

Analysis of Factors Affecting Poverty in Eastern Indonesia

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ABSTRACT

Poverty is becoming one of the major problems in economic development especially in various developing countries. In this paper examines economic variables, such as foreign Direct Investment, minimum wage, Unemployment rate, Education, Communications Information Technology and Democracy in affecting Poverty in Eastern Indonesia. The use of a data panel model with fixed effect estimation for data of 7 Provinces from 2012 to 2019. Research results show that Foreign Direct Investment, Education and Democracy has a significant positive effect on Poverty. We also found that the minimum wage, unemployment rate and Communications Information Technology had a significant negative effect on Poverty. A further implication of this situation is that the increase that occurs in foreign capital investment, Education, and Democracy becomes a factor that leads to an increase in poverty in Eastern Indonesia. Meanwhile, the increase in the minimum wage variable, unemployment rate and Communication Information Technology can help to lower Poverty in East Indonesia. Thus, this paper will benefit policymakers of both the central and local governments to constantly pay attention to variables that can affect the increase in poverty in East Indonesia.

Keywords: Poverty; Foreign Direct Investment; Minimum Wage; Unemployment Rate; Education; Communications Information Technology; Democracy; Eastern Indonesia; Panel Data.

ABSTRACT

Kemiskinan menjadi salah satu masalah besar dalam pembangunan ekonomi khususnya di berbagai negara berkembang. Dalam paper ini mengkaji variabel ekonomi, seperti penanaman modal asing, upah minimum, tingkat pengangguran, pendidikan, Teknologi Informasi Komunikasi dan Demokrasi dalam mempengaruhi Kemiskinan di Indonesia Bagian Timur. Digunakannya model panel data dengan estimasi efek tetap untuk data 7 Provinsi dari tahun 2012 hingga 2019. Hasil penelitian menunjukkan bahwa Penanaman Modal Asing, Pendidikan dan Demokrasi berpengaruh positif signifikan terhadap Kemiskinan. Kami juga menemukan bahwa upah minimum, tingkat pengangguran dan Teknologi Informasi Komunikasi berpengaruh negatif signifikan terhadap Kemiskinan. Implikasi lebih lanjut dari situasi

ini adalah bahwa peningkatan yang terjadi pada penanaman modal asing, Pendidikan, dan Demokrasi menjadi faktor yang menyebabkan peningkatan kemiskinan di Indonesia Bagian Timur. Sedangkan, peningkatan yang terjadi pada variabel upah minimum, tingkat pengangguran dan Teknologi Informasi Komunikasi dapat membantu untuk menurunkan Kemiskinan di Indonesia Bagian Timur. Sehingga, paper ini akan bermanfaat bagi para pembuat kebijakan baik pemerintah pusat maupun daerah untuk senantiasa memperhatikan variabel yang dapat mempengaruhi terjadinya peningkatan kemiskinan di Indonesia Bagian Timur.

Kata Kunci: Kemiskinan; Penanaman Modal Asing; Upah Minimum; Tingkat Pengangguran; Pendidikan; Teknologi Informasi Komunikasi; Demokrasi; Indonesia Bagian Timur; Panel data.

INTRODUCTION

As a result of being difficult to overcome in various countries, Poverty has never been separated from the discussion. Poverty is one of the benchmarks for the success of a country. So that various developing countries, especially Indonesia are looking for solutions and efforts to reduce poverty. Poverty is a multidimensional problem that covers various aspects of life dimensions, such as poor nutrition, low water levels, housing, education and health.(Arsyad 2010, :299). In addition, someone who is experiencing poverty does not only increase his income but also gets proper health and education services, especially for women(Todaro 2011, : 7).

High poverty in an area will have an impact as a result of the inability to meet basic needs, one of the impacts that will arise is inequality, the emergence of crime, reduced purchasing power, and discriminatory attitudes towards the poor. So that the government takes various ways to be able to reduce the impact that arises due to poverty that occurs, namely by making a Development Planning Program that is compiled in the Medium-Term and Long-Term Development Plans.

If you look at the National Medium-Term Development Plan (RPJMN) the government's efforts are very visible in reducing the poverty rate every year, but when compared to the average achievement of Poverty based on archipelagic regions in Indonesia, it is still not able to achieve the expected Poverty targets, as was the case in the archipelagic region which is included in the eastern part of Indonesia which has a higher poverty rate than other archipelagic regions. This illustrates that the efforts made have not been absorbed effectively which makes the economic situation in Indonesia worse.

In Table 1, we can see the percentage of poor people in 7 provinces that have the highest poverty rates in Eastern Indonesia. These provinces, namely Papua, West Papua, East Nusa Tenggara, Maluku, Gorontalo, West Nusa Tenggara, and Central Sulawesi, have a higher number than the average poverty rate in Eastern Indonesia in 2019, which is 11.91 percent.

