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The Determinant Factors of Poverty in Eastern Indonesia: Evidence from 12 Province

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Abstract

This study aims to analyze the factors forming the number of poor people in Eastern Indonesia. Panel data regression was utilized as the analysis approach, with a cross-section comprising 12 provinces in Indonesia's Eastern Region from 2010 to 2018. This study will examine the effect of total government spending on education, government spending on health, labor force participation rate, regional minimum wage, investment, and the Gini index on poverty in Eastern Indonesia. The results showed that government spending on health and regional minimum wages had a negative effect on the number of poor people in Eastern Indonesia. The number of poor people in Eastern Indonesia will decrease if the realization of government spending on health and the determination of regional minimum wages increases. The increase in the realization of government spending in the health sector indicates that regional policies on the allocation of health spending have been carried out in a proportional, efficient, and effective manner so that they are right on target. Meanwhile, government expenditure on education, investment, labor force participation rates, and the Gini index has no effect on the number of poor people in Eastern Indonesia.

Key words : Eastern Indonesia, Government expenditure, Panel data.

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INTRODUCTION

The benchmark for development success can be seen from economic growth, economic structure, and the level of disparity between residents, regions, and between sectors. Poverty, income inequality, and unemployment must be eliminated or reduced as a primary goal of economic development activities in order to achieve maximum growth (Aziz et al., 2016; Todaro & Smith, 2011). One of the national development targets is to reduce the number of poor people (Khoirudin & Musta'in, 2020).

Despite the fact that poverty has decreased dramatically over the previous decade, roughly a third of the population still lives below the World Bank's poverty threshold World Bank (2003b), as in most developing countries (Brassard, 2004).

According to the Central Statistics Agency (2019), development programs that have been implemented so far have always paid great attention to poverty alleviation efforts because the development carried out aims to improve the community's welfare. Poverty is a condition in which people cannot fulfill their basic needs (Ingutia et al., 2020; Kussudyarsana, 2019). Eastern Indonesia has the potential for economic strength in the form of the availability of abundant natural resources. However, the region is under development, which triggers problems of inequality and a decline in welfare, lagging regions, low economic market activity, low capital, and decreased productivity.

Table 1. Number of Poor People in Eastern Indonesia 2015-2019 (in Thousands)

Region	Year				
	2015	2016	2017	2018	2019
West Nusa Tenggara	802.29	786.58	748.12	189.05	188.6
East Nusa Tenggara	1160.53	1150.08	1134.74	413.49	404.03
North Sulawesi	217.15	200.35	194.85	779.64	759.58
Central Sulawesi	406.34	413.15	423.27	301.85	299.97
South Sulawesi	864.51	796.81	825.97	188.3	184.71
Southeast Sulawesi	345.02	327.29	313.16	152.83	151.87
Gorontalo	206.51	203.69	200.91	317.84	319.51
West Sulawesi	153.21	146.9	149.47	81.93	87.18
Maluku	327.78	331.79	320.42	213.67	207.59
North Maluku	72.65	76.4	78.28	915.22	900.95
West Papua	225.54	223.6	212.86	735.62	705.68
Papua	898.21	914.87	910.42	1134.11	1129.46
Total	**5679.74**	**5571.51**	**5512.47**	**5423.55**	**5339.13**

Source: Indonesian Central Bureau of Statistics (processed by the author)

Based on Table 1, the number of poor people in Eastern Indonesia from 2015-2019 whhas generally decreased in terms of numbers, which is due to the increasingly distributed income in Eastern Indonesia. This research was taken in that year because it has not been affected by Covid-19. The emergence of a pandemic is an unnatural condition so that the results of the research may be biased. Therefore, the year period is only taken until 2019. The number of poor people in Eastern Indonesia in 2019 amounted to 5,339.13 thousand people; this illustrates a decrease from previous years due to poverty alleviation program policies being a national priority in the government's work plan for 4 periods of the Medium-Term Development Plan.

The number of poor people from 2018-2019 managed to experience a considerable decline; however, it is still quite high in some provinces, such as in Papua Province in 2019, reaching 1,129.46 thousand people, North Maluku Province in 2018 reaching 915.22 thousand people. North Sulawesi Province experienced an increase in the number of poor people reaching 759.58 thousand people in 2019. It will result in higher poverty rates in Indonesia. Each region must try to reduce poverty levels. In the 2015-2019 period, the province of Eastern Indonesia was only able to reduce poverty on average by 0.19 percent per year.

