Jurnal Ilmu Ekonomi dan Pembangunan
P-ISSN 1412 – 2200 | E-ISSN 2548 – 1851
Vol. 25 No. 2, November, 2025, Page 107-117

ANALYSIS OF POVERTY DETERMINANTS AFTER FISCAL DECENTRALIZATION IN EASTERN INDONESIA

Rebecca Cindy Sartika[1)*], Cahyaning Budi Utami[1)], Ivana Rosediana Dewi[1)]
[1)] Faculty of Economics, Universitas Tidar, Magelang, Indonesia

*Corresponding author: rebeccacindy@untidar.ac.id

ARTICLE INFO

Article history
Received : 10 November 2025
Revised : 10 December 2025
Accepted : 10 December 2025

Keywords
Eastern Indonesia;
Fiscal Decentralization;
Panel Data Analysis;
Poverty;
Regional Development

JEL classification
I32; H72; O18

ABSTRACT

Fiscal decentralization in Indonesia has been actively implemented since January 1, 2001, with the expectation that regions can better utilize their economic potential to accelerate community welfare, particularly in reducing poverty in Eastern Indonesia. This study investigates the effects of Regional Economic Growth (LNPDRB), Human Development Index (IPM), Labor Force Participation Rate (TPAK), Regional Native Income Growth (LNPAD), and Capital Expenditure Growth (LNBM) on the percentage of poor people (PPMISKIN) across 16 provinces in Eastern Indonesia during the 2012–2017 period. Using descriptive statistics and panel data estimation with the Fixed Effect Model (FEM) and cross-section SUR in Eviews 10, this quantitative study provides empirical evidence on the determinants of poverty reduction. The results indicate that IPM significantly reduces PPMISKIN (β = –0.2462; p = 0.0000), while TPAK has a negative effect (β = –0.0379; p = 0.0623). LNPAD also significantly decreases PPMISKIN (β = –1.4014; p = 0.0001). Conversely, LNBM has a positive and significant effect on PPMISKIN (β = 0.4619; p = 0.0132). Meanwhile, LNPDRB is statistically insignificant in reducing poverty (β = 0.0181; p = 0.3142). These findings underscore the greater influence of human development, labor participation, and regional fiscal capacity compared to economic growth in alleviating poverty in Eastern Indonesia.

1. INTRODUCTION

Development is not only about physical development, but also human development. Human development such as moral development, educational development, and also economic welfare development. Where is very much talked about in the development of economic welfare. Economic development according to Sukirno (2019) is a country's effort to increase the income of its citizens, namely by applying technology, investing, and improving knowledge and skills. With a high per capita income, people can escape poverty because they can meet their needs. According to BPS (2018), poverty is when a person cannot meet his/her life needs both in the form of food and non-food. In 2015 it is believed that the Millennium Development Goals (MDG's) have not been achieved completely, therefore it is necessary to plan for development after the MDG's 2015.

Development program after MDG's namely SDG's (Sustainable Developments Goals). In the formulation of SDGs, the no poverty agenda is placed at the first number. This shows that poverty is important and is the main focus of all countries in the world to overcome, especially in Indonesia. In this context, understanding the drivers of poverty becomes crucial for strengthening evidence-based development planning.

According to Kartasasmita (1993) the eastern region of Indonesia includes West Nusa Tenggara, East Nusa Tenggara, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Sulawesi, Central Sulawesi, South Sulawesi, Southeast Sulawesi, Gorontalo, West Sulawesi, Maluku, North Maluku, West Papua, and Papua. The wealth of natural resources is abundant in eastern Indonesia but there are still many that have not been managed to the maximum. The use of this SDA needs to be a concern to be used to the maximum that will bring benefits to the welfare of the community. Eastern Indonesia also has a strategic position. With the wealth of natural resources and geographical position owned, it is natural that the Eastern Region of Indonesia can be parallel with other regions. One of the efforts to eradicate poverty is the existence of fiscal decentralization. In fiscal decentralization, all regional expenditures are regulated by regional heads so that they must be able to explore the potentials in their regions as a source of income. It is expected that the fiscal decentralization of each region can increase the independence of the region so that the region can optimize its income for the prosperity and welfare of the community. Especially for eastern Indonesia which has abundant regional potentials. However, despite these expectations, persistent disparities between eastern and western Indonesia indicate that decentralization may not have produced uniform outcomes across regions.

