

## TABLE OF CONTENT

TITLE PAGE .....	i
THESIS APPROVAL .....	ii
THESIS DEFENSE APPROVAL .....	iii
STATEMENT OF ORIGINALITY .....	iv
ABSTRACK .....	v
<i>ABSTRAK</i> .....	v
ACKNOWLEDGEMENT .....	vii
TABLE OF CONTENT .....	x
LIST OF TABLES .....	xii
LIST OF FIGURES .....	xiii
CHAPTER I INTRODUCTION .....	1
1.1 Background .....	1
1.2 Research Problem .....	11
1.3 Research Objectives .....	11
1.4 Research Benefits .....	12
1.5 Research Writing Structure .....	13
CHAPTER II LITERATURE REVIEW .....	14
2.1 Theoretical Basis .....	14
2.1.1 Fiscal Federalism Theory .....	14
2.1.2 Fiscal Decentralization Theory .....	15
2.1.3 Inclusive Economic Development .....	17
2.2 Previous Research .....	24
2.3 Conceptual Framework .....	37
2.4 Hypothesis .....	40
CHAPTER III RESEARCH METHODOLOGY .....	41
3.1 Research Variables and Variable Operational Definition .....	41
3.1.1 Inclusive Economic Development .....	41
3.2 Type and Source of Data .....	52
3.3 Data Collection Method .....	52
3.4 Data Analysis Method .....	53
3.4.1 Empirical Model .....	53
3.4.2 Panel Data Analysis .....	54
3.4.3 Selection of Panel Data Regression Estimation Model .....	56
3.5 Classical Assumption Diagnostics .....	58
3.5.1 Normality Diagnostic .....	58
3.5.2 Multicollinearity Test .....	58
3.5.3 Heteroscedasticity Test .....	59
3.5.4 Autocorrelation Test .....	59
3.6 Testing of Regression Analysis Statistical Criteria .....	60

3.6.1 Simultaneous Test (F-test) .....	60
3.6.2 Partial Test (T-test) .....	61
3.6.3 The Goodness of Fit ( $R^2$ ).....	61
CHAPTER IV RESULTS AND DISCUSSION.....	62
4.1 Description of Research Object .....	62
4.2 Data Analysis .....	62
4.2.1 Descriptive Statistics Analysis.....	62
4.2.2 Regression Model Selection.....	64
4.3 Interpretation of Result .....	73
4.3.1 The Effect of Fiscal Decentralization Degree on Inclusive Economic Development .....	73
4.3.2 The Effect of Fiscal Independence Degree on Inclusive Economic Development .....	73
4.3.3 The Effect of GRDP on Inclusive Economic Development .....	74
4.3.4 The Effect of Open Unemployment Rate on Inclusive Economic Development .....	75
CHAPTER V CONCLUSION.....	77
5.1 Conclusion .....	77
5.2 Policy Recommendation .....	79
5.3 Research Limitation .....	79
REFERENCES.....	81
APPENDIX.....	87

