INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue VIII August 2025

Fiscal Decentralization: A Survey on Its Impact on Economic Growth and Its Challenges

Yusniliyana Yusof, Farihana Shahari, Fadhilah Abdullah Asuhaimi

International Islamic University Malaysia, Malaysia

DOI: https://dx.doi.org/10.47772/IJRISS.2025.908000200

Received: 28 July 2025; Accepted: 06 August 2025; Published: 03 September 2025

ABSTRACT

Advocates of decentralization contend that it is a fundamental catalyst for economic progress, as it bolsters the operational capacities of local governments, hence augmenting efficiency and fostering competition. However, proponents of an opposing perspective contend that decentralization could potentially hinder economic progress through the inequitable allocation of resources, macroeconomic instability, and instances of corruption. The persistence of dispute has endured across several decades of rigorous theoretical and empirical examination. The majority of empirical research conducted in this field has focused on analyzing the impact of decentralization on economic growth in both developed and developing nations. Although there is a lack of consistent findings, a limited number of studies have focused on the obstacles and difficulties that may impede the effectiveness of decentralization in fostering economic growth and development. The comprehension of the role and challenges associated with decentralization is a vital consideration for policymakers, as it is recognized as a significant institutional element. Therefore, this study aims to conduct one of the initial surveys to synthesize the existing theoretical and empirical literature on decentralization. This study provides a concise review of the theoretical discourse around fiscal decentralization, examining both the arguments in favor of and against it to comprehend its potential effects on economic growth. This study presents empirical data on the relationship between fiscal decentralization and economic growth, where mixed findings were reported. Furthermore, we emphasize the persistent obstacles that hinder the progress of fiscal decentralization, namely in terms of fiscal autonomy, limited resources, political discord, and oversight by the central government. In conclusion, our research article provides a comprehensive analysis and offers a set of policy recommendations aimed at facilitating the attainment of effective decentralization.

Keywords: Decentralization; Economic Growth; Literature review; Survey; Development.

JEL codes: H11; H5; H7

INTRODUCTION

Productivity as the primary catalyst for economic growth is consistently emphasized (OECD, 2015). Nevertheless, it is imperative to consider decentralization as a pivotal factor that impacts both markets and economic advancement. Decentralization involves the delegation of authority, allocation of funding, and assignment of duties from the central government to subnational governments or nonprofit organizations. This practice has been implemented in economies of both developed and developing nations (Faguet, 2011). Scholars have conducted numerous studies to examine the role of decentralization as a prominent approach to promoting economic development (Oates, 1993; Akai, Nishimura, & Sakata, 2004; Samimi, Petanlar, Haddad, & Alizadeh, 2010). Decentralization has the potential to serve as a viable approach to addressing issues related to inefficient administration, volatile macroeconomic circumstances, and sluggish economic growth. There is substantial evidence to support the notion that decentralization has gained significant traction on a worldwide scale, particularly concerning the domains of authority, resources, and legitimacy (Rodríguez-Pose & Gill, 2003).

One of the primary arguments for fiscal decentralization is its potential to improve allocative efficiency by effectively addressing the diverse demands and conditions of different regions or demographic groups within a country. The capacity of local governments to provide public services more effectively within a specific geographical area compared to the central government can be attributed to their strong connections with local populations and their understanding of local preferences (Tiebout, 1956; Rondinelli, 1981; Oates, 2007). Decentralization is known to foster productive efficiency, allowing local governments to effectively provide cost-effective public services following the preferences and demands of the community. Arguably, the effective provision of public services is influenced by the presence of fiscal competition among local governments (Wilson, 1986). The outcome above implies that the implementation of decentralization has led to an efficient allocation of resources, which in turn has contributed to economic growth.

This perspective has reinvigorated the demand for embracing decentralization as a prospective remedy for the income trap in countries undergoing transition. Hence, akin to any fundamental system of administration, it is crucial to comprehend the possible advantages of decentralization. In light of this determinant, we undertake a comprehensive examination of the extant literature on the relationship between fiscal decentralization and economic growth. In pursuit of this objective, we examine empirical data on both developed and developing nations and analyze the persistent obstacles that hinder the prospective advantages of decentralization. The authors anticipate that the findings of this study may contribute to the current knowledge on the subject, hence enhancing future research endeavors.

This study provides an analysis of the implications of decentralization, highlighting its practicality for policymakers in effectively handling governance challenges that arise between central and subnational governments. Moreover, the article presents decentralization as a prospective strategy for nations to circumvent the income trap and mitigate the issue of stagnant economic growth. Finally, our contribution to the field is to enable further investigation into the relationship between fiscal decentralization and economic growth. This is achieved by the presentation of a diverse range of empirical studies conducted in various countries, thus addressing the existing research gap. In conclusion, we present a set of policy proposals aimed at facilitating the effective implementation of decentralization.

The following steps are undertaken. First, we present with introduction to the definition and categorizations of decentralization. Additionally, we present theoretical justifications both in favor of and against decentralization. Subsequently, we proceed to provide tables containing empirical investigations concerning the relationship between decentralization and economic growth. Next, we engage in a discourse regarding the obstacles that hinder the effectiveness of decentralization. The comprehensive overview of the main distilled findings obtained from our study is further discussed in the following sections.

Definition and types of decentralization

Decentralization is the process of shifting authority or power from a central government or organization to a sub-government or smaller organization. The transfers include decision-making power, duties, and the utilization of resources (Eryılmaz, 2011 as cited in Ozmen, 2014). The level to which the central authority wishes to decentralize is known as the degree of decentralization, and it differs across countries.

Three types of decentralization widely explored in the literature are administrative, political, and fiscal decentralization. Administrative decentralization involves transferring responsibility from the central government to its subordinates or subnational governments, and entails planning and administering public activities and resources. On the other hand, political decentralization delegates more authority to local representatives or their elected officials in terms of decision-making. Regularly, it entails constitutional or statutory changes, varied political groups, strengthening the law and judicial system, and the establishment of public interest groups (World Bank, 2013).

Meanwhile, fiscal decentralization focuses on the transfer of authority for spending and revenue duties to lower levels of government. In this sense, subnational governments will have the power to allocate their expenditures and collect their revenue, extending beyond merely delivering public services. Decentralization has resulted in diverse fiscal capacities, making it challenging to supply equitable public services (Boadway, 2001). Incomparable public services at the subnational level are associated with the revenue-raising ability, the demand for, and the expense of the public services provided.

