfolio investment. Both of these investment forms have a beneficial effect on the economy, particularly in developing and developed nations, but FDI tends to have a more significant economic effect than portfolio investment. Beyond providing capital, FDI also facilitates the establishment of factories, which act as growth hubs, generate employment, and contribute to the transfer of management expertise, science, technology, and the potential to increase government revenues through taxes.

**Table 1.** Foreign Direct Investment Data in Indonesia Period 2009-2023

| Year | Foreign Direct Investment (US$) |
|---|---|
| 2009 | 10,882,000 |
| 2010 | 16,215,000 |
| 2011 | 19,475,000 |
| 2012 | 24,565,000 |
| 2013 | 28,618,000 |
| 2014 | 28,530,000 |
| 2015 | 29,276,000 |
| 2016 | 28,964,000 |
| 2017 | 32,240,000 |
| 2018 | 29,308,000 |
| 2019 | 28,209,000 |
| 2020 | 28,666,000 |
| 2021 | 31,093,000 |
| 2022 | 45,605,000 |
| 2023 | 50,268,000 |

*Source: Indonesian Statistics Agency, 2024*

As seen from table 1.1 the data on the development of Foreign Direct Investment in Indonesia 2009 to 2023 fluctuates, but still leads to an increase until 2023. From 2009 to 2013 FDI tends to increase. However, in 2014, the level of FDI decreased and tended to fluctuate until 2017. Furthermore, 2017 to 2023 formed a concave pattern, where the lowest point was in 2019. In 2019, the world was shocked by the emergence of Covid-19 which had an impact on the economy. In 2020 to 2023 it moved up and was at its highest point at US$50,260,000 (*Badan Pusat Statistik*, n.d.).

According to Keynes' Investment theory, anything that affects the demand for a goodwill also affects investment. This Economic growth rates are a key factor in determining

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the demand for goods and services. Generally, when economic growth is strong, there is greater demand for goods and services. In other words, higher economic growth tends to attract more investment interest (Novita, 2013). According to Keynes' macroeconomic theory, investment decisions are influenced by the expected profit relative to the cost of capital or interest rate (Hadijah, 2021).

It is undoubtedly impossible to separate the importance of both home and international investment from economic growth (abroad). This study will focus on foreign direct investment (FDI) because it not only helps transfer management, science, and technology but also has the ability to enhance state revenues through taxes, which can impact a nation's economic growth. The info used to see between economic growth is GDP at Constant Prices (ADHK) because ADHK GDP is used to see economic growth in real terms from year to year or ADHK GDP using the base year so that it is not influenced by price factors in that year.

**Table 2.** Economic Growth and Foreign Direct Investment Data in Indonesia Period 2009-2023

| Year | Economic Growth (%) | Foreign Direct Investment (US$) |
|---|---|---|
| 2009 | 4.50 | 10,882,000 |
| 2010 | 6.10 | 16,215,000 |
| 2011 | 6.17 | 19,475,000 |
| 2012 | 6.03 | 24,565,000 |
| 2013 | 5.56 | 28,618,000 |
| 2014 | 5.01 | 28,530,000 |
| 2015 | 4.88 | 29,276,000 |
| 2016 | 5.03 | 28,964,000 |
| 2017 | 5.07 | 32,240,000 |
| 2018 | 5.17 | 29,308,000 |
| 2019 | 5.02 | 28,209,000 |
| 2020 | -2.07 | 28,666,000 |
| 2021 | 3.70 | 31,093,000 |
| 2022 | 5.31 | 45,605,000 |
| 2023 | 5.05 | 50,268,000 |

*Source: Indonesian Statistics Agency, 2024 (data is processed)*

Analysis of the data reveals a distinct pattern: in 2011 and 2012, economic growth fell from 6.17% to 6.03%. According to the theory, a decrease in economic growth should be accompanied by a decline in FDI. However, contrary to this expectation, FDI actually rose from $24,565,000 to $28,618,000 during this period. This pattern is also observed in the years 2013, 2015, 2016, 2018, 2020, and 2023, where there is a unidirectional (negative) relationship between economic growth and FDI.

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Interest rates are the next factor influencing FDI. Investors should take interest rates into account because if the investment yields no profit and the rate of return is less than the interest rate, the corporation will cancel the investment. Investors consider foreign interest rates in addition to interest rates in the country of destination when making investments. LIBOR, or the London Interbank Offered Rate, is one of them. As one of the global monetary indicators, LIBOR has an influence on the development of interest rates in Indonesia. This also indicates that economic conditions, especially the monetary sector, are highly affected by the world economy (Astuty & Siregar, 2018).

