



Influence of Municipality Minimum Wage, GDRP and Balanced Funds To Poverty

Ilham Rosyian Hanafi✉

Economics Development Department, Economics Faculty Universitas Negeri Semarang

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Abstract

Poverty is one of the problems faced by every government in the world, including in Indonesia. This study aims to determine the effect of the Regency/Municipality Minimum Wage, GDRP, and Balanced Funds on poverty in the Wanarakuti-Banglor area during the period 2010–2018. This research is a quantitative study using a quantitative descriptive approach. Researchers used a cross-section study in 5 districts in the Wanarakuti-Banglor area and time-series during 2010–2018. The data processing method in this study used panel data analysis method. This study indicates that the Regency/Municipality Minimum Wage and Balanced Funds variables have a negative and significant effect on poverty in the Wanarakuti-Banglor area. Meanwhile, the GDRP variable has a positive and significant effect on poverty in the Wanarakuti-Banglor area.

Keywords: Poverty, Regency/Municipality, Minimum, Wage, GDRP, Balanced Funds

Abstrak

Kemiskinan merupakan salah satu permasalahan yang selalu dihadapi oleh setiap pemerintahan di dunia, termasuk di Indonesia. Penelitian ini bertujuan untuk mengetahui pengaruh yang ditimbulkan dari Upah Minimum Kabupaten/Kota, PDRB, dan Dana Perimbangan terhadap kemiskinan di kawasan Wanarakuti-Banglor selama periode 2010–2018. Penelitian ini merupakan penelitian kuantitatif dengan menggunakan pendekatan deskriptif kuantitatif. Peneliti menggunakan studi cross-section di 5 kabupaten di kawasan Wanarakuti-Banglor serta time-series selama tahun 2010–2018. Metode pengolahan data dalam penelitian ini menggunakan metode analisis data panel. Hasil dari penelitian ini menunjukkan bahwa variabel Upah Minimum Kabupaten/Kota dan Dana Perimbangan memiliki pengaruh negatif dan signifikan terhadap kemiskinan di kawasan Wanarakuti-Banglor. Sedangkan variabel PDRB memiliki pengaruh positif dan signifikan terhadap kemiskinan di kawasan Wanarakuti-Banglor.

Kata Kunci: Kemiskinan, Upah, Minimum, Kabupaten/Kota, PDRB, Dana Perimbangan

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✉ Correspondence Address :
Address: Gedung L2 Lantai 2 FE Unnes
Kampus Sekaran, Gunungpati, Semarang, 50229
E-mail : ilhamrosyian@gmail.com

INTRODUCTION

Poverty is one of the main problems in developing countries, including Indonesia. Poverty is a problem that can trigger other issues in various aspects of community life, such as low levels of education, poor health, crime, and other social issues. Poverty is an indicator that can measure a local government's success in carrying out development in the region (Sigit & Kosasih, 2018). In determining whether someone is said to be poor or not, it can be seen from his ability to meet the minimum life needs.

Absolute poverty is the inability to meet the basic needs of life, such as the absence of income, inability to meet the needs of food, clothing, shelter, and health (Todaro & Smith, 2011). Poverty is a problem and a challenge for every government around the world, including Indonesia. Poverty is a multidimensional problem closely related to community welfare (Ratih et al., 2017). If the government cannot control poverty, it will cause social, economic, and political problems in the community because if this continues, it will cause losses to the country. After all, the government will find it challenging to maintain the stability of the country's security and politics and in the field of economy, the economy will find it challenging to grow and develop, and investment.

In improving inter-regional development coordination, the Central Java Provincial Government, through the Regional Development Planning Agency (Bappeda) of Central Java Province, has divided various Central Java Province regions into several development axes such as Kedung Sapur, Barlingmascakeb, Bregasmalang, and Wanarakuti-Banglor. This area's division aims to coordinate the ongoing development between

regions that are still part of the development axis.

