

ABSTRAK

This study analyzed the Foreign Direct Investment (FDI) which provides spillover effect on the Productivity growth Domestic firm and the sources of Total Factor Productivity growth in Tobacco Processing Industry in Indonesia for the period 2007-2008. Tobacco Processing has ISIC Code 160 and 120, this industry is classified into four sub-sectors of the industry. This research applies quantitative analysis tools with survey data of manufacturing Firms in Medium and Large Industries conducted by Indonesian Board of Statistic. The method is divided into two parts, the non-parametric linear programming methods and the OLS regression method. The number of observations used in the first method is the 150 firms for period 2007 - 2013 with one output and two inputs, while the number of observations used in the second method is divided into two groups, the total 150 firms that consist of foreign and domestic firms and 145 firms that consist only domestic firms for period 2008-2013. The results show that the main source of growth in Total Factor Productivity is the Technical Efficiency Changes in Tobacco Manufacturing. However Technology change increased for each observed years. Foreign Direct Investment provides a positive spillover effect on Technical Efficiency Change and gives a negative spillover effect on Scale Efficiency Change and Technology Change.

Keywords : Foreign Direct Investment, Total Factor Productivity growth, Malmquist Index, Technical Efficiency Change, Scale Efficiency Change, Technological Change.