Economics Development Analysis Journal Vol. 14 (1) (2025)

Economics Development Analysis Journal

http://journal.unnes.ac.id/sju/index.php/edaj

Poverty and Income Effects on Southeast Sulawesi Local Tax Revenue

Rizal[1]✉ , [2]Khelana Ramadhan, [3]Abdullah Igo, [4]Murniati, [5]Inggah Pratiwi, [6]Fitri Ramadhani

[1,3,4,5,6]Economics Education, Halu Oleo University, Indonesia

[2]Faculty of Business, Dokuz Eylul University, Turkiye

Article Information

History of Article
Received October 2024
Accepted December 2024
Pusblished February 2025

Keywords:
Poverty Level; Income Per Capita; Tax Revenue; Indonesia.

Abstract

This study uses a quantitative descriptive statistical approach to examine the impact of poverty levels and per capita income on regional tax revenues in Southeast Sulawesi. Utilizing secondary data from 2012 to 2021, the analysis employs a multiple linear regression model to evaluate the relationships between the variables. The findings reveal that poverty levels do not significantly affect regional tax revenues, whereas per capita income exerts a positive and substantial influence, highlighting its critical role in enhancing fiscal performance. The study underscores the importance of per capita income in boosting regional tax revenue. It recommends that the Southeast Sulawesi government prioritize economic empowerment initiatives, such as vocational training, micro-enterprise financing, and expanded market access, to increase community income and encourage greater participation in the taxation system. Further research should investigate other factors influencing tax revenues, including education levels, poverty dynamics, and regional economic structures. A broader analysis of these variables can provide policymakers with a more comprehensive framework for optimizing regional tax revenue and addressing socioeconomic disparities in the region.

✉ Corresponding author:
Address: Economics Education, Halu Oleo University, Indonesia
E-mail: rizal.ekonomi@uho.ac.id

ISSN 2252-6560

INTRODUCTION

Local tax revenue is a critical pillar in the financial framework of regional governments, playing a significant role in meeting various governmental needs and facilitating regional development. The level of local tax revenue reflects a region's economic independence, indicating its ability to finance development initiatives without excessive reliance on the central government (Doni, 2018). Consequently, higher tax revenue signifies greater regional autonomy and fosters sustainable economic growth.

Economic growth, often measured by the increase in real Gross Regional Domestic Product (GRDP), represents a fundamental indicator of successful regional economic development (Gao, Li, and Hao, 2024; Wulandari and Fuddin, 2024). This growth process contributes to long-term increases in per capita income, reflecting improvements in the standard of living and the productive capacity of a region's population (Asyafiq, 2019). GRDP data reflect a region's ability to harness its resources effectively, with variations in GRDP across regions influenced by their respective production factors (Abunyani, Permadi, andErfit, 2019; Kartini and Astuti, 2024).

Per capita income, derived by dividing GRDP by the total population, provides a clear picture of the economic contributions and value-added per individual within a region (Yusa and Gitaharie, 2024). This metric not only illustrates the overall productivity of a population but also tracks economic progress through year-to-year changes in income levels (Anand and Sen, 2000). The population itself is a critical determinant of income disparities between regions, further influencing economic outcomes (Wilkinson and Pickett, 2006).

Thus, it can be concluded that the existence of the population's income level positively influences economic development. From the understanding of previous research data, it can be seen that low community income (especially the poor) affects economic turnover and can broadly affect regional tax revenues. However, each region in Indonesia has different economic developments. The results of the analysis of previous research data related to tax revenues in Southeast Sulawesi Province, as depicted in Figure 1, found a relationship between poverty rates and regional tax revenue:

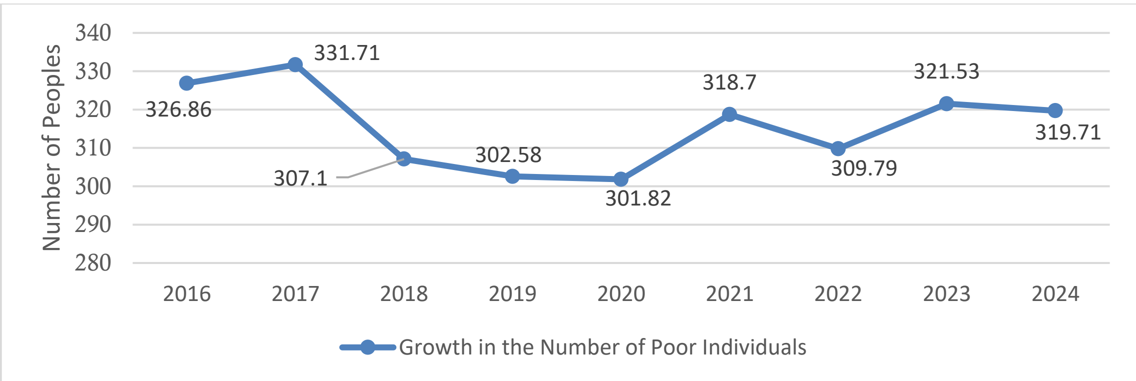

Figure 1. Growth in the Number of Poor Individuals in Southeast Sulawesi from 2016 to 2024
Source: BPS-Statistics Indonesia (2024)

Figure 1 shows data on the condition of poverty growth rates for nine years from 2016 to 2024 in Southeast Sulawesi Province, which is quite significant (Central Statistics Agency of Southeast Sulawesi Province, 2021). As previously explained in the study of previous research data with a study of preliminary research data, poverty rates have an impact on tax revenues. The data in Figure 1 shows the fluctuation of poverty rates. From 2016 to 2017 there was an increase in poverty rates of 4.85 thousand people, but entering 2018 to 2020 the poverty rate decreased. In 2017 (331.71 thousand people) to 2018 (307.1 thousand people) decreased by 24.61 thousand people, from 2018 (307.1 thousand people) to 2019 (302.58 thousand people) decreased by 4.52 thousand people, and again experienced a significant decrease of 1 thousand people from 2019 (302.58 thousand people) to 2020 (301.82 thousand people). However, in 2021, the number of poor people increased significantly to 318.7 thousand people, which indicates a significant increase in poverty rates. Moreover, the situation in 2021 is still in the phase of the spread of the COVID-19.

While in 2022 during the economic recovery process after the spread of the COVID-19 virus, the number of poor people decreased by 8.91 thousand people from 318.7 thousand people to 309.79 thousand people. The same condition as the previous two years, in 2023, the poverty rate increased again to 11.74 thousand people from 309.79 thousand people to 321.53 thousand people. In 2024, the number of poor people decreased to 319.71 thousand people. The findings of this data and previous research studies provide an understanding that the increase and decrease in poverty rates can have an impact on the amount of regional tax revenues. The condition of changes in the number of poor people that are unstable or experience a continuous decline indicates that the economic turnover of the community in Southeast Sulawesi Province has experienced many changes in the amount of tax revenue.