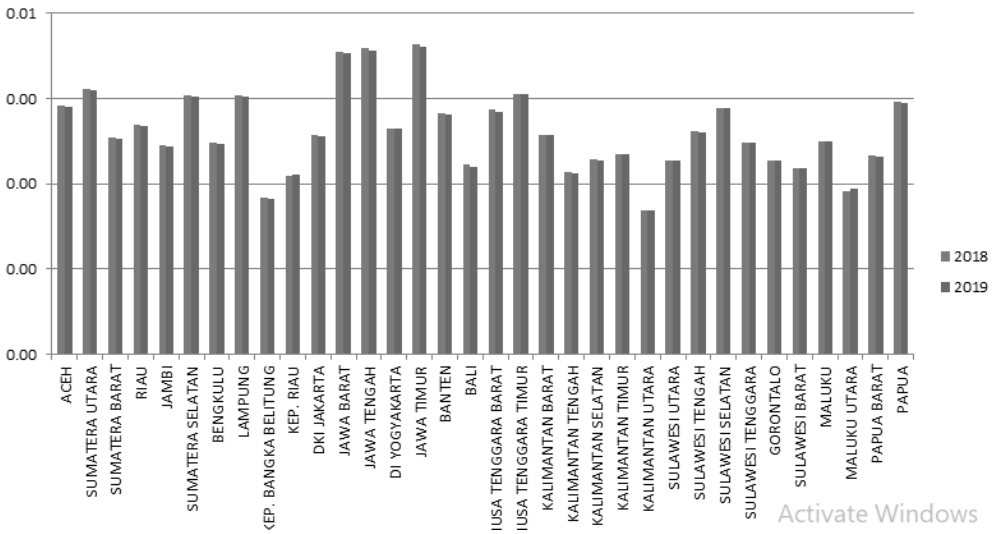

Figure 1. Number of Poor Indonesians in 2018-2019 (in Thousands)

The number of poor people from 2018-2019 managed to experience a considerable decline. However, it is still relatively high in some provinces, such as in Papua Province in 2019, reaching 1,129.46 thousand people, North Maluku Province in 2018 reaching 915.22 thousand people, and North Sulawesi Province experienced an increase in the number of poor people reaching 759.58 thousand people in 2019. Each region must try to reduce poverty levels. In the 2015-2019 period, the province of Eastern Indonesia was only able to reduce poverty on average by 0.19 percent per year.

Based on Figure I, the number of poor people in Indonesia is still relatively high, most of which are concentrated in the Western Region of Indonesia (KBI) in Sumatra and Java. This is a reasonable statement considering that more than half of Indonesia's population lives on the island. However, if you look at the high level of poverty in the Eastern Indonesia Region (KTI), it dominates with a relatively high level.

Bappenas (2018), stated that poverty is influenced by the difficulty of accessing basic services in general, the lack of health and education facilities is still a challenge that is often faced, a mindset that emphasizes traditional ceremonies and sacrifices educational and nutritional needs that affect human resources, a mindset that is not developing, affecting the productivity of the community.

Government spending on the education has a negative impact on the number of poor people. With the ease of accessing education, more people receive and complete education, the higher the education, the higher the knowledge and quality of the community so that, supporting increasing productivity, this is in line with the theory of human capital, which states that the higher the quality of education, the more competitive the workforce can be

absorbed by jobs so that they have an increase in the standard of living of the economy. Likewise, government spending on the health sector to improve the level of public health, the healthier the people, the better the productivity in producing goods and services, then there is an increase in output to increase the community's economic standard (Mankiw, 2016; Widodo et al., 2012).

Another economic factor that influences the number of poor people is an investment. The public investment made domestically or internationally will have a negative impact on poverty. With an increase in investment, providing job opportunities for workers to work, increasing income, and regional economic activity will increase economic growth, thereby reducing poverty (Mariono, 2017). Islami (2013), found that the regional minimum wage has a negative effect on the number of poor people. An increase in the minimum wage will reduce the number of workers used by the company to carry out the production process. The use of labor will be limited and will result in an increase in the poverty rate (Huang et al., 2021).

Basorudin (2019), found that the number of poor people is negatively affected by the Labor Force Participation Rate (TPAK), the higher the labor force participation rate in an area, the more people will work and have income, so they can meet their needs and improve their welfare-reduce the Poverty rate. Poverty is positively influenced by income inequality. The smaller the income distribution inequality. The better the distribution of income in the community. It probably has an effect on reducing poverty (Rozali, 2020).