Table 1: Percentage of Poor Population in 7 Provinces in Eastern Indonesia from 2012 to 2019(percent)

province	2012	2013	2014	2015	2016	2017	2018	2019
Papua	30.66	31.53	27.8	28.4	28.4	27.76	27.43	26.55
West Papua	27.04	27.14	26.26	25.73	24.88	23.12	22.66	21.51
East Nusa Tenggara	20.41	20.24	19.6	22.58	22.01	21.38	21.03	20.62
Maluku	20.76	19.27	18.44	19.36	19.26	18.29	17.85	17.65
Gorontalo	17.22	18.01	17.41	18,16	17.63	17.14	15.83	15.31
West Nusa Tenggara	18.02	17.25	17.05	16.54	16.02	15.05	14.63	13.88
Central Sulawesi	14.94	14.32	13.61	14.07	14.09	14.22	13.69	13.18

Source: Central Bureau of Statistics, 2012-2019.

Viewed from Table 1, it describes the percentage of poor people in 7 provinces in Eastern Indonesia from 2012 to 2019 which tends to decrease every year but when compared to the targets in the National Medium-Term Development Plan, it is still quite far. From 2012 to 2019 Papua province had the highest number of 30.66 percent in 2012 and 26.55 percent in 2019. There are several factors that cause the high percentage of poor people according to Oscar Lewis, which is a result of the culture of poverty itself, indifferent character, surrender, unstable family system, lack of education, and many crimes occur (Lewis 1996, : 25).

There are several empirical studies that explain the factors that influence Poverty, and the use of the variables of Foreign Investment, Minimum Wage, Unemployment Rate, Education, Information Communication Technology, and Democracy as variables that are thought to have an influence on Poverty in 7 provinces in Eastern Indonesia. In this paper we will use a panel data approach to find out how the influence, either partially or simultaneously, on poverty in 7 provinces in Eastern Indonesia, as has also been used by several previous researchers such as Khoirunisa, Isnaini and Prasajo (2020); Bancin, Siti Khodijah and Usman, Ummarudin (2020); Suropto and Subayil, Then (2020). This paper is intended to obtain empirical evidence about what variables have a significant effect on poverty, using panel data in 7 provinces in Eastern Indonesia from 2012 to 2019.

LITERATUR REVIEW

Poverty is a multifaceted problem and has many aspects. Arsyad (2004) said the forms of poverty in terms of malnutrition, water, healthy housing, poor sanitation services and low education. Likewise, stated Todaro (2011) Poverty is experienced when a person is not only the most important income but

also must be balanced with health services and proper education. So that it can be concluded Poverty is a situation when a person or group of people does not achieve the fulfillment of basic needs such as nutritious food, decent housing, education, health and employment opportunities and their per capita expenditure is lower than the poverty line.

Based on neo-liberal theory, it believes that poverty is a personal problem which is caused by weaknesses and choices made by the individual and if market forces develop and make the economy grow, poverty will disappear by itself. (Cheyne 1998, :72). According to the Marginal theory, explaining the poor as a result of poor culture itself which has an indifferent character, surrenders, unstable family system, lack of education, and lack of desire to have a better life in the future. (Lewis 1996, : 19-25) .

Then according to the Poverty Circle theory explains the factors that cause poverty are the lack of human resources as reflected in education and health, as well as imperfect markets and lack of capital in productivity. (Arsyad 2010: 113). So from the three theories it can be illustrated that the variables of human resources, namely education and health as well as capital reflected in investment, have an influence on poverty.

Investment is an indicator in determining the level of economic growth, besides being able to increase production quite large, it can also indirectly increase job opportunities and increase the income received by the community. (Yasin 2003:63). According to Jugiyanto, investment is delaying current consumption in order to produce efficiently at a certain time (Jugiyanto 2003:5).

Sukirno argues that investment is an expenditure made by investors or companies in buying capital goods and production equipment in order to increase the ability to produce goods and services available. (Sukirno 2011 :121). That way it can be interpreted, investment as an activity carried out by the owner of capital to be able to meet the equipment used in production in order to increase the desired results, so as to increase economic growth, income and savings which will be one of the efforts to reduce poverty.

