

ABSTRACT

This Research was aimed to analyze the determinant behavior of Private Capital Investment (Domestic Investment and Foreign Investment) in Central Java Province during 1979 -2002. The analysis method applied in the research used dynamic model multiple regression analysis with lag model..

Data used in the research is secondary data obtained from Central Bureau of Statistic (BPS), the Local Investment Board (BPMD), Regional Development Planning Board, Financial Bureau of the Province of Central Java and Indonesian Bank (BI). The data used were time series data during 23 years.

The result of this research shows that the Gross Domestic Regional Product (GDRP) Labour Power and Infra Structure has positive and significant effect on the Domestic Investment in Central Java Province both at the short term and long term (Lag 1). While Domestic Interest rate has an effect at negative direction and there is relative change at -0.7673, and all variables contribute to 84.07 percent of the (Domestic Investments variation).

It is also found that variables of Gross Domestic Regional Product (GDRP), Labour, and Infrastructure have positive and significant effect on Foreign Capital Investment both at the short term and long term. While International Interest Rate (LIBOR) has effect with negative direction. Those variables contribute to 61.07 percent of the variable of Foreign Capital Investments variations.

Among the four variables in this study, the labour variable is the most dominant. Therefore, some effects and strategies are needed to attract investment interest in central Java by enhancing the quality of man power through education and sufficient skill trainings.