

ABSTRACT

The Impact of Sectoral Development on Economic Growth and Social Welfare in GERBANGKERTOSUSILA Region

There is a fact that the spatial development policy accelerates the growth of development. This has applied in national development policy, especially in East Java. In relation with that policy, East Java province has divided into 9 regional development units or SWP (Satuan Wilayah Pembangunan). In addition, the leading SWP in East Java is SWP I GERBANGKERTASUSILA.

The purpose of this research is to provide evidence of the existence of impact of sectoral development on economic growth and social welfare in GERBANGKERTASUSILA region. Additionally, this research was conducted in 1998 – 2004 and It uses a quantitative analysis, based on Partial Least Square (PLS) Model

The results of this research shows that secondary sector, partially, has a positive impact on economy, but this is not the case for primary and tertiary sectors. . However, the three sectors: primary, secondary, and tertiary, simultaneously, have a significant positive impact on society welfare. In addition, it is found that economic growth has not impact on social welfare and it is argued that it is caused by the low level of economic activity as the impact of world economic crisis on Indonesia economy. Furthermore, this research also found that cooperation among regions and the equality of development improved Finally, this research suggests that increasing development especially in tertiary sector is urgently needed.

Keywords : *Spatial Development, Sectoral Development, Economy, SWP, Social Welfare.*