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The Effect of Foreign Investment on Domestic Investment In Indonesia

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Abstract

The purpose of this study was to analyze the effect of foreign direct investment (FDI) on domestic investment (DI) in Indonesia. The data analysis method in this research was carried out using vector error correction model. Meanwhile, it used secondary data obtained from Statistics Indonesia (BPS) and Ministry of Investment (BKPM). This research period was carried out from 2010-2018. The results of this study indicated that in the long run there was a cointegration relationship between variables, FDI had a significant positive effect on DI in the long and short-term, GDP had a significant negative effect on DI in the long-term. In short-term, it had a negative effect and no significant contribution, structural break down had a positive effect and was not significant in the short-term. The conclusion of this study is that there is a crowding-in relationship between FDI and DI. It is suggested are there should be support from government policies in efforts to improve a more secure investment climate, provide incentives for investors and enforce a clear legal umbrella for investors.

Keywords: ***Foreign, Investment, Domestic, GDP, Crowding-in***

Abstrak

Tujuan dari penelitian ini adalah untuk menganalisis pengaruh penanaman modal asing langsung (FDI) terhadap penanaman modal dalam negeri (DI) di Indonesia. Metode analisis data dalam penelitian ini dilakukan dengan menggunakan model koreksi kesalahan vektor. Sedangkan menggunakan data sekunder yang diperoleh dari Badan Pusat Statistik (BPS) dan Kementerian Penanaman Modal (BKPM). Periode penelitian ini dilakukan dari tahun 2010-2018. Hasil penelitian ini menunjukkan bahwa dalam jangka panjang terdapat hubungan kointegrasi antar variabel, FDI berpengaruh positif signifikan terhadap DI dalam jangka panjang dan pendek, PDB berpengaruh negatif signifikan terhadap DI dalam jangka panjang. Dalam jangka pendek berpengaruh negatif dan tidak signifikan, keruntuhan struktural berpengaruh positif dan tidak signifikan dalam jangka pendek. Kesimpulan dari penelitian ini adalah terdapat crowding-in relationship antara FDI dan DI. Disarankan perlu adanya dukungan dari kebijakan pemerintah dalam upaya meningkatkan iklim investasi yang lebih aman, memberikan insentif bagi investor dan menegakkan payung hukum yang jelas bagi investor.

Kata Kunci: Penanaman Modal, Asing, Dalam Negeri, PDB, Crowding-in

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INTRODUCTION

Indonesia as one of the developing countries has similar characteristics to other developing countries, namely having capital limitations in achieving more prosperous economic growth. In general, capital limitations that occur in developing countries are caused by export and import gaps, and investment and savings gaps (saving-jnvestment gap) (Sanuri, 2005).

Investment and savings gaps can explain the state of a country whether it needs additional sources of capital or has untapped capital potential. The growing gap between savings and investment in indonesia can be found in figure 1.

