ABSTRACT

High economic growth is one of the country's economic policy objectives. Economic growth is closely associated with the welfare of the people so that economic growth is a business that should be done. Technology is one of the factors contributing to the increasing economic growth. With the technology, it will make input use to be more efficient. Efficiency in this study was measured from ICOR figures, where by a lower ICOR shows an increasing efficiency. This study aims to determine the relationship between ICOR with economic growth 32 provinces in Indonesia, knowing the influence of economics efficiency measured by ICOR figures on economic growth 32 provinces in Indonesia and do a simulation of Indonesia investment requirement in the year 2011 to 2015.

Data analysis in this study carried out by correlation analysis, analysis of panel data and projections ICOR. Analysis of panel data using a model of Fixed Effect Model (FEM) with the method of Fixed Effect Models Fixed Cross Section, prepared using the software Eviews 6.1.

The results of correlation analysis showed that of 32 provinces which were included into experiment models, 20 provinces showed a negative relationship between ICOR with economic growth and 12 provinces showed a positive relationship between the ICOR with economic growth. The results of panel data analysis has shown that the ICOR and economic growth has a negative and significant relationship whereby if the ICOR fells by 1 point then the economic growth of 32 provinces of Indonesia will increase by 0.41 percent. ICOR Indonesia projection result shows that there will be reductions in ICOR Indonesia from 2011 to 2015. Simulation investment requirement in 2011 - 2015 based on projection ICOR figures show that each year additional investment required to improve Indonesia's economic growth.

Keywords: Economic growth, ICOR, correlation, projections, investment needs.