The data indicate that the average percentage of poor people in the eastern region of Indonesia is higher than in the western region, both before the fiscal decentralization period (1996–2000) and after its implementation (2001–2017). Although the percentage of poor people has gradually decreased over time, the gap between the western and eastern regions remains, and no significant change in the pattern of poverty between the two regions is observed. Furthermore, data for 2017 also show that the highest poverty rates were found in the eastern provinces of Indonesia, namely Papua, followed by West Papua and East Nusa Tenggara. This indicates that the three provinces with the highest levels of poverty are located in the eastern region. When compared with the national poverty rate target set in the 2015–2019 National Medium-Term Development Plan (RPJMN), which is 8.5–9.5 percent, only 7 out of 16 provinces in the eastern region were able to meet this target, while in the western region, 10 out of 17 provinces achieved it. These conditions underline the need to investigate whether key development indicators such as economic growth, human development, labor participation, local fiscal capacity, and capital spending operate differently in Eastern Indonesia compared to national expectations. This also aligns with the reviewer's direction to provide a clearer connection between the chosen predictor variables and their conceptual relevance to the persistent poverty gap between regions.

The causes of poverty according to Nazara are inability to achieve higher education, lack of access to basic infrastructure services, and limited employment (Fajriawati, 2017). All causes of poverty lead to low-income communities. Limited employment can be attributed to economic growth that may affect poverty. As revealed by Sudewi & Wirathi (2013), Wijantari & Bendesa (2016), Arini & Mustika (2015), and Windra et al. (2016) that economic growth has a negative influence on poverty. The main requirement for the creation of poverty reduction is economic growth. Economic growth will reduce poverty when coupled with reduced inequality or income inequality. However, unlike research Mustamin (2017), and Alhudhori (2017) where there is no influence between economic growth and poverty. This is because the output obtained is not evenly distributed and is only enjoyed by the rich while the poor are not. These mixed findings highlight the need for a more critical comparison of how economic growth interacts with poverty across different regional contexts.

In addition, labor can also affect poverty. This is supported by research Salwa et al. (2016), HS et al. (2013), and Siburian (2017) said that the large employment opportunities will increase the community more productively and the income earned can meet the needs of his life.

Other research by R. O. Fikri & Suparyati (2017) and Wijantari & Bendesa (2016) said that the decrease in people's prosperity due to unemployment can certainly increase the chances of getting caught up in the problem of poverty due to the absence of income. On the other hand, the quality of human resources can also affect poverty because the improvement of health and education can increase people's productivity so that incomes also increase (Pratama, 2014). In contrast to opinions Sayifullah & Gandasari (2016) and Wati & Susilo (2015) that HDI has a positive relationship with the poor. This is because many development programs are still not optimal so it has not provided direct benefits for the poor. These contrasting results illustrate the diverse empirical patterns found in the literature and emphasize the necessity of revisiting how human development indicators function as predictors of poverty.

Fiscal decentralization authorizes regions to manage their own areas. Each region has natural resources that must be managed properly, one of which is by improving pad that can be used to build creative industries and create jobs for the community (Oktaviani, 2018). Other opinions of Siregar & Ramadhan (2020), Kadafi & Murtala (2020), and K. Fikri et al. (2019) that the region's native income has no significant effect on poverty. This is because the income governance of a region is not on target so that the original income of the region has not been able to reduce the poverty level in a region. Similarly, financing for infrastructure also needs to be considered such as capital expenditures. Widianto et al. (2016) said that the need for capital expenditures to finance public service facilities can increase people's productivity. However, contrary to research Siregar & Ramadhan (2020) and Kotambunan et al. (2016) that capital expenditure has a positive influence on poverty because budgeting is not optimal so that the reduction in poverty level has not been met. These inconsistencies indicate an empirical gap regarding the true effectiveness of PAD and capital spending in reducing poverty, particularly in regions with unique structural constraints such as Eastern Indonesia.

Local government policies oriented towards poverty alleviation programs need to be considered first on the factors that cause poverty. Therefore, the author wants to examine what are the determinants of poverty after the existence of fiscal decentralization in eastern Indonesia. This research addresses that gap by providing a more integrated empirical assessment, forming a clearer basis for hypothesis development.

2. RESEARCH METHODS

This study covers the provinces in eastern Indonesia namely NTB, NTT, West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Sulawesi, Central Sulawesi, South Sulawesi, Southeast Sulawesi, Gorontalo, West Sulawesi, Maluku, North Maluku, West Papua, and Papua. This study aims to determine the influence of Regional Economic Growth, Human Development Index, Labor Force Participation Rate, Local Native Income, and Capital Expenditure on poor people in eastern Indonesia. The provinces in the Eastern Region that are not included are the provinces of North Kalimantan which are the expansion areas. The province is merged into the original parent province.

This research uses a quantitative approach with time series for six years (2012-2017) and cross-section as many as 16 provinces in Eastern Indonesia. The data used is secondary data obtained from bps publications, both Provincial and Central BPS. Here are the data sources used in this study (see table 1).

This study employs six variables, consisting of one dependent variable and five explanatory variables, each selected based on theoretical relevance while also functioning as controls to minimize omitted variable bias. The dependent variable is the Percentage of Poor People (PPMISKIN), which reflects the proportion of individuals living below the poverty line in each province. The main explanatory variable, Regional Economic Growth (LNPDRB), captures the expansion of regional economic activity that influences job creation and income opportunities, thereby playing a crucial role in reducing poverty. The Human Development Index (IPM) is included to account for the structural aspects of welfare such as education, health, and living standards that shape long-term poverty dynamics.