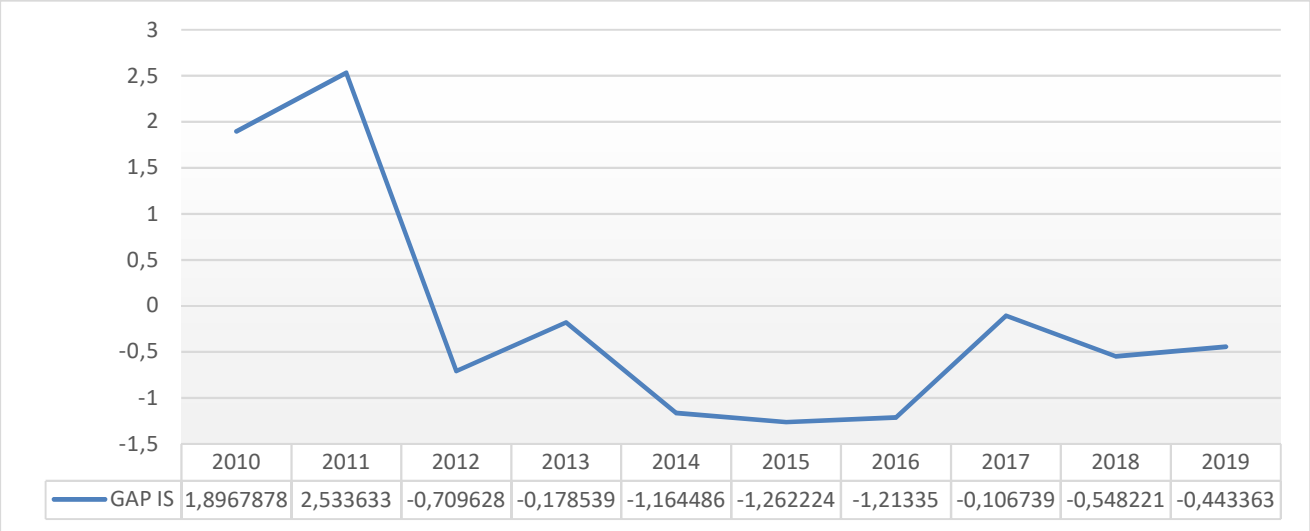

Figure 1. Savings and Investment Gap
Source : Worldbank, data processed 2020

Based on figure 1, it can be observed that the movement of savings and investment gaps in Indonesia tends to be negative. This tendency indicated that in Indonesia savings could not meet the needs for domestic investment. This was possible because of the low level of income of the people or per capita income in Indonesia.

Efforts to close the gap between investment and savings can be done with sources of funds from abroad, one of which is foreign direct investment or foreign direct investment (FDI). Even though the preference for the use of FDI as an alternative source of financing is increasing, it does not close the possibility that there is no debate among economists about the positive and negative impacts that FDI has on the development process.

Economists who argue positively in favor of FDI adhere to neoclassical theory that FDI is something that is very beneficial for the development of a country because it can fill the gap between savings and investment. In addition, FDI can increase government revenues, increase foreign exchange reserves, and raise the level of technology in the country concerned because FDI that enters a country will apply more advanced technology. Unfortunately, counter arguments are presented by experts

because of the preasure of FDI to DI has led to a counterproductive phenomenon.

FDI pressure will greatly impact DI, especially domestic investors who do not have power will decrease the income received by domestic investors so that this condition will decrease the investment made by domestic investors. Furthermore, in the view of economists who consider the negative impact of FDI, the existence of FDI can instead replace (not add) domestic investment (DI) so as to trigger an increase in imports and consumption, as well as lower the level of exports and investment (Lincolin Arsyad, 2010). Such doubts can be justified because economic theory states that an aid would increase the level of consumption and investment.

There are two types of FDI on DI impact namely Crowding In (CI) and Crowding Out (CO). CI occurs when FDI is able to generate new DI and be a driver of DI to further develop so that FDI can stimulate DI and will encourage economic growth. CO occurs when FDI inhibits the growth of DI, and the investments made by multinational companies do not provide gaps for domestic investors to develop. This happens because there is no technology transfer and learning of foreign investors to domestic investors so that domestic investors lose competition (Agosin and Machado, 2005).

Figure 2 explains the condition that FDI (red) and DI (blue) growth experienced a positive and increasing trend, while overall FDI from 2010 to 2019 increased by 10.8%. However, the number of DI in the same year had an increase below the average FDI of 6.3%. By having FDI acceptance greater than DI acceptance, researches can be done to anticipate of the negative impact of FDI. This study was very relevant to be conducted in Indonesia because Indonesia as a developing country still needs FDI in order to accelerate its economic development process.

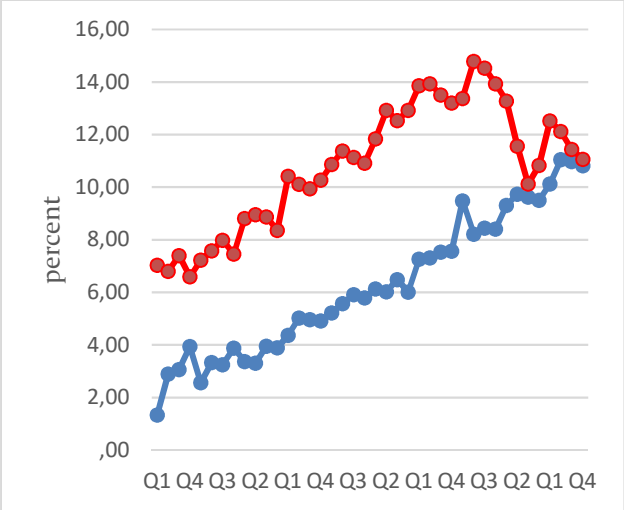

Figure 2. FDI and DI Growth
Source : BKPM, data processed 2020

Harrod-Domar's theory states that there is a good influence between investment and economic growth where investment will be able to increase the amount of state revenue and enlarge the production process by increasing capital stock so that steady-state growth can be achieved. The results of an empirical research conducted by Todaro and smith (2012) explain that investment can drive economic growth because there is technology attached to every new investment emerging in a country.