Moreover, the economic growth of each region in Indonesia has experienced changes that are quite unstable, especially in 2021, due to the COVID-19 pandemic. This situation has caused the socio-economic situation of the community to decline, many unemployed, many businesses, both small, medium or large, have experienced a decline in income, resulting in a fairly sharp increase in the poverty rate in 2021. In fact, in 2020, the poverty rate in Southeast Sulawesi Province had decreased. At the same time, income tax revenues also experienced growth during that period. This condition is quite interesting to study in more depth when viewed from the map of the Southeast Sulawesi Province, with the potential sectors it has. The data emphasises the need for a targeted poverty alleviation strategy and sustainable economic policies to address the root causes of poverty and support vulnerable communities. Understanding this trend is essential to designing interventions that can stabilise and reduce poverty in Southeast Sulawesi in the long term.

However, the unstable poverty rate has an inverse comparison with the growth of Gross Regional Domestic Product which has been quite stable over the past three years (2019-2021) as depicted in Figure 2. Gross Regional Domestic Product as an economic indicator used to evaluate the performance of economic development of a region as an indicator for evaluating the performance of economic development of a region. This phenomenon is interesting to study.

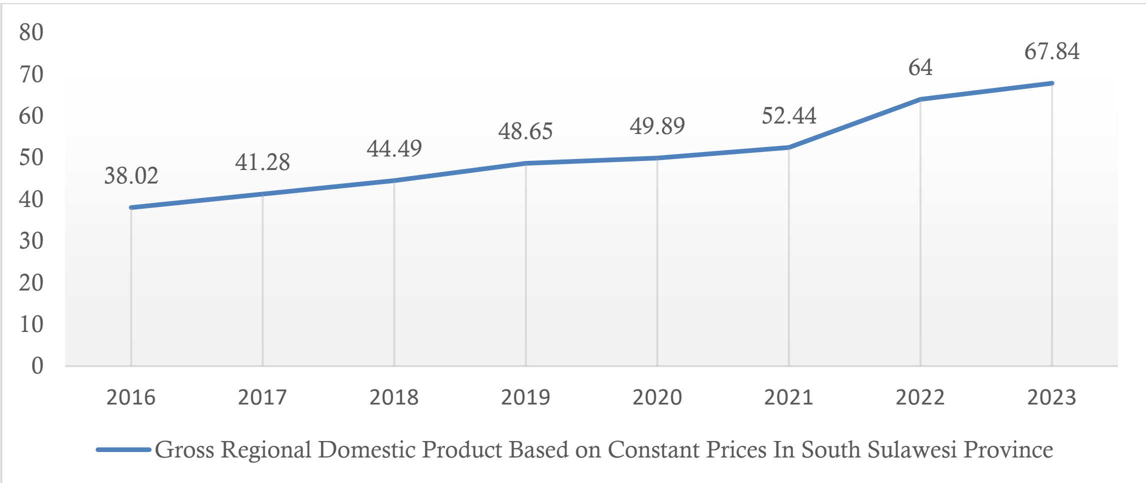

Figure 2. Growth of GDRP Per Capita of Southeast Sulawesi from 2016 to 2023
Source: BPS-Statistics Indonesia (2024)

Figure 2 shows the growth of Gross Regional Domestic Product (GRDP) per capita in Southeast Sulawesi from 2016 to 2023 showing a fairly good upward trend. The increase occurred consistently from 2016 to 2023. However, a fairly high increase occurred from 2021 to 2022, namely from 52.44 to 64. Thus, it can be said that Southeast Sulawesi Province has a higher rate of increase in the added value of goods and services compared to its decline. So, the economic conditions of the community continue to develop and do not cause a price crisis in the rate of economic growth of the community.

The steady rise in GDP per capita indicates positive economic growth in the region despite challenges such as the COVID-19 pandemic, which affected many parts of the global and national economy during this period. This increase reflects an improvement in the region's economic output per individual, which is a critical indicator of economic performance and development. Thus, this situation also has a fairly positive impact on regional tax revenues in Southeast Sulawesi, as shown in Figure 3.

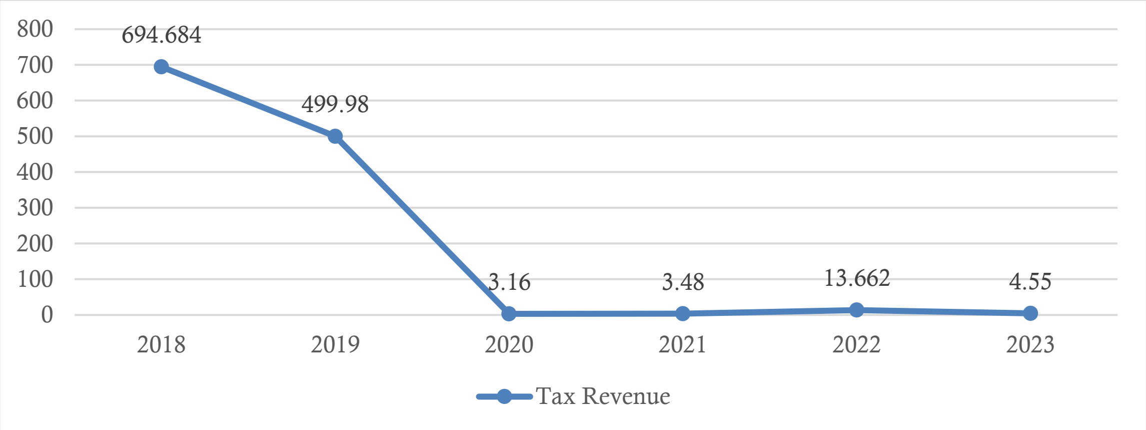

Figure 3. Development of Tax Revenue (Rupiah) in Southeast Sulawesi from 2019 to 2021
Source: BPS-Statistics Indonesia (2021)

Figure 3 shows the fluctuation of tax revenue in Southeast Sulawesi. From 2018 to 2019, tax revenue experienced low. In 2018, the local government received 694,684 billion in tax revenue and decreased in 2019 to 499.98 billion. This situation was caused by a decrease in people's purchasing power. However, from 2020 to 2023, tax revenue experienced a significant increase. In 2020, tax revenue of 3.16 trillion was received and became 3.48 trillion in 2021. This means that the Southeast Sulawesi Provincial Government received an increase, although it was low. In 2022, there was a high increase from 2021 to 13.662 trillion. However, in 2023, it decreased to 4.55 trillion. From these data, it can be said that tax revenue in Southeast Sulawesi Province has experienced a fluctuating rate that has quite an impact on the work of community economic development. These variations reflect the nuanced relationship between regional tax revenues, economic performance (measured by GDP per capita), and poverty levels. The data also shows that there is less stable regional economic growth and development. Taxes play a very large role in the economic growth of a region.

The consistent upward trend in GDP per capita highlights the potential for increased economic opportunities and living standards in Southeast Sulawesi. However, further analysis is required to understand how this economic growth aligns with poverty reduction efforts, as disparities may still exist between different population groups or regions within Southeast Sulawesi. This data underscores the importance of ensuring that economic gains are equitably distributed to achieve inclusive development.