Theoretical arguments for and against decentralization

There exists a multitude of approaches to elucidate the theoretical contention supporting the advantageous influence of decentralization on economic growth. Firstly, it is plausible that decentralization could potentially increase efficiency. It serves as a mechanism to better accommodate the varying needs and local contexts of different regions and communities across the country, hence mitigating the limitations associated with centralized authority in national planning. According to Oates (1972), the “diversification hypothesis” argues that the provision of homogeneous public goods is inefficient when neither mobility nor spillover effects are present. The provision of public services is influenced by diverse demand preferences, resulting in varying marginal benefits and costs across different jurisdictions. The utilization of decentralization can be employed as a means to broaden the range of public goods provided following local demand, a necessary condition for attaining Pareto efficiency (Tiebout, 1956; Oates, 1972; Rondinelli, 1981). According to Tiebout’s (1956) findings, even when accounting for mobility, there is evidence to support the ‘diversification hypothesis’ that decentralization promotes efficiency. Individuals are often incentivized to relocate to jurisdictions that align with their personal preferences and inclinations. Therefore, in response to the situation, local governments would engage in competitive behavior by providing public services that align with the specific preferences of the local population, to satisfy the needs and demands of local voters (Tiebout, 1956).

Furthermore, Oates (1993) notes that the success of economic growth instruments—like infrastructure and human capital developments- is contingent on regional and local factors, thereby supporting the rationale for decentralized policymaking. Decentralized forms of governance have a propensity for implementing policies that effectively foster economic development, as opposed to centralized policies that may exhibit a lesser degree of care for locally specific qualities. Martinez-Vazquez and McNab (2003) argue that subnational governments can contribute to greater consumer efficiency, improved individual well-being, and positive secondary effects like increased work effort, higher savings, and greater private investment. These positive effects can contribute to future economic growth by aligning the provision of services with the preferences of local communities. Decentralization, as a mechanism, yields superior economic growth outcomes due to its facilitation of a more efficient allocation of public resources.

Meanwhile, Brennan and Buchanan (1980) propose the Leviathan Hypothesis, which posits that fiscal decentralization, leading to tax competition, can restrain the central government from imposing monopolistic taxation and excessive government regulation. The decentralization gives rise to competition among jurisdictions, granting each jurisdiction the autonomy to select its strategy. Such autonomy has the potential to stimulate innovative approaches and increase overall productivity (Oates, 2007; Kalirajan & Otsuka, 2012). In addition to evaluating their local government’s performance, residents have the opportunity to engage in comparative analysis with neighboring jurisdictions. This practice exerts additional pressure on the local government to implement improved procedures and policies that are more relevant to the needs of the community. The government can elucidate the impact of decentralization on economic growth by examining the advantages it offers, particularly in terms of efficiency and competition among local governments.

On the other hand, there exists a significant divergence of opinions regarding the efficacy of decentralization in terms of enhancing efficiency. Prudhomme (1995) posits that the efficacy advantages derived from the utilization of the matched preferences framework within local communities are not significant. The primary distinctions among various local jurisdictions do not stem from local preferences or tastes, but rather from factors such as income levels and the degree to which basic needs are met. These factors warrant considerable consideration by the government. According to Prudhomme (1995), it is commonly held that central governments benefit from greater economies of scale and work closely with the technical production frontier. In addition, central bureaucracies are often considered to possess a comparative advantage over their local counterpart due to their ability to allocate greater financial resources towards technology, research and development, and innovation. In addition, they can attract a larger pool of highly skilled personnel and offer enhanced career opportunities. Furthermore, as governments engage in competition to sustain their revenue sources, heightened fiscal rivalry may lead to a deficiency in the provision of public services and vital infrastructure (Bodman & Ford, 2006). Tax competition might potentially impede regional or local economic activity, hence causing a delay in the growth process.

The impact of decentralization on macroeconomic stability concerning economic growth is another subject of debate. Rodden and Wibbels (2002) provide a comprehensive analysis of the macroeconomic performance and highlight some advantages associated with subnational governments in comparison to the unitary system. The concept of federalism often establishes mechanisms that serve to balance and constrain the actions of central policymakers, thereby preventing the occurrence of excessive short-term expenditure and growth in the money supply. Central policymakers face increased difficulty in deviating from their macroeconomic commitments when subnational or local governments actively monitor and address inflationary tendencies and deficit bias exhibited by central authorities. Furthermore, it is imperative to recognize that the central government, in isolation, is unable to provide efficacious policy outcomes. Consequently, the involvement of subnational governments assumes a pivotal role in alleviating the strain on the central government (Bodman, Campbell, Heaton, & Hodge, 2009).

Conversely, the presence of fiscal decentralization might give rise to macroeconomic volatility, hence potentially hindering subsequent economic expansion. Based on Rodden and Wibbels (2002) findings, subnational governments impede the performance of the central government and its ability to make macroeconomic decisions by diverting resources for their expenditures. According to the World Bank (1990), governments that adopt decentralized financial practices may have challenges related to the sustainability of fiscal and quasi-fiscal deficits within the public sector. The case of Argentina shows this assertion. The continuation of such events has the potential to hinder national endeavors aimed at maintaining price stability and fostering sustainable economic growth (Prudhomme, 1995). As a consequence, subnational governments may exhibit a reduced motivation to assist in economic stabilization in comparison to the central government. Moreover, the potential challenge of achieving coordination among subnational governments may arise when mutually agreeing on decisions about macroeconomic or stabilization matters.

Furthermore, it is crucial to consider that the implementation of fiscal decentralization requires making difficult choices that involve balancing macroeconomic stability, efficiency, and the fair distribution of resources (Martinez-Vazquez & McNab, 2003). Notwithstanding the presence of these defensive mechanisms, a consensus regarding the significance or characteristics of the relationship between macroeconomic stability and fiscal decentralization remains elusive. Previous empirical research by Dabuinskas, Kulikov, & Randveer (2013) and Ramey & Ramey (1995) suggests that fiscal decentralization could potentially have further implications for economic development if it negatively impacts macroeconomic stability.

From a political economics standpoint, Thiessen (2000) argues that decentralization plays a pivotal role in bolstering democratic systems of governance, hence fostering sustained economic growth. The implementation of decentralization can serve as a strategic method to enhance accountability and effectively tackle the principal-agent predicament. Subnational governments exhibit a higher degree of transparency and engage in greater information sharing with their constituents or electorate due to the ease with which the performance of elected officials may be assessed (Lockwood, 2005; Gemmell, Kneller & Sanz, 2013). The implementation of decentralization has been found to have positive effects on accountability and the reduction of centralized monopoly power. This, in turn, has the potential to decrease corruption and mitigate the influence of interest groups, leading to a decrease in political discontent and an increase in economic activity (Martinez-Vazquez & McNab, 2003; Thiessen, 2003).

