Does Poverty Will Be Reduced By Optimization Of Regional Expenditure?

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Abstract: Regional autonomy drives the development process more quickly to create a prosperous, prosperer and prosperous society. In an effort to create an advanced, prosperous and prosperous society, there is still a phenomenon of poverty occurring in Indonesia. In the range of 2010 to 2014 there were 15 increases occurring in the provinces in Sumatra. In line with the concept of pro-poor budgeting, this study aims to determine the effect of regional spending on the functions of education, health functions, and the functions of housing and facilities on poverty. This study uses panel data that combines time series data and time data. The results of this study indicate that regional expenditure on education functions has a negative and significant effect on poverty, health function expenditure has a negative and significant effect on poverty, housing function expenditure and public facilities have a negative and insignificant effect on poverty.

Keywords: regional expenditures, budgeting, public finance, poverty, Local Government

1 INTRODUCTION

Sjafrizal (2014) explains that regional autonomy drives the development process more quickly to create a prosperous, prosperer and prosperous society. In an effort to create an advanced, prosperous and prosperous society, there is still a phenomenon of poverty occurring in Indonesia. Kuncoro (2000) explains poverty as a person's inability to meet minimum living standards. The standard of living in this case is regarding the amount of income, housing, health and health services and inadequate level of education. This condition results in a low quality of human resources which creates unemployment problems that have an impact on poverty. Through Presidential Regulation No. 15 of 2010, the government sought to accelerate poverty reduction in Indonesia. Poverty reduction in this regulation is government policy and government programs including local government which are carried out systematically, planned and synergized with the business community and the community to reduce the number of poor people. In the period 2010-2014 there were 42 increases in poor population within the province. Of the 42 increases in poor population in the province in the period 2010 to 2014, there were 15 increases that occurred in the provinces in the Sumatra region. This amount is equivalent to 35.71% of the total increase in the number of poor people in the provincial scope nationally. Boex, et al. (2006) in his study explained that effective decentralization can play a role in tackling poverty, namely by emphasizing fiscal policy as a system between levels of government. The system consists of delegation of functions, transfers between government levels and authorization including income. The regional government in implementing governance uses a budget that is divided into several functions. Based on Domestic Regulation No. 13 of 2006 concerning Regional Financial Management Guidelines, the classification of spending by function consists of economic expenditure, public service expenditure, order and security spending, environmental expenditure, housing and public facilities, tourism and cultural expenditure, education spending, health spending, and social protection spending. In connecting government spending with poverty Sutoro (2008) describes government budgeting in poverty reduction through pro-poor budgeting, namely politics in budget reform which is a framework for mainstreaming state and regional budgets for poverty reduction. Based on the description above, it is necessary to do research to find out how regional expenditure based on function classification influences poverty along with the strengthening of regional income through fiscal decentralization. This research was conducted by analyzing the effect of regional spending based on the classification of alleged pro-poor functions of poverty, namely spending on regional functions of education, spending on regional health functions and spending on regional functions of housing and public facilities.

2 LITERATURE STUDY AND HYPOTHESIS DEVELOPMENT

Indonesia stipulates regional autonomy as a manifestation of the implementation of decentralization by issuing Law Number 22 of 1999 concerning Regional Government which was amended by Law Number 23 of 2014. Regional autonomy is the right, authority and obligation of autonomous regions to regulate and manage government affairs and interests themselves. Local community in the system of the Unitary State of the Republic of Indonesia. The process of giving up rights, authority and obligations is called decentralization. According to Rondinelli (1999) decentralization is the transfer of authority and responsibility of the central government in terms of functions related to the public to the level of government below it, or to semi-independent government organizations, or to the private sector. Decentralization can be divided into political decentralization, administrative decentralization, fiscal decentralization, and market decentralization. Fiscal decentralization is related to the adequacy of income and the authority to make decisions in terms of spending. Based on Law No. 33 of 2004 concerning Financial Balance between the Central

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Government and Regional Governments, the Regional Revenue and Expenditure Budget (APBD) is the annual financial plan of the regional government that is discussed and agreed upon jointly by the regional government and DPRD stipulated by regional regulations. Furthermore, the APBD has five functions, namely: authorization function, planning function, supervisory function, allocation function, and distribution function. Sutoro (2008) explains that pro-poor budgeting is politics in budget reform which is a framework for mainstreaming state and regional budgets for poverty reduction. Pro-poor budgeting is a derivative of pro-poor policy which is a pro-poor policy. Conceptually, pro-poor policy is a political action that aims to allocate rights and resources to individuals, organizations and regions marginalized by markets and countries (Moore and Putzel, 2000 in Sutoro, 2008).

