

***THE EFFECT OF ECONOMIC GROWTH, REGIONAL EXPENDITURES, AND  
POVERTY LEVELS IN EAST KALIMANTAN PROVINCE***

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***ABSTRACT***

*The Human Development Index (HDI) is a composite in measuring human development achievements based on the basic components of quality of life. The Human Development Index (HDI) is a single combined/mixed indicator that cannot measure all of the dimensions of human development, but measures three main dimensions of human development, namely longevity and health, knowledge and skills and access to the resources needed to achieve a decent life. In this study, the population used was the Province of East Kalimantan in a span of 12 years from 2010-2021. This study aims to determine the effect of Economic Growth, Regional Expenditures, and Poverty Levels on the Human Development Index (IPM) in East Kalimantan Province for the 2010-2021 period. The data analysis method in this study is panel data regression using SPSS version 24 software. The results of the study show simultaneously that the independent variables consisting of Economic Growth, Regional Expenditures, Poverty Levels have a significant influence on HDI. While the partial test of Economic Growth and Regional Expenditures has no effect on HDI. And the Poverty Level has a negative effect on HDI.*

***Keywords: Human Development Index, Economic Growth, Regional Shopping, Poverty Rate***

**INTRODUCTION**

The problem of the Human Development Index (HDI) is a fairly serious conflict that is faced by all countries. The Human Development Index is a mixed indicator that can only be measured through three main dimensions of human development, namely longevity and health, knowledge and skills and access to the resources needed to achieve a decent life. Similar to what has been stated in the preamble to the 1945 Constitution of the Republic of Indonesia, namely to promote public welfare and educate the life of the nation. Therefore, in developing countries, the initial target that must be addressed is human development and growth.

According to the Central Statistics Agency for the period of twelve years starting from 2010 to 2021, Indonesia's HDI is getting higher by an average of 0.69 percent. Where in the dimension of education, residents who are 7 years old have an obsolete school of 13.08 years, or are almost the same as completing their education to the level of Diploma 1. This number has increased by 0.10 years compared to 2020 which reached 12.98 years. ad interim, the average school age for residents aged 25 years and over increased by 0.06 years, from 8.48 years in 2020 to 8.54 years in 2021. On the dimensions of longevity and health, babies born in 2021 has a life expectancy of up to 71.57 years, 0.10 years longer than those born in the previous year (2020). (BPS-Statistics Indonesia, 2021).

In particular, the province with the highest HDI is DKI Jakarta which can reach 81.11%, while the lowest provincial HDI in Indonesia is Papua which reaches 60.62% and there are also 10 provinces with HDI scores that exceed the national figure and East Kalimantan is included in the category the. Provinces that exceed the national figure are DI Yogyakarta, East Kalimantan, Riau Islands, Bali, North Sulawesi, Riau, Banten, West Sulawesi, and West Java. Meanwhile, in the low HDI category in Indonesia, there is no longer any, because all provincial HDI in Indonesia are already above 60.00. HDI is the most important indicator in measuring the success of building the quality of human life. The achievements of human development in East Kalimantan in the period 2010-2021 have been of high status. And now East Kalimantan is being predicted to be the new capital city to replace DKI Jakarta. Through a limited government meeting held on April 29, 2019, Mr. President Joko Widodo decided firmly to move the country's capital city outside Java. The relocation of the capital city to the archipelago is enshrined in the 2020–2024 National Medium-Term Development Plan (RPJMN).

according to kuncoro (2006), the key indicators of development are: 1) economic indicators, namely GNP, GDP and the rate of economic growth. 2) social indicators, namely the human development index (IPM), or the Human Development index (HDI). According to Todaro (2004), several factors that influence economic growth are manifested in 3 crucial components, namely the first, capital accumulation, which here includes all forms or types of new investments invested in land, physical equipment and human resource capital. Second, population growth which will increase the number of the workforce. Third, technological progress which in its simplest sense will occur because it is always updated on handling a job. Regional Revenue and Expenditure Regulations (APBD) are very necessary to increase economic growth. The

management of regional revenue and expenditure budgets is very important for regional governments which must be managed properly in order to improve services and people's welfare. Regional spending has a very close relationship with the Human Development Index (HDI). In fulfilling people's lives, regional spending can be used as an allocation of funds similar to the budget for education as stated in Law no. 20 of 2003 on the national education discourse that 20% of the regional budget is allocated for the operational costs of education so that every people has the opportunity to get a proper education using the facilities provided by the local government as a result of which it can reduce illiteracy / literacy in the community. This can have a positive impact on the human development index number in the region.

