

ABSTRACT

Economic growth has an important role in decreasing poverty and creating jobs. For the last five years, the Central Java Province economic growth has raised, but it is considered low if it is compared to other Provinces in Java. Central Java Province has the lowest GDP per capita among the other provinces in Java Island. Whereas with many natural resources and human resources and the strategic areas between East Java and West Java, Central Java should be able to increase its economic growth and can be compete with other provinces particularly in Java. The aim of this research was to analyze factors that influence economic growth. This research had been done in the regency/municipality's economic growth in Central Java Province during five years period 2006-2010.

The model applied in this research is based on the neo classic growth theory proposed by Solow, capital and labour factors. Using combination data between the number of cross section data (35 regencies/cities) and the number of time series data during 5 years (2006-2010), this research used panel data with 175 observation method.

The result of this research indicated that agglomeration have negative effect but insignificant toward the economic growth, invesment have positive effect and significant to influence the economic growth, working work-force variabel have positive and significant influence to the economic growth, and human capital variabel have positive but insignificant toward the economic growth.

Keywords: Economic growth, Agglomeration, Investment, Working work-force, and Human capital investment