

ABSTRACT

This thesis aims to understand what are the effects of portfolio investment measured by investments in the stock market towards the real economy measured in real GDP using Indonesia as an example, as well as to understand the multiplier effect created from the portfolio investment towards economic growth. Using Fixed Effect Model analysis as an approach with quarterly data ranging from 2010 to 2020, this thesis finds that portfolio investment positively affects the economic growth, however its overall impact is lower than the estimation, and only the manufacturing sector has a meaningful impact towards the economic growth.

Keywords: Portfolio Investment, Capital Market, Economic Growth, Keynesian, Panel Data

JEL Classifications: C23, E12, E22, E44, G19