

THE EFFECT OF LOCAL GOVERNMENT EXPENDITURE ON POVERTY IN CENTRAL JAVA

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Abstract

Government expenditure in regencies and cities across Central Java Province has generally shown an increasing trend. However, there are still regions within the province where high levels of government expenditure coexist with high poverty rates. This study aims to examine the effect of government expenditure in the sectors of education, health, housing and public facilities, economic, and social protection on poverty in the regencies and cities of Central Java Province from 2019 to 2023 using panel data regression. As model was chosen for the analysis, the results of Fixed Effect Model (FEM) show that government expenditures in the housing and public facilities sector and the economic sector has a negative effect on poverty. On the other hand, government expenditure in the social protection has a positive effect on poverty. Meanwhile, government expenditures in the education and health does not have a significant effect on poverty in the regencies and cities of Central Java Province. It is recommended that the government formulate more effective and well targeted budget policies to reduce poverty in the region.

Keywords: Poverty, Government Expenditure, Panel Data, Fixed Effect Model, Central Java

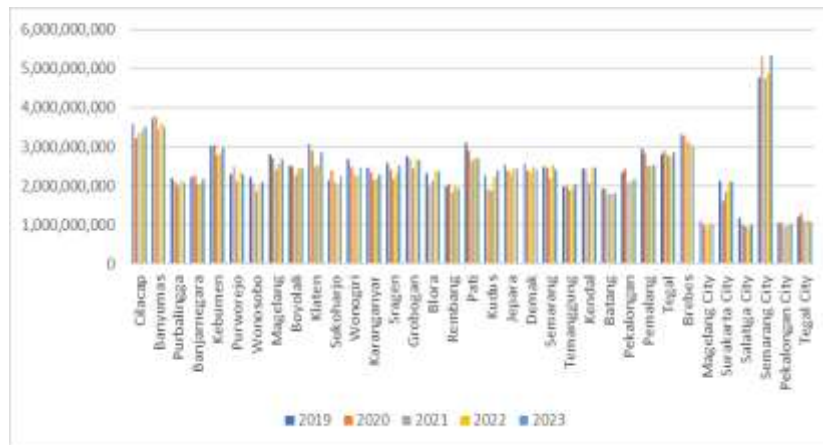
INTRODUCTION

Poverty is still a major challenge that is of concern to many countries in the world, including Indonesia. Poverty is a situation where people do not have the ability to meet basic living needs such as food, housing, clothing, health, and education (Putri & Yefriza, 2025). In terms of human development, the problem of poverty can cause quite serious impacts because poverty is basically caused by the inability of peoples purchasing power to meet basic needs so that other needs such as health and education are neglected (Simarmata & Iskandar, 2022). As a result of the inability to meet the needs of their lives, poverty can cause various problems such as hunger, social deviance, and even the emergence of criminal acts (Soleh & Wahyuni, 2021).

Central Java Province is one of the provinces in Indonesia which is classified as an area with a poor population and a relatively high poverty rate when compared to other regions in Indonesia. This condition makes Central Java Province in 2023 it is recorded as the province with the third largest number of poor people nationally, namely with a poor population of 3,791,500 (Central Bureau of Statistics, 2025). In addition, Central Java Province also ranks second in the Java Island region as the province with the highest poverty rate in 2023 which reached 10.77 percent (Central Bureau of Statistics, 2025). In addition, there are still regions or districts in Central Java Province whose poverty rate exceeds the poverty level of Central Java Province in 2023 (Central Bureau of Statistics of Central Java Province, 2024a). Although Central Java Province has rich natural resources and a diversity of industrial sectors, the poverty rate in this region is still relatively high.

According to Soleh & Wahyuni (2021), one of the factors that can affect poverty is the expenditure made by the government. Government expenditure is a component of fiscal policy

which includes a form of government policy in managing the economy by determining the budget for government expenditure or expenditure every year (Angraini et al., 2023).



