The Impact of Multi-Economic Variables on Poverty in the Maluku Region

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Abstract. Poverty is a problem faced by almost every country, and many factors can influence it, including the realization of the village fund funding budget, unemployment, locally generated revenue, economic growth and poverty in the eastern region, especially in the Maluku Region in 11 districts and cities. As a developing region, government intervention is needed to develop the region, as are various macro-variables that influence poverty in the Maluku Region. The aim of this research is; firstly, to analyze the influence of village funds on poverty; secondly, to analyze the influence of unemployment on poverty; thirdly, to analyze the influence of local revenue on poverty; and fourthly, to analyze the influence of economic growth on poverty. This research uses secondary data, which is then used for multiple regression analysis with panel data. The research results show that the village fund variable (X_1) has a positive effect of 6,520 on poverty, unemployment (X_2) is not significant on poverty, locally generated revenue (X_3) has a significant negative effect of -5,061 on poverty, and economic growth (X_4) has a positive effect of 0.380 on poverty, with a significance level of 5%, while the coefficient of determination is 37%.

Keywords: Poverty, Unemployment, Economic Growth

1. Introduction

Poverty is an important problem facing every country, and if poverty reduction is not carried out quickly, it will have a broad impact on society in various aspects of social, economic, and political life. Additionally, poverty can cause social instability in society, which can lead to conflict. In this way, the government can reduce the risk of social instability in society through poverty alleviation. According to Sen's perspective [1] regarding the main concept of "poverty as disability," poverty is the inability of people to meet their living needs. According to this view, poverty is not only a matter of lack of work or income but also a matter of the inability to gain access to education, health care, and individual freedom.

Development policies now prioritize poverty alleviation as a very important issue and top priority [2]. On the other hand, macroeconomic stability and good governance are considered prerequisites for poverty alleviation [3]. However, with concrete

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solutions, Sachs argues that to overcome extreme poverty in developing countries through the Millennium Development Goals (MDGs), investment in education and health is the key to long-term poverty reduction, agricultural sector development, international cooperation, and the problem of change. Climate [4]. According to neoclassical theory, a poverty trap occurs in a country or group that continues to experience poverty.

The COVID-19 pandemic is exacerbating poverty in the 47 poorest countries, forcing 32 million people in poor countries into extreme poverty, according to data released by the World Bank. With Indonesia as the fourth largest country in terms of world population, the Central Statistics Agency (BPS) noted that poverty in 2019 reached 9.22%. In 2020, poverty increased to 10.19% or 27.55 million people in 2020, and extreme poverty in 2021 was recorded at 26.5 million people, or 9.71% of the total population. This shows that more and more people are living below the poverty line. If divided by region, several areas are quite poor. However, this paper focuses more on Maluku, which is one of the provinces in Eastern Indonesia with a fairly high poverty rate. Data on the average percentage of poverty in the Maluku region from 2017-2021 is as follows

Table 1. Average Percentage of Regency/City Poverty in the Maluku Region 2017-2021

Regency/City	2017	2021	Average Poverty
Tanimbar Island	27.47	27.27	27.37
Southeast Maluku	23.87	21.19	22.53
Central Maluku	21.20	19.84	20.52
Buru	17.40	17.28	17.34
Aru Island	27.13	26.53	26.83
West Seram	25.49	25.27	25.38
Eastern Seram	23.59	23.25	23.42
Southwest Maluku	30.18	29.55	29.86
South Buru	16.83	15.89	16.36
Ambon City	4.46	5.02	4.74
Tual City	24.00	23.26	23.63

