

Analysis of the Impact of Government Expenditure on Education, Health and Facilities and Economic Growth on Poverty in Indonesia

Ervinda Anggun Novitasari¹, Wiwin Priana Primadha², Wiryana Wardaya³

^{1,2,3} Department of Development Economics, Faculty of Economics and Business,
National Development University "Veteran" Java
East

Email : 20011010137@student.upnjatim.ac.id wiwinpp.ep@upnjatim.ac.id
wiryana.wardaya.ep@upnjatim.ac.id

Abstract

Poverty is one of the classic problems that is very big and fundamental because this problem has been a problem for a long time, and from time to time the Government needs to function in overcoming primary development problems related to poverty, one of which is through fiscal policy in the allocation of funds issued. This study analyzes the influence of government spending in the education, health, and infrastructure sectors, as well as economic growth on poverty rates in the poorest countries in the Western and Eastern regions of Indonesia. Using quantitative methods and secondary data from official sources, the analysis was carried out by panel data regression. The results of the study show that government spending in the education sector does not have a significant effect on poverty rates, while spending in the health and infrastructure sectors has a negative and significant influence, contributing to reducing poverty rates. In addition, economic growth did not show a significant influence on poverty levels, indicating that the benefits of such growth were uneven. This study recommends the need for more effective government policies in allocating budgets for sectors that can reduce poverty and promote inclusive growth.

Keywords: Poverty Level, Government Expenditure, Economic Growth



INTRODUCTION

In many developing countries, including Indonesia, poverty is a big and fundamental problem that continues to recur from time to time (Susanto & Pangesti, 2019). This poverty is triggered by unequal low incomes, causing disparities among the population (Ramadhana, 2016). In addition to being related to low income and consumption, poverty is also closely related to access to education, health, and low participation in community development (Yuniarti, 2010). Poverty is a condition in which a person is unable to meet basic necessities of life, such as shelter, food, clothing, health, and education. Poverty is often characterized by low productivity which has an impact on low incomes, limited access and opportunities to improve welfare. According to Kuncoro, poverty also includes low living standards, lack of access to decent housing, poor health services, low education levels, and high unemployment rates (Putri et al., 2019).

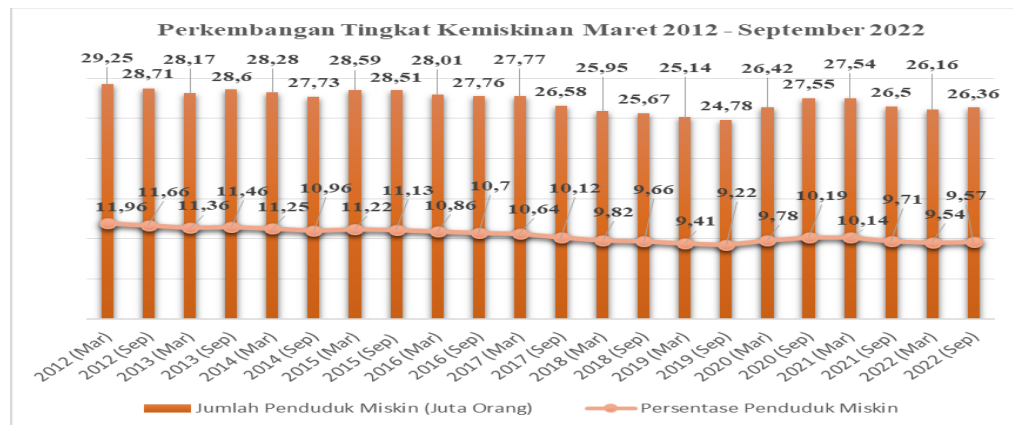


Figure 1 Development of Poverty Levels in Indonesia March 2012-September 2022

Source: Indonesian Central Statistics Agency, (data processed in 2024)

Based on the graph, the poverty rate in Indonesia decreased from March to September 2022. However, in certain months, namely September 2013, March 2015, March and September 2020, and September 2022, there was an increase in the number and proportion of the poor. According to the Central Statistics Agency (BPS), this increase was influenced by the increase in the price of basic necessities due to the increase in fuel prices. Especially in March and September 2020, restrictions on activities due to the Covid-19 pandemic also played a role in increasing poverty. Another factor is the inability

of the population to overcome poverty and the lack of optimal government policies in poverty alleviation (Haughton and Shahidur, 2012).

Deep Permendagri Number 58 of 2021 concerning Codes and Data of Government Administrative Areas It is stated that Indonesia has 34 provinces which are divided into two regions, namely the Western Region of Indonesia (KBI) and the Eastern Region of Indonesia (KTI). Provinces in KBI include the islands of Java, Sumatra, and Bali, while KTI covers Nusa Tenggara, Kalimantan, Maluku, Sulawesi, and Papua. There is a tendency that provinces in KBI are developing faster than provinces in KTI, especially in terms of the availability of infrastructure, educational facilities, health services, and transportation (Tubaka, 2019).