The poverty in Eastern Indonesia is essential problem, considering that the poverty rate from year to year is still relatively high. Although the poverty rate has decreased, the number is minimal. So that economic development in Eastern Indonesia must be more inclusive by prioritizing local economic development from natural resources that will involve the community so that it is expected to overcome the decline in the number of poor people. This study will examine the effect of total government spending on education, government spending on health, labor force participation rate, regional minimum wage, investment, and the Gini index on poverty in Eastern Indonesia.

METHOD

This research is quantitative research using panel data regression analysis with econometric models as follows:

$$\log JPM_{it} = \beta_0 + \beta_1 \log PPBP_{it} + \beta_2 \log PPBK_{it} + \beta_3 \log INV_{it} + \beta_4 \log UMR_{it} + \beta_5 TPAK_{it} + \beta_6 IG_{it} + \varepsilon_{it} \quad (1)$$

JPM = Number of Poor Population
PPBP = Government Expenditure on Education (IDR)
PPBK = Government Expenditure on Health (IDR)
TPAK = Labor Force Participation Rate (%)
UMR = Regional Minimum Wage (IDR)
INV = Investment (IDR)
IG = Gini Index (Index Number 0-1)
β_0 = Constant
$\beta_1,...\beta_6$ = Independent variable regression coefficient
i = Province i
t = year t

The estimation stage of the econometric model above will include: parameter estimation of the panel data model using the Pooled Least Squares (PLS), Random Effect Model (REM), and Fixed Effect Model (FEM) approaches; selection of the best estimator model with Chow test and Hausman test; test the goodness of the model on the selected estimator model and test the validity of the effect on the selected estimator model.

The dependent variable in this study is the number of impoverished persons, defined as those whose monthly per capita expenditure is less than the poverty level (Central Bureau of Statistics, 2020). The data used is the number of poor people per province in Eastern Indonesia from 2010-2019 with units of people. The independent variables are Health Sector Government Expenditure, Education Sector Government Expenditure, Labor Force Participation Rate, Investment, Regional Minimum Wage, and Gini Coefficient.

Secondary data was used in the study, which is information produced and published by other organizations. The secondary data used is panel data, a combination of cross-section data and time-series data. This study covers 12 provinces in Eastern Indonesia, namely West Nusa Tenggara, Papua, North Maluku, West Sulawesi, Gorontalo, East Nusa Tenggara, North Sulawesi, West Papua, South Sulawesi, Southeast Sulawesi, Maluku, and Central Sulawesi. (i = 12). Meanwhile, the time-series data starts from 2010 to 2018 (t = 9).

RESULTS AND DISCUSSION

Table 2 shows the Panel Data Regression estimation results utilizing the Pooled Ordinary Least Squares (PLS), Fixed Effect Model (FEM), and Random Effect Model (REM) techniques.

Table 2. Cross-section Panel Data Regression Result

Variable	Koefisien Regresi		
	PLS	FEM	REM
C	1,339	6,260	6,131
log(PPBP)	0,077	0,003	0,003
log(PPBK)	0,316	-0,015	-0,013
log(INV)	0,056	0,004	0.006
log(UMR)	-0,733	-0,079	-0,086
TPAK	0,038	0,002	0,003
IG	4,322	0,266	0,332
R^2	0,398	0,994	0,112
Adjusted. R^2	0,362	0,992	0,060
Statistik *F*	11,113	879,957	2,140
Prob. Statistik *F*	0,000	0,000	0,055

Source: processed by the author

The Chow and Hausman tests will be used to select the best-estimated model – PLS, FEM, or REM. If it turns out that in the Chow test, t FEM is selected in the Hausman test FEM is selected, then the best-estimated model is FEM. The Chow test is used to determine the PLS or FEM estimated model. The Ho of the Chow test: the estimated model is Pooled Least Squares (PLS), and the HA: the estimated model is the Fixed Effect Model (FEM). Ho is accepted if the p-value, probability, or empirical statistical significance F > α; Ho is rejected if the p-value, probability 0,r empirical statistical significance F < α. The results of the Chow test can be seen in Table 3.

Table 3. Chow Test Result

Statistik	Value	d.f	Prob.
Cross-section *F*	815,878	(11, 90)	0,000

Source: processed by the author

The p-value, the probability, or the empirical significance of the F statistic is 0.000 (<0.01), so Ho is rejected. In conclusion, the estimated model is FEM. Hausman test is used to select the FEM or REM estimated model. Ho Hausman test: the estimated model is the Random Effect Model (REM), and the HA: the estimated model is the Fixed Effect Model (FEM). Ho is accepted if the p-value (p-value),

probability or empirical statistical significance $\chi 2 > \alpha$; and Ho is rejected if the p-value (p-value), probability or empirical statistical significance $\chi 2 < \alpha$. Hausman test results can be seen in Table 4.

