

ABSTRACT

Community welfare is a condition of fulfilling the material, spiritual and social needs of citizens so that they can live properly and be able to develop themselves, so that they can carry out their social functions. Central Java's level of welfare is ranked in the bottom two in Java with a fairly large gap. This indicates the existence of inequality in human development in Indonesia. This research aims to examine the effect of fiscal decentralization through the General Allocation Fund (DAU) variable, Special Allocation Funds (DAK), Revenue Sharing Funds (DBH), Regional Revenue (PAD) and Regional Expenditure for social welfare through the Human Development Index (HDI).

The population in this study consisted of regencies and cities in Central Java for the 2015-2020 period. The data used in this study is secondary data that comes from the publication of the Directorate General of Fiscal Balance (DJPK) of the Ministry of Finance and the Central Bureau of Statistics (BPS). Data analysis used descriptive statistical analysis, classical assumption analysis, and hypothesis testing with multiple linear regression analysis. The number of observations in this study were 210 data.

The results of this study indicate that the variables of fiscal decentralization in the form of PAD and Regional Expenditure have a positive effect on HDI. Meanwhile, the DAU variable has a negative effect on HDI. The fiscal decentralization variable in the form of DAK and DBH have no effect on HDI.

Keywords: Human Development Index, Regional Original Revenue, Regional Expenditures, Transfer Fund