

ABSTRACT

Public infrastructure provision is a substantial factor in the development stage of nation. Infrastructure contributes to the economy and promotes economic development through direct and indirect mechanisms. The purpose of this study is to describe the development of public infrastructure in Indonesia and to analyze the effect of public infrastructure to economic growth of Indonesia.

This study uses panel data analysis with Fixed Effect Model - Least Square Dummy Variable (FEM-LSDV). The data used in this study covers 33 provinces in Indonesia during 2010-2014 with Jakarta as benchmark. Meanwhile, variables used in this research are the Gross Domestic Product (GDP) per capita, road infrastructure (km / km²), electrical infrastructure (Wh / capita), port infrastructure (tonnes / capita) and the Internet infrastructure.

The analysis showed that, roads, electricity, ports and internet infrastructure has a positive and significant impact on economic growth in Indonesia. The road infrastructure has the largest contribution to economic growth in Indonesia. The results of study provide a strong indication that the infrastructure is a substantial factor to accelerate economic growth, and support the paradigm of “infrastructure led growth”.

Keywords: economic growth, public infrastructure, panel data, FEM-LSDV