Table 4. Hausman Test Result

Statistik	Value	d.f	Prob.
Cross-section random χ^2	45,535	6	0,000

Source: processed by the author

From Table 4, it can be seen that the p-value, probability, or empirical statistical significance of $\chi 2$ is 0.000 (< 0.01), so Ho is rejected. In conclusion, the estimated model is the Fixed Effect Model (FEM).

The Fixed Effect Model (FEM) was chosen as the best-estimated model from the Chow test and Hausman test in advance. The results of the complete estimation of the FEM model are presented in Table 5 and Table 6.

Table 5 shows the R2 value in the Fixed Effect Model (FEM) of 0.994, meaning that 99.4% of the variation in the Number of Poor Population variables can be explained by the variables of Government Expenditure on Education, Government Expenditure on Health Sector, Investment, Regional Minimum Wage, Labor Force Participation Rate, Gini index. 0.6% is influenced by other variables or factors that are not included in the model.

Table 5. Fixed Effect Model Estimation Model

$\widehat{logJPM}_{it}$	$log\ PPBP_{it}$	$log\ PPBK_{it}$	$log\ INV_{it}$
= 6,260	+ 0,003	-0,015	+0,004
	(0,480)	(0,098)***	(0,570)
$-0,079\ logUMR_{it}$	$-\ 0,881\ TPAK_{it}$	IG_{it}	
		+247,371	
(0,021)**	(0,546)	(0,421)	

R^2 = 0,994; *DW*= 1,151; *F.* = 879,957; Prob. *F* = 0,000

*Note: *Significant at = 0.01; ** Significant at = 0.05; *** Significant at = 0.10; The number in brackets is the probability of the statistical value t.*

Table 6. Cross-section Effects and Constants

No	Province	Effect	Constant
1	West Nusa Tenggara	0,838	7,099
2	East Nusa Tenggara	1,104	7,364
3	North Sulawesi	-0,559	5,701
4	Central Sulawesi	0,157	6,417
5	South Sulawesi	0,884	7,144
6	Southeast Sulawesi	-0,078	6,182
7	Gorontalo	-0,587	5,673
8	West Sulawesi	-0,835	5,426
9	Maluku	-0,033	6,227
10	North Maluku	-1,422	4,838
11	West Papua	-0,420	5,840
12	Papua	0,952	7,212

Table 7. Correlation Result

	log(PPBP)	*log(PPBK)*	*log(INV)*	*log(UMR)*	*TPAK*	*IG*
log(PPBP)	1	0.3069	0.3689	0.4820	0.1598	0.0584
log(PPBK)	0.3069	1	0.4630	0.2798	0.2165	0.1984
log(INV)	0.3689	0.4630	1	0.5460	0.2040	0.1061
log(UMR)	0.4819	0.2798	0.5460	1	0.1117	0.1300
TPAK	0.1598	0.2165	0.2040	0.1117	1	0.0672
IG	0.0584	0.1984	0.1061	0.1300	0.0672	1

The multicollinearity test used in this study is the correlation test. In the correlation test, multicollinearity occurs when the estimated model's correlation matrix value between independent variables is > 80%. Correlation multicollinearity test results are presented in Table 7.

Glejser test will be used to test the presence of heteroscedasticity. To detect the presence of heteroscedasticity, this study used the Glejser test. Ho is accepted if the p-value (p-value), probability or significance of the t-statistics of the Glejser test > α; Ho is rejected if the p-value, probability or empirical significance of the t-statistics of the Glejser test < α. Glejser test results are shown in Table 8. From Table 8, it can be seen that the p-value, probability, or empirical significance of the t-statistics of the Glejser test > 0.10 indicates that there is no variable that affects the residual. In conclusion, from all variables, no heteroscedasticity was detected in the FEM estimated model.