One of the main problems that are always raised in the regional development planning meetings activities in each regional development axis is poverty, including in the Wanarakuti-Banglor development axis. Wanarakuti-Banglor is a combination of several districts located in the northern coastal region of Central Java Province and several areas such as Rembang Regency and Blora Regency directly adjacent to East Java Province. The districts included in the Wanarakuti-Banglor area are Jepara Regency, Kudus Regency, Pati Regency, Rembang Regency, and Blora Regency.

The districts in the Wanarakuti-Banglor area have almost the same regional characteristics, where the majority of districts in the Wanarakuti-Banglor area are located on the northern coast of Java Island and are traversed by the Pantura route, which is still the main route connecting strategic cities that drive the economy in Indonesia, such as Jakarta, Semarang, and Surabaya. With the advantage of this geographical location, areas in the Wanarakuti-Banglor area are located in the northern coastal areas of Java Island, such as Rembang Regency, Pati Regency, and Jepara Regency, have more capital to develop the economy in their regions and improve the welfare of their people.

So far, poverty in several areas in the Wanarakuti-Banglor area is still quite high. From 2010 to 2018, poverty in certain areas such as Rembang Regency and Blora Regency was higher than the poverty at the Central Java Province and national levels. This is inversely proportional to the poverty that occurred in Kabupaten Kudus, Kabupaten Pati, and Kabupaten Jepara. In the same year, poverty in

these districts is much lower than poverty in Kabupaten Blora, Kabupaten Rembang, and Central Java. The existence of poverty inequality between regions in the Wanarakuti–Banglor region certainly shows the imbalance of economic development in the Wanarakuti–Banglor region.

Table 1. Poverty in Each District in the Wanarakuti–Banglor Region 2010–2018

Year	Poverty (%)				
	Blora	Rembang	Pati	Kudus	Jepara
2010	16.27	23.4	14.48	9.01	10.18
2011	16.24	23.71	14.69	9.45	10.32
2012	15.1	21.88	13.61	8.63	9.38
2013	14.64	20.97	12.94	8.62	9.23
2014	13.66	19.5	12.06	7.99	8.55
2015	13.52	19.28	11.95	7.73	8.5
2016	13.33	18.54	11.65	7.65	8.35
2017	13.04	18.35	11.38	7.59	8.12
2018	11.9	15.41	9.9	6.98	7

Source: Statistics Jawa Tengah Province, 2020

Since 2010–2018, Rembang Regency has always been in the top rank, followed by Blora Regency. The poverty in the two districts has quite a massive difference compared to other districts in the Wanarakuti–Banglor area. In 2010, poverty that occurred in Rembang Regency and Blora Regency was 23.4 percent and 16.27 percent. The poverty that occurred in the two districts was quite different compared to Kudus, Jepara, and Pati districts in the same year, where poverty was 9.01 percent, 10.18 percent, and 14.48. Since 2010–2018, Kudus Regency has always had the lowest poverty compared to other districts in the Wanarakuti–Banglor region and has quite a massive difference compared to other districts, even when compared to poverty

at the Central Java Province and national levels in the previous year. Similarly, poverty in Kudus Regency is still much lower.

One of the main causes of poverty in society is the absence of income earned by someone to meet their basic needs, or the income received is less than the minimum standard of living needs, so that someone can be said to be a poor community because they are unable to meet their minimum life needs. Income is one of the main elements that determine a person's welfare. However, suppose the income obtained by the community is low. In that case, it will impact the lack of the community's ability to improve their living standards, such as the inability to obtain higher education and the inability to access health facilities. Low income will also have an impact on low investment and public savings (Kuncoro, 1997:73).

In 2010, although the UMK between Rembang Regency and Jepara Regency had the same value, poverty in the two regions had a significant difference, wherein 2010 poverty in Rembang Regency was 23.4 percent and was the highest among the districts in the Wanarakuti–Banglor area. Meanwhile, in Jepara Regency, in 2010 the poverty was 10.18 percent. In addition to being the area with the smallest UMK value among other districts in the Wanarakuti–Banglor area, poverty that occurred in Rembang Regency was also the highest among other areas in the Wanarakuti–Banglor area during the 2010–2018 period.

