ABSTRAK/ABSTRACT
Fixed Effect and Two Stage Least Square Approaches for Modeling Sectoral Added Value of Regency/City in D.I. Yogyakarta

Name : Mohamad Ardi Kintono
ID : 1308201032
Supervisor : Dr. Ir. Setiawan, MS.
Co-Supervisor : Yos Rusdiiansyah, SE, MM.

ABSTRACT

Province of Yogyakarta (DIY) as a province with a population of 3,022,759 inhabitants and has a total area of 3185.80 square kilometres which is divided into four districts and one city, with less reliable natural resources and more commonly known as a city of education and tourist destination, has a difficult position with the implementation of regional autonomy. While the economy has not fully recovered because of earthquake on 27 May 2006, now again experiencing the shock result of the global crisis.

Many people feel optimistic that economy of D.I. Yogyakarta can quickly recover after the earthquake and the crisis, with notation that all recovery actions performed with right. One action that can be done is to give priority to the development of economic sectors that can promote economic growth of D.I. Yogyakarta. Optimal economic growth can be done by looking at what sectors are actually able to provide the greatest role of GDP increment and have a big impact on other sectors (multiplier effect).

Linkages between sectors can be described in a simultaneous equation model. Where one sector will affect other sectors. The approach used to estimate parameter is 2SLS method (two stage least square). The data used in this study is panel data where one of conclusion is to use the fixed effect model, so the 2SLS approach here would involve the fixed effect model.

The results of this study imply that the services sector is a sector that can be further increased development in the district/city in the Province of D.I. Yogyakarta. This is because the sector proved a high LQ values in each district and the sector have simultaneous relationships with other sectors.

Keywords: Simultaneous, Two Stage Least Square, Fixed Effect