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DETERMINANTS OF POVERTY RATE IN EASTERN INDONESIA

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ABSTRACT

Poverty is a global problem facing many countries, including Indonesia. This study examines poverty levels in Eastern Indonesia by measuring Islamic banking financing, economic growth, LFPR, education, health, and inflation against poverty levels in Eastern Indonesia. The data source used as panel data is from the Central Statistics Agency (BPS) for 2010-2021. Data analysis using regression panel data with Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) approach processed with E-Views 10. The results of this study indicate that the estimated model chosen in this study is Random. The Effect Model (REM) followed by LM testing shows that the results of the Islamic Banking Financing, TPAK, RLS, UHH, and Inflation variables have no significant effect in a negative direction on the poverty level. It means, for example, that there are independent variables simultaneously so that the poverty level in Eastern Indonesia is increasing, leading to change. In the simultaneous test, the F-Statistic probability value is 0.000000 < 0.05, which means that the six independent variables simultaneously affect the poverty level in Eastern Indonesia. And the value of Adjusted R-Square is 0.607420, which means 60% of the variables of Islamic Banking Financing, economic growth, TPAK, RLS, UHH, and Inflation in this study can explain the variation of economic growth variables. In comparison, other variables outside the model explain the remaining 40%.

***Keywords:** Islamic Banking Financing, TPAK economic growth, RLS, UHH, and Inflation*

ABSTRAK

Kemiskinan merupakan isu global banyak negara di dunia, termasuk Indonesia. Studi ini mengkaji tingkat kemiskinan di Kawasan Timur Indonesia (KTI) dengan mengukur pembiayaan bank syariah, pertumbuhan ekonomi, TPAK, pendidikan, dan kesehatan serta Inflasi terhadap tingkat kemiskinan di KTI. Sumber data yang digunakan adalah data panel dari BPS Periode 2010-2021. Analisis data menggunakan regresi data panel dengan Common Effect Model (CEM), Fixed Effect Model (FEM), dan Pendekatan Random Effect Model (REM) yang diolah E-Views 10. Hasil penilitian ini menunjukkan bahwa model estimasi yang terpilih yaitu Random Effect Model (REM) dilanjutkan dengan uji LM menunjukkan hasil variabel Pembiayaan Perbankan Syariah, TPAK, RLS, UHH, dan Inflasi tidak berpengaruh secara signifikan terhadap tingkat kemiskinan. Variabel PDRB memiliki pengaruh simultan terhadap tingkat kemiskinan, sedangkan UHH berkorelasi negatif dan signifikan. Artinya misalkan ada variabel independen secara bersamaan, dengan begitu tingkat kemiskinan di kawasan Timur Indonesia semakin mengarah pada perubahan. Sedangkan pada uji simultan nilai prob F-Statistic sebesar 0.000000 < 0.05 yang berarti ke enam variabel independen secara simultan berpengaruh terhadap tingkat kemiskinan di kawasan Timur Indonesia. Dan nilai Adjusted R-Square sebesar 0.607420 yang berarti 60% variabel Pembiayaan Perbankan Syariah, pertumbuhan ekonomi, TPAK, RLS, UHH, dan Inflasi pada penelitian ini mampu menjelaskan variasi variabel pertumbuhan ekonomi. Sisanya sebesar 40% dijelaskan oleh variabel lain diluar model.

***Kata Kunci:** Pembiayaan Perbankan Syariah, Pertumbuhan ekonomi TPAK, RLS, UHH, dan Inflasi*

JEL : C23; E5; E38

Introduction

Poverty is a global problem faced by many countries, including Indonesia. Poverty reduction is an issue that receives serious attention In the Sustainable Development Goals (SDGs) (Todaro and Smith, 2011). Indonesia as a developing country is faced with the problem of poverty which cannot be ignored (Rini & Lilik, 2016). Poverty is a multifaceted problem related to various aspects of human life and livelihoods, economic, political, sociocultural, psychological, technological, and other closely related aspects (Winarti, 2014). Mention that widespread poverty and high rates are at the heart of all development problems.