Meanwhile, Blora Regency in 2010 has been the area with the second-highest UMK in the Wanarakuti–Banglor area; it turns out that poverty that occurred in Blora Regency in 2010 was still one of the highest, amounting to 16.27

percent. The wages of workers in Blora Regency, which was one of the highest during the 2010-2013 period, have not reduced poverty in the area, because during the 2010-2013 period, poverty in Blora Regency only decreased by 1.63 percent.

Previously, research conducted by Trisnanesya (2016); Lutfi et al., (2016); and Sunarya & Indrawati (2018) concerning the effect of regency/municipality minimum wages on poverty shows that the regency/municipality minimum wages have a negative and significant effect on poverty. This indicates that the regency/municipality minimum wage determined based on the minimum cost of living needs can reduce poverty in the region.

Increasing the economy in the region is a result of the development carried out in the area. The regional economy is represented by gross domestic regional product (GDRP). This GDRP value also explains how a region can manage and utilize all the region's potential and advantages. Other than that (Rahman & Chamelia, 2015) argue that GDRP is a vital indicator useful for determining the economy's state in an area during a period.

From 2010 to 2018, Kudus Regency was still the area with the largest GDRP in the Wanarakuti-Banglor area, followed by Pati Regency. Meanwhile, Rembang Regency is the area with the lowest GDRP in the Wanarakuti-Banglor area. In 2010, the GDRP of Kudus Regency amounted to 52 trillion rupiah and became one of the economic support areas in Central Java Province. The GDRP of Pati Regency in the same year was 18 trillion rupiah.

Even though Pati Regency is in the second rank of the region with the largest GDRP in the

Wanarakuti-Banglor area, the difference between the GDRP of Kudus Regency is the first rank, and the GDRP of Pati Regency is quite large, amounting to 34 trillion rupiahs. Meanwhile, in the same year, Rembang Regency's GDRP was only 8.3 trillion rupiah and became the region with the smallest GDRP among other areas in the Wanarakuti-Banglor area.

There has also been a sizable PDRB difference in Pati and Jepara regencies from 2010 to 2018. Even though these two areas have almost the same regional advantages, between Pati and Jepara Regencies are located in Java Island's northern coastal area. The main difference between these districts is that the Pantura route in Jepara Regency does not directly traverse it. Still, in actual conditions, in both areas, there are many large industries with large production capacities every year.

To improve the quality and quantity of development in the regions and implement the decentralization principle, the central government, through the Directorate General of Fiscal Balance (DJPK), provides financial assistance to all local governments in Indonesia. One form of financial aid is through balancing funds. In-Law No. 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, the balanced funds is a fund sourced from state budget revenues allocated to regions to finance regional needs in implementing decentralization.

Balanced funds received by each district in the Wanarakuti-Banglor area during 2010-2018 have always increased every year. There is an increase in the balancing fund obtained by each district in the Wanarakuti-Banglor area, which is calculated based on the needs of each region

in implementing governance in their region, as well as to support development in each region so that there is no gap between the central government and regional governments, as well as between local governments in the Wanarakuti-Banglor area. But in its implementation, an increase in balancing funds from the central government to regional governments often creates dependence on the regional government to the central government, because regional revenue majority comes from this balanced funds, so that it is not able to spur local governments to maximize regional revenues by maximizing their regions.

Balanced funds used to provide facilities and support community activities such as infrastructure development and provision of public facilities, as well as to provide services to the community, both government services, health services, educational services or other services have the main objective of improving community welfare and improving the quality of development in the regions both physical development and non-physical development such as education, health, and so on.

Research conducted by Paseki et al., (2014) shows that the balancing fund directly affects reducing the poverty rate. This study aimed to determine the effect of regency/municipality minimum wages, GDRP, and balance funds on poverty in the Wanarakuti-Banglor area.