Table 8. Glejser Test Result

Variable	**Coefficient**	**t-Statistic**	**Prob.**
PPBP	-0.00013	-0.0741	0.9411
PPBK	-0.00514	-1.5980	0.1135
INV	-0.00180	-0.6410	0.5231
UMR	-0.01710	-1.6261	0.1074
TPAK	0.00172	1.3521	0.1797
IG	0.04042	0.3643	0.7164

Based on the effect validity test in Table 9, it can be seen that the Government Expenditure in the Health Sector (PPBK) and the Regional Minimum Wage (UMR) have a significant effect on the Number of Poor Population (JPM). Meanwhile, Government Expenditure on Education (PPBP), Investment (INV), Labor Force Participation Rate (TPAK), and Gini Index (IG) do not have a significant effect on the Number of Poor Populations in Eastern Indonesia.

The variable of Government Expenditure on Health (PPBK) has a regression coefficient of -0.015, with the relationship pattern between the Number of Poor Population and Government Expenditure on Health being logarithmic-logarithmic. This means that if the Government Expenditure on the Health Sector increases by 1%, the Number of Poor People will decrease by 0.016%. On the other hand, if the Government Expenditure on Health decreases by 1%, the Number of Poor People will increase by 0.016%.

The Regional Minimum Wage variable has a regression coefficient value of -0.079, with a logarithmic-logarithmic relationship pattern. If

the Regional Minimum Wage variable increases by 1%, the Number of Poor populations will decrease by 0.079%. On the other hand, if the Regional Minimum Wage decreases by 1%, the Number of Poor People will increase by 0.079%.

The constant value for each province can be seen in Table 5; it can be seen that the area with the highest constant value is East Nusa Tenggara Province, which is 7.364. That is, related to the influence of the variables of Government Expenditure on Education (PPBP), Government Expenditure on Health (PPBK), Investment (INV), Regional Minimum Wage (UMR), Labor Force Participation Rate (TPAK), and Gini Index (IG) on the Total Population Poor, East Nusa Tenggara province tends to have a higher number of poor people compared to other provinces. After East Nusa Tenggara Province, the four regencies with the most significant constants are Papua Province, West Nusa Tenggara Province, South Sulawesi Province, and Southeast Sulawesi Province.

The lowest constant value is owned by North Maluku Province, which is 4.838. That is, related to the influence of the variables of Government Expenditure on Education (PPBP), Government Expenditure on Health (PPBK), Investment (INV), Regional Minimum Wage (UMR), Labor Force Participation Rate (TPAK), and Gini Index (IG) on the Total Population Poor, North Maluku province tends to have a lower number of poor people compared to other provinces. Before North Maluku Province, the four cities with the lowest constants were West Papua, North Sulawesi, Gorontalo, and West Sulawesi Provinces.

Table 9. Effect Validity Test Result

Variable	t	Sig.t	Criteria	Note
log(PPBK)	-0,016	0,098	< 0,10	Significant
log(PPBP)	0,003	0,480	> 0,10	Not Significant
log(INV)	0,004	0,570	> 0,10	Not Significant
log(UMR)	-0,079	0,012	< 0,05	Significant
TPAK	0,002	0,546	> 0,10	Not Significant
IG	0,266	0,421	> 0,10	Not Significant

Based on the effect validity test in Table 9, Government Expenditures in the Health Sector (PPBK) and Regional Minimum Wages (UMR) have a significant effect on the Number of Poor Populations (JPM). Meanwhile, Government Expenditure on Education (PPBP), Investment (INV), Labor Force Participation Rate (TPAK), and Gini Index (IG) do not have a significant effect on the Number of Poor Populations in Eastern Indonesia.

The variable of Government Expenditure on Health (PPBK) has a regression coefficient value of -0.016. If Government Expenditure on Health Sector increases by 1%, the Number of Poor People will decrease by 0.016%. On the other hand, if the Government Expenditure on Health decreases by 1%, the Number of Poor People will increase by 0.016%.

The Regional Minimum Wage variable has a regression coefficient of -0.079. If the Regional Minimum Wage variable increases by 1%, the Number of Poor People will decrease by 0.079%. On the other hand, if the Regional Minimum Wage decreases by 1%, the Number of Poor People will increase by 0.079%.

The constant value of each province can be seen in Table 6 that the area with the highest constant value is East Nusa Tenggara Province, which is 7.364. Related to the effect of the variables of Government Expenditure on

Education (PPBP), Government Expenditure on Health (PPBK), Investment (INV), Regional Minimum Wage (UMR), Labor Force Participation Rate (TPAK) and, Gini Index (IG) on the Number of Poor Population, East Nusa Tenggara Province tends to have a higher number of poor people compared to other provinces. After East Nusa Tenggara Province, the four regencies with the most significant constants are Papua Province, West Nusa Tenggara Province, South Sulawesi Province, and Southeast Sulawesi Province.

