EMPIRICAL ANALYSIS OF REGIONAL ECONOMIC GROWTH WITH SPATIAL SIMULTANEOUS EQUATION MODEL APPROACH IN JAWA TENGAH PROVINCE

By : Imam Safawi Ahmad
Student Identity Number : 1310 201 011
Supervisor : Dr. Ir. Setiawan, MS.
Co-Supervisor : Dr. Sutikno, S.Si, M.Si.

ABSTRACT

Jawa Tengah is one of the provinces in Indonesia have potential of human and economic resources which should be noted. Jawa Tengah have national third-largest population after Jawa Barat and Jawa Timur. Gross Regional Domestic Product (PDRB) of Jawa Tengah nationally was just after DKI Jakarta, Jawa Timur and Jawa Barat. PDRB growth continues to increase every year. The indicators of economic growth, such as labor, investment, local government expenditure, median household income are important to be known for their interrelationships. The interrelationship of the indicators are not only based on their own variables, but the relationship between regions (spatial effect) is also considered. The data of indicators economic growth of 2007 was taken to be analyzed. These interrelationship will be traced by using a spatial simultaneous equations model. The indicators above are considered as an endogenous variables. Predetermined variables that influence allegedly will be involved. Estimation method for parameter of the spatial simultaneous equations model is a generalized spatial two stage least squares procedure (GS2SLS). The results of estimation for parameters indicate population, revenue and PDRB significant to model. Median household income variable is more attractive than local government expenditure variable. Testing of spatial dependency with Moran’s I test indicate almost all equations significant for both of queen weighted and customized weighted.

Key words: spatial simultaneous equation, endogenous, predetermined, generalized spatial two stage least squares (GS2SLS)