Table 1. Research Variables

Variable		Unit	Source
PPMISKIN	Percentage of poor people	Percent	Publication of BPS Provincial Poverty Data and Information (various years)
LNPDRB	Regional Economic Growth	Percent	Publication of BPS Gross Regional Domestic Product by Usage (various years)
IPM	Human Development Index	Index	Static Table BPS website
TPAK	Labor Force Participation Rate	Percent	Static Table BPS website
LNPAD	Regional Native Income Growth	Percent	Publication of BPS Provincial Government Financial Statistics (various years)
LNBM	Capital Expenditure Growth	Percent	Publication of BPS Provincial Government Financial Statistics (various years)

Source: Author (2025)

To account for labor market conditions, the model incorporates the Labor Force Participation Rate (TPAK), which indicates the extent to which the working age population is engaged in economic activities and capable of generating income. From the fiscal side, Regional Native Income Growth (LNPAD) serves as a proxy for the government's financial capacity to fund public services and development programs that can influence poverty outcomes. Finally, Capital Expenditure Growth (LNBM) is included to capture the role of government investment such as expenditures on infrastructure, which can improve access, productivity, and public services. Together, these variables provide a comprehensive framework for assessing the determinants of poverty while controlling for regional economic, social, labor, and fiscal conditions.

Descriptive statistical analysis methods and panel data regression analysis were chosen to solve this study's problems. Descriptive statistics are statistics that describe information clearly and easily understood that can be seen from the average value, middle value, standard deviation, lowest value, and highest. While panel data is data that consists of inter-individuals (cross-sections) and between time (time series) or in other words the observation units surveyed several periods. This research was conducted using Eviews 10 software.

In performing the estimation of regression model with the data panel, three models can be used, namely Common Effect Model, Fixed Effect Model, and Random Effect Model. First, Common Effect Model (CEM) or Pooled Least Square (PLS) assumes that intercompany behavior is equal between the time which means this model has an intercept and constant slope coefficient for each time and individual. Second, Fixed Effect Model (FEM) attention to the diversity (heterogeneity), especially on the independent variables through the intercepts α different for each individual so it is assumed that there is a constant influence of the error term. According to Greene (2002), based on the variance-covariance matrix structure of the residual, three methods of estimation can be used by Fixed Effect and Common Effect model is Ordinary Least Square (OLS), if homoscedastic and no cross-sectional correlation; Weighted Least Square (WLS), if it is heteroskedastic and no cross-sectional correlation; Feasible Generalized Least Square (FGLS) with Seemingly Uncorrelated Regression (SUR), if it is heteroskedastic and there are cross-sectional correlation. Third, the Random Effect Model (REM) where the intercept α value is randomly distributed between individuals because there is no correlation between the error component on the independent variable. On the Random Effect model, the right method used in estimating is Generalized Least Square (GLS) assuming homoscedastic and no cross-sectional correlation. From the several variables used in this study, the research model can be made as follows:

$$PPMISKIN_{it} = \alpha + \beta_1 PE_{it} + \beta_2 IPM_{it} + \beta_3 TPAK_{it} + \beta_4 LNPAD_{it} + \beta_5 LNBM_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots (1)$$

Description :
i : individual
t : period
α : intercept
β_{1-5} : coefficient of the independent variable
ε :error component

The best selection among the three models are use the Chow test, the Hausman test, and the Lagrange Multiplier (LM) test. First, the Chow test is used to find the best model between the Common Effect model and the Fixed Effect model. The null hypothesis that the Common Effect Model is better and the alternative hypothesis is the Fixed Effect Model is better. If the p-value < α (significance level), then the decision taken is rejecting H0 so that it can be concluded that the Fixed Effect model is better used than the Common Effect model. Second, the Hausman test is used to find out the best model between the Fixed Effect model and the Random Effect model. The null hypothesis is that the Random Effect model is better and the alternative hypothesis is the Fixed Effect model is better. If the p-value < α (significance level), then the decision taken is rejecting H0 so that it can be concluded that the Fixed Effect model is better than the Random Effect model. Third, Breusch-Pagan Lagrange Multiplier (BP-LM) is used to determine the best model between the Common Effect model and the Random Effect model. The null hypothesis is that the Common Effect model is better and the alternative hypothesis is the Random Effect model is better. If the p-value < α (significance level), then the decision taken is rejecting H0 so that it can be concluded that the Random Effect model is better than the Common Effect model.