The lowest constant value is owned by North Maluku Province, which is 4.838. Related to the effect of the variables of Government Expenditure on Education (PPBP), Government Expenditure on Health (PPBK), Investment (INV), Regional Minimum Wage (UMR), Labor Force Participation Rate (TPAK,) and Gini Index (IG) on the Number of Poor Population, North Maluku province tends to have a lower number of poor people compared to other provincesBeforeto North Maluku Province, the four cities with the lowest constants were West Papua, North Sulawesi, Gorontalo, and West Sulawesi Provinces.

The number of poor people in various provinces in Eastern Indonesia during the 2010-2018 period was influenced by Government Expenditures in the Health Sector and Regional Minimum Wages. Meanwhile, government spending on education, investment, labor force participation rate, and the Gini Index has no effect on poor people.

The negative effect of government spending on the health sector on the number of poor people in Eastern Indonesia can be illustrated through regional policies on the allocation of health spending carried out in a balanced, efficient, and effective manner so that they are right on target. This illustrates that the government has made every effort to maximize health sector spending. The increase in government spending on the health sector shows that there are many adequate health service facilities so that they can be accessed by the lower class. The high level of population health results in an increase in human quality and leads to community productivity. People who have good productivity will be absorbed in the labor market and reduce the number of people living in the labor market—poor people (Oum, 2019).

The same research results were also found by (Sari & Nurdin, 2018). Government spending on health has a significant effect on the growth of the poor population in Aceh Province during the 2010-2016 period. Mardiana et al., (2018), also found a negative effect on government spending in the health sector on the number of poor people in East Kalimantan during 2005-2014.

Government spending in the health sector can affect poverty reduction with three government budget allocation instruments: direct health service subsidies for low-income households, subsidies for public service costs for health, and subsidies for infrastructure development in the health sector.

Ariyati et al., (2018), explained that government spending spurs economic growth. The increase in government spending, especially in the health sector, encourages various goods and services produced in the aggregate economy, thereby encouraging economic growth. Government spending is seen as aggregate output and a proxy for investment in human resources that can affect economic growth, where good economic growth will also affect people's welfare. In other words, economic growth is a function of government spending (Rochmatullah et al., 2016).

The negative effect of the Regional Minimum Wage on the Number of Poor People in Eastern Indonesia is due to the establishment of a regional minimum wage that creates a more

decent income. The existence of wage fixing is one of the efforts to increase welfare for workers and as an effort to improve economic conditions in general. An increase in the regional minimum wage will increase the minimum standard of living for workers starting from health, nutrition, and education, which will increase the welfare of workers' lives (Andrea et al., 2020; Sotomayor, 2021).

Astuty (2007), found the same finding that the regional minimum wage had a negative effect on the number of poor people in districts/cities in East Java during the period 2013-2018. Kurniawati et al., 2017 found a negative effect of regional minimum wages on the number of poor people in Indonesia during the period 2006-2014.

An increase in income can help workers escape the cycle of poverty, resulting in a decrease in the number of poor people. Determination of the regional minimum wage is the role of the company to the workers so that the relationship between companies and workers can be achieved, namely the welfare of workers and the development of the company (Palomino et al., 2020; Sen et al., 2011).

Education is a force for progress in economic development because education has the highest government budget compared to other sectors but has a long time to achieve the benefits of poverty alleviation. Government spending on education has not been fully focused on improving the quality of education for educators and students but is mainly used for infrastructure development which has indirect benefits on education, so this does not have an effect on improving the quality of human resources (Papadakis et al., 2020). The low quality of human resources can reduce productivity and welfare, which leads to an increase in poverty (Al-Jundi et al., 2020; McNamara et al., 2019). This situation is one of the factors that government spending on education does not affect the number of poor people in Eastern Indonesia.

Muliza et al. (2017), stated that the government's priority focus is on the physical development of educational infrastructure, which is a long-term investment so that the benefits of budget allocations have not been fully felt and have an effect on reducing the number of poor people. For example, in the province of Papua, it is known that the realization of the education budget based on the APBD is only 1.4% of the total budget. This is not in accordance with Law Number 20 of 2003 concerning the allocation of 20% of education funds. The province is considered inefficient in carrying out budget realization and providing welfare for its people; there are still many poor people in the region who have not received a proper education.

