# ANALYSIS OF THE EFFECT OF GROSS REGIONAL DOMESTIC PRODUCT, EDUCATION, OPEN UNEMPLOYMENT, MINIMUM WAGES AND HUMAN DEVELOPMENT INDEX ON POVERTY RATE OF WEST NUSA TENGGARA PROVINCE IN 2012-2017 (CASE STUDY OF 10 DISTRICTS/CITIES)

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**ANALISIS PENGARUH DARI PRODUK DOMESTIK REGIONAL BRUTO, PENDIDIKAN, PENGANGGURAN TERBUKA, UPAH MINIMUM, DAN INDEKS PEMBANGUNAN MANUSIA, TERHADAP KEMISKINAN DI PROVINSI NUSA TENGGARA BARAT TAHUN 2012-2017 ( STUDI KASUS DARI 10 KABUPATEN/KOTA)**

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## ABSTRACT

This research aimed to analyze the effect of independent variables, Gross Regional Domestic Product (GRDP), Education, Open Unemployment, Minimum Wages and Human Development Index (HDI) on the dependent variable, Poverty Rate of West Nusa Tenggara (NTB) province in 2012-2017. The data used in this research was panel data which is the combination of time series and cross-section data of poverty in 10 districts or cities in NTB province during the period 2012-2017, produce 60 observations. This research used secondary data analysis which sourced from Central Bureau of Statistics, National Labor Force Survey, Ministry of Labor and Transmigration of NTB Province, National Development Planning Board, National Socio Economic Survey and Scientific Researches. This research used Eviews 9 as data regression processing method.

Results from this research showed that the effect of Gross Regional Domestic Product (GRDP), Education, Open Unemployment, Minimum Wages and Human Development Index (HDI) on Poverty Rate. This was shown by the results of the regression analysis of Adjusted R squared by 0,7302. It means 73,02 % the variation of independent variables (Gross Regional Domestic Product, Education, Open Unemployment, Minimum Wages and Human Development Index) can explain the dependent variable (Poverty Rate in West Nusa Tenggara Province) and the remaining 26,98 % is explained by other factors outside the model.

Based on regression panel test result, Gross Regional Domestic Product (GRDP) towards Poverty has negative and insignificant influence partially. The increasing of Gross Regional Domestic Product in city or district in NTB province as much as 1%, will decrease Poverty as much as 0.08%. Education towards Poverty has negative and insignificant influence partially. The increasing of Education in city or district in NTB Province as much as 1%, will decline poverty as much as much as 1,12%. Open Unemployment towards Poverty has negative and insignificant influence partially. The increasing Unemployment in city or district in NTB province as much as 1%, will decrease poverty as much as 0,0388%. Minimum Wages towards Poverty has positive and insignificant influence partially. The increasing Minimum Wages in city or district in NTB

province as much as 1% will increase poverty as much as 0,30%. Human Development Index towards Poverty has negative and significant influence partially. The Increasing Human Development Index in city or district in NTB province as much as 1% will decrease poverty as much as 2,95%. Meanwhile, Gross Regional Domestic Product (GRDP), Education, Open Unemployment, Minimum Wages and Human Development Index (HDI) simultaneously have significant influence to poverty. The variation of poverty variable can be explained by the five independent variables as much as 73.02%, or in other words the contribution of Gross Regional Domestic Product, Education, Open Unemployment, Minimum Wages and Human Development Index to influence Poverty in NTB province as much as 73.02% while the remaining 26,98% is the contribution of the other variables that are not addressed in this research. In this research was found that Education, Open Unemployment, Human Development Index (HDI) and Gross Regional Domestic Product (GRDP) negatively affect Poverty rate while Minimum Wages positively affect Poverty rate.

**Key Words: Gross Regional Domestic Product, Education, Open Unemployment, Minimum Wages, Human Development Index and Poverty Rate.**

## A. INTRODUCTION

### Background

Poverty of West Nusa Tenggara (NTB) province in September 2018 reached 735.620 (14,63%) of the population, the poverty in NTB province has decreased compared to previous year 16,07 % in 2017, but the poverty in each region in NTB province considers very high. North Lombok region has the highest poverty level over six years (during 2012-2017) followed by East Lombok while the lowest poverty level is in Bima city followed by Mataram city. Poverty alleviation is still the main focus of every government in region, because many people in districts and cities still live under the poverty pressure.

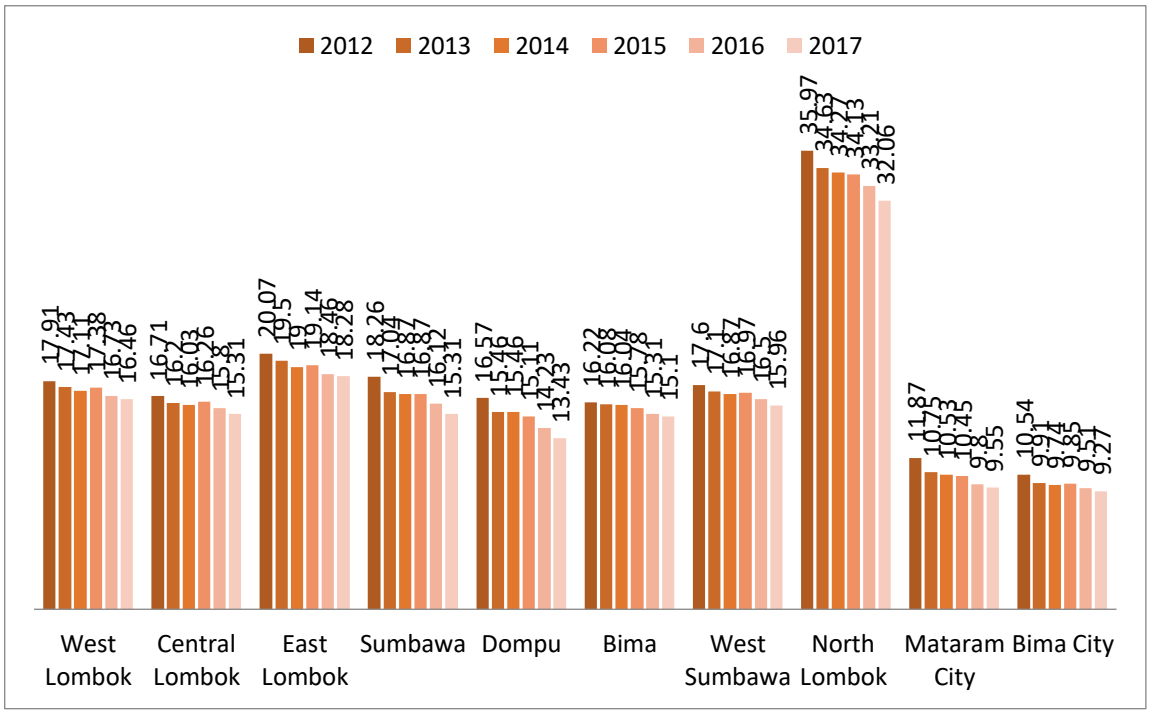
Poverty that occurs in a region need to be seen as serious issue, because poverty has made people cannot access health, clean water, education,

information, occupation, opportunity to participate in social life and achieve a decent life. In this research author choose to analyze poverty problems in West Nusa Tenggara (NTB) province. Because in this province, the poverty rate in each district or city is high and poverty reduction is relatively slow. Moreover, there is inequitable development between rural and urban areas, which made the problems of poverty in rural areas are more severe than in urban areas, this is triggered because there are still many people have no occupation, have no shelter, educational backwardness, lack of skill and information