Educational Relationship to Poverty
Tilak (2001) connects education and poverty through four approaches. First, basic needs approach which views education as a basic need so that it can encourage the fulfillment of other needs. Second, the human capital approach, which views education as an important instrument in reducing poverty and development. Third, the human development approach (human development approach) views education as a development not only as a cause of poverty. Fourth, the human capability approach is an approach that views education as a direct measure of welfare and freedom. The role of education as a way to overcome poverty is delivered by Sachs (2005), namely poverty can be overcome, one of which is through the development of human capital, especially the development of education and health. In addition to human capital, other factors that influence the problem of poverty are business capital, infrastructure capital, natural capital, public sector capital, and intellectual capital. Education has become a priority in the 2010-2014 RPJMN, the development of education in Indonesia is directed towards achieving economic growth by paying attention to harmony with the availability of educators. Expected educators are educators who are able to create jobs and answer the challenges of labor needs. This is closely related to efforts to increase community income related to poverty reduction. Fan, Jitsuchon, and Metakhunavut (2004) conducted a study of government spending in reducing poverty and increasing agricultural productivity in rural Thailand. Government investment consisting of rural education, research and development in agriculture, irrigation, and infrastructure has a positive impact on poverty reduction and agricultural productivity.

H1 : Education function expenditure has an effect on poverty.

Health Relationship to Poverty
The importance of health in poverty reduction delivered by Todaro (2006), health and education are the basic development goals. Health correlates with productivity levels, good health can encourage an increase in community productivity. This condition has an impact on increasing community income which encourages people to get out of the poverty line. The role of health as one way to overcome poverty is also delivered by Sachs (2005), namely poverty can be overcome, one of which is through the development of human capital, especially the development of education and health. In addition to human capital, other factors that influence the problem of poverty are business capital, infrastructure capital, natural capital, public sector capital, and intellectual capital. Health is a priority in the 2010-2014 RPJMN that seeks to overcome unresolved problems in the gap between health and nutrition status between regions and between socio-economic levels. The implementation of health priority programs and activities is emphasized in health programs for the community, one of which is the emphasis on health insurance for poor families. Liu, Rao and Hsiao (2003) conducted a study on government health / medical expenditure in rural poverty in China. In this study it was concluded that government spending in medical activities affects reducing poverty in China. Provision of health protection by the government will have an impact on protecting individual income and increasing human capital which has an impact on reducing poverty.

H2 : Health function spending affects poverty.

Housing Relations and Public Facilities for Poverty
Based on the Fundamentals of APBN Development Practice in Indonesia, housing and public facilities expenditure consists of spending on housing development programs, empowerment of residential communities, drinking water supply, street lighting, housing R & D and public facilities, as well as housing and other public facilities. Based on this explanation housing and public facilities can be equated with infrastructure. World Bank (2004) states that infrastructure is one of the determinants of poverty, the impact of infrastructure is not limited to production efficiency but also has an impact on living standards. According to Friawan (2008) infrastructure availability has triggered the economy, infrastructure networks are important in trade and investment, infrastructure improvements are important to overcome economic development gaps. Economic development that was successfully created is closely related to opening employment opportunities and increasing people's income. In the 2010-2014 RPJMN, infrastructure is one of the national development priorities. One strategy is the development of infrastructure in rural areas to provide equal opportunities to communities in rural and remote areas. This is based on the consideration that the poor are in rural areas that have limited infrastructure. Fan, Jitsuchon, and Metakhunavut (2004) conducted research on government spending on poverty reduction and increasing agricultural productivity in rural Thailand. Government expenditure consisting of research and development in agriculture, education, irrigation, roads and electricity has a positive impact on agricultural productivity and poverty reduction.

H3 : Spending on housing and public facilities has an effect on poverty.