The existence of Investment according to Harrod-Domar theory is related to the positive impact on rising economic growth. Investment will increase capital that can be used to increase production so that economic growth will be achieved (Todaro, 2006). Based on Figure 3, it can be seen that Indonesia's economic growth

rate during the last ten was at the highest of 6.22% in 2010, while in 2015 Indonesia economic growth rate was at the lowest point of 4.88%. Overall, within 10 years Indonesia's growth rate has stabilized above 5%.

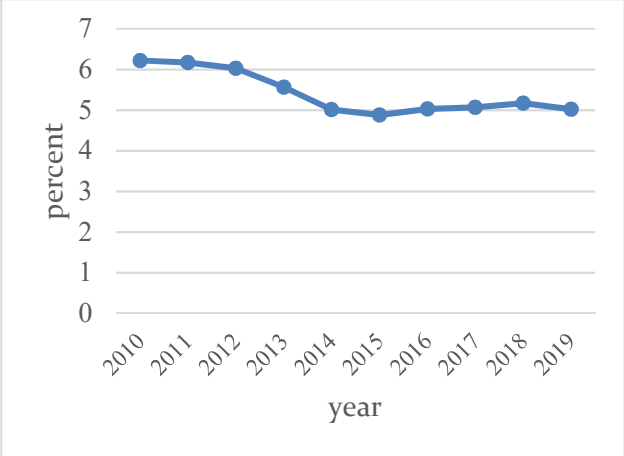

Figure 3. Indonesia's Economic Growth Rate
Source : BPS, data processed 2020

Economic growth can be seen from Gross Domestic Product (GDP) as a symbol of a country's prosperity. The increasing GDP of a country can illustrate that the prosperity of the country is also increasing because economic growth is basically the result of the final output of all sectors of the economy. The role of the government in regulating the wheels of the economy can be one of the keys to a positive trend in GDP.

Government policies that can accommodate all sectors of the economy will be an intermediary for the increase in economic growth. Looking at the impact of government policies that can affect economic growth as well as investment, in this study the authors tried to include dummy variables that were projected by structural break down variables which later automatically reflected political stability within the country. The influx of foreign and domestic investors is strongly influenced by the comfort climate that exists within a country. The comfort climate is in the form of political stability and a clear legal umbrella for investors.

The unstable political condition of a country will cause investors to be reluctant to invest in the country because they will feel hesitant and tend to wait and see until the political situation in the country is completely stable. On that basis, it is important to know the political conditions in Indonesia and its influence on investment, especially domestic investment and furthermore the political instability can be minimized so that political conditions can be maintained conducive and attract investors to invest in Indonesia.

RESEARCH METHODS

This research belonged to a quantitative research, namely processing data in the form of numbers with the statistical results of analysis. It aims to determine the hypothesis test that has been formulated initially. For the data, this study took secondary data from BPS and BKPM in form of literature. For the data analysis technique, it used vector error correction model method using E-views 9 program analysis tool. In addition, the time series data used in this study ranged from 2010-2019 in Indonesia.

Variables used in this study were foreign direct investment (FDI), gross domestic product (GDP), domestic investment (DI), and dummy variables, namely Political stability projected by Structural Break Down. The VECM model sexized long-term and short-term relationships between research variables and co-integration relationships, while still provided a dynamic presence in the short-term. The model is as follows :

$$\Delta Y_t = \sum_{i=1}^{k-1} \Gamma_i \Delta Y_{t-1} - \gamma\beta Y_{t-1} + \varepsilon_t \text{.....(1)}$$

Information :

Γ = Short-term relationship coefficient

β = Coefficient of long-term relationships

γ = Speed to balance (speed adjustment)

Furthermore, the models used in regression in this study are as follows :

LogPMDNt = β0 + β1LogPMDNt-1 + β2LogPMAt-1 + β3PDBt-1 + β4Dummyt-1 + ε1t.....(2)