In Harrod Domar's theory, investment can increase production and income in the future, but if there are obstacles in capital formation, it will trigger an increase in poverty. (Arsyad 2010:111-112). According to the Classical and Intermediate theory, the government must formulate and regulate by issuing laws or policies through licensing reviews in order to reduce the negative impacts that will result from investment. So from the three existing theories, it can be concluded that increasing investment will help the government's role in poverty alleviation, one of which is opening up jobs and developing soft

skills, but it must still be monitored by the government through permits and laws so as not to cause negative impacts. Similar to research conducted by Safitri, Hanifah and Saleh, Muhammad (2020) explained that policies aimed at increasing investment, including one of which is that foreign investment must continue to be implemented,

Wages are compensation for the physical and mental services provided to workers. The regional minimum wage is the minimum basic wage where the region or province includes fixed allowances for workers so that with this policy as a protection for workers in receiving wages and maintaining them to be able to meet their daily needs and as protection for companies so that the productivity of employees can be maintained (Gianie 2009).

Therefore, the higher the minimum wage, the higher the income or income received by the community so that people can achieve prosperity and can be one of the efforts to reduce poverty. Based on research conducted by Kurniawati, Ardhian, et al (2017) Marinda, Anna, et al (2017), Rizal, Mochammad Dwi A. et al (2017) explain that minimum wages can be a policy in poverty alleviation but to run effectively, law enforcement is needed and supervision in the implementation of laws and regulations related to minimum wages.

Unemployment is a condition where many workers are active in looking for work but have not found work (Sukirno 2006 :14). And to measure unemployment in an area, an indicator commonly called the Open Unemployment Rate is usually used, namely the percentage of unemployment in the total workforce. And Nanga argues that there is a positive correlation between unemployment and poverty, because in poverty the population depends on the income earned. (Nanga 2005:249).

According to Kuncoro, Open Unemployment is the result of an imbalance between the availability of job opportunities and those looking for work. Which refers to the working age population in the unemployed age group, or can be seen from the following formula (Kuncoro 2013 :6) :

$$TPT = \frac{\text{Jumlah Pengangguran}}{\text{Jumlah Angkatan Kerja}} \times 100$$

Unemployment is a problem that can hinder the development process in a country, especially developing countries. When unemployment increases, people's purchasing power will decrease and the level of public consumption and labor productivity will decrease. And because of the imbalance that occurs between the number of available jobs and the number of job seekers, it becomes difficult for the community to meet the necessities of life and plunges into poverty. This is also in accordance with

research conducted by Nasir (2014), Puspita, Dwi Wahyu (2015), Sembiring, Febriangga, et al (2020) which explain in reducing poverty,

Then, education is a basic development goal that is very important for a substantial and meaningful life in increasing the potential, especially in developing countries to absorb modern technology and accelerate growth and sustainable development.(Todaro 2011 : 445). Education is also related to the formation of one's character, so it can be said that education is an investment in human resources for the better, having higher education is an effort to have a better income compared to low education. That way, education can contribute to the growth of national income by improving skills and it is hoped that it can overcome economic problems by increasing people's abilities and motivation(Mulyadi 2012). This will help the community to improve their welfare and get out of poverty.

One indicator that can be used to show a person's education is to use the average length of schooling, which is the longer it takes to complete the education. The average length of schooling is the average number of years for a person aged 25 years who has completed formal education or is no longer in school. For the Indonesian government, the implementation of 12 years of compulsory education as a focus in carrying out development programs.

The concept of Human Capital is a series of obtaining and improving the level of education and health as well as one's experience that can determine the economic development of a country. And Simons believes that a region wants to eradicate poverty, one way is to raise the level of education(Todaro 2000). So, when someone has the desire to have a job and have a high income, they must have a high level of education, and it can be said that education has an influence in alleviating poverty. According to Schultz in Human Capital theory, developing human resources can be in the form of apprenticeship training, health facilities and services, education, learning programs in formal organizations and others.(Jhingan 2013 :414).

Information Technology is used to process data, including obtaining, compiling, and storing data in various ways to produce quality information, namely by producing relevant, accurate, and timely information for personal and commercial use, and for the government to use it as a strategic aspect. in decision making. In order to know the development of world countries towards the information society, the International Telecommunication Union (ITU) used the Information and Communication Technology Development Index (IP-ICT) to calculate. IP-TIK can be used to measure the growth and development potential of Information and Communication Technology as well as the digital divide between regions.

According to the Informative Theory where communication is a message transmission and how

the transmitter uses the media to communicate efficiently and precisely. Then according to the User and Fulfillment Theory where media users play an active role in choosing and determining. Meanwhile, according to the signaling theory where information is very important in decision making. These three theories illustrate that Information and Communication Technology can be something that can help in the role of the economy. Where someone can access all available information and make it easier for someone to interact remotely.

