

ABSTRACT

The research aims to prove whether or not β -convergence occurs in Indonesia's economic growth and also to determine the rate of speed convergence in case the convergence actually occurs in Indonesia. The research analytical method is an analysis based on panel data using (Common Effect Model) approach. The research uses the β -convergence analysis method based on absolute convergence and conditional convergence model. Conditional convergence analysis is performed in order to find out if there is any stimulating factor which probably affects the said convergence to occur.

The secondary data used in the research are gross domestic product (GDP), gross fixed capital formation, workforce, Human Development Index (HDI), and total factor productivity (TFP) of each province in Indonesia. The results of this research show that β -convergence occurs in Indonesia's economic growth. Meanwhile, the speed of convergence shows 0.04% for absolute and 0,5 for conditional. And at the same time, the factors driving economic growth, namely PMTB, the number of workers, the Human Development Index (human capital), and the total factor productivity (TFP), are stated to have a significant effect on the convergence of economic growth in Indonesia.

Keywords: σ -convergence, β -convergence, absolute convergence, conditional Convergence, Common Effect Model, PMTB, total labor, human capital, TFP

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