

ABSTRACT

The study aims to analyze the impact of the degree of fiscal decentralization on the economic growth of the district or city of North Sumatra Province in 2015–2020. In this study, there are other variables besides the degree of fiscal decentralization that control economic growth. The variables are the Human Development Index (HDI), labor force, investment, construction deficiency index, and pandemic dummy variables. This study uses panel data regression analysis. In determining the best model, we performed the Chow Test and the Hausman Test. After the second trial, the best model to use is the FEM model. To do an analysis of the estimated FEM models in this study, use absorbing regression to eliminate individual effects. The results of this study show that degree of fiscal decentralization variables and the Human Development Index (HDI) variables have a significant and positive impact on economic growth, while invasion variables, labor force, and the Constructive Deficit Index (ICD) do not significantly affect economic growth.

Keywords: economic growth, fiscal decentralization, Human Development Index (HDI), investment, labor force, Constructive Deficiency Index, Covid-19 pandemic