ABSTRACT

This study aims to examine the effect of FDI spillovers on total factor productivity (TFP) growth and the decomposition of TFP consisting of technical efficiency change (TEC), technological change (TC), and scale efficiency change (SEC). To investigate the relationship, this study utilizes two stages of estimation. First, to decompose TFP into TEC, TC, and SEC using DEA based on the Malmquist method. Second, to use multiple linear regression models. This study used ISIC 10 food processing industry data for 2011-2019 with the exception of 2016. Sampling is done by purposive sampling with a final sample size of 120 samples that match the predetermined criteria. The empirical findings of this study indicate that FDI spillovers have a positive effect on TEC. However, FDI spillovers have a negative impact on TC. The period studied has not been able to see the effect of FDI spillovers on TFP growth and SEC. In addition, this study found that incentive control variables and labor mobility affect TEC and TC. The control variables of size and absorptive capacity only affect TFP.

Keywords: FDI spillovers, TFP growth, TFP decomposition, DEA Malmquist, panel data.