RESEARCH METHODS

This type of research used in this research is descriptive quantitative research. The data used in this study are secondary data from the Central Java Provincial Statistics Agency and the Directorate General

of Fiscal Balance (DJPK). This study data processing method use panel data regression analysis (Pooled Data), which combines cross-section data with time-series data, which is then carried out by hypothesis testing to determine the truth of the predictive assumptions.

This study dependent variable is poverty in the Wanarakuti-Banglor area during 2010-2018. Simultaneously, this study independent variables are the regency/municipality minimum wage, GRDP, and balance funds in the Wanarakuti-Banglor area during 2010-2018. To find out the effect of the independent variables on the dependent variable, the following equation is obtained:

$$Pov_{ti} = \beta_0 + \beta_1UMR_{ti} + \beta_2PDRB_{ti} + \beta_3Daperti + \epsilon_{ti} \dots\dots\dots(1)$$

Explanations :

- UMR = Regency/Municipality Minimum Wages
- PDRB = Gross Domestic Regional Bruto
- Daper = Balanced Funds
- β = Regression Coefficient
- ϵ = Error term (confounding factors outside the model)
- i = 5 regencies in the Wanarakuti-Banglor area
- t = years-i (2010-2018)

RESULTS AND DISCUSSION

Wanarakuti-Banglor is a development area located on the north coast of central java province. The majority of areas in the Wanarakuti-Banglor area are on the north coast of Central Java Province, such as Jepara Regency, Pati Regency, and Rembang Regency. Because it

is located in a coastal area with a strategic location, it certainly benefits several areas in the Wanarakuti-Banglor area to improve the regional economy.

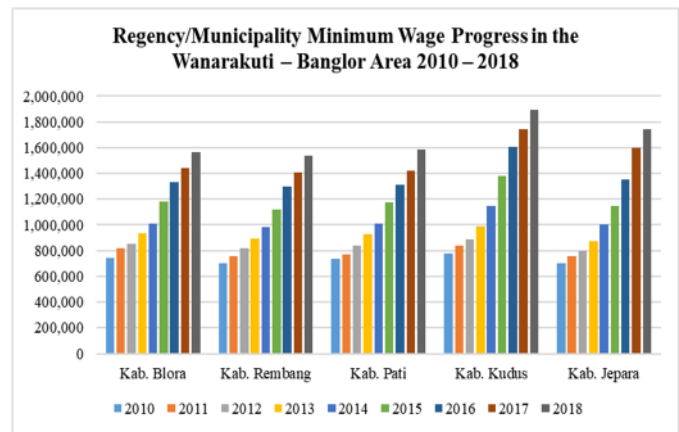
However, in its development, only a few regions can maximize their regions superiority to improve the regional economy and improve their people's welfare. The poverty that occurs between regions that are part of the Wanarakuti development axis tends to be lower than the poverty in areas that are part of the Banglor development axis, namely Blora and Rembang Districts.

The existence of poverty inequality between regions that are in the development axis of Wanarakuti and Banglor proves that the economic development that occurs in each region that is part of the development axis of Wanarakuti-Banglor is not evenly distributed or in other words, there is still a disparity in development between regions that are part of the development axis. Wanarakuti, with areas that are members of the Banglor development axis. In 2010, poverty inequality between districts incorporated in the Wanarakuti region and districts included in the Banglor region was high.

In 2010, poverty that occurred in Blora and Rembang Regencies, which are districts in the Banglor area, was 16.27 percent and 23.4 percent. The poverty in the two districts in the Banglor region has a fairly large imbalance compared to Kudus Regency and Jepara Regency, which are in the Wanarakuti area. In 2010, poverty that occurred in the two districts was 9.01 percent and 10.18 percent. The high inequality of poverty between regions that are members of the Wanarakuti development axis and regions that are part of the Banglor development axis can be caused by the community's low income so that

they cannot meet their basic needs. In contrast, the cost of people's living needs always increases.

