

Analysis of Poverty Determinants in the Eastern Region of Indonesia, 2001-2022

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Abstract

Judging from the high poverty rate in Indonesia in 2022, it is found that provinces in Eastern Region of Indonesia (KTI) dominate the ten provinces with the largest percentage of poor people in Indonesia. Therefore, this study aims to determine the effect of provincial minimum wage, GRDP, TPT, population, and literacy rate on the poverty rate in Eastern Region of Indonesia KTI from 2001 to 2022. This research employs panel data regression analysis technique by using six provinces in ERI Based on the research findings, UMP has a negative and significant impact on the poverty rate; ADHK GDP has a negative but insignificant impact on the poverty rate; and TPT has a positive and significant impact on the poverty rate; population has a negative and significant impact on the poverty rate, while literacy rate has a positive but insignificant impact on the poverty rate. The five independent variables have a significant effect on the poverty rate in KTI.

Keywords

Poverty; Provincial Minimum Wage; ADHK GRDP; Unemployment; Education

INTRODUCTION

Local wisdom-based performing arts are One of the main issues that all countries focus on, be it developed or developing countries, is poverty. Poverty refers to a situation where a person is unable to experience a variety of options and opportunities to fulfil their needs. This is due to the multidimensional nature of poverty, which means that human needs are diverse and different (Aminah, 2019). The United Nations argues that the concept of poverty does not only refer to limited production resources and income, but also includes limited access to education, malnutrition, hunger, and lack of involvement in decision-making processes and exposure to social discrimination (Abaidoo & Abaidoo, 2021).

In a report from the World Bank monitored by the Poverty Monitoring Commission under the chairmanship of Sir Tony Atkinson, it was emphasised that attempts to measure poverty globally are highly contested. Therefore, (Atkinson, 2019) emphasised in his work that poverty needs to be assessed by considering definitions from both national and international levels, and measured in the context of monetary dimensions and various aspects of human life (Alkire et al., 2023).

To address the situation, the pioneers of the world agreed on a proclamation known as the Sustainable Development Goals or SDGs.

The SDGs framework spans 30 years, from 2015 to 2030. SDGs are technocratic and bureaucratic, so they are more inclusive in preparing SDGs points by including civil society institutions to overcome the challenges that occur (Bhayu Pratama et al., 2020). SDGS has a crucial role in the effort to reduce poverty around the world. The SDGS provide a clear focus on reducing and ending poverty in all forms, including extreme poverty, inequality, and lack of access to basic resources such as education, health, clean water, and decent work.

The UN General Assembly set 17 fundamental priorities for future sustainable development at the Sustainable Development Summit in 2015. The 17 points of the SDGs are a guide for all countries around the world in pursuing economic development in their various countries, including Indonesia. The implementation of the SDGs in Indonesia is described in PERPRES No.59 of 2017 which regulates the Implementation of Achieving the SDGs. BAPPENAS is tasked with overseeing the implementation of sustainable development goals in Indonesia (Bariyah, 2022).

Sustainable development in Indonesia is the main foundation in efforts to overcome poverty in various regions, including Eastern Indonesia (KTI), which consists of Papua, Nusa Tenggara, Sulawesi, Maluku and Papua

and Western Indonesia (KBI), which consists of Java, Sumatra and Kalimantan. With the existence of sustainable development, it is expected to be able to raise the degree of life of all Indonesian people so that the poverty rate can be reduced significantly through balanced development between economic growth, social justice, and environmental conversion. Many efforts have been made by the Government of Indonesia to alleviate poverty, such as creating jobs and increasing the productivity of the poor with programmes such as business capital assistance, skills training, and educational assistance.

However, it is not easy, because when observing the poverty situation in Indonesia, it becomes a serious challenge because there are still development inequalities between regions. During the development process, there is a tendency that provinces in the Western Region of Indonesia (KBI) tend to face more rapid economic growth compared to regions or provinces located in the Eastern Region of Indonesia (KTI). This is because some areas in KTI are geographically isolated and difficult to reach by the government so that many experience underdevelopment such as limited infrastructure, lack of access to education, health and investment (Tubaka, 2019). Whereas KTI has strong economic potential such as the abundance of natural resources from the agriculture, mining, and water sectors, this should be an impetus for the development of the region.