**Table 3.** London Interbank Offered Rate and Foreign Direct Investment Data in Indonesia Period 2009-2023

| Year | London Interbank Rate (%) | Foreign Direct Investment (US$) |
|---|---|---|
| 2009 | 1.00 | 10,882,000 |
| 2010 | 0.78 | 16,215,000 |
| 2011 | 1.10 | 19,475,000 |
| 2012 | 0.85 | 24,565,000 |
| 2013 | 0.58 | 28,618,000 |
| 2014 | 0.60 | 28,530,000 |
| 2015 | 1.09 | 29,276,000 |
| 2016 | 1.67 | 28,964,000 |
| 2017 | 2.05 | 32,240,000 |
| 2018 | 3.08 | 29,308,000 |
| 2019 | 1.97 | 28,209,000 |
| 2020 | 0.34 | 28,666,000 |
| 2021 | 0.52 | 31,093,000 |
| 2022 | 5.46 | 45,605,000 |
| 2023 | 5.85 | 50,268,000 |

*Source: Fed Prime Rate, 2024*

Madura (2009) in Sari & Baskara (2018) one of the motives of multinational companies interested in conducting FDI in a country is to reduce their capital by paying attention to the response to fluctuations in currency rates. In this case, the business will use its capital to operate in a nation where the value of money is substantially lower. The cost of a currency relative to the value of the currency of another nation is known as the exchange rate. We may compare pricing for all goods and services produced by various countries if we are aware of the exchange rate of a certain currency. A nation's products cost more to foreign parties when their currency appreciates compared to other currencies, and vice versa when their currency depreciates. Accordingly, the economy of the nation will deteriorate and foreign investors will be less inclined to make investments in the nation as a result of an exchange rate that swings frequently and is generally unstable. (Siregar, 2015).

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**Table 4.** Exchange Rate (IDR/USD) And Foreign Direct Investment Data in Indonesia Period 2009-2023

| Year | Exchange Rate (IDR/USD) | Foreign Direct Investment (US$) |
|---|---|---|
| 2009 | 9,400 | 10,882,000 |
| 2010 | 8,991 | 16,215,000 |
| 2011 | 9,068 | 19,475,000 |
| 2012 | 9,670 | 24,565,000 |
| 2013 | 12,189 | 28,618,000 |
| 2014 | 12,440 | 28,530,000 |
| 2015 | 13,795 | 29,276,000 |
| 2016 | 13,436 | 28,964,000 |
| 2017 | 13,548 | 32,240,000 |
| 2018 | 14,481 | 29,308,000 |
| 2019 | 13,901 | 28,209,000 |
| 2020 | 14,105 | 28,666,000 |
| 2021 | 14,269 | 31,093,000 |
| 2022 | 15,731 | 45,605,000 |
| 2023 | 15,416 | 50,268,000 |

*Source: Bank Indonesia, 2024*

Table 4 shows the Fluctuations in the rupiah's value relative to the US dollar contribute to the rupiah's depreciation against the dollar. As mentioned earlier, there is a negative correlation between foreign direct investment (FDI) and the exchange rate; typically, a rise in FDI is associated with a decrease in the exchange rate, whereas a fall in the exchange rate accompanies the rupiah's weakening. Data analysis revealed a clear pattern in the relationship between FDI and the exchange rate. For example, in 2010, despite the exchange rate rising from Rp9,400 thousand to Rp8,991, FDI unexpectedly surged from US$10,882,000 to US$16,215,000 instead of dropping. Furthermore, a consistent unidirectional link between the exchange rate and FDI was identified in 2014, 2016, and 2018.

The novelty in this study is obtained from a comparison between previous studies, namely in terms of the variety of independent variables related to the dependent variable, the novelty of the research time and also the theory on which this study is based. In the Foreign Direct Investment data has increased quite rapidly until 2023, so here researchers are interested in seeing what variables affect the increase in Foreign Direct Investment by using Keynes' theory as a basis for seeing the factors that affect Foreign Direct Investment. The factors that influence investment decisions based on Keynes' theory are the level of manager optimism, the level of economic growth rate, the increase in public share capital, technological developments/changes and changes in interest rates. The Covid-19 pandemic acts as a dummy variable that occurred in 2019-2023, when viewed from the data on Economic Growth, LIBOR,

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Exchange Rates and FDI, it has changed quite drastically, this is due to restrictions in daily activities which will affect changes in the data of each variable. So, the title of this research is The Effect of Economic Growth, LIBOR, Exchange Rates and Covid-19 pandemic on Foreign Investment in Indonesia period 2009-2023.

