

ABSTRACT

Endogenous Growth Theory explains that innovation of technology and human capital are the main causes of productivity and the most important thing for economic growth. The purpose of this paper is to examine empirically the sources of economic growth based on an augmented Mankiw, Romer, and Weil's model which considers human capital in the forms of both health and education.

The study employed a panel data of 35 regencies/cities of Central Java Province during the period of 2011-2015 with economic growth as dependent variable and as independent variables are investment saving ratios of GDP, workforce growth, the average years of schooling, Gross Enrollment Rate and life expectancy. The data analysis methods used in this study is a multiple regression analysis.

Using random effect method, the results showed that life expectancy and the average years of schooling are positive and significant toward the economic growth. Maternal mortality rate and the student to teacher ratio for primary school has positive but insignificant toward the economic growth. Workforce growth has negative and significant toward the economic growth. Investment saving ratios of GDP has positive and significant toward the economic growth. To conclude, factors affecting economic growth in Central Java Province are not only capital and labor, but also human capital.

Keywords: *Economic Growth, Human Capital, Education, Health, Random Effect Method*