## TABLE OF CONTENTS

**UNDERGRADUATE THESIS APPROVAL** ..... **ii**
**THESIS EXAM APPROVAL** ..... **iii**
**STATEMENT OF THESIS ORIGINALITY** ..... **iv**
**ABSTRAK** ..... **vi**
**ABSTRACT** ..... **vii**
**FOREWORD** ..... **viii**
**TABLE OF CONTENTS** ..... **xi**
**LIST OF TABLES** ..... **xiii**
**LIST OF FIGURES AND GRAPHS** ..... **xiv**
**LIST OF ABBREVIATIONS** ..... **xv**
**CHAPTER I INTRODUCTION** ..... **1**
1.1 Background ..... 1
1.2 Research Problems ..... 6
1.3 Research Objectives ..... 7
1.4 Writing Systematics ..... 7
**CHAPTER II LITERATURE REVIEW AND THEORETICAL FRAMEWORK** ..... **8**
2.1 Theoretical Perspective ..... 8
2.1.1 Keynesian Theory ..... 9
2.1.2 Aggregate Demand ..... 11
2.1.2.1 The Role of Investment in the Aggregate Demand ..... 13
2.1.3 Investment Multiplier ..... 19
2.1.4 Demand Side Economic Growth ..... 20
2.1.4.1 Portfolio Investment ..... 22
2.2 Literature Review ..... 27
2.3 Theoretical Framework ..... 33
2.4 Hypothesis ..... 35
**CHAPTER III RESEARCH METHODOLOGY** ..... **36**

3.1 Research Variables and Operational Definitions ..... 36
3.1.1 Variables of Interest ..... 36
3.2 Data Types, Sources, and Methods of Acquirement ..... 37
3.3 Method of Analysis ..... 38
3.3.1 Empirical Model ..... 38
3.3.2 Drawing Conclusions ..... 48
**CHAPTER IV RESULTS AND ANALYSIS ..... 50**
4.1 General Overview of the Research Variables ..... 50
4.1.1 Portfolio Investment (Indonesian Stocks Exchange Sectoral Index) ..... 51
4.1.2 Real GDP (Indonesian real GDP From the Manufacturing and Financial Sector) 52
4.2 Descriptive Statistics ..... 55
4.3 Estimation Result ..... 55
4.3.1 Classical Assumptions ..... 57
4.4 Discussions ..... 59
**CHAPTER V CONCLUSIONS ..... 62**
5.1 Conclusions ..... 62
5.2 Concluding Remarks ..... 63
**REFFERENCES ..... 64**
**APPENDICES ..... 69**

## LIST OF TABLES

Table 3.1 Research Variable Summary ..... 37
Table 3.2 VIF Interpreation ..... 45
Table 4.4 Model Estimation Result ..... 55
Table 4.5 Fixed Effect Dummy Model Estimation Result ..... 56
Table 4.6 Multicollinearity ..... 58
Table 4.7 Homoscedasticity ..... 58
Table 4.8 Auto/Serial Correlation ..... 59

## LIST OF FIGURES AND GRAPHS

Figure 1.1 Indonesian Quarterly Real GDP ..... 3
Figure 1.2 Indonesian Foreign Portfolio Investment ..... 4
Graph 2.1 Income-Expenditure Graph ..... 21
Graph 4.1 Indonesian Manufacturing and Financial Sector Quarterly Stocks Index . 51
Graph 4.2 Indonesian Real GDP by Manufacturing and Financial Industry ..... 53
Graph 4.3 Indonesian GDP by Expenditure ..... 54

## LIST OF ABBREVIATIONS

| | |
|---|---|
| GDP | : Gross Domestic Product |
| GNI | : Gross National Income |
| KA | : Capital Account |
| CA | : Current Account |
| PI | : Portfolio Investment |
| FEM | : Fixed Effect Model |
| REM | : Random Effect Model |
| IMF | : International Monetary Fund |
| FPI | : Foreign Portfolio Investment |
| DPI | : Domestic Portfolio Investment |
| FDI | : Foreign Direct Investment |
| DDI | : Domestic Direct Investment |
| IDX | : Indonesian Stocks Exchange |
| IHSG | : Indonesian Stocks Composite Index |
| JASICA | : Jakarta Stocks Exchange Industrial Classification |
| IDR | : Indonesian Rupiah |
| OLS | : Ordinary Least Squares |
| SEKI | : Bank of Indonesia Statistics Publication |
| FRED | : Federal Reserve Economic Data |