ABSTRACT

Indonesia is one of the developing countries in South East Asia that has rapid development in economic. It indicates by private investment in Indonesia nowadays growth incrementally and volatilely from beginning of 1990 until now. However, the volatile growth of private investment of Indonesia caused by various factors such as inflation, interest rate and GDP according to neoclassical theory. Thus, it is crucial to analyze the factors of private investment growth. This research is aimed to analyze the effect and relative importance of inflation, GDP and interest rate on private investment in Indonesia.

The methods used in this research are Ordinary Least Square (OLS) and neural networks. The data of this research is collected from the World bank and the Central Bureau of Statistics from 1990 until 2020. According to the OLS first, the result shows that GDP, inflation and interest rate affect private investment of Indonesia. Second, the result of the neural network shows that GDP is the most crucial factor which affects private investment. Further, it is followed by inflation and interest rate. This research is expected to encourage prioritization from a macroeconomics perspective in order to create an effective investment policy in Indonesia.

Keyword: OLS, Neural Network, Private Investment, Neoclassical Theory.

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