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ANALYSIS OF FACTORS AFFECTING POVERTY IN INDONESIA

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ABSTRACT

One of the indicators of the success of development is the level of poverty. This study aims to determine the effect of Economic Growth, Open Unemployment Rate, Inflation, Human Development Index, and Domestic Investment on the poverty rate in 34 Provinces in Indonesia in 2017-2022. Data were obtained from the official website of Statistics Indonesia. This study used a quantitative method and data analysis used pane data regression with the selected mode Fix Effect Mode (FEM) with the help of Eviews9 software. The results showed that simultaneously economic growth, open unemployment rate, inflation, human development index, and domestic investment influence poverty levels in 34 provinces in Indonesia. Meanwhile, partially, Economic Growth, Open Unemployment Rate, Inflation, and Human Development Index significantly reduced poverty levels, while Domestic Investment did not significantly reduce poverty levels. For that reason, in order to reduce poverty levels in Indonesia, governments can focus on boosting economic growth and the human development index, job creation and suppressing inflation. The absorption of labor in the labor market will provide wages and increase income to meet daily needs which then reduce the poverty level. The decrease in inflation can increase people's purchasing power because people have adequate financial capacity to consume and meet their daily needs. The increase in the human development index will increase productivity, output, and remuneration for a company.

Keywords : *Poverty, Economic Growth, Open Unemployment Rate , Inflation , Human Development Index, Domestic Investment*

ABSTRAK

Salah satu indikator keberhasilan pembangunan adalah tingkat kemiskinan. Studi ini bertujuan untuk menentukan pengaruh Pertumbuhan Ekonomi, Tingkat Pengangguran Terbuka, Inflasi, Indeks Pembangunan Manusia dan Investasi Dalam Negeri pada tingkat kemiskinan di 34 Provinsi di Indonesia pada 2017-2022. Data tersebut diperoleh dari situs resmi Statistics Indonesia. Studi ini menggunakan metode kuantitatif dan analisis data menggunakan regresi data panel dengan mode Fix Effect Mode (FEM) yang dipilih dengan bantuan perangkat lunak Eviews9. Hasil penelitian menunjukkan bahwa pertumbuhan ekonomi, tingkat pengangguran terbuka, inflasi, indeks perkembangan manusia, dan investasi domestik secara simultan mempengaruhi tingkat kemiskinan di 34 provinsi di Indonesia. Sementara itu, sebagian, Pertumbuhan Ekonomi, Tingkat Pengangguran Terbuka, Inflasi, dan Indeks Pembangunan Manusia secara signifikan mengurangi tingkat kemiskinan, sementara Investasi Domestik tidak secara substansial mengurangi tingkat Kemiskinan. Oleh karena itu, untuk mengurangi tingkat kemiskinan di Indonesia, pemerintah dapat fokus pada mendorong pertumbuhan ekonomi dan indeks pengembangan manusia, menciptakan pekerjaan dan menekan inflasi. Penyerapan tenaga kerja di pasar tenaga kerja akan memberikan upah dan meningkatkan pendapatan untuk memenuhi kebutuhan sehari-hari yang kemudian mengurangi tingkat kemiskinan. Penurunan

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inflasi dapat meningkatkan daya beli orang karena orang memiliki kapasitas keuangan yang memadai untuk mengkonsumsi dan memenuhi kebutuhan sehari-hari mereka. Peningkatan indeks pengembangan manusia akan meningkatkan produktivitas, output, dan remunerasi untuk sebuah perusahaan.

Kata kunci : Kemiskinan, Pertumbuhan Ekonomi, Tingkat Pengangguran Terbuka, Inflasi, Manusia Indeks Pembangunan, Investasi domestik.

INTRODUCTION

One of the indicators in assessing the success of development is the level of poverty (Oktaviana et al., 2021). Globally, poverty is a key issue for every country, particularly developing countries including Indonesia. Eradicating poverty is the goal of sustainable development and UNDP's target achievement by 2030. Poverty is characterized by the condition of being unable to fulfill basic needs such as food, clothing, medicine, and shelter (Hardinandar, 2019). The World Bank defines absolute poverty and medium poverty as the condition of a person living with incomes lower than USD $1/day and $2/day respectively. The XI Commission of the House of Representatives highlighted information reported by the World Population Review that Indonesia is ranked 73rd among the world's poorest countries with a gross national income of US$3,870 per capita in 2020 (dpr.go.id, 2022).

