

ABSTRACT

Local expenditure of all local government spending in a budget period. Local expenditure is part of the spending areas, where expenditure consists of direct expenditure and indirect expenditure. For the revenue areas consists of Original Local Revenue, balance funds, and other legitimate income.

This study aims to prove empirically the influence of Original Local Revenue and balance funds, to local expenditure in regency and city at Central Java.

This study used quantitative data. with the type of time series data and cross section data (panel data) in the form of an annual. Time series data starting from the period 2004 to 2009, while its cross section data are 35 district and city district of Central Java Se. From the merger of two kinds of data has yielded 210 observations. The instrument used is the regression Pooled Data study.

Result of this study indicates that the Original Local Revenue and balance funds have significant impact on local expenditure.

Key words: Local Expenditure, Original Local Revenue, Balance Funds, and Pooled Data