ABSTRACT

TRIAS ANDATI. Macro – Micro Factors Effects to Sectoral Investment Growth in Financial Liberalization Era: Q-Tobin Analysis. (HERMANTO SIREGAR as Chairman, BONAR M. SINAGA and NOER AZAM ACHSANI as members of the Advisory Committee)

This research attempts to analyze macro and micro factors affecting the sectors’ investment growth in the era of financial liberalization. Q-Tobin ratio is used as an indicator of sectoral investment growth to provide insights into corporate investment decision. Using annual data of 64 listed company’s financial report from 2002 to 2009, the results show that the financial liberalization variables such as Foreign Direct Investment (FDI) and Investment Portfolio give the positive effects to Q-Tobin agricultural sector, otherwise to Basic and Chemical Industry and Banking sectors. There were transmission mechanisms from real sectors to financial sectors but not the other way around. Increase of financial deepening give positive effect to Q-Tobin of Basic and Chemical Industry sector and Banking, otherwise to agricultural sector. SBI has negative effect to Q-Tobin all sectors, while the effect of loan interest rates to Basic and Chemical and Banking sectors was positive. Money supply has negative effect to Q-Tobin of Basic and Chemical Industry sector and Banking. Fixed asset investment of all three sectors has same patterns of Q-Tobin, and increased from 2002 to 2009, while at the year of 2008, Q-Tobin of all sectors were experienced decrease due to financial crisis. Company’s loan give positive effect to Q-Tobin, while total assets give negative effects. Q-Tobin gives negative effect to real investment growth of Basic and Chemical Industry and Banking sectors, and also the company’s capital structure of Basic and Chemical Industry sector. Real loan interest rates give positive effect to real investment growth. Furthermore, there should be rationing of portfolio investment in agriculture sector, to prevent the funds flow from real sector to financial sector. Tobin Tax theory is suggested to be implemented in any financial transactions. Further research is suggested to analyze the effect of financial liberalization on agricultural sector private company’s investment.

Keywords: Investment, Financial Liberalization, Q-Tobin, Panel Data.