The Influence Between Government Expenditure Towards Poor Resident in Indonesia

Miftakhul Khasanah [1✉], Prasetyo Ari Wibowo[2]

Economics Development Department, Economics Faculty, Universitas Negeri Semarang

Article Info	Abstract
	The purpose of this study is to find out how much is the influence of the government's expenditure on the function of health, education, housing and public facilities in Indonesia during 2008-2013. The sample of this study were the government's expenditure on the function of health, education, housing and public facilities as well as the number of poor residents in Indonesia during 2008-2013. The collected data was analyzed using quantitative method. This study used panel data regression analysis with 95% significance (α=5%). The result of the analysis on t test and F test showed that all of the independent variables were influential towards the dependent variables. The suggestion corresponding to the result of this study are (1) The government should adjust the budget allocation for health function by 10% (2) the government should adjust the budget allocation for education function by 20% (3) there should be development in housing sector which is in favor of the poor residents (pro poor).

✉ Corresponding Author:
Building L2, 2nd Floor, Sekaran Campus,
Gunungpati, Semarang
E-mail: miftakhulep@gmail.com

INTRODUCTION

President Susilo Bambang Yudhoyono reiterated his concern for overcoming poverty and unemployment which was then formulated through a new deal in the context of economic development in Indonesia. SBY emphasized its concern to overcome poverty and unemployment because it is a social and economic problem (Kiaušienė, 2015) which was then formulated through a new agreement in the context of economic development in Indonesia. The summary of the agreement is triple track principle of pro-growth, pro-jobs, and pro-poor strategy. The first track is done by increasing growth and increasing investment and export. The second track moves the sector to create more jobs. The third track is the revitalization of the agricultural sector and the rural economy to reduce poverty

The poverty rate continues to decline annually, followed by the decreasing number of poor people. The poverty rate continued to decline during the era of President Susilo Bambang Yudhoyono's administration, but the decline in the number of poor people in Indonesia is slowing down. The number of poor people in Indonesia is only 1 percent per annum, while the rate of population growth will continue to increase every year, meaning that every citizen has a tendency to live below the poverty line.

Poverty problem in Indonesia is the highest comparing to countries under the category of low and middle income countries such as Cambodia, China, Fiji, Laos, Malaysia, Philippines, Thailand, Vietnam. Indonesia also become the second highest with the number of people living below the poverty line at the most at 18.04% (World Bank, 2015). Therefore, poverty is a shared responsibility of both local government and central government. Government need to find a solutions to combat the poverty rate.

It is generally known that what makes a poverty is the absence of policies in the income distribution. In addition, the disparity of income distribution will also lead to a decline in economic growth (Bagchi & Svejnar, 2015). The government has an important role for allocation, distribution and stabilization. When the market failed, the government could take an action. Governments can act as economic actors that spur production and consumption (Samuelson, 2005: 89).

Fiscal decentralization and regional autonomy is one of the instruments in the form of giving authority to local governments to manage various development indicators based on development priorities in each region. Governments play a role in capital formation through government spending in various fields as the level of decentralization will affect the composition of government spending (Grisorio & Prota, 2015), such as government spending on public facilities and infrastructure that will become capital for economic growth and will help reduce poverty.

The private sector will not take a responsible to provide these public facilities. However, In the absence of public facilities, the private sector will not be interested to invest and can hamper poverty alleviation.

The government allocation towards poverty increased each year, as well as the government's expenditure on peoples welfare also arise annually. The health allocation in 2008 was Rp. 6.65 trillion and continues to increase significantly in 2013 to Rp. 17.58 trillion as well as education allocation in 2008 is Rp. 8.06 trillion and continue to increase significantly in 2013 amount Rp. 21.47 trillion and the budget for housing and public facilities in 2008 amounted to Rp. 16.72 trillion increase significantly in 2013 to Rp. 32.10 trillion, so it can be concluded that government expenditure has a tendency to always increase in each year.