Based on Permendagri No. 56-2015 regarding the codification and administrative area data per province, it is stated that the number of provinces in Indonesia is 34. These provinces are divided into two regions: the Western Region of Indonesia (KBI) and the Eastern Region of Indonesia (KTI). Along the way, the two regions showed a tendency that the provinces located in the Western Region of Indonesia (KBI) generally experienced faster economic development than the regions or provinces located in the Eastern Indonesia Region (KTI). For example, the availability of infrastructure, transportation facilities, educational facilities, and health services at KBI is much better when compared to areas in Eastern Indonesia (KTI).
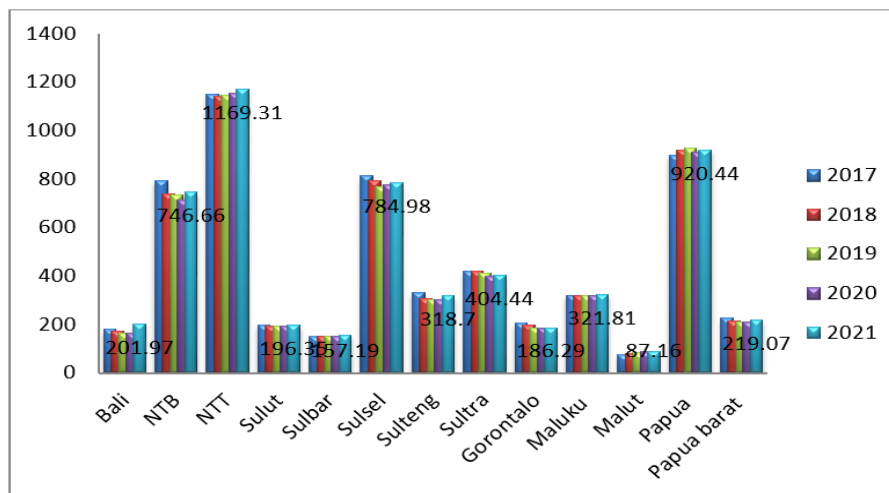
Source: BPS, processed, 2022

Figure 1 : Number of Poor Population by the province in Eastern Indonesia (Thousands) 2017-2021

Based on the picture above, the results of the Central Statistics Agency 2017-2021, the poor population in Eastern Indonesia reached 2021, the province of NTT of 1169 million people and Papua of 27.53 million. Followed by the West Papua Province of 219.0 million, while the province Bali is occupied by at least 3.47, followed by North Maluku province with 87.16 million people.

According to Supriatna, poverty is a condition limited by circumstances beyond control. A population is said to be poor if it experiences a decline in educational attainment, work productivity, health and nutrition income, and quality of life, resulting in a vicious circle of powerlessness. Poverty can occur because of the limited available human resources, both through formal and non-formal channels, resulting in low levels of informal education (Yulianto, 2020).

According to Sjafrizal (2012), inequality in economic development between regions is a common phenomenon that occurs in the process of economic development in a region.

The initial inequality was caused by differences in demographic content in these regions. The impact of this difference, the ability of an area to encourage the development process and increase economic growth, is also different. So, in most areas, there are usually relatively underdeveloped regions and developed regions.

Inequality in economic development is also inseparable from the contribution of GRDP in an area, namely economic growth. Economic growth so far is considered a jargon of success in economic development in developing countries such as Indonesia. High economic growth is necessary to encourage the pace of economic development. With high economic growth, development problems such as poverty, unemployment and inequality in the distribution of development can be overcome by seeping down (Susilowati, et al., 2015).

According to Todaro (2011), variations in poverty in developing countries are caused by several factors, namely: (1) geographical differences, population and income levels, (2) historical differences, and some were colonized by different countries and (3) differences in resource wealth, natural resources, and the quality of human resources, (4) differences in the roles of the private sector and the state, (5) differences in industrial structures, (6) differences in the degree of dependence on the economic and political forces of other countries and (7) differences in the distribution of power, political and institutional structures domestically (Isnaini & Nugroho, 2018).