Solving the problem of poverty cannot be done without addressing the problems of unemployment, income, education, health and other problems related to the problem of poverty (The National Development Planning Board). In order to alleviate poverty, development is an absolute requirement for a sustain prosperity of a region. Creating sustainable development is a crucial thing should be done by regions with the aims to create condition for the society to enjoy a supportive environment for healthy life, educate life, decent life and a productive life. High economic growth and sustainability is the main condition need for sustainable of economic development and improvement of welfare. Furthermore, Simatupang and Saktyanu (2003), stated that development must be done on a

regular basis Integrate and sustainable according to priorities and needs of each area with established roots and national development goals through long term and short term development. Therefore, one of the main indicators of the success of development is the decreasing number of poverty. Below is the poverty level by districts or cities in West Nusa Tenggara (NTB) province during 2012-2017.

**Figure 1 Percentage of Poor Based on Districts or Cities in West Nusa Tenggara (NTB) Province Year 2012-2017 (in percent)**




Sources: Central Bureau of Statistics by districts and cities in West Nusa Tenggara 2012-2017 and National Socio Economic Survey.

North Lombok district suffers the highest poverty over six years. This indicates that there is inequality between each region in NTB province. Above figure also shows that majority of the poor lives in districts which is rural area while cities seem to have lower poverty rate. The high level of poverty shows the proses of economic developments that have not been able to improve the welfare of society equally. Therefore, required to seek which factors induce poverty and which factors have contribution to alleviate poverty. Solving the problem of poverty cannot be done without addressing the problems of unemployment, income, education, health and other problems related to the problem of poverty (The National Development Planning Board).

People who categorized as poor mostly have no occupation, and their education and health level are generally inadequate. Addressing the problem of poverty cannot be conducted separately from the problems of economic growth,

unemployment, income, education, and human development index related to the problem of poverty. This study was conducted in West Nusa Tenggara province (NTB) in the period 2012-2017 because in this period this province had a phenomenon of changing of economic condition that fluctuated the gross regional domestic product (GRDP), increased the minimum wages and human development index followed by decreasing the percentage of poverty.

Based on the background of the above problems, in the province of West Nusa Tenggara (NTB) in the period 2012-2017 there was a phenomenon of fluctuating open unemployment rate, increasing human development index, increasing minimum wages, but the poverty rate is still high. Therefore it is important to know the factors that affect poverty in each district or city in NTB Province.

Based on the background above, the formulation of the problems in this research study are as follows:

1. How is the effect of Gross Regional Domestic Product (GRDP) towards poverty in NTB province in 2012-2017?
2. How is the effect of education towards poverty in NTB province in 2012-2017?
3. How is the effect of open unemployment towards poverty in NTB province in 2012-2017?
4. How is the effect of minimum wages towards poverty in NTB Province in 2012-2017?
5. How is the effect of human development index towards poverty in NTB province n 2012-2017?

## B. REVIEW OF RELATED LITERATURE

### Poverty

According to Hall and Midgley (2004), poverty is as a condition of material and social deprivation that causes individuals to live under a decent standard of living, or conditions in which individuals experience relative deprivation compared to other individuals in society.

Bradshaw (2005) defines poverty as a deficient situation. Basic food, shelter, health facilities are basic needs that must be fulfilled in a dignified life. Furthermore, according to Bloom and Canning (2001), a person is considered to be poor when subjected to capability deprivation in which a person experienced a substantive lack of freedom. This substantive freedom has two sides: opportunity and security. Opportunity needs education and security requires health. Poverty also can be seen from the lack of resources that can be used to meet the need of life and improve the welfare of a group of people. Furthermore, poverty can be seen from the level of access to power that has an understanding of the political system that can determine the ability of a group of people in reaching and using resources. Socially, poverty can be seen from the lack of networks and social structures which support the opportunity to increase productivity.

From those definitions it is understood that poverty refers when a person or group of people cannot afford the level of economic prosperity that is considered a minimal need of a certain standard of living or a condition in which a person does not has capabilities and opportunities in the fulfillment of decent life needs. In other words, poverty is understood as a lack of money and goods to guarantee survival, lack of access to education, occupation and social life, not able to access resources, education, health, information, freedom, self-esteem and respect.

For West Nusa Tenggara Province, the person is categorized as poor if per capita expenditure per month is less than Rp. 402,349. Determination of the figure of Rp. 402,349 per month comes from the sum of food poverty lines and non-food poverty lines. For minimum food requirements, a standard of 2,100 kilocalories per capita per day is used (Central Bureau of Statistic of NTB). Whereas for the expenditure of non food minimum needs includes expenses for housing, clothing, education and health. While according to the World Bank sets a poverty line based on per capita income of $ 1.90 a day.

## Gross Regional Domestic Product

Gross Regional Domestic Product (GRDP) can capture the ability of region to manage its natural resources. Therefore the amount of GRDP generated by each region depends on the potential of human resources, natural resources and factors of production of the region. According to Indonesian Bank, GRDP is one of important indicators to know the economic condition in an area within a certain period, either on the basis of current prices or constant prices.

Central Bureau of Statistics, GRDP is the amount of added value generated by all business units within a region, or is the sum of all final goods and services produced by all economic units in a region. Total GRDP shows the sum of all the added value generated by the population in a given period of time. Most GRDP is calculated based on two approaches that are from current price and constant price. The Gross Regional Domestic Product (GRDP) at current prices represents the added value of goods and services calculated using the prices at each year, while the Gross Regional Domestic Product at constant prices shows the value added of goods and services calculated using the price in a given year. This research uses GRDP at constant price, as the basis for which in this calculation uses prices in 2010. GRDP at constant prices used to know economic growth from year to year (Sukirno, 2005), while according to Central Bureau of Statistics GRDP at current prices used to indicate the size of the structure of the economy and the role of the economic sector.