Democracy is an institutional order in political decision-making that results from a person's ability to make his own choices (Schumpeter 1974). Democracy is defined as decision-making in which citizens have equal rights in making decisions that can change their lives. One of the measuring tools or indicators in the assessment of Democracy in Indonesia, namely the Indonesian Democracy Index, which is a measuring tool built against the background of social and political conditions in Indonesia. The Indonesian Democracy Index also describes the level of development of democracy in all provinces based on certain aspects of democracy as measured by its implementation and development.

According to Schumpeter's theory, democracy is the result of the political process. But according to the Trias Politica theory, power in a sovereign government cannot be given to the same person, and must be divided into two or more strong and independent entities in order to prevent those who have power from abusing that power. Several previous studies, although not directly to Poverty but must go through Economic Growth, Democracy is one of the best things in reducing the number of Poverty. The existence of democracy creates more opportunities in economic equity programs. As is said in the theory of Classical Democracy where the public interest is the main thing, because the real power is in the hands of the people (Budiardjo 2008).

Based on theory and empirical studies on each of the factors that are thought to have an influence on poverty in 7 provinces in Eastern Indonesia from 2012 to 2019, it is necessary to develop a hypothesis in this paper, namely that investment with foreign investment indicators has a negative relationship with the nature of Poverty, Minimum Wage has a negative relationship with Poverty, Unemployment Rate has a positive relationship with Poverty, Education with an average length of schooling indicator has a negative relationship with Poverty, Communication Information Technology with Information Technology Development Index indicators and Communication has an influence with the nature of the negative relationship to Poverty, and Democracy with the Democracy index indicator having a negative relationship with the nature of Poverty.

METHODS

Data

This study uses panel data for 7 provinces in Eastern Indonesia with annual data from 2012 to 2019. All research data uses secondary data obtained online from the official publications of the Central Statistics Agency. Poverty (PV) described by the percentage of poor people is a condition where per capita expenditure is lower than the poverty line and cannot meet the needs of life. Foreign Investment (FDI) is an investment activity in which investors make full use of foreign capital or join domestic investors to run a business or program in the country. (Jhingan 2013 :483). Minimum Wage (WG) is the minimum principal in which the region or province also includes fixed allowances for workers. Unemployment Rate (EU) using the open unemployment rate indicator, is a situation where someone who is in the labor force is not actively working (Nanga 2005:249). Education (ED) using the average length of schooling indicator describes the level of education of a person who has or is currently receiving education, so the longer the average time needed to complete it. Information and Communication Technology (ICTDI) with indicators of Information and Communication Technology Development Index, to measure the growth and development potential of Information and Communication Technology as well as the digital divide between regions. Democracy (DI) with the Democracy index indicator describes the level of development of democracy in all provinces based on certain aspects of democracy as measured by its implementation and development.

Research methodology

The research methodology used in this study is using panel data, combining time series data from 2012 to 2019, and cross-sectional data from 7 provinces in Eastern Indonesia. Using the data source, namely secondary data, which was obtained from the data collection institution, namely the Central Statistics Agency. The variables used are Poverty as the dependent variable, and the independent variables include Foreign Investment, Minimum Wage, Unemployment Rate, Education, Information Communication Technology and Democracy.

To get the best panel model, then the common effect model, fixed effect model, and random effect model will be tested, through the chow test and the hausman test. And other tests are also carried out such as normality tests, classical assumption tests, partial and simultaneous tests to get the results in this paper.

So in this paper, we use various variables that are thought to have an influence on Poverty, as explained by the theoretical and empirical results and the research model are described as follows:

$$PV_{it} = \beta_x + \beta_1 FDI_{it} + \beta_7 WG_{it} + \beta_3 UE_{it} + \beta^{\wedge} ED_{it} + \beta_{-} ICTDI_{it} + \beta^{\cdot} DI_{it} + \varepsilon_{it}$$

In the equation (2), $i = 1, 2, \dots, N$ for province cross-section, $t = 1, 2, \dots, T$ for time series, PV describes Poverty (percent %), FDI shows Foreign Investment (MillionUS\$), WG is the minimum wage (Thousand Rupiah), EU is the open unemployment rate (Percent %), ED is the Education (years), ICTDI is the Information and Communication Technology Development Index (points), DI is the Democracy Index (Points), $\beta_1 \beta_7 \beta_3 \beta^{\wedge} \beta_{-} \beta^{\cdot}$ explain the regression coefficient of each variable, is error ε whereas β_x is the intercept.

Test result

Chow Test Results and Hausman Test

In Table 2, we can see the results of the Chow test and Hausman test in this study. From the results of the Chow test, the value of Prob. Cross-section Chi Square $< \alpha$ or $0.0000 < 0.05$ and the Hausman test results obtained by the value of Prob. Cross-section Random $< \alpha$ or $0.0000 < 0.05$, which means it can be concluded that the best panel data regression estimation model used in this study is the Fixed Effect Model (FEM).

