ABSTRACT

Effect of SBI Rate, Jakarta Composite Index, Gross Domestic Bruto and Expected Inflation Against Demand for Conventional Bond in Capital Market (Period 2001 - 2008)

By

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A bond is an instrument in which the issuer (debt or borrower) promises to repay to the lender/investor the amount borrowed (principal) plus interest (coupon) over some specified period of time.

The objective of this research is to examine the influence of SBI Rate, Jakarta Composite Index, Gross Domestic Bruto and Expected Inflation against demand for Conventional Bond in Capital Market during the period of 2001:1-2008:12. The model is estimated by ECM (error correction model) method.

The results of this research indicate that simultaneously and partially all exogenous variable in model of this research significantly together affected demand for conventional bonds in capital market. Estimated showed the R-square is 0.65 it means that exogenous variable as much as 65%. While the rest of 35% are explained by variable are not include in estimation model.

Key words : ECM, Conventional Bond, SBI rate, JCI, Gross Domestic Product, and expected inflation.