

STOCK MARKET AND FOREIGN DIRECT INVESTMENT: EMPIRICAL STUDY IN INDONESIA

19/452413/PEK/25365

This study aims to determine the impact of foreign direct investment on the stock market development. This study used annual foreign direct investment data and stock market development from 1995 to 2019. The quantitative approach is used in this study.

There are two hypotheses to be investigated in this study to reach the objective of this study. The first hypothesis is there is a long term relationship between foreign direct investment and stock market development and the second hypothesis is there is cointegration relationship between foreign direct investment and stock market development in Indonesia

This study found out that there is a long term relationship between foreign direct investment and stock market development in Indonesia. And this study also found that there is no causality between foreign direct investment and stock market development in Indonesia because this study found that there is only one direction from, foreign direct investment to stock market development .

Keywords- Foreign Direct Investment. Stock Market Development, Cointegration Test, Causality Relationship.