The regency/municipality minimum wage value in the Wanarakuti-Banglor area during 2010-2018 increased. However, raising the regency/municipality minimum wage in the Wanarakuti-Banglor area does not always positively affect the community's welfare in several regions in the Wanarakuti-Banglor area.



Picture 1. Regency/Municipality Minimum Wage Progress in the Wanarakuti-Banglor Area 2010-2018

Source: Badan Pusat Statistik Provinsi Jawa Tengah, 2020

In 2010, even though Kabupaten Rembang and Kabupaten Jepara had the same district minimum wage amounting to Rp. 702,000, but the poverty that occurred in these two regions had relatively high inequality, wherein 2010, poverty that occurred in Rembang Regency reached 23.4%. Meanwhile, in the same year, the poverty that occurred in Jepara Regency was only 10.18%.

The high poverty inequality that occurs between Rembang Regency and Jepara Regency shows that although the minimum wage value set by the two regional governments has the

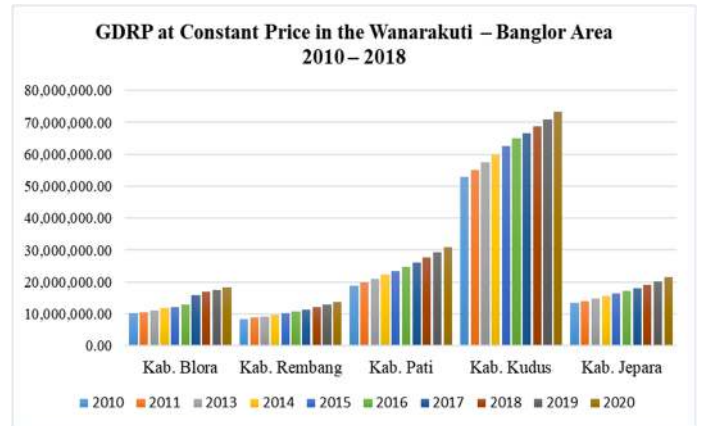
same amount, the district minimum wage set in Rembang Regency has not been able to improve the standard of living and welfare of the people in Rembang Regency. This could be because the wage value set is not following the actual cost of the living needs of the people of Rembang Regency.

The GDRP of each region incorporated in the Wanarakuti–Banglor area during 2010–2018 has always increased. Although the increase in GDRP always occurs every year, the increase in GDRP that has occurred has not been able to encourage economic sectors in the Wanarakuti–Banglor area in general, because the GDRP generated by each region in the Wanarakuti–Banglor area is still largely produced by the output of large companies.

Operating in the regions so that the increase in GRDP that occurs in the regions does not reflect an increase in the capacity of the economy in general because the GRDP produced in the regions is also calculated from the output of companies operating in the regions. Kudus Regency is an area that has the biggest GDRP value in the Wanarakuti–Banglor area during the period 2010–2018, where the GDRP value generated by Kudus Regency has a massive difference from the GDRP caused by other regions in the Wanarakuti–Banglor area in the same year.

Meanwhile, Rembang Regency has the smallest GDRP value among different regions in the Wanarakuti–Banglor area and is always in the lowest rank among other regions in the Wanarakuti–Banglor area during the 2010–2018 period. GDRP of Rembang Regency is the lowest among other regions in the region. Wanarakuti–Banglor is also followed by poverty in Rembang

Regency, which has always been the area with the highest poverty in the Wanarakuti–Banglor area.



