ABSTRACT

ACHMAD SOBARI. Impact of Fiscal Decentralization on Regional Socio-Economic Development in Indonesia. Under the Supervision of NUNUNG NURYARTONO and IRFAN SYAUQI BEIK.

Fundamental change in the Indonesian governance mechanisms from centralized into decentralized system has been occurred since 1st January 2001. The successes of the government during the period of decentralization can be seen from several indicators such as economic growth, the number of poor people as well as human development index. However, many parties felt that the implementation of fiscal decentralization in Indonesia only in terms of its political success through the implementation of direct election of regional heads, while from an economic standpoint is still not satisfactory. Based on the background above, the purpose of this research are: 1) to analyze the factors that affect revenue, expenditure of local government and regional socio-economic development in Indonesia, 2) analyze the impact of fiscal decentralization on the revenue and expenditure of local government in Indonesia, 3) Analyzing the impact of changes in revenues and expenditures of local governments towards local socio-economic development in Indonesia. The analysis used in this research is descriptive analysis and analysis of simultaneous equations. The results of simulation models from the revenue side generally indicates that the increase in general allocation funds more influential and effective in improving the performance of socio-economic development compared with the increase in taxes and tax-sharing and non-tax. From the expenditure side, the agricultural sector development spending significantly more effective increasing the GRDP and poverty reduction in Sumatera, Kalimantan, and Sulawesi. As for education and health sector spending provides a larger impact on the increase GRDP and poverty reduction in Java-Bali and Papua.

Keywords: fiscal decentralization, socio-economic development, simultaneous equation