Graphic 1. Comparison of Poverty in Indonesia, KTI and KBI

According to the graph above, it can be concluded that the poverty rate in Indonesia fluctuated during the period 2018-2022. The poverty rate peaked in 2020 at 10.19%, triggered by the COVID-19 pandemic, and reached its lowest point in 2022 at 9.57%. The poverty rate in Western Indonesia (KBI) is consistently lower than the national and Eastern Indonesia (KTI) averages, ranging from 8.13% to 8.83%. On the other hand, the poverty rate in KTI is consistently much higher than the national and KBI averages, ranging from 13.57% to 14.05%. During the 2018-2022 period, the poverty rate gap between the KBI and KTI reached a significant level, where the poverty rate in KTI was on average 5-6% higher than that in the KBI. Thus, it can be said that there is a disparity in poverty levels between the KBI and KTI, with the poverty problem still concentrated in Eastern

Indonesia. Therefore, special attention needs to be paid to poverty alleviation efforts in KTI, and greater efforts may be needed to address this disparity and ensure that development in KTI can be more equitable with other regions in Indonesia.

Graphic 2. 10 Provinces with the Largest Percentage of Poor People in Indonesia by 2022

From the comparison of poverty rates presented in graph 1, it is known that the poverty rate in KTI, as measured by the percentage of poor people, tends to be higher than in KBI. This is of course also supported by data released by BPS in 2022 which has been presented in the graph above, which shows that of the ten provinces with the largest percentage of poor people in Indonesia are controlled by 7 provinces in KTI such as Papua, West Papua, NTT, Maluku, Gorontalo, NTB and Central Sulawesi. The province with the highest percentage of poverty is Papua with a percentage of 26.03% which includes KTI and the lowest is South Sumatra province with a percentage of 11.95% which includes KBI. This proves that there is still a need for development efforts to be focused in underdeveloped regions, especially in Eastern Indonesia. In formulating policies and programmes to reduce poverty, it is necessary to consider various factors that affect the poverty rate in each region, such as the provincial minimum wage, economic growth, unemployment, population, access to education, etc. The size of the provincial minimum wage is determined by the number of people living in the region.

The size of the provincial minimum wage can affect the poverty rate in a region. An increase in the minimum wage is intended to improve people's standard of living better, as well as increase the level of use of goods. Increased utilisation of goods will lead to the creation of new businesses. This can have an impact on reducing unemployment and poverty, which will positively affect the economy as a whole (Islami & Anis, 2019).

Moreover, economic growth can act as a marker of successful development and is an important prerequisite in reducing poverty. This parameter focuses on the total value of GRDP on a regional scale. The growth of GRDP has an impact on the number of people working. It assumes that an increase in the value of GRDP will result in an increase in the value added of various goods and services in

a region's economy. This increase can then lead to an increase in labour demand. ADHK GRDP is intended to reflect the overall rate of economic growth each year (Silaban et al., 2024).

A high unemployment rate reflects the failure of a country's development due to an imbalance between the number of people looking for work and the number of jobs available. The higher the unemployment rate, the more unproductive the population is, which in turn has an impact on their inability to fulfil their needs. The condition of inability to fulfil these needs then increases the level of poverty in society (Hasballah, 2021).

One of the main problems in the economic growth of a region is its population. An unconstrained increase in population can hinder the achievement of economic targets, namely people's welfare. If the high population is not matched by employment growth and a decent level of human resource quality, it can increase the poverty rate (Aminah, 2019)).

Literacy rates can be used as a guide to observe progress in population education. The higher the literacy rate or the ability to read and write, the higher the standard and quality of human resources. Individuals who can read and write are thought to have the capability and expertise to receive information, whether delivered verbally or in writing (Dores, 2014).

Thus, the core objective of this research is to identify the effect of provincial minimum wage, GRDP, TPT, population, and literacy rate on poverty rate in KTI from 2001 to 2022. This research can later provide valuable contributions to the Indonesian government to formulate effective policies in reducing poverty, especially in KTI.

Theoretical Foundation **Poverty**

In concept, two main forms of poverty can be distinguished: absolute poverty and relative poverty. Absolute poverty refers to a situation where a family is unable to earn enough income to meet its primary needs, such as clothing, consumption, shelter, transport, and schooling. Meanwhile, relative poverty refers to a situation where an individual's or family's income is below the average income that is considered standard in that society. Individuals who are in relative poverty have lower resources compared to average individuals, so they are excluded from lifestyles, customs, and daily activities (Danaan, 2018).