## The Effect of GRDP to Poverty

The correlation between GRDP and poverty shows the negative signs, it supported by research conduct by Mankiw (1995),The existence of economic growth means that there is an increase in production, thereby increasing in production which in turn will reduce poverty. Moreover, based on research conduct by Fosu (2017) that economic growth has significance impact on poverty reduction in developing countries, East Asia and Pacific registered spectacular Growth Domestic Product (GDP) growth per capita, resulting in substantial poverty reductions. Reversely, the number of poor cannot be reduced substantially without further, fastest growth that benefits the poor. The impact of economic

growth on poverty depends highly on the conditions of growth that are prevailing in an economy. The economic growth without equality distribution of income is not able to reduce poverty, therefore accelerating the economic growth must be followed by equality distribution of income will result in prosperity of society

**Education**

Education is very crucial in order to create future success and increase future earnings of people. Education can improve people's skill, knowledge, insight and information. According to Dewey (2001), education is a process of experience, helping inner growth without being restricted by age, process of adjusting to each phase as well adding an enhancement of skills. According to Big Indonesian Dictionary (1991), defines education is a learning process for individual to attain knowledge and understanding of the higher specific objects. The knowledge gained formally made individual has a pattern of thought and behavior in accordance with the education they have gained.

**The effect of Education to Poverty**

Many documented in the literature that education and poverty are inversely related. This supported by previous research conducted by Baramurali et al (2015). Education and poverty are inversely related, the result of those research stated that educational attainment is positively correlated with the income to poverty ratio, with one unit increase in education resulting in enhance income to poverty ratio. It means that increasing in education increase the income hence increase purchasing power of the community eventually reduce poverty levels. Low of education level can also be a factor causing poverty because many employer or firms request certain level of education, if people do not meet certain requirement they could not get the job. Increase education to be associated with a lower level of poverty within districts (Silva and Sumarto, 2015). The low education attainment will result in the lack of knowledge, capabilities and skills which results in low work productivity of the person. Mostly low productivity results in low revenue. Therefore education is very crucial to prepare people to get

job they wish, create conducive social environment, productive life, respects of other and live a decent life.

**Unemployment**

Unemployment refers to a person or group of people who categorized into the workforce who are looking for job but cannot get the desired job. According to Edwards (1974) Open unemployment is people who are able and seek for job but there is no suitable job for them.

**The effect of Unemployment to Poverty**

There is a positive relationship between the unemployment rate and the level of poverty. If the unemployment rate increases it will lead to increasing level of poverty. According to Octaviani (2001) states that some households in Indonesia have large dependence on current salary. In addition, according to Arsyad (1997) one of the main ways for reducing poverty and inequality of income distribution in developing countries is to provide adequate wages and provide employment opportunities for poor communities. The loss of job causes a reduction in most of the revenue used to access daily necessities. Furthermore, if these unemployment problems occur in low income groups especially those with income levels slightly above the poverty line, then the unemployment incidence will be easily shifting their position to the poor group.

**Minimum Wages**

Minimum wages regulation created in order to protect labor from unfair wages. Minimum Wage is a minimum (lowest) monthly revenue as a reward from the employer for their employees for a job or service that has or will be carried out and stated or assessed in the form of money determined on the basis of an agreement or legislation and paid on the basis of a work agreement between the employer and employees include benefits, both employees themselves and their families. According to Constitution No. 13 of 2003 Minimum Wage is a minimum standard used by industry players to provide salary to workers in the business environment or work. As stipulated in Government Regulation No. 8/1981

minimum wages can be set at a regional, sectoral and sub sectoral minimum, although currently only regional minimum wages are owned by each regions.

**The effect of Minimum Wages to Poverty**

Minimum wages and poverty have inversely related. Minimum wages support poverty reduction. According to Acemoglu (2001), minimum wages can improve the economic conditions of low wages workers, so that minimum wages contribute to reducing the poverty of workers affected by this regulation. Minimum wages shift the position of employment to high earnings. This labor market regulation increases average productivity and can improve people welfare. It is expected this regulation can enhance purchasing power in order to fulfill society's need.

**Human Development Index**

Human development index captures average achievement of dimensions lived a healthy life, mastered knowledge, and decent life standards. Health dimension is determined by life expectancy, education dimension is measured by how long individual attain school, and decent life standard is measured by per capita gross national income. Human development index is human development outcomes based on a number of basic components of quality of life such as health, education, and per capita income.

**The Effect of Human Development Index to Poverty**

Human Development Index (HDI) has negative effect to Poverty. According to previous research conducted by Singh (2012) revealed that HDI and per capita income have influence on the reduction of poverty. Effect of HDI and per capita income on poverty reduction is found significant and the impact of HDI on poverty is negative. Human development contribute to ensure crucial things for people lived a healthy life, nourished and educated which in turn increase productivity lead to increase in income furthermore boost economic growth which in turn reduce poverty.

## C. RESEARCH METHODOLOGY

Data used in this research is secondary data. Secondary data obtained from various related agencies such as the Central Bureau of Statistics, the Regional Development Planning Board, National Socio Economic Survey, and Labor and Transmigration Agency of West Nusa Tenggara province, related Journals and results research. The secondary data used is the combination of the time series from 2012 to 2017 and the cross section of 10 data representing the districts or cities in NTB that produce 60 observations. This study used panel data analysis as an instrument to process the data by using Eviews 9 application. The data are examined based on the classical assumption that multicollinearity, heteroscedasticity, autocorrelation, autocorrelation and normality test. Analyze panel data uses Fixed Effect Model (FEM) because the cross section unit we choose in research is not taken randomly then we must use fixed effect. The FEM assumption used in this research is the second FEM assumption, that is a constant slope coefficient but intercept varies among individuals.

## D. FINDING AND DISCUSSION

### General Description of West Nusa Tenggara Province

West Nusa Tenggara Province (NTB) with an area of 20,164.84 km², with the central government in Mataram city, administratively divided into 10 districts or cities (8 districts and 2 cities) inhabited by 4.896.162 inhabitant in 2018. This province has large population. The number of poor in West Nusa Tenggara province quite high, in September 2018 reached 735.620 people suffering poverty (14,63 percent of the population) (The Regional Development Planning Board of NTB ). Economic growth of NTB province from 2012 to 2017 has fluctuated following by slowing poverty rate. The number of NTB workforce in August 2017 was 2,396,169 people, decrease by 68,162 people compared to August 2016 (previous year). Meanwhile, the number of unemployed as many as 79,449 people, also decreased by 17,572 people compared to previous year. Even though

the natural resources of most regions are abundant but many people still suffer poverty problems.

**Classical Assumption**

Classical assumption test is statistical assumption which needs to bet met in multiple linear regressions analysis based on the ordinary least square (OLS).

**Normality Assumption**

Normality test is used to know whether standardized residual is normally distributed or not. To test whether residual variables has a normal distribution or not used Jarque Bera Test.

