

ABSTRACT

This study aims to analyze the impact of fiscal decentralization on economic growth and poverty rate across all districts/cities on the island of Java. Java Island is the region with the largest contribution to the national economy, both in terms of Gross Domestic Product (GDP), population density, and fiscal activities. Fiscal decentralization in this study is measured using two main indicators: the Fiscal Autonomy Ratio and the Fiscal Autonomy Index. This study uses panel data from the period 2015 to 2019.

The analysis in this study uses the Generalized Method of Moments (GMM). The results of the study indicate a significant impact of fiscal decentralization on economic growth. However, different results were found in the analysis of poverty rate. The differences in models distinguished by indicators of fiscal decentralization yield different results. The fiscal autonomy ratio has a positive and significant effect on poverty rate. Meanwhile, the fiscal autonomy index has no effect on poverty rate.

Keywords: Fiscal Decentralization, Economic Growth, Poverty Rate

