

ABSTRACT

As a developing country, Indonesia has a disparity region problem that increased in every year. Autonomy region and fiscal decentralization policy issued by the central government expected to solve this problem. The purpose of this study is analyze the difference of Indonesian region's disparity before and after the implementation of fiscal decentralization policy during 1987-2014 and how the effects of these policies in inequality.

This study uses Kuznets theory to viewing effect of economic growth, Wagner law to viewing effect of local taxes ratio, growth pooled theory to viewing effect of decentralization degree and government expenditure theory. This study uses time series data with multiple regression model equations. To determine the difference of Indonesian region's disparity uses by Chow test.

The result of this study indicates the difference structure of regional disparities before and after the implementation of fiscal decentralization policy by viewing influence of dummy variable or view by F-count $2.120394 > F$ table 2,069 from the results of the Chow test. In the main model of disparity more affected than in the comparative model of disparity. In reducing region disparity, it requires a high increase of economic growth area and equity oriented.

Keywords: Region, Disparity, Fiscal, Descentralization, Indonesia.