Another factor that causes government spending on education to have no effect on the number of poor people in Eastern Indonesia is the downward trend towards the average realization of government spending on education. There average realization of government spending on education in Eastern Indonesia tends to show a decline; Despite the fact that government efforts to include the poorest children in schools have been successful, the quality of instruction required for effective schools has not been assured (Silva-Laya et al., 2020). For example, from 2010-2015, the average realization of government spending on education fluctuated and tended to fall. This reflects the failure to implement education funds and the lack of supervision from the central government to local governments in the realization of the education budget, resulting in the funds being realized by the government being less targeted in the region, resulting in inadequate education and low productivity in Eastern Indonesia.

This study is similar to Aini (2020), government spending on the education sector has no effect on reducing poverty in regencies/

cities in East Java during the period 2014-2018. Fithri & Kaluge (2017), found that there was no effect of government spending on the education sector on poverty.

The absence of investment effect on the number of poor people in Eastern Indonesia is due to the concentration of investment only on investors' profits, not on the welfare of the local area. Investors do not invest in aiming to improve the economy of the local community, but investors only want to control the availability of abundant natural resources in the occupied area. Two examples of investor companies are PT Freeport Indonesia and PT Indonesia Morowali Industrial Park. The Freeport-McMoRan company invests in Papua Province with the main objective not to realize the welfare of the people of the Papua province, but the province has abundant natural resources such as gold, silver, and copper mines in the Sudirman Mountains, which are very abundant.

Likewise, the Shanghai Decent Investment (Group) company invested in Morowali Regency. It has abundant natural resources, namely nickel mines. Investors only focus on the purpose of obtaining profits and controlling natural resources without thinking about the realization of community welfare, so that investment has no effect on reducing the number of poor people (Magombeyi & Odhiambo, 2018). an increase in investment does not always reduce poverty in Eastern Indonesia; for example, during the 2010-2018 period, the average investment value continued to increase from 180.31 trillion rupiahs to 824.20 trillion rupiahs, an increase in investment should have caused a decrease in the number of poor people. However, on the contrary, the increase in investment does not affect the increase or decrease in the number of poor people; the poverty situation tends to remain during the 2010-2018 period. This reinforces that increased investment cannot be used as a measure of regional success in reducing poverty.

An increase in investment causes inequality in income distribution in areas that are experiencing development. Increased investment will lead to new industries in areas that have abundant natural resources, in the released industry will increase demand for labor and income. Meanwhile, in other areas, those with low investments tend to have low incomes. The concentration of investment in areas with abundant resources results in inequality, resulting in income inequality and an increase in the poor (Fu et al., 2021).

The increase in investment is expected to reduce the number of poor people, but in reality, many investors bring in foreign workers with better quality than the quality of local community resources, so investment does not cause prosperity in the area but increases unemployment which leads to an increase in poverty (Febriandika & Rahayu, 2021). Investment in an area is expected to improve the welfare of the community. All-natural resources contained in Indonesia must be managed by the state and utilized for the benefit of the Indonesian population.

The factor that causes the labor force participation rate does not affect the number of poor people in Eastern Indonesia is that there are still many workers in Eastern Indonesia who have jobs with low incomes and fall into the poor category. Low income is influenced by low productivity because productivity is proportional to income. People who work with low incomes and low productivity are one of the factors in increasing the number of poor people.

The labor force participation rate tends to decrease during the period 2010-2014 and slightly increase in 2015-2018. Supposedly, the decline in the labor force participation rate in 2010-2014 was followed by an increase in unemployment. However, based on Figure 4.3, the decline in the labor force participation rate

was not followed by an increase in unemployment. This is the cause of the labor force participation rate has no effect on unemployment which leads to poverty levels.

Another factor that causes the labor force participation rate to have no effect on the number of poor people in Eastern Indonesia is the low quality of the workforce. Ahmaddien (2019), The high level of labor force participation in Eastern Indonesia is not accompanied by the superior quality of human resources, resulting in low labor productivity. Low productivity leads to low income. The high level of labor force participation which is followed the prior quality of human resources, has resulted in a decrease in the welfare of life and an increase in the poor.

Endrayani & Dewi (2016), found that many workers with low quality will be a source of poverty in Bali Province during the period 2008-2013 because they do not get the desired income. Salwa et al. (2016) explained that there was no effect of the labor force participation rate on the number of poor people in Aceh Province during the period 2007-2011.

The high level of labor force participation reflects that people prefer to enter the workforce rather than continue school and take care of the household. The increase in the labor force participation rate is due to the increasing number of PT Freeport Indonesia workers in the Mimika Regency. This company opened up many job opportunities for local people and people from outside the region who later settled in Papua Province so that the population working in the area increased.

