ods, it can be concluded that Box-Jenkins method is not more superior than other tested methods. From this limitations can be used as a reference or revision for next researches.

DAFTAR PUSTAKA


THE EFFECT OF KNOWLEDGE, AND RULES, PROCEDURES AND POLICIES (RPPS) ON ROLE OF LOCAL LEGISLATURE IN LOCAL FINANCIAL CONTROL

(A Case Study of Regency and Municipal Legislatures in Bengkulu Province)

Rini Indriani1 and Revisond Baswir2

Program Studi Akuntansi

Program Pascasarjana Universitas Gadjah Mada

ABSTRACT

This study examines what budget knowledge, and RPPs (rules, procedures, and policies) potentially influence on the role of local legislature in local financial control. In this study, the dependent variable is role of local legislature in local financial control, and independent variables are budget knowledge and RPPs.

The sample study was drawn from regencies and municipal in Bengkulu province: Kabupaten Bengkulu Selatan, Bengkulu Utara, Rejang Lebong, and Kota Bengkulu. The questioner distributes are 147 questioner to local legislature members. Questioner returned are 117 questioner, an of this amount 97 questioner can be processed.

Result of partial hypothesis test can support first hypothesis (H1). In other words, budget knowledge influence significantly on local legislature role in local financial control in regencies and municipality in Bengkulu Province. Result of partial hypothesis test cannot support H2, indicated that RPPs do not influence significantly. Beside partial hypothesis test, regression result also indicate that variability of role of local legislature in local financial control is influenced by independent variables of budget knowledge and RPPs is significant with determination score (R²) smaller than 20%.

Key words: budget knowledge - RPPs (rules, procedures, and policies) - local legislature - role of local legislature - and local financial control.

1. Fakultas Ekonomi, Universitas Bengkulu, Bengkulu.
2. Fakultas Ekonomi, Universitas Gadjah Mada, Yogyakarta.
INTRODUCTION

Background

With enactment of Law (Undang-Undang Republik Indonesia) No. 22/1999 and Law No. 25/1999 on Local Autonomy, improvement towards accountability in local financial management begins to be clear. The indication is increasingly function local legislature (Dewan Perwakilan Rakyat Daerah/DPRD) in controlling local government policies. Governmental Regulation (Peraturan Pemerintah Republik Indonesia) No. 105/2000 on Local Financial management and accountability states that: 1) local financial control management is held by local legislature; 2) local legislature has authority to order local external supervision agency to make examination on local financial management.

In implementation of its function, members of local legislature must be able to represent constituents and, of course, supported with knowledge and other requirements. Education of New Jersey legislature members is lawyer, occupation background will build members ethic standards (legislature in New Jersey, 2001). Moreover Yudono said that to be able to use their rights appropriately, local legislature should not only have skill on politics, but also mastering enough knowledge on technical concept of government, legislature working mechanism, public policy, control technique, budget preparation and so on.

In other studies by Tinor (1993), Syahwina (1995) and Saleh (1996), it is said that length of process must be carried to use local legislature rights may obstacle role of local legislature in doing its function (tending to contain burden bureaucracy element). Sadein and Zammuto (1991) wrote that excessive rules, procedure and policies can lead to (1) individual and organizational dysfunctional; (2) destroy individual initiatives, eliminate risk-taking behaviours, decrease job satisfaction, and trigger cynicism and alienation.

Based on the above matters, the researcher is interested to make study about impact of knowledge, RPPs, on role of local legislature in local financial controls. In this study, the dependent variable is role of local legislature in local finance control, and independent variables are knowledge and RPPs. Study object is regency and municipal legislature in Bengkulu Province.

Problems formulation

According to description in background section, it can be formulated problems as follows: 1) Do knowledge influence role of local legis-
Budget Cycle

Henley et al. in Mardiasmo (2002) classified budget cycle into four steps that consist of:

Preparation step

In local level (province and regency/municipality) based on government Regulation No. 108/2000, local government is required to make a document of regional planning that consist of PROPEDA (RENSTRAĐA). Flow chart of Structure of local Planning Document and LPJ-KDH can be seen in figure 2.1, and Figure 2.2 reveal regional budget preparation process.

Approval/ratification step

This step involves complicated political process. Executive leaders are demanded not only to have sufficient managerial skill but also must have political skill, salesmanship and coalition building.