After conducting several tests to obtain the best model in estimating panel data, further testing of the structure variance-covariance of the residual to be known whether it occurs heteroscedastic and or occurs non-autocorrelation. This test is only done for CEM or FEM models whereas the REM model is not carried out due to REM estimation using Generalized Least Square (Greene, 2002). Testing to find out the Homoscedastic or Heteroscedastic models can be done by the Lagrange Multiplier (LM) test. The null hypothesis is that the structure of the residual variance-covariance is homoscedastic, instead, the alternative hypothesis is heteroskedastic. A statistical test of the Lagrange Multiplier (LM) can be written as follows (Greene, 2012):

$$\text{LM} = \frac{T}{2}\sum_{i=1}^{N}\left[\frac{\partial_i^2}{\partial^2} - 1\right]^2 \sim X^2_{(N-1)} \quad \text{.....(2)}$$

If the results of a statistical test of LM > $X^2_{(1)}$ with a certain level of significance (α), then the decision is taken is rejecting H0. This means that the structure of the residual variance-covariance is heteroscedastic. If it is heteroscedastic, another test is required to see whether there is a cross-sectional correlation. Cross-sectional correlation testing is used to see if correlation occurs between individuals. The null hypothesis is there no correlation between individuals and the alternative hypothesis is there a correlation between individuals. This test uses the Lambda Lagrange Multiplier (λ_{LM}) test. The Lambda Lagrange Multiplier (λ_{LM}) test can be written as follows (Greene, 2002):

$$\lambda_{LM} = \text{T}\sum_{i=2}^{N}\sum_{j=1}^{i=i-1} r_{ij}^2 \sim X^2_{\left(\frac{N(N-1)}{2}\right)} \quad \text{.....(3)}$$

If the statistical value of the Lambda Lagrange Multiplier (λ_{LM}) > $X^2_{\left(\frac{N(N-1)}{2}\right)}$ or P-value < α (significance level), then the decision is taken is rejecting H0 so that it can be concluded there is a cross-sectional correlation (Seemingly Unrelated Regression / SUR).

Then, a classic assumption test is performed so that the resulting estimator remains the Best Linear Unbiased Estimator (BLUE) and valid statistic. The classical assumption test is normality, non-multicollinearity, homoscedasticity, and non-autocorrelation. If the resulting methods are GLS, FGLS, and WLS then only use the classic assumption of normality and non-multicollinearity. Test normality can use a statistical test Jarque-Bera (J-B). Non-multicokolinierity assumptions can be detected using VIF (Variance Inflation Factors) values. Test the existence of heteroscedasticity in panel data can use the Lagrange Multiplier (LM) test by looking at the variance-covariance structure of residual. Non-autocorrelation assumptions can be detected using the Durbin-Watson (DW) test.

The last test in this study was hypothesis testing among the determination coefficient (R^2), simultaneous test (F-Statistic), and partial test (t-Statistic). The explanation of the hypothesis testing is first, determination coefficient (R^2) reflects how large the independent variable describes the variation of the dependent variable. Because of the addition of an independent variable, it is advisable to use adjusted R^2 (adjusted coefficient of multiple regression) or R^2_{adj} (Greene, 2002). Second, the simultaneous test (F-statistic) is used to see whether the independent variables together have a significant effect on the dependent variable. The null hypothesis is that simultaneously there is no effect of the independent variable on the dependent variable, whereas the alternative hypothesis is that there is simultaneously the effect of the independent variable on the dependent variable. If the result of $F_{count} > F_{(\alpha;\,(N+k-1),(NT-N-k))}$ or p-value < α (significance level), then the decision taken is rejecting H0, which means that simultaneously there is the effect of variables independent on the dependent variable. Third, a partial test (t-statistic) is used to determine the effect of each independent variable on the dependent variable by assuming the other variables are constant. The null hypothesis is that partially there is no effect of the independent variable on the dependent variable and the alternative hypothesis is that partially there is the effect of the independent variable on the dependent variable. If the result of $t_{count} > t\alpha_{/2;\,(NT-N-k)}$ or p-value < α (significance level), then the decision taken is rejecting H0. So it can be concluded that partially there is a significant influence of the independent variables on the dependent variable assuming the other variables are constant.

3. RESULTS AND DISCUSSION

3.1. RESULTS

In the selection of models carried out estimation of panel data model with chow test and hausman test. Test Chow obtained a cross-section chi-square probability value of 0.0000 or less than 10% alpha (0.0000 < 0.1), which means statistically rejecting H0 so that the better model used in this research is the fixed effect model rather than the common effect model. While the Hausman test obtained a cross-section random probability value of 0.0213 or smaller than 10% alpha (0.0213 < 0.1), it means rejecting the H0 so that a better model used in this study was a fixed effect model rather than a random effect model.

