# ABSTRACT

*Decentralization theory argue that the implementation of fiscal decentralization could improving level efficiency of public provision of goods and services. The aim of this study is to examine empirically the effect of fiscal decentralization on infant mortality rate (IMR) and the transition rate (AM) SMP / MTs. Infant mortality is measured as the ratio of the number of infant deaths per 1000 live births. While the transition rate SMP / MTs is expressed as a ratio students who have completed primary education at school level and continue on the level of secondary school. In addition to measuring the impact of fiscal decentralization on the IMR and AM-SMP/MTs, this study also aims to examine indicators of fiscal decentralization in terms of revenue and expenditure side. It aims to find indicators of fiscal decentralization that could describe the degree of decentralization in Central Java.*

*In this study the type of data used is panel data. Panel data in this study covers 35 districts / cities in Central Java province, in the period 2007 to 2009. Panel data analysis methods in the current study using a random effects model approach (REM) and path analysis. REM used to see the effect each independent variable influence on the dependent variable. and path analysis used to see the direct and indirect effects of each independent variable on the dependent variable*

*Based on the results of this study found that indicators of fiscal desentralsiasi appropriate in describing the degree of fiscal decentralization at counties / cities in Central Java province is an indicator of fiscal decentralization is measured in terms of revenue. Indicators of fiscal decentralization on the revenue side is the ratio of local revenue (PAD) to total revenue (TPD). Based indicator fiscal decentralization can be concluded that the implementation of fiscal decentralization had a positive impact to AM-SMP/MTs and IMR. The results of This research can be concluded that if the degree of fiscal decentralization increased by one percent then it will increase AM-SMP/MTs as much as 0.13 percent, and reduce the IMR as much as 0.517 percent.*


*Keyword : Fiscal decentralization, panel data, Infant mortality (IMR), transition rate (AM-SMP/MTs), Random effect, path analysis,*