Implementation Step

After the budget is approved by legislature, the next step is budget implementation. In this step, the most important thing is to posses accounting information system and management control system.

Reporting and Evaluation Step

Budget preparation, ratification and implementation relate to operational aspect of the budget, whereas reporting and evaluation steps relate to accountability aspect.

Regional Financial Control

Control is all activities and actions to ensure that implementation of an activity not deviate from established goal and planning (Baswir, 1999). According to Law No.30/1970 on State Treasury, control is an activity to obtain assurance whether implementation of job or activity is conducted accord with established plan, rules and goals. Therefore, regional financial control is all actions to ensure regional financial management to be carried out according to established plan rules and goals.

Figure 2.1 Flowchart of Structure of Local Planning Document and LPJ-KDH

Control is not only required in implementation and evaluation steps but also in planning step (Mardiasmo, 2001). Control is meant as a observational process of entire organization activities to all activities conducted according to determined plan (Siagian, 1978). In addition, Suyanto define control as all attempt or activity to know or evaluate job implementation whether or not accord to it must be.

Presidential Decree No. 74/2001, article no.1 (6) state that local government control as an activity process to assure to local government operate as plan and rules of law. Moreover, article 2 state that local government operation controls consist of functional control, legislature control and society control.

Control of regional budget is not separate step in budget cycle but it is an integral part from planning to reporting step.
Role of Regional/municipal legislature

Local legislature has two functions, that is:
1) As a partner of regional leader in formulating regional policy
2) As a controller over implementation of the policy conducted by regional leader

To implement the functions, local legislature has authorities or rights to take certain actions. The rights are arranged in Law No. 4/1999 article 34. Refer to Kaho (2001) to conduct first function, namely, decide local regulation and local budget, local legislature has right to make changes over regional regulation draft, propose regional regulation draft and define budget of local legislature while for the second function, namely, do control, local legislature has right to require responsibility report from Governor, regent and mayor, take explanation from local executive, make examination, propose statement, and ask question from each members.

Governmental regulation No.105/2001 article 40 states that “control over budget implementation is done by local legislature”, and in explanation of the article, it is stated that such control is not examination but control that directed to assure target achievement that determined by local legislature. Moreover, in Presidential Decree No. 72/2001, article 1 (8) states that legislature control is control activities conducted by local legislature over regional government according to its task, authority and rights.

According to new developing paradigm, local legislature has important position, task, function and wider local financial management control. So, it must do really its control function. Control of local financial management should be began from planning process to reporting process. The following section will describe role of local legislature from planning process, implementation and evaluation.

In regional budget planning, regional legislature has main role in activities: 1) people aspiration collection; 2) define direction and general policy of local budget and determining strategy and priority of local budget; 3) clarification and ratification (budget discussion in plenary session); 4) decision and legalization. In budget implementation step, role of local legislature can be realized by evaluating regional budget trough quarterly report and do field monitoring by inspection and take realization report. It includes evaluation on budget revision or shifting. Because problems that often rise on implementation step is any revision and shift budget (technical training module, 2000). In reporting step, role of local legislature can be implemented by evaluating regional budget realization report as a whole (a year budget) by examining budget calculation report

and budget calculation note as well as field inspection.

Education and Experience

In order to able to realize its function well, quality of local legislature members is very important. Formulation of appropriate regional policy depends heavily on legislative skill to deal with life problems faced by people. Knowledge and skill is obtained through education and experience. In implementing control function it also need education and experience.

About relation between education and position of legislature member as people representatives. Truman (1960) stated: “Any politician, whether legislator, administrator or judge, whether elected or appointed is obliged to make decision that are guided in party by relevant knowledge that available to him”.

The matter close relate to education is experience that also affect one’s ability. Many experiences will help some one to solve her/his problems. According to legislature member position as representative of local people, they should be experienced people in social and state organization.

Knowledge

Yudoyono said that that to able to use their rights appropriately, local legislature should not only have skill on politic, but also mastering enough knowledge on technical concept of government, legislature working mechanism, public policy, control technique, budget preparation and so on. And Guerrero (2001) suggest that legislature has not assistance institution specializing on budget issues and support daily activities to assessment, statement and budget realization is limited by legislature knowledge. The legislature must have wide knowledge and perception on local issue. From the above description, it is formulated hypothesis:

$H_0$: knowledge of local legislature members on budget effect role of local legislature in local financial control.