Source: Central Bureau of Statistics of Central Java Province, 2025

Figure 1. Realization of Local Government Expenditure in the Central Java Province Region in 2019-2023 (Thousand Rupiah)

Based on Figure 1, the realization of the government budget in each region in the Central Java Province region during the period from 2019 to 2023 shows a fluctuating pattern but generally shows an increasing trend in 2023. Although there is an increasing trend in government expenditure, there are still a number of regions in Central Java Province that have high government expenditure, but the poverty rate is also high. In addition, there are also regions or districts whose poverty levels exceed the poverty level of Central Java Province in 2023.

Previous research related to the influence of government expenditure on poverty has been conducted. However, most previous research has focused more on the effect of government expenditure in general on poverty. Research that discusses government expenditure in general on poverty has been conducted by Putri & Yefriza (2025), Wang et al., (2023) and Juanda & Siregar (2023) whose findings indicate that government expenditure has an influence on poverty.

In various previous studies, the variables of government expenditure in various functions or sectors were generally analyzed separately so that there are still few studies that directly relate the influence or impact of government expenditure in the sectors of education, health, housing and public facilities, economic, and social protection collectively on poverty. For example, research conducted by Isnawati et al., (2023) which uses the variables of government expenditure in the education, health, and infrastructure sectors to see their effect on poverty. Then Sirait et al., (2022) which only focuses on the analysis of government expenditures in the social protection sector and the health sector.

In contrast to previous research, this study focuses on the influence of specific sectors of government expenditure which include the sectors of education, health, housing and public facilities, economic, and social protection on poverty. In addition, this research will be focused in 34 regions of Central Java Province during the period of 2019 to the 2023 period. This creates a gap, where the influence of government expenditures in the education sector, health sector, housing and public facilities sector, economic sector, and social protection sector on poverty in 34 regions of Central Java Province in the period 2019 to 2023 needs further analysis.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Poverty

According to Central Bureau of Statistics (2023), poverty is a condition of being economically unable to meet basic living needs that can be measured in terms of expenditure. Unable to meet basic necessities this makes it difficult for the poor to be able to meet their living needs properly. Based on theory vicious circle of poverty developed by Ragnar Nurkse, explained that poverty comes from a series of interrelated and influencing factors. The relationship between these factors creates a cycle that causes a country to remain in a poor condition (Jhingan, 2013).

Government Expenditure

Government expenditure is an expenditure used to fund government programs and activities to carry out its functions with the aim of realizing the welfare of the people (Ridwan & Nawir, 2021). In the theory of government expenditure put forward by Rostow and Musgrave, the development of government expenditure is linked to the phases of economic development (Ridwan & Nawir, 2021). In the early stages of economic development, a large amount of total government investment is needed because at this stage the government must prepare services and facilities such as health, education, transportation, as well as other services and facilities.

Furthermore, in the intermediate stage of economic development, the role of investment from the private sector becomes larger, but nevertheless investment from the government is still needed to improve the economy. The role of the government is needed because the role of the private sector is getting bigger and bigger can cause market failure. Then, in the advanced stage of the economic level, the role of the government in economic development is transferred to the expenditure of social activities. These social activities are for example welfare programs for the elderly and other social protection programs. The allocation of expenditure for these activities is expected to be able to reduce the poverty problem that occurs.

The Effect of Government Expenditures in the Education Sector, Health Sector, Housing and Public Facilities Sector, Economic Sector, and Social Protection Sector Collectively on Poverty

Based on Presidential Instruction No. 4 of 2022, the governments strategies and policies for accelerating the elimination of extreme poverty include reducing the burden of peoples expenditure, increasing peoples income, and reducing the number of poverty pockets (Presidential Instruction, 2022). Efforts to be able to support the strategy to reduce the burden of peoples expenditure can be carried out by the government by allocating budgets for the education sector, the health sector, the housing and public facilities sector, and the social protection sector. Then to support the strategy of increasing peoples income, the government can do it by allocating a budget for the economic sector. The existence of a budget allocated for these sectors is expected to reduce the problem of poverty that occurs. Based on research Putri & Yefriza (2025) it was found that government expenditure has a significant influence on poverty. Similar findings were also put forward by Juanda & Siregar (2023). Referring to this explanation, the hypothesis of this study is formulated as follows:
H1: Government expenditures in the education sector, health sector, housing and public facilities sector, economic sector, and social protection sector collectively affect on poverty in 34 regions of Central Java Province.