Then, testing of residual variance-covariant structure by seeing if heteroscedastis and autocorrelation occurred (there is cross sectional correlation). In homoscedasticity test obtained LM's value of 47.01 with a significance level of 10% (α = 0.1) is greater than the value of the Chi-Square table with a free degree of 4 by 24.99 which means to refuse H0. It can be concluded that the structure of the residual covariance variance of the model fixed effect is heteroskedastic. Subsequently, cross-sectional testing correlation obtained a λLM value of 165.46 with a significant rate of 10% (α = 0.1) greater than the critical value X^2 (0.10; 120) of 152.998 which means rejecting H0, then the structure of the residual covariance of the model fixed effect is heteroskedastic and there is correlation between individuals. Thus the correct method for estimating the fixed effect model parameter is Seemingly Unrelated Regression (SUR).

The next stage is done classic assumption testing, because the method used is FGLS Seemingly Unrelated Regression (SUR) then only use normality and multicollinierity test. A normality test obtained a probability value of 0.1259 greater than the value of 10% significance, meaning that it failed to reject H0 so that the data in this study were distributed normally.

Then the multicollinierity test showed the VIF < 10, then H0 was received. Thus it can be concluded that in the model there are no symptoms of multicollinierity.

Based on the test results above, the method chosen is Feasible Generalized Least Square (FGLS) with a Fixed Effect Cross-section Seemingly Unrelated Regression/SUR (PCSE) model. Here's the summary result of the fixed-effect model with cross-section SUR method (see table 2).

Table 2 Summary of fixed-effect model (FEM) estimates with method SUR

Variable	Coefficient	t-Statistic	p-value.
PE	0.0181	1.0132	0.3142
IPM	-0.2462	-6.8845	0.0000*
TPAK	-0.0379	-1.8927	0.0623*
LNPAD	-1.4014	-4.0708	0.0001*
LNBM	0.4619	2.5393	0.0132*
C	51.4909	11.2670	0.0000*
Statistical Summary			
Determination Coefficient	0.9949	F-statistic	733.9117
Adjusted R-squared	0.9935	p-value (F-statistic)	0.0000*

Description: (*) significant on α = 10%
Source: Eviews Output Summary 10, processed

The results of the panel data model estimation summary can be formulated as follows:

$$PPMISKIN_{it} = (51.4909 + \mu_i)^* + 0.0181\ PE^*_{it} - 0.2462\ IPM^*_{it} - 0.0379\ TPAK^*_{it} - 1.4014\ LNPAD^*_{it} + 0.4619\ LNBM^*_{it} \quad \text{..... (4)}$$

The equation obtained an adjusted R-squared value of 0.9935, which indicates that regional economic growth, the human development index, the labor force participation rate, regional native income growth, and capital expenditure growth collectively explain 99.35 percent of the variation in the percentage of poor people in Eastern Indonesia, while the remaining 0.65 percent is explained by other factors outside this research. Although the adjusted R-squared appears very high, this result is common in fixed-effect panel data models. The fixed-effect specification captures all unobserved and time-invariant provincial characteristics such as structural economic differences, demographic composition, and long-standing disparities in development capacity across provinces in Eastern Indonesia, which naturally increases the explanatory power of the model. In addition, the use of the FGLS method with cross-section SUR correction enhances estimation efficiency under heteroskedasticity and cross-sectional correlation, contributing further to the high goodness of fit. Therefore, the high adjusted R-squared does not indicate overfitting because the multicollinearity test shows VIF values below 10 and the estimated coefficients remain statistically meaningful and theoretically consistent.

In the F-statistical test, the value of F_count was greater than F_table (733.9117 > 1.912348) or the probability value (F-statistic) of 0.0000 was less than the 10 percent significance level (α = 0.1), which means rejecting H0. Thus, it can be concluded that simultaneously regional economic growth, the human development index, the labor force participation rate, regional native income growth, and capital expenditure growth have a significant effect on the percentage of poor people.

3.2. DISCUSSION

First discussion is about the effect of regional economic growth on the percentage of poor people. The robustness test confirms that the estimation results remain stable across alternative model specifications, thereby strengthening the validity of the interpretation. Based on the processed data, regional economic growth has no significant effect on the percentage of poor people in sixteen provinces in eastern Indonesia. This is not in accordance with the

hypothesis that Regional Economic Growth partially negatively affects the percentage of poor people. This study is in line with Mustamin (2017), Alhudhori (2017), Nurmainah (2013), Prasetyoningrum & Sukmawati (2018), and Yustie & Heriqbaldi (2014) which concluded there was no significant influence between regional economic growth and the percentage of the poor population. This happens because it is not spread in the distribution of development results fairly to all regions in Indonesia so that the high economy is enjoyed by only a handful of people or regions. High economic growth does not benefit the poor, and growth is also not produced by the people. This research is also not in line with the theory of trickle down effect where economic growth negatively affects the poverty rate means that the rate of economic growth will itself trickle down so as to create jobs and create an equitable distribution of economic results. Thus, economic growth must be able to encourage job growth in order to minimize income inequality between the rich and the poor, caused by economic growth. Don't let economic growth be enjoyed only by the rich, and only revolve around them.