3 METHOD
This study uses secondary data. Data on regional budget based on the classification of the functions of education, health and housing and public facilities was obtained from the Directorate General of Fiscal Balance of the Ministry of Finance. The percentage of the poor population (P0) was obtained from the publication of BPS statistics from 2010 to 2015. Data on population was obtained from the publication
of BPS statistics from 2010 to 2015. This study uses a multiple linear regression model using the program Eviews 9. This study uses panel data that combines time series data and time data. This research model refers to Wahyudi (2011) who took one model with poverty which is proxied in the percentage of poor people (P0). The research model is as follows:

\[ \ln \text{KEMISK}_{it} = \beta_1 + \beta_2 \ln \text{DIK}_{it(t-1)} + \beta_3 \ln \text{KES}_{it(t-1)} + \beta_4 \ln \text{PERUM}_{it(t-1)} + \epsilon_{it(t-1)} \]

\( \beta \): Constant
\( \text{DIK}_{it(t-1)} \): Expenditures for district / city government ducation functions for i in year t minus lag
\( \text{KES}_{it(t-1)} \): District / city government health expenditure for year t minus lag
\( \text{PERUM}_{it(t-1)} \): Housing function expenditure and public facilities for district / city government i in year minus lag
\( \epsilon_{it(t-1)} \): Disturbance variables and individual effect variables in province i in year t minus lag

\( i \): Crosssection
\( t \): Time series
\( \ln \): Natural logarithms

### 4 RESULTS AND DISCUSSION

The AIC and SIC tests are used to determine the level of lags and show the results of one year lag usage more precisely than without using lag so that the dependent variable in period t is influenced by the free variables in the t-1 period. Based on these results the equation model used is as follows:

\[ \ln \text{KEMISK}_{it} = \beta_1 + \beta_2 \ln \text{DIK}_{it(t-1)} + \beta_3 \ln \text{KES}_{it} \]

The analysis in the panel data model consists of three approaches, namely the common effect model, fixed effect and random effect. To determine the best model approach is done with three tests, namely chow test, hausman test and lagrange multiplier test. Based on the three tests conducted, it was found that panel data regression in this study was more appropriate to use the random effect model so that the regression models formed were as follows:

\[ \ln \text{KEMISK}_{it} = 3.954799 - 0.079433 \ln \text{PEND}_{it(t-1)} - 0.035181 - 0.004288 \ln \text{PERUM}_{it(t-1)} + w_{it(t-1)} \]