The Effect of Government Expenditure in the Education Sector on Poverty

In the theory of government expenditure Rostow and Musgrave state that in the early stages of economic development, a large amount of total government investment is needed, one of which is for the education sector. According to Hidayat & Azhar (2022), education has a strong relationship with the poverty level. This is because through education, it can improve the ability of the community to develop through the mastery of skills and knowledge. Presence government expenditure in the education sector, is expected to reduce the problems of underdevelopment, ignorance, and lagging problems both from a social and economic perspective (Hidayat & Azhar, 2022). Based on research Isnawati et al., (2023) it was found that the governments budget allocation for the education sector

has a negative and significant influence on poverty. These findings indicate that increasing government expenditure in the education sector will reduce poverty rates. Similar findings were also put forward by Hidayat & Azhar (2022). Referring to this explanation, the hypothesis of this study is formulated as follows:

H2: Government expenditure in the education sector has a negative effect on poverty in 34 regions of Central Java Province.

The Effect of Government Expenditure in the Health Sector on Poverty

In the theory of government expenditure Rostow and Musgrave state that in the early stages of economic development, a large amount of total government investment is needed, one of which is for the health sector. This expense has a basic goal to be able to encourage the level of community welfare, so that it will ultimately have an impact on reducing the poverty level in a country or region (Sirait et al., 2022). Based on research Handayani et al., (2022) it was found that the governments budget allocation for the health sector has a negative and significant influence on poverty. These findings indicate that increasing government expenditure in the health sector will reduce poverty rates. Similar findings were also put forward by Sirait et al., (2022). Referring to this explanation, the hypothesis of this study is formulated as follows:

H3: Government expenditure in the health sector has a negative effect on poverty in 34 regions of Central Java Province.

The Effect of Government Expenditure in the Housing and Public Facilities Sector on Poverty

One of the strategies and policies carried out by the government to accelerate the elimination of extreme poverty in accordance with Presidential Instruction No. 4 of 2022 is that it can be done through reducing the burden of peoples expenditure. Efforts to support the strategy to reduce the burden of peoples expenditure can be carried out by the government by allocating budgets for the housing and public facilities sector . Government expenditure in the housing and public facilities sectors are allocated to people who have low incomes so that they can have a decent place to live or housing. In addition, the government expenditure also aims to increase public access to public services such as clean water services, drinking water services, electric energy sources, and proper and sustainable sanitation (Fajar & Indrawati, 2020). Based on research Sihombing et al., (2022) it was found that the governments budgets allocation for the housing and public facilities sector has a negative and significant influence on poverty. These findings indicate that increasing government expenditure in the housing and public facilities sector will reduce poverty rates. Similar findings were also put forward by Azwardi, (2014). Referring to this explanation, the hypothesis of this study is formulated as follows:

H4: Government expenditure in the housing and public facilities sector has a negative effect on poverty in 34 regions of Central Java Province.

The Effect of Government Expenditure in the Economic Sector on Poverty

One of the strategies and policies carried out by the government to accelerate the elimination of extreme poverty in accordance with Presidential Instruction No. 4 of 2022 is that it can be done through increasing peoples income. Efforts to support the strategy of increasing peoples income can be carried out by the government by allocating budgets for economic sectors such as labour, food security, transmigration, investment, mineral resources and energy, trade, industry, agriculture, fisheries and marine, forestry, cooperatives, and small and medium enterprises (Angraini et al., 2023). One of the goals of government expenditure in the economic sector is to create jobs so that it can increase the economic level in the community. The improvement of the economy in the community will be able to reduce the problem of poverty that occurs. Referring to this explanation, the hypothesis of this study is formulated as follows:

H5: Government expenditure in the economic sector has a negative effect on poverty in 34 regions of Central Java Province.