LogPDBt = β0 + β1LogPMDNt-1 + β2LogPMAt-1 + β3PDBt-1 + β4Dummyt-1 + ε1t.....(3)

LogPMAt = β0 + β1LogPMDNt-1 + β2LogPMAt-1 + β3PDBt-1 + β4Dummyt-1 + ε1t.....(4)

Information :

LogPMDNt	:	DI Logarithm Form
LogPMAt	:	FDI Logarithm Form
LogPDBt	:	GDP Logarithm Form
Dummyt	:	Structural Variables Break Down
t-1	:	optimal lag
Bo	:	Intercept
β1 to β	:	Regression Coefficient
Et	:	Error term

RESULTS AND DISCUSSION

In this study the collected data were analyzed using vector error correction model (VECM) analysis method. VECM must be stationary at the first reference and all variables must have the same stationary differentiation on the first derivative. ADF test results at the level level and first different level can be seen in table 1 and table 2.

Table 1 shows the ADF test results at the level level. In this test all variables showed non-stationary results at the level level evidenced by ADF value greater than the McKinon value. Next was testing at a different first level.

Table 1. Unit Root Test Results at Level

Variable	ADF Point	Mc. Kinon point Crisis			Information
		1%	5%	10%	
LgPMDN	-0.42	-3.63	-2.94	-2.63	Not stationary
LgPMA	-2.80	-3.63	-2.93	-2.62	Not stationary
LgPDB	-0.56	-3.60	-2.94	-2.64	Not stationary
Dummy	-0.92	-3.61	-2.93	-2.62	Not stationary

Source : data processed, 2020

Table 2 shows the adf test results at a different first level. The test results at this level suggested that all stationary variables in the first different gained ADF value smaller than the mckinon value. The next test was to perform an optimal lag test. This test was performed to determine and estimate the optimal lag length determination of the model of a study.

As presented in the table, the optimal lags in this study were in the three (3) lags showed by the AIC, FPE, SC, and HQ values of the least value and the highest value of LR. The next test was VAR Stability. This test was performed to see whether the maximum var lag had stable properties or not. This test was conducted by looking at its modulus value which was smaller than one (modulus < 1). The results of the VAR Stability Test can be seen in table 4. The VAR Stability Test results showed in table 4 indicated that all modulus values ranged from 0.412631 to 0.999966.

Since all of these modulus values was less than one, meaning that the estimated stability of the VAR to be used for IRF and FEVD analysis

has been stable. The next test was co-integration test. This test is used to show the relationship between variables in the long run. The results of this test also indicated that the variables in this study did not move away from various common stochastic trends in the long run.

Table 2. Unit Root Test Results at First Different Levels

Variable	ADF Point	Mc. Kinon point Crisis			Info
		1%	5%	10%	
LgPMDN	-11.4	-3.61	-2.94	-2.66	stationary
LgPMA	-6.89	-3.61	-2.94	-2.66	stationary
LgPDB	-11.2	-3.63	-2.94	-2.64	stationary
Dummy	-6.14	-3.61	-2.94	-2.66	stationary

Source : data processed, 2020

Based on Table 5, the three (3) co-integrations statistical values of both Max-eigen and Trace obtained greater values than the critical value. Therefore, this research had a long-term co-integration relationship.

Table 3. Optimal Lag Test

LR	FPE	AIC	SC	HQ
NA	2.15e-07	-6.841242	-6.709282*	-6.795185
24.30193	1.66e-07	-7.100678	-6.572838	-6.916447*
4.565016	2.37e-07	-6.758092	-5.834372	-6.435689
25.48114*	1.51e-07*	-7.238136*	-5.918536	-6.777560

Source : data processed, 2020

The next test was VECM estimate. Its results can be used to see the long-term and short-term influences between the variables used. In this study, the parameters used to see if variables have a significant influence or not was by referring to t-statistical values > t-table values.

Table 4. VAR Stability Test Results

Modulus	Information
0.999966	Stasioner
0.999966	Stasioner
0.853631	Stasioner
0.853631	Stasioner
0.756212	Stasioner
0.756212	Stasioner
0.638617	Stasioner
0.638617	Stasioner
0.492919	Stasioner
0.492919	Stasioner
0.412631	Stasioner
0.412631	Stasioner

Source : data processed, 2020

The t-table value in this study was 2.03452 based on a critical value of 5% with a total of 37 observations and a variable count of four. The test results use VECM can be seen on table 6. Based on Table 6, in the long run FDI and DI had a significant positive influence, while in the short-term they only had a significant positive effect on lag 1 and positive insignificant on lag 2. GDP had a significant negative influence on DI in the long run, while in the short-term it had a significant negative effect on lag 1 and lag 2.