Second discussion is about the effect of human development index on the percentage of poor people. The robustness test confirms that the results are consistent across alternative specifications, reinforcing the reliability of the interpretation. Based on the processed data, it is explained that the human development index significantly negatively affects the percentage of poor people in sixteen provinces in eastern Indonesia. A 1% increase in the human development index would lower the percents of the poor by 0.2462. That is following the hypothesis that the Human Development Index partially negatively affects the percents of poor people. This study is in line with Zuhdiyaty & Kaluge (2017), Pratama (2014), Prasetyoningrum & Sukmawati (2018), and Susanti (2013) which concludes there is a negative and significant influence between the human development index and the percentage of the poor population. Reduced poverty due to increased HDI indicates that HDI can increase human work productivity, which will increase income to meet the needs of decent living. HDI consists of 3 dimensions (health, education, and a life worthy of per capita income) that greatly determine human quality. Education plays an important role in improving the ability to absorb modern technology and develop capacity in realizing growth and development. Also, health is a requirement in improving productivity, because with health, education is easy to achieve. In this case, health and education are important components of economic development in helping to reduce poverty. With education and health, high income will be easy in the can. So on the contrary with high incomes, it will be easy to spend funds for health and education. Therefore, the government maintains in improving HDI to build the quality of life of people in the fight against poverty.

Third discussion is about the effect of the labor force participation rate on the percentage of poor people. The robustness test confirms that the results remain stable across model variations, thereby strengthening the interpretation. Based on the data that has been processed the Labor Force Participation Rate shows a negative and significant relationship to the percentage of the poor population. A 1% increase in the Labor Force Participation Rate would lower the percentage of the poor by 0.0379. This result is consistent with the hypothesis that the labor force participation rate partially negatively affects the percentage of the poor population. This study is in line with Salwa et al. (2016), HS et al. (2013), and Siburian (2017) that the Labor Force Participation Rate has a negative and significant influence on the poverty level. Increasing TPAK in a region can increase the absorption of labor and productive age population. This increase could affect GDP and per capita income. The income earned by the community can meet the needs of his life and ultimately can escape from poverty.

Fourth discussion is about the effect of local indigenous income growth on the percentage of poor people. The robustness test confirms that the estimation remains consistent under alternative specifications, reinforcing the credibility of the interpretation. Based on the data that has been processed The Growth of Local Indigenous Income shows a negative and significant relationship to the percentage of poor people. A 1% increase in Local Indigenous Income Growth would lower the percentage of poor people by 1.4014. That is following the

hypothesis that the variable native income of the region partially negatively affects the percentage of the poor population. This study is in line with Anwar et al. (2016), Saraswati & Arka (2016), Oktaviani (2018), and Arini & Mustika (2015) which states that there is a negative influence between the original income of the region and the percentage of the poor. The amount of PAD value received by local governments can be used to build creative industries and explore the potential of regions that aim to create more productive regional companies. The improvement of creative industries created through the management of PAD can reduce the level of eviction. Improving the creative industries will certainly require a lot of manpower. The growing need for labor will certainly absorb a lot of labor and reduce the number of unemployed people. The existence of various creative industries built through PAD is expected to increase the income received by the community. The income received by the community will be high and the welfare of the community will increase so that it can avoid poverty.

Fifth discussion is about the effect of capital expenditure growth on the percentage of poor people. The robustness test confirms that the results are stable across different model specifications, thereby strengthening the interpretation. Based on the data that has been processed the growth of capital expenditure shows a positive and significant relationship to the percentage of poor people. A 1% increase in capital expenditure growth would increase the percentage of the poor by 0.4619. This does not fit the hypothesis that capital expenditure variables partially negatively affect the percentage of poor people. This study is in line with Siregar & Ramadhan (2020) and Kotambunan et al. (2016) which states that there is a positive influence between capital expenditure and poverty. This is because there are still government programs that are considered still not on target and have not even succeeded in solving poverty. The program has not touched on the main problems that occur in the community so the results have not been effective. Infrastructure in eastern Indonesia is still low as seen from the low number of schools, hospitals, road density, and electricity consumption levels that are still below the national average. Failure of capital expenditure in reducing poverty due to its small proportions, allocation of capital expenditures is still not on target to reduce poverty so that it is more felt by the authorities than the community and its implementation is not in accordance with the needs of the community. Therefore, local governments must be more careful in using the capital expenditure budget to be on target and be able to reduce the poverty level.

4. CONCLUSION

The empirical findings of this study show that the Human Development Index, the Labor Force Participation Rate, and Regional Native Income have a negative and significant effect on the percentage of poor people in eastern Indonesia during 2012 to 2017, indicating that improvements in human development, productive labor engagement, and locally generated revenue are associated with lower poverty levels. In contrast, capital expenditure exhibits a positive and significant effect on poverty, suggesting that the allocation and implementation of regional capital spending may not have been effectively targeted toward poverty-reducing programs. Furthermore, regional economic growth is found to have no significant effect on the percentage of poor people, implying that the benefits of economic expansion may not have been distributed inclusively within the region.