The level of poverty in the eastern and western parts of Indonesia varies. Several provinces in the western region, such as Aceh (15.43%), Lampung (12.76%), Bengkulu (15.30%), Central Java (11.84%), and South Sumatra (12.98%) have relatively high poverty percentages. In the eastern region, the provinces with the highest poverty rates include Papua (26.80%), West Papua (21.70%), Maluku (21.21%), NTT (17.99%), and Gorontalo (15.59%). To overcome poverty, the government needs to play a role through fiscal policy, one of which is by allocating the right funds. The allocation of these funds is regulated in Permendagri Number 13 of 2006 Article 33 and includes various functions, such as economy, public services, order, environment, housing, tourism and culture, education, health, and social protection. Usman and Herman (Pasaribu, 2016) stated that expenditure on agriculture, education, health, family welfare, and public facilities plays an important role in poverty alleviation. Therefore, the government needs to prioritize the allocation of funds to support social welfare, so that the poverty rate can be reduced.

Education plays an important role in the development of human resources (HR) by shaping individual character. Based on Law No. 20 of 2003 concerning the education system, national education must ensure equal access, improve quality, relevance, and effectiveness to face local and national challenges. Therefore, planned, targeted, and sustainable education reform is needed, with government support to create equitable and quality education. Improving the quality of education is closely related to financing regulated in Article 31 of the 1945 Constitution and Law No. 20 of 2003. The central and regional governments are responsible for providing a minimum of 20% of the State Budget and Regional Budget for education. Even though there has been an allocation, other costs such as uniforms and stationery are still borne by the community. To help underprivileged students, the government held the Smart Indonesia Program (PIP). The

529



government's success in education can be measured through the level of education completed by the population. Decent education plays a big role in poverty reduction, as it improves people's skills and awareness, which has the potential to improve welfare.

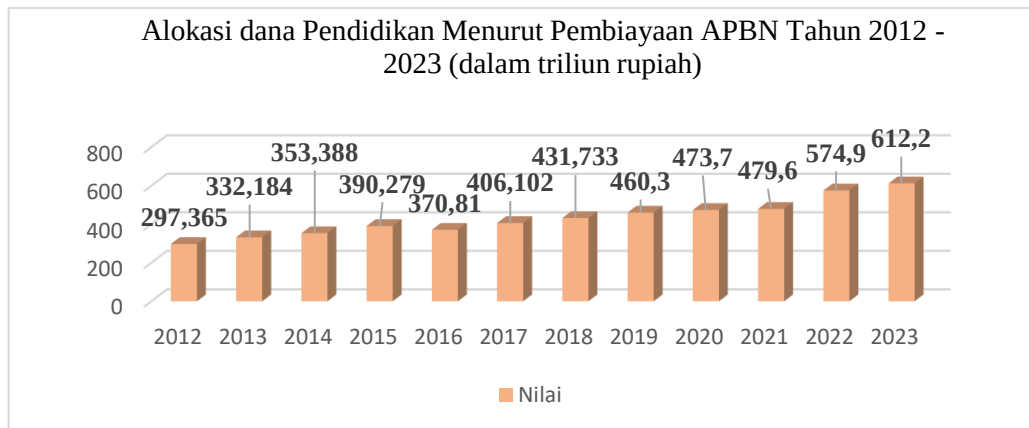


Figure 2 Allocation of Education Funds by State Budget Financing for 2012-2023 (in trillions of rupiah)

Source: Ministry of Finance Institution (data processed, 2024)

According to the graph, the allocation of state budget funds for education is increasing every year, reaching IDR 612.2 trillion in 2023. These funds are used for various purposes, including central government spending of Rp237.1 trillion. Part of the funds is allocated for the Smart Indonesia Policy (PIP) for 20.1 million students, the Smart Indonesia Card (KIP) for 994.3 thousand students, and professional allowances for 553.5 thousand non-civil servant teachers. The government has distributed Rp305.6 trillion to regions to support education through School Operational Assistance (BOS) for 43.7 million students, PAUD Operator Operational Assistance (BOP) for 6.2 million students, and BOP Equality Education for 806 thousand students. A total of Rp69.5 trillion of the fund is allocated for education, research, higher education, and culture endowment funds. These efforts include improving access and quality of education, such as the development of qualified educators, relevant curriculums, and adequate facilities and infrastructure. The BOS policy aims to reduce education costs so that school participation increases.

The allocation of education funds is regulated in Presidential Regulation Number 129 of 2018, which divides it into three main categories: allocation through central government spending, regional transfers and village funds, and financing. Education funds from the central government are used for spending on ministries and educational institutions. Meanwhile, funds transferred to the regions are channeled through various schemes, such as the General Allocation Fund (DAU), teacher professional allowances, School Operational Assistance (BOS), and the Special Allocation Fund (DAK) for Education. BOS is the main source for schools for operational costs and supports Government policies in improving access and quality of education. Policies that require central funding should involve sharing funds with schools, committees, or regions for the development of educational facilities such as classrooms and laboratories.

The government needs to improve the quality of Human Resources (HR) as the main capital in development to reduce poverty. This effort can be made through investments that produce productive human resources, so that individuals can meet their living needs and get out of the cycle of poverty. According to Mankiw (in Bastias, 2010), human resource development can be achieved by improving the quality of capital, especially through education and health. Government spending in the health sector must prioritize the provision of facilities for the poor, such as health centers. Health services require adequate and fair allocation of funds, which are sourced from the State Budget, Regional Budget, and other sources such as BPJS Kesehatan. APBD funds come from local revenue and balance funds, including the Special Allocation Fund (DAK) for the procurement of health equipment and facilities.



