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The Effect of Fiscal Policy on Economic Growth

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## **ABSTRACT**

The objective of this research is to analyzed the effect of fiscal policy on economic growth, case study in Indonesia during the period 1991-2010. Ordinary least square method were used to carry out to the study. Fiscal policy is the economic policy done by the government in terms of controlling the budget, which covers government revenue and expenditure in order to get an optimum economic growth. The analysis of the effect of fiscal policy on economic growth using some influence variables such as gross domestic product, government expenditure, and tax revenue. According to the result, government expenditure, and tax revenue have a positive and significant effect on economic growth. Thus government should be allocate of government expenditure with an effective and efficient, and government should increase tax revenue and must be managed properly and efficiently the tax revenue in order to stimulate economic growth.

**Keyword: Gross Domestic Product, Government Expenditure, Tax Revenue.** 

This thesis has been presented in the thesis examination and successfully passed the thesis examination on august,  $8^{th}$  2012. The abstract has been approved by the advisor and the examiners :

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