ABSTRACT

In the process of economic development in Indonesia, particularly Central Java, poverty and income inequality issues are complex and multidimensional. This study aimed to analyze the effect of growth economic, agricultural productivity, industrial productivity, and education on poverty and income equality in Central Java in 2008 to 2012.

The method used in this study are panel data with Fixed Effect Model Approach and Dummy areas. Dummy areas are used to catch poverty and income inequality variations in 35 regencies/ cities in Central Java in 2008 to 2012. Data collection methods used are secondary data.

The results of this study show that economic growth, industrial productivity, and education have significant effect at α = 10 percent against poverty. While, agricultural productivity have not significant effect against poverty in Central Java. This is because the agricultural sector in Central Java subsistence with low productivity levels. Furthermore, economic growth, ratio of productivity and ratio of education have significant effect at α = 10 percent against income inequality in Central Java. Based on the results of the correlation matrix, there is a weak negative correlation between poverty and income inequality in Central Java during the period 2008 to 2012.

Keywords: poverty, gini coeficient, economic growth, agricultural productivity, industrial productivity, education, ratio of productivity, ratio of education, dan panel data