Based on the background of the above problems, the authors are interested to examine the effect of government spending on health, education, housing and public facilities on the number of poor people in Indonesia in 2008-2013.

RESEARCH METHOD

The type of this research is a quantitative research. In this study, the type of data is secondary data, while according to the time of collection, the type of data in this study is panel data (time series and cross section) the period 2008 to 2013.

The data obtained from the Central Bureau of Statistics (BPS) of Central Java Province and the official website of the Directorate General of Fiscal Balance of the Republic of Indonesia.

Data analysis techniques used are descriptive quantitative and statistical analysis. Statistical analysis included panel data regression (Chow test and Hausman test), classical assumption test (normality test, multicollinearity test, heteroskedity test, autocorrelation test), hypothesis test (F test and t test), determination coefficient (R2).

Data Analysis Method

$$PM_{it} = \beta_0 - \beta_1 \log FK_{it} - \beta_2 \log FP_{it} - \beta_3 \log FPFU_{it} + \mu_{it}$$

whereas :

PM	: number of poor peoples
LogFK	: Health budget
LogFP	: Educatio budget
LogFPFU	: Housing and public facility budget
β_0	: Intercept
$\beta_1, \beta_2, \beta_3$	: coefficient
μ_{it}	: *error* in t time of *cross section* i
i	: 1,2,3,...,33
t	: 2008 – 2013

RESULTS AND DISCUSSION

For the selection of panel data regression model (Common Effect Model or Fixxed Effect Model) which is suitable for Chow test. Test results are as follow :

Table 1. Chow test result

Statitstic test	Statistic value	d.f.	Probability
F test	561.978745	32,162	0,0000

significance : $\alpha = 5\%$
source: data, processed 2015

The value of significance seen from the probability value of 0.001 <0.05, then it can be concluded model used to generate the best estimates in estimating the effect of government spending on health, education, housing and public facilities to the number of poor people in Indonesia is a fixed effect model. Further testing will be done to select the best model between fixed effect and random effect using Hausman test.

Table 2. Hausman test

T ststistic	d.f.	Probability
15.833978	3	0,0000

Significance : $\alpha = 5\%$
Source: data processed

The value of significance is seen from the probability value of 0.0000 <0.05. therefore, the model reject the random effect model. So the conclusion is that the fixed effect model is better used in this research than the random effect model. From the selection of models that have been done, the panel data regression model as follows:

PM_{it}= 3286295 – log73810.30FK_{it} – log26060.05 FP_{it}– log 21678.86 $FPFU_{it}$ + m t statistik (15.34146) (-6.932169) (-2.432308) (-2.171452)

Based on the comparison between the value of R2 partial regression (auxiliary regression) with the value of R2 main regression.

If the value of R2 partial regression (auxiliary regression) is greater than the value of R2 main regression it can be concluded that the equation contains collinearity. collinearity test results between independent variables as follows :

Table 3. Collinearity test

No	Equation	R^2 *Auxiliary Regression*	R^2 Regression *Fixed Effect Model*
1	logFK	0.975019	0.991889
2	logFP	0.961942	0.991889
3	logFPFU	0.946419	0.991889

Source: data processed

This research using GLS method (Generalized Least Square) which gives weight to variation of data, that is with squared variant of model (Gujarati, 2011: 476). Existing facilities in the Eviews program by choosing cross section weight and white-cross section then the problem of heteroscedasticity can be overcome.

The autocorrelation used in this study by Durbin Watson test. The output it shows that the value of DW - stat is 0.99 in the range of 0 (du> DW - stat> 4 - du) ie (1.748> 0.99> 2.21). This indicates that the model is an autocorrelation problem. Furthermore, in accordance with what is said by Gujarati in his book, when using Generalized Least-Square model can suppress the existence of autocorrelation that usually occurs on the formula OLS (Ordinary Least Square), as a result of error estimation of variance so that with GLS method of autocorrelation problem already can be overcome (Gujarati, 2011: 43).