Conversely, corruption poses a significant concern among the ranks of local government bureaucrats. The correlation between decentralization and corruption arises from the wider dispersion of decision-making power within the government, which can lead to instances of rent-seeking behavior among local bureaucrats (Fisman & Gatti, 2002). According to Treisman (2000), it is also argued that corruption tends to be more prevalent in federal states compared to unitary ones. Corruption emerges as several tiers of government, with market control capabilities, engage in competitive behavior and exhibit a propensity for accepting bribes at elevated frequencies, thereby displacing private partners. Prudhomme (1995) posits that local officials possess a greater propensity to establish unethical associations with local interests due to the heightened frequency of interactions at the decentralized level. Consequently, corruption tends to be more prevalent at the local level in comparison to the national level. Nevertheless, the assertion that decentralization fosters corruption lacks empirical evidence. The literature presents a range of empirical findings on the topic, as documented by Huther and Shah (1998), Treisman (2000), Fisman and Gatti (2000), and Ivanyna and Shah (2011).

The preceding discourse acknowledges the validity of arguments presented by both proponents and opponents in the ongoing deliberation over the impact of decentralization on economic growth. Furthermore, the prior empirical research provides information regarding the benefits and drawbacks of decentralization. The subsequent part presents a comprehensive review of the empirical studies conducted on the relationship between fiscal decentralization and economic growth.

METHODOLOGY

Numerous empirical investigations have contributed to a deeper comprehension of the correlation between decentralization and economic growth. In this paper, we employ a thematic literature review approach to examine the empirical studies on the relationship between decentralization and economic growth by specifically emphasizing the previous studies with the phrase 'decentralization' and 'growth'. Scholars and economists have undertaken analyses to examine the effects of fiscal decentralization on economic growth, with a particular emphasis on diverse economies. The distinctive outcome may vary, subject to the state of economic development. For instance, developed nations are expected to have better governance structures, which can lead to better implementation of decentralized policies. On the other hand, developing and emerging economies may face more challenges, like weaker institutions or corruption. Hence, we synthesize the studies based on different classifications of country analyses: developed, developing, or emerging, and cross-country nations.

Review of empirical evidence

The relationship between decentralization and economic growth has recently captured the attention of scholars and researchers. The study conducted by Oates (1985) revealed a significant disparity in the allocation of total public revenue and spending between a subsample of 25 developing nations and a subsample of 18 industrialized countries. Specifically, the findings indicated that the central government's portion of these financial resources was comparatively lower in the former group. According to Martin and Lewis (1956), who conducted their research over 60 years ago, a prominent feature of undeveloped nations is the relative frailty of local administration as compared to the central authority (Oates, 1993). In numerous developing countries, the predominant form of governance remains centralized, with the central government exerting significant influence. However, there are indications that the central government is increasingly inclined towards decentralization, thereby entrusting specific responsibilities to local government entities.

The empirical findings related to developed nations such as the United States, Australia, South Korea and some European countries have been well recorded and summarised in Table LR-1. Table LR-2 presents a comprehensive overview of empirical studies examining the relationship between fiscal decentralization and economic growth in emerging countries, specifically focusing on nations such as Russia, Iran, China, India, Pakistan, Nepal and Indonesia. Moreover, several studies have focused on examining the impact of fiscal decentralization on economic growth through cross-country analysis, as evidenced in Table LR-3.

Table LR-1: Empirical studies on decentralization and economic growth in developed economies

No.	Citation	Sample	Method	Findings
1.	Bodman, Campbell, Heaton, & Hodge (2009)	Australia data: aggregate level (1972 to 2005) and state level (1990 to 2006)	Aggregate level: Ordinary Least Squares (OLS) State-level: Generalised Method of Moments (GMM) and panel data analysis of fixed-effects model	Aggregate level: 1) Decentralization based on average and expenditure measures both had adversely affected the growth. 2) Decentralization based on other indicators: revenue, tax autonomy, adjusted measures of revenue decentralization, the proportion of sub-central non-tax revenues, and the share of total public expenditure managed by

				local governments all had a positive impact on growth. State-level: 1) Decentralization based on three fiscal decentralization measures had an adverse effect on growth.
2.	Bodman, Heaton, & Hodge (2009)	Australia: re-examined Bodman et al. (2009) on an aggregate level (1972 to 2005)	Bayesian model averaging (BMA) technique	All indicators revealed significant effects of decentralization on growth.
3.	Akai & Sakata (2002)	United States data: 50 states period:1992 to 1996	FD: based on revenue, expenditure, fiscal, and incorporating both the revenue and expenditure shares. Method: panel data analysis (random and fixed-effects model)	Except for fiscal autonomy, all metrics significantly influence growth in the positive direction.
4.	Xie, Zou, & Davoodi (1999)	United States: The data was collected from 1948 through 1994 on a yearly historical time series analysis of local expenditure shares in the federal, state, and local levels of government.	FD: local spending shares Method: OLS	There is an insignificant and negative effect of decentralization on annual growth.
5.	Hammond & Tosun (2009)	United States counties: metropolitan and non-metropolitan (1970 to 2000)	FD: General-purpose and single-purpose government fragmentation and revenue centralization	1)There is a positive impact of decentralization on the growth of metropolitan counties. 2) Concerning single-purpose governments, there is no significant effect on growth in non-metropolitan counties. 3) There is a negative impact of increased general-purpose government fragmentation on employment and population growth in non-metropolitan counties.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue VIII August 2025

6.	Buettner, Behnisch, & Stegarescu (2002)	German data: 1850 to 1997	FD: federal and state-level government expenditure share	1) Decentralization based on state-level spending was ineffective in boosting productivity growth. 2) An increase in centralization will increase economic growth.
7.	Feld, Kirchgässner, & Schaltegger (2004)	26 Swiss cantons from 1980 to 1998	FD: revenue and expenditure measures, grants, fragmentation, tax competition, and urbanization Method: pooled cross-sectional time series model	1) The only factors influencing the economic success of Swiss cantons are grants and tax competition. 2) Matching grants harm Swiss economic performance while tax competition has a favorable effect. According to the study, the Swiss fiscal equalization system, or the reversed impact of GDP on matching funds, may be to blame for the negative growth effect of grants.
8.	Carrion-i-Silvestre, Espasa, & Mora (2008)	Spain-aggregate level: from 1964 to 2000, At the regional level:17 Spanish regions from 1965 to 2000	FD: expenditure, investment, and revenue shares Method: aggregate: time series analysis regional: GMM	Aggregate level: no significant effect of decentralization on Spanish economic growth based on revenue and investment shares measure, but there is a significant adverse effect of expenditure measure on growth. Regional level: positive effect of decentralization.
9	Cantarero & Gonzalez (2009)	17 regions in Spain from 1985 to 2004	FD: revenue and expenditure Method: Fixed effects and GMM	Revenue has a substantial beneficial impact on economic growth, whereas expenditure decentralization has a negative effect.
10.	Kim (2006)	South Korea. Data on municipal and provincial levels cover the years 1999 to 2003.	FD: ratio of local expenditure, local autonomy, and the ratio of tax-benefit	1)Tax-benefit ratio: positive effect on the growth expansion in the municipalities. 2) Local expenditure ratio: positive effect on regional economic growth (both levels of government) 3)Local autonomy: not significant to promote growth at both municipal and provincial levels.
11	Wang, Liu, Adebayo, & Lobon (2021)	31 developed countries from 1984 to 2019	FD: The ratio of own revenues/expenditures to the general government revenues/expenditures Method: Quantile regression technique	Fiscal decentralization enhances financial development at the medium and high quantiles. An increase in the degree of fiscal decentralization weakens the negative relationship between natural resource rent and financial development. Hence, fiscal decentralization is a prerequisite for