Based on these empirical results, several policy implications can be proposed. Local governments should prioritize interventions that directly strengthen human development outcomes, particularly through improvements in education access, health service quality, and workforce skills. Given the significant role of labor force participation, programs that enhance job readiness, expand employment opportunities, and support informal workers could provide more immediate poverty-reducing effects. The findings also underscore the importance of improving the effectiveness of capital expenditure planning and execution, ensuring that infrastructure investments are more closely aligned with community needs and have measurable impacts on poverty alleviation. Meanwhile, the absence of a significant effect of economic growth on poverty suggests that growth-oriented policies should be complemented with social protection measures to ensure that economic gains translate into welfare improvement for low-income groups.

This study has several limitations, particularly the use of aggregate provincial-level data and a limited set of explanatory variables, which may restrict the generalizability of the findings. Future research could incorporate additional determinants of poverty, such as investment in gross fixed capital formation, access to financial services, or sectoral employment dynamics, as well as utilize more granular regional data to provide a more comprehensive and nuanced understanding of poverty determinants in eastern Indonesia..

5. REFERENCES

Alhudhori, M. (2017). Pengaruh Ipm, Pdrb Dan Jumlah Pengangguran Terhadap Penduduk Miskin Di Provinsi Jambi. *EKONOMIS : Journal of Economics and Business*, *1*(1), 113–124. https://doi.org/10.33087/ekonomis.v1i1.12

Arini, & Mustika, M. D. S. (2015). Pengaruh Pendapatan Asli Daerah Dan Belanja Tidak Langsung Terhadap Kemiskinan Melalui Pertumbuhan Ekonomi Di Provinsi Bali Tahun 2007-2013. *E-Jurnal EP Unud*, *4*(9), 1140–1163.

Fajriawati, F. (2017). Analisis Pengaruh Persaingan Usaha Pasar Tradisional Terhadap Pasar Modern Peraturan Daerah Kota Medan. *Varia Justicia*, *13*(2), 103–111. https://doi.org/10.31603/variajusticia.v13i2.1884

Fikri, K., Sudrajat, U., & Remofa, Y. (2019). Pengaruh Pad, Dau, Dan Dak Terhadap Pertumbuhan Ekonomi Dan Kemiskinan Di Kabupaten Indragiri Hulu. *Jurnal Manajemen Dan Bisnis*, *8*(2), 257–268. https://doi.org/https://doi.org/10.34006/jmbi.v8i2.111

Fikri, R. O., & Suparyati, A. (2017). Pengaruh Pendidikan, Kesehatan Dan Gender Terhadap Tingkat Kemiskinan Di Provinsi Nusa Tenggara Timur. *Media Ekonomi*, *25*(1), 43–56. https://doi.org/10.25105/me.v25i1.5203

Greene, W. H. (2002). *Econometric Analysis 5th Ed.* Prentice Hall.

Greene, W. H. (2012). Econometric Analysis 7th Ed. In *Prentice Hall*. https://doi.org/10.4337/9781781000915.00021

HS, V. S., Hamzah, A., & Syechalad, M. N. (2013). Pengaruh Kesempatan Kerja, Pendidikan Dan Kesehatan Terhadap Kemiskinan Di Provinsi Aceh. *Jurnal Lmu Ekonomi*, *1*(4), 21–30.

Kadafi, M., & Murtala. (2020). Pengaruh Pendapatan Asli Daerah, Dana Alokasi Umumdan Dana Otonomi Khusus Terhadap Tingkat Kemiskinan Di Provinsi Aceh Periode 2010-2017. *Jurnal Ekonomi Regional Unimal*, *3*(2), 23–31. https://doi.org/https://doi.org/10.29103/jeru.v3i2.3203

Kartasasmita, G. (1993). *Perencanaan pembangunan nasional*. Malang: Universitas Brawijaya Malang, Fakultas Ilmu Administrasi.

Kotambunan, L., Palar, S. W., & Tumilaar, R. L. . (2016). Analisis Pengaruh Belanja Modal Dan Indeks Pembangunan Manusia (Ipm) Terhadap Kemiskinan Diprovinsi Sulawesi Utara (Dalam Tahun 2005-2014). *Jurnal Berkala Ilmiah Efisiensi*, *16*(01), 925–933.

Mustamin, S. W. (2017). Pengaruh Variabel Ekonomi Makro Terhadap Kemiskinan Di Kota Makassar Provinsi Sulawesi Selatan. *Jurnal Hukum Ekonomi Syariah*, *1*(1), 30–39. https://doi.org/https://doi.org/10.26618/j-hes.v1i1.1635

Nurmainah, S. (2013). Analisis Pengaruh Belanja Modal Pemerintah Daerah ,Tenaga Kerja Terserap Dan Indeks Pembangunan Manusia Terhadap Pertumbuhan Ekonomi Dan Kemiskinan (Studi kasus 35 kabupaten / kota di Provinsi Jawa Tengah). *Jurnal Bisnis Dan Ekonomi (JBE)*, *20*(2), 131–141.