Ragnar Nurske proposed the vicious circle theory of poverty, which sees poverty as a phenomenon caused by low income, low savings, low investment, low capital formation, low productivity, and low employment. This circle of possibilities will continue, unless there is outside intervention. The poverty cycle is sometimes called a development trap when applied to developing countries. The reasons for this vicious cycle have been classified into; supply side causes, demand side causes, and imperfect market causes. Supply-side causes show that less developed countries become underdeveloped because their productivity is too low, and they cannot encourage capital formation. Similarly, the demand side causes low purchasing power due to low income. Finally, imperfect market conditions occur due to underdeveloped resources and economically backward societies. These imperfect conditions limit the optimal utilisation of natural resources. This theory is criticised because development in developing countries is hampered by lack of capital and poor decision-making capabilities (Henry, 2022).

Figure 1. Vicious Circle Theory

Minimum Wage

The purpose of setting a minimum wage is to raise the standard of living of low-income earners, especially workers who are in difficult economic conditions. However, the government's establishment of a minimum wage has unwittingly caused difficulties for workers in fulfilling their primary needs which continue to experience price fluctuations due to inflation. Thus, the main purpose of setting a minimum wage is to ensure that basic needs such as health, sufficiency, and welfare of workers are met (Nurmayanti et al., 2020).

The first theory of efficiency wages states that high wage levels can increase labour productivity. The relationship between wages and work efficiency can provide insight into why firms do not reduce wage levels despite an oversupply of labour. Although a decrease in wages can reduce labour costs, it can also result in a decrease in worker productivity and profits earned by the company (Istifaiyah, 2015).

Economic Growth

Among the solutions to improve the poverty situation, economic growth is thought to play a significant role in reducing poverty. The findings of (Dollar & Kraay, 2002) reveal that growth is expected to increase the income of

the underprivileged and reduce poverty, suggesting that policies and institutions that promote growth can benefit both the underprivileged and everyone equally (Perera & Lee, 2013).

Keynes' concept states that economic growth has the potential to reduce poverty. This is due to the potential for increased economic capacity, the creation of new employment opportunities, and an increase in income per individual that can significantly reduce the poverty rate (Lussy, 2021). This theory also agrees with the concept promoted by the Lewis Theory, which asserts that increased economic growth will contribute to the expansion of the world of work, which in turn can increase employment opportunities and ultimately reduce the poverty rate (Nurmala & Hutagaol, 2022).

Unemployment

An increase in the unemployment rate can have a serious impact on a country's economy. This is because many individuals are out of work, which can then lead to poverty due to the lack of income earned. A high unemployment rate signifies low income. This hinders people's ability to access goods and services, which in turn reduces welfare. When the unemployment rate increases, economic growth will be hampered, which in turn can increase the poverty rate (Sholikah et al., 2021).

The Structural Unemployment Theory proposed by (Okun, & Arthur, 1962) or better known as Okun's Law Theory, provides important insights into the relationship between the unemployment rate and the poverty rate. Structural unemployment arises when a person's skills do not match the available jobs. This theory states that an increase in structural unemployment can lead to an increase in poverty because people will find it difficult to find jobs that match their skills. Okun recognised that unemployment can be a cause of poverty, especially if a person experiences unemployment for a long period of time. He argues that long-term unemployment can result in a significant loss of income for the individual and their family. According to Okun, high levels of unemployment can create large income gaps in society, which in turn can increase poverty.

Total Population

Population plays an important role as a crucial indicator in economic activity. The population is a development potential that can be utilised

to the fullest. However, if there is no effort to improve the quality of the population according to the needs of a particular region, the population can become a burden in the development process (Diramita & Usman, 2018).

Referring to Malthus' Theory (in Todaro & Smith, 2006), it is explained that too high a population increase in a region can lead to severe poverty. Malthus illustrated the general pattern that a country's population grows rapidly in proportion to its size. With a process of diminishing returns from fixed resources such as land, there is only a limited increase in food stocks. As food production does not keep pace with population growth, per capita income can continue to decline to very minimal levels, forcing people to survive on little more than subsistence level resources (Lestari, 2021).

Education

One of the clues to assessing social welfare equality is to see what percentage of the population has literacy skills. The level of literacy is one of the markers of a society's progress, measured by the Literacy Rate (AMH) which reflects the comparison of individuals over the age of 15 who are able to learn and record with those who do not have this ability (Lestari, 2021).

Todaro & Smith, (2006) describe that education is the main foundation in achieving development goals. Education has an important role in increasing the capability of a country to adopt the latest technology and enlarge its capacity to create sustainable growth and development (Lestari, 2021).

Based on the basic principles of human capital theory, increasing education can increase a person's income level. Each additional year of education means an increase in capability in work and individual income. A higher level of education makes work productivity better, which ultimately has an impact on greater or substantial income earned (Dimas Sanjaya et al., 2019).