**METHOD**

Indonesia is the subject of this study. The article examines the effects of economic growth, the London Interbank Offered Rate, exchange rates, and the Covid-19 Pandemic FDI in Indonesia, using data from 2009 until 2023. The study uses secondary data from an annual time series covering the years 2009–2023 as its data type. Secondary data comes from the Indonesian Statistics Agency (BPS) for GDP and FDI data, which is processed using the economic growth formula; Bank Indonesia (BI) provides exchange rate data; and the Fed Prime Rate provides London Interbank Offered Rate (LIBOR) data. The method used for gathering data in this research is literature study, which entails gathering information from a variety of sources that are relevant to the issues the study raises.

With the aid of SPSS 25.0, the authors employed multiple regression analysis in their investigation. Using independent variables, multiple regression analysis is performed to quantify the impact of the dependent variable. Studying the link between one variable referred to as the explained variable and one or more other factors that explain is known as multiple regression analysis.

Multiple regression analysis techniques with the following features are utilized in quantitative analysis to determine the extent of the relationship and influence of Economic Growth, LIBOR, Exchange Rates, and Covid-19 Pandemic on Foreign Direct Investment (Suharyadi, 2020) :

$$FDI = \alpha + \beta1X1 + \beta2X2 + \beta3X3+\beta4X4+ \varepsilon$$

Where:

| | |
|---|---|
| FDI | = Foreign Direct Investment |
| X1 | = Economic Growth |
| X2 | = London InterBank Rate |
| X3 | = Exchange Rate |
| X4 | = Covid-19 Pandemic (Dummy Variable) |
| α | = Intercept |
| β1 | = Regression Coefficient for EG |
| β2 | = Regression Coefficient for LIBOR |
| β3 | = Regression Coefficient for ER |
| β4 | = Regression Coefficient for CVD19 |

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$\varepsilon$ = Error

Various diagnostic tests, such as multicollinearity, heteroscedasticity, autocorrelation, and normality, will be carried out as part of the standard assumption checks for the estimate test. Afterward, statistical analyses, including the coefficient of determination ($R^2$), the simultaneous F-test, and the partial T-test, will be performed (Suharyadi, 2020).

## RESULTS AND DISCUSSION

## RESULTS

Utilizing secondary data from the Indonesian Statistic Agency, Fed Prime Rate, and Bank Indonesia (BI) spanning from 2009 to 2023, and analyzing it with SPSS 25.0, the study revealed the following: a multiple linear regression analysis was conducted to evaluate the impact of independent variables—economic growth, LIBOR, exchange rate, and the Covid-19 pandemic—on the dependent variable, FDI.

### *Analysis Method*

The Central Statistics Agency (BPS), Fed Prime Rate, and Bank Indonesia (BI) provide secondary data that was recorded between 2009 and 2023 and processed using the computer statistics program SPSS 25.0. These data were used in the multiple linear regression analysis between the independent variables (economic growth, LIBOR, exchange rate, and Covid-19 Pandemic) and the dependent variable (FDI).

### *Classical Assumption Test Results*

**a. Normality**

**Table 6.** Normality Test Results

| One-Sample Kolmogorov-Smirnov Test | | |
|---|---|---|
| | | Unstandardized Residual |
| N | | 15 |
| Normal Parameters[a,b] | Mean | .0000000 |
| | Std. Deviation | 3.38967399 |
| Most Extreme Differences | Absolute | .108 |
| | Positive | .081 |
| | Negative | -.108 |
| Test Statistic | | .108 |
| Asymp. Sig. (2-tailed) | | .200[c,d] |

*Source: Data Processed, 2024*

In this talk, One Sample Kolmogorov-Smirnov is the statistical method employed. In the event that the Sig value is greater than a (0.05), the standardized residual value is regularly distributed (Firdaus, 2019). The output results above demonstrate that the asymptotic

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significance level (2-tailed) of 0.200 is greater than alpha, or 0.200>0.05. Consequently, it may be said that the data is regularly dispersed.