Figure 3 Allocation of Indonesian Health Funds in 2013-2023

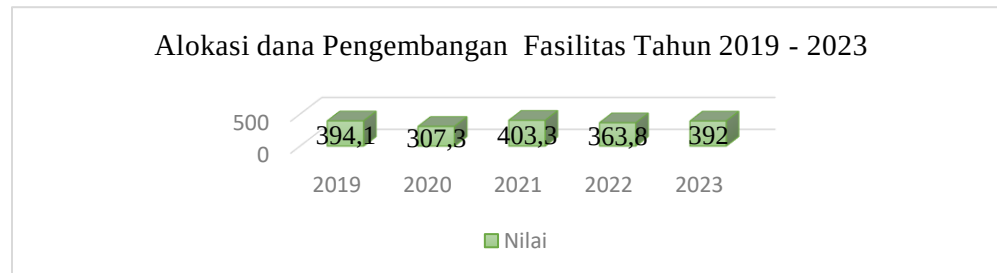
Source: Ministry of Finance (Data processed, 2024)

The allocation of health funds in Indonesia between 2013 and 2023 shows fluctuations. From 2013 to 2016, there was an increase in the allocation of health funds, but in 2017, there was a decrease of Rp593 billion. Furthermore, from 2018 to 2021, the allocation increased again, with a significant jump in 2021, reaching Rp172.3 trillion. In 2023, the allocation of health funds increased to IDR 312.4 trillion, an increase of IDR 140.1 trillion, in response to the Covid-19 pandemic. However, from 2022 to 2023, the allocation of health funds decreased again to IDR 169.8 trillion, a decrease of 20.2% from 2022 which amounted to IDR 212.8 trillion. In 2023, this fund will be used for pandemic handling, health system reform, acceleration of stunting handling, and the sustainability of the National Health Insurance (JKN). Nonetheless, Finance Minister Sri Mulyani stated that there is no special allocation for the pandemic in the 2023 State Budget, with an increase in the regular health budget from Rp133 trillion to Rp168.4 trillion to strengthen Indonesia's health system.

Improving the quality of human resources through education and health needs to be supported by the availability of infrastructure and facilities. Facilities serve as a key driver in the economy, facilitating production and distribution processes, and creating job opportunities. The development of facilities can directly increase production activities and indirectly encourage economic growth and productivity. Therefore, attention to improving facilities is important to improve people's welfare and reduce poverty. The development of basic infrastructure such as the provision of electricity, clean water, sanitation, irrigation, as well as good roads and bridges is a priority in efforts to overcome poverty. Facilities such as housing and transportation are also crucial to support the quality of life, health, and productivity of the community. The availability of livable houses can improve health and quality of life, while good transportation facilitates economic activities and supports equitable development in the future.

Deni Friawan (2008) proposed three main reasons why facilities are important in economic integration. First, facilities serve as the main engine for economic development. Second, the availability of a network of facilities facilitates trade and investment activities, so that the community can benefit from integration. Third, infrastructure improvements are needed to overcome the economic development gap between countries. Facilities that are vital for people's lives include housing and transportation. In many developing countries, governments allocate large budgets for investment in infrastructure to boost economic growth and reduce inequality.



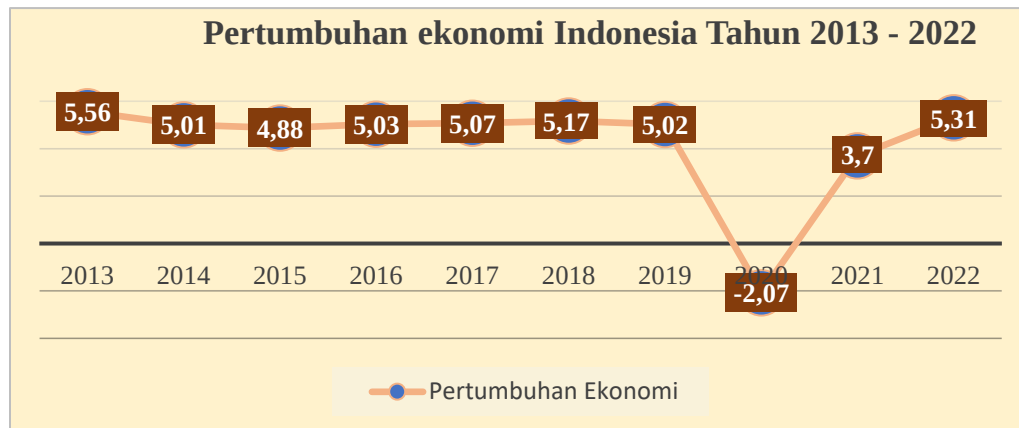
Figure 4 Allocation of Facility Development Funds in 2019-2023

Source: Ministry of Finance 2024

In 2023, the government budgeted IDR 392 trillion for the facility sector in the State Revenue and Expenditure Fund Allocation Draft (RAPBN), an increase of 7.8% compared to the previous year which amounted to IDR 363.8 trillion. These upgrades will be used to support economic transformation through the development of basic services, including the construction of 3,511 flats and the rehabilitation of 670 primary and secondary schools. In accordance with the 1945 Constitution, the government also allocates 20% of the state budget for education, which in 2022 will reach IDR 480.3 trillion, and IDR 188.1 trillion for health. According to Law No. 36 of 2009, the allocation for health must be at least 5% of the state budget. Based on Law No. 15 of 2017, a minimum of 25% of the General Transfer Fund (DTU) must be allocated for facilities. Overall, the largest allocation of funds is given to education, followed by infrastructure, and the smallest to health.