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue VIII August 2025

				turning the curse into a blessing.
12	Array and Pedauga (2024)	Region of Spain (high or low regime) from 1986 to 2010	Method: Panel smooth transition regression FD: 5 explanatory variables-tax autonomy, financial autonomy, investment autonomy indicator for public infrastructure, investment autonomy indicator for education and health administrative decentralization	A positive relationship between fiscal decentralization and economic growth in regions with low public infrastructure stock per efficient worker and high human capital per worker Meanwhile, expenditure (revenue) decentralization is positively (negatively) correlated with economic growth in regions with low (high) total factor productivity.
13	Slavinskaite (2017)	European Union from 2005-2014 Developed countries: Denmark, Finland, France, Ireland, Italy, Netherlands, Sweden and the United Kingdom	FD: Revenue decentralization; expenditure decentralization; transfers to subnational government from other government levels; borrow decentralization. Method: fixed effect panel model	No relationship between fiscal decentralization and economic growth in highly developed countries. Fiscal decentralization is not always an instrument for promoting economic growth, which means that a country's economic development level is an essential factor when introducing reform of fiscal decentralization.

Table LR-1 Alt Text: This table shows empirical studies that focus on a single developed country. We use FD as an abbreviation for fiscal decentralization (FD).

Table LR-2:Empirical studies on decentralization and economic growth in developing or emerging economies

No.	Citation	Sample	Method	Findings
1.	Yushkov (2015)	78 regions in Russia from 2005 to 2012	FD: expenditure and federal transfers Method: Fixed-effects model	Expenditure decentralization is negatively linked to economic growth, whereas federal transfers exhibit a positive relationship with growth.

2.	Desai, Freinkman, & Goldberg (2005)	80 regions in Russia from 1996 to 1999	FD: fiscal autonomy Method: OLS and Two-Stage Least Squares (2SLS)	A positive effect of fiscal autonomy (tax retention) on growth.
3.	Zhang & Zou (1998)	28 provinces of China between 1980 and 1992	FD: expenditure Method: Least Squares Dummy Variables (LSDV)	Expenditure decentralization negatively affects provincial economic growth.
4.	Lin & Liu (2000)	28 China's provinces from 1970 to 1993	FD: marginal retention rate of revenue Method: Fixed effects	Fiscal decentralization does promote economic growth through efficiency.
5.	Jin & Zou (2005)	30 provinces in China during two phases: 1)1979–1993: Fiscal Contract System. 2) 1994-1999: Tax Assignment System.	FD: expenditure and revenue Method: Fixed effects	1)First phase (1973–1993): The study found an adverse effect of expenditure decentralization but a positive effect of revenue decentralization on economic growth. 2) Second phase(1994–1999): There is a significant negative impact of revenue decentralization on economic growth.
6.	Ding (2007)	30 provinces in China during an extended period, from 1994 to 2002	FD: expenditure and revenue Method: Fixed effects and random effects	There is a positive effect of expenditure decentralization on economic growth in all three areas (Eastern, Central, and Western), while revenue decentralization positively affects economic growth only in the Central area.
7.	Mohanty & Patra (2017)	17 subnational governments in India for the 2000–2001 and 2014–2015 periods	FD: the geometric mean of the measures of fiscal autonomy and the fiscal importance index. Method: Vector Autoregression (VAR) framework	The impulse response function indicates that a positive shock in fiscal decentralization leads to increased economic growth in subnational governments, although the opposite effect is also observed.

8.	Zhang & Zou (2001)	29 China provinces, from the period 1987 to 1993; 16 major states in India from 1970 to 1994	FD for China: provincial share spending in the areas of administration, development, defense, urban maintenance, and human capital. FD for India: Four measures of decentralization: share of state expenditure, share of per capita state expenditure, share of state own revenue, share per capita state revenue.	1) China: Provincial administrative spending has a negative and significant impact, while its effect on economic growth in China is insignificant. In contrast, central government spending shows a significant positive effect on growth. 2) India: An increase in the central share of spending in development, non-development, and social services, accompanied by a reduction in central expenditure on all other areas (administration, economic services, health, and education), could enhance the economic growth of the states. Both revenue and expenditure decentralization have a positive and significant effect on the growth.
9.	Malik, Hassan, & Hussain (2006)	Four regions in Pakistan during the period 1971 to 2005	FD: expenditure and revenue Method: First difference operator and a first moving average process	1)Expenditure decentralization: no significant effect on economic growth. 2) Revenue decentralization: no significant effect on economic growth.
10.	Iqbal, Din, & Ghani (2012)	Pakistan covers the period 1972 to 2010	FD: expenditure, revenue, and composite decentralization Method: GMM	1)Expenditure decentralization: significant adverse effect on economic growth. 2) Revenue decentralization: no significant effect on economic growth. 3)Simultaneous decentralization of revenue and expenditure (composite decentralization) reinforces each other to promote economic growth.
11.	Samimi et al. (2010)	30 provinces in Iran during the period from 2001 to 2007	FD: revenue decentralization Method: Fixed effects	Fiscal decentralization has a positive effect on economic growth.
12.	Jumadi, Pudiharjo, Maski, & Khusaini (2013)	29 districts and nine cities in East Java, Indonesia, for the years 2007 to 2010	Structural Equation Modelling (SEM) to examine the direct and indirect effects of fiscal	There is no direct impact of fiscal decentralization on growth. However, fiscal decentralization accelerated economic growth through its effect on the quality of human development and infrastructure in East Java.

			decentralization on growth.	
13.	Digdowiseiso (2017)	Indonesia: national-level analysis for the period 1984 to 2014	FD: expenditure Method: Vector Error Correction Model (VECM)	Governance and the level of fiscal decentralization have a significant positive effect on economic growth.
14.	Devkota (2014)	75 districts in Nepal, for the period from 1996 to 2001	FD: LSGA's enactment and both expenditure and revenue decentralization Method: Fixed effect and random effect	All three fiscal decentralization indicators (LSGA, expenditure, and revenue) show a significant positive effect on economic growth.
15	Jin and Rider (2020)	China and India for the period of 1985 - 2005	FD: Expenditure Method: two-step GMM simultaneous equations models	Expenditure decentralization has a negative and statistically significant effect at conventional levels on short-run economic growth for both China and India.
16	Mishra and Tiwari (2023)	India from the period of 1996 - 2021	FD: Expenditure and revenue Method: ARDL and NARDL	Fiscal decentralization has a positive effect on economic growth.

