ABSTRACT

The Effect of Level of Local Autonomy on Capital Expenditure, Economic Growth, Employment and Welfare of Regencies and Cities in East Java Province

This research analyzes the influence of level of local autonomy on the capital expenditure, economic growth, employment, and welfare of 38 regencies and cities in East Java Province over the period of 2006-2011. The method used in this study is Path Analysis using Statistical Package for the Social Sciences (SPSS). The results shows: 1) the level of local autonomy significantly and positively influences capital spending of regencies and cities in East Java Province, 2) the capital expenditure insignificantly and negatively influences economic growth of regencies and cities in East Java Province, 3) the capital expenditure significantly and positively influences the employment of regencies and cities in East Java Province, 4) the economic growth insignificantly and negatively influences the employment of regencies and cities in East Java Province, 5) the economic growth insignificantly and positively influences the welfare of regencies and cities in East Java Province, 6) the employment significantly and negatively influences the public welfare of regencies and cities in East Java Province. Several explanations are offered for our findings.

Keywords: capital expenditure, economic growth, employment, level of local autonomy, welfare.