Despite an increase in GRDP per capita from 2016 to 2023 (as shown in Figure 2), which usually indicates economic growth and higher potential tax revenues, the tax revenue figures presented in Figure 3 do not show a consistent upward trajectory. In 2018 to 2019, tax revenues were still low and in the billion context, while in 2020 to 2021, there was an increase in tax revenues. This condition can be attributed to temporary factors, such as government policies or efforts to increase tax collection. However, policy changes in the previous year have an impact on a significant increase in tax revenues in 2022 to 13,662 trillion or four times the previous year. Although in 2023 there was a fairly drastic decline so that this condition presents a challenge for local governments to be able to maintain tax revenue growth for the following years. The results of the study indicate that there are several factors that have an impact on this situation such as economic inequality, inefficient tax collection mechanisms, or persistent poverty levels that hinder broad revenue growth.

The relationship between tax revenue and poverty is critical here. The rising number of poor individuals, as seen in Figure 1, could limit the taxable income base, affecting the local government's ability to generate substantial tax revenues. This interplay between economic growth (reflected in GDP per capita), the number of people in poverty, and tax revenue suggests that economic progress alone does not automatically translate into higher tax collection or poverty reduction. Therefore, there is a need for more efficient, inclusive fiscal policies that bridge the gap between economic growth and sustainable tax revenue generation, which is crucial for funding public services and poverty alleviation programs.

Several studies have explored the relationship between poverty levels, per capita income, and local tax revenue. Matitaputty et al. (2021) found that local tax revenue has a negative and significant effect on poverty rates in a study involving 38 provinces in Indonesia. Using descriptive statistical analysis, this research highlighted the inverse relationship between tax revenue and poverty levels. Similarly, Akhadi (2022) revealed that tax revenue realization significantly reduces poverty while positively influencing per capita income, emphasizing the dual role of taxation in economic development. This study employed quantitative methods with simple regression analysis to evaluate these relationships.

Local tax revenue, often referred to as Original Local Government Revenue (PAD), plays a critical role in influencing poverty levels by enhancing fiscal capacity and resource allocation for social and economic development (Ramírez, Díaz and Bedoya, 2017; Gnangnon, 2021). For instance, research in Tulungagung Regency indicates that PAD significantly impacts poverty, highlighting the importance of effective local revenue management in poverty alleviation efforts (Nursini, 2019; Gnangnon, 2021). Additionally, the ratio of tax revenues to GDP serves as a vital measure of fiscal space, demonstrating that regions with higher tax revenue relative to GDP and higher per capita income tend to experience lower poverty rates. This correlation underscores the critical relationship between fiscal policies, income distribution, and poverty reduction at both local and national levels (Tang, Wong and Alas, 2024).

While higher per capita income and effective management of local tax revenue are typically linked to reductions in poverty, the relationship is complex and influenced by various factors, including economic policies, social protection systems, and regional disparities (Moore and Prichard, 2020; Zameer, Shahbaz and Vo, 2020). For example, in South Africa, social grant programs have successfully reduced child poverty rates; however, stark disparities persist across regions and racial groups, highlighting the nuanced interplay between fiscal measures and socioeconomic inequalities (Sanogo, 2021). This demonstrates that while financial resources and tax management are crucial, equitable policy implementation and targeted interventions are equally essential for comprehensive poverty alleviation (Bustomi, Heru and Dwiono, 2022).

In contrast, Alwi et al., (2021) identified that poverty rates have a significant effect on tax revenue, employing descriptive and confirmatory research approaches. Meanwhile, Salawali (2024)) noted that per capita income influences tax revenue, though not significantly, using simple linear regression analysis. These diverse findings underline the complexity of the relationships between these variables and highlight the need for further investigation.

The relationship between fiscal measures and poverty alleviation has significant implications for local tax revenue (Effendi and Sunani, 2020; Siburian, 2022). Studies highlight that higher per capita income generally reduces poverty and enhances tax collection, as seen in Colombia and Indonesia, where fiscal decentralisation and local revenue management contributed to poverty reduction and increased state capacity. However, regional disparities and unequal financial inclusion, as observed in China, indicate that poverty's impact on tax revenue is not uniform. Addressing these challenges requires targeted policies to bridge income gaps and promote equitable economic growth, directly influencing local tax revenue potential (Siburian, 2022; Wang et al., 2024).

Building on these prior studies, this research aims to examine the relationships between poverty levels, per capita income, and local tax revenue in Southeast Sulawesi. Employing a statistical descriptive analysis model, this study seeks to provide a deeper understanding of how these factors interact and contribute to regional fiscal performance. This will offer valuable insights for policymakers and stakeholders in regional economic development.

RESEARCH METHODS

The research methodology employed in this study is quantitative, using descriptive statistics. Descriptive research provides specific details about situations, social settings, or relationships. Its outcome comprehensively depicts the subject under study (Fischer, Boone, and Neumann, 2023). This study examines the relationship between poverty levels, per capita income, and local tax revenue in Southeast Sulawesi, utilizing time series data from the Statistics Indonesia (BPS) for 2012–2021.

This study identifies two types of variables: independent and dependent. The independent variables include poverty levels and per capita income, while the dependent variable is local tax revenue in Southeast Sulawesi. The data used in this study are secondary data obtained from official documents published by Statistics Indonesia (BPS) of Southeast Sulawesi Province. These quantitative data cover the period from 2012 to 2021.

The data analysis technique employed in this study involves statistical methods, including the t-test, F-test, and the coefficient of determination (R^2). These methods examine and quantify the relationships between the predetermined variables, providing insights into their significance, strength, and explanatory power within the research context.

The t-test determines the individual influence of independent variables on the dependent variable and assesses the significance of partial coefficients. It compares the calculated t-statistic with the critical value from the t-table. The alternative hypothesis is accepted if the calculated t-value exceeds the critical t-value.

RESULTS AND DISCUSSION

Based on data from Statistics Indonesia (BPS), the analysis focuses on poverty levels in Southeast Sulawesi from 2012 to 2021 (see Table 1). The data reveal fluctuating trends in poverty rates, reflecting changes in socioeconomic conditions throughout the decade. These variations result from macroeconomic factors, local policy implementations, and external influences, such as global economic conditions or natural disasters. Understanding these fluctuations is crucial for assessing the region's socioeconomic resilience and identifying the factors influencing poverty dynamics. This analysis examines the observed trends and their implications for local tax revenue and economic development strategies.

Table 1. Poverty Rate in Southeast Sulawesi

Year	Poverty Levels (in thousands)
2012	307,90
2013	330,80
2014	314,10

Year	Poverty Levels (in thousands)
2015	321,90
2016	326,86
2017	331,71
2018	307,10
2019	302,58
2020	301,82
2021	318,70

Source: BPS-Statistics Indonesia, 2024

These figures indicate a complex dynamic in the region's poverty levels, with increases and decreases occurring over the years. Notably, poverty levels peaked in 2017 at 331.71 thousand but declined in subsequent years, reaching the lowest point in 2020 at 301.82 thousand. However, a slight increase occurred in 2021, with poverty levels rising to 318.70 thousand.