Unemployment is closely related to the availability of employment opportunities, which is related to development spending. The emergence of poverty is also due to the low ability of the community to access employment opportunities and the lack of opportunities for the community to obtain employment opportunities. Optimization strategies and budget management encourage economic growth by optimizing the development sectors' potential (Isnaini & Nugroho, 2018).

High inflation and instability lead to economic stagnation, which generally impacts rising prices for products and services, resulting in high levels of poverty in Indonesia. People who were previously able to meet their daily needs with high prices for products and services could not fulfil them because of increasing inflation, which resulted in poverty and rising inflation rates in Indonesia and experienced ups and downs every year (Salim, et al., 2021).

Literature Review

Poverty has various meanings, but in general, poverty can be interpreted as a problem that occurs when an individual or group of people fails to achieve a level of economic prosperity, which is considered the minimum requirement of a standard of living (Tubaka, 2019). According to Mubyarto (2004), poverty is a lack of income to meet basic life needs or minimum living needs, namely: clothing, food, housing, education, and health. According to Arsyad (1999), poverty indicators include rice consumption per capita per year, income level, and indicators of people's welfare.

Syariah banking

In the Middle East and other Muslim countries in the 1970s and 1980s. The dynamics of Muslim understanding of the teachings and application of the Islamic system as a whole (kaffah) seems to be increasing, especially in the economic field. Islamic banking and economics emerged as a new alternative based on Islamic teachings. An international Islamic institution, namely the Islamic Development Bank (IDB), a type of development banks such as the World Bank and the Asian Development Bank in 1975, was located in Jeddah. It was later followed by establishment of other Islamic banks in the Middle East (Fauziah et al., 2019). Islamic banks in Indonesia were established around 1991 and began operating in mid-1992. Inseparable from the support of the regime in power. Seeing the rise of Islamic banks, people's desire to do business on a larger scale aligns with sharia principles (Asnaini & Herlina Yustiati, 2017).

Economic growth

Economic growth has become an essential subject for the government to study because a significant increase in economic growth will be a barometer of the success of a country's development. Although this increase in economic growth does not mean everyone has to be rich, it shows that a relatively high level of communal welfare can be achieved (Ihsan, 2021).

In short, economic growth is a long-term process to increase output per capita from the side of overall output (GDP) and the population side is two things that must be considered. The total output divided by the total population equals the output per capita. As a result, the increase in output per capita must be approached by examining what happens to total output on the one hand and population on the other (Boediono, 2018).

Robert Solow stated that the Solow growth model's development is part of the economic development model. As follows, the model differs from the aggregate production function (Todaro and Smith, 2011) :

$$Y = K\alpha (AL)1 - \alpha \qquad (1)$$

a. Classical Growth Theory

Based on the classical theory, four factors are mentioned in influencing economic growth: population, capital, land area and natural resources, and technology. Thus there are many growth factors, but many economies focus on the impact of growth and the economy (Sukarno, 2003).

b. Neo-Classical Growth Theory

The previous Neo-Classical theory has been developed since the 1950s. This theory combines capital and available labour in the production process. There is no longer a tendency for excess or shortage of production factors (Boediono, 2018). As the underlying assumption of the Neo-classical model is the theory of Trevor Swan and Robert Solow, according to this thinking, economic growth is based on the availability of production factors (population, labour and capital accumulation).

Suselo et al. (2008) define the Neo-Classical growth theory of Solow economic growth related to four variables, namely: output (Y), Capital (K), Labor (L) and Technology (A). with this combination of the economy of these factors of production to produce output. The production function is formulated as follows:

$$Y(t) = K(t)^{\alpha} (A(t) L(t)^{\beta} \qquad (2)$$

Where:
Y(t): production rate in year *t*

A(t): technology level in year *t*

K(t) total stock of capital goods in year *t*

L(t): number of workers in year *t*

c. Harrod-Domar Growth Theory

Harrod (1939) and Domar (1947) developed this growth theory, stating that investment has a role in economic growth due to savings and investments that generate income and increase production by growing capital stock. This theory indicates the conditions that must be met in order to create growth in the long term.

