

The Effect of Inflation, Open Unemployment Rate, Farmer Exchange Rate, and Provincial Minimum Wage on Poverty in the 15 Poorest Provinces in Indonesia

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Abstract

This study examines how inflation, open unemployment rate, farmer's exchange rate, and provincial minimum wage affect poverty in 15 poorest provinces in Indonesia. Poverty serves as a substitute for the dependent variable, with inflation, open unemployment rate, farmer's exchange rate, and provincial minimum wage as independent variables. The 15 provinces covered by panel data are used in this investigation for the years 2010–2022. Throughout the investigation, panel data regression is adopted and Fixed Effect Model (FEM) is decided. As shown by the findings, inflation has a negative and insignificant effect, open unemployment rate has a positive and insignificant effect, farmer's exchange rate has a negative and insignificant effect, and provincial minimum wage has a negative and significant effect. Taken together, inflation, open unemployment rate, farmer's exchange rate, and provincial minimum wage collectively affect poverty in 15 poorest provinces in Indonesia.

Keywords: poverty, inflation, open unemployment, farmer's exchange rate, provincial minimum wage

INTRODUCTION

The problem of poverty is one of the economic problems encountered by countries in the world, such as Indonesia. The problem of poverty that occurs in a country can cause various problems that are spread (multiplier effects) on people's lives comprehensively. Poverty is a multidimensional problem caused by many factors, including economic, political, social, cultural, and other social systems (Adawiyah, 2020). Some of the aspects

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that trigger the problem of poverty include the low quality of human resources, limited options for adequate employment, low levels of education, high rates of population growth, unequal distribution of wealth, economic depression, poor health, non-existent natural resources, people's habits and attitudes, and social structures that are unable to associate people with resources.

Todaro defines poverty as the incompetence of a person to fulfill their most basic needs. To determine poverty according to the Central Bureau of Statistics (BPS), in 2023 basic needs must be met when monthly expenditure per capita is below the Poverty Line of Rp. 550,458 per capita per month. When compared to September 2022, the Poverty Line increased by 2.78 percent, while when compared to March 2022, it increased by 8.90 percent. Meanwhile, according to BPS in September 2022, the number of poor people in Indonesia was 26.36 million, or equal to 9.57%. Compared to March 2022, the number of poor people in Indonesia increased by 200,000 people. However, this quantity of poor people is smaller than in September 2021.

According to the Central Bureau of Statistics, poverty that occurs in Indonesia is not only related to the need for food, but also caused by poverty problems that occur in regions in Indonesia. Measured using the Percentage of Poor Population (P0) indicator, 15 provinces were found to be the poorest provinces in Indonesia with the average criterion that the percentage value of poverty in the area is higher than the percentage of the national poor population in the September 2022 period, which is 9.57 percent. These provinces are Papua, West Papua, East Nusa Tenggara, Maluku, Gorontalo, Aceh, Bengkulu, West Nusa Tenggara, Central Sulawesi, South Sumatra, West Sulawesi, Yogyakarta, Lampung, Southeast Sulawesi, Central Java. The research was conducted in 2010-2022 because in that time span the economy in Indonesia experienced fluctuations due to various world geopolitical conflict events that had an impact on the Indonesian economy.

The Central Bureau of Statistics measures poverty by applying the concept of the ability to fulfill basic needs (basic needs approach). In the calculation conducted by BPS, 75 percent of the poor spend their expenditure on food. Meanwhile, the food group still has a major role in the inflation rate. The annual inflation that occurs in Indonesia is caused by price escalation in all expenditure group indices, the highest being the food, beverage and tobacco group. If the government does not control inflation, social vulnerability and the number of poor people will increase. This condition will worsen the situation of people who are already poor, and price increases will exacerbate this



condition. Inflation occurs when prices rise repeatedly within the same period and over a predetermined period of time.