The trends suggest that external factors, including economic policies, regional development initiatives, and macroeconomic conditions, significantly influence poverty dynamics. For instance, the decline in poverty from 2017 to 2020 reflects the impact of targeted poverty alleviation programs and improved economic activities. However, the rise in poverty in 2021 may be attributed to the economic shocks caused by the COVID-19 pandemic, which adversely affected livelihoods and regional economic activities. This finding is supported by research conducted by Anas et al. (2022), Suryahadi et al. (2020), and Roy et al. (2021), which emphasizes that COVID-19 contributed to rising poverty levels.

Understanding these fluctuations is critical for assessing their impact on local tax revenue. Higher poverty levels correlate with lower tax bases, as economically disadvantaged populations contribute less to taxable income and consumption. Conversely, reductions in poverty levels, accompanied by increases in per capita income, expand the tax base and enhance local tax revenue by stimulating overall economic activity (Hadi *et al.*, 2024). This research underscores the need for integrated economic development policies that address poverty alleviation and fiscal sustainability by analyzing the interplay between poverty levels and local tax revenue. The findings highlight the importance of fostering economic resilience and inclusivity to achieve sustainable growth and enhance regional financial autonomy.

This analysis underscores the importance of consistent and effective economic and social policies in addressing poverty while highlighting the need for resilience-building strategies to mitigate external shocks such as pandemics.

Southeast Sulawesi's per capita income data from 2012 to 2021 show a consistent upward trajectory, reflecting steady economic growth in the region. Beginning at 27.51 million IDR in 2012, per capita income increased yearly, reaching 52.44 million IDR in 2021. The annual growth rates varied, with the highest growth recorded between 2014 and 2015 at 9.40% and the lowest during the COVID-19 pandemic period from 2019 to 2020 at 2.55%. Despite the pandemic's economic disruptions, the region demonstrated resilience by maintaining positive growth even during challenging periods. Notably, per capita income rebounded in 2021 with a growth rate of 5.10%, indicating that recovery efforts had an impact. This sustained increase reflects the region's capacity to generate higher economic output and improve productivity.

The rising per capita income expands the local tax base, strengthening the government's ability to fund public services and development projects. These findings highlight the importance of maintaining economic momentum while addressing structural challenges to ensure the equitable distribution of economic benefits and sustainable regional development.

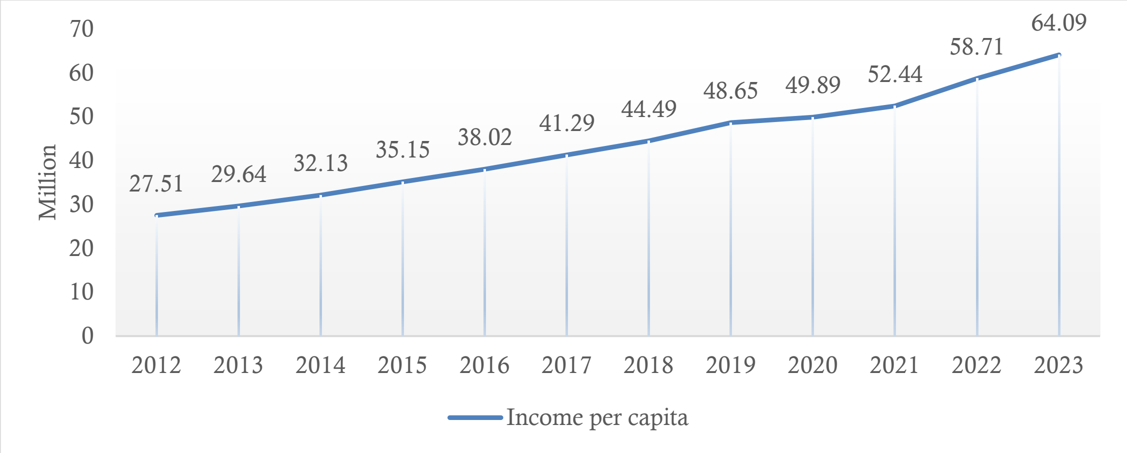

Figure 4. Income Per capita in Southeast Sulawesi
Source: BPS-Statistics Indonesia, 2024

The data indicate Southeast Sulawesi's average per capita income increased from 2012 to 2021. In 2012, per capita income was recorded at Rp 27.51 million, rising to Rp 29.64 million in 2013 and Rp 32.13 million in 2014. This upward trend continued in 2015, reaching Rp 35.15 million, followed by increases to Rp 38.02 million in 2016 and Rp 41.28 million in 2017. The positive trend persisted, with per capita income reaching Rp 44.49 million in 2018, Rp 48.65 million in 2019, and Rp 49.89 million in 2020. The highest recorded value occurred in 2021, when per capita income rose to Rp 52.44 million. This data reflects stable economic growth in the region, forming a basis for strengthening the fiscal capacity of local governments by expanding the local tax base and increasing people's purchasing power.

Southeast Sulawesi's tax revenue realization ratio from 2012 to 2021 reflects the region’s ability to meet its targeted tax revenue collection over the years. This ratio is an essential indicator of fiscal performance, demonstrating how effectively the local government has managed tax collection processes relative to predetermined targets. Analyzing trends over this period provides insights into the factors influencing tax revenue realization, including economic growth, administrative efficiency, and external economic conditions. This analysis is crucial for understanding the region’s fiscal sustainability and identifying areas for improvement in revenue generation strategies.

In 2012, the average local tax revenue stood at 336.93, increasing to 408.11 in 2013 and 457.84 in 2014. This upward trend suggests improvements in tax collection mechanisms and possibly stronger economic activity. However, a slight decline occurred in 2015, with the average dropping to 406.47, potentially due to economic challenges or inefficiencies in tax administration. In 2016, average tax revenue increased substantially to 579.78, followed by another rise in 2017 to 614.00. The highest recorded average occurred in 2020, reaching 948.25, which may reflect significant revenue collection improvements or policy interventions' impact. However, 2021 saw a decline to 931.82, suggesting potential challenges such as economic recovery efforts following the pandemic or changes in taxpayer behavior.

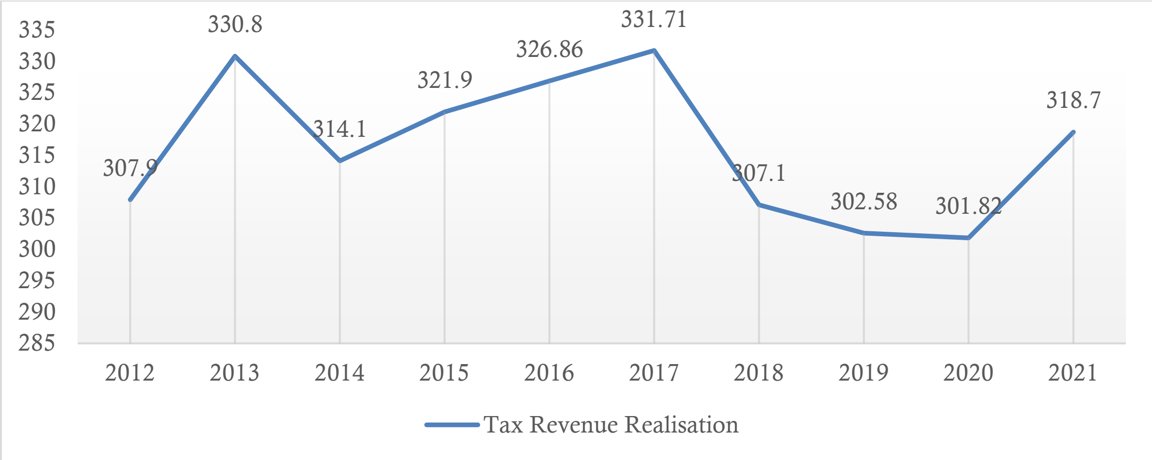

Figure 5. Tax Revenue Realization in Southeast
Source: BPS-Statistics Indonesia, 2024