The level of poverty in a country has a close relationship with the Human Development Index (HDI). If the number of poor people in a country is higher, it will affect the empowerment of improving the quality of human resources and have implications for the human development index. The problem of poverty means a very complex problem, because it covers various fields such as economic, social, cultural and other aspects. The Central Statistics Agency (BPS) recorded that the number of poor people in East Kalimantan Province decreased every year from 2021 to 241.77 thousand (6.54%). in 2020 as many as 243.99 thousand (6.64%), it can be interpreted that the number of poor people will definitely decrease by 2.22 thousand or (0.10%) (BPS, 2021).

If you look at the description above, the researcher has an interest in conducting a study entitled "The Effect of Economic Growth, Regional Expenditures, and Poverty Levels on the Human Development Index in East Kalimantan Province" because it is so important to make efforts to improve quality in the human field so it is interesting to examine the influence of economic growth, regional spending and poverty rates in East Kalimantan Province.

## **LITERATURE REVIEW**

### ***Human Development Index***

The origin of human resources is the capital that exists in humans to fulfill their role as social beings who are adaptive and changing, able to manage themselves and the potential contained in nature to achieve a happy life in a balanced and sustainable order. human resources (HR) receive a very crucial role in economic change, namely how to train quality human resources, have high skills and can be competitive in global competition.

According to the Central Statistics Agency (BPS), the Human Development Index (HDI) is a number that can represent the condition of the community to access the results of development origin, income derived income, access to health, education, and a number of other aspects. The Human Development Index was first introduced by the United Nations Development Program (UNDP) in 1990. Then in the update of the League of Nations (UN) forum for the first time for a development event, the United Nations Development Program (UNDP, 2008). The Human Development Index is the underlying concept for achieving human welfare as the ultimate goal of development.

### *Economic growth*

According to the opinion (Todaro, 2006) economic growth is an increase in the long-term capacity of the country or region concerned with the provision of various economic goods for its population. The increase in this capacity determines the progress or adjustment of technology, institutions and ideology to the various demands of the existing conditions. Each of the three main components of the definition is very important to know in advance. can be explained as follows. 1) a continuous increase in output is a manifestation of the origin of what is claimed to be economic growth, while the ability to provide various types of goods itself is an indication of economic maturity in a country concerned. 2) technological development is the basis or precondition for sustainable economic growth, this means that it is an indispensable requirement but not sufficient (so as long as technological development is expected there are other factors). three) in order to realize the growth potential contained in the new technology, it is necessary to make a series of institutional, attitude and ideological adjustments.

Economic growth is a process of changing economic conditions that occur in a country on an ongoing basis to get to a better evaluated condition over a certain period of time. The theory of economic growth explains the factors that influence or determine economic growth and its process in the long term, explaining how these factors interact with one another, as a result, can lead to a growth process (IGMA Dharmakarja, 2018). Economic growth can be known by comparing the GRDP in an exclusive year (GRDPT) to the GRDP in the previous year (GRDPT-1). The formula used to calculate the rate of economic growth is:

$$\Delta \text{PDRB } x = (\text{PDRB } x - \text{PDRB } x-1) / (\text{PDRB } x-1) \times 100\% \dots (1)$$

### *Regional Shopping*

The Regional Revenue and Expenditure Budget (APBD) is the government's annual financial plan and has been approved by the DPRD. for a tangible manifestation of regional financial management as outlined in Law no. 17 of 2003. from Ismawanto, (2009) Regional Revenue and Expenditure Budget (APBD) is a local government work plan that includes all revenues and expenditures (expenditures), local governments, both provincial and district in order to achieve development targets within a period of one year. stated in units of money and approved by the Regional People's Representative Council (DPRD) using the functions and objectives of the preparation of the APBD, only in the APBD of a scope that is not aligned, the APBN on a national scale, while the APBD is limited to regional areas and its implementation is left to the regional head or governor/regent /mayor, and in accordance with regional autonomous policies. In the interim period, the regional government budgets are prepared by the regional government together using the regional dpr (people's representative council) to run their respective regional governments.

According to Law no. 17 of 2003 CHAPTER IV Article 16, the preparation and determination of the APBD are:

- a. APBD is a form of regional financial management which is determined annually by regional regulations.
- b. APBD consists of revenue budget, expenditure budget, and expenditure budget.
- c. Regional expenditure income comes from local revenue, development funds, and other legitimate income.
- d. Regional spending is broken down by organization, function, and type of spending.

### *Poverty level*

Poverty is generally recognized from the inability of a person who is married to meet basic needs and there are many links that make the person poor. Poverty has multiple forms including the lack of income levels and productive resources that claim a sustainable life, namely hunger and malnutrition, low incomes levels, and discrimination. Poverty is also specified by low participation in decision-making processes (Suyana Utama, 2010:16).