Rule, Procedure and Policies

Badein and Zammuto (1991) state that rules determine or prohibit action by specifying what is allowed or not. Procedures indicate a set of strategy to achieve goals. Policies are general statement as guidance in decision making. The excessive rules, procedure and policies can lead to (1) individual and organizational dysfunctional; (2) destroy individual
initiatives, eliminate risk-taking behaviour, decrease job satisfaction and trigger cynicism and alienation.

According to Osborne and Gasbler (2000), governmental affair that conducted based on regulation will be ineffective and inefficient because its performance will be slow and long winded. Laws also affect organizational behaviour because big existence of the organization and its relation with daily activities in regulations framework will involve federal, state and local regulations (Hall, 1996).

Moreover, study by Tinov (1993), Syahwinie (1995) and Saleh (1996) suggest that the length of process must be used to carry local legislature rights may obstacle role of local legislature in doing its function (tending to contain burden bureaucracy element).

Of the above description, the hypothesis is formulated as follow.

H2: RLP's effect legislature role in local financial control

RESEARCH METHOD
Data Collection and Sample Choosing

Data collection is carried out using questioners. The questioner is distributed to respondent by giving directly to each respondent group. Questioners are also collected directly after respondent given period of a week to complete the questioner. In addition to questioner, the researcher also make interview directly to respondent in determined sampling area.

It is a survey research that is a research that intended to know characteristic of population by analyzing data taken as sample and an explanatory research that will highlight relationship between research variables and test hypothesis formulated (Singgimbin, 1989). Therefore, sampling method used is examining all research objects in population area (all regency and municipal legislature in Bengkulu Province).

The respondent is members of regency and municipal local legislature in Bengkulu Province that became analysis unit in this study, that consist of 1) 39 members of Rejang Lebong regency legislature (40 minus one that no inter period substitution); 2) 45 member of Local legislature of North Bengkulu regency; 3) 38 members of Local legislature of South Bengkulu regency (35 minus one member appointed as vice regent and minus one member died); 3) 30 member of Local legislature of Bengkulu city. Questioner is distributed to all legislature members and data processed is from completely filled questioner returned.

Questioner distributes are 147 questioner accord with above calculation to each local legislature members. Questioner returned are 117 questioner, as of this amount 97 questioner can be processed.

Rini Indrini, et al., The Effect of Knowledge...

Survey Technique

Questioner is distributed directly to each members of regency/municipal legislature in Bengkulu Province. Secretariat of commission in each regency/municipal legislature is asked to help distributing questioner to the respondent, except for a regency where questioners were distributed through meeting section due to procedure exist there. In a determined day, it was held a session to explain problems studied.

Variables Identification and Measurement

Dependent variable used in this study is role of local legislature in local financial control that done in three steps, namely, role in budget planning, budget implementation and reporting planning. The independent variables are knowledge and rules, procedure and policies (RP), both dependent and independent variables are unobservable.

Instruments were prepared by researcher based on related theories and studies, and discussed with advisor lecture and lectures of Social and political science faculty. Before used in study area, the instrument is pilot-tested in Sleman regency and Yogyakarta city, in Special Territory of Yogyakarta Province. Variables measurement used Likert scale with range of 1 to 5.

Role of local legislature in local finance control

Syahwinie (1995) said that role of local legislature is set of behavior expected can be implemented by local legislature members accord with job description. Local legislatures play roles if their members do their rights actively based on Law No. 4/1999, and Presidential Decree No. 74/2001 article 15, instrument to measure local legislature role in local financial control in this study is active use of local legislature rights in controlling (accord with Law No.4/1999, and Presidential Decree No. 74/2001, article 15) that is ask responsibility report of governor, regent and mayor, ask explanation from local government, make examination, make statement, ask question by each members in their activities in budget planning, implementation and reporting step. In planning step local legislature has right to propose local regulation draft.

In this study, local legislature role in regional budget planning is primary in 1) determining budget strategy and priority; 2) clarification and ratification (budget discussion in plenary session). In budget implementation step, role of local legislature can be realized by evaluating regional budget through quarterly report and do field monitoring by inspection and get realization report. It includes evaluation on budget revising
or shifting. In reporting step, role of local legislature can be implemented by evaluating regional budget realizations report as a whole (a year budget) by examining budget calculation report and budget calculation note as well as field inspection (technical training module, 2000).

