

ABSTRACT

The change of centralization system becomes decentralization began with the enactment of law No. 22 of 1999 about local governance and law No. 25 of 1999 regarding financial equalization between the Center and regions. With the Act based on the Indonesia adhere to the system of fiscal decentralization and regional autonomy in the system portion of the policy that previously centralised handed over to autonomy regions, meaning that any policy related to the interests of the autonomy region can be taken directly by local governments including fiscal policy known as fiscal decentralization. Decentralized fiscal systems in the region are expected to meet their financial needs in accordance with its own conditions of each area in order to support the acceleration of sustainable regional development. This research aims to analyze the influence of fiscal decentralization towards regional GDP. Fiscal decentralization in this analysis is measured using revenue indicator, expenditures indicator and autonomy indicator. In addition to seeing the influence of fiscal decentralization in conjunction with other regional output or regional GDP factor, then in this study using variable that theoretically have significant influence towards regional GDP, namely: investments and the amount of labor.

In this study used the method of Ordinary Least Square (OLS) and using a Dummy Variable with an estimation model Fixed Effect Model (FEM). While the data used is the data panel level district/city in Central Java province that covers a period of 5 years (2009-2014). The results of the analysis showed that the implementation of fiscal decentralization gives a relatively good impact toward regional GDP in Central Java province. In addition variable investment and the amount of labor was entirely positive effect against economic growth areas in Central Java province.

Key Words : Regional GDP, fiscal decentralization, economic growth, investments, labor