The data reveal dynamic trends in poverty rates, per capita income, and local tax revenue in Southeast Sulawesi from 2012 to 2021, reflecting the region's socioeconomic conditions and fiscal performance. The average poverty rate exhibited fluctuations, indicating an inconsistent trend in poverty alleviation (Iskandar, 2015). The variability in annual percentages suggests that socioeconomic and policy interventions had differing levels of effectiveness across years, influenced by external factors such as economic shocks or regional development initiatives.

In contrast, the average per capita income showed a consistent upward trend, reflecting overall economic growth in the region. This steady increase highlights potential improvements in individual economic well-being, likely driven by enhanced productivity, investment, and employment opportunities. The rise in per capita income also contributes to an expanding tax base, indirectly affecting local government revenue generation capabilities.

These trends underscore the interconnectedness of poverty, income, and tax revenue within the regional economy. Understanding these dynamics is essential for policymakers to design interventions that simultaneously address poverty reduction, promote economic growth, and optimize tax revenue collection.

To ensure the validity of the statistical analysis, preliminary tests must be conducted to confirm that the data meet the necessary assumptions. One of these tests is the normality test, which assesses whether the residual data follow a normal distribution. This test applies two statistical methods: the Kolmogorov-Smirnov and Shapiro-Wilk tests. Table 2 presents the significance (Sig.) values for both normality tests, which exceed 0.05 for all three research variables—poverty (X1), per capita income (X2), and tax revenue (Y).

Table 2. Normality Test

Variable	Kolmogorov-Smirnov	Shapiro-Wilk	Sig
Poverty (X1)	0.172	0.919	0.349
Per Capita (X2)	0.139	0.947	0.635
Tax (Y)	0.158	0.920	0.353

Source: Data processed (2024)

Based on the Kolmogorov-Smirnov and Shapiro-Wilk tests, the significance values for all variables are greater than 0.05, with the Sig. values for Poverty (X1) at 0.349, Per Capita Income (X2) at 0.635, and Tax (Y) at 0.353. This indicates that the residual data in this study follow a normal distribution. Therefore, the normality assumption is met, allowing for subsequent regression analysis.

Having established that the data meet the normality assumption, further statistical analysis is conducted to explore the characteristics of the variables under investigation. Descriptive statistics summarize the data distribution, offering insights into central tendencies and variability, which help contextualize the study's findings.

Table 3 presents the descriptive statistics for the three variables: Poverty (X1), Per Capita Income (X2), and Tax (Y). These statistics offer an overview of the data distribution, including key measures such as the mean, standard deviation, and standard error.

Table 3. Descriptive Statistics

Variable	N	Mean	Std. Deviation	*Standardized Coefficients*	*Sig.*	Std. Error
Poverty (X1)	10	31634.70	1132.49	771.774	-0.319	358.12
Tax (Y)	10	607.82	214.53	0.023	-0.095	67.84
Per Capita (X2)	10	3992.00	883.07	0.029	7.903	279.25

Source: Data processed, 2024

From the table above, the valid sample size (N) is 10. The mean values for the variables are as follows: Poverty (X1) = 31,634.70, Tax Revenue (Y) = 607.82, and Per Capita Income (X2) = 3,992.00. The standard deviations for these variables are: Poverty (X1) = 1,132.49, Tax (Y) = 214.53, and Per Capita Income (X2) = 883.07. The relatively high standard deviations indicate considerable variation in the data.

A multiple linear regression analysis was conducted to examine the impact of the independent variables, Poverty (X1) and Per Capita Income (X2), on the dependent variable, Tax Revenue (Y). Table 4 presents the regression coefficients used to test the hypotheses.

Based on the regression results, the significance (Sig.) value for the effect of Poverty (X1) on Local Tax Revenue (Y) is 0.927, which is greater than 0.05. This indicates that H1 is rejected, meaning Poverty (X1) has no significant effect on Local Tax Revenue (Y). Therefore, it can be concluded that the poverty level in this study does not significantly affect local tax revenue.

In contrast, for the second hypothesis, the significance (Sig.) value for the effect of Per Capita Income (X2) on Local Tax Revenue (Y) is 0.000, which is less than 0.05. This indicates that H2 is accepted, meaning Per Capita Income (X2) has a positive and significant effect on Local Tax Revenue (Y). Thus, it can be concluded that an increase in per capita income increases local tax revenue.

The significance value for the simultaneous effect of Poverty (X1) and Per Capita Income (X2) on Tax Revenue (Y) is 0.000, which is less than 0.05. Therefore, it can be concluded that hypothesis H3 is supported, indicating that both Poverty (X1) and Per Capita Income (X2) significantly affect Tax Revenue (Y) simultaneously.

The results of the Classical Assumption Test, including the t-test, F-Test, and Coefficient of Determination (R^2) Test, demonstrate the robustness and significance of the regression model. The multicollinearity test confirms that the independent variables, Poverty (X1) and Per Capita Income (X2), exhibit no significant multicollinearity, as indicated by Tolerance values greater than 0.10 and VIF values below 10. This ensures the reliability of the regression coefficients in estimating the independent variables' effect on tax revenue (Y). Table 4 presents the results.

Table 4. Summary of Classical Assumption Test

Test	Key Metric	Value	Conclusion
Multicollinearity Test	Tolerance (X1: Poverty, X2: Per Capita Income)	X1: 0.927 X2: 0.951	No multicollinearity was detected as Tolerance > 0.10 and VIF < 10.
	VIF	X1: 1.08 X2: 1.05 (calculated)	Independent variables are not highly correlated.
t-Test	Sig. (Poverty → Tax Revenue)	0.927	H1 rejected: Poverty (X1) has no significant effect on Tax Revenue (Sig. > 0.05).
	Sig. (Per Capita Income → Tax Revenue)	0.000	H2 accepted: Per Capita Income (X2) significantly affects Tax Revenue (Sig. < 0.05).
F-Test	Sig. (Poverty, Per Capita Income → Tax Revenue)	0.000	H3 supported: Poverty (X1) and Per Capita Income (X2) jointly significantly affect Tax Revenue.
Coefficient of Determination (R^2)	R^2	0.912	91.2% of the variation in Tax Revenue (Y) is explained by Poverty (X1) and Per Capita Income (X2).

