

ABSTRACT

Fiscal decentralization is the concept of regional autonomy to set local independence of a region. However, in practice it turned out that decentralization has not been able to improve public service delivery and economic growth. This can be seen during the year 2006 until the year of 2011 the provision of public services such as health and education do not meet the set targets. As well as the economic growth in Central Java province also satisfying the target set yet.

This study aims to analyze the impact of fiscal decentralization on public sector efficiency and economic growth in 35 regencies / cities in Central Java Province. The method of analysis used in this study, namely: Public Sector Performance (PSP) and the Public Sector Efficiency (PSE), while measuring the efficiency of the public sector and linear regression (OLS) with common effect to measure the impact to economic growth. Both use the study period from 2006 to 2011. Type of data used is secondary data obtained from the Central Statistics Agency (BPS) Central Java Province and other literature such as books, and economic journals.

Analysis results indicate that the efficiency of the public sector in Central Java province efficient provision of public services is only happening in big cities. While at the Regency still get efficient score is below the average. Then regression analysis showed that the variables of fiscal decentralization, local taxes, labor and agglomeration shows a positive and significant impact on economic growth in the province of Central Java.

Keywords: *Autonomous Region, Fiscal Decentralization, Public Service, Economic Growth*