The Analysis of Influence of The Government Expenditure on Poverty in Indonesia

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<table>
<thead>
<tr>
<th>Artikel Info</th>
<th>Abstrak</th>
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<tbody>
<tr>
<td>Article history:</td>
<td>One of the roles of the government in efforts to reduce poverty is through an allocative role in developing effective budget allocation policies that can stimulate economic growth with the ultimate goal of suppressing and reducing poverty. Government expenditure is one of the fundamental government policy tools in efforts to reduce poverty. This research focuses on the effect of government expenditure on poverty in Indonesia. The data used in this study are secondary data including data on the realization of provincial government expenditure in Indonesia, the realization of economic growth that is substituted into the GRDP at the basis of Constant Prices in the provincial government in Indonesia and poverty in proxies in the form of the number of poor people obtained from BPS period in 2014-2018. The data analysis technique which is used in this study is the path analysis technique. Based on the results of the analysis, it can be concluded that in this study government expenditure variables have a significant direct effect on poverty in Indonesia. In addition to direct influence, the results of this study also show that government expenditure variables are indirectly able to influence changes in poverty reduction in Indonesia through economic growth variables.</td>
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</tbody>
</table>

Keywords: Government Expenditures; Economic Growth; Poverty

JEL Classification: H53;F43; I32

INTRODUCTION

The conceptualization of development is a process of continuous improvement in society towards a better or more prosperous life so that there are several ways to determine the level of welfare in a country. The benchmark for development is not just per capita income, but more than that it must be accompanied by improved income distribution, reduced unemployment rates, and the main thing is poverty reduction. Also, economic growth in addition to being an indicator to see the success of the development, is a condition for reducing poverty in the community.

Poverty is one of the main problems that are multisectoral and multidimensional that requires comprehensive and integrated treatment. The problem of poverty is mostly found in developing countries, including in Indonesia. Today's poverty alleviation programs have been carried out by the government through the role of related agencies, but the problem of poverty is still a major problem in most developing countries including Indonesia. With
still airings of poverty in Indonesia, needed a more effective policy formulation to overcome the problems of poverty in a more comprehensive

The number of poor people in Indonesia reached 27.73 million in 2014, decreased to 25.67 million in 2018. Or a decline in the number of the poor population of 2.06 million people, reaching 7.42% a. Although in the period the number of poor people had increased to 28.51 million in 2015, slowly the number of poor people experienced a tendency to slow down until 2018. In that period, the province with the highest number of poor people was East Java, namely amounted to 4,775,970 people in 2015 and the lowest number of poor people was North Kalimantan with several poor people reaching 40,930 people in 2015 (BPS, 2018).

Khasandy & Badrudin, 2019; Ndaguba & Hanyane,(2019); Tomaselli et al., (2019); Werhane et al., (2009); Yang (2019), Jachimowicz et al. (2020); Rochmatullah et al. (2020); Sumargo & Haida (2020), state that through the economic growth which is believed as one of the indicators that can influence poverty reduction in the community. Umiyati et al. (2017) suggested that there is a need for government strategic steps in efforts to increase economic growth, through increasing productive economy (pro-growth) in favor of the small community (pro-poor) through increasing employment (pro-jobs), so that it can absorb labor and reduce unemployment and poverty levels in the community with the ultimate goal of increasing community welfare (pro-growth).

The government expenditure is one of the fundamental government policy tools to increase the macroeconomic growth (Abdieva et al., 2017; Arestis et al., 2020; Chen et al., 2020; Mamun et al., 2020; Stokan et al., 2020). This concept is also supported by Shen et al. (2018) which states that the government has a large role through an allocative role, especially in most developing countries in efforts to maintain and to enhance macroeconomic growth. The government expenditure is not only expected from the amount of the amount but also must be strived for the effectiveness of budget implementation, namely the accuracy of the target in its expenditure (Reeves et al., 2019). The main dimension of government expenditure is to increase economic growth which is more focused on the availability of basic needs of the community and public services that have an impact on improving the welfare of the community with the ultimate goal of reducing and reducing poverty.