Source: Data processed, 2024

The t-test results reveal that Per Capita Income (X2) significantly influences Tax Revenue (Sig. = 0.000, $p < 0.05$), supporting the acceptance of H2. However, Poverty (X1) shows no significant effect on Tax Revenue (Sig. = 0.927, $p > 0.05$), leading to the rejection of H1. The F-test results further confirm the joint significance of Poverty and Per Capita Income on Tax Revenue, as the p-value for the model (Sig. = 0.000, $p < 0.05$) supports H3, indicating that the independent variables collectively impact Tax Revenue. Additionally, the Coefficient of Determination (R^2) value of 0.912 suggests that Poverty and Per Capita Income explain 91.2% of the variance in Tax Revenue, while the remaining 8.8% is attributable to factors outside the model. These findings highlight the critical role of Per Capita Income in influencing tax revenue while suggesting that poverty has a limited direct impact in this context.

To gain deeper insights into these statistical findings, exploring the specific relationship between poverty levels and local tax revenue is necessary. The following section examines how poverty levels in Southeast Sulawesi influence the region’s ability to generate tax revenue and compares these results with existing theoretical and empirical studies.

This study finds that poverty levels in Southeast Sulawesi have no statistically significant effect on local tax revenue, as indicated by the Sig. value of 0.927 ($p > 0.05$). This result demonstrates that fluctuations in poverty levels within the province do not substantially influence its ability to generate revenue through local taxation. Such findings diverge from theoretical expectations, where higher poverty levels are presumed to reduce the tax base due to lower income and consumption capacity. These unexpected outcomes highlight Southeast Sulawesi's unique socioeconomic and administrative context, where localized factors may decouple the poverty-tax revenue relationship.

The statistical findings align with Ernita (2024), who observed that local taxes and levies have no direct impact on poverty levels in both base-year and lagged-equation models. However, these results contrast with the findings of Alwi et al. (2021), who identified a significant negative relationship between poverty and local tax revenue, indicating that regions with higher poverty rates face challenges in tax collection. Similarly, Handoko et al. (2014) demonstrated a significant correlation, asserting that poverty levels directly influence revenue generation by reducing the capacity of individuals to contribute to taxes. These discrepancies between the present study and earlier research may stem from differences in research scope, methodology, and the economic and administrative characteristics of the regions analyzed.

From a theoretical perspective, the relationship between poverty and tax revenue is grounded in the limited financial capacity of impoverished populations. Candra, Riandoko, and Saskia (2012) highlighted that poverty is often measured by household expenditures relative to the equivalent value of rice consumption per person annually, with variations between urban and rural populations. This metric underscores low-income households' economic constraints, which directly limit their tax contributions. Similarly, Misbahuddin (2017) emphasized that poverty stems from inequality in resource ownership and distribution, which restricts the economic participation of marginalized groups, thereby impacting tax collection efforts.

Despite this theoretical framework, the findings in the context of Southeast Sulawesi suggest that other factors may mitigate the expected impact of poverty on tax revenue. For example, regional variations in the structure of local tax systems, the dominance of informal economic activities, and administrative policies may play pivotal roles. The province's tax revenue may also be influenced by external economic drivers, such as natural resource exploitation or tourism, which are less sensitive to local poverty rates.

These results emphasize the need for localized analyses of tax revenue performance, focusing on the interplay between poverty, economic activity, and administrative efficiency. Understanding these dynamics is crucial for designing effective regional development strategies and optimizing tax collection systems to support sustainable economic growth. Future research could explore the interaction between poverty and alternative revenue sources and the role of governance and policy interventions in shaping tax outcomes.

This study reveals that per capita income positively and significantly affects local tax revenue, as demonstrated by a Sig. value of 0.000 ($p < 0.05$). The findings support the fundamental economic principle that increases in per capita income enhance individuals' financial capacity to pay taxes, subsequently boosting local tax revenues. This aligns with the work of Handoko, (2019) and Rosalina (2016), who highlighted the strong correlation between tax revenue and GDP, emphasizing that higher GDP—an indicator of a population's economic strength—predictably drives increased tax collection under ceteris paribus conditions.

The findings are further corroborated by Haniz and Sasana (2013), who also identified a significant positive relationship between per capita income and tax revenue. Herawati and Saipudin (2023) similarly noted that economic growth trends mediated the influence of per capita income on tax revenue, highlighting that rising GDP fosters population prosperity, which in turn supports tax collection. However, Sari and Qibthiyyah (2022) and Fahmi (2019) observed that while income tax is instrumental in revenue generation, it may also perpetuate income inequality, as evidenced by the positive relationship between income tax collection and the Gini ratio. This underscores the complex interplay between economic growth, taxation, and equitable income distribution.

The theoretical framework of Musgrave and Musgrave (1989) provides a solid foundation for these findings, positing that tax revenue is inherently driven by per capita income and population size. According to their theory, as per capita income rises, individuals' tax-paying capacity improves, resulting in increased revenue for the state. Despite this general relationship, variations in regional economic structures and administrative efficiencies may produce differing outcomes. For instance, Alwi et al. (2021) reported no significant effect of per capita income on tax revenue in their 34 provinces from 2010 to 2018 study. The divergence between their findings and the present study may be attributed to the regional focus on Southeast Sulawesi, a province with distinct economic and fiscal characteristics.

These results highlight the necessity of considering localized economic contexts when analyzing the relationship between per capita income and tax revenue. This relationship is shaped by factors such as income distribution patterns, regional economic structures, and administrative policies. Furthermore, the positive association between per capita income and tax revenue suggests that economic growth facilitates greater tax collection, and understanding the nuances of regional economic dynamics is essential for formulating effective fiscal policies. Policymakers can enhance revenue generation and promote sustainable economic development by tailoring tax strategies to regional economic realities.

The analysis reveals that poverty level and per capita income collectively significantly impact local tax revenue, as indicated by an R-value of 0.955, demonstrating a very strong correlation. The coefficient of determination (R^2) is 0.912, suggesting that these two variables explain 91.2% of the variance in local tax revenue, while the remaining 8.8% is attributable to other factors not included in the model. These findings underscore the critical role of economic indicators such as poverty alleviation and income growth in shaping local fiscal outcomes.

The results are consistent with prior studies emphasizing the interconnectedness of economic welfare and tax revenue generation. For example, Akhadi (2022) reported similarly high R^2 values, sometimes exceeding 0.97, highlighting the substantial influence of poverty levels and per capita income on tax outcomes. This suggests that as poverty declines and income levels rise, regions experience an enhanced capacity to collect taxes, driven by a broader and more economically active tax base.

The findings are further supported by Lisna et al. (2013) and Vatavu et al. (2019), who observed strong correlations between tax revenue and economic indicators, particularly GDP per capita and poverty levels. These studies highlight that societal prosperity, reflected in increased per capita income and reduced poverty, fosters greater tax compliance and widens the tax base. A rising GDP per capita signals an expanding economy, enabling individuals and businesses to contribute more significantly to tax revenue, while poverty alleviation integrates more individuals into formal economic activities, strengthening revenue streams.

Sasana (2006) also confirmed the positive and significant influence of per capita income on local tax revenue, aligning with Umniati (2020), who identified gross regional domestic product (GRDP) and per capita income as key predictors of tax revenue. These findings collectively emphasize that policies aimed at boosting income levels and reducing poverty can simultaneously enhance economic well-being and increase the robustness of local tax revenue collection.