Apart from the inflation rate, unemployment also affects the poverty rate. Unemployment is one of the parameters to measure economic development. From the unemployment rate, it can be seen that the economy of a region is developing, slowing down, or even regressing. Unemployment can be the main cause of poverty. Poverty and low living standards are strongly correlated with unemployment. These conditions can be expressed both qualitatively and quantitatively in the form of below-average income levels, substandard housing, poor health, little or no access to education, high birth rates, high mortality rates, and very limited employment opportunities (Sari, 2021).

The Central Bureau of Statistics said that the poverty rate in rural areas is higher than the poverty rate in urban areas. This is due to the lack of employment opportunities in rural areas and the over-reliance of rural communities on agriculture as the main source of income. Low productivity in the industry is one of many variables that contribute to poverty in the agricultural sector and is often influenced by culture and structure. This is due to the unequal allocation of agricultural land, people's low technological skills, low education levels, weak farmer exchange rates, and difficult access to capital (Nasrun, 2020). Poverty that occurs in Western Indonesia is largely caused by people who have jobs as farmers with low educational values, and lack of support from related institutions or governments. This condition will cause the lives of the poor in this section to be constantly underdeveloped, low accessible employment opportunities, less absorbed human resources, and a lack of business knowledge that causes low work efficiency and skills (Maulidina, 2022).

One element that also has an effect on the poverty rate in a region is the Provincial Minimum Wage, because one aspect that can measure the level of community welfare is income. According to (Nurkse, 1961) in (Hanifah, 2021) In "The Vicious Cycle of Poverty", this theory argues that per capita income represents the lowest point of poverty. The premise of this theory is that people from low-income groups are unable to save or invest and therefore cannot break the cycle of poverty, while high-income groups are able to save and invest and thus maintain their status. This starts with poor nutrition, which in turn leads to poor health, which in turn leads to poor productivity, which in turn leads to poor income at higher levels.

From the description of the problems that have been described in the background and several previous journals, a thesis research will be conducted on the effect of inflation,



open unemployment rate, farmer exchange rate and provincial minimum wage on poverty problems that occur in the 15 poorest provinces in Indonesia.

LITERATUR REVIEW

Poverty

Poverty is the result of insufficient income or insufficient expenditure that prevents a person from maintaining a standard of living high enough for him and his family to function properly according to the standards of society in terms of physical, economic, and mental level (Senewe, Julita et al., 2021). The ability to meet basic needs is a concept used by the Central Bureau of Statistics (BPS) to measure poverty. According to this method, poverty is defined as the inability to pay for necessities such as food and non-food items. If the average monthly per capita expenditure of a population is less than the poverty line, then they are classified as poor.

Inflation

A general increase in prices over a set period of time is the common definition of inflation. Calculating the average price increase of a large number of goods and services over a period of time is one method of measuring inflation. Not every price increase results in inflation. Many factors affect the prices of various goods and services. A rise in the price of an item may or may not be associated with an increase in inflation. If inflation continues over a long period of time, this period is referred to as sustained inflation (Case, 2007).

Inflation according to Keynes explains that inflation arises because a society wants to live beyond the limits of its economic capacity. The premise of Keynes' inflation model is that inflation develops because people want to live beyond their economic means, causing people's effective demand for goods (aggregate demand) to exceed the amount of goods available, resulting in an inflationary gap. Then Keynes assumed that rising prices are not only caused by an increase in the amount of money in circulation, but also by an increase in production. Keynes' theory is used to describe inflation in the short term.

Open Unemployment Rate

According to Keynes' theory, unemployment is caused by a lack of effective demand in the economy. Keynes argued that low aggregate demand is responsible for the low income and rising unemployment that characterize economic downturns. In his theory, Keynes suggested that the government should increase consumption expenditure as a measure to overcome unemployment due to low effective demand.

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According to the Central Bureau of Statistics, the Open Unemployment Rate is the percentage of the size of the unemployed to the size of the labor force. Open unemployment includes: (1) those who do not have a job and are looking for work, (2) those who do not have a job and are preparing a business, (3) those who do not have a job but are not looking for work because they feel they will not get a job, (4) those who already have a job but have not started working.

