

ABSTRACT

This research aims to analyze the impact of the implementation of fiscal decentralization on regional economic growth and regional disparities in 25 regencies/cities in West Java Province for a five-year implementation period, since 2004-2008. Variables studied its influence on regional economic growth is the degree of fiscal decentralization, tax ratio district, the total work force, and agglomeration level of 25 regencies/cities in West Java Province. While for regions disparity the variables are examined degree of fiscal decentralization, tax ratio district, the total work force, and agglomeration level and economic growth rate of 25 regencies/cities in West Java Province, using the simultaneous recursive model.

The analysis concluded that fiscal decentralization is positive effect and statistically significant amount of 211.3880 to regional economic growth in 25 regencies/cities in West Java Province. Meanwhile for regions disparity, fiscal decentralization is negative effect and statistically significant amount of 287.8996 to disparities between regency/cities in West Java Province. During five years of implementation of the fiscal decentralization in West Java Province could be proved that the empirical, fiscal decentralization make the economic growth of 25 regencies/cities in West Java Province, increased every year, but the graphics improved of economic growth every year thus increasing regional disparities occur between regencies/cities in West Java Province.

Keywords : Fiscal decentralization, Regional Economic Growth, Regional Disparities