The model to know the test of normality is:

J – B count = $(\frac{S^2}{6} + (\frac{k-3}{24})^2)$ …….…….…….…..…..... (3.7)

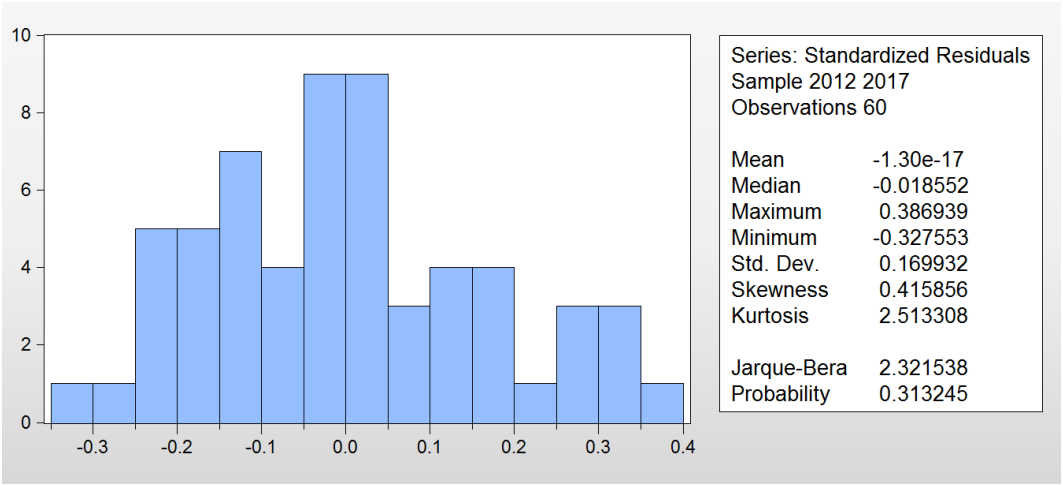
Where :

S = Skewness statistic

k = Kurtosis

If the value of J – B count > J-B table, then the hypothesis that stated residual Rt is normally distributed is rejected and vice versa.

Figure 2 Normality Test




Source: Results of panel data processing using eviews 9.0

Figure 2 shows the effect of gross regional domestic product growth rate, education, minimum wages, open unemployment and human development index rate toward poverty in districts or cities in West Nusa Tenggara province with n = 60, t=6 show Jarque Bera value 2,3215 with probability 0,3132. So can be conclude that probability from Jarque Bera 0,3132 is bigger than Alpha 0.05.That means residual has normal distribution, So classical assumption about normality in this fixed effect model fulfilled.

**Multicollinearity Assumption**

Ghozali (2002) states that multicollinearity have the sense that there are perfect or definite linear relationship between some or all of the independent variables (the explaining variables) of the regression model. The consequence of multicollinearity existence is the coefficient of variable regression is not definite and the error becomes infinite. Multicollinearity test aims to test whether in the regression model found the correlation between independent variables. Multicollinearity in this research is detected by analyze: The correlation coefficient between each independent variable. The rule used is that if the correlation coefficient between two independent variables is greater than 0.8, multiple collinearity is a serious problem.

Table 1 Multicollinearity Test

| | GRDP | E | U | MW | HDI |
|---|---|---|---|---|---|
| GRDP | 1.000000 | 0.100330 | 0.112571 | 0.300073 | 0.218244 |
| E | 0.100330 | 1.000000 | 0.306016 | 0.154612 | 0.626101 |
| U | 0.112571 | 0.306016 | 1.000000 | -0.452246 | 0.260730 |
| MW | 0.300073 | 0.154612 | -0.452246 | 1.000000 | 0.273944 |
| HDI | 0.218244 | 0.626101 | 0.260730 | 0.273944 | 1.000000 |

Source: Results of panel data processing using views 9.0

From the above results we can see that the coefficient correlation value between independent variables below 0,80. So in this model there is no multicollinearity problem.

**Autocorrelation Assumption**

Autocorrelation assumption is used to know whether there is correlation between a series of data observation which is presented based on the time (time series) or interval (cross section). The hypothesis in this assumption as follow:

H0: there is autocorrelation in independent variable

H1: there is no autocorrelation in independent variable

Hypothesis H1 is met if du<d<4-du. Table below shows the results of autocorrelation test.

Figure 3 Autocorrelation Test

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 04/12/19 Time: 17:08
Sample: 1 60
Included observations: 60
Presample missing value lagged residuals set to zero.

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | -1.093831 | 2.096244 | -0.521805 | 0.6042 |
| LOG(GRDP) | -0.007692 | 0.055524 | -0.138539 | 0.8904 |
| LOG(E) | -0.022347 | 0.538865 | -0.041471 | 0.9671 |
| LOG(U) | 0.119080 | 0.071826 | 1.657891 | 0.1037 |
| LOG(MW) | 0.121162 | 0.157829 | 0.767676 | 0.4464 |
| LOG(HDI) | -0.162860 | 0.651581 | -0.249946 | 0.8037 |
| RESID(-1) | 0.587065 | 0.155209 | 3.782414 | 0.0004 |
| RESID(-2) | -0.591698 | 0.215521 | -2.745426 | 0.0084 |
| RESID(-3) | -0.013176 | 0.176471 | -0.074661 | 0.9408 |
| RESID(-4) | -0.010721 | 0.198841 | -0.053918 | 0.9572 |
| RESID(-5) | -0.298061 | 0.151392 | -1.968798 | 0.0546 |

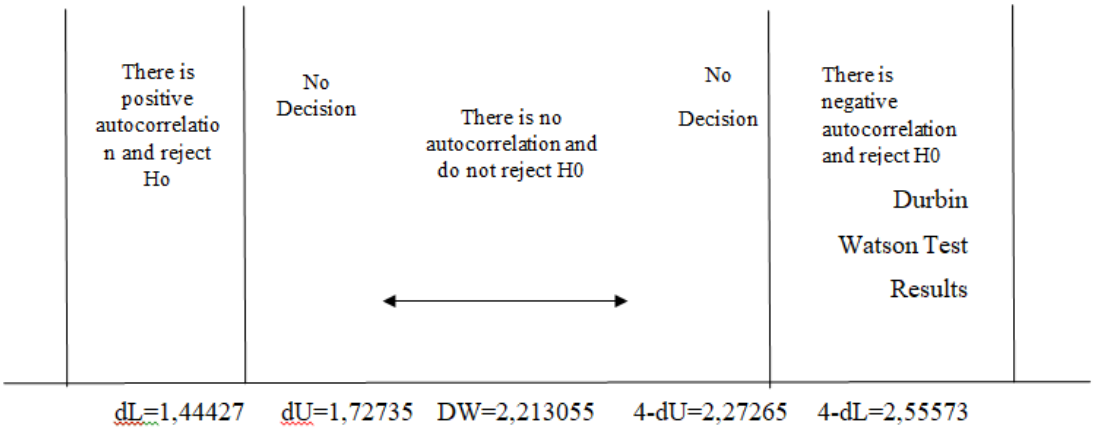
| | | | |
|---|---|---|---|
| R-squared | 0.417385 | Mean dependent var | 6.73E-15 |
| Adjusted R-squared | 0.298484 | S.D. dependent var | 0.180692 |
| S.E. of regression | 0.151341 | Akaike info criterion | -0.774418 |
| Sum squared resid | 1.122302 | Schwarz criterion | -0.390455 |
| Log likelihood | 34.23255 | Hannan-Quinn criter. | -0.624229 |
| F-statistic | 3.510363 | Durbin-Watson stat | 2.213055 |
| Prob(F-statistic) | 0.001504 | | |

Source: Results of panel data processing with views 9

Based on the regression result above, found that Durbin Watson Statistics (dw)= 2,213055 this will be compared to significance table value 5% with cross section (n=60) and independent variables total (k=5). Show value dL=1,44427, dU=1,72735

If DW value>DU and value (4-DW)>DU, there is no autocorrelation problems

If DW value < DU and value (4-DW)>DU, there is autocorrelation problems




From the results of the durbin watson test show that the dw value is 2,213055. The result of the durbin watson statistic is dU=1,72735 and dL=1,44427 . So DW is located at du <dw<4-du or 1,72735<2,213055<2.27265. So it can be concluded there is no correlation between residual in one observation to another in this regression model (there are no autocorrelation symptoms).