Knowledge of local legislature members on local financial control

Indriantoro and Supomo (1999) stated that knowledge is basically output of process of seeing, listening, feeling and thinking that to be a basic for human to behave and act. Salim (1991) means it by 1) cleverness, something known, 2) something known about matter studied.

Local finance, accord Regulation No.105/2000 article 1(1) is meant as all local right and obligation doing local governmental business that can be assess monetary including all wealth relate to right and obligation within regional budget framework. It means to obtain knowledge about local financial control members of local legislature 1) must study and understand local budget draft/budget, 2) are able to detect wasting, failure, and budget leakage (Demographic and Policies Study Center-UGM).

Knowledge is measured by ask if local legislature members study and understand local budget draft/budget, budget calculation note, and are able to detect any wasting or failure, and budget leakage. These variables are said as budget knowledge variable.

Rules, procedures, and policies

Excessive rules, procedure and policies can lead to (1) individual and organizational dysfunctional; (2) destroy individual initiatives, eliminate risk-taking behaviour, decrease job satisfaction and trigger cynicism and alienation. Instrument to measure impact of rules, procedure and Policies is developed from result of the studies by Tinov (1993), Syahwinie (1998), and Saleh (1996) which said that: 1) rules, procedures and policies can obstacle role of local legislature in realization its function, 2) it is necessary for revision of rules, procedure and policies. A field study report in Makassar said that it need to review local legislature conduct. Giving great right to local legislature with enactment of Law No.22/1999 may raise negative implication (Yudohono, 2000). Measurement of RPPs is done by asking member of legislature about the issues.

RPPs intended in this study are Law No.4/1999, Law No.22/1999, Law No 25/1999, Governmental Regulation No. 105/1999 Governmental Regulation No 108/1999, Governmental Regulation No1/2001; Presidential Decree No.74/2001; and local legislation regulation and conduct in each regency or municipality.

Reliability and validity test

To see reliability of each instruments it is used Cronbach Alpha coefficient. An instrument is reliable when it has Alpha Cronbach coefficient more than 0.6 (Nunnally, 1978). Validity testing is done by see Kaiser’s MSA value and factor loading value.. Kaiser’s MSA value expected is bigger than 0.5 (Kaiser and Rice, 1974). Factor loading value expected is greater than 0.4 (Riyanto, 1997). Result of reliability and validity test over the study data indicate that instrument used is reliable and valid. Result from reliability and validity test is presented completely in table 1.

<table>
<thead>
<tr>
<th>Table 1. The Result of Reliability and Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>

Data analysis

Hypothesis of this study will be tested using multiple regressions. It is to know influence of independent variable on dependent variable both in partial and simultaneous way. To analysis data, it used software of SPSS for Windows released 10.05 program. Regression equation in this study is: \( Y = b_0 + b_1 x_1 + b_2 x_2 + \epsilon \), where \( Y \) = role of local legislature in local finance control, \( X_1 \) = knowledge on budget, \( X_2 \) = Rules, Procedures, and Policies, \( \epsilon \) = error.

Appropriateness of sample regression function in predicting actual value may be measured from its goodness of fit. It is measured using some statistics values, among others are: t statistic value, F statistic value, and determination coefficient. A statistical result is said significant statistically when its statistical test within critical area (where H0 is rejected). Conversely, it is said insignificant when statistical test score is in area where H0 is received. In this study it is used two tail test with significance level of 95% that mean a = 0.05.
DATA ANALYSIS AND DISCUSSION

Descriptive Statistic
Analysis was done over 97 respondent replies that met criteria to be process further. Table 2 present descriptive statistics about description of theoretical range, actual range, mean and deviation standard.

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Theoretical Range</th>
<th>Actual Range</th>
<th>Means</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>97</td>
<td>10 - 50</td>
<td>10 - 50</td>
<td>41.1856</td>
<td>5.6955</td>
</tr>
<tr>
<td>RPPs</td>
<td>97</td>
<td>6 - 30</td>
<td>6 - 30</td>
<td>18.7113</td>
<td>4.7521</td>
</tr>
<tr>
<td>Role in budget planning step</td>
<td>97</td>
<td>9 - 45</td>
<td>9 - 45</td>
<td>34.7629</td>
<td>6.5824</td>
</tr>
<tr>
<td>Role in implementation step</td>
<td>97</td>
<td>9 - 45</td>
<td>9 - 45</td>
<td>35.3711</td>
<td>6.6666</td>
</tr>
<tr>
<td>Role in reporting step</td>
<td>97</td>
<td>8 - 40</td>
<td>8 - 40</td>
<td>32.8247</td>
<td>6.1118</td>
</tr>
</tbody>
</table>

Hypothesis test
Result of partial regression analysis of independent variable, namely, budget knowledge and RPPs on role of local legislature in local finance control at each step is presented in table 3.