Table 2: Results of Chow test and Hausman test

Num.	Testing	Value	Conclusion
1.	Chow test		
	Cross-section chi-square	137.692135	fixed effects model (FEM)
	Prob.	0.0000	
2.	Hausman test		
	Random cross-section	459.697319	fixed effects model (FEM)
	Prob.	0.0000	

Normality Test Results and Classical Assumption Test

The normality test is a data distribution test that can be assumed to be a combination of a large number of independent variables that will have an influence on the dependent variable in the normal distribution regression model, provided that the Jarque-Bera test value is $<$ Chi square table. The other test is the Classical Assumption Test (Multicollinearity, Heteroscedasticity, Autocorrelation Test). Table 3 explains the results of the Multicollinearity Test, which is where the purpose of the test is to find out the reciprocal relationship or correlation between the independent variable and the dependent variable. From the results obtained, where the value of the correlation matrix between independent variables has a value less than 0.80 so it can be said that it is not affected by multicollinearity in this study.

Table 3: Multicollinearity Test Results

	FDI	WG	EU	ED	ICTDI	IN
FDI	1.0000000	0.194654	-0.344403	-0.045896	0.123749	-0.246787
WG	0.194654	1.0000000	-0.009481	0.036493	0.424386	-0.105798
EU	-0.344403	-0.009481	1.0000000	-0.021830	0.015264	-0.238425
ED	-0.045896	0.036493	-0.021830	1.0000000	0.335630	0.507003
ICTDI	0.123749	0.424386	0.015264	0.335630	1.0000000	0.187226
IN	-0.246787	-0.105798	-0.238425	0.507003	0.187226	1.0000000

Table 4 is the result of heteroscedasticity testing, autocorrelation test and normality test. In the Heteroscedasticity Test, it is carried out to determine whether the variance of the residuals from one observation to another is the same, through the whitetest, the Chi-square value is calculated < Chi-square table so that in this study it is not affected by heteroscedasticity. Then for the autocorrelation test, namely confounding conditions from a certain period related to confounding errors from the previous period, and the results obtained are the value of $d_u < d_w < 4 - d_u$ so that in this study there is no autocorrelation

Table 4: Results of Heteroscedasticity Test, Autocorrelation Test and Normality Test

Testing	Value	Conclusion
Heteroscedasticity (White test)		
<i>n-observed</i>	56	<i>Chi-Square count < Chi-square table</i> no heteroscedasticity
<i>r-squared</i>	0.999363	
<i>Chi Square count</i>	55.964328	
<i>Chi Square table (49; 0.05)</i>	66,33864	
Autocorrelation (Durbin-Watson test)		
Durbin-Watson count	2.037492	$D_u < d_w < 4 - D_U$
DU value	1.8124	no autocorrelation
Value 4-DU	2.1876	
Normality (Jarque-Bera test)		
<i>Jarque-Bera test</i>	0.110231	<i>Jarque-fallen test < chi-square table</i> normally distributed
<i>Chi-Square table</i>	66,33864	

Test result

In Table 6 are the results of the data panel using the Fixed Effect Model. From the results obtained, it can be seen that the variables of Minimum Wage, Unemployment Rate, and Communication Information Technology have a significant negative relationship with Poverty, the rest, such as Foreign Investment, Education and Democracy, have a significant positive relationship with Poverty. Then, it can be seen the results of the coefficient of determination (*r-square*) of 0.999363 so that it can be interpreted that variations

from Foreign Investment, Minimum Wage, UnemploymentRate, Education, Information Communication Technology and Democracy can affect the variable of Poverty in 7 Provinces in Eastern Indonesia. by 99.93 percent and the rest is explained by other factors not included in the study. the coefficient of determination after adjustment (adjusted r-square) is 0.999185. And based on the f test, it shows that Foreign Investment, Minimum Wage, Unemployment Rate, Education, Information and Communication Technology and Democracy have a significant effectsimultaneously on Poverty in 7 provinces in Eastern Indonesia.

Table 6: Estimated Results

Variable	coefficient	T-stats	Prob
C	16.40202	11.2876	0.0000
FDI	0.001175	13.05868	0.0000
WG	-0.002551	-19.21914	0.0000
EU	-0.054482	-3.560994	0.0009
ED	1.017968	4.522143	0.0000
ICTDI	-0.519357	-7.004418	0.0000
IN	0.037589	12.63756	0.0000
R-square	0.99363		
Adjusted R-square	0.999185		
F- stats	5623,447		0.0000

Notes:

2. significant at prob 0.05

Discussion

Foreign Investment shows that there is a significant positive relationship with Poverty in 7 provinces in Eastern Indonesia. Which means that when there is an increase in foreign investment, it will cause an increase in poverty in 7 provinces in eastern Indonesia. This is in accordance with research conducted by Safitri Hanifah and Saleh, Muhammad (2020) which states the influence of Foreign Investment on Poverty.