**b. Multicollinearity**

**Table 7.** Multicollinearity Result

| Model | | Unstandardized Coefficients B | Unstandardized Coefficients Std. Error | Collinearity Statistics VIF |
|---|---|---|---|---|
| 1 | (Constant) | -13.363 | 9.856 | |
| | Economic Growth | 121.730 | 84.694 | 2.432 |
| | LIBOR | 1.357 | 1.026 | 2.738 |
| | Exchange Rate | 2.537 | .685 | 2.202 |
| | Dummy (Covid-19) | 6.684 | 3.723 | 2.528 |

*Source: data processed, 2024*

The indicator of multicollinearity is VIF (Variance Inflation Factor), if the VIF value is not more than 10, not less than 0.1, then the model is declared to have no multicollinear symptoms (Suharyadi, 2020). Thus, because the Tolerance value> 0.1 and the VIF value < 10, it can be said that there is no very strong correlation between each independent variable (independent) or in other words, there is no multicollinearity.

**c. Autocorrelation**

**Table 8.** Test Results

| Runs Test | Unstandardized Residual |
|---|---|
| Test Value[a] | .34154 |
| Cases < Test Value | 7 |
| Cases >= Test Value | 8 |
| Total Cases | 15 |
| Number of Runs | 8 |
| Z | .000 |
| Asymp. Sig. (2-tailed) | 1.000 |

*Source: Data Processed, 2024*

The Durbin-Watson (DW) test is a widely used method for detecting autocorrelation. If the DW test indicates autocorrelation during data analysis, the run test can serve as an alternative. The decision in the run test is made based on the Asymp. Sig (2-tailed) value: if it is below 0.05, autocorrelation is present; if it exceeds 0.05, autocorrelation is not present (Suharyadi, 2020). There are no signs of autocorrelation in this study, according to the above table, where the values of Asymp.Sig. (2-tailed) of 1.000> 0.05 or Asymp.Sig. (2-tailed) are more than 0.05.

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**d. Heteroscedasticity**

The statistical method used in this discussion is the Glesjer test. The basis for decision making with the Glejser test is:

1. If the significance value is greater than 0.05, it indicates that heteroscedasticity is not present in the data (Suharyadi, 2020).
2. If the significance value is less than 0.05, it suggests that heteroscedasticity is present in the data (Suharyadi, 2020).

**Table 9.** Test Result

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | 5.437 | 5.082 | | 1.070 | .310 |
| | Economic Growth | 4.508 | 43.671 | .049 | .103 | .920 |
| | LIBOR | .100 | .529 | .095 | .188 | .854 |
| | Exchange Rate | -.255 | .353 | -.327 | -.721 | .488 |
| | Dummy (Covid-19) | .661 | 1.920 | .167 | .344 | .738 |

*Source: Data Processed, 2024*

There are no signs of heteroscedasticity in this study, as can be observed from the table where each variable's significance value is more than 0.05.

***Statistical Test***

**1. Coefficient of Determination (R2)**

**Table 10.** Results of the Determination Coefficient Test

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .938[a] | .880 | .832 | 4.010716 |

*Source: Data Processed, 2024*

The data processing results indicate that the Adjusted R square is approximately 0.832, indicating that economic growth, LIBOR, currency rates, and the Covid-19 epidemic account for 83.5% of the fluctuations in FDI.

**2. F test**

**Table 11.** F test Results

| | Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1183.103 | 4 | 295.776 | 18.387 | .000[b] |
| | Residual | 160.858 | 10 | 16.086 | | |
| | Total | 1343.961 | 14 | | | |

*Source: Data Processed, 2024*

The aforementioned table indicates that Sig is 0.000, sig <0.05, indicating that either Variable X and Variable Y have a significant effect simultaneously, or that the variables of

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economic growth, LIBOR, exchange rates, and the COVID-19 pandemic together have a significant effect on Indonesian inflation.