The Effect of Government Expenditure in the Social Protection Sector on Poverty

In the theory of government expenditure Rostow and Musgrave state that in the later stages of economic development, the role of the government in economic development is transferred to expenditure on social activities, for example for social protection. Government expenditure in the social protection sector is often used as a tool to reduce inequality in society and to tackle poverty (Sirait et al., 2022). Based on research Handayani et al., (2022) it was found that the governments budget allocation for the social protection sector has a negative and significant influence on poverty. These findings indicate that increasing government expenditure in the social protection sector will reduce poverty rates. Similar findings were also put forward by Sihombing et al., (2022). Referring to this explanation, the hypothesis of this study is formulated as follows:

H6: Government expenditure in the social protection sector has a negative effect on poverty in 34 regions of Central Java Province.

RESEARCH METHODS

Research Design

This research is a type of quantitative research with panel data regression analysis techniques. The object of this study is poverty with independent variables analyzed including government expenditures in the education sector, health sector, the housing and public facilities sector, the economic sector, and the social protection sector. The research will focus in 34 regions of Central Java Province with a time span of analysis covering the period from 2019 to 2023. The data used in this study is included in the category of secondary data, with sources from official publications Central Bureau of Statistics and reports published by the Directorate General of Financial Balance, Ministry of Finance. The data collection process in this study uses documentation techniques, namely by collecting data that is already available (Purwanti, 2024).

Data Analysis Techniques

This study uses panel data regression analysis techniques. Panel data regression analysis is a regression analysis that is carried out by combining two types of data, namely time series data with cross section data (Gujarati & Porter, 2013). Data processing uses Eviews 12 software and microsoft excel. The form of equations in the regression panel data used in this study is presented as follows:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + e_{it} \dots \dots \dots (1)$$

Where Y is Poverty (in percentage terms), β_0 is a Constant, β_{1-5} is the Coefficient of an Independent Variable, X_1 is Government Expenditure in the Education Sector (in units of million rupiah), X_2 is Government Expenditure in the Health Sector (in units of million rupiah), X_3 is Government Expenditure in the Housing and Public Facilities Sector (in units of million rupiah), X_4 is Government Expenditure in the Economic Sector (in units of million rupiah), X_5 is Government Expenditure in the Social Protection Sector (in units of million rupiah), e be Error, i is a Unit Cross Section and t is a Unit Time Series.

Panel Data Regression Estimation Model

There are three models or types of approaches that are commonly used to estimate regression in panel data, including Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM).

Panel Data Regression Model Selection

The selection of the panel data regression model aims to be able to determine the best model between Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). In terms of selecting the best model, there are three tests that can be performed, including the Chow Test, the Hausman Test, and the Lagrange Multiplier Test.

Coefficient of Determination (R^2)

The determination coefficient (R^2) is a hypothesis test used to measure how much an independent variable is able to explain the dependent variable.

F Test

F-test is a type of hypothesis test in research that is conducted to measure the influence of all independent variables collectively on dependent variable (Ghozali, 2018).

t Test

t-test is a type of hypothesis test in research that is conducted to measure the influence of each partially independent variable on dependent variable (Ghozali, 2018).

RESULTS AND DISCUSSION

Data Analysis

Based on the results of the panel data regression model selection test using the chow test and the hausman test, the best model used was the Fixed Effect Model (FEM). The following are the results of the Fixed Effect Model estimation.

Table 1. Fixed Effect Model Estimation Results

Variable	Coefficient	t-Statistic	Prob.
C	11.53850	24.07883	0.0000
X1	-0.000000890	-1.425869	0.1563
X2	0.000000474	0.593610	0.5538
X3	-0.00000209	-3.675202	0.0003
X4	-0.00000147	-3.216878	0.0016
X5	0.00000856	2.662206	0.0087
R-squared	0.986897		
Adjusted R-squared	0.983096		
F-statistic	259.6430		
Prob (F-statistic)	0.000000		
Durbin-Watson stat	1.749906		

Source: Results of Estimated Eviews 12 (processed)

Based on Table 1, the results of the panel data regression estimation with the Fixed Effect Model (FEM) obtained the following equation results:

$$\hat{Y} = 11.53850 - 0.000000890 X1 + 0.000000474 X2 - 0.00000209 X3 - 0.00000147 X4 + 0.00000856 X5 \dots\dots\dots (2)$$

The interpretation of Equation 2 is as follows:

1. The regression coefficient with the Fixed Effect Model is 11.53850. This means that if the variables of government expenditures in the education sector, health sector, housing and public facilities sector, economic sector, and social protection sector are equal to zero, then the poverty rate in 34 regions of Central Java Province is 11.53 percent.

