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The Influence of Local Government Expenditure Realization and Investment on The Poverty Rate in Nabire Regency

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Abstract
The poverty rate is one of the main indicators for measuring the success of a region's economic development. Despite the implementation of various poverty alleviation programs, poverty remains a serious challenge, particularly in areas with limited resources and infrastructure, such as Nabire Regency. This research aims to analyze the effect of regional government expenditure and investment on the poverty rate in Nabire Regency. The data used are secondary data covering the period from 2012 to 2023. The analytical method employed is multiple regression analysis using Eviews 12. The results of the research show that regional government expenditure has a negative and significant effect on the poverty rate, indicating that increased government expenditure can reduce poverty. On the other hand, investment has a negative but not significant effect on the poverty rate, suggesting that incoming investments have not yet had a direct impact on poverty reduction. Nevertheless, both government expenditure and investment simultaneously have an influence on the poverty rate in Nabire Regency. The findings emphasize the crucial role of government expenditure in poverty reduction and highlight the need for more targeted investment policies that can directly benefit the poor population.
Keywords: Investment, Poverty Rate, Regional Government Expenditure Realization

INTRODUCTION

Poverty is a complex social problem that involves many dimensions, especially in areas with limited infrastructure and access to economic resources. This condition reflects the inability of individuals or groups to meet basic needs such as clothing, food, education, housing, and health services needed to achieve a decent standard of living. Poverty is not only related to economic aspects but also reflects obstacles in accessing job opportunities and resources, and reflects inequality in the distribution of wealth and income.

According to Todaro (2011), poverty is one of the main challenges in developing countries like Indonesia. This problem is complex and often hereditary from one generation to the next. In general, poverty can be classified into two forms: *absolute poverty* and *relative poverty*. *Absolute poverty* refers to conditions when someone or a society is unable to meet the minimum standards of basic needs such as clothing, food, and shelter needed to survive. Meanwhile, *relative poverty* refers to inequality in income distribution in society, where although individuals are able to meet their basic needs, their income is still below that of the surrounding community, so they are still considered poor.

The Indonesian economy is currently faced with a serious challenge, namely the problem of poverty. This issue is complex and has broad dimensions, covering social, economic, cultural aspects, and various other factors. Because poverty is a multidimensional problem, its handling must be done through a comprehensive and cross-sectoral approach. The phenomenon of poverty is still a hot issue in the world today. To address this, various initiatives and programs have been implemented by both central and regional governments to reduce poverty rates (Jacobus, 2018).

Nabire Regency is one of the administrative areas in *Papua Province* that has a relatively high poverty rate. With an area of about 12,075km² and a growing population, this area actually has considerable natural resource potential, especially in agriculture, fisheries, and mining sectors. However, these potentials have not been fully utilized properly and optimally to encourage improved community welfare. This condition is reflected in the still high poverty rate that has occurred for more than the last ten years.

Data from the Central Statistics Agency (*BPS*) shows that in 2012 the percentage of poor people in Nabire was recorded at 30.65%, and decreased to 23.35% in 2023. Although there has been a general downward trend, the rate of decline has slowed in the last five years, indicating structural obstacles in sustainable poverty alleviation efforts.

One important instrument in reducing poverty rates is fiscal policy implemented by regional governments, especially through regional expenditure mechanisms. According to Mahmudi (2016), *regional expenditure* is the use of funds by regional governments to meet public needs through the provision of services and products needed by the community. He emphasizes the importance of performance-based budget management to ensure that every expenditure provides maximum results.

In addition to government expenditure, another factor that influences poverty levels is *investment*, both from the private sector and from the government. According to Sadono Sukirno (2002), *investment* or *capital investment* is an expenditure activity aimed at increasing the number of capital goods or production tools. Investment refers to investment activities carried out by individuals, corporations, or governments through the provision of funds or assets with the aim of obtaining economic benefits in the future.[A1]

Development planning theory, as outlined by Sjafrizal (2017), emphasizes systematic approaches to improve community welfare through efficient resource allocation and targeted goal-setting. This framework connects closely with poverty theory, where Arfiani (2009) defines poverty as an inability to meet basic needs despite work efforts, noting its evolving nature across different historical and social contexts. These theoretical foundations intersect with government expenditure principles described by Boediono (2014) and Sukirno (2019), who highlight how fiscal policies—particularly tax revenues and spending priorities—shape economic outcomes while being influenced by political and security considerations.