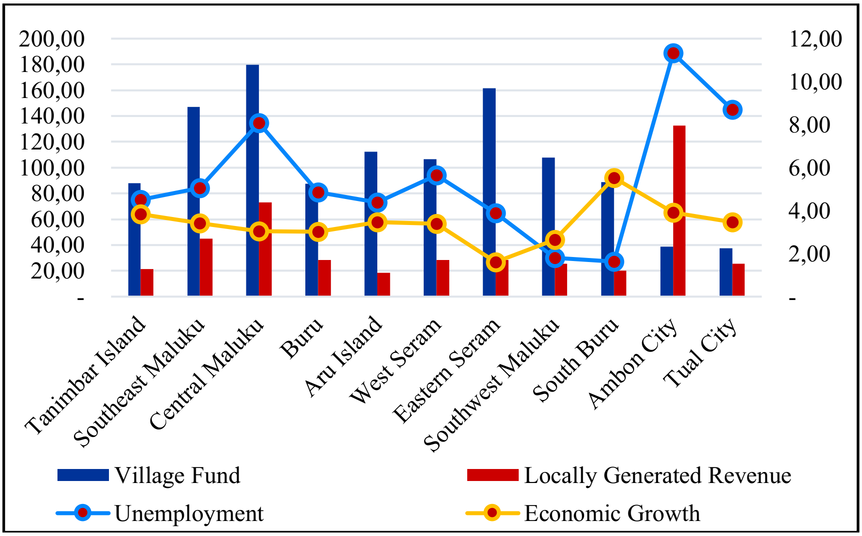
Source: Central Statistics Agency, Year 2017-2021

Table 1 above, it shows that there are differences in the average percentage of poverty between districts/cities in the Maluku region. From 2017 to 2021, only a few changes have occurred. This suggests that various factors influence poverty in Maluku.

Poverty can occur due to internal and external factors, which include geographic poverty, sanitation, distance to city centers, and abuse of government policies [5]. Poverty can also occur due to limited access to technology and living in isolation because they do not have access to socio-economic and communication facilities and infrastructure [6].

Poverty has become a global issue, so various programs have been carried out to overcome and overcome poverty, as well as various studies by economists, including in terms of regional development. Poverty reduction in regions and villages is stated as a commitment to the Sustainable Development Goals (SDGs) to be achieved. Various studies were then carried out to examine village funds' locally generated revenue on poverty [7][8]. Government spending is crucial because it provides strategic socio-political effects as a function of stabilization, distribution, and allocation. Not only that, but government spending also has a multiplier effect on the real macroeconomy in the short-term movements of output and employment [9].

With the existence of a budget for villages, villages are given authority and a larger annual budget, which is determined through Village Law number 6 of 2014 [10]. Through village funds, the central government allocated around IDR 7,853.71 billion in 2021 for more than 74 thousand villages in Indonesia, with an average village fund of IDR 1 billion per village. The following is an overview of village funds distributed in the Maluku region in 2021; local income data, unemployment data, and economic growth data are as follows:



Source: Directorate General of Balance and Finance, BPS Year 2021

Figure 1. Data on Differences in Village Funds, Locally Generated Revenue, Unemployment and Economic Growth in the Maluku Region in 2021

Based on the data shown in Figure 1 above, it is clear that the amount of village funds, locally generated revenue, unemployment and economic growth for each region is very different. Therefore, the amount of village funds and locally generated revenue can have an impact on the region, especially its impact on reducing poverty in Maluku and reducing the level of open unemployment. The poverty level can be influenced by unemployment in several ways. Namely first, the unemployment disaster will directly affect the level of liquidity if the household has liquidity constraints, which means that current consumption is strongly influenced by current income; secondly, if the househoFled does not have liquidity, current consumption is not greatly influenced by current income. Unemployment is caused by rapid growth in the labor force compared to employment growth [11]. Obstacles in alleviating poverty, namely economic growth and unemployment, because high unemployment can, of course, have an impact on people's income due to the inability to meet life's needs [12]. Likewise, unemployment and social vulnerability cause intergenerational poverty [13]

Population issues are very important for developing countries because rapid population growth can hinder economic progress. Unabsorbed labor is a challenge for society. Economic activity depends primarily on demand or the economy's aggregate spending at any given time. Keynes [14], in his study, studied the economy as a whole (macro). Expenditures made to purchase goods and services produced by an economy during a certain period are called aggregate expenditures. There are four main components of aggregate spending, namely household consumption, private investment, government spending, and net exports, according to the equation Y = C + I + G + NX, where Y is national income, C is household consumption expenditure, I is investment private sector, and G is government expenditure, and NX is net exports (exports – imports).