The economic growth as an intervening variable can indirectly influence or moderate the relationship between government expenditure and investment on job creation, absorption of the workforce, which in turn will have a positive effect on reducing poverty. The results of a previous study conducted by concluded that government expenditure and investment had no positive and significant effect in reducing poverty through economic growth. While with a different focus, the results of the Purnomo & Istiqomah (2019), found that economic growth had a positive and significant effect in suppressing and reducing poverty levels through increasing employment opportunities.
Some previous empirical studies on the relationship between government expenditure and poverty provide mixed findings. The results of studies conducted include Maipita et al. (2010); Suwardi, (2011); Amakom, (2013); Prasetyo & Zuhdi (2013); Wahyudi & Rejekingsih (2013); Kaligis et al. (2017); Mustaqimah et al. (2018); (Sendouw et al. (2017); Chude et al. (2019), and Maipita et al. (2010); Dankumo et al. (2019), found that government expenditure on public spending had a negative and significant effect on poverty levels. This means that the greater the government's expenditure on public spending, it will have an impact on reducing poverty. While, Purnomo & Istiqomah (2019), found that government expenditure does not significantly influence poverty reduction. That means government expenditure that does not have a real impact on poverty reduction in the community.

The contradictory differences in the results of previous studies inspire researchers to conduct the same study. The difference in this study compared to previous research is that it involves economic growth variables as a mediating variable between government expenditure on poverty levels, which is a research gap from the findings of previous researchers, in which this study involves the economic growth variable as a mediating variable.

**RESEARCH METHOD**

The type of data in this study is secondary data sourced from the Indonesian Central Statistics Agency (BPS) for the period 2014-2018. The data used in the form of panel data is a combination of time-series data (years) and cross-sections (provinces) with a total sample size of 170 samples. Data collection techniques in this study use the method of library research (library research) of statistical documents or annual reports that have been published or issued by the relevant official institutions.

The data analysis technique is defined as a method or way to process data into information so that the characteristics of the data become easy to be understood and also useful for finding solutions to problems from a study. Path analysis technique (path analysis) is the development of multiple linear regression (multiple linear regression) that is used to analyze the relationship between independent variables to the dependent variable, both directly and indirectly, and can be used to test intervening variables. The study aims to analyze the effect of government expenditure variables on poverty mediated by economic growth.

**RESULT AND DISCUSSION**

**Government Expenditure**

The development of the realization of provincial government expenditure in Indonesia in the period 2014-2019 is shown in Figure 1.
Figure 1. Development of Government Expenditures in Indonesia in 2013-2019

![Graph showing the development of government expenditures in Indonesia from 2013 to 2019.](image)


Figure 1, provides information that the realization of provincial government expenditure in Indonesia in the period of 2014 to 2019 experienced a trend of increasing constantly. The realization of government expenditure increased from Rp.261.712 trillion (2014) to Rp.277.595 trillion (2015), then again increased by Rp.297.851 trillion (2016), increasing to Rp.349.611 trillion (2017) and again experiencing an increase of Rp.370.944 trillion (2018) to reach Rp.392.877 trillion (2019) in a row. In general, during this period, the realization of government expenditure showed an increase in reaching Rp.131.164 trillion or around 50.12%.

Economic Growth

The development of economic growth, which is substituted into PDRB at Basic Prices in Indonesia in the period 2013 to 2018, is described in Figure 2 below.

Figure 2. Development of Economic Growth in Indonesia in 2013 - 2018.

![Graph showing the development of economic growth (PDRB) in Indonesia from 2013 to 2018.](image)

Figure 2 shows that economic growth substituted into PDRB at Constant Price in the period 2013 to 2018 experienced a trend of constant increase. Based on data from the Central Statistics Agency (BPS), economic growth (PDRB) increased from Rp.8.177 billion (2013) to Rp.8.603 billion (2014), then reaching Rp.9.033 billion (2015), increased to Rp.9.499 billion (2016), and a constant increase of Rp.9.996 billion (2017) up to Rp.10.527 billion (2018) in a row. In general, economic growth (PDRB) based on Constant Prices (ADHK) shows an upward trend of up to Rp.2.349 trillion or 28.72% in the 2013-2018 period.

Poverty

The development of the number of poor people by provinces in Indonesia from 2014 to 2019 is described in Figure 3.

Figure 3. The Poverty Development in Indonesia in 2014-2019

Figure 3 provides information that the number of poor people in Indonesia in the period 2014 to 2019 showed fluctuating developments with a tendency to decline slowly. Based on BPS data from 2014 to 2019, the number of poor people reached 27.73 million people (2014) and then increased to 28.51 million people (2015). The development of the number of poor people began to show a declining trend in the period 2016 to 2019, from 27.76 million people (2016) to 26.58 million people (2017), then declined 25.67 million people (2018) to reach 25.14 million people (2019).
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The Result of The Analysis of The effect of Government Expenditure and Economic Growth on Poverty

Effect of government expenditure and economic growth on poverty show that Table 1.