Structural break down had an insignificant positive effect on DI in the long run. Coefficient C obtained the value of 0.212469 meaning that Indonesia's DI in the longterm convergence to the equilibrium level was at a speed of 21% per annum with the contribution of GDP FDI and Structural

Break Down. Vecm estimates in this study had a f-statistical value of 7.296465 where the f-statistical value was greater than the f-table value standard of 5%, namely 2,901 with a value of degree of freedom for denominators (df1) of 3 and a numerator value (df2) of 32, so it can be said that the model in this study was significant.

Table 5. Cointegration Test Results

Max-eigen value		Trace	
Statistic	Critical Value	Statistic	Critical Value
123.0791*	32.11832	217.5734*	63.87610
67.54509*	25.82321	94.49431*	42.91525
17.00080	19.38704	26.94921*	25.87211
9.948412	12.51798	9.948412	12.51798

Source : data processed, 2020

Furthermore, the adjusted R-square determination value of 0.583197 indicated that FDI, GDP, and structural break down variables had an influence on DI variables by 58% and the remaining 42% was explained by other factors outside the model. The next test was IRF. This Impulse Response Function (IRF) test was used to determine the shock response of independent variables to dependent variables over a period of time. This analysis explained the response based on variables per period with standard deviation as the determinant. Table 7 shown the IRF test results.

In table 7 it can be observed that there was a shock response that tended to be sharp. In period 2 it increased by 0.023368, in the 3rd period it decreased to the 4th period of 0.002566. Furthermore, in the 5th period onwards, the shock response tended to show a stable trend in positive terms. Furthermore, the variable response of GDP to DI, based on table 8 could be concluded that in the period 2 it experienced a sharp increase of 0.043501, followed by a decrease in the period 3 of 0.021110. From period 4 to period 30, the shock response given by GDP to DI tended to be stable and positive.

Table 6. VECM Estimation Results

Variable	Coefficient	T-statistic	Information
Short-term			
CointEq1	-0.820313	-3.83614	Significant
D(LgPMDN(-1))	0.141317	0.66398	Not significant
D(LgPMDN(-2))	0.223817	2.33266	Significant
D(LgPMA(-1))	0.587735	2.64002	Significant
D(LgPMA(-2))	0.133947	0.58329	Not significant
D(LgPDB(-1))	-7.657060	-3.17292	Significant
D(LgPDB(-2))	-8.452446	-3.90009	Significant
Dummy	0.040799	1.28731	Not significant
C	0.212469	3.97580	Significant
Long-term			
Lg(PMDN(-1))	1		
Lg(PMA(-1))	0.400466	3.22654	Significant
Lg(PDB(-1))	-20.05931	-6.73277	Significant
C	262.1396		
R-Squared	0.675820		
Adj-R-Squared	0.583197		
F-Statistic	7.296465		

Source : data processed, 2020

The next test was variance decomposition analysis test. This test was used to measure how the percentage of independent variable contributions to its dependent variables. The results of this variance decomposition test are able to explain the description of the largest contribution of variables and can be used to know the changes in contributions in the period to come. Table 8 shown the variance decomposition test.

Based on the variance decomposition test in the table 8, it can be observed that in the first period DI could be explained by shocks caused by DI variables themselves, while in the next period it appeared that shocks in DI began to decrease. This occurred due to the role of other variables that also affected shocks against DI. In the first period DI was affected by DI shock itself by 100%, then in the 2nd period began to decrease to 76.26% until the 30th period to 72.71%. The decline can be explained by the shocks of other variables in this study, namely GDP, and FDI.