According to Yasin. Investment becomes a determining indicator in the level of economic growth, apart from promoting a large increase in production, it can also indirectly increase job opportunities and public peace due to an increase in income received.(Yasin 2003:63). However, the results obtained in the study are not inaccordance with the theory and empirical studies which state that an increase in foreign investment will be able to reduce poverty.

If you think back to Harrod Domar's theory, when there are obstacles in capitalformation, it actually triggers an increase in poverty. The existence of the Master Planfor the Acceleration and Expansion of

Indonesian Economic Development (MP3EI) in Eastern Indonesia has attracted many foreign investors. So when viewed from the nature of the positive relationship between Foreign Investment and Poverty, it is hoped that the government's role in managing and paying attention to the regulations used, is not only beneficial for foreign companies or investors but also with the country itself so as not to create dependence with other countries. Which if there are obstacles in the management and licensing it will lead to an unhealthy monopoly and have an impact on the welfare of the community.

Increasing foreign investment is indeed good for economic growth and regional development, besides that it can also create jobs, enter modern technology and so on. However, it is necessary to pay attention to the management and licensing process that is carried out, because this can be a threat to domestic entrepreneurs when foreign investors carry out regional development but use products from the origin of these investors, which results in unused domestic products and causes a decrease in income and a reduction in the workforce. .

And on the other hand it also needs to be considered, the impact on environmental damage caused by pollution, which only thinks about production targets but is not balanced with regulations and implementation in protecting the environment, which later when not paying attention to the environment will cause air or water pollution that makes health become disturbed and hinder the community in carrying out productive activities and can be trapped in Poverty.

Then, the Minimum Wage variable shows an effect with a significant negative relationship on poverty in 7 provinces in Eastern Indonesia. The results obtained have similarities with the empirical studies of Marinda, Anna et al (2017) and Kurniawati, Ardhian et al (2017). Where wages are compensation for the physical and mental services provided to workers. And the Regional Minimum Wage is the basic wage where the region or province includes fixed allowances for workers.

Some economists argue that removing and reducing policy rules regarding minimum wages will create a flexible labor market and create competitiveness because the existence of the Minimum Wage actually makes wages rigid and hinders job creation and causes an increase in unemployment and poverty. (Gindling and Terrell 2010 :908-918).

From the results obtained, it shows the nature of the negative relationship between the Minimum Wage and Poverty in 7 provinces in Eastern Indonesia, this illustrates when an increase in the Minimum Wage will cause a decrease in Poverty in 7 provinces in Eastern Indonesia. This is in accordance with Kusnaini's statement where with the minimum wage policy implemented in each region according to their

performance, it will be able to help meet the needs of workers in meeting the needs of a decent life.

And with an increase in the minimum wage in an area or province, it will certainly encourage workers to be more productive at work because they think that the wage is able to meet their living needs. Where these needs increase according to the burden of needs every month or every year, this is of course not only workers but companies and the government need to address the policy of determining both the rules and the nominal in the Minimum Wage, because it requires cooperation and understanding from all parties in order to create just and equitable welfare and the economy becomes stable and improves.

Furthermore, the unemployment rate variable where the results obtained indicate a significant negative relationship with poverty in 7 provinces in Eastern Indonesia. Unemployment that increases from year to year is a challenge for Indonesia, which of course, with this increase, hampers the development process and growth at both the regional and national levels, due to the reduced amount of local revenue and the productivity of the human resources produced is also low.

According to Sukirno, unemployment is the number of active workers looking for work but have not yet found a job (Sukirno 2006 :14). In addition to the large number of workers who are not matched by available jobs, unemployment also occurs due to low education and skills, self-motivation, and limited information or understanding of technology. With the advancement of technology, changes in the demand for labor, in which companies use machines or robots to replace human labor, causes a reduction in the workforce in the company and creates an increase in unemployment.

According to Keynes' theory, unemployment is caused by a decrease in labor wages which has an impact on people's incomes. This causes a decrease in people's income and purchasing power. A decrease in purchasing power can result in price suppression and a decrease in the marginal value of labor productivity (Mulyadi 2012:9). One of them is due to Termination of Employment (PHK) which usually occurs because the contract implemented has ended or because of a reduction in the workforce, causing a person to lose his job, and reduce the income received.