One way to reduce poverty is to increase the rate of economic growth, which is a key indicator of development success. Economic growth is related to the economic activity of the population, measured through an increase in Gross Domestic Product (GDP) every year, which reflects national income. While it does not automatically solve welfare problems, economic growth is important in development policies to alleviate poverty. The main goal of economic development is to create high progress while reducing poverty, income inequality, and unemployment. Increased strong economic growth can lower unemployment and poverty rates, as seen in developed countries. In addition, non-economic development, such as education and health, is also important for the welfare of the community. Although economic growth is a benchmark for successful development, the problem of poverty in Indonesia still needs to be addressed. Therefore, the government must maintain stable economic growth to create community welfare.



**Figure 5 Indonesia's economic growth in 2013-2023**

Source : BPS Indonesia, processed

Indonesia's economic growth from 2013 to 2022 shows significant fluctuations. From 2013 to 2015, the economy experienced a decline, with growth reaching 5.56% in 2013, dropping to 5.01% in 2014, and reaching 4.88% in 2015. However, in 2016, the economy began to recover with a growth of 5.03%. Furthermore, growth increased to 5.07% in 2017 and 5.17% in 2018, before declining again to 5.02% in 2019 and slumping sharply to -2.07% in 2020 due to the Covid-19 pandemic. Despite the contraction, the economy began to recover in 2021 with a growth of 3.70% thanks to the National Economic Recovery (PCPEN) policy. In 2022, economic growth increased again to 5.31%, driven by an increase in exports of 14.93% and imports of 6.25%, especially for capital goods and raw materials. Policies to handle Covid-19 and economic recovery are the keys to success in this recovery. Government spending is a policy that can be used to improve people's welfare and reduce poverty rates. In addition, economic growth also plays a role in reducing poverty levels. This study discusses the impact of government spending on education, health, and facilities, as well as its impact on poverty.

LITERATURE REVIEW

Poverty Theory

The vicious cycle of poverty theory put forward by Ragnar Nurkse in 1953 states that poor countries remain poor because of the condition of poverty itself. This vicious circle illustrates the interaction of a series of forces that make countries, especially developing countries, face various difficulties in achieving higher levels of development.

534

Todaro and Smith's Theory of Poverty Poverty is determined by the condition of individuals who are malnourished, ill health, low education, living in inadequate environments, and having low incomes (Todaro and Smith, 2011). The poverty level of a country is influenced by two main factors: the average national income and the level of inequality in income distribution (Todaro and Smith, 2006). Even though a country's per capita income is high, if the income distribution is uneven, poverty will remain high. On the other hand, if the income distribution is evenly distributed but the per capita income is low, poverty will expand (Ramdani, 2015).

The theory of marginal poverty assumes that every region has a population living in poverty. Oskar Lewis (1966), a figure from the marginal theory school, proposed the concept of "Culture of Poverty." According to Lewis, poverty is caused by a low culture of living, where individuals are indifferent to the progress of the times and tend to resign themselves to the situation. This is characterized by a lack of education, knowledge, ambition to build the future, as well as high levels of crime and violence.

Government Expenditure Theory

Keynesian theory explains that the progress of national income is determined by consumption spending, government spending, investment, and net exports. To increase economic growth as measured by national income, an increase in consumer demand, government spending, investment, as well as export and import demand is needed.

Economic Growth Theory

Based on the Great Dictionary of the Indonesian Language, inequality is something that should not happen, such as injustice or misdirection. Other disincome is understood as income that can be received by both the formal and informal sectors and is calculated in a certain period of Astuti Dalam (Suryandari, 2017).

Economic Growth Theory

In his theory, Solow explained that the economic progress of a country is influenced by a combination of capital and the amount of labor, which is expressed in the production function $Y = f(K, L)$, where Y is output, K is capital, and L is labor. Solow assumes that there is a constant relationship between capital and labor. If the technological factor is incorporated into the production function, the formula becomes $Y = f[(K, L) E]$, where E represents the efficiency resulting from the use of technology in the

535



production process (Fatmawati & Syafitri, 2015). Work efficiency, in this context, includes knowledge of the methods used in production. Efficiency can be achieved if the education, health, and skills of the population are improved, which in turn has a positive impact on productivity. Meanwhile, capital efficiency is related to the use of tools or machines in the production process. Technological advances are considered residual factors that contribute to long-term economic progress, as these advances are determined by exogenous variables. The model of progress put forward by Solow is often called the exogenous model of progress. However, to overcome the limitations of the Solow model, it is important to include other variables that can support technological advancements. Thus, the model can be referred to as an endogenous progress model, which is better able to explain the dynamics of economic progress.