Farmer Exchange Rate

Farmer Exchange Rate statistics are one type of statistical data that can be used as an indication to measure how well development progress in the agricultural sector. A substitute indicator that can measure the degree of farmer welfare is NTP. In determining the direction of agricultural policy, the Farmer Exchange Rate can be an indicator to track the development of farmers' welfare levels simultaneously when linked with agricultural productivity statistics.

Provincial Minimum Wage

The Central Bureau of Statistics states that the minimum wage is the lowest wage limit (including benefits but excluding overtime pay) given to workers according to the type of position or job. Meanwhile, the Provincial Minimum Wage is the minimum wage set for all districts/cities in one province. Efficiency wage theory explains that wage levels are correlated with increases in worker productivity. If this is the case, businesses may be motivated to pay higher wages than the market can bear (Case, 2007).

METHODOLOGY

This research uses a panel data regression model, which is a combination of cross section and time series data. The cross section data in this research are 15 provinces that are the poorest provinces in Indonesia with an average poverty value of high to moderate poverty value with an indicator of the percentage of poor people with a poverty percentage value higher than the national poverty percentage. These provinces are Papua, Papua Barat, Nusa Tenggara Timur, Maluku, Gorontalo, Aceh, Bengkulu, Nusa Tenggara Barat, Sulawesi Tengah, Sumatera Selatan, Sulawesi Barat, D.I Yogyakarta, Lampung, Sulawesi Tenggara, Jawa Tengah and the time series data are the years under study, namely 2010-2022.

Generally, there are a number of methods that are often used to estimate panel data regression models (Widarjono, 2018). There are three different approaches, namely

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Common Effects Model (CEM), Fixed Effects Model (FEM), and Random Effects Model (REM). There are three tests used to determine the best technique in estimating panel data regression (Widarjono, 2018). First, using the F statistical test in determining between the Common Effect Model or Fixed Effect Model method. Second, using the Lagrange Multiplier (LM) test in determining between the Common Effect Model or Random Effect Model method. Third, using the Hausman test in determining between the Fixed Effect Model or Random Effect Model method. Next, classical assumption testing is carried out which consists of normality test, heteroscedasticity test, multicollinearity test, and autocorrelation test. Finally, hypothesis testing is carried out which consists of t statistics, F statistics, and the coefficient of determination.

The panel data regression model related to inflation, TPT, NTP, UMP on poverty in the poorest provinces in Indonesia is transformed into :

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon_{it}$$

Description:

Y	: Poverty
X1	: Inflation
X2	: TPT
X3	: NTP
X4	: UMP
ε	: Error term
i	: Individual number (<i>a cross-section</i>)
t	: Period (<i>a time-series</i>)

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistical analysis in this analysis intends to explain the statistical data of the variables used.



Tabel 1. Descriptive Statistical Analysis

Keterangan	K	I	TPT	LNNTTP	UMP
Mean	16.9465	4.321538	4.847128	4.634619	1767998.
Median	15.61000	3.870000	4.430000	4.626834	1720000.
Maximum	34.10000	10.85000	10.81000	4.969327	3561932.
Minimum	10.80000	0.210000	2.080000	4.503137	660000.0
Std. Dev.	4.939085	2.390023	1.828039	0.067560	711477.1
Skewness	1.219131	0.576136	1.196983	1.646914	0.422738
Kurtosis	3.954356	2.545113	4.077758	8.129231	2.342076

Source: Data Processing Results with EvIEWS 12

Based on the results of descriptive statistics, it shows that the mean of poverty is 16.94656 percent, mean inflation is 4.321538 percent, mean TPT is 4.847128 percent, mean NTP is 4.634619 percent, and mean UMP is 1767998 million rupiah for the 15 poorest provinces in Indonesia.

Model Specifications Test

1) Chow Test

The Chow test was conducted to determine the best model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). If the probability is less than 0.05, then the selected and best model is FEM. Conversely, if the probability is more than 0.05, then the selected and best model is CEM.

