

ABSTRACT

The manufacturing industry makes a major contribution to the Indonesian economy, both in terms of GDP and employment. The manufacturing industry also makes an important contribution to regional economic development, due to agglomeration. One of the positive impacts of agglomeration is a positive externality called knowledge spillovers. Through knowledge spillovers, the level of productivity of the company can increase which results in an increase in the performance of the manufacturing industry.

This research aims to view how does industrial agglomeration and local competition impacts knowledge spillovers in Indonesia's industrial sector. This Research uses data from Indonesia's Large and Medium Industries Survey spanning from 2015-2020. Using pooled panel data with fixed effect model, this Research shows that industrial agglomeration has a positive and significant effect towards knowledge spillover, but local competition is not significant towards knowledge spillover.

Keywords: industrial agglomeration, local competition, knowledge spillover, manufacturing industry