Table LR-2 Alt Text: This table summarises empirical studies that focus on a single emerging country. We use FD as an abbreviation for fiscal decentralization (FD).

Table LR-3: Empirical studies on decentralization and economic growth on cross-country analysis

No.	Cite	Sample	Method	Findings
1.	Thiessen (2003)	OECD countries: annual data over the period 1973 to 1998	FD: expenditure, revenue, and quadratic expenditure of decentralization Method: OLS	The results show a hump-shaped impact of fiscal decentralization on growth. At an early stage, an increase in the degree of decentralization might encourage growth. However, past a certain point, any further rise in the degree of fiscal decentralization could hinder economic growth, productivity, and the investment ratio.
2	Thornton (2007)	19 high-income OECD countries: average data from 1980 to 2000	FD: revenue Method: OLS	Revenue decentralization based on subnational own-sourced revenue is not a significant factor in economic growth.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS | Volume IX Issue VIII August 2025

3	Baskaran & Feld (2013)	23 high-income OECD countries: the period from 1975 to 2008	FD: the traditional measure of Government Finance Statistics and the degree of subnational tax autonomy Method: Fixed effects	1) The traditional measure: there is a negative but insignificant impact on the degree of fiscal decentralization. 2) Subnational tax autonomy: there is a significant negative impact on growth.
4	Gemmell, Kneller, & Sanz (2013)	23 high-income OECD countries from 1972 to 2005	FD: expenditure and revenue Method: Pooled-mean Group Techniques	1)Expenditure decentralization deteriorates economic growth. 2) Revenue decentralization promotes economic growth.
5	Davoodi & Zou (1998)	19 developed and 27 developing countries from 1970 to 1989	FD: expenditure Method: OLS	1) Developed countries: no effect of fiscal decentralization on growth. 2) Developing countries: a negative growth impact of fiscal decentralization.
6	Rodríguez-Pose & Krøijer (2009)	16 Central and Eastern European countries, over the period from 1990 to 2004	FD: expenditure, tax revenue, transfers, revenue, and vertical imbalance. Method: Fixed effects	1)Expenditure at the subnational government and intergovernmental transfers are negatively correlated with economic growth. 2) The share of subnational taxes is positively associated with the national growth rate. Revenue decentralization has promoted greater economic efficiency in the subnational governments of Central and Eastern European countries.
7	Kaneva, Karpenko, Nasibova, Tabenska & Tomniuk (2023)	15 countries in central and eastern Europe from 2010 to 2022	FD: Revenue Decentralization: (Local government revenue-revenues inter government grants)/general government revenue, expenditure Decentralization: local government expenditure/general government expenditure Method: ordinary least squares (OLS) method	Revenue decentralization harms the GDP per capita growth, and expenditure decentralization has only a tiny positive impact on economic growth in Central and Eastern Europe.

Table LR-3 Alt Text: This table provides empirical studies that focus on cross-country analyses. We use FD as an abbreviation for fiscal decentralization (FD).

In summary, although previous empirical studies on the effect of fiscal decentralization on economic growth report mixed findings, the significant positive impact of decentralization on economic growth is realized in the cases of developed, developing, or emerging countries, and cross-country studies. Despite this, the effectiveness of its implications could be hindered by several factors, which will be elaborated in the following section.

Fiscal decentralization and its mitigating factors

Lack of fiscal autonomy

The absence of budgetary autonomy is a significant obstacle to the advantages of decentralization. A greater degree of fiscal autonomy might help local governments fully deliver on the promises of decentralization. Fiscal decentralization entails the delegation of responsibilities and the transfer of both expenditure and revenue autonomy from the central government to subnational entities. However, the implementation of fiscal decentralization in numerous nations falls short of fully achieving these objectives. For example, it can be observed that in the context of OECD countries, there was a consistent trend of higher implementation of decentralized spending compared to revenues (OECD, 2019). Dabla-Norris and Wade (2002) assert that a significant obstacle faced by the majority of transition countries is restricted autonomy in expenditure and revenue. Numerous subnational governments have encountered limitations in their ability to adapt their expenditure duties as a result of conventions, rules, and spending mandates imposed by the federal government.

Furthermore, it is commonly observed that central governments tend to exercise authority over the most lucrative tax sources and impose regulations on some tax bases of subnational governments, thereby constraining the ability of subnational governments to generate revenue. This matter has been implemented by numerous developing and developed nations (OECD, 2019). According to Brueckner (2009) and Borge, Brueckner, and Rattsø (2014), the concept of partial decentralization refers to a state in which subnational governments possess limited discretion in determining the levels of local public goods. Specified mandates, norms, and rules instead govern these governments. This definition is supported by the Organisation for Economic Cooperation and Development (OECD, 2019). Consequently, the potential advantages of decentralization remained untapped. Dabla-Norris and Wade (2002) have documented variations in the level of expenditure and revenue autonomy among a sample of transition economies. Moreover, Bastagli, Coady, and Gupta (2015) discovered that fiscal policies' redistributive impact is comparatively diminished in developing nations as compared to developed countries, indicating variations in both the levels and the composition of tax and spending.

Allocation of Budget and Resource Discretion

One prevalent issue faced by subnational governments is the discrepancy between the allocation of responsibility and the availability of resources. According to the OECD (2019), in instances of heightened severity, subnational governments may be compelled to deliver some services or implement policies in the absence of allotted resources. Hence, subnational governments must possess adequate money to fulfill their expenditure obligations. This can be achieved by a well-balanced amalgamation of local taxes and transfers from the central government (Usui, 2007).

The possible imbalance between revenue and spending can diminish the accountability of subnational governments, since they may attribute the provision of inadequate services to a scarcity of finances. Furthermore, individuals have the ability to rationalize excessive expenditures and request additional funds through transfers and borrowing. Conversely, if the subnational government's earnings exceed its expenditures, there is a possibility of a decrease in its attempts to generate revenue (Usui, 2007). The occurrence of a disparity between the designated revenue and the actual revenue required by subnational governments is a frequent phenomenon, resulting in the ineffective implementation of the assigned responsibilities (OECD, 2019).

Political Conflict

The relationship between the central government and subnational governments frequently becomes entangled in political conflicts, which have a substantial impact on impeding progress and accountability (Devas, 2005). Political disputes between central and subnational governments often emerge as a result of divergent political affiliations within a newly established political framework (Wolff, Ross, & Wee, 2020). This tension manifests itself across various dimensions of governance, encompassing both financial resources and decision-making processes. The potential impact of political power on the provision of a bailout by the central government is a significant consideration. The authors Ahrend, Curto-Grau, and Vammalle (2013) argue that an increased level of political pressure exerted by subnational governments might potentially strengthen the necessity for a bailout, as it would be difficult for the central government to disregard the issue.