From the regression result, the effect of government expenditure on health (FK), education (FP), housing and public facilities (FPFU) affect the number of poor people (PM) in Indonesia. The R2 value with fixed effect approach cross section weight of 99.18%, it means the using of independent variables could explain the model for 99,18%.

While the rest of 0.82% is explained by other variables outside the model.

The F-statistic test value is 566,0240> F-table 2.70, which means independent variables ie Government Expenditure Variables for health, education, housing and public facilities simultaneously affect number of poor people in Indonesia.

Health budget has p - value 0,0000. So it can be concluded that government expenditure for health budget affecting the number of poor people in Indonesia.

The government expenditure variable of educational budget has p - value 0,0161. So it can be concluded that government expenditure variable of education budget affecting the number of poor people in Indonesia.

Government expenditure variable of housing and public facility have p - value 0,0314. So it can be concluded that government expenditure variable function of housing and public facilities also affecting the number of poor people in.

The government's expenditure on health functions has a negative and significant effect on the number of poor people with negative coefficient of 73810.30. The results of this study are in accordance with the hypothesis that government spending on health functions

significantly affects the number of poor people. This means that if there is an increase in government spending for health function of 1% then will reduce the number of poor people by 73.81 thousand people with the assumption cateris paribus.

This result in line with Widodo and K Maria (2011) entitled "Analysis of the influence of government spending on the education and health sectors on poverty alleviation through human development improvement in Central Java province". The study states that public sector expenditures affect poverty reduction.

Government expenditure rate of health function are not increase for all provinces. The allocation of government expenditure health function has fluctuate (Directorate General of Regional Fiscal Balance 2008-2013) Purohit (2012) states that to overcome the inequality of government expenditure health function, it needs to increase efficiency health services as well as increasing the promotion of health insurance especially in the retarded areas.

Based on the results of the analysis can be explained that the government expenditure variable education function has a negative and significant effect with the negative coficient value of 26060.51 against the number of poor people in Indonesia in 2008 until 2013. This means that if there is an increase in government spending education function of 1%, then the poor population will fall by 26.06 thousand people with the assumption cateris paribus.

This research is supported by Santosa's research (2010) entitled "The Influence of PNPM and Local Expenditure Allocation for Education, Health, and Public Works on Poverty Reduction (case study of districts / cities in East Java province 2007-2009)". The study states that the allocation of regional spending in health and education has a negative and significant effect on poverty in East Java.

The variable of government expenditure on the function of housing and public facilities has negative and significant effect with negative coefficient value of 21678.86. This is in accordance with the research hypothesis which states that there is influence of government expenditure on the function of housing and public facilities to the poor population in Indonesia during 2008 to 2013. This means that if there is an increase in housing and public facilities spending by 1% will reduce the number of poor people by 21.67 thousand people with the assumption cateris paribus..

CONCLUSION

Based on the results it can be conclude as follows. The government expenditure variable for health function has a negative and significant effect on the number of poor people in Indonesia. And government expenditure variable of education function have negative and significant influence to the number of poor people in Indonesia. And government expenditure variable of housing function and public facility have negative and significant influence to the number of poor people in Indonesia.

Suggestion Based on the results of the above analysis and discussion, can be given to the parties concerned are as follows. Local governments should adjust the allocation of health function budget to 10% of total budget in accordance with Law no. 36 of 2009 on health, so that the health quality of the population continues to increase, thus triggering productivity work and increase the income of the community, so that the number of poor people will be reduced. And local governments should adjust the allocation of education budget to reach 20% of total APBD in accordance with Law no. 20 of 2013 on the national education system, so that educational programs can be implemented well and can be enjoyed equally by the community, so the quality of human resources in Indonesia will increase, with human resources quality community will get better job

opportunities , so that the poor in Indonesia can be reduced. And the size of the budget for the function of housing and public facilities has not been fully enjoyed by the poor, so the necessary policy related to the pro poor housing sector development.

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