Previous Research

There are many studies that discuss poverty, one of which was conducted by (Tubaka, 2019), the study was conducted to analyse the effect of economic growth, income distribution, unemployment, education and health on poverty in Eastern Indonesia in 2013-2017, using the panel data regression analysis method.

Furthermore, research from (Soleman & Soleman, 2022), the purpose of the study was to evaluate poverty levels in Eastern Indonesia by examining Islamic banking financing, economic growth, LFPR, education, health, and inflation on poverty levels in Eastern Indonesia in 2010-2021, using panel data regression analysis methods.

Similar research was also conducted by (Febriandika et al., 2022), where the study examined the effect of total government spending on education, government spending on health, labour force participation rate, and labour force participation rate. regional minimum wage, investment, and poverty Gini index in Eastern Indonesia from 2010 to 2018, using the panel data regression analysis method.

Further research was also conducted by (Hardinandar, 2019), which aims to examine the aspects that affect the poverty rate in 29 cities / districts in Papua Province from 2010 - 2016 using the variables of labour, education, and ADHK GDP and using panel data regression analysis methods.

Similarly, research conducted by (Nalle et al., 2022), which aims to see the factors that most influence the high number of poor people in NTT Province in 2018-2021 using variables of economic growth, human development index and population and the method used is panel data regression analysis.

According to previous researchers, it can be concluded that the novelty of this research is that it uses the education variable measured by the literacy rate which has rarely been studied, the research object is selected based on 6 provinces in KTI which have the highest percentage of the 10 provinces with the largest percentage of poor people in Indonesia in 2022, and the research year which took place in 2001-2022.

METHODS

This research applied a quantitative approach and was conducted in Eastern Indonesia. The independent variables used involve the provincial minimum wage, GRDP, open unemployment rate, population, and literacy rate, while the dependent variable is the poverty rate. The type of data used is secondary data obtained from the Central Bureau of Statistics (BPS) (Tubaka, 2019). The data were collected in tabulated format from all autonomous administrative regions in the six provinces of Eastern Indonesia, namely Papua, NTT, Maluku, NTB, and Central Sulawesi. The time series data collected for

analysis covers the period from 2001 to 2022, with a total of 132 observation units obtained (Nalle et al., 2022).

The analysis method in this study applies panel data as a tool to process the data. Panel data analysis involves combining time-series data and cross-section data (Hatta & Khoirudin, 2020). Regression analysis uses evIEWS version 9 to handle and analyse statistical data. The data analysis tool used in this research is panel data analysis with the following equation model:

$$Y_{it} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon_{it}$$

Description:

Y : Percentage of Poor Population (%)
 I : Provinces in Eastern Indonesia
 T : Time or Year (2001-2022)
 X_1 : Provincial Minimum Wage (Rupiah)
 X_2 : ADHK GRDP (Billion Rupiah)
 X_3 : Open Unemployment Rate (%)
 X_4 : Total Population (Thousand)
 X_5 : Literacy Rate (%)
 β_0 : Constant
 ε_{it} : Confounding Variable (Error)
 $\beta_1 \text{ } \beta_2 \text{ } \beta_3 \text{ } \beta_4 \text{ } \beta_5$: Regression Coefficient for Each Independent Variable

To conduct panel data analysis, it is necessary to apply three model approaches, namely Common Effect, Fixed Effect, and Random Effect (Hatta & Khoirudin, 2020). The selection of the best estimated model is done using the Chow Test and Hausman Test, and if required, the Lagrange Multiplier Test is also used. After the multiple regression test is carried out, the next process involves hypothesis testing, including the t-test and F-test (Dores & Jolianis, 2014).

RESULTS AND DISCUSSION

Results

Best Model Selection Test

Chow test

Table 1. Chow Test Result

From the results of the chow test analysis in Table 1 with the redundant test, it was found that the prob chi-square value was 0.0000. This indicates that all models have probability values below α (0.05). Nonetheless, from the Chow test, it can be concluded that the FEM was chosen as the appropriate model to use in this research.

Hausman Test

Table 2. Hausman Test Result

The next test step is the Hausman test, the test is intended to determine the choice between FEM or REM based on the test results. The data in Table 2, found a chi-square probability value of 0.0000, smaller than the α value (0.05). Therefore, from the results of this Hausman test, the model chosen to be used in this research is FEM.