Table 7. Impulse Response Function Test

Period	LGPMDN	LGPMA	LGPDB
1	0.082145	0.000000	0.000000
2	0.032994	0.023368	0.043501
3	0.047451	0.014685	0.021110
4	0.023273	0.002566	0.028707
5	0.049149	0.003715	0.015524
6	0.035012	0.010426	0.028583
7	0.046183	0.010428	0.017857
8	0.033450	0.007659	0.025523
9	0.043920	0.007151	0.022426
10	0.036871	0.009189	0.027063
15	0.040557	0.008658	0.020353
20	0.038685	0.007366	0.021716
25	0.040337	0.007942	0.024419
30	0.040083	0.009092	0.024658

Source : data processed, 2020

Furthermore, FDI variable the first period gained the value of 0%, meaning that in that period pma variable did not have any shock effect on DI variable. However, in the 2nd period it was seen to have a shock effect of 5.31%, but the influence exerted by FDI on DI experienced in later periods. In details, in the 15th period it achieved 3.93% up to the period 30 of 3.58%.

Variable GDP in the first period did not have any effect on DI. This was reflected in its value of 0%, while in the second period began to show its effect on DI by 18.4%. The increase began to drastically occur from the 6th period by 21.77% to DI and continued to increase until the 30th period of 23.7%.

Table 8. Variance Decomposition Test

Periode	LGPMDN	LGPMA	LGPDB
1	100.0000	0.000000	0.000000
2	76.26810	5.314557	18.41734
3	76.49554	5.775906	17.72855
4	73.00577	5.276753	21.71748
5	75.71065	4.539053	19.75030
6	73.63090	4.596079	21.77303
7	74.08975	4.555295	20.68554
8	73.71398	4.451566	21.83445
9	74.08975	4.225309	21.68494
10	73.20006	4.198852	22.60109
15	73.27537	3.938049	22.78658
20	73.08729	3.757935	23.15478
25	72.89167	3.639226	23.46911
30	72.71322	3.584380	23.70240

Source : data processed, 2020

The results of the VECM model estimates showed that pma variables had a significant positive influence in the long run, while short-term it only showed significant results on lag one. Having FDI had a significant positive effect on DI is in line with researches conducted by Agosin and Machado (2005), Kim and Seo (2003) and Ahmed, et al. (2015) that FDI has a significant positive influence (Crowding In) on DI on an economy.

According to Agosin (2005) the occurrence of crowding phenomenon in one of them occurs when MNC and domestic companies have distribution characteristics in

different sectors. Distribution data of FDI and DI distribution from 2010 to 2019 that can be seen on table 9. In table 9, the FDI and DI distribution data during the period 2010-2018 experienced similarities in 2012 in the secondary sector, 2016 in the secondary sector and 2018 in the tertiary sector.

According to agosin & machado (2005) the similarity of distribution in the economic sector between FDI and DI will increase the occurrence of crowding-out. As for what is happening in Indonesia, FDI and DI have different distribution tendencies. In the last 10 years only in 2012, 2016, and 2018 the distribution of FDI and DI got similar. Agosin &machado (2005) add that the inter-sector interrelationship in it results in complementary properties between FDI and DI.

Table 9. Distribution of FDI and DI in 3 Economic Sectors in Indonesia

SECTOR	2010		2011		2012	
	PMA	PMDN	PMA	PMDN	PMA	PMDN
PRIMARY	42916.8	13380.5	69076.1	16526.2	83870.4	20369.1
SECONDARY	47208.6	24432.1	95588.1	38662.2	166381	49927.3
TERTIARY	139245	22813.6	110361	20852.1	96996.9	21885.6
SECTOR	2013		2014		2015	
	PMA	PMDN	PMA	PMDN	PMA	PMDN
PRIMARY	91486.4	25715.5	98829.1	16520.6	88110.2	17059.6
SECONDARY	224198	51171.1	183965	59034.7	166262	89048.3
TERTIARY	88855.8	51264.1	120337	80570.8	159248	73357.8
SECTOR	2016		2017		2018	
	PMA	PMDN	PMA	PMDN	PMA	PMDN
PRIMARY	63604.9	27704.6	85845.5	43582.1	67914.5	67426.9
SECONDARY	235809	106784	185133	99189.9	145578	83664.4
TERTIARY	109800	81742.5	182955	119578	198832	177534

Source : Data processed, 2020

Positive significant long-term positive and positive short-term results in this study might be caused by the backward forward linkages between FDI and DI. Between FDI and DI there was a positive externality relationship or complementary relationship. FDI gave CI impact due to the transfer of technology that can be absorbed by domestic investors and provided better managerial capabilities. The results of the analysis of the impact of FDI on DI in this study showed that there was an impact of Crowding In both in the long and short-term.