Two investment components must be carried out in the economy to achieve sustainable economic growth. Harrod and Domar view the investment as important in economic

growth, generating income and increasing capital stock. This investment is needed to increase overall spending. Based on the Harrod-Domar analysis includes the following: 1) In the long term, achieving a sustainable increase in total production is necessary to generate economic growth; 2) Economic growth can be realized if I+G+(XM) is continuous.

Labor Force Participation Rate (TPAK)

The term human resources (HR) has two different meanings. Human resources refer to the effort of work or services that can be offered in the manufacturing process. Second, human resources are related to humans who have jobs and can provide business goods for these services. Human resources who have skills in their work related to something that indicates economic value, that is, they can produce goods and services (Pustaka, 2013).

Education (RLS)

Education, according to Todaro (1995), is a vital development goal where education plays an essential role in determining the ability of a country to absorb new technology and increase the ability to achieve long-term growth (Todaro, 1995). The average length of schooling (RLS) in its implementation is the higher the community in an area has received formal education. Schooling's average length is defined as the average number of years spent in school for those aged 25 and over across all levels of formal education. The higher the level of education attained, the longer the typical school year will be. Here is a formula for calculating the average length of schooling:

$$IRLS = \frac{RLS}{Jumlah\ Penduduk} \qquad (3)$$

Health (UHH)

One of the factors that can affect the productivity of human resources lies in their health condition (Hepi & Zakiah, 2018). Life Expectancy (AHH) is one measure used to assess the health of the population BPS (2020). According to the report, health has various effects on economic growth, such as improving human health can lead to increased labour participation. Health improvements can be shaped by changing education levels, which will contribute to economic growth, or improved health by increasing population, leading to an increase in the labour force participation rate. Life expectancy is a forecast for the number of years the average human can live. Future life expectancy is a tool to assess the government's implementation in working on government assistance to the community and creating welfare status, specifically in the health sector (BPS, 2020). Here is how to measure the health index by:

$$BPS{:}I_{Kesehatan} = \frac{AHH - AHH_{\min}}{AHH_{maks} - AHH_{\min}} \qquad (4)$$

Inflation

In the macroeconomic concept, inflation is defined as an increase in prices and services or a continuous increase. It has been mentioned by Suseno & Astiyah (2009) that there are two important implications in this explanation which are essential in understanding inflation and universal and sustainable price increases. When prices increase, it is called inflation. Price increases in certain commodities resulting from such impacts are not considered inflationary when seasonal. Such as before major holidays or when they are caused by temporary supply disruptions and do not have a lasting effect (Utari,et al., 2015).

Relationship of Islamic Bank Financing to the poverty level

The presence of Islamic banks provides new hope in efforts to reduce poverty. Conceptually, the intermediation function in Islamic banks will run more effectively and soundly due to the prohibition of interest and speculative practices (Elhachemi & Othman, 2015). Mannan (1995) stated that funds would flow into the real sector, which is statistically dominated by

micro and small-scale business actors (UMK) so that it will reach the poor more. Islamic banks also provide unique access for the poor through Qardul-hasan products (Fadly et al., 2021).

Tohirin & Husaini (2019) stated that Islamic bank financing benefits the poor, even though the effect is more substantial than credit in conventional banks. Meanwhile, a study conducted by Iskandar & Possumah (2018) found that areas with a high Islamic financial inclusion index (ISFI/ Index of Sharia Financial Inclusion) tend to be more able to reduce poverty (Fadly et al., 2021). Furthermore, the profit-sharing system and the prohibition of speculation create financial system stability and reduce inflation at low levels, thus making the economy more resilient (Hossain, 2016).

This study examines the amount of Islamic banking financing in eastern Indonesia. Based on research by Tohirin & Husaini (2019), there is a relationship between Islamic bank financing and poverty (Tohirin & Husaini, 2019). The hypothesis of this study is as follows:

H1: Islamic Banking Financing has a positive effect on poverty levels

Relationship of GRDP to poverty level

Tambunan (2001) states that high and sustainable economic growth is the primary condition of necessity for the continuity of economic development and increased welfare. Economic growth without being accompanied by additional income (cateris paribus), which in turn will result in a condition of economic growth with increased poverty (Tambunan, 2001). Furthermore, according to Kuncoro (2004), the traditional development approach is interpreted as more focused on increasing the GRDP of a province, district or city. Economic development is not solely measured by the growth of GRDP as a whole but must pay attention to how income distribution has spread to all levels of society. The management of a region's GRDP has an impact on the quality and consumption of households. If the population's income level is the lowest, impoverished households will be forced to change their essential food habits to buy the cheapest goods in smaller quantities.