According to Keynes, the expenditure of all society will determine economic growth, and increased investment shows economic growth. Therefore, the aggregate will fall lower than the aggregate supply price if the government does not make the necessary investments. As a result, employment and income will fall drastically. Thus, investment largely determines the change between employment and income, whereas interest rates and the marginal efficiency of capital determine the amount of investment. Marginal efficiency and capital may increase, or interest rates may fall. If investment increases, employment will increase, but this is not always true if the propensity to consume increases but employment does not increase [14]. There are many complex impacts of economic growth on poverty, including access to jobs for people and government policies.

2. Methodology

This scope examines the relationship between village funds, unemployment, locally generated revenue, economic growth and poverty in the Maluku region, which consists of 11 districts/cities, including Ambon City, Tual City, West Southeast Maluku Regency (Tanimbar Islands), Southeast Maluku Regency, Buru Regency, South Buru Regency, Central Maluku, Aru Islands, West Seram Regency, East Seram Regency, Southwest Maluku Regency.

The data used is secondary data, so it is necessary to carry out a literature study, namely collecting various data and supporting theories. Data is obtained through websites or institutions such as the Central Statistics Agency (BPS), Directorate General of Balances, Ministry of Finance of the Republic of Indonesia. The methodology used is through multiple linear regression analysis with quantitative data. In this analysis, poverty is a function of village funds, unemployment, locally generated revenue, and economic growth from 2017-2021. This research design refers to a conceptual framework based on theoretical and empirical reviews where the functional relationship between variables is shown in the following functions:

$$Y = f\,(X1, X2, X3, X4)$$

Where:

Y = *Poverty*
X_1 = *Village Fund*
X_2 = *Unemployment*
X_3 = *locally-generated revenue*
X_4 = *Economic Growth*

3. Results and Discussion

The statistics in this research provide information regarding the relationship between research variables such as village funds, unemployment, locally generated revenue, economic growth, and poverty.

3.1 Coefficient of Determination Test

The research results show that the Adjusted R Square is 0.374 for poverty. Thus, village funds, unemployment, locally generated revenue, and economic growth influence poverty by 37%, and the rest is influenced by other factors. In Table 1, the F-count is 8.917 and the sig value is < 0.05, meaning that with a significance level of 5% village funds, unemployment, locally generated revenue, and economic growth have an effect on poverty.

Table 2. Simultaneous Test Results (F Test)
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1013.922	4	253.481	8.917	.000[b]
	Residual	1421.410	50	28.428		
	Total	2435.332	54			

a. Dependent Variable: Y_Poverty
b. Predictors: (Constant), X4_Economic Growth, X2_Unemployment, X3_ Locally Generated Revenue, X1_Village Fund

3.2 Multiple Linear Regression Analysis

Based on the results of the tests that have been carried out, the estimated results of the influence of village funds (X_1), unemployment (X_2), locally generated revenue (X_3), and economic growth (X_4) with a significance level below 5% are as follows: Village funds (X1) have a effect positive effect of 6,520 on poverty (Y), unemployment (X2) has no effect on poverty (Y), locally generated revenue (X3) has a negative effect of -5,061 on poverty (Y), while the economic growth variable (X4) has a positive effect of 0,380 againts poverty (Y).