**Heteroscedasticity Assumption**

Heteroscedasticity assumption means that the variance of confounding variable is the same. The hypothesis of this assumption as follow:

H0: there is heteroscedasticity in independent variable

H1: there is no heteroscedasticity in independent variable

In the multiple linear regression, it is expected to meet hypothesis H1 in which there is no heteroscedasticity in independent variable. Hypothesis H1 is met if the probability values are larger than alpha 5% (0,05). Table below shows heteroscedasticity test results.

Figure 4 Heteroscedasticity test

Heteroskedasticity Test: Harvey

| | | | |
|---|---|---|---|
| F-statistic | 1.360817 | Prob. F(5,54) | 0.2536 |
| Obs*R-squared | 6.714105 | Prob. Chi-Square(5) | 0.2428 |
| Scaled explained SS | 10.77829 | Prob. Chi-Square(5) | 0.0560 |

Test Equation:
Dependent Variable: LRESID2
Method: Least Squares
Date: 04/11/19 Time: 22:39
Sample: 1 60
Included observations: 60

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 20.14967 | 34.52266 | 0.583665 | 0.5619 |
| LOG(GRDP) | 0.378190 | 1.005986 | 0.375940 | 0.7084 |
| LOG(E) | -14.16784 | 7.164713 | -1.977447 | 0.0531 |
| LOG(U) | -0.313482 | 1.184089 | -0.264745 | 0.7922 |
| LOG(MW) | 1.737104 | 2.567601 | 0.676547 | 0.5016 |
| LOG(HDI) | 3.283432 | 6.831291 | 0.480646 | 0.6327 |

| | | | |
|---|---|---|---|
| R-squared | 0.111902 | Mean dependent var | -4.962678 |
| Adjusted R-squared | 0.029670 | S.D. dependent var | 2.838346 |
| S.E. of regression | 2.795921 | Akaike info criterion | 4.988840 |
| Sum squared resid | 422.1275 | Schwarz criterion | 5.198274 |
| Log likelihood | -143.6652 | Hannan-Quinn criter. | 5.070761 |
| F-statistic | 1.360817 | Durbin-Watson stat | 1.806090 |
| Prob(F-statistic) | 0.253569 | | |

Source: Results of panel data processing with views 9

The result of Harvey test show Probability Chi Square of obs*R-Squared (0,2428) is bigger than Alpha (α =0,05), so we can conclude there is no heteroscedasticity found in this model.

**Statistics Criteria Testing**

**Partial Regression Coefficient Test**

Partial test shows whether each independent variable can influence the dependent variable or not. The hypothesis which are used are as follow:

1. H0: b1 = 0 there is no influence between GRDP variable with poverty.
2. H1: b1 <0 there is a negative influence between GRDP variable with poverty.
3. H0: b2 = 0 there is no influence between literacy variable with poverty.
4. H1: b2 <0 there is a negative influence between literacy variable with poverty.

5. H0: b3 = 0 there is no influence between the unemployment rate variable and poverty.
6. H1: b3> 0 there is a positive influence between the unemployment rate variable and poverty.
7. H0:b4 = 0 there is no influence between minimum wages variable with poverty.
8. H0:b4< 0 there is a negative influence between minimum wages variable with poverty
9. H0:b5= 0 there is no influence between human development index variable with poverty.
10. H0:b5< 0 there is a negative influence between human development index variable with poverty.

At 5 percent (0,05) level of significance the test used is as follows:

a. If t count> t table then H0 is rejected, it means one of the independent variables affect the dependent variable significantly.
b. If t count <t table then H0 is accepted, it means one of independent variable does not affect the dependent variable significantly.

Figure 5 Partial test

Dependent Variable: LOG(P)
Method: Panel Least Squares
Date: 04/06/19 Time: 18:13
Sample: 2012 2017
Periods included: 6
Cross-sections included: 10
Total panel (balanced) observations: 60

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 12.56998 | 8.261538 | 1.521506 | 0.1351 |
| LOG(GRDP) | -0.081851 | 0.081279 | -1.007035 | 0.3193 |
| LOG(E) | -1.129555 | 0.590571 | -1.912649 | 0.0622 |
| LOG(U) | -0.038811 | 0.090548 | -0.428621 | 0.6702 |
| LOG(MW) | 0.556117 | 0.534567 | 1.040313 | 0.3038 |
| LOG(HDI) | -2.956564 | 0.641796 | -4.606701 | 0.0000 |

Effects Specification

Cross-section fixed (dummy variables)

| | | | |
|---|---|---|---|
| R-squared | 0.730249 | Mean dependent var | 2.782689 |
| Adjusted R-squared | 0.646327 | S.D. dependent var | 0.327185 |
| S.E. of regression | 0.194579 | Akaike info criterion | -0.223644 |
| Sum squared resid | 1.703736 | Schwarz criterion | 0.299942 |
| Log likelihood | 21.70933 | Hannan-Quinn criter. | -0.018841 |
| F-statistic | 8.701480 | Durbin-Watson stat | 1.252903 |
| Prob(F-statistic) | 0.000000 | | |

Source: Result of data processing with eviews 9.0

Result of Individual parameter significance test:

a. Influence of Gross Regional Domestic Product (GRDP) to Poverty Rate in West Nusa Tenggara province

   The regression result above shows that the GRDP variable has coefficient -0,0818 with probability value is 0.3193, this value is greater than the value of α (0.05), then the individual GRDP variable does not has significant effect to poverty in West Nusa Tenggara province. Regression Coefficient value - 0,0818 % show that GRDP has a negative influence to Poverty Rate in West Nusa Tenggara province. This means that if there is an increase of GRDP by 1% , it will cause a decrease in poverty rate value of 0,0818 %.

b. Influence of Education to Poverty Rate in West Nusa Tenggara

   The regression result above shows that Education has coefficient -1,1295 with probability value is 0,0622 this value is bigger than α (0.05), then the individual education variable does not has significant effect on poverty in West Nusa Tenggara province. Education coefficient value -1,1295 shows that Education has negative influence to Poverty Rate in NTB province. This means that if there is an increase of Education by 1%, it will cause a decrease in poverty rate value by 1,1295%.

