

SUMMARY

AHMAD CAHYO NUGROHO. *Investment Decision on Manufacturing Companies: Evidence from Manufacturing Companies Listed on The Indonesian Stock Exchange (IDX)*. Supervised by MUHAMMAD FIRDAUS, TRIAS ANDATI, and TONY IRAWAN.

Premature deindustrialization phenomenon indicated by decreasing manufacturing industry share on the economy is faster than expected. It reflected on achievement of the national investment target in the manufacturing sector in Indonesia. This study aims to analyze the agency problem in investment decision of manufacturing industry in Indonesia by considering the company risk characteristics (between agro-industry and non agro-industry), foreign ownership, and market competition.

The panel data method used with an annual period from 2007 to 2016 and 100 samples of manufacturing companies listed on the Indonesia Stock Exchange (IDX). This study shows that agency problems occur in Indonesian manufacturing companies.

Firms that had higher risk characteristics tend to be more selective in investment and increase the positive influence of market demand. Foreign ownership indirectly affects the investment of manufacturing companies reflect better control on management decision. Market competition, sales growth rate, and the company's position in the market impact the investment decisions of manufacturing companies. This study also shows that impact of market competition is not strengthened or weakened by sales growth and the company's position in the market.

Keywords: agency problem, foreign ownership, market competition, risk characteristics.



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