

ABSTRACT

Regional disparity is a common phenomenon in the process of regional economic development in developing countries. In order to reduce regional disparity, it is necessary to study the factors that influence regional disparity. The aims of this research is to analyze the effect of Foreign Direct Investment (PMA), Domestic Direct Investment (PMDN), Balancing Funds, and Agglomeration on Regional Development Disparity in Banten Province in the 2011-2020 period. This research covered 8 districts/cities, including Pandeglang Regency, Lebak Regency, Tangerang Regency, Serang Regency, Cilegon City, Tangerang City, Serang City, and South Tangerang City.

This study uses panel data regression analysis with the Random Effect Model (REM) approach and uses a one-tail hypothesis test to determine the effect of Foreign Direct Investment (PMA), Domestic Direct Investment (PMDN), Balancing Funds, and Agglomeration on Regional Development Disparity in Banten Province in 2011-2020.

The regression results with the Random Effect Model (REM) approach with the Generalized Least Square (GLS) method show that in 2011-2020, simultaneously, the variables of foreign direct investment, domestic direct investment, balancing funds, and agglomeration affect regional development disparity in Banten Province, while partially the variables of foreign direct investment, domestic direct investment, and agglomeration have no a significant effect, and only the balancing fund variable has a significant effect on regional development disparity in a negative direction. In this study there are also limitations, namely there are data that are not available and the use of independent variables in the model only uses four variables. The suggestion for this research is for the government to continue to provide a large balancing funds in areas with smaller private investment in order to accelerate development, as well as increase investment in underdeveloped areas, which is expected to be able to reduce regional development disparity in Banten Province.

Keywords: Regional Development Disparity, Foreign Direct Investment, Domestic Direct Investment, Balancing Funds, Agglomeration, Panel Data Regression