2. The variable coefficient of government expenditure in the education sector has a negative value of -0.00000089. The negative coefficient shows that if government expenditure in the education sector increases, the poverty rate in 34 regions of Central Java Province will decrease.
3. The variable coefficient of government expenditure in the health sector has a positive value of 0.000000474. The positive coefficient shows that if government expenditure in the health sector increases, the poverty rate in 34 regions of Central Java Province will also increase.
4. The variable coefficient of government expenditure in the housing and public facilities sector has a negative value of -0.00000209. The negative coefficient shows that if government expenditure in the housing and public facilities sector increases, the poverty rate in 34 regions of Central Java Province will decrease.
5. The variable coefficient of government expenditure in the economic sector has a negative value of -0.00000147. The negative coefficient shows that if government expenditure in the economic sector increases, the poverty rate in 34 regions of Central Java Province will decrease.
6. The variable coefficient of government expenditure in the social protection sector has a positive value of 0.00000856. The positive coefficient shows that if government expenditure in the social protection sector increases, the poverty rate in 34 regions of Central Java Province will also increase.

Coefficient of Determination

Based on Table 1, it is known that the R-Squared value is 0.986897. This means that independent variables, namely government expenditures in the education sector, health sector, housing and public facilities sector, economic sector, and social protection sector, are able to explain the dependent variable, namely poverty of 98.68 percent, while the remaining 1.32 percent is explained by other variables outside the model.

F Test

Based on Table 1, it is known that the statistical F value is 259.6430 > the F value of the table is 2.269270 and the statistical F probability value is 0.000000 or $\alpha = 0.05$, then H_0 is rejected. This indicates that the variables of government expenditures in the education sector, the health sector, the housing and public facilities sector, the economic sector, and the social protection sector collectively affect on poverty in 34 regions of Central Java Province.

t Test

The results of the t-test of each variable in this study can be described as follows:

1. Based on Table 1, it is known that the statistical t value is 1.425869 < the t value of the table is 1.653920 and the statistical t probability value is 0.1563 or $\alpha = 0.05$, then H_0 is not rejected. This indicates that the variable of government expenditure in the education sector does not have a significant effect on poverty in 34 regions of Central Java Province.
2. Based on Table 1, it is known that the statistical t value is 0.593610 < the t value of the table is 1.653920 and the statistical t probability value is 0.5538 or $\alpha = 0.05$, then H_0 is not rejected. This indicates that the variable of government expenditure in the health sector does not have a significant effect on poverty in 34 regions of Central Java Province.
3. Based on Table 1, it is known that the statistical t value is 3.675202 > the t value of the table is 1.653920 and the statistical t probability value is 0.0003 or $\alpha = 0.05$, then H_0 is rejected. This indicates that the variable of government expenditure in the housing and public facilities sector has a negative and significant effect on poverty in 34 regions of Central Java Province.
4. Based on Table 1, it is known that the statistical t value is 3.216878 > the t value of the table is 1.653920 and the statistical t probability value is 0.0016 or $\alpha = 0.05$, then H_0 is rejected. This indicates that the variable of government expenditure in the economic sector has a negative and significant effect on poverty in 34 regions of Central Java Province.

5. Based on Table 1, it is known that the statistical t value is 2.662206 > the t value of the table is 1.653920 and the statistical t probability value is 0.0087 or < $\alpha = 0.05$, then H_0 is rejected. This indicates that the variable of government expenditure in the social protection sector has a positive and significant effect on poverty in 34 regions of Central Java Province.

Classic Assumption Test

a. Multicollinearity

The multicollinearity test is part of the classical assumption test that is carried out to test whether there is a correlation between independent variables in the regression model (Ghozali, 2018). The following are the results of the multicollinearity test.