Without immediate and proper management, poverty can cause various bad impacts. In 2014-2016, the high level of poverty caused a high number of murder cases in China (Dong et al., 2020). From 1980 to 2017, the northern country of Ghana had an increasingly low health level (Nana & Antwiwaa, 2019). In 1995-2016, African countries had high crime cases (Cheteni et al., 2018). In the United States, poverty does not only describe a person's low income, but also shows the accumulation of various losses and increases complex problems such as mental illness, violence, residential instability, poor health, and unsafe environments (Desmond & Western, 2018). In Indonesia, poverty increases crime rates and low levels of health which eventually influence economic stability and community welfare (Wicaksono & Suharto, 2023); Septriani (2024). The community in Waikarara, Kodi Balaghar Sub-district, Southwest Sumba District are unable to meet clothing, food, and shelter and unable to send their children to school, and even this region has high rates of crime such as theft and robbery (Wungo, 2021). Poor economic conditions caused social inequality and increased theft and robberies in Batam in 2021

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(Lerabeni et al., 2022). Poverty has become the main cause of high crime rates in some districts/cities of Kalimantan Province (Sarwiyana, 2023), Bandung City (Dukiah et al., 2018), and Toli-Toli district (Kasim & Hendra, 2023).

Statistics Indonesia defines poverty as a person's financial inability to meet basic needs in the form of food and non-food needs as measured by expenditure. A person with an average monthly per capita expenditure below the poverty line is considered poor. The poverty line (GK) is the sum of the Food Poverty Line (GKM) and the Non-Food Poverty Line (GKMN). It reflects the minimum expenditure of a person to meet his basic needs for a month, both food and non-food needs. Statistics Indonesia refers to basic need approaches using 3 poverty indicators, namely the Head Count Ratio (HCR–P0), namely the percentage of the poor population whose income is below the poverty line (GK). The Poverty Gap Index (PG-P1) is a measure of the average gap between the expenditure of each poor population and the poverty line. The higher the index value, the further the average expenditure from the poverty line. The Poverty Severity Index (PSP2) provides an overview of the distribution of expenditure among the poor. The higher the index value, the higher the expenditure inequality among the poor. The following table shows poverty levels, poverty gap index, and severity of poverty in Indonesia from 2017 to 2022.

Table 1. Poverty Level, Poverty Gap Index, and Severity of Poverty in Indonesia from 2017 to 2022 (%)

Year	Poverty Level (P0)	Poverty Gap Index (P1)	Severity of Poverty (P2)
2017	10, 64	1,83	0,48
2018	9,82	1,71	0,44
2019	9,41	1,55	0,37
2020	9,78	1,61	0,38
2021	10.14	1,71	0,42
2022	9,54	1,59	0,40

Source: BPS Indonesia Publication 2017-2022

The Indonesian poverty level is the poverty level of the total population in 34 provinces in Indonesia where the population has an average monthly expenditure below the poverty line. Statistics Indonesia has set the poverty line at IDR 535,547.00/capita/month. Table 1

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shows that the poverty rate in Indonesia fluctuates from 2017 to 2022 with the highest poverty rate of 10.64% in 2017 and the lowest poverty rate of 9.41% in 2019. The highest poverty gap index reached 1.83% in 2017 and the lowest poverty gap index was 1.55% in 2019. Then, the highest poverty severity rate was 0.48% in 2017 and the lowest was 0.38% in 2019.