It indicated the complementary nature between foreign investment and domestic

investment. The findings of this study are not in line with the theory of dependency initiated by Andre Gunder Frank in the context of economic relationshio, He argues that the relationship between developed countries and developing countries can cause backwardness in developing countries. However, this situation did not occur in Indonesia in which FDI even could increase the acceptance of DI.

Based on data from the Investment Coordinating Board, DI receipts have increased in every period indicating a positive influence by FDI and foreign investment does not provide pressure that causes the DI acceptance rate to fall. Vecm estimates in this study showed that GDP variable had a significant negative influence in the long run, while in the short-term, it showed similar results, namely significant negative.

Table 10. The Average Contribution of Capital Formation and FDI+DI on GDP

Year	Capital Formation	PMDN+PMA
2010	32%	3%
2011	33%	3%
2012	34%	4%
2013	33%	5%
2014	33%	5%
2015	33%	6%
2016	32%	6%
2017	32%	7%
2018	34%	7%

Source : data processed, 2020

The results of this study, namely GDP had a significant negative effect on DI are in contrast to Harrod-Domar's theory that there is a positive relationship between investment and economic growth. These results can occur for several reasons. First, Indonesia GDP structure is dominated by the level of public consumption. Second, the investment share of gross fixed capital formation to GDP was only about 33%. Third, the share of DI to GDP was still around 5%. The summary of these findings are presented in table 10.

Based on table 10, some formulation was made. First, it appears that for 10 years the share of gross fixed capital formation to total GDP ranged from 32%-34%, while the share of FDI+DI to total GDP ranged from 3%-7%. The second possibility was Indonesia low per capita income level. This low per capita income would cause people to choose to spend their income as consumption rather than being used to invest. Third was the low investment interest of Indonesian people.

Vecm estimates in this study showed that structural breakdown variables that predicted political stability had an insignificant positive influence in the short-term. These insignificant results were possible because of the achievement of investment-related policies due to the influence of other factors that were more precisely targeted to investments. Political stability is generally related to the policy that applies to a country. The targeted policies will create a more stable atmosphere than overlapping policies to the detriment of one party.

In the publication of The World Bank regarding Poverty Reduction and Economy, Cheryl W Gray (1997) in her paper "Reforming Legal System in Developing and Transition Countries" there is one condition that policies or laws can function properly in a market that is a market-friendly policy. This condition may reflect the policy conditions in Indonesia that

are still overlapping which cause long and difficulties in obtaining permission to invest.

CONCLUSION

This study aimed to analyze the Impact of Foreign Investment (FDI) on Domestic Investment (DI) in Indonesia. Based on the co-integration test conducted using the Johansen Multivariate Cointegration method, it was known that a long-term co-integration relationship occurs between domestic investment, gross domestic product, domestic investment, and Structural Break Down. This is indicated by trace statistic and Max-eigen values that appeared more than critical value (5%). Foreign investment (FDI) has a significant positive effect on domestic investment (DI) in the long-term and also has a significant positive effect in the short-term.

This is allegedly due to the presence of backward-forward linkages in terms of production between foreign companies and domestic companies. The existence of such reciprocal relationships leads to the emergence of complementary properties or positive externalities that are intertwined. In addition, FDI will cause Crowding In allegedly because differences in sector distribution with domestic companies, and MNC companies that come with better capabilities and superior technology can be absorbed and maximized by domestic companies so that domestic companies are not displaced by the sophistication of foreign companies.

Gross domestic product (GDP) has a significant negative impact on domestic investment (DI) in the long-term, and has a significant negative effect in the short-term. This happened that because investment interest in Indonesia is still low, so people will tend to spend their money to meet their needs rather do investment. In addition, the proportion of investment in GDP is still relatively low and is still dominated by the level of public consumption. The last reason is that the per capita income of Indonesian people is still low so that people will tend to use their income to spend as consumption.

Structural Break Down which is a proxy for political stability has an insignificant positive effect on domestic capital receipts (DI) in the short-term. This is allegedly because political stability which is generally synonymous with the prevailing policy is still not able to increase the acceptance of DI. In addition, the length of regulation in licensing management and the overlap of policies are strong reasons for political stability to have a significant negative effect on DI.

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