According to Kuznets in Tambungan (2001), growth and poverty are strongly correlated because poverty tends to increase at the beginning of the development process. As the final stage of development approaches, the poor gradually decreases (since 2000). Also, Siregar & Wahyuniarti (2008) reveal the importance of accelerating economic growth to reduce the number of poor people Because with rapid economic growth, the number of poor people in a region can be reduced, and the poor population is an indicator of the success of regional development (Astuti, 2018).

Based on the research of Andhykha et al. (2018), it is stated that there is a relationship between GRDP and poverty (Andhykha, et al., 2018). This study is to test the GRDP in eastern Indonesia, so the hypothesis of this study is as follows:

H2: GRDP has a positive effect on poverty levels

Relationship of LFPR to the poverty level

Todaro (2008) states that an increase in the workforce is considered a positive factor that can stimulate economic growth, meaning that more people will increase the domestic market, provided they have purchasing power, so that demand will increase (Todaro, 2008). Furthermore, Anggraeni (2011) stated that a low LFPR illustrates the small number of job opportunities available to the working-age population and vice versa. The more significant number of TPAKs illustrates many available job opportunities (Melliana & Zain, 2013).Based on Yunna Putra Nanda's research (2019), it is stated that there is a relationship between LFPR and poverty (Yunna, 2019). This research is to test TPAK in eastern Indonesia, so the research hypothesis is as follows:

H3: TPAK has a positive effect on the poverty rate

Relationship of Education (RLS) to the level of poverty

Sukirno (2006) mentions that the new growth theory emphasizes the importance of the role of government, especially in increasing human capital development and encouraging R&D to increase human productivity. Investing in education will improve the quality of human resources, and government health is also an important policy tool for poverty reduction. One of the factors behind this policy was that improved health would increase the productivity of the poor (Sukirno 2006).

An important aspect that can change a person's life for the better in the future is education (Pratikto, 2018). Based on research conducted by Afzal et al. (2017) and Capra (2009) support the results of this study which found that education is closely related to poverty. Everyone wants to get a decent job with a high income, which can only be achieved through a high level of education. The theory of the vicious cycle of poverty influences educational levels (Afzal et al., 2017). This research tests education proxied by (RLS) in eastern Indonesia. The research hypothesis is as follows:

H4: Education (RLS) has a positive effect on poverty levels

Relationship of Health (UHH) to the poverty level

According to Kartasasmita (1996), poverty can be caused by low levels of health. Low health and nutrition levels cause low physical endurance, thinking power and initiative. The amount of investment in Domestic Investment (PMDN) or Foreign Investment (PMA) plays an essential role in determining Indonesia's economic growth and poverty alleviation efforts. Investment activities carried out are not only physical investments but also non-physical investments, such as investments in human resources in the fields of health and education. Where investing in education will be able to improve the quality of human resources. Furthermore, Quillian(1999) explained that government interventions to improve health are also essential policy tools for reducing poverty. One of the factors behind this policy was that improved health would increase the productivity of the poor Better health will increase labour, reduce rest days and increase energy production (Radhitya, 2014).

Based on research conducted by Radhitya (2014) stated that health has a positive but not significant effect on poverty levels (Radhitya, 2014). This study tests health as proxied by (UHH) in eastern Indonesia. The hypothesis of this study is as follows:

H5: Health (UHH) has a positive effect on poverty levels

Relationship of Inflation to poverty level

Inflation may be described as fees' overall and continual tendency to rise. It can also be seen as a symptom of an imbalance between cash's quantity in the stream and the number of available products and offerings. The amount of money in circulation is greater than the number of goods and services supplied Available. According to Keynes' theory, inflation occurs because a society wants to live beyond the limits of its economic capacity. In other words, capturing a share of the cost of living involves social groups wanting a larger share than the community can provide. Thus, the struggle ultimately results in a situation where public demand for goods consistently exceeds the available quantity (the inflation gap) (Kolibu, et al., 2019).