Empirical studies have examined factors influencing poverty levels such as inflation and poverty in the long term in Turkey from 1990-2021 where the lower the inflation rate, the lower the poverty levels (Koyuncu, et 2022). Unemployment and the quality of public governance are a positive shock that is almost twice as large as the poverty level in Pakistan where the increase in unemployment will increase the poverty rate but the increase in the quality of public governance will reduce the poverty rate (Meo, et. al., 2023). GDP per capita, unemployment rate, loan interest rate, inequality in the distribution of income and profits, and the official exchange influence the level of poverty in Ukraine (Brychka, et. al., 2023). Economic growth as measured by GDP growth shows a positive relationship with poverty alleviation where sustainable economic growth will reduce poverty levels in the long term in Nigeria (Pau, 2023).

Money supply, government capital expenditure, unemployment rates, and interest rates played a significant impact on poverty levels in Nigeria from 1970 to 2019 (Chinedu, 2021). Investment, economic growth, and ZIS (Zakat, Infaq, and Alms) did not influence poverty levels, while the open unemployment rates influenced the poverty levels in Indonesia in 2008-2022 (Wardani, et. al. 2023). The human development index influences poverty levels, but inflation, unemployment, and economic growth did not have a significant influence on poverty in 8 districts/cities in Aceh Province in 2010-2020 (Iskandar, et. al. 2022). Unemployment and inflation had a positive and significant effect on district/city poverty in South Sumatra in 2015-2019 (Mardiatillah, et. al. 2021). The provincial minimum wage and unemployment had a significant effect on poverty, while the human development index and economic growth did not have a significant effect on the poverty level in East Java from 2005 to 2020 (Priseptian, et. al. 2022). Both domestic and foreign investment could reduce poverty levels in 33 provinces in Indonesia in 2010-2019 (Wiganepdo and Soegoto, 2022). Therefore, this study aims to analyze factors influencing poverty in Indonesia in 2017-2022.

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LITERATURE REVIEW

Poverty is the condition of a person or group of people who do not have the ability, assets, freedom, and accessibility to meet their needs and are very vulnerable to risk and pressure (Mardiatillah, 2021). World Bank defines poverty as a condition where a person does not have the choice or opportunity to improve his standard of living in order to live a healthy and better life according to living standards, have self-respect, and be respected by others. Statistics Indonesia also defines poverty as a person's financial inability to meet basic needs, both food and non-food needs as measured by expenditure. A person with an average monthly per capita expenditure below the poverty line is considered poor.

Statistics Indonesia has set the poverty line at IDR 535,547.00/capita/month. Sukirno (2016) explained that economic growth is economic development in a society characterized by increasing community prosperity and the production of goods and services. Thus, economic growth can be interpreted as the process of increasing the production capacity of an economy which is reflected in the form of an increase in national income. Economic growth is an indication of the success of economic development. Statistics Indonesia defines the open unemployment rate as the percentage of the number of unemployed to the total workforce. Open unemployment is a condition of a person aged 15 years old or older who does not have a job but is looking for work, preparing a business, or already has a job but has not yet started working.

Inflation is the condition of continuous increase in prices of goods and services. If only one item increases, it is not called inflation unless the increase in the price of that item affects the prices of other goods (Martiatildah, 2021). Sukirno (2016) defines inflation as an increase in the prices of goods and services that prevail in an economy. The inflation rate differs from one period to another, and each country has a different inflation rate.

The human development index (HDI) is one of the indicators to measure the quality of economic development, namely the degree of human development. The human development index (HDI) groups three basic dimensions of human development. The first is life expectancy which reflects the ability to live a long and healthy life. The second is years of schooling and expected years of schooling which reflect the ability to acquire

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knowledge. The third is gross national income per capita which reflects the ability to achieve a decent standard of living (Human Development Report Office in Siswati, 2018).

Domestic investment (PMDN) is an investment activity to run a business in the territory of the Republic of Indonesia carried out by domestic investors which can be carried out by individuals or business entities. PMDN is a form of investment by building, buying out, or acquiring a company (Wiganepdo and Soegoto 2022).

