

## **ABSTRAC**

*High level of poverty in Central Java which is shown by the large of number of poor people, shows that the process of economic development have not been able to realize the people's welfare. To overcome the problem of poverty, need to analyze what factors that affect poverty. The purpose of this study is to analyzed the factors that affect poverty in Central Java during the period 2004-2008.*

*This study uses secondary data analysis tool data panel, which consists of data over period 2004-2008 times series and cross section data 35 districts of Central Java. One of the approaches used to estimate the regression model with panel data is use a Fixed Effect Model (FEM), namely by dummy variables in the equation or also called Least Square Dummy Variable (LSDV). Dummy region used in this model because of the different characteristic and resources of each region.*

*The results showed that the variables of economic growth and education has a negative and signifikan impact on poverty. Meanwhile, the variables of population and fiscal decentralization have positive and significant impact on poverty.*

*Keywords: poverty, economic growth, population, education, fiscal decentralization, Fixed Effect Model (FEM)*