Based on research conducted by Meinny Kolibu et al. (2019), it is stated that the inflation rate does not affect the poverty level (Kolibu, et al., 2019).

H6: Inflation has a negative effect on poverty levels

Data and Research Methods

In this research, the secondary data used is time series data from 13 provinces in East-

ern Indonesia in the 2011-2021 period. This data source was obtained from the Bank Indonesia and the Central Bureau of Statistics publications, data from the Report on the Development of Islamic Finance in Indonesia on the Financial Services Authority website. In this study, the independent variables were Islamic Bank Financing, GRDP, TPAK, education (RLS), Health (UHH), Inflation, and Poverty Level as the dependent variable. The analytical tool we will use in this study is the static panel data regression method. Panel data has a cross-section and a time series. Panel data regression methods can be divided into static and dynamic. Static panel data regression can be categorized into three general, random, and fixed effects approach (Widarjono, 2018). In this study, the model is as follows:

Empirical and Econometric Models

$$Pov = \alpha + \beta_1 PBS_{1it} + \beta_2 PDRB_{2it} + \beta_3 TPAK_{3it} + \beta_4 RLS_{4it} + \beta_5 UHH_{5it} + \beta_6 IHK_{6it} + \varepsilon_{it} \qquad (5)$$

Information:

Pov   = Poverty

α = Constant

β = Regression coefficient

PBS   = Islamic Bank Financing

GRDP   = GRDP

TPAK   = Labor Force Participation Rate

RLS   = Average length of schooling

UHH   = Life Expectancy

CPI   = Inflation

i   = Individual (13 provinces in Indonesia)

t   = Time

ε = *Error term*

Finding and Discussion

Results

Table 1 : Results of Descriptive Statistics

Variable	Means	median	Max.	Min	Std. Deviation	Observations
POVERTY	5.800781	5.751459	7.064169	4.313078	0.769145	142
PBS	4.291276	5.241621	6.866933	0.010940	2.254760	142
GDP	11.03785	11.09945	12.74666	9.680497	0.765788	142
TPAK	67.99155	67.34000	79.57000	59.41000	4.695172	142
EDUCATION (RLS)	7.813944	7.755000	10.03000	5.600000	0.989923	142
HEALTH (UHH)	67.45289	67.00500	72.24000	62.78000	2.477529	142
INFLATION (CPI)	4.843965	4.858765	5.084010	4.639668	0.108254	142

Source: data processing, eviews 10, 2022

Table 1 presents descriptive statistics on Poverty and the independent variables used in this study. In that period, Poverty was 7.064169. Financing has a minimum value of 0.010940

and a maximum value of 6.866933. TPAK has a minimum value of 59.41000 and a maximum value of 79.57000, meaning that the contribution of TPAK to the poverty level in Eastern Indonesia ranges from 59.4 to 79.5 Highest and lowest education is 10.03000 to 5.600000. Health has a minimum value of 62.78000 and a maximum value of 72.24000. Inflation has a minimum value of 4.639668 and a maximum value of 5.084010.

Model Choice Test

Table 2 : Chow Test Results

Effect Test	Statistics	df	Prob.
Cross-section F	52.512256	(12,123)	0.0000
Cross-section Chi-square	257.314817	12	0.0000

Source: data processing, eviews 10, 2022

Table 2 shows the value of the Chow test statistic (F-statistic) of 22.0919 and the probability value of 0.0000. The value is less than 0.05

Table 3 : Hausman test results

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-sections	1.474160	6	0.9612

Source: data processing, eviews 10, 2022

Table 3 shows that the chi-square statistical value is 1.4741, and the probability value is 0.9612. Because probability values are more significant than 0.05, REM is the best model.

