

ABSTRACT

The Effect of Balance Funds to Inter-Regional Development Imbalanced in Lampung Province

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The differences in growth rate in every area can leads to development of inter-regional inequality from one area to another. The government intervention in this case is make a policy of regional autonomy that is expected to reduce the disparities among the areas. One of the implementation is fiscal decentralization, that is the transfer of funds to local governments which called equalization funds and sourced from The State Budget.

This study aims to look at the effect of fiscal decentralization on the inequality of development in Lampung Province. The analysis focused on fiscal decentralization in form on balancing funds that is general allocation funds, specific allocation funds, and profit sharing funds to the inequality index measured by entropy theil index. This used secondary data which compiled by a panel composed of 10 districts/cities in Lampung Province from 2003 to 2012. This analysis used a multiple regression approached by OLS with fixed effect model.

The results showed that the specific allocation funds has a positive and significant impact on inequality index of Lampung Province, while the general allocation funds and profit sharing funds have a negative and significant impact on inequality in Lampung Province.

Key word: imbalanced, specific allocation funds, general allocation funds, profit sharing funds, entropi theil index, fixed effect model.