Table 2. Multicollinearity Test Results	
Variable	Centered VIF
C	NA
X1	2.362430
X2	3.129601
X3	1.306171
X4	1.813779
X5	1.236307

Source: Results of Estimated Eviews 12 (processed)

Based on Table 2, it is known that the value of Centered VIF is < 10, so it can be concluded that there is no indication of multicollinearity problems.

b. Heteroscedasticity

The heteroscedasticity test is included in one of the classic assumption test that has the purpose of testing whether there are inconsistencies in the regression model variance from one observation to another (Ghozali, 2018). The following are presented the results of the heteroscedasticity test using the White test.

Table 3. Heteroscedasticity Test Results			
Obs* R-squared	17.82457	Prob. Chi-Squared (20)	0.5990

Source: Results of Estimated Eviews 12 (processed)

Based on Table 3, it is known that the probability value of Chi-Squared (20) for Obs*R-squared is 0.5990 or > $\alpha = 0.05$, then H_0 is not rejected, so it can be concluded that there is no heteroscedasticity problem.

c. Autocorrelation

The autocorrelation test is part of the classical assumption test which aims to test whether there is a correlation between error term in a given period (period t) with error term in the previous period (period t-1) (Ghozali, 2018). The method used to detect the presence of autocorrelation in this study using the Durbin-Watson test.

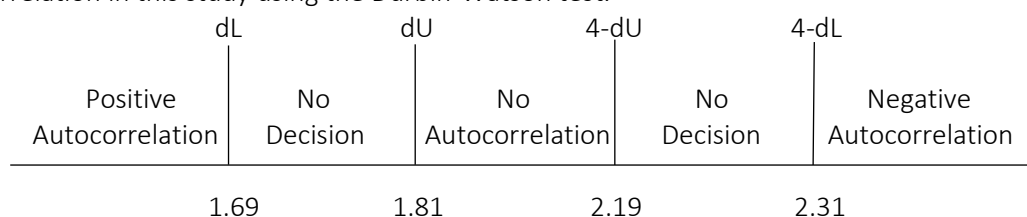


Figure 2. Durbin-Watson Test

Based on Table 1, it is known that the Durbin Watson value is 1.749, while the dU value based on Figure 2 is 1.81 and the 4-dU value is 2.19. A model can be said to be free from autocorrelation problems if its value is between 1.81 and 2.19. So it can be concluded that the model is in an area where there is no decision.

The Effect of Government Expenditures in the Education Sector, Health Sector, Housing and Public Facilities Sector, Economic Sector, and Social Protection Sector Collectively on Poverty

The results of the research analysis indicate that independent variables of government expenditures in the education sector, health sector, housing and public facilities sector, economic sector, and social protection sector collectively have a significant effect on poverty in 34 regions of Central Java Province. This shows that the combination of government expenditure budget allocations in the five sectors can affect the poverty level in 34 regions of Central Java Province.

The existence of various government expenditures based on their functions is needed to be able to reduce the poverty level because poverty is a multidimensional problem. The results of this study are in line with the results of research conducted by Putri & Yefriza (2025) which states that government expenditure has a significant effect on poverty. In addition, based on research conducted by Juanda & Siregar (2023) and Wang et al., (2023) It also states that government expenditure has a significant effect on poverty.

The Effect of Government Expenditure in the Education Sector on Poverty

The results of the research analysis indicate that government expenditure in the education sector does not have a significant effect on poverty in 34 regions of Central Java Province. The results of the research are in line with the research conducted by Pangke et al., (2018) which states that government expenditure in the education sector does not effect on poverty. This is because although government expenditure in the education tends to increase, but most of these expenditures are used for employee expenditures such as for the payment of teacher salaries and allowances, so they cannot directly target the poor.