RESEARCH METHODS

Research Location

The object of this research includes 10 provinces in Indonesia, consisting of 5 provinces in the Western Region of Indonesia (KBI), namely Aceh, Lampung, Bengkulu, Central Java, and South Sumatra and 5 provinces in the Eastern Region of Indonesia (KTI) that have the highest percentage of poverty, namely Papua, West Papua, Maluku, East Nusa Tenggara, and Gorontalo. This research was conducted during the period 2008 to 2020.

Data and data sources

The data in this study is by downloading quantitative data in the form of secondary data. The data sources used in this study are statistical data obtained from official institutions, especially from the publications of the Central Statistics Agency (BPS) and the Directorate General of Fiscal Balance of the Ministry of Finance (DJPK Kemenkeu).

Data Analysis

This study uses panel data regression analysis. After the analysis of the panel data, there are three methods of estimation of the regression model of the panel data according to (Gujarati and Porter, 2012), namely: Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model. The selection of test models from the panel data uses tests such as *the Chow Test*, Hausman Test and Lagrange Multiplier Test. Then, used to determine the certainty of the model, the regression model is

536



determined and tested using classical assumption tests, namely the multicollinearity test and the heteroscedasticity test. The application of panel data regression analysis is formulated in accordance with the dependent variables and independent variables that have been used, so it is formulated as follows:

$$TK_{it} = \beta_0 + \beta_1 PENDING_{it} + \beta_2 KES_{it} + \beta_3 INFR_{it} + \beta_4 PE_{it} + e_{it}$$

Where:

TK	= Poverty Level
PENDING	= Government Spending on education
CASE	= Government Spending on health
INFR	= Government Spending on the infrastructure
PE	= Economic growth
E	= standard error (obfuscation variable)

RESULT

Model Selection

Table 1 Model Selection

Estimation Method	CEM	FEM	REM
Chow Test (CEM-FEM)	0.0000		
Hausman Test (FEM-REM)		0.0171	
LM TEST (CEM-REM)	0.0000		

The results of the Chow test show a probability value of 0.0000, which means that this value is less than 0.05, so the selected model is the Fixed Effects Model (FEM). Furthermore, the Hausman Test yielded a probability value of 0.0171, also less than 0.05, which confirmed the selection of the FEM model. In addition, the Lagrange Multiplier (LM) test shows a probability value of 0.0000, which indicates that the selected model is a Random Effects Model (REM).



Classical Assumption Test**Multicollinearity Test****Table 2 Multicollinearity Test Results**

	X1_PEND	X2_KES	X3_INFR	X4_PE
X1_PEND	1.000000	0.717570	0.706219	-0.340956
X2_KES	0.717570	1.000000	0.783356	-0.288510
X3_INR	0.706219	0.783356	1.000000	-0.281182
X4_PE	-0.340956	-0.288510	-0.281182	1.000000

Source: Processed Data (Output Eviews, 2024).

The results of the multicollinearity test showed that the independent variables of government expenditure on education function (X1), health (X2), facilities (X3), and economic growth (X4) had a VIF value of less than 1.00. This concludes that the selected model does not experience multicollinearity problems.

Heteroscedasusity Test**Table 3 Results of Heteroscedasusity Test on the Glacier Test**

Heterokedasticity Test	CEM	FEM	REM
	3.162153 (0.016312)	16.70076 (0.000000)	4.395942 (0.002330)

Source: Processed Data (Output Eviews, 2024).

The results of the heteroscedasticity test using the Glejser test showed that the absolute residual values for the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) had a probability value of less than 0.05. Therefore, it can be concluded that there is a heteroscedasticity problem in the model.

Table 4 Results of the Heteroscedasusity Test in the White Test

F-statistic	1.628702
Prob(F-statistic)	0.08687

Source: Processed Data (Output Eviews, 2024).



The output of the White test showed a probability value of 0.08687, which is greater than 0.05, and different from the results of the Glacier test. This indicates that the data used in this study did not experience heteroscedasticity problems according to the White test.

Hypothesis Testing

Table 5 Determination Coefficient Test

R-square	0.923308
Adjusted R-squared	0.914714

Source: Processed Data (Output Eviews,2024)

The results of the R-squared test showed a value of 0.914714 or 91.4714%, which indicates that the independent variables of government expenditure on the functions of education, health, facilities, and economic growth are able to explain 91.4714% of the variation in poverty levels in the Western and Eastern regions of Indonesia. Meanwhile, the remaining 8.5286% (100% - Adjusted R-squared value) was explained by other variables that were not included in this research model.

Table 6 Test F

F-statistic	107.4271
Prob(F-statistic)	0.000000

Source: Processed Data (Output Eviews,2024)

The results of the F-statistical test show a probability value of 0.000000, which is less than $\alpha = 0.05$. This means that H_0 is rejected and H_1 is accepted, so it can be concluded that the variables of government expenditure on education (X1), health (X2), facilities (X3), and economic growth (X4) have a significant impact on poverty levels in the Western and Eastern Regions of Indonesia during the period 2008–2020.