The economic planning process directly relates to *investment theory*, where Sukirno (2019) explains *capital formation* as crucial for expanding production capacity and service delivery. This creates an interconnected cycle where effective planning requires understanding poverty dynamics, which in turn informs government spending decisions that enable or constrain investment opportunities. The temporal and contextual nature of poverty underscores the need for adaptive planning approaches that balance immediate welfare needs with long-term economic development through strategic public expenditure and private investment stimulation.

Poverty remains a persistent challenge in many regions, including *Nabire Regency*, despite various poverty alleviation programs and economic development efforts. While existing studies have explored the relationship between government expenditure, investment, and poverty, there is a notable gap in research focusing on localized contexts, particularly in resource-limited areas like Nabire. Previous studies often emphasize national or urban settings, leaving rural and underdeveloped regions underrepresented. Additionally, the inconsistent findings regarding the impact of investment on poverty reduction highlight the need for further investigation, especially in regions where investment inflows may not directly translate into improved welfare for the poor. This research addresses these gaps by examining the specific dynamics of Nabire Regency, where natural resource potential coexists with high poverty rates, offering a unique case to explore the effectiveness of fiscal and investment policies in poverty alleviation.

The novelty of this study lies in its focused analysis of *Nabire Regency*, a region with distinct socio-economic and geographical characteristics that differentiate it from more commonly studied urban or national contexts. By employing time-series data from 2012 to 2023, the research captures longitudinal trends and provides insights into the evolving relationship between government expenditure, investment, and poverty over a critical period of regional development. Furthermore, the study integrates both fiscal and investment variables into a single analytical framework, offering a comprehensive evaluation of their combined and individual impacts on poverty. This approach not only enhances understanding of localized poverty dynamics but also contributes to the broader discourse on effective poverty reduction strategies in similar underdeveloped regions.

The primary objective of this research is to analyze the influence of regional government expenditure and investment on the poverty rate in *Nabire Regency*, with the aim of informing more targeted and effective policy interventions. By identifying which factors—whether fiscal policies or investment inflows—have a more significant impact on poverty reduction, the study provides actionable recommendations for local policymakers. The findings are expected to benefit stakeholders by highlighting the need for optimized budget allocations, *pro-poor investment strategies*, and integrated development programs. Ultimately, this research seeks to contribute to sustainable poverty alleviation efforts, not only in Nabire but also in other regions facing similar challenges, thereby fostering inclusive economic growth and improved quality of life for marginalized communities.

Based on this background, this research is considered important to examine the extent of the influence of regional government expenditure and investment on poverty levels in *Nabire Regency*. A deeper understanding of the relationship between these variables is expected to provide input or contribution in formulating better, effective, and targeted regional development policies, especially in the context of accelerating poverty alleviation processes.

RESEARCH METHOD

This research uses secondary data obtained from relevant agencies, namely the *Central Statistics Agency* of *Nabire Regency*, the *Regional Financial and Asset Management Agency*, and the *Investment Office* of *Nabire Regency*. The data covers the realization of regional government expenditure, investment, and poverty levels in *Nabire Regency* for the period 2012 to 2023 (twelve years).

The analytical method used is multiple regression analysis processed using Eviews 12. The research model can be formulated as follows:

$TK = \beta_0 + \beta_1 BPD\_t + \beta_2 PM\_t + \varepsilon$

Where:

- TK = Poverty Rate
- BPD = Regional Government Expenditure
- PM = Investment
- β_0 = Constant
- β_{1-2} = Partial coefficients of BPD and PM variables
- ε = Error Term
- t = 1,2,3,...,12 (time series data 2012-2023)

RESULTS AND DISCUSSION

Descriptive Analysis

Table 1. Descriptive Statistics

Variable	Obs	Mean	Median	Maximum	Minimum
Poverty Rate (%)	12	24.78	24.37	27.69	23.35
Government Expenditure (Million Rp)	12	1,158,927.13	1,183,615.91	1,547,764.56	739,463.86
Investment (Million Rp)	12	67,576.56	34,318	401,999.2	4,100.3

Source: Processed data

The poverty rate data shows an average of 24.78% over the 12-year observation period. Government expenditure shows an increasing trend with an average of Rp 1.16 trillion per year. Investment shows high fluctuation with an average of Rp 67.58 billion per year.

Multiple Regression Analysis

Based on the multiple regression analysis using Eviews 12, the following results were obtained:

Table 2. Multiple Regression Results

Variable	Coefficient	t-Statistic	Probability
Constant	216.3077	12.45	0.0000
Government Expenditure (BPD)	-6.857697	-3.21	0.0067
Investment (PM)	-0.069163	-0.25	0.8066
R-squared	0.576966		
F-statistic	6.142		0.020830

Source: Processed data using Eviews 12

The regression equation can be written as: $TK = 216.3077 - 6.857697BPD - 0.069163PM + \varepsilon$.