Tabel 1. Partial Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>500710.534</td>
<td>76210.072</td>
</tr>
<tr>
<td>Government Expenditure</td>
<td>-95.492</td>
<td>9.866</td>
</tr>
<tr>
<td>Economic Growth</td>
<td>4.597</td>
<td>.294</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Poverty

Table 1 shows the results of the t-test (partial test) used to find out whether in the regression model the independent variable partially has a significant effect on the dependent variable. The results of the regression analysis showed that the government expenditure variable t value (-9.679) was greater than the value of the t table (-1.974) with a significance value of 0.000 smaller than the 0.05 significance level. This means that the hypothesis stating that government expenditure has a direct significant effect on poverty is accepted. For the test results, the path coefficients can be flashed simultaneously in the following Table 2.

Tabel 2. Simultaneous Test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1.55E+17</td>
<td>3</td>
<td>5.15E+16</td>
<td>121.665</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>7.03E+16</td>
<td>166</td>
<td>4.23E+14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2.25E+17</td>
<td>169</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Poverty
b. Predictors: (Constant), Economic Growth, Investment, Government Expenditure

Table 2 shows simultaneously that there is a significant influence of government expenditure and economic growth variables on poverty in Indonesia. These results are indicated by the calculated F value (121.665) greater than the F table value (2.659) with a significance value of 0.000 smaller than the 0.05 significance level. This means that the variables of government expenditure and economic growth simultaneously have a significant effect on poverty reduction in Indonesia.
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Table 3. Determination Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>.829</td>
<td>.687</td>
<td>.682</td>
<td>650608.5126</td>
</tr>
</tbody>
</table>

Based on the results of data processing, the first path analysis equation model is obtained as follows:

\[ Y_2 = 500710.534 - 95.492X_1 + 4.597Y_1 + \varepsilon_t \]  \hspace{1cm} (1)

The equation model above can be described that poverty directly with a constant of 500,711 is influenced by the \( \beta \) coefficient value of government expenditure of \(-95,492\) and the coefficient of economic growth \( \beta \) of 4,597. This means that each increase in the allocation of government expenditure by Rp.95.492 trillion and growth of Rp.4.597 trillion will reduce the number of poor people by 500,711 people.

Based on Table 3 it is also known as the coefficient of determination (R\(^2\)) in the form of an R Square value of 0.682 or 68.2%. This means that the poverty variable is influenced by the magnitude of the contribution of the influence of government expenditure and economic growth by 68.2%, while the remaining 31.8% is explained by other variables outside the model.

Based on the results of the analytical calculation on the path I equation model and the path II analytical equation model, the results of the hypothesis of direct and indirect effects are obtained as in Table 4 and Table 5.

Table 4. Direct Hypothesis

<table>
<thead>
<tr>
<th>Effect Variable</th>
<th>B</th>
<th>t_{Statistic}</th>
<th>P value</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Expenditure → Economy Growth</td>
<td>0.905</td>
<td>26.909</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Government Expenditure → Poverty</td>
<td>-0.979</td>
<td>-9.679</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Economy Growth → Poverty</td>
<td>1.577</td>
<td>15.647</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

The direct effect between government expenditure variables on poverty. In calculations using SPSS, it can be seen the significance value (p-value) 0.000 <0.05, meaning that Ho is rejected and Ha is accepted. Thus, it is concluded that government expenditure has a direct significant effect on poverty in Indonesia.

Table 5. Hypothesis Testing Results Indirectly

<table>
<thead>
<tr>
<th>Effect Variable</th>
<th>Causal Effect</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td>Mediation Effect</td>
<td></td>
</tr>
<tr>
<td>Government Expenditure → Economy Growth</td>
<td>0.905</td>
<td>(0.905) x (1.577) = 1.427</td>
</tr>
<tr>
<td>Economy Growth → Poverty</td>
<td>1.577</td>
<td>-0.979 &lt; 1.427</td>
</tr>
<tr>
<td>Government Expenditure → Poverty</td>
<td>-0.979</td>
<td>Significant</td>
</tr>
</tbody>
</table>
Based on the value of the direct effect path coefficient in Table 4 and the indirect effect in Table 5 above, we obtain a model of the relationship between government expenditure and investment variables on economic growth and poverty in Indonesia in the period 2014 to 2018 that can illustrate in the path analysis diagram as shown in Figure 4.

**Figure 4. Path Analysis**

The results of SPSS output to test the indirect effect between government expenditure variables (X1) on poverty (Y2) through economic growth (Y1) is by multiplying Beta (β) between X1 against Y1 and Y1 against Y2, as follows:

\[
\text{Beta (X1} \rightarrow \text{Y1} \rightarrow \text{Y2)} = \text{Beta (X1} \rightarrow \text{Y1) x Beta (Y1} \rightarrow \text{Y2)}
\]

\[
= (0.905) \times (1.577) = 1.427
\]

Based on the calculation results, it is known that the direct effect between government expenditure variables and poverty is -0.979 and the indirect effect is 1.427, which means that the value of the direct effect is smaller than the value of the indirect effect. These results indicate that indirectly the variable government expenditure has a significant effect on the poverty variable in Indonesia through economic growth. The government expenditure variable can indirectly influence changes in poverty reduction in Indonesia through an intermediate variable, namely economic growth.