Table 3. Estimation Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-22.434	50.956		-.440	.662
	X1_Village Fund	6.520	1.881	.541	3.467	.001
	X2_Unemployment	.277	.340	.136	.814	.420
	X3_ Locally Generated Revenue	-5.061	1.349	-.466	-3.751	.000
	X4_Pertumbuhan Ekonomi	.380	.294	.146	1.289	.203

a. Dependent Variable: Y_Poverty

Based on the table above, the following regression model is obtained:

$$Poverty = -22.434 + 6.520\,(X1) + 0.277\,(X2) - 5.061\,(X3) + 0.380\,(X4) + e$$

3.3 Normality Test

The Normality Test is used to test that the data collected follows a normal distribution, making statistical analysis easier.

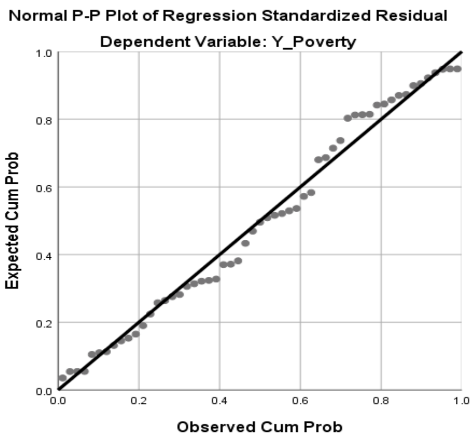


Figure 2. Normality Test

Based on the normal P-plot of regression standardized residual image, the research data is normally distributed.

4. Discussion

4.1 Impact of Village Funds on Poverty

The conclusion of the study indicates that the of village funds on the growth of poverty, which means that village funds allocated to each region have not been able to reduce poverty in the Maluku Region during the research period. The findings of this research are by Keynes' idea that the role of government is needed in development, but it turns out that poverty continues to increase. The results of this research support the findings of [7] that village funds have a positive effect on poverty, but indirectly through economic growth. The role of village funds is not yet in line with the achievements in the field in providing an impact on reducing poverty because it is not yet comprehensive, this realization is considered unable to reduce poverty directly because the proportion of village funds only focuses on building road infrastructure, electricity, clean water and so on. Likewise, research [15] shows that village funds have an influence on poverty, which suggests that improvements need to be made, including improving aspects of formulation, aspects of increasing innovation and aspects of strengthening supervision in the use of village funds.

4.2 Impact of Unemployment on Poverty

The research results show that unemployment does not affect poverty, which means that high or low levels of unemployment did not affect poverty reduction in the Maluku Region during the research period. The result that unemployment does not affect poverty could be due to the different types of unemployment, for example, temporary or seasonal unemployment so that it has a more limited impact on poverty compared to long-term or chronic unemployment. The results of this study also contradict the theory, while empirical support for these findings is [16] which found that unemployment is not significant to poverty.

4.3 Impact of Locally Generated Revenue on Poverty

The research results show that locally generated revenue affects poverty, meaning that increase in locally generated revenue was able to reduce the decline in poverty in the Maluku Region during the research period. This finding is by Keynes's theory that regional original income that is well managed and allocated efficiently can improve community welfare. Th findings is line with [17] that locally generated revenue has a negative effect on reducing regional poverty, considering that local original income has been implemented by the objectives of implementing regional autonomy, which is aimed at increasing the welfare and prosperity of the community in the region.

4.4 Impact of Economic Growth on Poverty

The research results show that economic growth positively affects poverty, which means that increasing economic growth did not affect poverty in the Maluku Region during the research period. These results is in line with the theory that economic growth can reduce poverty. This research is in line with the findings that [18] economic growth has an effect but has a positive direction on poverty, which means that increasing or decreasing economic growth has no effect on reducing poverty, as well as the findings of [19], this is different from the results of [17] which found that economic growth had no effect in reducing poverty

5. Conclusion

The conclusion of this research can be written as follows:

1. Village funds have an influence on poverty in the Maluku Region during the research period
2. Unemployment did not affect poverty in the Maluku Region during the research period
3. locally generated revenue influenced reducing poverty in the Maluku Region during the research period
4. Economic growth influenced poverty in the Maluku Region during the research period

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