ABSTRACT

The growth of East Java economy in several last years is showed very fantastic fluctuation, especially after several region become self one province that is Banten Province. Equally with other region in Java island, growth of East Java economy left behind so far. This matter indicated that growth of economy can't free for effect of any factor. This side also any potential sector can be develop in East Java but not realization. Based on this fact, this study is trying to analysis deeply about the factors affecting to growth of economy and analysis about potential sectors in East Java Province. This aim of study is to analysis the effect of Gross Fixed Capital Formation (PMTB), government expenditure, work forces and aglomeration to growth of East Java economy and to analysis of potential sectors look in sectoral activity.

The data used in this study are secondary data, which were collected from BPS, BKPMD, BAPPEDA for this study periods from 1980 to 2002. Tp estimate and analyse the variables in this study, beside economic theory, the econometric approach is also adopted by applying regression and correlation. Regression analysis is use to investigate causality between dependent variable with one or more independent variables. And to analysis of potential sectors use to Shift-share analysis, Location Quotient analysis and growth ratio of models.

The result of this studi indicated that Gross Fixed Capital Formation (PMTB), government expenditure, work forces and agglomeration have an effect on positive to value of growth of East Java economy (PDRB). And as a whole independent variables have a significant effect to value of growth of east Java

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economy (PDRB) where variable of work forces have a biggest effect to value of PDRB. while the result of analysis potential sectors indicated that sector of manufacture industry and sector of electric, gas and water is biggest potential sector an have a competitive advantage. And this study indicated that others sector can be develop moreover become potential sectors next year that is trading, transportation, finance and service sectors.