Table 7 Test t

Variable	t-Statistic	Prob.	Information
X1_PEND	-1.907591	0.1087	Not Prominent
X2_KES	-6.253951	0.0000	Protrude



X3_INFR	-2.942221	0.0017	Protrude
X4_PE	-0.127136	0.9537	Not Prominent

Source: Processed Data (Output Eviews,2024)

$$YTK = 5.643440 - 0.015969X1PEND - 0.132250X2KES - 0.060258X3INFR - 0.001004X4PE + e_{it}$$

Based on the results of the t-statistical test, it can be concluded as follows:

1. The variable of government expenditure on the education function (X1_PEND) has a probability value of 0.1087, which is greater than $\alpha = 0.05$, so that H0 is accepted and H1 is rejected, which means that government expenditure on the education function does not have a significant impact on the poverty level.
2. The variable of government expenditure on health functions (X2_KES) shows a probability value of 0.0000, which is less than $\alpha = 0.05$, so that H0 is rejected and H1 is accepted, indicating that government expenditure on health functions has an impact on poverty levels.
3. The variable of Government expenditure on the facility function (X3_INFR) has a probability value of 0.0017, which is also less than $\alpha = 0.05$, so H0 is rejected and H1 is accepted, indicating that Government expenditure on the facility function has an impact on the level of poverty.
4. The economic growth variable (X4_PE) shows a probability value of 0.9537, which is greater than $\alpha = 0.05$, so that H0 is accepted and H1 is rejected, meaning that economic growth does not have a significant impact on poverty levels.

DISCUSSION

Analysis of the Impact of Government Expenditure on Education on Poverty Levels in Indonesia

The study using the Fixed Effects Model (FEM) found that government spending in the education sector had a coefficient of -0.015969 with a probability value of 0.1087, which showed that although there was a negative correlation between government spending in education and poverty levels in Indonesia, the impact was not significant. This result is in line with the findings of Naylal and David (2017) who stated that government spending in the education sector did not have a significant effect on poverty in East Java between 2010 and 2014. These findings are also consistent with studies by Bryan et al. (2023) in West Papua Province and Syifa et al. (2020) in Manado City, which

540



show that increasing government spending in education does not significantly reduce poverty levels. Although there is a negative correlation that suggests that increased education spending can lower poverty levels, the reality is that it does not always contribute significantly. This is due to various factors, including the allocation of education funds that are not on target and limited employment opportunities that are not proportional to the number of educated workers, so that many poor people with higher education remain unemployed.

Analysis of the Impact of Government Expenditure in the Health Sector on Poverty Levels in Indonesia

This study makes a significant empirical contribution to the understanding of the role of the health sector in poverty alleviation. Econometric analysis using the Fixed Effects Model (FEM) showed a strong negative correlation between government spending on health and poverty levels. These findings are in line with the existing literature, confirming that investment in the health sector is an effective strategy to reduce inequality. This research is consistent with the study of Idris et al. (2022) in the Special Region of Yogyakarta and Lulu Irmayanti (2023) in Lampung Province, which also found a negative correlation between increased government spending in the health sector and a decrease in poverty levels. Improving health facilities and allocating government funds can improve services for the poor. Data from the Directorate General of Fiscal Balance shows that although some provinces experienced a decline in a given year, government spending on health tends to increase, which contributes to poverty reduction. According to the World Bank, health is closely related to poverty; Poor health conditions can reduce productivity and force individuals to spend their savings, which can ultimately lead to a decrease in quality of life and increase the risk of poverty.

Analysis of the Impact of Government Expenditure on Facilities on Poverty Levels in Indonesia

In a study using the Fixed Effects Model (FEM), it was found that government expenditure in the facility sector has a coefficient of -0.060258 with a probability value of 0.0017, which shows that government expenditure in this sector has a significant impact on poverty levels in Indonesia. Every increase in government expenditure of 1 million rupiah can reduce the poverty level by 0.060258%. This finding is in line with Wahyudi's (2018) research, which states that government spending on facilities has a significant



effect on poverty in districts and cities in West Kalimantan Province. The research of Manullang et al. (2024) also supports this result by stating that government spending has a negative and significant impact on the number of poor people in North Sumatra Province. Facilities play an important role as a physical facility that supports the economic growth of a region. Improvements and improvements in facilities are expected to facilitate economic mobility between regions, attract investors, create jobs, and ultimately improve welfare and reduce poverty rates in Indonesia.

Analysis of the Impact of Economic Growth on Poverty Levels in Indonesia

Analysis using the Fixed Effect Model (FEM) shows that economic growth has no significant impact on poverty reduction in Indonesia, with a very small coefficient (-0.001004) and a high probability value (0.9537). These findings are in line with previous research by Margo Tando Binti (2016) and Rosidatul and Indah (2023), which also indicated that despite economic growth, the problem of poverty remains a serious challenge. Economic growth in Indonesia, although showing an increase, tends to benefit the middle and upper classes, so it does not directly touch the poor who remain marginalized. This shows that economic growth must be inclusive, involving all levels of society, so that the benefits can be felt equally. Otherwise, income inequality will widen, making it difficult to reduce poverty.

