



The 1ST UNICEB 2017

Garuda Plaza Hotel Medan, December 12th 2017



CAPITAL INFOWS, STOCK MARKET, CAPITAL FORMATION AND ECONOMIC GROWTH IN ASEAN'S COUNTRIES: A SIMULTANEOUS EQUATION APPROACH

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ABSTRACT

This study investigates interdependence relationship between capital inflows, stock market development, capital formation and economic growth in ASEAN countries. The analysis is performed by using simultaneous-equation models estimation technique. The sample data is based on annual data, covering the period from 1996 to 2015. The results show that there was an interdependence relationship between capital inflows, stock market development, capital formation and economics growth, but no interdependence relationship between capital inflows with capital formation. While capital inflows do not affect economic growth, but economic growth affect the capital inflows. This study is expected to provide empirical evidence on the interdependency relationship of capital inflows, stock market development, capital formation and ASEAN's economic growth. The study findings and implication are expected to be of significant to the government because government should improve the state of infrastructures in the country and ensure stable macroeconomic policies (inflation, interest rate, etc) as a stabilization tool to propel the attraction of more capital inflows into ASEAN countries and the potential to boost the ASEAN's economy in both the short and long term.

Keywords : *Capital Inflows, Stock Market, Capital Formation, Economic Growth*