In the F Test the results of the probability value F (0.0000) are smaller than the significance level \( \alpha \) (0.1). In addition, the value of Fcount (32.4658) is greater than the value of Ftable (2.0935). Thus H0 is rejected and H1 is accepted so that the function of education expenditure will reduce poverty by 0.035181. The education function shopping variable shows the value of tcount (4.349483) greater than t table (1.64756). Besides the probability of tcount (0.0000) is smaller than the level of significance (0.1). Based on these results H01 is rejected and Ha1 is accepted, namely education spending partially has a negative and significant effect on poverty. More specifically, it can be said that every 1% increase in health expenditure will reduce poverty by 0.035181% assuming other variables are considered constant. The coefficient value for health function expenditure variable is -0.35181. The health function shopping variable shows the value of tcount (1.958362) greater than t table (1.64756). In addition, the probability of tcount (0.5458) is smaller than the level of significance (0.1). Based on these results H02 is rejected and Ha2 is accepted, that is, health expenditure partially has a negative and significant effect on the percentage of poor people (P0). More specifically, it can be said that every 1% increase in health expenditure will reduce poverty by 0.035181%. Whereas the variable coefficient value for housing function and public facilities expenditure is -0.004288. Variable housing and public facilities shopping shows the value of tcount (0.604475) smaller than t table (1.64756). In addition, the probability of tcount (0.5458) is greater than the level of significance (0.1). Based on these results the housing budget and public facilities partially have a negative and insignificant effect on poverty so that housing and public facilities expenditure can not be considered as having an effect on poverty. Therefore, Ha3 is rejected and H03 is accepted, namely housing expenditure and public facilities partially have no effect on poverty assuming other variables are considered constant. Expenditures on education functions have a negative and significant effect on poverty in line with Wahyudi (2011). Government spending on education matters has a significant influence in reducing poverty in Central Java. Most of the education expenditure is used for programs that are enjoyed by many poor people (pro-poor). The expenditure on education functions has a negative and significant effect in the Sumatra region because the programs and activities of these expenditures have an impact on increasing the productivity of the poor and the expenditure of poor households. In addition, several programs and activities determined by the district / city government specifically targeted the poor. This condition brought some poor people out of the poverty line so that the number of poor people decreased. This influence is inseparable from the large percentage of the education function budget for the total expenditure allocated by each local government. This is because spending on education functions is one of the expenditures that has a minimum amount of allocation provisions. Based on Law Number 20 of 2003 concerning National Education System article 49, it is explained that education funds in addition to educator salaries and official education fees are allocated 20% of the APBN in the education sector and at least 20% of the APBD. Through this regulation the regional government is required to allocate at least 20% of the total regional expenditure for education expenditure. Health spending has a negative and significant effect on poverty in Java and Bali. Health spending is realized in programs that improve the quality and access of public health services. Through the policies of these programs, the poor as recipients of health services can increase disposable income through savings on household health expenditure items, making it possible to get out of the poverty line. Health expenditure has a
negative and significant effect on poverty in the Sumatra region because health spending is realized in various programs and activities that address health problems faced by the poor. These programs and activities play a role in keeping poor people in good health or recovering from illness immediately. Health of the poor keeps productivity or increases productivity so that it can increase income and expenditure capacity. At a later stage the poor can get out of the poverty line. This influence is inseparable from the size of the regional government health budget. In addition to the education function budget, the health function budget also follows the minimum stipulation of the allocation of health functions to the overall budget. Through Law No. 36 of 2009, the district / city government is required to allocate a health budget of at least 5%. This affects the allocation of budgets for health functions and in preparing programs and activities from this function. In addition, regional government expenditure in the health function also takes over the expenditure of poor households for health needs. The next impact is that poor households can use their expenditure allocations in other basic needs. This condition allows poor households to get out of the poverty line. Housing and public facilities expenditure does not affect the percentage of poor people in line with Hossain's findings (2014). In his research, government spending on infrastructure was not significant or did not affect poverty reduction in Bangladesh. This is because the allocation policy and the use of infrastructure spending are carried out not in accordance with their proper roles. For example in the transportation sector infrastructure, infrastructure should be built on the principle of balance and integration of the transportation system. In practice the government is too focused on road development. Road development should be followed by improving road safety and maintenance quality. Housing and public facilities expenditures have no effect on poverty in Sumatra because housing and public facilities are reduced in programs and activities that do not specifically target the poor. In addition, programs and activities in this function are not specific to sectors that have the potential to encourage the productivity of the poor. Between local governments tend to have similar programs with one another. This shows a lack of consideration of the needs or characteristics of each region.

5 CONCLUSIONS AND RECOMMENDATIONS
This study aims to determine the effect of regional expenditure classification of functions that are allegedly pro-poor in overcoming the problem of poverty in Sumatra. The results obtained are that regional expenditure on education functions has a negative and significant effect on poverty, regional expenditure on health functions has a negative and significant effect on poverty. Different conditions were obtained for regional expenditure on housing and public facilities, which had a negative and not significant effect on poverty, so that the expenditure of regional functions for housing and public facilities was considered to have no effect on poverty. Based on the results of the study, the authors provide recommendations for local governments to increase the budget allocation for regional functions of education as part of efforts to accelerate regional poverty reduction. This is because the analysis in the study found that the regional expenditure classification of the function of education had the greatest influence in reducing poverty. In addition, the increase in the regional budget for the education function is carried out for educational programs and activities which target the poor. The budget increase can be carried out in several activities including scholarship activities for underprivileged students, BOS Regional activities, and operational funding activities for the implementation of education. Increasing the budget allocation for regional expenditure on health functions can also be done as a second alternative. This is based on the consideration that in general the district / city government has allocated an education function budget of more than 20%. Efforts to accelerate poverty reduction through the allocation of regional expenditure budgets based on this function need to pay attention to the results of the evaluation of the Regional Poverty Reduction Coordination Team. Problems that need to be considered include the use of integrated data and synchronization between district / city government programs, the provincial government and the central government.

6 REFERENCES