In contrast, within a system of governance that is more centralised, the appointment of an elected official by the central authority may compromise the objective of addressing local requirements. This is primarily attributed to the elected official's restricted understanding of local circumstances and potential inclination towards advancing the interests of the central authority (Kälin, 1999). Jackson and Scott (2007) assert that numerous scholars have contended that there are concealed motives underlying the interactions between central and subnational governments. These scholars claim that the central government uses local governments not to decentralise authority, but rather to extend its power (CMI, 2004; Forrest, 2005; Crook, 2003; Bigdon & Hettige, 2003).

Furthermore, the allocation of public funds and the borrowing decisions made by governments at various levels are also influenced by distinct ideologies introduced by different governing parties. The existing empirical research on this subject has yielded inconsistent results. In a scholarly investigation conducted by Roubini and Sachs (1989), it was shown that the left wing had a higher budget deficit compared to the right wing. Conversely, Borrelli and Royed (1995) found the opposite trend, as referenced in the work of Ahrend et al (2013). Volkerink and Haan (2001) have found that political fragmentation does not exert any significant influence on the government's budget shortfalls.

Monitoring and supervision

The implementation of a well-designed system for central oversight of subnational government has the potential to enhance the accountability, efficiency, and transparency of local governments. This, in turn, can lead to improved delivery of high-quality services for the local population (Shala, 2016). Moreover, the implementation of government oversight is important to safeguard against potential misconduct by local officials and the misappropriation of public resources. The objective of this study encompasses the verification and execution of national policy by the local government (Solikin, Sjamsuddin, Zauhar, and Muluk, 2015).

However, the practical implementation of central government control is lacking in effectiveness (Fjeldstad, 2001, as cited in Devas, 2005). Excessive monitoring or control, coupled with the relinquishment of local administrative and fiscal capacities, can lead to heightened reliance on initiatives originating from the central government. In the context of limited supervision and inadequate local capacities, it is seen that local governments tend to form alliances with third parties or enterprises instead of relying on the central government (Sellers & Lidström, 2007). Government oversight and regulation often result in additional obstacles to the implementation, cost, and timeline, as well as delays in budget approval, hence generating dissatisfaction among local authorities. Furthermore, the allocation of personnel by the central government to fulfill supervisory responsibilities may prioritize the interests of the central authority above those of the local government.

Moreover, the challenge of effectively monitoring and overseeing local governments arises from the lack of accessibility to comprehensive information about their operations. Devas (2005) identified several potential obstacles that may hinder the central government's ability to monitor the activities of local government effectively. These obstacles include: a) limited access to information, resulting from resource limitations or distorted information provided by local government, which hampers the central government's understanding of the actual situation at the local level; b) errors in judgment or misinterpretation of information by the central government; c) manipulation of data by local government to align with the interests of the central government or to accommodate their perverse incentives; and d) miscommunication or the deliberate use of misleading data/information by the central government, motivated by rent-seeking activities.

CONCLUSION AND POLICY RECOMMENDATIONS

This research study presents empirical evidence that highlights the significance of institutional elements, specifically fiscal decentralization, in fostering economic growth. Nevertheless, the advantages of decentralization may be impeded by the obstacles mentioned above. The current disparity in financial resources between the state and local governments poses a substantial challenge to the overall economic performance. This is particularly noteworthy due to the influential role played by state and local governments in the governance structure.

In order to effectively implement decentralization to promote growth, the following policy measures are proposed in consideration of the discussion above:

1. The re-evaluation and modification of the constitutional and legal framework are essential to establish a balanced and harmonious distribution of powers and responsibilities among the different levels of government.
2. One proposed solution is the implementation of a robust fiscal decentralization process, whereby local governments are granted the authority to generate and oversee their own financial resources independently. This area encompasses the design of tax structures, intergovernmental fiscal transfers, and budgetary procedures that provide support to local governments.
3. The establishment of an appropriate level of decentralization is of utmost importance in order to effectively harness the advantages associated with decentralization, which may vary depending on the specific governance structure of a given country. In this context, prospective research endeavors may seek to quantitatively determine the most advantageous level of decentralization, with a particular emphasis on a certain nation.
4. Promoting collaboration and effective communication among governmental and non-governmental actors, as well as across different levels of government, is crucial for addressing local needs and concerns.
5. One potential avenue for improvement involves optimizing the utilization of technology to enhance decentralized administration and service provision. To improve communication, transparency, and accessibility of information, it is recommended to deploy digital infrastructure, data systems, and e-governance platforms.
6. Comprehensive monitoring and evaluation systems are imperative to effectively assess the progress, impact, and effectiveness of decentralization programmes. Continuous evaluation and evidence-based policy implementation, informed by feedback and insights, are essential to ensuring long-term success.

Disclosure statement

No potential conflict of interest was reported by the author(s).

REFERENCES

1. Akai, N. & Sakata, M. (2002). Fiscal decentralization contributes to economic growth: evidence from state-level cross-section data for The United States, Journal of Urban Economics, 52(1), 93-108.
2. Akai, N., Nishimura, Y. & Sakata, M. (2004). Fiscal decentralization, economic growth and economic volatility–theory and evidence from state-level cross-section data for the United State, The Centre for International Trade Studies Discussion Paper Series, (3).
3. Ahrend, R., Curto-Grau, M., & Vammalle, C. (2013). Passing the buck? Central and sub-national governments in times of fiscal stress, OECD Regional Development Working Papers, 26th March.