Picture 2. GDRP at Constant Price in the Wanarakuti–Banglor Area 2010–2018

Source: Badan Pusat Statistik Provinsi Jawa Tengah, 2020

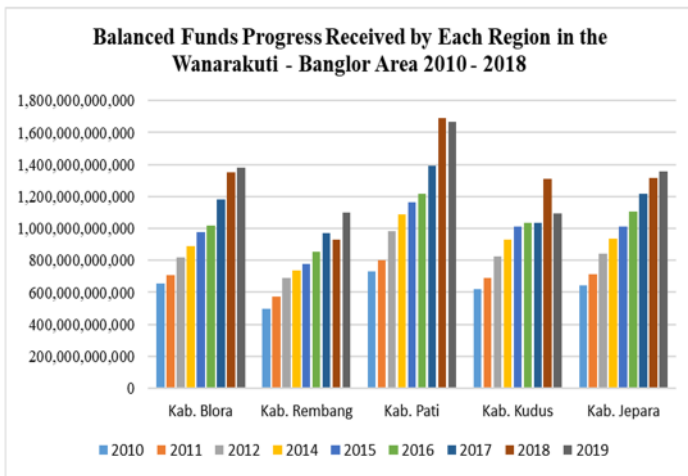
Meanwhile, the GDRP produced by Blora and Jepara Districts is not too big. Still, the poverty in the two regions has quite a massive difference, where poverty in Blora Regency is much higher than the poverty that occurs in the Regency. Jepara during the research period, namely 2010–2018.

With the difference in the GDRP value of Blora Regency and Jepara Regency, which is not too far away, the poverty that occurs in Blora Regency and Jepara Regency has relatively high differences. Of course, it must be a concern for the government. The area of Blora Regency due to poverty that occurs in the area is currently one of the highest in the Wanarakuti–Banglor area.

Although the local government annually receives budget assistance from the central government through the balance fund, the number of balance funds increases. Still, not all

local governments in the Wanarakuti–Banglor area could maximize the balanced funds to improve the people's welfare in their regions. This can be because most budget assistance from the central government to regional governments is still used for personnel expenditures. In general, the local community cannot feel the budget through various developments carried out by local governments.

differences in the regions that are members of the Wanarakuti development axis.



Picture 3. Balanced Funds Progress Received by Each Region in the Wanarakuti-Banglor Area 2010-2018

Source: Direktorat Jenderal Perimbangan Keuangan, 2020

In 2010, although the balanced funds received by Blora Regency was the highest after Pati Regency, the balanced funds received had not been able to be used by the Blora Regency government to its full potential, because in 2010, poverty that occurred in Blora Regency reached 16.27. In 2010, poverty that occurred in Blora Regency was the second highest after Rembang Regency, which reached 23.4%. The poverty that occurs in Blora Regency and Rembang Regency, which are areas that are members of the Banglor development axis, have relatively high

Table 2. Panel Estimation Output

Variable	Estimation Model		
	Common Model Effect	Fixed Model Effect	Random Model Effect
Constanta	21.91944	14.57877	17.66809
p-value	0.0000*	0.0000*	0.0000*
UMR	3.98E-06	-3.73E-06	-1.73E-06
p-value	0.1174	0.0043*	0.1133
PDRB	-1.50E-14	2.38E-14	1.94E-15
p-value	0.0000*	0.0108*	0.7379
Daper	-9.93E-12	-3.68E-12	-3.49E-12
p-value	0.0011*	0.0051*	0.0069*
R ²	0.567037	0.973228	0.686749
Adjusted R ²	0.535356	0.968163	0.663828
Standard Error	3.149314	0.824373	0.931475
F-Statistic	17.89875	192.1468	29.96180
Prob (F-Statistic)	0.000000	0.000000	0.000000
Durbin-Watson Stat	0.126372	0.878856	0.616261

Source: Eviews 9.0 Estimation Output, 2020

Explanation: * = Significant at the real level (α) = 5%

Based on the test results at table 3, it can be seen that the t-statistic value of the regency/municipality minimum wage variable > from the t-table is $3.046569 > 1.68288$, so that a decision can be made to reject H_0 and accept H_1 . This shows that the regency/municipality minimum wage statistically has a negative and significant effect on poverty in the Wanarakuti–Banglor area because the p-value of the regency/municipality minimum wage is smaller than $\alpha = 5\%$ ($0.0043 < 0.05$).