c. Influence of Unemployment to Poverty Rate in West Nusa Tenggara. The regression result above shows that Unemployment has coefficient -0,0388 with pobability value is 0,6702, this value is bigger than the value of alpha (0.05), then the individual Unemployment variable does not has a significant effect on poverty. Unemployment Coefficient value -0,0388 show that Unemployment has a negative influence to Poverty Rate in West Nusa Tenggara province. This means that if there is an increase of Unemployment by 1% , it will lead to a decrease in poverty rate value by 0,0388%.

d. Influence of Minimum Wages to Poverty Rate in West Nusa Tenggara

   The regression result above shows that Minimum Wages has coefficient of 0,5561 with the probability value of the Minimum Wages variable is 0,3038, this value is greater than the value of α (0.05), then the individual

Minimum Wages variable does not has significant effect on poverty. Minimum Wages Coefficient value 0,5561 show that Minimum Wage has positive influence to Poverty Rate in West Nusa Tenggara. This means that if there is an increase of Minimum Wages by 1% , it will lead to an increase in poverty rate value by 0,5561%.

e. Influence of Human Development Index (HDI) to Poverty Rate in West Nusa Tenggara province

   The regression result above shows that HDI has coefficient -2,9565 with probability value is 0.0000 this value is smaller than α (0.05), then the individual HDI variable has a significant effect on poverty. HDI Coefficient value -2,9565 show that HDI has negative influence to Poverty Rate in West Nusa Tenggara. This means that if there is an increase of HDI by 1% , it will lead to a decrease in poverty rate value by 2,9565%.

**Simultaneous Significance Test (F test)**

The statistical F test basically shows whether all the independent variables included in the model have a mutual influence on the dependent variable. The hypothesis which are used are as follow:

H0= β1= β2 = β3 = β4 = β5 = 0 : all independent variables are not able to influence the dependent variable simultaneously

H1= β1, β2, β3, β4,β5 ≠ 0 : all independent variables are able to influence the dependent variable simultaneously.

The value of F count is formulated as follows:

$$F=\frac{\frac{R^2}{(k-1)}}{\frac{(1-R)^2}{N-k}} \quad \text{…..……..…….……..…...…} \quad (3.14)$$

Where:

k = number of parameters estimated including constants

N = number of observations

At the 5 percent significance level with the test criteria used as follows:

a) H0 is accepted and H1 is rejected if F count < F table, which means explanatory variables together do not affect the variables described significantly.
b) H0 is rejected and H1 accepted if F count > F table, which means explanatory variables together influence the variables described significantly.

Figure 6 Simultaneous Significance Test

Dependent Variable: LOG(P)
Method: Panel Least Squares
Date: 04/06/19 Time: 18:13
Sample: 2012 2017
Periods included: 6
Cross-sections included: 10
Total panel (balanced) observations: 60

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 12.56998 | 8.261538 | 1.521506 | 0.1351 |
| LOG(GRDP) | -0.081851 | 0.081279 | -1.007035 | 0.3193 |
| LOG(E) | -1.129555 | 0.590571 | -1.912649 | 0.0622 |
| LOG(U) | -0.038811 | 0.090548 | -0.428621 | 0.6702 |
| LOG(MW) | 0.556117 | 0.534567 | 1.040313 | 0.3038 |
| LOG(HDI) | -2.956564 | 0.641796 | -4.606701 | 0.0000 |

Effects Specification

Cross-section fixed (dummy variables)

| | | | |
|---|---|---|---|
| R-squared | 0.730249 | Mean dependent var | 2.782689 |
| Adjusted R-squared | 0.646327 | S.D. dependent var | 0.327185 |
| S.E. of regression | 0.194579 | Akaike info criterion | -0.223644 |
| Sum squared resid | 1.703736 | Schwarz criterion | 0.299942 |
| Log likelihood | 21.70933 | Hannan-Quinn criter. | -0.018841 |
| F-statistic | 8.701480 | Durbin-Watson stat | 1.252903 |
| Prob(F-statistic) | 0.000000 | | |

Source: Result of data processing with eviews 9.0

Simultaneous test is shown with the value of F statistics. In the result above Statistics value 8.701480 with a Probability value of 0.000000 where Probability F Statistics <0.05 (α), so it can be concluded that accepting H1 in the simultaneous test, it means that all the independent variables simultaneously have significance effect to dependent variable. GRDP, Education, Open Unemployment, Minimum Wages and Human Development Index variables simultaneously affect Poverty Rate variable.

**Coefficient Determination Test (R-Squared)**

The coefficient determination ($R^2$), measures how far the ability of the model in explaining the variation of the dependent variable. The coefficient of determination is zero to one. A small R-Squared value means that the ability of the independent variable in explaining the dependent variable variation is very limited. If the value of $R^2$ is closer to 1 means that the independent variables provide almost all the information needed to predict the variation of the dependent variable. The values of Coefficient Determination ( $\boldsymbol{R^2}$ ) are 0.730249.

Figure 7 R-Squared test

Dependent Variable: LOG(P)
Method: Panel Least Squares
Date: 04/06/19 Time: 18:13
Sample: 2012 2017
Periods included: 6
Cross-sections included: 10
Total panel (balanced) observations: 60

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 12.56998 | 8.261538 | 1.521506 | 0.1351 |
| LOG(GRDP) | -0.081851 | 0.081279 | -1.007035 | 0.3193 |
| LOG(E) | -1.129555 | 0.590571 | -1.912649 | 0.0622 |
| LOG(U) | -0.038811 | 0.090548 | -0.428621 | 0.6702 |
| LOG(MW) | 0.556117 | 0.534567 | 1.040313 | 0.3038 |
| LOG(HDI) | -2.956564 | 0.641796 | -4.606701 | 0.0000 |

Effects Specification

Cross-section fixed (dummy variables)

| | | | |
|---|---|---|---|
| R-squared | 0.730249 | Mean dependent var | 2.782689 |
| Adjusted R-squared | 0.646327 | S.D. dependent var | 0.327185 |
| S.E. of regression | 0.194579 | Akaike info criterion | -0.223644 |
| Sum squared resid | 1.703736 | Schwarz criterion | 0.299942 |
| Log likelihood | 21.70933 | Hannan-Quinn criter. | -0.018841 |
| F-statistic | 8.701480 | Durbin-Watson stat | 1.252903 |
| Prob(F-statistic) | 0.000000 | | |

Source: Result of data processing with eviews 9.0

From the regression results above, the influence of Gross Regional Domestic Product, Education, Open Unemployment, Minimum wages and Human Development Index on Poverty in West Nusa Tenggara province in 2012 - 2017 in figure above, the R-Squared value is 0.730249. This means that 73.02 percent of the poverty variation in district or cities in West Nusa Tenggara can be explained by the variation of five independent variables namely GRDP, Education, Unemployment, Minimum Wages, and Human Development Index.

While the remaining 26.98 percent are explained by other variables outside the model.