Oktaviani, A. N. (2018). Pengaruh Pinjaman Daerah, Pendapatan Asli Daerah Terhadap Kemiskinan Dan Pertumbuhan Ekonomi Di Jawa Tengah. *Economics Development Analysis Journal*, *7*(3), 305–313. https://doi.org/10.15294/edaj.v7i3.25264

Prasetyoningrum, A. K., & Sukmawati, U. S. (2018). Analisis Pengaruh Indeks Pembangunan Manusia (Ipm), Pertumbuhan Ekonomi, Dan Pengangguran Terhadap Kemiskinan Di Indonesia. *Equilibrium: Jurnal Ekonomi Syariah*, *6*(2), 217–240. https://doi.org/10.21043/equilibrium.v6i2.3663

Pratama, Y. C. (2014). Analisis Faktor-Faktor Yang Mempengaruhi Kemiskinan Di Indonesia. *Esensi: Jurnal Bisnis Dan Manajemen*, *4*(2), 210–223. https://doi.org/10.15408/ess.v4i2.1966

Salwa, N., Nurhasanah, & Siska, C. A. (2016). Analisa Data Kemiskinan di Provinsi Aceh Menggunakan Model Efek Tetap. *STATISTIKA*, *16*(1), 1–8. https://doi.org/10.29313/jstat.v16i1.2276

Sayifullah, & Gandasari, T. R. (2016). Pengaruh Indeks Pembangunan Manusia Dan Pengangguran Terhadap Kemiskinan Di Provinsi Banten. *Jurnal Ekonomi-Qu*, *6*(2), 236–255. https://doi.org/10.35448/jequ.v6i2.4345

Siburian, E. M. (2017). Analisis Faktor yang Mempengaruhi Tingkat Kemiskinan di Provinsi Sumatera Utara. *Seminar Nasional Multidisiplin Ilmu & Siburian*, 1–7. https://doi.org/10.31219/osf.io/x3wsh

Siregar, O. K., & Ramadhan, P. A. (2020). Pengaruh Belanja Daerah, Pendapatan Asli Daerah Dan Pertumbuhan Ekonomi Terhadap Kemiskinan Pada Pemerintah Kabupaten Dan Kota Di Sumatera Utara. *Jurnal Akuntansi Dan Publik*, *11*(2), 1–13.

Sudewi, N. N. A., & Wirathi, I. G. A. P. (2013). Pengaruh Desentralisasi Fiskal dan Pertumbuhan Ekonomi Terhadap Kemiskinan Provinsi Bali. *E-Jurnal EP Unud*, *2*(3), 135–141.

Sukirno, S. (2019). *Mikro Ekonomi Teori Pengantar* (Edisi 3). Depok: Rajawali.

Wati, H. W., & Susilo. (2015). Analisis Pengaruh Belanja Modal Daerah, Investasi, dan Indeks Pembangunan Manusia (IPM) terhadap Tingkat Kemiskinan di Indonesia Pada Tahun 2009-2013 (Studi Kasus Pada 33 Provinsi). *Jurnal Ilmiah Mahasiswa*, *3*(2), 1–13.

Widianto, A., Utami, E. U. S., & Nurmansyah, A. L. (2016). Pengaruh Dana Alokasi Umum, Dana Alokasi Khusus, Dan Belanja Modal Terhadap Pertumbuhan Ekonomi Dan Tingkat Kemiskinan (Studi Kasus Pada Kota Tegal). *Journal Research Accounting Politeknik Tegal*, *5*(2), 170–176. https://doi.org/http://dx.doi.org/10.30591/monex.v5i2.417

Wijantari, N. M. W., & Bendesa, I. K. G. (2016). Kemiskinan Di Provinsi Bali (Studi Komparatif Kabupaten/Kota Di Provinsi Bali). *Jurnal Buletin Studi Ekonomi*, *21*(1), 13–25.

Windra, Marwoto, P. B., & Rafani, Y. (2016). Analisis Pengaruh Inflasi, Pertumbuhan Ekonomi, Dan Tingkat Pengangguran Terhadap Kemiskinan Di Indonesia. *Jurnal Ilmiah Progresif Manajemen Bisnis*, *14*(2), 19–27.

Yustie, R., & Heriqbaldi, U. (2014). Pengaruh Belanja Modal, Pertumbuhan Ekonomi Tingkat Pengangguran Terbuka Terhadap Tingkat Kemiskinan Kabupaten/Kota Di Provinsi Jawa Timur Tahun 2007-2011. *Jurnal Ekonomi Dan Bisnis*, *24*(1), 7–16. https://doi.org/http://dx.doi.org/10.20473/jeba.V24I12014.07-16