ABSTRACT

YURIANTO, The Impact of Investment and Government Expenditure on Regional Economic Performance in the Autonomy Era. (BONAR M. SINAGA as Chairman, NOER AZAM ACHSANI and SUGIHARSO SAFUAN as Members of the Advisory Committee).

The main goal of regional autonomy and fiscal decentralization policy is the acceleration the people’s welfare. To realize it needs sustainable and stable economic growth and inclusively equal economic development. In general this research goals are (1) to analyze the regional economic performance based on spatial which includes investment, government spending, fiscal capacity, the Gross Regional Domestic Product (GRDP), employment creation, Human Development Index (HDI), and the number of poor,(2) to forecast baseline for economic performance which includes investment, government spending, fiscal capacity, the Gross Regional Domestic Product (GRDP), employment creation, Human Development Index (HDI), and the number of poor from 2011 to 2013, and (3) to analyze the impact of various scenarios in terms of increasing investment and government spending on regional economic performance from the year 2011 to the year 2013. The model used is the econometric model with a system of simultaneous equations. The data used is data pool (cross section and time series of the province from 2003 to 2008). The model is estimated using 2SLS method and SYSLIN procedure, simulation and forecasting using the SIMNLIN procedure. The model consists of six blocks, each block consisting of equations that are structural and identities equations. The number of equations are consisting of 22 structural equations and 13 identity equations. The conclusions of this study are (1) the highest performance of government spending and investment is Jawa-Bali region. (2) majority labor is absorbed by the agricultural sector, (3) investment is influenced by GDRP, government tax revenue and interest rate (4) Human Development Index (HDI) is influenced by the consumption per capita and mean years of schooling, and (5) an increase in regional government expenditure (agriculture, construction, industry, education, and healthy sectors) affects the region’s economic performances and HDI. This study suggests that in order to improve the performance of the regional economy and to improve the welfare of the community, the regional governments need to develop comprehensive investment policies and to allocate selectively regional government expenditure.

Keywords: Fiscal Decentralization, Investment, Government Expenditure, Econometric Model, Economic Performance.