**Research Finding**

In this research, the author obtains regression formula which explains the influence of independent variable to dependent variable. The regression formula is as follows:

LOG(PovertyRate)= -0,0818*LOG(GRDP)-1,1295*LOG(ED)-0,0388*LOG(UE) +0,5561*LOG(MW)-2,9565*LOG(HDI)

Based on the regression formula above, it can be explained as follows:

1. The coefficient values of Gross Regional Domestic Product (GRDP) variable are -0,0818. It means GRDP variable has negative effects towards Poverty Rate. In which each increase of GRDP at 1%, will decrease the poverty variable at 0,0818%. The result is not significant so GRDP variable will not influence significantly on Poverty variable.
2. The coefficient values of Education variable are -1,1295. It means Education variable and Poverty variable inversely related. In which each enhancement of Education at 1% will decrease the Poverty variable at 1,1295%. The result is not significant so Education variable will not influence significantly on Poverty variable.
3. The coefficient values of Open Unemployment variable are -0,0388. It means Open Unemployment variable has negative effects to Poverty Rate. In which each increase of Open Unemployment at 1% will decrease the Poverty variable at 0,0388%. The result is not significant so Open Unemployment variable will not influence significantly on Poverty variable.
4. The coefficient values of Minimum Wages variable are +0,5561. It means Minimum Wages variable positively affect Poverty Rate. In which each increase of Minimum Wages at 1% will increase the Poverty variable at 0,5561%. The result is not significant so GRDP variable will not influence significantly on Poverty variable.

5. The coefficient values of Human Development Index variable are -2,9565. It means Human Development Index (HDI) variable has negative effect towards Poverty Rate. In which each increase of HDI at 1% will decrease the Poverty variable at 2,9565%. The result is significant so HDI variable will significantly influence on Poverty variable.

**GRDP and Poverty**

In this research, the GRDP variable is not influence significantly on the poverty rate. It can be seen by the probability values of the GRDP variable which are 0,3193 or larger than 0,05 (0,3193 > 0,05) it can be concluded that the GRDP variable is not significantly influence to the poverty rate of NTB province in 2012-2017. It means that the advantages of GRDP in NTB province are not equally relished by all people. The increase of Gross Regional Domestic Product does not influence on the number of the poor. These results are in accordance with previous theories and research which became the theoretical basis for this study. Which according to Hermanto and Dwi (2006) revealed that growth has a negative and significant effect on poverty, but the magnitude of the effect is relatively small. They formulated that the importance of accelerating economic growth to reduce the number of poor people. Because with rapid economic growth, the amount of poverty in an area can be diminish. Moreover, Mankiw (1995) the existence of economic growth means that there is an increase in production, thereby increasing in production which in turn will reduce poverty. Furthermore GRDP is one of indicator of the success of regional development. The insignificance of GRDP in influencing poverty can also be seen based on the data that the increase in the rate of GRDP in West Nusa Tenggara (NTB) province from 2012 to 2017 is accompanied by a slow decrease in poverty rate in West Nusa Tenggara province.

**Education and Poverty**

In this research, Education variable is proxied by the magnitude of literacy level which insignificantly influence on poverty level. It can be seen by the probability values of education variable which are 0,0622 or larger than 0,05

(0,0622 > 0,05). Education variable shows a negative sign and does not has a significant effect on the Poverty Rate in West Nusa Tenggara (NTB) province. The Increasing literacy rates as an indicator of education by 1 percent will reduce poverty by 1.1295 percent. These results are in accordance with previous theories and research which became the theoretical basis for this study. Which according to Gaiha (1993) education plays an important role in the welfare of a person in varies of different ways. Education can increase the ability of the population to obtain and use information, deep understanding of the economy, expand productivity, and give choices to the population whether they act as consumers, producers or citizens. Moreover, education and income distribution are positively correlated with income during person's life. This correlation can be seen especially in someone who complete university, will have income higher with workers who only complete part or all of elementary school education. Because the level of income is strongly influenced by the length of years of getting education, it is clear that the large income inequality will be even greater. Furthermore, According to Simmons (2001), education in many countries is a way to save ourselves from poverty. Where described by a poor person who expects good employment and high income, they must have a high level of education. But higher education is only able to be achieved by the rich. While the poor do not have enough money to pay for education to higher levels such as secondary schools and universities making them lack of skills and impact on being manual laborers. In addition, Hermanto S. and Dwi W. (2006) in their research on the effect of economic growth on decreasing of the number of poor people showed that the growth had a negative and significant effect in reducing poverty, but the magnitude of the effect is relatively small. While education affects negatively and significantly to poverty and has greatest influence. Hence, education process is very important in solving the problem of poverty.

**Open Unemployment and Poverty**

In this research, Open Unemployment variable has negative and insignificant impacts toward Poverty Rate because it can be seen by the significance value -0,0388 with probability of 0,6702 > 0,05. Where an increase

in the open unemployment rate by 1 percent does not increase poverty, but from the results of this study will actually reduce poverty by 0,0388 percent. These results are not in accordance with previous theories and research which became the theoretical basis for this study according to Sukirno (2004), the negative effects of unemployment are reducing the income of the community which ultimately reduces the level of prosperity. The decline in the welfare of the society due to unemployment will certainly increase their chances of being trapped in poverty because they have no income, furthermore Octaviani (2001) states that some households in Indonesia have a very large dependence on current salary. The loss of employment causes a reduction in most of the revenue used to purchases daily necessities. In fact, not all unemployed people are always poor. Because the population included in the open unemployment group there are several types of unemployed, there are labors have part time job but with income that exceeds people working normally, those who are preparing for business, those who already have a job but have not started work, those who work in informal sectors, those who work part time, and those who do not work voluntarily for looking for better jobs that are better suited to their level of education. People like this can be called unemployed but are not considered poor. Another example, the number of workers who may work full daily, but still earn little incomes. While many informal sector workers work part time, but earn bigger salary.

**Minimum Wages and Poverty**

In this research, Minimum wages variable has positive and insignificant impacts towards Poverty Rate because it has the significance value 0,5561 with probability of 0,3038 > 0,05. Where an increase in minimum wages by 1 percent does not decrease poverty, but from the results of this research will actually increase poverty by 0,5561 percent. This result is not in accordance with previous theories and research which became the theoretical basis for this study. Which according to Acemoglu (2001), Minimum wages can improve the economic conditions of low wages workers, so that minimum wages contribute to reducing the poverty of workers affected by this regulation. Minimum wages shift the composition of employment to high earnings. This labor market regulation

increases average productivity and can improve people welfare. Whereas, based on the results of this research found minimum wages have positive and insignificant impact to poverty level. This happens due to the increase in minimum wages lead to higher labor costs and the firms respond to this by increasing commodity prices. A rise in the commodity prices affects increase in consumer expenditure that would be required to purchase the same types of goods and services as before the minimum wages. On one side, the minimum wages benefit only formal workers with an employee status but on the other side, all people including formal and informal workers should allocate more expenditures on consumption due to higher consumer prices, minimum wages are commonly applied to formal sector while some of the poor absorbed in the informal sector may have income below minimum wages. Minimum wages may increase but it is always followed by increasing prices of goods and services, so even there is the increase in minimum wages still did not make major contribution in poverty reduction of each region in West Nusa Tenggara Province.