So it can be concluded that the wage minimum regency/municipality has a negative and significant effect on poverty in the Wanarakuti-Banglor area. Furthermore, based on the test results, it can be seen that the t-statistical value of the GDRP variable > from the t-table is $2.684095 > 1.68288$. The results obtained from statistical testing of the GRDP variable have a significant effect.

Table 3. t-Test Result

Variable	t - statistic	Prob	t-table $\alpha = 0.05$ df = 41	Conclusion
UMR	-3.046569	0.0043	1.68288	Significant
PDRB	2.684095	0.0108	1.68288	Significant
Daper	-2.975620	0.0051	1.68288	Significant

Source: Eviews 9.0 Estimation Output, 2020

This shows that the GDRP variable has a positive and statistically significant effect on poverty in the Wanarakuti-Banglor area because the p-value of GDRP is smaller than $\alpha = 5\%$ ($0.0108 < 0.05$). So, it can be concluded that GDRP has a positive and significant effect on poverty in the Wanarakuti-Banglor area. Based on the test results, it is known that the t-statistic value of the variable fund balance > from the t-table is $2.975620 > 1.68288$, so a decision can be made to reject H_0 and accept H_3 .

This shows that the balanced funds statistically has a negative and significant effect on poverty in the Wanarakuti-Banglor area because the p-value of the balancing fund is smaller than $\alpha = 5\%$ ($0.0051 < 0.05$). So, it can be concluded that balanced funds have a negative and significant effect on poverty in the Wanarakuti-Banglor region.

After processing the regency/municipality minimum wage data in the Wanarakuti-Banglor area through the Eviews 9 software, the output shows that the regency/municipality minimum wage has a negative and significant effect on poverty in the Wanarakuti-Banglor area. This is evidenced by the results of the regression coefficient value of the regency/municipality minimum wage of $-3.73E-06$. This regression result means that if the regency/municipality minimum wage in the Wanarakuti-Banglor area increases by 1%, then the poverty in the Wanarakuti-Banglor area will decrease 3.73%.

This study's results are consistent with several previous studies that show the negative effect of minimum wages on poverty. Research conducted by Trisnanesya (2016), which uses the minimum wage variable in East Java Province, shows that the minimum wage variable has a negative and significant effect on poverty. This means that if the minimum wage increases, it will reduce poverty. Furthermore, research conducted by Lutfi et al., (2016), which uses the minimum wage variable in East Java Province, also shows the results that the minimum wage has a negative and significant effect on the poor in East Java Province.

Furthermore, research conducted by Gindling (2018), who conducted research related to the impact of minimum wage policies in developing countries, showed that the minimum wage policy had a negative effect on poverty, where every time the minimum wage increased by 1 unit, poverty would be reduced by 1 percent. In contrast, the research conducted by Rafil (2019) mentioned that the minimum wage has a negative and significant effect on poverty in West Java Province in the short term. Whereas in the long term, poverty has no effect on

poverty in West Java Province, the results of research conducted by Rafil (2019) are not in line with the results of this study because the minimum wage has the minimum wage a negative and significant effect on poverty.

This study's results follow the theory of minimum wages proposed by Adam Smith, which has been discussed previously. In Adam Smith's theory of minimum wages, in determining wages, workers must pay attention to the cost of living needs of workers to meet their daily needs. Besides, with the enactment of the Republic of Indonesia Government Regulation Number 78 of 2015 concerning Wages is one of the policies carried out by the government in protecting workers' rights to get a decent wage. So that workers can have sufficient income to meet the costs of their living needs and improve their welfare will ultimately reduce poverty.