Selected Model

Table 4 : *Random Effect Model* test results

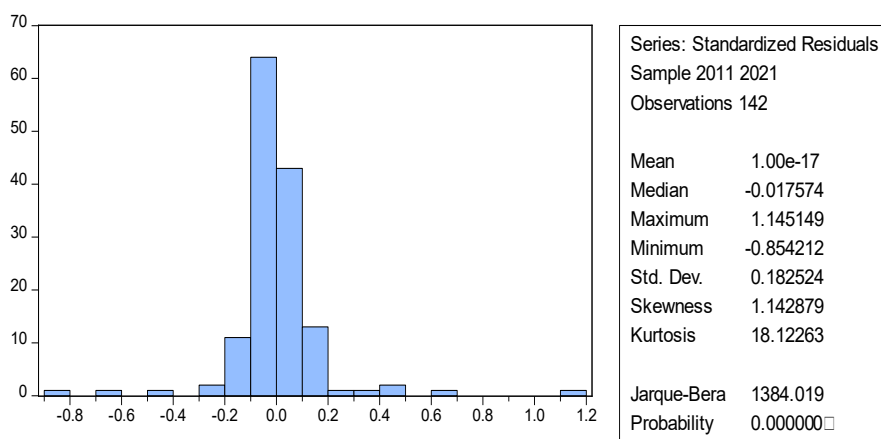| Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	12,45649	1.859315	6.699505	0.0000
LOG_PS	0.022130	0.012086	1.831090	0.0693
LOG_GDP	0.768041	0.075202	10.21301	0.0000
TPAK	-0.005670	0.007532	-0.752723	0.4529
RLS	-0.057007	0.050765	-1.122978	0.2634
uhh	-0.202891	0.024080	-8.425856	0.0000
LOG_INFLATION	-0.147080	0.177685	-0.827754	0.4093

Source: data processing, eviews 10, 2022

Because the selected model is REM, the LM test is used. The output results above show the Breush-Pagan (BP) probability value of 0.0000. If the probability is less than 0.05, the right one above is a random effect.

Table 5 : LM test

Null (*no rand. effect*)	Cross-section	Period	Both
Alternative	**one-sided**	**one-sided**	
Breusch-Pagan	450.5469	3.895242	454.4421
	(0.0000)	(0.0484)	(0.0000)

Source: data processing, eviews 10, 2022

The results of the normality test show the *Jarque Bera probability value is* below 0.05, meaning that the residual data is not normally distributed.

Source: data processing, eviews 10, 2022

Figure 2 : Normality Test Results

Table 6 : Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.414478	0.838458	0.494333	0.6219
LOG_PS	-0.004844	0.006691	-0.723879	0.4704
LOG_GDP	-0.047491	0.025022	-1.897951	0.0598
TPAK	0.001541	0.003157	0.488154	0.6262
RLS	-0.021131	0.019620	-1.077036	0.2834
uhh	0.000898	0.008156	0.110123	0.9125
LOG_INFLATION	0.048238	0.124530	0.387366	0.6991

Source: data processing, eviews 10, 2022

The heteroscedasticity test results showed that the respective variables' probability values were all greater than 0.05, indicating that there was no heteroscedasticity disorder.

Table 7 : T-statistical Test Results

Variable	Coefficient	t-statistic	Prob.(sig)
PBS	0.022130	1.831090	0.0693
GDP	0.768041	10.21301	0.0000
TPAK	-0.005670	-0.752723	0.4529
RLS	-0.057007	-1.122978	0.2634
uhh	-0.202891	-8.425856	0.0000
INFLATION (CPI)	-0.147080	-0.827754	0.4093
Sum squared residue	33.16366		
Prob (f-statistic)	0.000000		
R-squared	0.607420		

Source: data processing, eviews 10, 2022

Table 7 shows that the GRDP and UHH variables significantly affect the poverty rate in Eastern Indonesia. Meanwhile, the BPS, TPA, RLS, and inflation variables did not significantly affect the poverty rate in Eastern Indonesia.

Discussion

The results of hypothesis testing on the t-statistical test of Islamic bank financing have a positive but insignificant effect on the poverty level in eastern Indonesia. A positive correla-

tion relationship means that a 1 per cent increase in Islamic bank financing will increase economic growth and impact poverty levels. The results of this study are supported by research by Fadly et al. (2021), which states that there is a negative and significant correlation between the Islamic banking financing variable (Fadly et al., 2021).