Based on Todaro, (2006: 37) reveals that poverty in developing countries is determined by several factors, namely, first, geographical differences, population, and income levels. Second, historical disparities, some were colonized by different countries. Third, the disparity in the wealth of natural resources and the quality of human resources. Fourth, the disparity in the role of the private sector and the state. 5th, disparity in industrial structure; 6) different degrees of dependence on domestic economic and political forces and institutions. from the results of research by Ali, Muhammad (2017) who shared that the poverty level can have a significant effect on the high or low of the Human Development Index. The greater number of poor people from residents in a country can have a negative impact on the Human Development Index number in an exclusive area. It is not practical to measure the level of poverty due to its very broad meaning. Poverty can be defined where the income condition of the population or household is still unable to meet both primary and secondary needs.

## **RESEARCH METHODS**

This research is included in the research in the form of quantitative descriptive analysis. This research is a research that explains the relationship between variables by using a framework of thinking first and then can be formulated in the form of a hypothesis. The purpose of this study is to test a theory or hypothesis in order to strengthen or even reject the theory or hypothesis of the results of previous research. The data used in this research is secondary data, namely data that is not collected directly, but data obtained from a second party. This study uses secondary data from the publications of the Central Statistics Agency, other agencies and institutions that are still relevant to the variables studied. The data collected in this study are regional economic growth, regional spending, poverty levels and the Human Development Index. The time span used in this research is twelve (12) years starting from 2010 to 2021. The type of data is times series. The collected data is then processed and analyzed quantitatively with multiple regression. The regression model in his research is:

$$Y = a + b_1 \text{ Economic Growth} + b_2 \text{ Regional Expenditure} + b_3 \text{ Poverty Rate} + e$$

Information :

Y : Human Development Index (HDI)

a : Constant

X1 : Economic growth

X2 : Regional Expenditure (APBD)

X3 : Poverty level

e : Standard error

**Table 1. Research Data**

| Year | Regional<br>Economic<br>Growth<br>(%) | Regional<br>Expenditure<br>(Billion) | Poverty<br>level<br>(%) | Human<br>Development<br>Index (HDI) |
|------|---------------------------------------|--------------------------------------|-------------------------|-------------------------------------|
|      | (X1)                                  | (X2)                                 | (X3)                    | (Y)                                 |
|      | 2010                                  | 5.1                                  | 7,853,125,779           | 7.66                                |
| 2011 | 6.3                                   | 11,469,537,476                       | 6.77                    | 72.02                               |
| 2012 | 5.26                                  | 14,724,194,400                       | 6.38                    | 72.62                               |
| 2013 | 2.25                                  | 14,830,601,027                       | 6.38                    | 73.21                               |
| 2014 | 1.71                                  | 12,336,184,311                       | 6.31                    | 73.82                               |
| 2015 | -1.2                                  | 9,376,312,818                        | 6.23                    | 74.17                               |
| 2016 | -0.38                                 | 8,212,408,939                        | 6.11                    | 74.59                               |
| 2017 | 3.13                                  | 8,765.867,131                        | 6.19                    | 75.12                               |
| 2018 | 2.64                                  | 11,210,807,617                       | 6.03                    | 75.83                               |
| 2019 | 4.7                                   | 10,769,670,000                       | 5.94                    | 76.61                               |
| 2020 | -2.87                                 | 9,214,806,000                        | 6.1                     | 76.24                               |
| 2021 | 2.48                                  | 9,490,000,000                        | 6.54                    | 76.88                               |

Source: Central Bureau of Statistics, East Kalimantan, 2021

1. The Human Development Index (Y) in the study can be seen from the provincial HDI level data which consists of three main indicators, namely a long and healthy life, knowledge, and a decent life, which can be measured in percent (BPS, 2021)
2. Economic growth (X1) can also be seen from the increase in output in the long term can be measured by GRDP expressed in percent (%) in East Kalimantan Province 2010-2021 (BPS, 2021)
3. Regional Expenditure (X2) is the value of Regional Expenditure in East Kalimantan Province 2010-2021 which is measured in billions of Rupiah.
4. Poverty (X3) is the number of poor people divided by the total population in East Kalimantan Province 2010-2021 which is measured in percent (%)

**RESULTS AND DISCUSSIONS**

The equation of the regression model from the analysis of variables that affect the Human Development Index in East Kalimantan Province for the 2010-2021 period is as follows:

**Table 2. Multiple Linear Regression Analysis Test Results**

| variable                        | coefficient      | Std. error              | t-Statistic | Prob. |
|---------------------------------|------------------|-------------------------|-------------|-------|
| C                               | 98.815           | 7,234                   | 13,659      | ,000  |
| Economic growth                 | 0.049            | ,174                    | ,280        | ,787  |
| Regional shopping poverty       | -3,457E-10-3,268 | ,000                    | -1.852      | ,101  |
|                                 |                  | 1.010                   | -3,237      | 0.012 |
| R-squared,661                   |                  | Mean dependent var8.199 |             |       |
| Adjusted R-squared,534          |                  | SD dependent Var1.575   |             |       |
| SE error of the estimate1.25484 |                  | Durbin-Watson stat ,663 |             |       |
| Sum squared resid12,597         |                  |                         |             |       |
| F-statistics5,207               |                  |                         |             |       |
| Prob(F-statistic),028b          |                  |                         |             |       |

*Source: Data Processed, 2022*

$$Y = 98.815 + 0.049 X1 - 3.4568179 X2* - 3.268 + e$$

**Partial Test and Simultaneous Test**

1. Based on the t-count value obtained from the regression results with the SPSS 24 program, the t-count value of 0.280 with a sig value of 0.787 at a significance level of 5% (0.05) then Ho is accepted and Hi is rejected, which means Regional Economic Growth (X1) partially has no effect on the Human Development Index (IPM) in East Kalimantan Province in the period 2010-2021. This study is in line with the results of research conducted by Trifani, Fathorrazo and Wibisono in 2015. The results show that Economic Growth has no effect on the Human Development Index (HDI). This means that the high level of economic growth will not necessarily increase the Human Development Index in East Java. Based on the results of the partial t-test that the t-count value of economic growth is 1.558541 with a probability level of 0.1535, the t-count probability is greater



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than the significance level ( $\alpha = 5\%$ ),

2. Based on the t-count value obtained from the regression results with the SPSS 24 program, the t-count value of -1.852 with a sig value of 0.101 at a significance level of 5% (0.05) then  $H_0$  is accepted and  $H_1$  is rejected, which means that Regional Expenditures partially have no effect on the Human Development Index (IPM) in East Kalimantan Province for the 2010-2021 period. . This research is in line with research conducted by Zuraida Rakhmawati, Mohamad Rafkinnazar, Djusnimar Zutilisma (2017). Regional Expenditures have no effect on HDI. This can be seen based on the probability value (T-statistic) of regional spending of 0.8941 which means it is above the significance level of 0.05% or 0.05 with a negative regression coefficient value of 0.000010 which means that  $H_1$  is rejected and  $H_0$  is rejected. accept,
3. Based on the t-count value obtained from the regression results with the SPSS 24 program, the t-count value of -3.237 with a sig value of 0.012 at a significance level of 5% (0.05) then  $H_1$  is accepted and  $H_0$  is rejected, which means that the poverty variable (X3) partially has a negative and significant effect on the Human Development Index in East Kalimantan Province period 2010-2021. This study is in line with research conducted by Adel Fina and I Made Jember (2014) on the Effect of Economic Growth, Poverty, and Regional Expenditures on the Human Development Index in the Regency City of Bali Province Period 2005 – 2013. It is known based on the t value obtained from the results regression test with a t value of -4.51 with a sig value of 0.00, this means at a significance level of 5% (0.05),
4. Based on Table 2, the calculated F value is 5.207 with a probability of 0.028 which is smaller than 0.05. This means that Regional Economic Growth (X1), Regional Expenditures (X2), and Poverty Levels (X3) have a simultaneous effect on the Human Development Index (IPM) (Y) in East Kalimantan Province for the 2010-2021 period.

## CONCLUSION

1. Partially, the economic growth variable has no effect on the human development index in East Kalimantan Province for the 2010-2021 period.
2. Partially, regional spending has no effect on the human development index in East Kalimantan Province for the 2010-2021 period.
3. Partially, the poverty level has a significant negative effect on the human development index in East Kalimantan Province for the 2010-2021 period.

4. Simultaneously, the variables of economic growth, regional spending, and poverty levels have a significant effect on the human development index in East Kalimantan Province for the 2010-2021 period.

## IMPLICATIONS

The level of the Human Development Index (HDI) in East Kalimantan Province increases significantly every year but as a candidate for the New Capital City (IKN) economic growth must be further improved, and the increase in economic growth comes from increasing production factors where production factors cannot be separated from the quality of its human resources (HR) and human development caused by the level of education that has been taken by the residents of East Kalimantan. Therefore, the regional government of East Kalimantan Province as a policy maker as well as implementer can make the right decisions and improve human development as capital for regional resources so that East Kalimantan's human resources are not left behind with other provinces in Indonesia. From this study also shows that there is no effect of the two variables, namely the variable Economic Growth and Regional Expenditures. For the future, suggestions from the author for further research are to provide other variables besides the variable Economic Growth and Regional Expenditures.

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