Table 2. The Chow Test's Summary

Affects Examine	Statistic	d.f.	Prob.
The F cross-section	278.916185	(14,176)	0.0000
Chi-square in cross section	612.996315	14	0.0000

Source: Data Processing Results with EvIEWS 12

The test results above the cross-section F probability value is 0.0000 and the chi-square probability value is 0.0000. Based on these results, it shows that the probability value is <0.05, which means that H₀ is rejected and H_a is accepted. From these results, it can be concluded that the Fixed Effect Model is better than the Common Effect Model.



2) Hausman Test

The Hausman test is conducted to compare between the Random Effect Model (REM) and the Fixed Effect Model (REM). If the probability is less than 0.05, then the selected and best model is FEM. Conversely, if the probability is more than 0.05, then the selected and best model is REM.

Table 3. The Hausman Test's Summary

Affects Examine	Chi-sq. Statistic	Chi-sq. d.f.	Prob.
Random cross-section	13.259510	4	0.0101

Source: Data Processing Results with Eviews 12

The test results above obtained a random Cross-Section probability value of 0.0101. These results state that the random Cross-Section probability value is less than the significance value of 0.05 (5%), meaning that H_0 is rejected and H_a is accepted. From this test, it is found that the best model is the Fixed Effect Model.

Estimation Of Panel Data Regression

Based on the results of the model determination test, it shows that the best model is the Fixed Effect Model (FEM). The Fixed Effect Model (FEM) panel data regression estimation results and the interpretation of the equation are as follows.

Table 4. Regression Results of the FEM

Variable	Coeff.	Std. Error	t-Stat.	Prob.
C	21.66010	5.800381	3.734255	0.0003
I	-	0.035813	-1.144674	0.2539
TPT	0.040994	0.092068	0.846923	0.3982
LNNTP	0.077974	1.243226	-0.174145	0.8620
UMP	-0.216502	1.59E-07	-13.88374	0.0000
	-2.21E-06			
R ²	0.960666			
Adj. R ²	0.956643			
F-stat.	238.8051			
Prob(F-stat.)	0.0000			

Source: Data Processing Results with Eviews 12



$$K_{it} = 21.6601033818 - 0.0409938677683_{lit} + 0.0779742305733_{TPTit} - 0.21650223129_{LNNTPit} - 2.2120661931e-06_{UMPit} + \varepsilon_{it}$$

The interpretation of the above equation is as follows:

1. The constant coefficient is 21.66010. This means that if all the independent variables used are equal to zero, then poverty in the 15 poorest provinces in Indonesia is 21.66 percent.
2. The regression results above explain that the coefficient value of the Inflation variable is -0.040994 with a probability value of 0.2539 (>0.05), meaning that the Inflation variable has a negative and insignificant effect. These results explain that if Inflation increases by 1%, it will reduce poverty by 0.04 or 4%.
3. The regression results above explain that the coefficient value of the Open Unemployment Rate variable is 0.077974 with a probability value of 0.3982 (>0.05), meaning that the Open Unemployment Rate variable has a positive and insignificant effect. These results explain that if the Open Unemployment Rate increases by 1%, it will increase poverty by 0.08 or 8%.
4. The regression results above explain that the coefficient value of the Farmer Exchange Rate variable is -0.216502 with a probability value of 0.8620 (>0.05), meaning that the Farmer Exchange Rate variable has a negative and insignificant effect. These results explain that if the Farmer Exchange Rate increases by 1%, it will reduce poverty by 0.21 or 21%.
5. The regression results above show that the coefficient value of the Provincial Minimum Wage variable is 0.00000221 with a probability value of 0.000 (<0.05), meaning that the Provincial Minimum Wage variable has a negative and significant effect. These results explain that if the Provincial Minimum Wage increases by one million rupiah, it will reduce poverty by 0.000221 percent.

Inspection Classic Assumptions

1) Normality Test

The normality test is carried out to ensure that the data is normally distributed or not. The t test used to see the impact of the independent variable on the dependent variable will only be valid if the residuals are normally distributed.