Given the strong explanatory power of these variables, future research could explore additional mediating factors, such as tax compliance behavior, regional economic structures, or governance quality, to better understand the nuanced dynamics at play. Investigating regional disparities and broader macroeconomic variables could also provide insights into optimizing fiscal policies to maximize tax revenue generation while promoting equitable economic growth.

CONCLUSION

The findings indicate that the poverty level does not have a statistically significant impact on local tax revenue. The significance value of 0.927, which exceeds the 0.05 threshold, suggests that variations in poverty levels do not directly influence the ability of local governments to generate revenue from taxes. This result suggests that factors other than the general poverty rate may be more relevant in determining local tax revenue in the studied area.

In contrast, per capita income emerged as a significant determinant of local tax revenue, with a significance value of 0.000, well below the 0.05 threshold for statistical significance. This finding suggests that local tax revenue rises accordingly as per capita income increases. The positive correlation between income levels and tax revenue highlights the importance of individual economic well-being in shaping the financial capacity of local governments. This emphasizes that enhancing the income levels of the population could be a critical strategy for improving local tax revenue generation.

Moreover, the study revealed a strong overall relationship between the poverty rate, per capita income, and local tax revenue, with a correlation coefficient (R-value) of 0.955. This indicates that the poverty rate and per capita income are strongly interrelated and jointly contribute to explaining variations in local tax revenue. The strength of this correlation suggests that these two factors are significant in understanding the dynamics of local taxation, and their combined effects must be considered in policy-making and fiscal planning. Local governments can benefit a deeper understanding of how these socioeconomic factors interact to influence revenue generation.

For future research, exploring additional variables that may impact local tax revenue is recommended. Factors such as the unemployment rate, education level, and regional economic structure could provide valuable insights into the broader context affecting local tax systems. By investigating these additional variables, future studies could offer a more comprehensive understanding of local tax revenue's economic and social drivers, providing local governments with a clearer framework for developing policies to optimize tax revenue and promote sustainable economic development. This expanded research would contribute to a more nuanced understanding of the complexities involved in local revenue generation and fiscal governance. This section contains the conclusions of the research results and the researchers' suggestions.

REFERENCES

Abunyani, A., Permadi, P. and Erfit, E. (2019) [*Analisis faktor yang mempengaruhi penerimaan pendapatan asli daerah Kabupaten Muaro Jambi*], *e-Jurnal Perspektif Ekonomi dan Pembangunan Daerah*, 8(3), pp. 129–134. doi: 10.22437/pdpd. v8i3.4477.

Akhadi, I. (2022) [P*engaruh Penerimaan Pajak Terhadap Variabel Pendapatan Perkapita dan Angka Kemiskinan Sebagai Indikator Kemakmuran Rakyat*], *JURNAL PAJAK INDONESIA (Indonesian Tax Review)*, 6(1 SE-), pp. 60–71. doi: 10.31092/jpi.v6i1.1548.

Alwi, M., Su'un, M. and Amiruddin, A. (2021) [P*engaruh Tingkat Kemiskinan dan Pendapatan Perkapıta Teihadap Penerimaan Pajak Daerah Serta Opini Audit Dengan Tingkat Kepercayaan Masyarakat Sebagai Variabel Intervening Terhadap Penerimaan Pajak Daerah Pemerintah Provinsi Se-Indonesia*], *Economos :Jurnal Ekonomi dan Bisnis*, 4(1), pp. 54–65.

Anand, S. and Sen, A. (2000) 'The income component of the human development index', *Journal of human development*. Taylor & Francis, 1(1), pp. 83–106.

Anas, T. *et al.* (2022) 'The Indonesian economy in turbulent times', *Bulletin of Indonesian Economic Studies*. Taylor & Francis, 58(3), pp. 241–271.

Asyafiq, S. (2019) [S*trategi Pertumbuhan dan Pembangunan Ekonomi Di Era Global Berbasis Pendidikan Ekonomi Kewarganegaraan*], *Jurnal Pendidikan Ilmu Sosial*, 28(1), p. 18. doi: 10.17509/jpis.v28i1.15428.

Badan Pusat Statistik Provinsi Sulawesi Tenggara (2021) *Statistik Ekonomi*. Sultra. Available at: https://sultra.bps.go.id/id.

Bustomi, T., Heru, B. and Dwiono, S. (2022) 'Internal control of hotel tax management in optimizing the original revenue income in the Pangandaran District', *International Journal of Innovation, Creativity and Change*, 7(9), pp. 298–320.

Candra, A., Riandoko, B. and Saskia, D. Y. (2012) [*Keterkaitan Pertumbuhan Ekonomi Dan Pendapatan Perkapita Terhadap Kemiskinan Provinsi Jawa Tengah Tahun 2093-2010*], *Media Ekonomi & Teknologi Informasi*, 20(2), pp. 44–57.

Doni, F. U. (2018) 'Analysis of Influencing Factors Regional Original Revenue (PAD) in The Provincial Government of DKI Jakarta', *Indonesian Journal of Business, Accounting and Management*, 1(1), pp. 26–31.

Effendi, M. B. and Sunani, A. (2020) 'Analysis of Access to Financial Services on Poverty Alleviation with MARS Approach', *Journal of Economics, Business, and Accountancy Ventura*, 23(1 SE-Articles), pp. 125–137. doi: 10.14414/jebav.v23i1.2185.

Ernita, D. (2024) [P*engaruh Desentralisasi Fiskal Terhadap Kemiskinan di Provinsi Jambi*], *Jurnal EMT KITA*, 8(3), pp. 937–947.

Fischer, H. E., Boone, W. J. and Neumann, K. (2023) 'Quantitative research designs and approaches', in *Handbook of research on science education*. Routledge, pp. 28–59.

Gao, Z., Li, L. and Hao, Y. (2024) 'Resource industry dependence and high-quality economic development of Chinese style: Reexamining the effect of the "Resource Curse"', *Structural Change and Economic Dynamics*. Elsevier, 68, pp. 1–16.

Gnangnon, S. K. (2021) 'Does Poverty Matter for Tax Revenue Performance in Developing Countries?', *South Asian Journal of Macroeconomics and Public Finance*. SAGE Publications India, 11(1), pp. 7–38. doi: 10.1177/22779787211033506.

Hadi, R. *et al.* (2024) 'Regional Asset Utilization: How Can it Affect Regional Income and Poverty?', *Economics Development Analysis Journal*, 13(3), pp. 323–337.

Handoko, I., Aimon, H. and Syofyan, E. (2014) [A*nalisis Faktor-Faktor Yang Mempengaruhi Perekonomian Dan Penerimaan Pajak Di Indonesia*], *Jurnal Kajian Ekonomi*, 3(05), p. 103671.

Handoko, R. (2019) 'Tax Revenue and Economic Activity: Seasonality, Cointegration and Causality Analysis', *Kajian Ekonomi dan Keuangan*, 3(1), pp. 1–17. doi: 10.31685/kek.v3i1.401.