Tabel 3. Result of Partial Regression Analysis

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Budget Planning Step</th>
<th>Implementation Step</th>
<th>Reporting Step</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>coef.</td>
<td>t test</td>
<td>p value</td>
</tr>
<tr>
<td>Budget Knowledge</td>
<td>0.459</td>
<td>4.425</td>
<td>0.000</td>
</tr>
<tr>
<td>RPPs</td>
<td>0.204</td>
<td>1.581</td>
<td>0.117</td>
</tr>
</tbody>
</table>

Hypothesis 1 test
The first hypothesis tested in this study is to see if any impact of budget knowledge on role of local legislature in local financial control. Result of regression analysis indicated that budget knowledge influence significantly on role of local legislature in local finance control in planning, implementation and reporting step with significant level of 0.000 that means more than p<0.05.

Score of t account from regression is 4.425 in planning step, 4.552 in implementation step, and 4.168 in reporting step, where where score of t count is higher than t table (1.980). H1 is supported. Therefore, conclusion (from the result is that budget knowledge influence significantly on role of local legislature in local finance control. When its is viewed from beta coefficient that indicate positive score it can be conclude that impact of budget knowledge on role of local legislature is positive.

It means budget knowledge can increase role of local legislature in local financial control. Refer to Indrianto and Supomo (1999) that knowledge is a result of process of seeing, listening, feeling and thinking that become a base for human to behave and act. The process is obtained from education and experience. So, knowledge will more contribute when supported by education and experience sufficient for each task.

Hypothesis 2 test
Result of regression analysis indicated that second hypothesis is not influence significantly on role of local legislature in local financial control in planning, implementation and reporting steps because significance score are 0.117 in planning step, 0.949 in implementation and 0.401 in reporting step that greater than p value>0.05.

Score of t account of regression is -1.581 in planning step and -0.064 in implementation step so score of t account is greater than t table (-1.980), while in reporting step t account of 0.843 is smaller than t table (1.980) that means H2 is not supported. It can be drawn conclusion that RPPs is not significantly influence on role of local legislature in local financial control. H2 rejection may be caused by a fact that local legislature is a maker and approver local regulation and policies, as well as the position of local legislature is political position.

Simultaneous Test (F test)
In addition to separated hipotesis test discussed in previous section, result of regression indicated that variability of role of local legislature in
local financial control in each step is influenced by independent variables of knowledge and RPPs. In is indicated from $R^2$ of 0.188 (18.8\%) and F score of 10.905 in planning step; $R^2$ of 0.181 (18.1\%) and F score of 10.359 in implementation step; $R^2$ of 0.162 (16.2\%) and F score of 9.107 in reporting step; and $F$ value in each step of 0.000. Significance score is smaller than determined threshold, namely, 0.05. F count in each steps also indicate result that bigger than $F$ table (3.80) it mean variability of role of local legislature in local financial control in each step is influenced by independent variables of knowledge and RPPs is significant.

However, when it is viewed in determination score ($R^2$) that smaller than 20 in each step, the result indicated that influence of budget knowledge and RPPs on role of local legislature in local financial control is weak. It means that there is many factor yang influence the relationship.

CLOSING

Conclusion

Result of partial hypothesis test can support first hypothesis (H1). In other words, budget knowledge influence significantly on local legislature role in local financial control in three steps, namely, planning, implementation, and reporting in all regencies and municipality in Bengkulu Province. Of beta coefficient indicated positive value it can be concluded that influence of budget knowledge on role of local legislature is positive. Result of partial hypothesis test cannot support H2, indicated that RPPs do not influence significantly.

Beside partial hypothesis test, regression result also indicates that variability of role of local legislature in local financial control in each step is influenced by independent variables of budget knowledge and RPPs. Score of $F$ account showed significant result, meant variability of role of local legislature in local financial control is influenced by independent variables of budget knowledge and RPPs is significant with determination score ($R^2$) smaller than 20\% in each step.