Analysis of the Impact of the Most Impactful and Least Impactful Variables on Poverty Levels

From this study, two variables that have a significant impact on poverty levels in Indonesia are government expenditure in the health and facilities sectors. The graph shows that Aceh and Central Java provinces have the highest average government expenditure in both areas. Although Aceh Province has large expenditures, the poverty rate there is still high, making it one of the poorest provinces on the island of Sumatra and in all of Indonesia. The high expenditure in Aceh is not balanced by the reduction in poverty, which is triggered by factors such as government policies that are not on target, the use of natural resources is not optimal, and the quality of human resources is low. On the contrary, Central Java Province has succeeded in reducing the poverty rate despite having high government spending. This is because the provincial government focuses on poverty alleviation at the district/city level through aid allocation directed to reduce the burden on the poor. For example, Purworejo Regency received around IDR 68.8 billion

542



for programs such as repairing uninhabitable houses, joint venture assistance, and handling nutrition problems. A planned and targeted approach in Central Java shows that government spending can be effective in reducing poverty, in contrast to the situation in Aceh.

CONCLUSION

This study analyzes the impact of government spending in the fields of education, health, and facilities, as well as economic growth on poverty levels in Indonesia. Key findings suggest that government spending in the education sector has no significant effect on poverty, despite a negative correlation. This is due to the allocation of funds that are not on target and limited employment opportunities for higher education graduates. In contrast, spending in the health and facilities sectors has proven to have a negative and significant impact on poverty reduction, indicating that investment in these sectors is more effective in addressing poverty issues. Economic growth, on the other hand, did not show a significant impact on poverty, with results suggesting that the benefits of economic growth were uneven and more favorable to the upper middle class. Therefore, more inclusive policies are needed so that economic growth can be felt by all levels of society. The analysis also shows that targeted government spending, such as that done in Central Java Province, can contribute significantly to reducing poverty, in contrast to Aceh Province which, despite having high spending, still experiences a high poverty rate due to various structural factors. These findings emphasize the importance of effective fund allocation strategies to achieve poverty alleviation goals in Indonesia.

SUGGESTION

Suggestions for the government include several important steps, increasing budget allocation for the health sector and building facilities that have proven significant in reducing poverty, ensuring that education funds are allocated on target by improving the quality of education and skills according to the needs of the job market, formulating inclusive economic growth policies so that the benefits are felt by all levels of society, especially low-income groups, and conduct periodic evaluations of poverty alleviation policies and programs to ensure positive impacts and suitability with community needs.

Suggestions for further researchers include several steps, such as exploring other factors that influence the relationship between government spending and poverty, such as the quality of fund management, community participation, and local policies; compare



the impact of government spending in different provinces to identify best practices in reducing poverty; conducting longitudinal analyses to assess the long-term impact of expenditures in education, health, and infrastructure; and combining qualitative studies with quantitative analysis to better understand the influence of government spending on the lives of the poor.

REFERENCE

- Anugra, R., Marwa, T., & Imelda, I. (2019). Analisis korelasi antara pengeluaran Pemerintahan dengan ketimpangan penyaluran penghasilan di Provinsi Sumatera Selatan. *Jurnal Ekonomi Pengembangan* , 14(1), 31–40. <https://doi.org/10.29259/jep.v14i1.8773>
- Arsyad, L. (2016). *Ekonomi Pengembangan* (Edisi Keli). Yogyakarta : UPP STIM YKPN., 2016.
- Bappenas. (2018). Analisis Wilayah dengan Kemiskinan Tinggi. *Kedeputan Bidang Kependudukan Dan Ketenagakerjaan*, 1–80.
- Desnita, W. (2022). Pengelompokan Kabupaten/Kota Menurut Indikator Kemiskinan Metode Klasterisasi K-Medoids. *ESkripsi Universitas Andalas*. <http://scholar.unand.ac.id/id/eprint/99187>
- Dr. Patta Rapanna, S.E., M.Si., Zulfikry Sukarno S.E., M. M. (2017). *EKONOMI PENGEMBANGAN* . SAH MEDIA.
- Fathi, K. A. (2021). Analisis Dampak Kemajuan Ekonomi, Inflasi, Investasi PMDN, Upah Minimum, Dan Kualitas SDM Terhadap Pengangguran Terbuka pada Enam Provinsi di Pulau Jawa Tahun 2005 - 2019. *Jurnal Ilmiah Mahasiswa FEB Universitas Brawijaya*, 1–25.
- Ginting, A. M., & Dewi, G. P. (2019). Dampak Kemajuan Ekonomi dan Kemajuan Bidang Keuangan terhadap Pengurangan Kemiskinan di Indonesia. *Jurnal Ekonomi Dan Kebijakan Publik*, 4(2), 117–130. jurnal.dpr.go.id/index.php/ekp/article/view/167/112
- Hamdani, I., Sri Nesta, N., Rahmawati, J., & Hidayat, F. (2023). Pengeluaran Pemerintahan Untuk Pengembangan Daerah. *Wawasan : Jurnal Ilmu Manajemen, Ekonomi Dan Kewirausahaan*, 1(3), 167–183. <https://doi.org/10.58192/wawasan.v1i3.887>
- Hendra Andy Mulia Panjaitan, Sri Mulatsih, & Wiwiek Rindayati. (2019). Analisis Dampak Pengembangan Fasilitas Terhadap Kemajuan Ekonomi Inklusif Provinsi



