ABSTRACT

The data used in this study are time series with quantitative approach. Secondary data obtained from the Indonesia Stock Exchange website, Badan Pusat Statistik, Bank Indonesia, Badan Koordinasi Penanaman Modal, and Otoritas Jasa Keuangan are used in this research. To analyze the short and long run effects, the Vector Error Correction Model (VECM) method is employed. The results revealed that in the long run stock market capitalization have a significant positive impact on GDP, while composite stock price index, labor force participation rate, and foreign direct investment have a significant negative impact on GDP. In the short run composite stock price index and labor force participation rate has a significant negative impact, while foreign direct investment has a significant positive impact.

Keywords: Stock market, economic growth, Indonesia, VECM.