Haniz, N. F. and Sasana, H. (2013) *Analisis Faktor-Faktor Yang Mempengaruhi Penerimaan Pajak Daerah Kota Tegal*', *Diponegoro Journal of Economics*, 3(1), pp. 1–13. Available at: http://ejournal-s1.undip.ac.id/index.php/jme.

Herawati, E. and Saipudin, S. (2023) *Pengaruh Pendapatan Perkapita, Jumlah Penduduk Bekerja dan Jumlah Jenis Pajak Daerah terhadap Penerimaan Pajak Daerah pada Kabupaten/Kota Provinsi Kalimantan*', *JIEP: Jurnal Ilmu Ekonomi dan PEmbangunan*, 6(2), pp. 527–537.

Iskandar, I. (2015) 'Poverty Measurement and Policy for Eradication: Malaysian Case', in *Social Justice and Poverty in Muslim World*. Konya: İlmi Etüdler Derneği, pp. 141–148.

Kartini, N. and Astuti, E. (2024) *Analisis Pengaruh Pendapatan Asli Daerah, Tingkat Investasi Dan Tenaga Kerja Terhadap Produk Domestik Regional Bruto (Pdrb) Di Kabupaten Lombok Timur Tahun 2012-2021*, *Jurnal Oportunitas : Ekonomi Pembangunan*, 3(1), pp. 65–73. doi: 10.29303/oportunitas.v3i1.614.

Lisna, V. *et al.* (2013) *Dampak Kapasitas Fiskal terhadap Penurunan Kemiskinan : Suatu Analisis Simulasi Kebijakan*', *Jurnal Ekonomi dan Pembangunan Indonesia Volume*, 14(1), pp. 1–26. doi: 10.21002/jepi.v14i1.01.

Matitaputty, S. J. *et al.* (2021) *Pengaruh Pajak Terhadap Kesejahteraan Masyarakat*', *Perspektif Akuntansi*, 3(3), pp. 253–269. doi: 10.24246/persi.v3i3.p253-269.

Misbahuddin, M. (2017) [*Faktor-Faktor Penyebab Ketimpangan Pendapatan Di Kabupaten Waj*o], *AKMEN Jurnal Ilmiah*, pp. 97–110. Available at: http://e-jurnal.stienobel-indonesia.ac.id/index.php/akmen/article/view/8%0Ahttps://e-jurnal.stienobel-indonesia.ac.id/index.php/akmen/article/download/8/10.

Moore, M. and Prichard, W. (2020) *How can governments of low-income countries collect more tax revenue?* Springer.

Musgrave, R. A. and Musgrave, P. B. (1989) *Puvlic Finance in Theory and Practice*. 5th edn, *Economists' Voice*. 5th edn. Singapore: McGraw-Hill Book Co. doi: 10.1515/1553-3832.1898.

Nursini, N. (2019) 'Poverty alleviation in the context of fiscal decentralization in Indonesia', *Economics & Sociology*. Centre of Sociological Research (NGO), 12(1), pp. 270–368.

Ramírez, J. M., Díaz, Y. and Bedoya, J. G. (2017) 'Property tax revenues and multidimensional poverty reduction in Colombia: A spatial approach', *World Development*. Elsevier, 94, pp. 406–421.

Roy, J. *et al.* (2021) 'Covid-19 Maneuver on Socioeconomic: Exploitation Using Correlation', *Jurnal Pendidikan Ekonomi Dan Bisnis (JPEB)*, 9(2 SE-Articles), pp. 146–162. doi: 10.21009/JPEB.009.2.6.

Salawali, W. A. (2024) [*Pengaruh Pendapatan Perkapita Terhadap Penerimaan Pajak Penghasilan Di Kabupaten Banggai Periode Tahun 2015-2019*], *Jurnal Ilmiah Produktif*, 9(2 SE-Articles), pp. 30–36. doi: 10.56072/jip.v9i2.276.

Sanogo, T. (2021) 'Does fiscal decentralization enhance citizens ' access to public services and reduce poverty ? Evidence from Côte d ' Ivoire municipalities in a conflict setting Tiangboho Sanogo To cite this version : HAL Id : hal-01875189'.

Sari, D. and Qibthiyyah, R. M. (2022) 'Tax Revenue and Income Inequality', *Jurnal Perencanaan Pembangunan: The Indonesian Journal of*

Development Planning, 6(2), pp. 155–172. doi: 10.36574/jpp.v6i2.326.

Sasana, H. (2006) [A*nalisis Dampak Transfer Pemerintah terhadap Kinerja Fiskal di Kabupaten/Kota Propinsi Jawa Tengah dalam Pelaksanaan Desentralisasi Fiska*l], *Jurnal Ekonomi Pembangunan*, 7(2), pp. 223–242.

Siburian, M. E. (2022) 'The link between fiscal decentralization and poverty – Evidence from Indonesia', *Journal of Asian Economics*, 81, p. 101493. doi: https://doi.org/10.1016/j.asieco.2022.101493.

Suryahadi, A., Al Izzati, R. and Suryadarma, D. (2020) 'Estimating the impact of covid-19 on poverty in Indonesia', *Bulletin of Indonesian Economic Studies*. Taylor & Francis, 56(2), pp. 175–192.

Tang, C.-T., Wong, C. Y. and Alas, O. B. D. (2024) 'Effect of intergovernmental transfers on income and poverty rates: Evidence from the Philippines', *World Development*. Elsevier, 173, p. 106420.

Umniati, G. (2020) [*Pengaruh Pendapatan Per Kapita, Tingkat Inflasi, Dan Pertumbuhan Ekonomi Terhadap Penerimaan Pajak Daerah Pada Kota Bandung Periode 2011-2018]*, *Sekolah Tinggi Ilmu Ekonomi (Stie) Ekuitas*. Available at: http://repo.iain-tulungagung.ac.id/5510/5/BAB 2.pdf.

Vatavu, S. *et al.* (2019) 'How taxes relate to potential welfare gain and appreciable economic growth', *Sustainability*. MDPI, 11(15), p. 4094.

Wang, Y. *et al.* (2024) 'Does the Disparity Between Rural and Urban Incomes Affect Rural Energy Poverty?', *Energy Strategy Reviews*, 56, p. 101584. doi: https://doi.org/10.1016/j.esr.2024.101584.

Wilkinson, R. G. and Pickett, K. E. (2006) 'Income inequality and population health: a review and explanation of the evidence', *Social science & medicine*. Elsevier, 62(7), pp. 1768–1784.

Wulandari, N. H. and Fuddin, M. K. (2024) 'Determinants of Monetary Variables and Philips Curve Testing of Inflation in Asian Countries.', *EKUITAS (Jurnal Ekonomi dan Keuangan)*, 8(2), pp. 342–362.

Yusa, G. P. D. and Gitaharie, B. Y. (2024) 'How The Demographic Dividend Affects Economic Convergence : Insights from Indonesia', *Economics Development Analysis Journal*, 13(3), pp. 400–418.

Zameer, H., Shahbaz, M. and Vo, X. V. (2020) 'Reinforcing poverty alleviation efficiency through technological innovation, globalization, and financial development', *Technological Forecasting and Social Change*. Elsevier, 161, p. 120326.