Furthermore, the results of hypothesis testing on the t-test of GRDP have a positive and significant effect on poverty levels in eastern Indonesia. If you look at the variable coefficient of 0.768041. It means that a 1 per cent increase in GRDP will reduce poverty. Economic development is more than just the growth of the gross regional domestic product (GRDP). However, it must consider how income distribution extends to the social classes that benefit from it. According to Sukirno (2008), the economic growth rate is the increase in GDP, whether the increase is more significant or less. Consequently, the drop in GDP in a region impacts the quality of household consumption. Moreover, if the population has negligible incomes, many poor households will be forced to change their essential food habits and buy the cheapest items with fewer items.

Economic growth is a measure of development success and a necessary condition for reducing poverty. The sufficiency requirement is that economic growth can effectively reduce poverty. This growth should spread across every income group, including the poor (Ridzky 2018). The study result is supported by research by Ridzky (2018), which states that there is a relationship between GRDP which significantly influences poverty levels in Eastern Indonesia (Ridzky, 2018).

The results of hypothesis testing on the TPAK t-statistic test have a negative but insignificant effect on the poverty level in eastern Indonesia. A negative correlation relationship means that A 1 per cent increase in LFPR will reduce the poverty rate. This result is very contrary to the theory of Michael P Todaro. According to this theory, one of the primary mechanisms in reducing poverty is tackling the problem of unemployment and labour. This theory explains that the high labour force influences economic growth, where high labour force participation will encourage economic growth and reduce poverty. The results of this study are supported by research by Salmah (2019), which states that LFPR negatively affects poverty (Salmah, 2019).

The testing result of the hypothesis on the RLS t-statistic test has a negative but insignificant effect on the poverty level in eastern Indonesia. A 1 per cent increase in RLS will reduce the poverty rate. The results of this study are under the theory of Todaro & Smith (2011), stating that education is a fundamental development goal. Furthermore, according to the World Bank (2013) (Nirwana, 2013), education is one of the most powerful instruments for reducing poverty. The results of this study are supported by research by Mahsunah (2013), which states that education does not affect poverty (Mahsunah, 2013).

Meanwhile, the testing result of the hypothesis on the UHH t-statistic test has a significant positive effect and a negative direction on the poverty level in eastern Indonesia. If you look at the variable coefficient of -0.202891. It means that a 1 per cent increase in UHH will reduce poverty.

It is in line with Fikri & Suparyati (2017) which states that one of the basics in implementing economic development is public health that is equitable and good in quality. Economic development must also pay attention to the implementation of health development. These two things must be balanced to achieve the expected goals, namely welfare and prosperity for all Indonesian people. The development of public health in question is an improvement from

what was initially not suitable to be following health standards in terms of level and quality of service. Life Expectancy Rate (AHH) is one of the metrics used to assess how well the government's efforts are in improving people's welfare in general and health status in particular.

Furthermore, the results of hypothesis testing on the t-statistical Inflation test do not negatively affect the poverty level in eastern Indonesia. If you see, the variable coefficient is -0.147080. The study results are supported by Hambarsari & Inggit (2016), which state that inflation has an insignificant negative effect on poverty levels in Eastern Indonesia. Inflation itself brings positive but also negative impacts. The positive impact is that inflation can encourage a better economy by increasing national income and making people passionate about working, saving and investing (Hambarsari & Inggit, 2016).

Conclusion

The results of testing and analyzing the hypotheses in the discussion described the poverty rate in Eastern Indonesia 2010-2021, as measured by Islamic Banking Financing, TPAK, RLS, UHH, and Inflation. Those have no significant effect in a negative direction on the poverty rate for the GRDP variable has an influence simultaneously on the poverty level. In contrast, UHH has a significant effect in a negative direction. It means that if there are independent variables at the same time, then the level of poverty in Eastern Indonesia is increasingly leading to change. Thus, the government can carry out policies in increasing life expectancy, so that people have high productivity and can ultimately reduce poverty levels.

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