After processing the GDRP data in the Wanarakuti-Banglor area through the Eviews 9 software, the output shows that the GDRP has a positive and significant effect on poverty in the Wanarakuti-Banglor area. This is evidenced by the value of the regression coefficient of the GDRP variable of $2.38E-14$. This means that if the GDRP in the Wanarakuti-Banglor area increases by 1%, then the poverty in the Wanarakuti-Banglor area will increase by 2.38%

The results of this study indicate that GDRP has a positive and significant effect on poverty. This study's results are in line with research conducted by Susanti (2013) explained that GDRP has a positive and significant effect on poverty in West Java Province. The higher the GDRP of a regency/municipality will increase poverty, whereas, based on the theory, an increase in GDRP should reduce poverty because an

increase in GDRP means an increase in the region's economic (Tambunan, 2011:59).

Based on appropriately synergized, it will improve the economy in the region. Suppose the increase in GDRP increases poverty in the regions. In that case, each sector that drives the region's economy has not been able to synergize appropriately. Only a few sectors can develop while other sectors are still not developing correctly or lagging behind other sectors.

Meanwhile, in Kudus Regency, the area with the largest GDRP in the Wanarakuti-Banglor area during the study period, it also showed a cross-section coefficient value of -13.05429 , which is the largest among other regions in the Wanarukti-Banglor area. These results indicate that if the GDRP in Kudus Regency does not change, the poverty that occurs in Kudus Regency will still decrease.

So, it can be said that the GDRP does not affect poverty in Kudus Regency because the economy in Kudus Regency is not only supported by the industry and services sectors only, but it has more developed into various other sectors. Whereas in other areas in the Wanarakuti-Banglor area, most of the increase in GDRP increased poverty in that area. Hence, the results of this study were different from the theory previously described.

The welfare of the people involved in the developed sector will increase. In contrast, the people who work or have businesses in an underdeveloped sector will not increase or decrease their income. So, the income they receive does not increase or even decrease, while each year, the cost of necessities life is always improving. Thus, if only a few sectors that are involved in economic activity can develop properly and maximize the potential in the area and leave other sectors, then this other

undeveloped sector, if allowed to continue in the long term, will result in the economy of the people involved. In this sector it is difficult to increase, which if it is continued will increase the number of poor people in the area.

After processing the balance fund data in the Wanarakuti-Banglor area through the Eviews 9 software, the output shows that the balanced funds have a negative and significant effect on poverty in the Wanarakuti-Banglor area. This is evidenced by the regression coefficient value of the balanced funds of $-3.68E-12$. This means that if the balanced funds increase by 1%, then poverty in the Wanarakuti-Banglor area will decrease by 3.68%.

Research conducted by Paseki et al., (2014) explained that the balanced funds directly affect reducing the poverty rate in Manado City. The research results by Paseki et al. (2014) are following this study where the balanced funds have a negative and significant effect on reducing the poverty level.

This study's results are not in line with the research conducted by Manek dan Badrudin (2016), which states that the balancing fund has a negative and insignificant effect on poverty in regency/municipality in East Nusa Tenggara Province. The existence of a negative and insignificant effect of this balancing fund explains that the balance funds received by local governments have not been maximally used for poverty alleviation programs in their regions, but are mostly used for personnel expenditures and goods and services expenses.

Meanwhile, this study's results have a negative and significant impact on poverty in the Wanarakuti-Banglor area. The balanced funds received by each local government in the Wanarakuti-Banglor area

significantly affected poverty reduction in the Wanarakuti-Banglor area.

The results of this study are also following the theory of the Development Model on Government Expenditure. Because in this theory, the investment issued by the government is through the General Allocation Fund, the Special Allocation Fund, and the Profit Sharing Fund which is the constituent elements of the balancing fund that can be maximized by each government in the Wanarakuti-Banglor region through various policies and programs aimed at reducing poverty in the area.

CONCLUSION

Based on the research and discussion results in this study, it is concluded that the regency/municipality minimum wage has a negative and significant effect on poverty in the Wanarakuti-Banglor area, the GRDP has a positive and significant effect on poverty in the Wanarakuti-Banglor area. Furthermore, Balancing Fund has a negative and significant impact on poverty in the Wanarakuti - Banglor area.

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