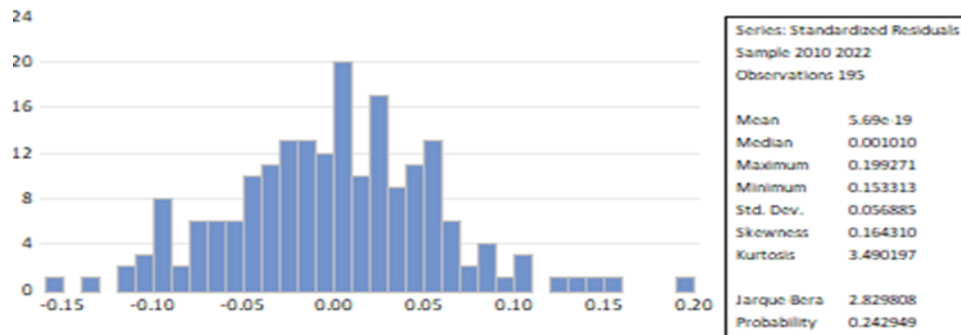


Figure 1. The Normality Test's Summary Source: *Data Processing Results with Eviews 12*

Based on the Normality Test using the Jarque-Bera method, the probability result of 0.242949 is greater than $\alpha = 5\%$ (0.05), so it can be decided that the research data is normally distributed.

2) Heteroscedasticity Test

Heteroscedasticity test intends to review whether the resulting residual model is stationary or not. This research applies the white method to test heteroscedasticity.

Table 5. The Heteroscedasticity Test's Summary

F-Statistic	1.439779	Prob. F(10,186)	0.1657
Obs *R-Squared	14.15367	Prob. Chi-Square(10)	0.1661
Scaled Explained SS	23.31044	Prob. Chi-Square(10)	0.0097

Source: *Data Processing Results with Eviews 12*

Based on the test results, the Obs * R-Squared probability value is 0.1661 which is greater than the $\alpha = 0.05$ value. Therefore, it can be concluded that this research data does not have heteroscedasticity problems.

3) Multicollinearity Test

Multicollinearity test is conducted to observe whether there is a correlation between the independent variables and the regression model. In this study, the multicollinearity test was carried out using the correlation coefficient matrix.

Table 6. The Multicollinearity Test's Summary

	I	TPT	LNNT	UMP
I	1.000000	0.053941	-0.010625	-0.431894
TPT	0.053941	1.000000	-0.072479	-0.094497
LNNT	-0.010625	-0.072479	1.000000	-0.104028
UMP	-0.431894	-0.094497	-0.104028	1.000000

Source: Data Processing Results with Eviews 12

The multicollinearity test using the correlation coefficient matrix has rules that must be considered, namely if the correlation coefficient value is more than 0.85, it is suspected that there is a multicollinearity problem in the model used. The test results explain that there are no independent variables whose value is more than 0.85. So it can be decided that there is no multicollinearity problem in this study.

4) Autocorrelation Test

The autocorrelation test is carried out to see if there is no correlation between the disturbance variables from one observation to another. In this study, the autocorrelation test was carried out using the Durbin-Watson method. Referring to the estimation that has been carried out using Eviews 12, the statistical Durbin-Watson value is 2.109617 and the dL value is 1.728 and the dU value is 1.810 and the value of 4-dU is 2.19. In accordance with the Durbin-Watson test rules listed in table 3.1, if $dU < d < 4 - dU$ then there is no positive or negative autocorrelation. In accordance with the test results that have been carried out, it can be determined that there is no autocorrelation in this study

Hypothesis Test

1) T-statistic test

The t-test is conducted to see the effect of the independent variable on the dependent variable individually by assuming that other variables are constant. The t-test in this study uses a 95 percent confidence level ($\alpha = 0.05$) and $n-k-1$ degrees of freedom. n is the number of observations, k is the number of independent variables and the obtained value of degrees of freedom (df) in this study is 190, with a t-Table value of 1.645.



