

ABSTRACT

Regional development disparities remain to be one of the challenges faced by Indonesia. To address these disparities, the Indonesian government adopted a growth pole policy outlined in the MP3EI document as one of its efforts. Through MP3EI, the Indonesian government assumes the existence of a spread effect between growth centers, represented by urban cities in Indonesia, and their surrounding areas. This study aims to examine whether the spread effect mechanism exists on Java Island from the growth of output and input between growth centers and their surrounding areas, particularly rural areas, during the MP3EI period from 2011 to 2019. Using a simultaneous equations approach, the findings indicate that during the MP3EI period, there was a spread effect mechanism on Java Island, both in input and output growth. Furthermore, the spread effect to rural areas was only received from small towns rather than urban cities. Urban cities only provided a spread effect to one another. Meanwhile, the spread effect of input growth occurred solely between small towns. Therefore, the objectives of the MP3EI policy need to be re-evaluated as growth centers or urban cities only provide a spread effect to one another.

Keywords : core-periphery, spatial spillover effect, spread-backwash effect, economic growth, Java Island, urban-rural