RESEARCH METHOD

This study used secondary data obtained from Statistics Indonesia. The data used were a combination of cross-section data and time series data of 34 provinces in Indonesia over 6 years, namely from 2017 to 2022 (panel data). The variables used in this study were the poverty rate (Y) in percent, economic growth (X1) in percent, open unemployment rate (X2) in percent, inflation (X3) in percent, human development index (X4) in percent, and domestic investment (X5) in logarithmic rupiah. This study aims to identify whether the independent variables, namely Economic Growth, Unemployment, Inflation, Human Development Index, and Domestic Investment are associated with the dependent variable, namely the poverty level in 34 Provinces in Indonesia. This study used the panel data analysis method (pooled data) and data were processed using Eviews9 software.

The panel model used the following formula:

$$Yit = \alpha + \beta 1X1it + \beta 2X2it + \beta 3X3it + \beta 4X4it + \beta 5LnX5it + eit$$

Where:

Y = Poverty Levels (%)
X_1 = Economic growth (%)
X_2 = Open unemployment rate (%)
X_3 = Inflation (%)
X_4 = Human development index (%)
Ln X_5 = Domestic investment (Logarithm Natural)
α = Intercept coefficient
β = Independent Variable Coefficient
i = Provinces in Indonesia
t = year 2017 - 2022
e = Error Term

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RESULTS AND DISCUSSION

Multicollinearity test

The coefficient of economic growth and open unemployment rate reached -0.2502; economic growth and inflation reached 0.3630; economic growth and human development index were -0.0355; economic growth and domestic investment reached -0.0617; open unemployment and inflation rate reached -0.0786; open unemployment rate and human development index were 0.3670; open unemployment rate and domestic investment reached 0.3195; inflation and human development index were 0.0654; inflation and domestic investment reached 0.0243; and human development index and domestic investment index reached 0.5013. Thus, the correlation matrix value for all variables is smaller than 0.80 meaning that there are no symptoms of multicollinearity.

Heteroscedasticity test

The heteroscedasticity test used the Glejser test. The probability value of economic growth is 0.3638; the open unemployment rate was 0.8415; the inflation rate was 0.8977; human development index was 0.7196; and domestic investment reached 0.5361. Each variable has a probability value above 0.05 meaning that the data are free from heteroscedasticity problems.

Autocorrelation Test

The Watson Durbin value in this study reached 1.1475 meaning that the data do not contain autocorrelation.

Chow Test

Table 2. Chow Test Result

Effects Test	Statistic	d.f.	Prob.
Cross-section F	654.761520	(33,165)	0.0000
Cross-section Chi-square	996.017867	33	0.0000

Source: processed data using Eviews9

Based on Table 2, the probability of cross-section F statistics is 0.0000, which is smaller than the level of significance, namely α = 0.05. Thus, H0 is rejected and Ha is accepted, so the best model to use is the fixed effect model.

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Hausman Test

Table 3. Hausman Test Estimation Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	17.098465	5	0.0043

Source: processed data using Eviews9

Based on Table 3, the F statistical cross-section probability is 0.0043, which is smaller than the level of significance, namely α = 0.05. Thus, H0 is rejected and Ha is accepted, so the best model to use is the fixed effect model.

Hypothesis testing analysis

Tabel 4. Fixed Effect Model.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	31.74629	3.095227	10.25653	0.0000
PE	-0.033674	0.011351	-2.966586	0.0035
TPT	0.152945	0.044611	3.428439	0.0008
Inflasi	0.044360	0.020724	2.140559	0.0338
IPM	-0.302298	0.046619	-6.484469	0.0000
PMDN	-0.063550	0.047548	-1.336534	0.1832

Effects Specification
Cross-section fixed (dummy variables)

R-squared	0.996104	Mean dependent var	10.55461
Adjusted R-squared	0.995207	S.D. dependent var	5.460763
S.E. of regression	0.378068	Akaike info criterion	1.062694
Sum squared resid	23.58436	Schwarz criterion	1.697040
Log likelihood	-69.39476	Hannan-Quinn criter.	1.319298
F-statistic	1110.155	Durbin-Watson stat	1.147631
Prob(F-statistic)	0.000000		