Table 7. The T-statistic Test's Summary

Variabel Statistic	t-Statistic	t-Tabel	Prob.	Keterangan
I	1.144674	1.645	0.2539	H ₀ diterima
TPT	0.846923	1.645	0.3982	H ₀ diterima
LNNTTP	0.174145	1.645	0.8620	H ₀ diterima
UMP	13.88374	1.645	0.0000	H ₀ ditolak

Source: Data Processing Results with Eviews 12

In accordance with the test results table that explains the results of the t-test and the results obtained that the Inflation, Open Unemployment Rate, Farmer Exchange Rate variables accept H₀, which means that the three independent variables do not have a significant effect on poverty that occurs in the 15 poorest provinces in Indonesia. Meanwhile, the test results on the Provincial Minimum Wage variable show that H₀ is rejected, meaning that the Provincial Minimum Wage variable has a significant effect on poverty in the 15 poorest provinces in Indonesia.

2) F-statistic Test

The F-test is conducted to see the effect of the independent variables on the dependent variable together.

Table 8. The F-statistic Test's Summary

F-Stat.	Prob.	Summary
238.8051	0.0000	Significant

Source: Data Processing Results with Eviews 12

According to the results of the F-test, the F-Statistic result of 238.8051 and the F-table value of 2.45 were obtained. Based on these results, it can be concluded that the F-statistic value is greater than the F-table value, so H₀ is rejected and H_a is accepted, meaning that the variables Inflation, the Open Unemployment Rate, the Farmer Exchange Rate and the Provincial Minimum Wage together have a significant effect on the poverty that occurs in the 15 poorest provinces in Indonesia.



Analysis Of Coefficient Of Determination (R²)

The coefficient of determination is used as a measure of the extent to which the regression line fits the research data or measures the total percentage of variation in Y. Based on the calculation results in the FEM regression contained in appendix 9, the coefficient of determination is 0.956643 or 95.66 percent. These results explain that the variation in Inflation, Open Unemployment Rate, Farmer Exchange Rate, Provincial Minimum Wage can explain the variation in poverty in 15 provinces by 95.66 percent and the remaining 4.34 percent is explained by other variables outside the model.

Inflation On Poverty

In accordance with the estimation that has been carried out, the results show that the Inflation variable has a negative regression coefficient value, which is -0.040994. These results indicate that the inflation variable has a direction that is not in accordance with the research hypothesis. Referring to the results of the partial significance test, the Inflation variable does not significantly affect Poverty in the 15 poorest provinces in Indonesia in 2010-2022. The results of this study are in line with research (Sandi, 2023) and (Murobbi, 2021) which state that inflation has a negative and insignificant effect on poverty.

The results of this study could be influenced because the 15 provinces studied in the study are mostly provinces whose economies depend on the agricultural sector. Areas with superior agricultural productivity would benefit from inflation because inflation would raise the price of agricultural products produced by the poor in the informal sector. Predominantly regions with informal sectors will probably feel a smaller inflationary impact on poverty than dominant areas with formal sectors. In accordance with the Dualistic Labor Market theory put forward by W. Arthur Lewis (Lewis, 1954) explains that in the traditional (rural) sector, wages are often rigid and inflexible to inflation. Meanwhile, in the modern (urban) sector, wages are often more flexible and can keep up with inflation. Since most people in the traditional sector work in the agricultural sector, this condition can help the poor because in times of inflation, the price of their products increases faster than their income.

Open Unemployment Rate On Poverty

According to the estimates made, it was obtained that the Open Unemployment Rate variable has a positive regression coefficient value, which is 0.077974. The results

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indicate that the Open Unemployment Rate variable has a direction that corresponds to the study hypothesis. Referring to the results of partial significance testing, the Open Unemployment Rate variable did not have a significant effect on Poverty in the 15 poorest provinces in Indonesia in 2010-2022. The results of this study are in line with studies (Ardian, 2021) and (Ristika, 2021) which explain that the Open Unemployment Rate does not have a significant effect on poverty.