In 2015-2018 the labor force participation rate in Eastern Indonesia tended to increase. However, the unemployment rate tends to remain. This is because the majority of local people work in the informal sector, such as; laborers, farmers, traders, and plantations, limited knowledge/ skills entering the formal sector makes the formal sector controlled by workers outside the region or foreigners. Homogeneous work of local communities makes local people's income equal so that the increase in labor force participation in the informal sector does not decrease or increase the number of poor people in the Eastern Region.

With the government's efforts to improve the quality of human resources through training, fieldwork practices, training, and mentoring skills, it is hoped that the quality of the workforce in the region can improve, local communities can compete in the formal labor market and have better incomes than the informal sector. Better incomes can increase welfare and reduce poverty levels.

There is no effect of the Gini Index (income distribution) on the number of poor people in Eastern Indonesia because the income of people in Eastern Indonesia tends to be evenly distributed, the value of inequality in Eastern Indonesia is small at 0.3. People in Eastern Indonesia have jobs that tend to be homogeneous in the agricultural and plantation sectors, which causes people in Eastern Indonesia to have almost the same and even distribution of income, so the Gini Index does not affect poverty conditions in Eastern Indonesia.

Based on Saddam et al. (2019), income inequality in Eastern Indonesia has no effect on the number of poor people, because inequality in the region is caused by inequality in regional development, the majority of regional development is evenly distributed in the Western Region of Indonesia such as the islands of Java and Sumatra, while the Eastern Region of Indonesia has regional development that only concentrated in major cities in the region. For example, in Papua Province, development is concentrated in the Jayapura Regency. The increase and decrease in the average Gini Index do not cause an increase or decrease in the

number of poor people in Eastern Indonesia. For example, in 2011-212, the average Gini Index value increased. An increase in the Gini Index should lead to an increase in poverty. However, on the contrary, it causes a decrease in poverty. This reinforces that increasing income inequality does not necessarily increase the number of poor people.

Income distribution continues to be well-known on the policy agenda, and there is growing social support as an anti-poverty tool. The Gini index value in Eastern Indonesia has stagnated at 0.3 and is still classified as low inequality. Income inequality in Eastern Indonesia has no effect on the number of poor people due to inequality in health, education, infrastructure and skills/ skills inequality, poor workforce. Those who have low quality will be easily eliminated by workers who have better quality. The skill gap is due to the different skills possessed by local residents and immigrants.

According to Simonangkir Detik.com, 2019), states that inequality in health, education, and infrastructure is caused by the realization that government spending in this area is not optimal, resulting in a lack of public welfare in access to health, education, and infrastructure. Education and health services with easy access are only centered in urban areas. This causes the welfare of rural communities to be difficult to fulfill and causes poverty.

Poverty in the region is caused by high unemployment due to quality/ skill inequality. The increase in labor in Eastern Indonesia due to many foreign workers or outside the region entering with better quality makes local workers excluded so that many local workers with minimal quality human resources lose their jobs.

The most frightening and worrying inequality is the quality/ skills gap that affects the increase in poverty. It is hoped that the government in carrying out development in various sectors will not only focus on western Indonesia and areas that have abundant resources but also comprehensively in eastern Indonesia, especially in areas where mobility of public access is still difficult. The expected development is to provide faster benefits for improving welfare, the environment, and regional autonomy.

CONCLUSION

The variables of government expenditure in the health sector and regional minimum wages have a significant effect on the number of poor people in Eastern Indonesia. Meanwhile, the variables of government expenditure on education, labor force participation rate, investment, and the Gini Index have no significant effect on the number of poor people in Eastern Indonesia. Government spending on health and regional minimum wages have a negative effect on the number of poor people in Eastern Indonesia. East Nusa Tenggara Province has a high number of poverty, and North Maluku Province tends to have a low number of poor people.

The number of poor people in Eastern Indonesia will decrease if the realization of government spending on health and the determination of regional minimum wages increases. The increase in the realization of government spending in the health sector indicates that regional policies on the allocation of health spending have been carried out in a proportional, efficient, and effective manner so that they are right on target. Wage fixing is one of the efforts to increase welfare for workers, as well as an effort to improve economic conditions in general. With an increase in the regional minimum wage, it increases the minimum standard of living of workers starting from health, nutrition, and education which creates an increase in the welfare of workers' lives.

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