**3. t Test**

**Table 12.** Results of the Determination Coefficient Test

| | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| Model | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | -13.363 | 9.856 | | -1.356 | .205 |
| | Economic Growth | 121.730 | 84.694 | .245 | 1.437 | .181 |
| | LIBOR | 1.357 | 1.026 | .239 | 1.322 | .216 |
| | Exchange Rate | 2.537 | .685 | .601 | 3.702 | .004 |
| | Dummy (Covid-19) | 6.684 | 3.723 | .312 | 1.795 | .103 |

*Source: Data Processed, 2024*

The results of regression analysis obtained by processing data regarding the calculation of each variable Economic Growth, LIBOR, Exchange Rate and Covid-19 Pandemic on Foreign Direct Investment, where:

1. When compared with an error degree of 0.05 or at 5%, the significance value is greater than the error degree value (0.181>0.05) for Economic Growth on FDI , with a t value of 1.437 and a significance of 0.181. Accordingly, from 2009 to 2023, Indonesian economic growth will have a small but favorable impact on foreign direct investment.
2. When compared to an error degree of 0.05 or at 5%, the significance value of LIBOR on Foreign Direct Investment is greater than the error degree value (0.216>0.05), with a t value of 1.322 and a significance of 0.216. Accordingly, LIBOR's impact on foreign direct investment in Indonesia from 2009 to 2023 is both positive and negligible.
3. Compared to a 5% error margin (0.05), the significance level of the exchange rate's impact on foreign direct investment is lower (0.004 < 0.05), with a t-value of 3.702 and a significance of 0.004. This suggests that the exchange rate had a positive and significant effect on foreign direct investment in Indonesia from 2009 to 2023.
4. Compared to a 5% error margin (0.05), the impact of the Covid-19 pandemic (as a dummy variable) on foreign direct investment is higher (0.103 > 0.05), with a t-value of 1.795 and a significance level of 0.103. This implies that the pandemic had a positive yet marginal effect on foreign direct investment in Indonesia from 2009 to 2023. However, with a 10% error margin, the significance level remains the same (0.10 = 0.10), indicating that the pandemic had a notable and significant impact on foreign direct investment in Indonesia during this period at the 10% error margin.

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**Discussion**

In this section we will discuss the effect of economic growth, LIBOR, Exchange Rate and Pandemic Covid-19 on Foreign Direct Investment with the regression results adjusted to the existing theory then supported by previous research.

***The Effect of Economic Growth on Foreign Direct Investment***

A one percent rise in economic growth is accompanied by a corresponding increase in foreign direct investment of 121.730 US dollars, according to the test results of the economic growth variable (X1). The positive regression coefficient value of 121.730 is seen at a significant level of 0.181. It may be stated that the economic growth variable has a positive and insignificant effect on FDI. Everything that influences demand for a good will likewise affect investment, according to Keynes' theory of investment. The pace of economic expansion is one example of this. Good economic growth rates are typically accompanied by strong demand for products and services. In the sense that investors are more eager to put their money into investments when a nation's economic growth is stronger. But according to this analysis, FDI is not much impacted by Indonesia's economic growth. The insignificance of the research results is because foreign direct investment is also influenced by other significant factors such as the economic state in the investor's nation. Increased focus from the government is necessary to draw in investors by stabilizing Indonesia's economy and promoting both local and international investment, both of which have an impact on the GDP and well-being of the nation's citizens. The study's findings indicate that the exchange rate has an impact on foreign direct investment (FDI). Investors are drawn to Indonesia due to the country's weak currency or the possibility of receiving lower prices.

Previous research by Gusti Agung Ayu Ratih Meita Sari and I Gde Kajeng Baskara (2021) found that economic growth has a positive but insignificant impact on Foreign Direct Investment (FDI) (Putri et al., 2021). This indicates that while higher economic growth can lead to increased FDI in Indonesia, the effect is not strong. The growth, measured by GDP or domestic production, suggests that Indonesia is economically competitive and trusted by investors. However, the insignificance of the findings can be attributed to the fact that FDI is also influenced by larger factors, such as the economic conditions in the investor's home country (Sari & Baskara, 2018).

***The Effect of LIBOR on Foreign Direct Investment***

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According to the test results, the LIBOR variable (X2) has a positive regression coefficient value of 1.357 with a significant level of 0.216. This indicates that foreign direct investment rises by 1.357 US dollars for every percent increase in LIBOR. In summary, foreign direct investment is positively and marginally impacted by the LIBOR variable. Keynes's theory of investment also states that interest rates and the cost of capital have an impact on the quantity of investment, in addition to returns or any one element. This is so that an increase in interest rates will also result in a fall in the rate of return, or profit, as interest rates are the costs associated with using funds. When making investments, investors consider both local and foreign interest rates in addition to those from the country of destination. The London Interbank Offered Rate, or LIBOR for short, is one of them. One of the worldwide monetary variables that affects how Indonesian interest rates evolve is LIBOR. This suggests that the global economy has a significant impact on economic conditions, particularly in the monetary sector.