Source: processed data using Eviews9

Based on Table 4, the R Square value is 0.99 or 99% meaning that all independent variables have a very strong relationship with the poverty level of 99%. The remaining 1% is explained by variables other than the independent variables used. Meanwhile, the F count value is 1110.155 and the significance is 0.0000 with a significance level of 5% (α = 0.05) and a significant value of 0.0000<0.05. The F table value is obtained from (α; k-1; n-k) = (0.05; 5-1; 204-5) = (0.05; 4; 199) so the F table value is 2.259697 meaning that F count > F table (1110.155> 2.259697). Thus, all independent variables simultaneously have a significant influence on poverty. The t-test obtained a value of 0.0035 (economic

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growth); 0.0008 (open unemployment rate); 0.0338 (inflation); and 0.0000 (human development index); These four variables have a significant effect on poverty, while the domestic investment variable (0.1832) significantly influences poverty.

Discussion

Statistics Indonesia (BPS) has issued a book about the analysis of gross regional domestic product which explains that economic growth is one of the indicators in measuring the level of prosperity of a region. The poverty in Africa is an example of the absence of economic growth (stagnation). Based on Adam Smith's theory, capital accumulation must be completed before the division of labor as it is an absolute condition for economic development. Adam Smith believed that when economic growth slows, capital accumulation stops with low profits, low wages, stagnant per capita income, and stagnant production and economy. This worsens the conditions or increasing the poverty (Jhingan, M. L, 2016).

Economic growth can increase goods and services and this requires an increase in labor which will increase income and eventually reduce poverty levels. Sukirno (2016) argues that economic growth causes an increase in goods and services produced and results in an increase in prosperity. In this studies The Economic Growth (PE) variable negatively and significantly influences the poverty level. The higher the level of economic growth, the lower the poverty level in Indonesia. The probability value of economic growth reaches 0.0035 (<0.05) with a coefficient value of -0.033674%. If the values of other variables are constant and economic growth increases by 1%, the poverty variable will decrease by 0.033674%. The link between economic growth and poverty levels can be seen from the data published by Statistics Indonesia in 2017-2022 where Indonesia's economic growth tends to increase and the poverty level tends to decrease.

However, economic growth in 2020 experienced a decline and this was also followed by an increase in poverty levels as a result of the COVID-19 pandemic. In this case, it can be seen that economic growth and poverty levels are related to each other. This is in line with Paul (2023) that long-term economic growth shows a positive relationship that can reduce poverty levels in Nigeria, and the study also explains that to reduce poverty, sustainable and inclusive economic growth has to be able to create jobs, increase income, and improve

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living standards. In addition, Priseptian et al (2023) show that economic growth can reduce poverty levels in East Java from 2005 to 2020.

High unemployment rates can increase the poverty level. Limited job opportunities will cause some people to have no work and will ultimately reduce or have no income. This can result in decreased purchasing power to fulfill basic needs and therefore live in poverty (Ashari and Athoilah, 2023). Economic development can be channeled to industry and thereby encourage job creation both in cities and in rural areas. The absorbed workforce will reduce unemployment rates which eventually will reduce poverty (Guampe et al., 2022).

In this studies The Open Unemployment Rate (TPT) variable positively and significantly influences the poverty level. The higher the number of unemployed, the higher the poverty level in Indonesia, and vice versa. The absorption of labor into the labor market can provide wages and increase income to meet daily needs, and this can decrease poverty. This is in line with Sukirno (2016) that the negative impact of unemployment is a reduction in a person's income and a decrease in people's welfare leading to a poverty trap. The probability value of the open unemployment rate is 0.0008 (<0.05) with a coefficient value of 0.152945%. If the values of other variables are constant and the open unemployment rate variable increases by 1%, then the poverty variable will increase by 0.152948%.