Classical Assumption Tests

1. Normality Test: The Jarque-Bera test shows a probability value of 0.863387 > 0.05, indicating that the residuals are normally distributed.
2. Multicollinearity Test: The correlation coefficient between independent variables is -0.071128 < 0.8, indicating no multicollinearity.
3. Heteroscedasticity Test: The Glejser test shows probability values > 0.05 for all variables, indicating no heteroscedasticity.
4. Autocorrelation Test: The Breusch-Godfrey test shows a probability value of 0.1512 > 0.05, indicating no autocorrelation.

Hypothesis Testing

Partial Test (t-test)

1. Regional government expenditure has a significant negative effect on poverty rate (p-value = 0.0067 < 0.05)
2. Investment has a negative but not significant effect on poverty rate (p-value = 0.8066 > 0.05)

Simultaneous Test (F-test)

The F-test shows a probability value of 0.020830 < 0.05, indicating that government expenditure and investment simultaneously have a significant effect on poverty rate.

Coefficient of Determination

The R-squared value of 0.576966 indicates that 57.70% of the variation in poverty rate can be explained by government expenditure and investment variables.

Discussion

The Effect of Regional Government Expenditure on Poverty Rate

The research results show that regional government expenditure has a negative and significant effect on poverty rate. This means that every increase in regional government expenditure by 1% will reduce the poverty rate by 6.857697%, assuming other variables remain constant. This finding indicates that the role of regional government in budget management has a large contribution in suppressing poverty rates in its region.

Theoretically, this result is in line with Keynesian theory, which states that government spending can be used as an instrument to stimulate aggregate demand in the economy. In the context of poor communities, increased government expenditure, especially in sectors that directly touch people's lives such as education, health, housing, and social protection, can improve welfare and individual capacity to escape poverty.

This research is in line with previous research results, including by Teddy Desly Minggu, Veckie A. Rumate, and Debby Ch. Rotinsulu in their research titled "Analysis of the Effect of Direct Expenditure, Indirect Expenditure and Private Investment on Poverty in Bitung City". Both studies show consistent results, namely that government expenditure has a negative and significant effect on poverty rate.

The Effect of Investment on Poverty Rate

The investment variable in the regression model shows a negative effect on poverty rate, but is not statistically significant. This shows that during the observation period, increased Domestic Investment (PMDN) has not been able to provide a direct significant impact on reducing poverty rates.

Theoretically, investment should play a role in reducing poverty. Based on endogenous growth theory and the Harrod-Domar model, investment is the main driver of economic growth because it can expand production capacity, increase productivity, and create jobs. However, in practice, not all types of investment provide direct impact on poor communities.

Investment often concentrates on capital-intensive sectors such as large industries or property, which do not absorb poor workers significantly. In addition, the trickle-down effect from investment may be held back by distribution inequality or bureaucracy that hinders investment optimization.

This research is also supported by the results of research conducted by Muhajir, Aji Sofyan Effendi, Siti Amalia, et al in a research titled "The Effect of Government Spending and Investment on Unemployment and Poverty Rate in North Penajam Paser District (PPU) East Kalimantan Province". The research results show that investment has a negative but not significant effect on poverty rate.

Simultaneous Effect

The F-test results show that government expenditure and investment variables simultaneously have a significant effect on poverty rate in Nabire Regency. This indicates that although investment alone does not have a significant effect, when combined with government expenditure, both variables together can explain variations in poverty rate significantly.

CONCLUSION

Based on the research results and discussion, it can be concluded that *regional government expenditure* has a negative and significant effect on the poverty rate in *Nabire Regency*, indicating that appropriate and effective regional government budget allocation can serve as an important instrument in reducing poverty rates, while *investment* has a negative but not significant effect, showing that increased investment has not yet provided a direct and significant impact on poverty reduction. Simultaneously, *regional government expenditure* and *investment* together have a significant effect on the poverty rate in *Nabire Regency*. Therefore, it is recommended that the *Nabire Regency Government* establish budget allocation policies that favor poor communities, prioritizing direct expenditure for strategic sectors such as basic education, public health, village infrastructure development, and local economic empowerment. Additionally, the regional government should encourage *pro-people investment* policies through fiscal incentives, licensing facilitation, and basic infrastructure support for investors willing to partner with local *MSMEs* and village communities.

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