- Sumatera Utara. Jurnal Ekonomi Dan Kebijakan Pengembangan , 8(1), 43–61.
<https://doi.org/10.29244/jekp.v8i1.29898>
- Hidayat, A. Y., & Azhar, Z. (2022). Analisis Pengeluaran Pemerintahan Di Bidang Kesehatan, Pendidikan, Dan Fasilitas Terhadap Taraf Kemiskinan Di Indonesia. Jurnal Kajian Ekonomi Dan Pengembangan , 4(1), 65.
<https://doi.org/10.24036/jkep.v4i1.13308>
- Idris, M. P. A., Zahro, G. F., Nugraheni, N., & Kurniawan, A. (2022). Analisis Dampak Pengeluaran Pemerintahan Bidang Pendidikan dan Kesehatan terhadap Pengentasan Kemiskinan di Daerah Istimewa Yogyakarta. Seminar Nasional Hasil Riset (SNHR), 9(1), 45–53.
- Peraturan Menteri Dalam Negeri Republik Indonesia Nomor 58 Tahun 2021, Mengenai Kode dan Data Wilayah Administrasi Pemerintahan, Peraturan Menteri Dalam Negeri Republik Indonesia Nomor 58 Tahun 2021, Mengenai Kode dan Data Wilayah Administrasi Pemerintahan dan Pulau 16 (2021).
- Munandar, A. (2017). Analisis Regresi Data Panel Pada Kemajuan Ekonomi Di Negara “ Negara Asia. Jurnal Ilmiah Ekonomi Global Masa Kini, 8(1), 59–67.
<https://doi.org/10.36982/jiegm.v8i1.246>
- Putra, F., Anis, A., & Ariusni. (2022). Dampak Kemajuan Ekonomi, Indeks Pengembangan Manusia, dan Kebijakan Pemerintahan terhadap Kemiskinan di Sumatera Barat economic growth had a positive and significant effect on poverty in West Sumatra Regency/City with, the Human Development Index had a. Kajian Ekonomi Dsn Pengembangan , 4, 9–18.
<http://ejournal.unp.ac.id/students/index.php/epb/index>
- Putri, R. Y., Azhar, Z., & Putri, D. Z. (2019). Analisis Kemiskinan Menurut Gender Di Provinsi Sumatera Barat. Jurnal Kajian Ekonomi Dan Pengembangan , 1(2), 603.
<https://doi.org/10.24036/jkep.v1i2.6285>
- Ridwan, & Nawir, I. S. (2021). Buku Ekonomi Publik (M. F. Ridwan (ed.)). Pustaka Pelajar (ANGGOTA IKAPI).
- Sari, A. C. D. M. (2012). Dampak Kepemilikan Aset, Pendidikan, Pekerjaan dan Jumlah Tanggungan terhadap Kemiskinan Rumah Tangga di Kecamatan Bonang Kabupaten Demak. Skripsi Fakultas Ekonomika Dan Bisnis Universitas Diponegoro Semarang.
- Sugiyono. (2019). Metode Penelitian Kuantitatif dan R&D (Ed. 2 ; Ce). Bandung : Alfabeta, 2019.



- Sukirno, S. (2017). *Ekonomi Pengembangan : Proses, Masalah, dan Dasar Kebijakan* (Edisi 2, C). Jakarta : Kencana Prenadamedia.
- Sukirno, S. (2019). *Makroekonomi : Teori Pengantar*. Rajawali Pers.
- Sukmaraga, P. (2011). Analisis Dampak Indeks Pengembangan Manusia, PDRB, Per Kapita, dan Jumlah Pengangguran terhadap Jumlah Penduduk Miskin di Provinsi Jawa Tengah. *Harvard Business Review*, 85(3), 21–22.
- Susanto, R., & Pangesti, I. (2019). Dampak Taraf Pendidikan terhadap Kemiskinan di DKI Jakarta. *JABE (Journal of Applied Business and Economic)*, 5(4), 340. <https://doi.org/10.30998/jabe.v5i4.4183>
- Tubaka, S. (2019). Analisis Kemiskinan Di Kawasan Timur Indonesia. *Jurnal Cita Ekonomika*, 13(2), 113–130. <https://doi.org/10.51125/citaekonomika.v13i2.2615>
- Utomo, H. (2020). Dampak Investasi dan Jumlah Tenaga Kerja berdampak Positif dan Menonjol terhadap Kemajuan Ekonomi di Kota Medan. *DAMPAK INVESTASI DAN TENAGA KERJA TERHADAP KEMAJUAN EKONOMI DI KOTA MEDAN*. Skripsi Thesis, UNIVERSITAS QUALITY., 4, 1–23.
- Wahyudi. (2018). Dampak Pengeluaran Pemerintahan Pada Bidang Publik Terhadap Kemajuan Ekonomi dan Kemiskinan Penduduk di Provinsi Kalimantan Barat. *Fakultas Ekonomi Dan Bisnis, Universitas Tanjungpura, Indonesia*, 144–156.
- Yunus, R., & Anas, A. I. (2021). *Ekonomi Publik*. Penerbit NEM.

