

ABSTRACT

The increase in economic growth can be used as the main parameter in measuring the achievement of regional economic development. This can be seen from the increase of Gross Regional Domestic Product (GRDP) and the authority of local governments in utilizing regional financial potential in local revenue (PAD) and the role of investment and human resources in a region. This research aims to determine the simultaneous relationship between local revenue (PAD) and Gross Regional Domestic Product (GRDP) and the factors that influence it.

The data use in this research is a secondary data that obtained from Badan Pusat Statistika (BPS) with cross-section data, consisting of 29 districts and 6 cities in Central Java and time-series data from 2013-2017. The analytical tools used in estimating the regression model in this research is two-stage least square (TSLS).

The results of this research indicate that there is a positive simultaneous relationship between local revenue (PAD) and Gross Regional Domestic Product (GRDP) in Central Java Province. On the first equation, Gross Regional Domestic Product (GRDP), investment, general allocation grant, partially have positive and significant effect on local revenue (PAD). And also same goes with second equation, local revenue (PAD), investment, labor force participation rate, and local tax revenue partially have positive and significant effect on Gross Regional Domestic Product (GRDP) in Central Java Province.

Keywords: GRDP, PAD, two-stage least square.