INTERNATIONAL CAPITAL FLOW IN RELATION WITH STOCK PERFORMANCE OF PLANTATION INDUSTRIES IN INDONESIA STOCK MARKET

By

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Revision After The Thesis Defense on 5 August 2011

STATEMENT BY THE AUTHOR

I hereby declare that this submission is my own work and to the best of my knowledge, contains no material previously published or written by another person, nor material which to a substantial extent has been accepted for the award of any other degree or diploma at any educational institution, except where due acknowledgement is made in the thesis.

Mellisa Chandrawati Date

Approved by:

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Chairman of the Examination Steering Committee Date

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ABSTRACT

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Recently there are problems happened in the financial sector in some countries. At the year 2007, crisis in America lead the world crisis. Because of this, decline in the macro economies started to rise, such as high inflation rate and unemployment rate. Furthermore, capital market also starts to diminish gradually. It becomes no more attractive to invest in the capital market and the investors tend to pull out their money, and look for some alternatives to expand their investments. Some foreign investors from the develop countries suffered a decline in their income from investment.

Finding out the investment alternative, they see the opportunities to gaining profit from investing in the developing countries. Developing countries such as Asia countries becomes their main destination. The fascination of high return becomes more interesting because they can earn higher profit from investing in the emerging economies.

Based on this condition, this thesis has a purpose to analyze performance of stock that greatly attracts international capital flow to Indonesia Stock Market, focusing on the plantation industries' stock. The measurement will be based on the plantation

companies' data for 6 years, from the period 2005 – 2010 to get better view about the proportion of foreign ownership in Indonesia stock market.

The methodology of this research will focus on examining the stock performance and price fluctuation on plantation industries' stock price to the proportion of capital flow in Indonesian stock market. In addition, some ratio analysis can also be implemented as the indicator to predict the stock price. However, this technique should be known beforehand, by referring to the company financial data. Throughout the research, there have been some interesting findings. It is proven that there is a relationship between international capital flow and the stock performance of plantation industry. Even so, the presence of external factor can't be ignored because it is closely related with the condition of the foreign flow to Indonesia.

Key words: international capital flows (ICF), plantation industries' stock, foreign investors

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DEDICATION

I would like to dedicate this thesis to God who always gives me His blessings and grace. In addition, I dedicate this thesis to my parents, sister and brothers for their love and support during my study in SGU. Thanks for give me the opportunity to have a best education and allow learning precious experience during my internship abroad.

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