However, in this study the results obtained are not in accordance with the theory and empirical studies, where the Lewis theory that excess labor is an opportunity rather than a problem, one of which is poverty. (Mulyadi 2012:58-59). However, the results of the study show a negative relationship between the Unemployment Rate variable and Poverty in 7 Provinces in Eastern Indonesia. Which means that when there is an increase in the Unemployment Rate, there will be a decrease in Poverty in 7 provinces in Eastern Indonesia.

This is in accordance with research conducted by Utami, Hapsari Wiji (2018) in his research it is explained that not all unemployed people are always poor, because the unemployed population in the open unemployment group also has several classifications. So it can be said that people who are temporarily unemployed are not always poor. Because of the existing classification of open unemployment, some are included in the informal sector and have jobs but the working hours applied are less than specified. There are also those who are preparing to open a business or are working part time.

The statement from Godfrey (1993) that poverty is not necessarily related to employment problems. This is also reinforced by the statement of Lincoln Arsyad (1997) that it is wrong to assume that everyone who does not have a job is poor, and the rich are people who work fully. Usually those who have a higher education level, and look for work in urban areas and think that the job is not in accordance with the education they have received, and they refuse the job because they think they can wait for another job that suits their wishes in order to help solve financial problems.

The Education variable shows that there is a positive relationship with the nature of poverty in 7 provinces in Eastern Indonesia. Sharp argues, Poverty from an economic perspective is caused by the low quality of human resources, low education is one of the low quality human resources, causing low productivity and the impact on wages received is also low. (Kuncoro 2006).

Thus, education has an important role in improving human quality. However, the results obtained in this study are different from the theory and empirical studies, where education shows a positive relationship to poverty, meaning that when there is an increase in education, it will cause an increase in poverty in 7 provinces in Eastern Indonesia. As for the efforts made by the government, namely the 12-year compulsory education program, but it is deemed not enough to play a role in reducing poverty in 7 provinces in Eastern Indonesia, because the education obtained is an average junior high school level,

The education obtained is still quite low, so the guarantee of getting a decent wage to fulfill daily needs is still lacking. Thus, access to and paying attention to education is also low and affects productivity and income received is also low, this is what makes them trapped in the problem of poverty. In addition, with secondary education, this junior school has not been able to reduce poverty, because graduates of this level have not been able to compete in getting jobs due to a lack of understanding of technology and skills coupled with high standards of desire from companies that make it difficult to get a job. the job.

TW Schultz argues in the process of increasing knowledge and skills through education not only as a form of consumption, but as a valuable investment. This investment in education is not only felt when

carrying out the education but can be felt for the long term. The value of human capital is not only seen from the large number of residents or rough labor but also based on workers who have high intellectuality (Mukhlis 2010).

With high quality education, it is hoped that it will be able to produce goods and services optimally and obtain optimal income, this will be able to fulfill needs and desires so that they can be separated from the problem of Poverty. Employment opportunities and poverty have a very close relationship, which for the labor force of the poor who cannot get a higher education and lack of expertise, will make it difficult to get a job and be trapped in poverty problems. However, according to research conducted by Khoirunisa, Isnaini and Prasojo (2020) the high level of education does not directly determine individual skills in the world of work so that it does not guarantee that someone can work immediately and instead becomes unemployed.

Furthermore, the Communication Information Technology variable shows the results of a significant negative effect on poverty in 7 provinces in Eastern Indonesia. According to the Informative theory which is part of the classical theory, it states that communication is used as a message transmission and how the transmitter uses the media to communicate, so that the process is efficient and precise. (Shannon 1948, : 623-656). This is in accordance with research conducted by Rizqulloh, Muhammad Ihsaan and Muhammad Ferdy Firmansyah (2021).

One of the sub-indices in the Information and Communication Technology Development Index is access to infrastructure, where the increasing value of the index obtained illustrates the role in providing access to remote information related to job opportunities, education, health services, this will make the community free from inequality and gain prosperity. Information enables one to develop new ideas and opportunities. Equitable development will be effective if it is accompanied by equal distribution of information and communication (Widiastuti 2010, : 314-329). According to Subhan and Mujer, where as a result of the limited information received by the poor, often the assistance provided by the government is not well targeted, resulting in difficulty in improving the quality of life, due to the tendency to receive late information. (Yusup et al. 2017, : 34-47).

Equitable information will certainly accelerate in reducing poverty in various fields such as economics, politics and people's welfare, the distribution of information and communication is most effectively carried out with technology so that information dissemination can be carried out quickly and efficiently. Thus, it is hoped that both the central and regional governments will continue to make efforts to

increase the development of Information and Communication Technology in the following years, through improving Access-Infrastructure this will make it easier for the community to get the services and access needed so that it affects the increase in productivity carried out and get income to meet daily needs, besides that it can also reduce production numbers if the access needed is more adequate. And also with the increase in Information and Communication Technology, it is easier to conduct long-distance interactions, so that trade can be carried out both between provinces and between countries, thereby providing more opportunities to earn income. And invites the public to learn to understand the use of technology in order to be able to compete with to get jobs in large companies and can increase the productivity of goods and services produced.

