ABSTRACT

Poverty is common enemy of humanity. That is why poverty and poverty reduction are currently the central concerns of development discourse and policy. There are many researches that concerns on poverty and beyond subject which related to poverty, especially income inequality and growth. The aim of this research is to analysis the effect of growth and inequality on poverty and the factors that determine growth (employment, human development, input distribution) and inequality (profit share, wage, urbanization and dependency ratio).

Panel data method conducted in this research due to the data which cover cross section 35 regencies in Central Java and 10 years time coverage. Two stages least squares (2SLS) method conducted in this research to analyze the simultaneous relationship among variables.

The result shows that there is a significant and negative effect of growth and inequality on poverty. It is present that growth reduces poverty. Related to income inequality, it presents that development process in Central Java is still in phase I Kuznets Hypothesis. Human development index and employment have positive relationship with growth. Whereas, the distribution input affects the growth insignificant. Based on the finding, the research conclude that the development process in Central Java follow growth paradigm. Base on the finding, this research suggests that development process must be switch to equity paradigm.

Keywords: Economic growth, poverty and income inequality.

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