According to earlier research by Siregar (2015), for the years 1998–2013, the International Interest Rate (LIBOR) had a negative but negligible impact on the realization of foreign direct investment in Indonesia. Nonetheless, the study's findings about the impact of LIBOR on FDI were favorable and negligible, as a result of the numerous instances of manipulation of LIBOR which had an impact on reducing consumer confidence in LIBOR which had an impact on changing the reference interest rate with Overnight Risk Free Rates (RFRs) or alternative reference interest rates according to the currency used, USD (US Dollar) alternative interest rate is Secured Overnight Financing Rate (SOFR), JPY (Japan) alternative interest rate is Tokyo Overnight Average Rate (TONA), GBP (British Pound) alternative interest rate is Sterling Overnight Index Average (SONIA), EUR (Euro) alternative interest rate is Euro Short-Term Rate (€STR), and CHF (Swiss Frank) alternative interest rate is Swiss Average Rate Overnight (SARON).

***The Effect of Exchange Rate on Foreign Direct Investment***

The examination of the Exchange Rate variable (X3) showed a positive regression coefficient of 2.537 with a significance level of 0.004. This implies that for every Rp1000 increase in the exchange rate, foreign direct investment rises by 2.537 US dollars. Therefore, the exchange rate significantly and positively influences foreign direct investment. This result aligns with the study by Sari and Baskara (2018), which proposes that multinational

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corporations may invest in a country's foreign direct investment to reduce capital costs monitoring how the country responds to exchange rate fluctuations (Madur, 2009: 105).

In such cases, businesses tend to invest in countries with weaker currencies to maximize returns. The exchange rate, which represents the price of one currency relative to another, is essential in comparing the costs of goods and services across different countries. When a country's currency strengthens relative to others, its products become more expensive for foreign buyers, and vice versa when its currency weakens.

This study concludes that the exchange rate has a positive and significant effect on foreign direct investment. When the Indonesian currency strengthens (or weakens) against the dollar, it makes local goods cheaper for foreign investors, driving more investment into the country. Supporting this, research by Sari & Baskara (2018) confirms that a weaker rupiah attracts more foreign investment, as it reduces operational costs and increases investor returns.(Sari & Baskara, 2018).

***The Effect of Covid-19 (Dummy Variable) on Foreign Direct Investment***

The results for the Covid-19 Pandemic variable (X4) show a positive regression coefficient of 6,684, with a significance level of 0.103 (indicating a 10% error margin). This implies that foreign direct investment rises by 6,684 USD during a pandemic. Thus, it can be concluded that the exchange rate variable positively and significantly impacts foreign direct investment. The decrease in the exchange rate during the pandemic attracted international investors to invest in Indonesia.

This study's positive and significant results on foreign direct investment in Indonesia at an error rate of 10% are consistent with previous research by Budiarti (2021) that indicates the behavior of FDI entering Indonesia has increased during the pandemic COVID-19 period. According to the data, foreign direct investment (FDI) rose between 2019 and 2023. The peak of FDI between 2009 and 2023 was reached in 2023, when it reached 50 million US dollars.

## CONCLUSION

The study concludes that economic growth has a positive but insignificant effect on foreign direct investment (FDI) in Indonesia from 2009 to 2023. While higher economic growth is associated with increased FDI inflows, the impact is not significant due to other influencing factors, such as the economic conditions in the investors' home countries. To attract more investors, the Indonesian government needs to focus on stabilizing the economy and facilitating both foreign and domestic investments, which would ultimately benefit the country's GDP and the well-being of its population. Additionally, the LIBOR variable shows a positive but insignificant effect on FDI, largely due to numerous instances of LIBOR manipulation, which has eroded consumer confidence in the LIBOR rate.

Foreign investment is significantly and positively influenced by fluctuations in exchange rates. This suggests that investors are more inclined to invest in Indonesia when the rupiah weakens and the US dollar strengthens. The exchange rate represents the value of one currency in relation to another, allowing for the comparison of prices across various goods and services produced globally. When a nation's currency strengthens relative to another, its goods become more expensive for foreign buyers; conversely, when the currency weakens, the cost to foreign consumers decreases. Additionally, the effect of the Covid-19 pandemic (represented as a dummy variable) on foreign direct investment is minimal at a 5% margin of error but becomes significant at a 10% margin. This implies that any impact of the pandemic on foreign direct investment growth likely stemmed from a depreciation in Indonesia's exchange rate, making its goods more affordable to other countries during the crisis.

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