4. Array, H & Pedauga, L. (2024). The relationship between decentralization and economic growth across regimes, The Annals of Regional Science, 72, 1 – 25.
5. Baskaran, T. & Feld, L. P. (2013). Fiscal decentralization and economic growth in OECD countries: is there a relationship? Public Finance Review, 41(4), 421-445.
6. Bastagli, F., Coady, D., & Gupta, S. (2015). Fiscal redistribution in developing countries: Overview of policy issues and options. In Clements, M. B. J., de Mooij, R. A., Gupta, M. S., & Keen, M. M. (2015). Inequality and Fiscal Policy, 57-76.
7. Buettner, T., Behnisch, A. & Stegarescu, D. (2002). Public sector centralization and productivity growth: Reviewing the German experience, ZEW Discussion Paper, (No. 02-03), Mannheim.
8. Bigdon, C. and Hettige, S. (2003). Local Governance and Conflict Management, South Asia Institute, University of Heidelberg.
9. Boadway, R. (2001). Inter-governmental fiscal relations: The facilitator of fiscal decentralization. Constitutional Political Economy, 12, 93–121.
10. Bodman, P. & Ford, K. (2006). Fiscal federalism and economic growth in the OECD, MRG@ UQ Discussion Paper, (No. 7).
11. Bodman, P., Campbell, H., Heaton, K. A. & Hodge, A. (2009). Fiscal decentralization, macroeconomic conditions and economic growth in Australia, University of Queensland, School of Economics, MRG@ UQ Discussion Paper, no. 26.
12. Bodman, P., Heaton, K. A. & Hodge, A. (2009). Fiscal decentralization and economic growth: a Bayesian model averaging approach, School of Economics, University of Queensland, Australia.
13. Borrelli, S. and Royed, T. (1995), Government strength and budget deficits in advanced democracies, European Journal of Political Research, 28(2), 225–260.
14. Borge, L., Brueckner, J. & Rattsø, J. (2014), Partial fiscal decentralization and demand responsiveness of the local public sector: Theory and evidence from Norway', Journal of Urban Economics, retrieved from,http://dx.doi.org/10.1016/j.jue.2014.01.003
15. Brennan, G. & Buchanan, J. (1980). The power to tax: Analytical foundations of a fiscal constitution, Cambridge: Cambridge University Press.
16. Brueckner, J. (2009), Partial fiscal decentralization, Regional Science and Urban Economics, retrieved from,http://dx.doi.org/10.1016/j.regsciurbeco.2008.06.001
17. Cantarero, D. & Gonzalez, P. P. (2009). Fiscal decentralization and economic growth: Evidence from Spanish regions, Public Budgeting & Finance, 29(4), 24-44.
18. Carrion-i-Silvestre, J. L., Espasa, M. & Mora, T. (2008). Fiscal decentralization and economic growth in Spain, Public Finance Review, 36(2), 194-218.
19. CMI, (2004), Governance Interventions in Post-War Situations: Lessons Learned, Research Paper in the Bergen Seminar Series, 5th – 7th May, Norway.
20. Crook, R. (2003), decentralization and poverty reduction in Africa: The politics of local-central relations, Public Administration and Development, 23,77-88.
21. Dabla-Norris, E., & Wade, P. (2002). The challenge of fiscal decentralization in developing countries. IMF Working Paper, Washington DC International Monetary Fund.
22. Dabušinskas, A., Kulikov, D. & Randveer, M. (2013). The impact of volatility on economic growth, Bank of Estonia, no. wp 2012-7.
23. Davoodi, H. & Zou, H. F. (1998). Fiscal decentralization and economic growth: A cross-country study, Journal of Urban Economics, 43(2), 244-257.
24. Desai, R. M., Freinkman, L. & Goldberg, I. (2005). Fiscal federalism in rentier regions: Evidence from Russia, Journal of Comparative Economics, 33(4), 814-834.
25. Devas, N. (2005). The challenges of decentralization. In Global Forum on Fighting Corruption: Brasilia.
26. Devkota, K. L. (2014). Impact of fiscal decentralization on economic growth in the districts of Nepal, International Center for Public Policy Working Paper Series. No. 12.
27. Digdowiseiso, K. (2017). Governance, fiscal decentralization, and growth in Indonesia, Jurnal Sosial dan Humaniora, 1(1).
28. Ding, Y. (2007). Fiscal decentralization and economic growth in China, 1994–2002, Journal of Chinese Economic and Business Studies, 5(3),243-260.

29. Eryılmaz, B. (2011). Public Administration-Kamu Yönetimi, Okutman Publishing-Okutman Yayıncılık, Ankara.
30. Faguet, J. P. (2011). Decentralization and governance', Economic Organisation and Public Policy Discussion Papers, EOPP 027. London: London School of Economics and Political Science.
31. Feld, L. P., Frey, C., Schaltegger, C. A., & Schmid, L. A. (2021). Fiscal federalism and income inequality: An empirical analysis for Switzerland. Journal of Economic Behavior & Organization, 185, 463-494.
32. Feld, L. P., Kirchgässner, G. & Schaltegger, C. A. (2004). Fiscal federalism and economic performance: Evidence from Swiss cantons, Marburger volkswirtschaftliche Beiträge.
33. Fisman, R. & Gatti, R. (2002). Decentralization and corruption: Evidence across countries, Journal of Public Economics, 83(3), 325-345.
34. Fjeldstad O-H. (2001) Taxation, coercion and donors: Local government tax enforcement in Tanzania. Journal of Modern African Studies, 39(2): 289-306.
35. Forrest, J. (2005). 'Subnationalism and Post-Conflict Governance: Lessons from Africa', presented at RTI-GWU Conference on 'Rebuilding Governance in Post-Conflict Societies: What's New, What's Not', 6th May, U.S.
36. Gemmell, N., Kneller, R. & Sanz, I. (2013). Fiscal decentralization and economic growth: Spending versus revenue decentralization, Economic Inquiry, 51(4), 1915-1931.
37. Hammond, G. W., & Tosun, M. S. (2011). The impact of local decentralization on economic growth: Evidence from U.S. counties. Journal of Regional Science, 51(1), 47-64.
38. Huther, J. & Shah, A. (1998). A simple measure of good governance and its application to the debate on the appropriate level of fiscal decentralization, World Bank Working Paper Series, 1894.
39. Iqbal, N., Din, M. U. & Ghani, E. (2012). Fiscal decentralization and economic growth: Role
40. of democratic institutions, The Pakistan Development Review, 51(3), 173-195.
41. Ivanyna, M. & Shah, A. (2011). Decentralization and corruption: New cross-country evidence, Environment and Planning C: Politics and Space, 29(2), 344-362.
42. Jackson, P., & Scott, Z. (2007). Local government in post-conflict environments. United Nations Development Programme Commissioned Paper, retrieved from,
43. http://www. undp. org/oslocentre/docs08/oslo1107/Annex_4_%20PaperGovernment_in_Post_Conflict. pdf.
44. Jin, Y & Rider, M. (2020). Does fiscal decentralization promote economic growth? An empirical approach to the study of China and India. Journal of Public Budgeting, Accounting & Financial Management. 34 (2), 146-167.
45. Jin, J. & Zou, H. F. (2005). Fiscal decentralization, revenue and expenditure assignments, and growth in China, Journal of Asian Economics, 16(6), 1047-1064.
46. Jumadi, Pudjiharjo, M., Maski, G. & Khusaini, M. (2013). The impact of fiscal decentralization on local economic development in East Java, IOSR Journal of Humanities and Social Science, 13(1),1-7.
47. Kälin, W. (1999). Decentralization–Why and how. Decentralization and development. Bern: Swiss Agency for Development and Cooperation Publications on Development.
48. Kalirajan, K. & Otsuka, K. (2012). Fiscal decentralization and development outcomes in India: an exploratory analysis, World Development, 40(8), 1511-1521.
49. Kaneva, T., Karpenko, M., Nasibova, O., Tabenska, J & Tomniuk, T (2023). Fiscal decentralization influence on public services efficiency and economic growth, Financial and Credit Activity Problems of Theory and Practice 5(52), 68-78.
50. Kim, H. A. (2006). Local decentralization and economic growth in Korea, A Research Paper,(60), Korea Institute of Public Finance.
51. Lin, J. Y. & Liu, Z. (2000). Fiscal decentralization and economic growth in China, Economic Development and Cultural Change, 49(1), 1-21.
52. Lockwood, B. (2005). Fiscal decentralization: a political economy perspective, Warwick Economic Research Papers, no. 721.
53. Malik, S., Mahmood-ul-Hassan & Hussain, S. (2006). Fiscal decentralization and economic growth in Pakistan, The Pakistan Development Review, 45(4), 845-854.
54. Martin, A. & Lewis, W. A. (1956). Patterns of public revenue and expenditure, The Manchester School, 24(3), 203-244.

