

ABSTRACT

The empirical analysis of growth spillover effects is important because application of growth centers theories that has been done by developed countries and also developing countries still raise pro-cons. PURWOMANGGUNG region is one of the strategic cooperation region in Central Java, consisting of Magelang City, Purworejo Regency, Wonosobo Regency, Magelang Regency, and Temanggung Regency, with growth center located in Magelang City. Regencies/cities in PURWOMANGGUNG Region have open characteristics with almost the same economic structure. As a consequence of the openness, the economy in a region can be influenced by the behavior and dynamics of economic activity in the surrounding area. This study aims to identify and analyze the causal relationship inter-regional economic growth, and analyze the spillover effects of economic growth between districts/cities in the PURWOMANGGUNG Region.

The method used is the Granger Causality Test to identify the causal relationship inter-regional economic growth, and Vector Error Correction Model (VECM) to know the growth spillover effect between districts/cities in the PURWOMANGGUNG Region. The variable used is economic growth which is proxied a logarithmic form of the real GDRP at constant market prices in regencies/cities in the PURWOMANGGUNG Region within a period of 31 years from 1988 to 2018.

The results show that each region in the PURWOMANGGUNG Region is able to provide spillover effects on the surrounding area within the region, but the spillover effects is not spread throughout the region. The causal relationship of economic growth between regions in the PURWOMANGGUNG Region is largely bidirectional. The growth spillover effect in one region to other region in the PURWOMANGGUNG area has a spread effect and backwash effect. Purworejo Regency gives spillover effects in 4 regions, Magelang City, Magelang Regency, Temanggung Regency gives spillover effects in 3 regions, and Wonosobo Regency in 2 regions. The spread effect in the development activities that has been done by each region in the PURWOMANGGUNG is greater than the backwash effect. This is consistent with Perroux hypothesized through the growth pole theories.

Keywords: growth spillover effect, growth center, Granger Causality Test, Vector Error Correction Model (VECM), PURWOMANGGUNG Region.