In 2019, employee expenditure for the education sector in all regions of Central Java Province amounted to Rp18,476,709,902,479.00 or around 74.41 percent of the total government expenditure for the education sector in all regions of Central Java Province. This figure has decreased when compared to employee expenditure for the education sector in 2023, which is Rp17,706,226,264,476.00 or around 67.44 percent of the total government expenditure in the education sector in all regions of Central Java Province (Directorate General of Financial Balance of the Ministry of Finance, 2024). Moreover based on the results of research conducted by Wang et al., (2023) states that in the short term, education does not effect on significant poverty reduction due to its long cycle of return.

The Effect of Government Expenditure in the Health Sector on Poverty

The results of the research analysis indicate that government expenditure in the health sector does not have a significant effect on poverty in 34 regions of Central Java Province. The results of this study are in line with the research conducted by Rosa & Anitasari (2024) which states that government expenditure in the health sector does not effect on poverty. In addition, based on research conducted by Hidayat & Azhar (2022) it also states that government expenditure in the health sector does not effect on poverty.

Despite government expenditure in the health sector tends to increase, but most of these expenditures are used for infrastructure development and employee expenditure such as salary payments, so they cannot directly target the poor. This can be evidenced by the amount of government expenditure for the health sector in all regions of Central Java Province for employee expenditure in 2019, which amounted to Rp4,314,337,569,503.00 or around 31.43 percent of the total government expenditure in the health sector in all regions of Central Java Province. This figure has increased when compared to employee expenditure in the health sector in 2023, which is

Rp6,090,838,439,350.00 or around 36.33 percent of the total government expenditure in the health sector in all regions of Central Java Province (Directorate General of Financial Balance of the Ministry of Finance, 2024).

The Effect of Government Expenditure in the Housing and Public Facilities Sector on Poverty

The results of the research analysis indicate that government expenditure in the housing and public facilities sector has a negative and significant effect on poverty in 34 regions of Central Java Province. This can be shown by the variable coefficient of government expenditure in the housing and public facilities sector of -0.00000209, which means that government expenditure in the housing and public facilities sector increases by 1 million rupiah, it will reduce the poverty rate by 0.00000209 percent. The results of this study are in line with the research conducted by Sihombing et al., (2022) which states that government expenditure in the housing and public facilities sector has a negative and significant effect on poverty. In addition, based on research conducted by Azwardi, (2014) it also states that government expenditure in the housing and public facilities sector has a negative and significant effect on poverty.

Government expenditure allocated for the construction and repairing uninhabitable houses will be able to help people with low incomes to have safe, decent, healthy, and affordable housing. The quality of life of the community will certainly also increase with the existence of decent housing ownership so that in the end it can reduce the level of poverty that occurs. The existence of government expenditure allocated for public facilities will also make it easier for people to carry out their various activities so that in the end it will affect the reduction of poverty levels.

The Central Java Provincial Government has made various efforts to reduce the poverty rate by providing basic infrastructure focused on the poor or low income people by allocating budgets for repairing uninhabitable houses, increasing access to clean water and electricity, and providing healthy latrines for poor households. In 2022, the Central Java Provincial Government has repaired or rehabilitated as many as 11,417 units of uninhabitable houses (Imandiar, 2022). These efforts aim to reduce the burden of household or poor expenditure and to improve the quality of life of the poor by providing decent basic infrastructure so that it will ultimately have an impact on reducing poverty levels in 34 regions of Central Java Province.

The Influence of Government Expenditure in the Economic Sector on Poverty

The results of the research analysis indicate that government expenditure in the economic sector has a negative and significant effect on poverty in 34 regions of Central Java Province. This can be shown by the variable coefficient value of government expenditure in the economic sector of -0.00000147, which means that if government expenditure in the economic sector increases by 1 million rupiah, it will reduce the poverty rate by 0.00000147 percent.

The Central Java Provincial Government has made efforts to be able to reduce the poverty rate by using the government expenditure budget in the economic sector, one of which is for the empowerment of micro, small, and medium enterprises and providing business training that is considered effective in reducing the poverty rate in every region in the Central Java Province. The existence of business training provided will be able to increase labor productivity and can create new jobs, so that community groups that were previously included in the category of poor or low income people can get better income opportunities.