Limitation

This study has some limitation both from methodological side and problems studied. The limitations, among other, are:

1. Variable of budget knowledge was measured by respondent perception not by doing test whether respondents have actually budget knowledge.
2. Data collection using questioner method has weakness in control accuracy of respondent replies, because there was possibility for respondent not to reply as actual condition.
3. Use of Likert Scale also has inherent limitation on reply control. In relate to halo effect disease that is any respondent's tendency to reply neutral. So, if there is any disease symptom it will influence obtained result.
4. Respondent used in this study is members of regency and municipal legislature in Bengkulu Province, so the conclusion cannot generalized for other setting or for Indonesia as whole. This study is possible to get different result when applied in other location.
5. The low determination coefficient indicate that determination score is low. It is due to many other factor influence role of local legislature in local financial control.

Suggestion

To improve role of local legislature, the members must have sufficient knowledge to decide policies. The knowledge is obtained by education and experience. So the requirement to be members of local legislature is having education and experience supporting in making decision.

To support their activities, local legislature may use permanent or ad hoc assistance. Besides giving input to local legislature, members of local legislature can use assistance in form of knowledge sharing. Especially to support local legislature role in local financial control, local legislature need special assistance on budget issues as well as in law issues.

The next study is expected to include other factor that influence local legislature in local financial control such as motivation, conflict, local government transparency and other factors. To get better result sample used must be widened so it can be generalized on other setting. Respondent is not only regency and municipal legislature but also provincial legislature and even central legislature.

REFERENCE


Baswir, Revisond (1999), Akuntansi Pemerintahan Indonesia, BPFE Yogyakarta.


Depertemen Pendidikan dan Kebudayaan (1990), Kamus Besar Bahasa Indonesia, Balai Pustaka, Jakarta.


Republik Indonesia, Undang-undang Republik Indonesia Nomor 5 tahun 1974 tentang Pokok-pokok Pemerintahan di Daerah, http://www.gtz-id.or.id/public/decrees/.


Undang-undang No. 25 tahun 1999 tentang Pengelolaan dan Pertanggung-


Peraturan Pemerintah Nomor 105 tahun 2000 tentang Pengelolaan dan Pertanggung-


Peraturan Pemerintah No. 105 tahun 2000 tentang Tata Cara Pertanggung-


Tinov, Muhammad Yahmaz (1993), "Peranan Dewan Perwakilan Rakyat Daerah: Studi Kasus tentang Pelaksanaan Fungsi DPRD pada Lembaga DPRD..."
KONSENTRASI SPASIAL DAN DINAMIKA PERTUMBUHAN INDUSTRI MANUFAKTUR DI JAWA TIMUR (STUDI KASUS INDUSTRI BESAR DAN SEDANG, 1984-1999)

Spatial Concentration and Dynamics of The Growth of Manufacturing Industries In East Java. (A Case Study on Big and Medium Industries, 1994-1999)

Zainal Arifin¹ and Mudrajad Kuncoro²
Program Studi Ilmu Ekonomi dan Studi Pembangunan
Program Pasca Sarjana Universitas Gadjah Mada

ABSTRACT

This research aims to identify spatial concentration of big and medium manufacturing industries throughout 37 municipalities at East Java. It uses secondary and establishment data BPS (Indonesia’s Central Bureau Statistic) since 1994 until 1999 collected. The tools of analysis are geographic information system, logistic regression, regression using panel data and convergence analysis.

The research showed that the industry growth in East Java was not by equally distributed among regions. Several regions have a high industry concentration, meanwhile some have a low industry concentration. Factors that affect the growth are labor cost (salary), export orientation (export), output, competition index (CI), dummy crisis (Dc) and dummy industry (Di).

Logistic regression analysis showed that, several variables were significantly explained that manufacturing industry are more concentrated on industrial regions. This result is consistent with regression analysis with panel data which shows that the manufacturing industry growth was influenced by those above variables.

Convergence analysis indicated that, East Java Province should growth at least 6.18% per year for its convergence growth. This research challenges Dick’s study regarding the balanced development on East Java. It implies that nowadays, East Java is not a best province describing the ideal balanced development.

Keywords: spatial -- convergence -- manufacturing industries

1. Fakultas Ekonomi Universitas Muhammadiyah Malang, Malang
2. Fakultas Ekonomi Universitas Gadjah Mada, Yogyakarta