55. Martinez-Vazquez, J. & McNab, R. M. (2003). Fiscal decentralization and economic growth, World Development, 31(9), 1597-1616.
56. Mishra, B. R. & Tiwari, A. K. (2023). Exploring the asymmetric effect of fiscal decentralization on economic growth and environmental quality: Evidence from India, Environmental Science and Pollution Research, 30, 80192 – 80209.
57. Mohanty, A. & Patra, S. K. (2017). The nexus between fiscal decentralization and economic growth: evidence from sub-national governments in India', International Journal of Research and Innovation in Applied Science (IJRIAS), 2(1).
58. Nakatani, R. (2023). Fiscal crises, decentralization, and indiscipline. Scottish Journal of Political Economy, 70(5), 459-478, retrieved from, https://doi.org/10.1111/sjpe.12358
59. Oates, W. E. (1972). Fiscal federalism, New York Harcourt Brace Jovanovich, Inc
60. Oates, W. E. (1985). Searching for Leviathan: An empirical study, The American Economic Review, 75(4), 748-757.
61. Oates, W. E. (1993). Fiscal decentralization and economic development, National Tax Journal, 46(2), 237-243.
62. Oates, W. E. (2007). On the theory and practice of fiscal decentralization, Working Papers 0701, CREI Università degli Studi Roma Tre.
63. Ozmen, A. (2014). Notes to the concept of decentralization. European Scientific Journal, 10(10).
64. Prud'homme, R. (1995). The dangers of decentralization. The World Bank Research Observer, 10(2), 201-220.
65. Ramey, G. & Ramey, V. A. (1995). Cross-country evidence on the link between volatility and growth, American Economic Review, 85(5), 1138–1151.
66. Rodríguez-Pose, A. & Gill, N. (2003). The global trend towards devolution and its implications, Environment and Planning C: Politics and Space, 21(3), 333-351.
67. Rodriguez-Pose A. & Krøijer, A. (2009). Fiscal decentralization and economic growth in Central and Eastern Europe', Growth and Change, 40(3), 387-417.
68. Rodden, J. & Wibbels, E. (2002). Beyond the fiction of federalism: macroeconomic management in multitiered systems, World Politics, 54(4), 494-531.
69. Rondinelli, D. A. (1981). Government decentralization in comparative perspective: theory and practice in developing countries, International Review of Administrative Sciences, 47(2),133-145.
70. Roubini, N. and Sachs, J. (1989), Government spending and budget deficits in the industrial countries, Economic Policy, 12, 100–132.
71. Samimi, A. J., Petanlar, S. K., Haddad, G. K. & Alizadeh, M. (2010). Fiscal decentralization and economic growth: A nonlinear model for provinces of Iran, Iranian Economic Review, 15(26), 125-133.
72. Sellers, J. M., & Lidström, A. (2007). Decentralization, local government, and the welfare state. Governance, 20(4), 609-632.
73. Shala, M. (2016). Supervision and control of local governance in the Republic of Kosovo. European Journal of Interdisciplinary Studies, 2(1), 40-50.
74. Slavinskaitė, N. (2017). Fiscal decentralization and economic growth in selected European countries. Journal of Business Economics and Management, 18(4), 745-757.
75. Solikin, M., Sjamsuddin, S., Zauhar, S., & Muluk, M. (2015). Central government supervision strategy to local government: Case of delay in the determination of the local budget in Kediri Regency in East Java Indonesia. International Journal of Management and Administrative Science (IJMAS), 2(6), 39-52.
76. Thiessen, U. (2000). Fiscal federalism in Western European and selected other countries: centralization or decentralization? What is better for economic growth? (No. 224). DIW Discussion Papers.
77. Thiessen, U. (2003). Fiscal decentralization and economic growth in high-income OECD Countries, Fiscal Studies, 24(3), 237-274.
78. Thornton, J. (2007). Fiscal decentralization and economic growth reconsidered, Journal of Urban Economics, 61(1), 64-70.
79. Tiebout, C. M. (1956). A pure theory of local expenditures, Journal of Political Economy, 64(5), 416-424.

80. Treisman, D. (2000). The causes of corruption: a cross-national study, Journal of Public Economics, 76(3), 399-457.
81. Usui, N. (2007). Critical issues of fiscal decentralization. Asian Development Bank. retrieved from, http://hdl.handle.net/11540/2353.
82. Von Luebke, C. (2009). The Political Economy of Local Governance: Findings from an Indonesian Field Study. Bulletin of Indonesian Economic Studies, 45(2), 201–230, retrieved from, https://libkey.io/10.1080/00074910903040310?utm_source=ideas
83. Volkerink, B., & De Haan, J. (2001). Fragmented government effects on fiscal policy: New evidence. Public Choice, 109(3), 221-242.
84. Wang, K. H., Liu, L., Adebayo, T. S., Lobonț, O. R., & Claudia, M. N. (2021). Fiscal decentralization, political stability and resources curse hypothesis: A case of fiscal decentralized economies. Resources Policy, 72, 102071.
85. Wilson, L. S. (1996). Federal-State fiscal arrangements in Malaysia; State revenue equalization in Malaysia, John Deutsch Institute for the Study of Economic Policy, Queen’s University.
86. Wolff, S., Ross, S., & Wee, A. (2020). Subnational Governance and Conflict: The Merits of Subnational Governance as a Catalyst for Peace. World Bank, Washington, DC. © World Bank.
87. World Bank (1990). Argentina: Provincial government finance study, Report 8176-AR. Washington, D.C. Processed.
88. World Bank (2013). Decentralization, retrieved from https://www.worldbank.org/en/topic/communitydrivendevelopment/brief/Decentralization
89. Xie, D., Zou, H. F. & Davoodi, H. (1999). Fiscal decentralization and economic growth in the United States, Journal of Urban Economics, 45(2), 228-39.
90. Yushkov, A. (2015). Fiscal decentralization and regional economic growth: theory, empirics, and the Russian experience, Russian Journal of Economics, 1(4), 404-418.
91. Zhang, T. & Zou, H. F. (1998). Fiscal decentralization, public spending, and economic growth in China, Journal of Public Economics, 67(2), 221-240.
92. Zhang, T. & Zou, H. F. (2001). The growth impact of intersectoral and intergovernmental allocation of public expenditure: with applications to China and India, China Economic Review, 12(1), 58-81.