ABSTRACT

KRISMANTI TRI WAHYUNI. Convergence and the Factors that Influence Regional Inequality of District Level in Java. Under the Supervision of MUHAMMAD FIRDAUS and WIWIEK RINDAYATI.

Java is the centre of governance and also economic activity, so then its growth is faster than other islands in Indonesia. Implementation of fiscal decentralization policy since 2001 placing the district government as the important position on regional growth. The purpose of this study is analyse the income convergency using Gross Regional Domestic Product (GRDP) and household expenditure. Those two proxy variable was used to compare convergency. The result finds that no income convergency when using GDRP, meanwhile there is convergency process when using household expenditure with FD-GMM estimation technique. The biggest speed of convergence for provinces in Java happened in West Java, that was influenced on manufacture sector. Applying static panels, we obtain that Java income inequality is affected by manufacture share, labour education rate, number of public health centre, electricity energy and water infrastructure. On the other hand, increasing household expenditure is only affected by a rise of labour education.

Keywords: Convergence, Inequality, GMM Panel Data