According to the data issued by the Coordinating Ministry for Economic Affairs (2021), the COVID-19 pandemic has had an impact on the labor market where business actors increase efficiency to reduce losses. Consequently, many workers were temporarily suspended or laid off causing an increase in the unemployment rates. The survey results show that companies are responding to the pandemic situation by reducing the number of employees by 35.6% consisting of 383.6 thousand workers who were laid off, 1.13 million workers who were temporarily suspended, and 630.9 thousand informal workers who lost their jobs/went bankrupt. This also has an impact on reducing workers' income/wages. Labor in the accommodation and food and beverage category were most affected by the pandemic, followed by real estate and transportation and warehousing. An increase in the number of unemployed and a decrease in wages can result in an increasing level of

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poverty where their consumption levels decrease due to the absence of income. The relationship between the unemployment rate and the poverty rate can also be seen from the data released by Statistics Indonesia where in 2017-2022 the open unemployment rate in Indonesia tended to decrease and the poverty rate also tended to decrease. However, the level of open unemployment in 2020 experienced an increase and this was also followed by an increase in the level of poverty as a result of the COVID-19 pandemic. In this case, it can be said that the level of open unemployment and the level of poverty are related to each other. This is in line with Meo et al (2020) that unemployment is a positive shock that is twice as large as the poverty level in Pakistan. Brichka et al (2023) stated that unemployment affected the poverty level in Ukraine in 2002-2021. Chinedu (2021) argued that unemployment had a positive effect on poverty levels in Nigeria from 1970 to 2019. Wardani (2023) explained that the unemployment rate had a significant effect on the poverty rate in Indonesia from 2008 to 2022. Mardiatillah et al (2021) found that unemployment had a significant effect on poverty in districts/cities in South Sumatra in 2015-2019. Priseptian et al (2022) showed that unemployment had a positive and significant influence on poverty in East Java from 2005 to 2020.

Keynes's theory explains that inflation occurs because the amount of money in circulation is not balanced with the goods available (quantitative theory of money) and society is beyond the limits of its economic capabilities (Sukirno, 2016). Low-income groups will experience a decrease in the purchasing power for their daily needs. The money owned will experience a decrease in purchasing power so the person's income will decrease as inflation increases (Ningsih and Andiny, 2018). The cost of living may increase due to high levels of inflation, which makes the poor have difficulties accessing basic commodities and services (Peter, et al., 2017). In this studies The inflation variable positively and significantly influences the poverty level reflected in the inflation probability value of 0.0338 (<0.05) with a coefficient value of 0.044360%. If the values of other variables are constant and the inflation variable increases by 1%, the poverty variable will increase by 0.044360%. The decrease in inflation will increase people's purchasing power because people have adequate financial capacity to consume and meet their daily needs. This is in line with Koyunju (2022) that inflation and poverty are integrated and move together in the long term in Turkey from 1990 to 2021. Mardiatillah et al (2021) revealed that inflation had a positive and significant effect on reducing the

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poverty level of districts/cities in South Sumatra in 2015-2019. According to Pradikta et.al. (2023), inflation is an inevitable economic problem. The rise in the price of goods and services led to a decline in the value of the currency. Keynes believes that monetary policy transmission can have an impact on the real gross domestic product. Therefore, one of the policies that governments can take to tackle poverty is monetary policy. According to Pararibu et.al (2023), monetary policy controlled by the central bank to influence the supply of money (MS) in a country, as well as public policy, aims to achieve the same goal. Each of these policies is issued according to a country's macroeconomic goals in terms of price stability, full employment opportunities, excess payments, poverty and national debt reduction, and sustained economic growth (Aliber & Kindleberger, 2017). In addition, the government can also overcome the problem of poverty by providing microcredit. This will have an impact on increasing people's income (Nopiah et.al., 2024).

The calculation of HDI uses composite indicators which include life expectancy, literacy rates and per capita consumption in the health and education sectors, as well as per capita income growth which encourages human development so that improving the quality of society can reduce the number of poor people in the regions. This is in line with the empowering theory that improving one's quality or potential through education will improve her/his standard of living so that she/he will get out of poverty (Novitasari, 2023). HDI is a success in assessing human development and becomes a reference for development that is negatively related to poverty conditions in certain areas. Therefore, an area with a high HDI value is expected to have a high quality of life. In other words, the higher the HDI, the lower the poverty rate (Alhudhori, 2017). According to Septriani (2023), the high poverty of a country is one of the reasons for the low quality of human resources. The development of human resources will affect the ability to increase economic growth. In this studies The Human Development Index (HDI) variable negatively and significantly influences the poverty level reflected in the human development index probability value of 0.0000 (<0.05) with a coefficient value of -0.302298%. If the values of other variables are constant and the value of the human development index variable increases, the poverty variable will decrease. The increase in the human development index will increase productivity, output, and remuneration for a company. HDI is a comparative measurement of life expectancy, literacy, education and living standards for all countries throughout the world. HDI is used to classify whether a