Table 3. Multicollinearity Test Result

Based on the results of multicollinearity testing, it shows that the correlation value of all variables is below 0.85, so the conclusion is that there is no multicollinearity.

Table 4. Heteroscedasticity Test Result

By paying attention to the Probability value < 0.05 of 0.0000, then for the Heteroscedasticity test it can be said that there is no or no Heteroscedasticity or it can be said (Homoscedasticity).

Table 5. Multiple Linear Regression Analysis Test Result (Fixed Effect Model)

Multiple Linear Regression Analysis Test Hypothesis Test

Partial Test (t-test)

Table 3 also presents the partial test results, or t-test, which illustrates the significance of the impact of each independent variable on the dependent variable.

Based on the panel data analysis using the fixed effects model, the t-test result on the UMP variable (X1) shows a t-count value of $-6.457534 > 1.97838$, and the probability value is $0.0000 < \alpha$ (0.05). From these results, it can be concluded that UMP has a significant negative impact on the poverty rate in KTI (Papua, NTT, Maluku, Gorontalo, NTB, and Central Sulawesi) during the period 2001-2022.

Based on panel data analysis using a fixed effects model, the t-test result on the ADHK GRDP variable (X2) shows a t-count value of $-1.565648 < 1.97838$, and the probability value is $0.1200 > \alpha$ (0.05). From these results, the conclusion is that ADHK GRDP has a negative but insignificant impact on the poverty rate in KTI (Papua, NTT, Maluku, Gorontalo, NTB,

and Central Sulawesi) during the period 2001-2022.

Based on the panel data analysis using the fixed effects model, the t-test results show that the TPT variable (X3) has a t-count value of $5.600667 > 1.97838$, and the probability value is $0.0000 < \alpha$ (0.05). From these results, it can be concluded that the TPT has a positive and significant impact on the poverty rate in KTI (Papua, NTT, Maluku, Gorontalo, NTB, and Central Sulawesi) during the period 2001-2022.

Based on the panel data analysis using the fixed effects model, the t-test result on the JP variable (X4) shows a t-value of $-3.064876 > 1.97838$, and the probability value is $0.0027 < \alpha$ (0.05). From these results, it can be concluded that JP has a negative and significant impact on the poverty rate in KTI (Papua, NTT, Maluku, Gorontalo, NTB, and Central Sulawesi) during the period 2001-2022.

Based on the panel data analysis using the fixed effects model, the t-test result on the AMH variable (X5) shows a t-value of $1.356046 < 1.97838$, and the probability value is $0.1776 > \alpha$ (0.05). Based on this result, it can be concluded that AMH has a positive but insignificant impact on the poverty rate in KTI (Papua, NTT, Maluku, Gorontalo, NTB, and Central Sulawesi) during the period 2001-2022.

Simultaneous Test (F-Test)

According to Table 3, the results of the panel data analysis using the fixed effects model show that the f-count value is $207.0813 > 2.286184$, with a probability value of $0.000000 < \alpha$ (0.05). The conclusion is that the variables of UMP, GRDP, TPT, JP, and AMH simultaneously have a significant impact on the poverty rate in KTI (Papua, NTT, Maluku, Gorontalo, NTB, and Central Sulawesi) during the period 2001-2022.

Determination Coefficient Test (R²)

The coefficient of determination describes how well the independent variables in the research model can explain the transfiguration in the dependent variable. The coefficient of determination from Table 3, which reaches 0.940232, indicates that UMP, GRDP, TPT, Total Population, and AMH as the independent variables in this research model can explain about 94.0232% of the change in the poverty rate in KTI. However, the coefficient of determination also shows that around 5.9768% of the variation in the poverty

rate can be explained or affected by other aspects that are not added in the research model.

Discussion

According to the findings of the study, it appears that the UMP has a negative and significant impact on the poverty rate of KTI. This implies that an increase in the UMP might result in a decrease in the poverty rate in the region. This finding agrees with previous research (Aprilia, 2016) which shows that every one rupiah increase in the UMP can reduce the poverty rate by 0.00001%. This is consistent with the target of UMP formation outlined by (Kaufman, 2000), Ministerial Regulation No: Per-01/Men/1999, and Labour Law No. 13 of 2003, which aims to increase labour prosperity and reduce poverty. When setting the Provincial Minimum Wage (UMP) close to or exceeding the Minimum Living Needs (KHM) as well as the poverty line, it has proven effective in reducing poverty levels in the East Java region.