**HDI and Poverty**

Human Development Index (HDI) variable shows negative signs and significantly affect poverty rate in West Nusa Tenggara province. It can be seen by significance value -2,9565 with probability of 0,0000< 0,05. An increase in human development index by 1 percent will decrease poverty by 2,9565 percent. This result is in accordance with previous theories and research which became the theoretical basis for this study. According to previous research conducted by Singh (2012) revealed that HDI and per capita income have profound influence on the reduction of poverty. Effect of HDI and per capita income on poverty reduction is found significant and the impact of HDI on poverty is negative. Furthermore, according to Sen (1999) Poverty is not only about lack of income also connect with the failure to achieve basic capabilities such as being adequately nourished, living a healthy life, possession of skills to participate in economic and social life, permission to take part in community activities. The consideration of HDI for reducing poverty is very important since HDI captures development in a very broad sense not just on the distribution of real income each individual but on the enhancement of some indicator of quality of life. The successful of

development is not only about increasing people earnings but also increasing long life expectancy, broaden knowledge and skill, sense of secure for every individual, equality and social justice guarantee of available jobs. Furthermore, investments in education and health care will be more meaningful to the poor than the non poor (Lanjouw, et al,2001), because for the poor the main asset is their raw labor, the existence of cheap educational and health services will greatly help to increase productivity, and in turn increase revenues.

## E. CONCLUSION AND RECOMMENDATION

### Conclusion

This research is aimed to analyze the effect of Gross Regional Domestic Product, Education, Open Unemployment, Minimum Wages and Human Development Index toward the Poverty in West Nusa Tenggara province in 2012-2017. Based on the data analysis results, the conclusions are as follow:

1. GRDP variable has negative and insignificant effects towards Poverty Rate. Each enhancement of GRDP in district or city will decrease poverty level. But the decreasing is not significant due to inequitable distribution of the GRDP growth. The number of poor cannot be reduced substantially without further, faster growth that benefits the poor. The impact of GRDP growth on poverty in each district or city in West Nusa Tenggara (NTB) province depends highly on the conditions of growth that are prevailing in an economy. The Gross Regional Domestic growth without equality of income is not able to reduce poverty.
2. Education variable has negative and insignificant impacts towards Poverty Rate. Each enhancement of education will decrease poverty level. Education is a very important determinant of poverty. Education considers a crucial way to eradicate poverty by enhancing human capabilities. Improvement in human knowledge and skills may have more opportunities for better employment that lead to increasing earnings, raising productivity and raising living standard.
3. Open Unemployment variable has negative and insignificant impacts toward Poverty Rate. Increasing in unemployment is not always followed

by increasing in level of poverty, due to not all people who included in the open unemployment groups are poor, those who are looking for work, those who are preparing for business, those who already have a job but have not started work, those who work in informal sectors, those who work part time, and those who quit job in order to get better job. All of them included in open unemployment group even they are not poor.

4. Minimum wages variable has positive and insignificant impacts towards Poverty Rate. . The increase in minimum wages lead to higher labor costs and the firms respond to this by increasing commodity prices. A rise in the commodity prices reflects the increase in consumer expenditure that would be required to purchase the same types of goods and services as before the minimum wages. On one side, the minimum wages benefit only formal workers with an employee status but on the other side, informal workers should allocate more expenditure on consumption due to higher commodity prices. so even there is the increase in minimum wages still did not make major contribution in poverty reduction.
5. HDI impact on poverty reduction is found significant and the impact of HDI on poverty is negative. Concerning HDI for reducing poverty is very important since HDI captures development in a very broad sense not just on the distribution of real income each individual but on the enhancement of some indicator of quality of life such as occupation, life expectancy, knowledge and skill, will greatly help to increase productivity, and in turn increase revenues.
6. The simultaneous effect of each independent variable towards the Poverty Rate was done by the F-test. From the double linear regression analysis result, the independent variable was seen to have a simultaneous significant effect towards Poverty Rate. Therefore the test towards the hypothesis that state there was simultaneous effect of the independent variable towards Poverty Rate variable could be accepted.
7. Poverty in regions in West Nusa Tenggara (NTB) are caused by variety of factors, including the low level of wages, high unemployment, slow economic growth and the difficulty to access health and education.

8. Various poverty alleviation programs have been implemented in West Nusa Tenggara province such as regional expenditure budgets, community business loans, national community empowerment programs and poor student assistance. Nevertheless, the percentage of poor people is still high and has not met the target set by the NTB's government.
9. The problem of poverty is still difficult to overcome, because human needs are various. Poverty not only about lack of material things, but also have many primary aspect which is in the form of poor of asset, knowledge, skill, information and social network.

**Recommendation**

Based on the previous issues the recommendations are as follow:

1. Impose an employment policy by promoting job creation and improving the access of the poor to the jobs. Empowering the poor by training in fields needed
2. The formulation of poverty alleviation programs needs to understand different poverty condition in each region. Poverty alleviation programs should pay attention to the existing poverty condition so that the implementation of poverty alleviation programs can be run more effectively.
3. Increasing economic growth and income are important but not the only routes to poverty reduction. Those needs to be complemented by better access to basic education, better in absorbs labor forces, equal distribution of income, empowerment of the poor, and reduce social exclusion, insecurity and vulnerability.
4. The education negatively affects poverty level. Therefore, the government should allocate more expenditure on education, health, public facilities and social security because those are very useful to help people in supporting their social and economic life. Such kind of expenditure by the government helps in enhancing human capabilities and improves the skills and productivity of the people. This help them improved human

capabilities and increased job opportunities which in turn increased the income of the people and bring them out of the poverty trap.

5. Connecting the rural poor to urban markets and getting the poor into better jobs is a good way to give access to the poor in promoting their potential. In addition, a concentrated effort is required to improve society life, enlarge job vacancies both in rural and urban areas, so that the poor can get better jobs.
6. Local governments should pay special attention to poor people in terms of employment opportunities in their respective regions so that poverty levels can be reduced.
7. The local governments should improve the infrastructure so can make it easier for all people to run their economic activities. Increasing the quantity and quality of basic infrastructure such as public roads and sanitation will also increase the quality of life of the poor.
8. The minimum wages positively affect poverty rate. The governments should also impose minimum wages for those who employ in informal sectors. Because most of the poor in NTB province work in agricultural and trade which are not included in the informal sector. Minimum wages concern for informal workers is very crucial in order to increase purchasing power which in turns increase prosperity.
9. The local government should pay special attention on agriculture sector in order to rapidly reduce poverty. Since, in NTB province, majority of the poor live in rural area and employed in agriculture sector. Increasing agricultural output would encourage the economy and hence reduce poverty.
10. Strategies are programmed by the government in order to reduce poverty, will not be implemented and achieve what are expected, if it is not supported by the society as the target of development.

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