ABSTRACT

Development policy in the context of regional development continues to grow. Broadly speaking, these policies can be classified into three groups, namely top down development policy, bottom up development policy and the policy of Local Economic Development (LED). LED Approach is assumed to be one of alternative development policies which can be applied in the era of regional autonomy in accordance with local excellence (superiority). One of the areas implementing local endowment based development is Central Java. Although agriculture is likelihood of majority of the population in Central Java, year by year growth of the sector has been experiencing far below the growth of other sectors.

This study aimed to examine the extent to which the implementation of Local Economic Development (LED) in Central Java and its impact on the agricultural sector growth and poverty eradication in Central Java. To perform the analysis, this study makes use of mixed analysis methods which combined between quantitative and qualitative approaches. Descriptive statistics, Principal Component Analysis (PCA) and Path Analysis were quantitative methods used in the study. The qualitative approach is utilized to describe complex phenomena which were not able to be explained by the quantitative methods.

Findings of the study indicate that empowerment of the institutional platform of LED in Central Java is relatively good by the fact that mapping and situation analysis of LED have been done by most of districts in Central Java, although the majority have not been equipped by the action plans including a business plan as well as have not been covered by local budget. The study also suggests that although Local Economic Development (LED) activity has no significant effect either on the growth of the agricultural sector or poverty eradication, indicators of socioeconomic variables gave significant impact on the growth of the agricultural sector as well as poverty alleviation. Some of location factors show that labor quality and wage have significant effect either on the growth of the agricultural sector or poverty eradication, but highway has not. The different result showed by agglomeration economics in agriculture that has no significant effect on the growth of the agricultural sector but significant on poverty eradication.

Key Words : LED, Growth, Poverty, Path Analysis, Central Java.