**DISCUSSION**

Based on the results of this study, it was found that government expenditure has a significant effect on poverty. This finding supports the opinion expressed which in their writings state that government expenditure and poverty have a negative relationship if these expenditures are development paths such as the construction of social facilities, public goods, infrastructure, additional capital costs, health, and education. Also, the results of this study have similarities with the results of the study (Mustaqimah et al.. 2018) with the title of the journal "The Role of Government Capital Expenditure and Human Development Investment in Reducing Poverty Levels in Indonesia" which concluded that government expenditure policies through mandatory expenditure matters education and health have a positive impact on poverty reduction. The results of this study are also in line with the results of the study of Chude et al. (2019) with the title of the journal "The Relationship between..."
Government Expenditure, Economic Growth and Poverty Reduction in Nigeria" which proved information that the government expenditure through public spending, has a negative and significant effect on reducing and suppressing poverty levels in Nigeria. Likewise, the results of this study have similarities with those of Dankumo et al. (2019) with the title of the journal "The Relationship between Public Expenditure, Corruption, and Poverty in Nigeria", found that government expenditure through public spending had a negative and significant effect on poverty levels. This means that the greater the government expenditure and with good effectiveness by touching on the basic needs of the community and public spending, it will have a big impact on the reduction and decreasing of the number of poor people.

Moreover, the results of data analysis show that from 2014 to 2018, the government expenditure on all provincial governments in Indonesia towards poverty through economic growth showed a negative relationship. This means that government expenditure has a positive effect on increasing economic growth in reducing the occurrence of poverty in Indonesia, so that so the sixth hypothesis which states government expenditure, has an indirect and significant effect on poverty through economic growth is proven. This shows that economic growth is an intervening variable that can moderate the influence of government expenditure variables on poverty in Indonesia. The results of this study are in line with the reality, where the government has made efforts to increase the allocation of direct expenditure in the form of goods and services expenditure and capital expenditure in the component of government expenditure that can provide basic needs and public services, that can stimulate productive sectors to increase economic growth which in turn can reduce the occurrence of poverty in the community. The results of this study are in line with research conducted by Amalia & Razak (2015) which states that government expenditure has a direct or indirect effect on reducing poverty levels.

CONCLUSION

Based on the findings of this research concludes that (1) there is a positive relationship between government expenditure on economic growth, the findings suggest that the higher government expenditure will increase economic growth in Indonesia. Government expenditure is a function of economic growth, the greater the government expenditure of a country, the greater the level of economic growth that can be achieved. (2) There is a negative relationship between government expenditure on poverty, this shows that the higher the government expenditure, the lower the poverty level in Indonesia. The increase in the realization of government expenditure has a positive effect on reducing poverty nationally. The Government has implemented the right policy, namely by increasing the effectiveness and sharpening of government expenditure priorities, especially for the provision of basic needs (public needs) and public services (public services) that can be seen from the increase in government expenditure on the structure of goods
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and services spending that reaches Rp. 292.96 trillion or 18.81% and reached Rp. 225.64 trillion or reaching 14.48% or cumulatively reaching 33.29%. This figure is still greater than routine expenditure, especially for personnel expenditure that only reaches Rp. 263.82 trillion or 16.94% of the government expenditure structure (3). Economic growth has a significant and positive effect on poverty. The results show that increasing economic growth will affect increasing poverty in Indonesia. The results of this study are different from existing realities, where economic growth correlates with the decline in the number of national poor people. Today's poverty alleviation programs have been carried out by many governments, both at the central and regional levels through the role of relevant agencies, but the problem of poverty is still a complex problem that needs't comprehensive treatment in most developing countries including Indonesia. With the problem of poverty still rising in Indonesia, reflecting the need for more effective policy formulations that can overcome the problem of poverty in the future. (4) There is an indirect relationship between governments' spending on poverty through economic growth.

This research recommends the importance of the government's role by prioritizing budget allocations, which are considered to be very closely related to poverty. Also, government policies in poverty alleviation efforts are certainly implemented through programs based on extracting the potential that exists in the community itself. This means that it needs to involve the community in implementing the program, and the government has the role of facilitator. Also, it is necessary to formulate a strategy for the sustainability of the program (activities) in the community, which is supported by the coordination between relevant agencies.

REFERENCES