Based on the findings of this research, it implies that ADHK GDP has a negative and insignificant impact on the poverty rate in KTI. This indicates that when GRDP increases, it can later reduce the poverty rate. This finding is in line with previous research (Valiant Kevin et al., 2022) which states that there is not always a significant correlation between the growth of Gross Regional Domestic Product (GRDP) and the poverty rate in Central Java, as reflected by data showing that an increase in the GRDP rate in the region from 2013 to 2021 did not consistently lead to a decrease in the poverty rate. For example, from 2019 to 2021, although GRDP increased, there was an increase in the poverty rate in Central Java. In addition, the research is also in line with (Hermawan & Bahjatulloh, 2022). With economic growth, there are opportunities to create jobs, which in turn can reduce the unemployment rate and improve household economic stability. An increase in people's income, whether through increased salaries or better business opportunities, can trigger consumption and help reduce poverty. Investments in infrastructure and education also contribute to improving economic efficiency, expanding access to healthcare, and creating a more skilled workforce.

The findings of this study show that the TPT has a positive and significant impact on the poverty rate in KTI. This implies that if the unemployment rate continues to rise, then there is a greater possibility of an increase in

poverty. This finding agrees with previous research done by (Ashari & Athoillah, 2023) which asserts that every 1 increase in the TPT can increase the number of poor people by 34.45642 thousand. This finding supports economic theory which states that a high unemployment rate has the potential to increase the poverty rate. When employment is limited, a large portion of the population may lose the opportunity to work, which in turn will reduce or even eliminate their source of income. This limited or no income then impacts on their ability to purchase goods necessary to fulfil their basic needs, which in turn can force them to live in a state of poverty.

The findings of the study state that population has a significant negative impact on the poverty rate in KTI. This implies that the higher the population, the greater the likelihood of a decrease in the poverty rate. The results of this research agree with the findings of (Nalle et al., 2022), which show that population growth in NTT Province can reduce the poverty rate. This phenomenon shows that the rapid growth of the population in NTT Province has more to do with an increase in the number of people of productive age than those who are not economically productive. This has implications for the increase in the number of productive workers and the increase in employment, which in turn can contribute to faster economic growth. Faster economic growth can lead to more employment opportunities, higher incomes and higher opportunities to access essential services that help alleviate poverty.

From the findings of this study, it appears that AMH has a positive, but not significant, impact on poverty levels in KTI. This implies that as literacy rates continue to rise, there is a possibility of an increase in poverty. These results agree with previous research conducted by (Kumalasari & Poerwono, 2016), which confirms that the coefficient of AMH tends to be positive but statistically insignificant in affecting the poverty rate in Central Java. This is because the high literacy rate is not accompanied by an increase in the quality of education that is also in line with the demands of the labour market. As a result, although people have better literacy rates, they may not have the skills or certifications needed to get a good job. This can result in high unemployment and can exacerbate poverty. Thus, literacy rates also need to be balanced with inclusive economic development, provision of suitable employment opportunities, and reduction of

gaps in access to and quality of education in order to have a more effective impact in reducing poverty.

CONCLUSION

The conclusions that can be drawn from this study are: UMP has a negative and significant effect on the poverty rate in KTI during 2001-2022, ADHK GRDP has a negative and insignificant effect on the poverty rate in KTI during 2001-2022, TPT has a positive and significant effect on the poverty rate in KTI during 2001-2022, Total Population has a negative and significant effect on the poverty rate in KTI during 2001-2022, and Literacy Rate has a positive and insignificant effect on the poverty rate in KTI during 2001-2022.

Suggestions

Based on the findings in this study, it is suggested that the government, especially in Eastern Indonesia, should ensure that the Provincial Minimum Wage (UMP) can make an effective contribution to reducing poverty. Steps that can be taken include adjusting the UMP in accordance with the cost of living in each province, involving representatives from workers, employers, and local governments in setting the UMP, implementing a regular monitoring and evaluation system to ensure the relevance and effectiveness of the UMP in the face of changing economic and social conditions in each province, and investing in skills development and education for workers.

Based on the findings of this study, it is recommended that the government, especially in Eastern Indonesia, should pay more attention to the equitable distribution of the value of GRDP in relation to population and human capital, especially for those who are financially disadvantaged. If the benefits of economic growth are not distributed thoroughly, it is possible that not all segments of society will experience an increase in welfare. Therefore, it is important to implement policies that support inclusiveness and equitable wealth distribution in order to achieve sustainable poverty reduction.