For example, in 2022 the Kudus Regency Government developed an entrepreneurship training program for micro, small, and medium enterprises together with PT Indomarco Prismatama (Indomaret) with the aim of improving the expertise and skills of business actors so that they can improve product quality and sales which will ultimately have an impact on increasing the income of business actors in the area (Diskominfo of Central Java Province, 2022). If peoples income increases, the level of welfare will also increase so that it will have an impact on reducing the poverty rate. This can be evidenced by the decrease in the poverty rate in Kudus Regency by 0.17 percent in 2023 (Central Bureau of Statistics of Central Java Province, 2024a).

The Effect of Government Expenditure in the Social Protection Sector on Poverty

The results of the research analysis indicate that government expenditure in the social protection sector has a positive and significant effect on poverty in 34 regions of Central Java Province. This can be shown by the variable coefficient value of government expenditure in the social protection sector of 0.00000856, which means that if government expenditure in the social protection sector increases by 1 million rupiah, the poverty rate will increase by 0.00000856 percent. The results of this study in line with research conducted by the Sirait et al., (2022) which states that government expenditure in the social protection sector has a positive and significant effect on poverty.

This is due to the existence of COVID-19 pandemic which has caused ineffective government expenditure in the social protection sector to reduce poverty levels. When the COVID-19 pandemic hit, it caused a decrease in economic activity and increased unemployment which ultimately had an impact on increasing poverty rates. This is evidenced by increasing the open unemployment rate in the Central Java Province area by 2.04 percent in 2020 (Central Bureau of Statistics of Central Java Province, 2024b). The existence of social protection programs or social assistance that is not fully on target also causes the unreachability of all poor groups of people who are most in need (Rosa, 2022).

CONCLUSION

Conclusion

Based on the results of the analysis and discussion, the conclusions of the study can be formulated as follows:

1. Government expenditures in the education sector, health sector, housing and public facilities sector, economic sector, and social protection sector collectively affect on poverty in 34 regions of Central Java Province.
2. Government expenditure in the education sector does not have a significant effect on poverty in 34 regions of Central Java Province.
3. Government expenditure in the health sector does not have a significant effect on poverty in 34 regions of Central Java Province.
4. Government expenditure in the housing and public facilities sector has a negative and significant effect on poverty in 34 regions of Central Java Province.
5. Government expenditure in the economic sector has a negative and significant effect on poverty in 34 regions of Central Java Province.
6. Government expenditure in the social protection sector has a positive and significant effect on poverty in 34 regions of Central Java Province.

Implication

Based on the results and findings of the study, it is stated that government expenditures in the housing and public facilities sector, the economic sector, and the social protection sector has an effect on poverty in 34 regions of Central Java Province from 2019 to 2023. Therefore, the government should focus on the three sectors of government expenditure. Based on this, the implications of this study can be formulated as follows:

1. Government expenditure in the housing and public facilities sector has been effective in reducing poverty rates in 34 regions of Central Java Province. This can be an input for the central government in formulating national policies or programs related to poverty alleviation, for example through expanding the scope of uninhabitable housing repair programs that are prioritized for the poor and the provision of basic infrastructure. Then, local governments can increase budget allocations for the housing sector and public facilities given their significant impact on reducing poverty rates.

2. Government expenditure in the economic sector has been effective in reducing poverty rates in 34 regions of Central Java Province. This can be an input for the central government to encourage synergy between ministries or institutions in designing policies that can support the growth of micro businesses and new entrepreneurs. Then, local governments can increase budget allocation for the economic sector, especially for activities or programs that have been proven to have an effect on reducing poverty rates, such as providing capital assistance for micro, small, and medium enterprises and business skills training.
3. Government expenditure in the social protection sector has not been effective in reducing poverty rates in 34 regions of Central Java Province. This can be an input for the central government and local governments in improving data accuracy and regularly updating the data of social protection program beneficiaries so that social protection programs can be more targeted.

Research Limitations

This study only focuses on five sectors of government expenditure and does not consider other factors that have the potential to affect poverty. In addition, there is one district in the Central Java Province that was not included in the study, namely Wonogiri Regency due to missing research data. The existence of limitations in this study is expected to be a reference for improvement and development in the next research.

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