

## ABSTRACT

Small and middle industries has important role in absorption of labour. But product competitiveness small and middle industries still be low effect height of production cost. They are effect far of input market and output. The solution of problems is development cluster small and middle industries being based on regional core interest. Purpose of research is know factors influencing the forming of cluster small and middle industries being based at regional core interest.

Cluster is industry group of business that each other related. Cluster has two element of key, that is: company in cluster correlates, and four p's some where nearby, which is easy recognized as an industrial regional. The relationship has the character of horizontal and vertical. Benefit from cluster besides increasing productivity and competitiveness also as a means of analysis, operational peripheral and equipment of service feeder.

To reach purpose of research, analyz utilized is Linear Regression Probability Model, because dependen its (the variable only having two values 0 ( non sentra) and 1 (sentra). Independent variables applied are Economics Scale, Intensity Natural resources, The relationship of lane, Production value, Innovation, Market Access, Investment. The research object are small and middle industries regional Surakarta. Sample in this research by the way of random sampling propotional.

Natural resources Intensity, Production value and Market Access statistically can influence forming of cluster small and middle industries. But Economics Scale, and Investasi is not viewed as important factor in forming of cluster small and middle industries in Surakarta. Intensity Natural resources and production value has the relation of negative. Market access has positive influence. 10,9% small and middle industries are outside sentra potency doesn't becomes cluster with probability 0,109. While 89,1% small and middle industries are outside sentra potency becomes cluster with probability 0,109. For small and middle industries inside sentra 3,9% doesn't potency becomes cluster with probability 0,960, and 96,1% small and middle industries inside sentra potency becomes cluster with probability 0,960. But as a whole probability small and middle industries to be cluster 0,660. So develop cluster small and middle industries government Surakarta with private sector must give cost facility for towards market.

*Keyword: Cluster, small and middle industries, Linear Regression Probability Model, Market Access, Production Value, Intensity Natural Resources, Competitiveness, Sentra.*