Therefore, the role of the government, both central and local, is important to introduce and make improvements in digital access to the community so that the use of Information and Communication Technology can be optimally carried out as an effective and efficient tool in reducing Poverty, which is balanced with infrastructure improvements and better access. .

Then, the Demokras variable obtained results which showed a relationship with the nature of a positive relationship to poverty in 7 provinces in Eastern Indonesia. Democracy is defined as making decisions that can change their lives (people). According to Schumpeter, democracy is defined as an institutional order in making political decisions resulting from a person's ability to make his own choices (Schumpeter 1974). Democracy is not only based on one value, but also includes equality, justice and freedom. Likewise with the Classical Democratic Theory which argues, the population must also feel political equality in order to be free to organize or lead and be led in turns. In this theory, the public interest is the main thing, because the real power is in the hands of the people (Budiardjo 2008).

The results of this study differ from the theory and empirical studies that form the theoretical basis in the research, which according to several theories and previous researches Democracy is very much needed in reducing poverty. Community welfare is influenced by economic activities that take place in the community. The connection between the welfare and freedom of society is often not considered or underestimated. The freedom in question is economic freedom in the form of protection of property rights and free markets, so that it often creates greed which makes the increase in poverty worse.

That way if you look at the research results which have a positive relationship nature. Democracy will create active participation from all social strata in order to create a prosperous society, of course it will be a great opportunity for the community to participate in policy making. However, this needs to be ensured in policy making whether it is fair and equitable for the entire community. Because of this, it will lead to distrust of the government and the failure to carry out the main goals of democracy which causes losses for the poor.

CONCLUSIONS AND SUGGESTIONS

In this study it can be concluded that the variables of Foreign Investment, Education and Democracy partially have a positive relationship with the nature of Poverty, which means that if there is an increase in the independent variable it will cause an increase in Poverty in 7 provinces in Eastern Indonesia. And the remaining variables such as Minimum Wage, Unemployment Rate and Information Communication Technology partially have a negative relationship with the nature of Poverty, which means that if there is an increase in the independent variable it will cause a decrease in Poverty in 7 provinces in Eastern Indonesia. Likewise simultaneously, where there is a significant influence between independent variables on poverty in 7 provinces in Eastern Indonesia.

There are several recommendations that the government can make based on the results of the research that has been done:

First, from the results obtained that Foreign Investment has a positive relationship with Poverty, so that more attention is needed from the government in the management and formation of Foreign Investment in 7 Provinces in Eastern Indonesia by being used properly to prevent failures in management. The need for an increase from other investments is also to support the improvement of existing development in 7 Provinces in Eastern Indonesia,

Second, in order to remain stable when there is an increase in the determination of the minimum wage and not cause a negative impact, one of which is the need for supervision in the implementation of the determination of the policy on the amount of wages received by workers, so that companies carry out in accordance with policies properly and workers must apply for minimum wages. In accordance with the implementation of work and financial management are also regulated appropriately, fairly and appropriately. And consider the impact that will arise if there is an increase in the minimum wage for not only formal workers but also informal workers.

Third, efforts to improve the government's human resources (HR) not only pay attention to the increase but also in access to education, infrastructure and self-development in abilities or skills by

providing pre-employment training for the workingage population, so that people are motivated and able to compete and be able to meet company standards to get a job. By increasing these components, apart from improving the quality of human resources (HR), it can also reduce the level of poverty in 7 provinces in Eastern Indonesia.

Fourth, in the context of alleviating poverty, the role of the government needs to pay more attention, especially in the synergy of information, supervision and policies between the central and regional governments, and also ensure that the policies taken are appropriate for the welfare of the community, especially the policies taken are not used only to fulfill the objectives of several people. Only people or parties, in order to avoid harm to the poor, increase trust in the government and carry out the main goal of the existence of Democracy in order to further optimize results that can reduce poverty, especially in 7 Provinces in Eastern Indonesia.

Fifth, the need for collaboration between the community and the government, both central and regional to increase motivation and enthusiasm for work, improve the quality of human resources by creating pre-employment training programs, and create jobs by brainstorming with people who have creative ideas through MSMEs or can work together. Both with domestic and foreign investors.

Finally, all aspects, both from the government, companies and also the community, must participate in order to optimize the potential of the region to improve people's welfare and reduce poverty in 7 provinces in Eastern Indonesia.

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