Unaffected The Open Unemployment Rate could be due to factors of a glut of hidden unemployment or workers with low working hours registered as working residents. This usually occurs in areas with rural farming households. In addition, the insignificant level of open unemployment can also explain that unemployed people are not necessarily included as low-income communities or people classified in the unemployment category are still financed by people who have sufficient income. The insignificance of the unemployment rate open to poverty may also be due to the large number of unemployed in the formal sector causing people to choose to work in the informal sector with earned wages tending to be low. This could increase the number of poor people, but it is not significant because they were previously part of the poor.

Farmer Exchange Rate on Poverty

According to the estimates made, it was obtained that the Peasant Exchange Rate variable has a negative regression coefficient value, which is -0.216502. The results showed that the Farmer Exchange Rate variable has a direction that corresponds to the research hypothesis. Referring to the results of partial significance testing, the Peasant Exchange Rate variable had no significant effect on Poverty in the 15 poorest provinces in Indonesia in 2010-2022. The results of this study align with research (Ali, 2022) which states that Peasant Exchange Rates have a negative and insignificant influence on poverty.

In line with the market theory of imperfect competition which focuses on a peasant structure dominated by large and powerful business players, whereas small farmers are in a weak bargaining position. In this situation, small farmers often get low prices for their crops, although the price of agricultural products at the consumer level may be high. A decrease in NTP could worsen these conditions and make smallholder farmers even poorer. Structural imbalance theory also explains that structural gaps between the agricultural sector and other sectors in the economy can lead to low NTP and poverty among farmers. If the agricultural sector lags behind in terms of productivity and



modernization compared to other sectors, this can lead to low prices of agricultural products and unprofitable NTP for farmers.

Provincial Minimum Wage on Poverty

According to the estimates made, it was obtained that the Provincial Minimum Wage variable has a negative regression coefficient value, which is $-2.21E-06$. The results showed that the Provincial Minimum Wage variable has a direction that corresponds to the research hypothesis. Referring to the results of the partial significance testing, the provincial minimum wage variable significantly affected poverty in the 15 poorest provinces in Indonesia in 2010-2022. The results of this study are in line with the study (Sari, 2021) which states that the Provincial Minimum Wage has a negative and significant influence on poverty.

According to the vicious circle theory of poverty argues that per capita income represents the lowest point of poverty. The premise of this theory is that people from low-income groups cannot afford to save and invest. Aggregate demand theory also explains that in an economic system, a rise in the UMP can increase aggregate demand. When lower-income workers receive higher wages, then they have more money to spend which can encourage consumption of goods and services. This increase in aggregate demand can stimulate economic growth, create new jobs, and ultimately contribute to poverty reduction. This effect may be stronger in sectors with mostly low-income workers.

CONCLUSION

This study examines the extent to which the influence of Inflation, Open Unemployment Rate, Farmer's Exchange Rate, and Provincial Minimum Wage can affect poverty in the 15 poorest provinces in Indonesia from 2010 to 2022. From the tests and analysis that have been carried out, it can be concluded that inflation has a negative and insignificant effect on poverty in the 15 poorest provinces in Indonesia, if inflation falls, poverty will increase. This is not in accordance with the theory. The Open Unemployment Rate has a positive but insignificant effect on poverty in the 15 poorest provinces in Indonesia, where if the Open Unemployment Rate increases, poverty will also increase. The Farmer's Exchange Rate has a negative but insignificant effect on poverty in the 15 poorest provinces in Indonesia, where if the Farmer's Exchange Rate increases, poverty will decrease. The Provincial Minimum Wage has a negative and significant effect on poverty in the 15 poorest provinces in Indonesia, where if the Provincial Minimum Wage increases, poverty will decrease. The simultaneous coefficient test shows that the

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independent variables, namely Inflation, Open Unemployment Rate, Farmer Exchange Rate, and Minimum Wage together have a significant effect on Poverty in the 15 poorest provinces in Indonesia in 2010-2022.

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