To address poverty by reducing unemployment, the government could consider measures such as allocating investment in skills training and education programmes to improve workers' skills and competitiveness. This is expected to reduce the gap between workers' skills and the needs of the labour market. In addition, collaborating with the private sector to create employment opportunities and provide support in setting up

micro and small enterprises through the provision of entrepreneurship training, technical guidance and access to finance can also be a solution.

The government can support successful family planning programmes and provide comprehensive sex education to the public. These efforts aim to regulate population growth and prevent unplanned births. In addition, with population growth on the rise, it is important to ensure a high quality of human capital through quality education and the development of good work skills. This is expected to create more productive workers who are equal to market demand, and potentially reduce poverty levels.

The government should ensure that high literacy rates are accompanied by excellent quality education. The education system needs to provide appropriate skills and knowledge to enable graduates to gain access to suitable jobs. Thus a high literacy rate can contribute to reducing the existing poverty rate.

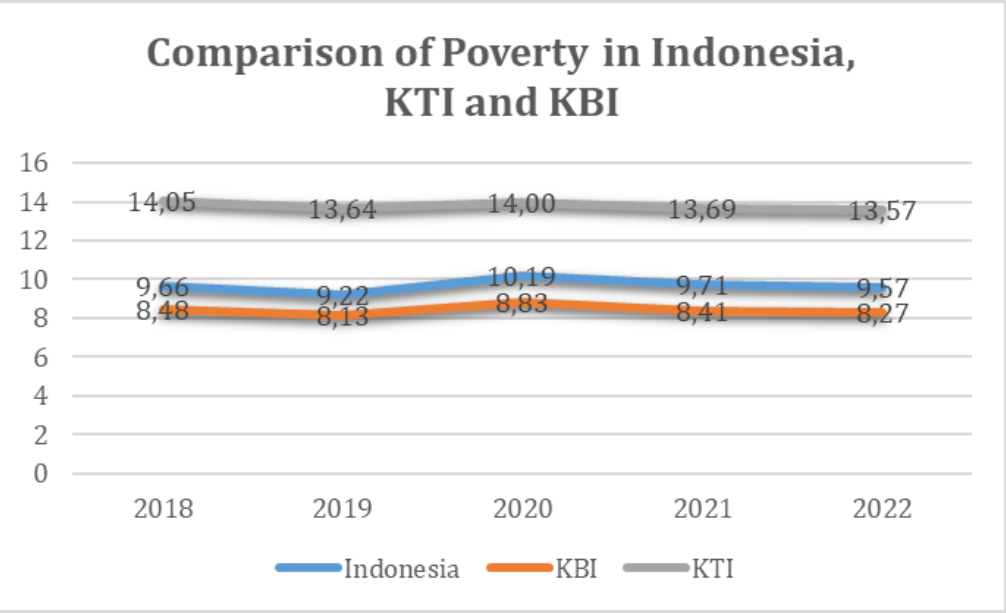
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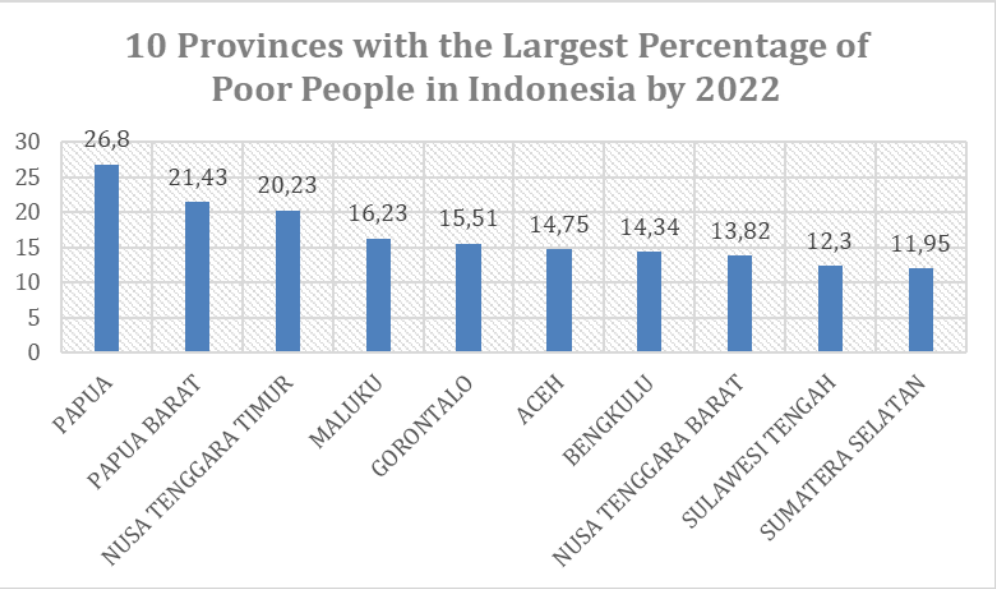
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Graphic 1. Comparison of Poverty Levels