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country is a developed, developing or underdeveloped country. It is also to measure the effect of economic policy on the quality of life.

The quality of human resources can also be a factor causing poverty. The quality of human resources can be seen from human development index. A low HDI will result in low work productivity of the population. Low productivity results in low income generation which leads to a high number of poor people (Nurlita, et al., 2017). The regional poverty level must have a positive correlation with the Human Development Index (HDI), which measures regional development. Ideally, the higher the HDI, the higher the quality of life. Communities with high HDI values should have low levels of poverty (Ramdhani, et al., 2022). The results of this study are in line with Iskandar (2022) that the Human Development Index has a significant effect on poverty in 8 districts/cities in Aceh Province in 2010-2020. According to Septriani (2023), the high poverty of a country is one of the reasons for the low quality of human resources. This is because the development of human resources will affect the ability to increase economic growth.

Investment and poverty are important measures of the success of a nation's development. Each country will maximize investment to alleviate poverty (Pratama, et al., 2022). PMDN is a form of investment by building, buying or acquiring a company (Wiganepdo and Soegoto, 2022). In thi studies The Domestic Investment (PMDN) variable negatively and insignificantly influences the poverty level reflected in the probability value of 0.1832 (>0.05) with a coefficient value of -0.063550%. If the values of other variables are constant and the value of the Domestic Investment variable increases. The results of this study contradict the existing theory and Sukirno’s statement (2016) that investment activities carried out by the community continuously will increase economic activity and employment opportunities, increase national income, and increase the level of community prosperity. The poverty level will increase because workers can be foreigners and have low investment value with a capital-intensive or profit-oriented nature not labor-intensive or social-oriented (Amar and Arkum, 2023).

Investment will increase production activities which eventually open up new job opportunities. The existence of new job opportunities will reduce the level of poverty. However, if the investment is capital intensive, then the increase in investment does not

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affect the labor market and poverty reduction. The results of this study are in line with Wardani (2023) that Domestic Investment did not have a significant effect on poverty levels in Indonesia from 2008 to 2022. The results of this study are also supported by another study that domestic investment did not influence poverty levels because investors focus only on profits rather than the desire to help the government alleviate poverty (Hajar, 2020 in Hidayati et al, 2022).

CONCLUSION

Based on the results of the study, four variables influence poverty in 34 provinces in Indonesia, namely, economic growth, open unemployment rate, inflation, and human development index. However, domestic investment has no significant effect on poverty. With a probability level of 5% (0.05), economic growth has an effect of 0.0035 on poverty. Economic growth can increase goods and services products and this requires an increase in labor and provide income for them resulting in the reduction of poverty levels. The open unemployment rate has an effect of 0.0008 on poverty. The absorption of labor in the labor market will provide wages and increase income to meet daily needs which then reduce the poverty level. Inflation has an effect of 0.0338 on poverty. The decrease in inflation can increase people's purchasing power because people have adequate financial capacity to consume and meet their daily needs. The human development index has an effect of 0.0000 on poverty. The increase in the human development index will increase productivity, output, and remuneration for a company. Domestic investment does not influence poverty because the labor can be foreigners, and investment is still capital-intensive or profit-oriented not labor-intensive or social-oriented. Investors only focus on profit not assisting the government in alleviating poverty.

LIMITATION AND RECOMMENDATION

This study has some limitations such as only examining the case in the short term, namely for 6 years, and focusing on some variables only, while the variables that influence poverty are varied. Therefore, future studies are expected to extend the time coverage and add other variables influencing poverty levels.

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