in Indonesia, KBI and KTI
Source: *Badan Pusat Statistik*

Graphic 2. 10 Provinces with the Largest Percentage of Poor People in Indonesia



by 2022
Source: *Badan Pusat Statistik*

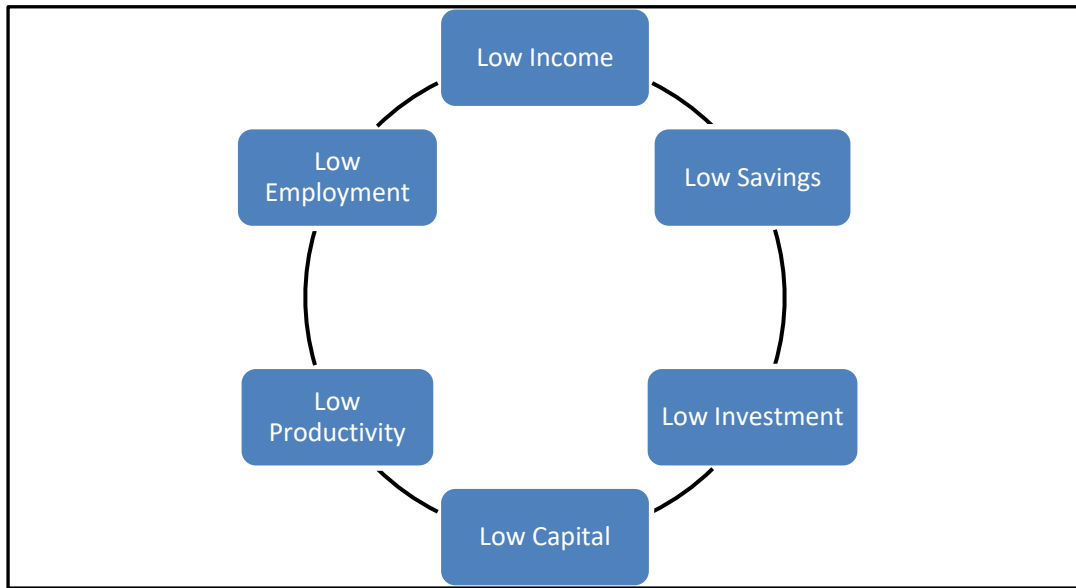


Figure 1. Vicious Circle Theory

Table 1. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	85.197217	(5,121)	0.0000
Cross-section Chi-square	199.139532	5	0.0000

Source: E Views 9 Output, 2023

Table 2. Hausman Test Result

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	425.986086	5	0.0000

Source: E Views 9 Output, 2023

Table 3. Multicollinearity Test Result

	LOGUMP	PDRB	TPT	JP	AMH
UMP	1.000000	0.773815	-0.511751	0.178625	-0.004220
PDRB	0.773815	1.000000	-0.706375	0.614239	-0.295192
TPT	-0.511751	-0.706375	1.000000	-0.514633	0.227599
JP	0.178625	0.614239	-0.514633	1.000000	-0.479387
AMH	-0.004220	-0.295192	0.227599	-0.479387	1.000000

Source: E Views 9 Output, 2023

Table 4. Heteroscedasticity Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.477256	15.09635	0.429061	0.6686
UMP	-0.276368	0.35779	-0.772886	0.4411
PDRB	-0.088738	0.212166	-0.418247	0.6765
TPT	-0.105996	0.054144	-1.957651	0.0526
JP	-0.049764	1.102497	-0.045137	0.9641
AMH	0.010935	0.045896	0.238258	0.8121

Source: E Views 9 Output, 2023

Table 5. Multiple Linear Regression
Analysis Test Result (Fixed Effect Model)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	167.1360	27.90486	5.989493	0.0000
UMP	-4.268219	0.660967	-6.457534	0.0000
PDRB_ADHK	-0.614014	0.392179	-1.565648	0.1200
TPT	0.560534	0.100083	5.600667	0.0000
JP	-6.245950	2.037913	-3.064876	0.0027
AMH	0.115042	0.084836	1.356046	0.1776
R-squared	0.944795			
Adjusted R-squared	0.940232			
F-statistic	207.0813			
Prob (F-statistic)	0.000000			