

MODEL OF POVERTY REDUCTION WITH RICE SUBSIDY ON THE EXPENDITURE OF PUBLIC FAMILY CONSUMPTION AND WELFARE IN NORTH SUMATERA PROVINCE

Renny Maisyarah¹, Sofyardi², Elfindri³, Solly Aryza⁴

¹ Student Postgraduate Faculty Ekonomi Universitas Andalas, Padang, Indonesia

^{1,4} Lecture Universitas Pembangunan Pancabudi, Medan, Indonesia

^{2 & 3} Professor Lecture Universitas Andalas, Padang- Sumatera Barat

Abstract: *The problem of poverty in Indonesia is not a new issue again. Poverty, in addition to unemployment and inequality Social, is a classic issue that is significant and fundamental in Indonesia. The main of this papers discussed impact of government spending on education, health and subsidy spending on poverty in Indonesia. The tool of data uses the estimation error correction model (ECM) and ordinary least squares (OLS). Result this research found that government spending on education is effective in reducing poverty, but not with government health expenditure and subsidies due to improper subsidies target users in the field.*

Key Words: *Government Expenditure, Health, Education, Subsidies, Poverty.*

1. INTRODUCTION:

One Of The Objectives Of National Development In Indonesia Is Improving The Performance Of The Economy To Be Able To Create Jobs And Organize A Decent Life For All The People That Will Ultimately Create Prosperity. One Means Of National Development Is To Reduce The Number Of Poor People Because Of Poverty Have Negative Impacts Which May Affect Economic Development.

Poverty Is Also One Of The Most Important Social Indicators In Development Economy.1 So That Poverty Is One Of The Root Causes Of The Problem Of Little Development In Indonesia. Issues Of Poverty In Indonesia Is An Interesting Issue To Be Discussed And Solved. Debt, In Addition To Unemployment And Social Inequality, Is A Classic Problem That Significant And Essential To Some Developing Countries Including Indonesia. Also, The Development Of The Conditions Of Poverty In A Country Economically Is One Indicator To See The Level Of Welfare Community.

In General, Poverty Has Defined As A Situation In Which There Is An Inability To Meet Basic Needs Such As Food, Clothing, Shelter, Education, And Health. Meanwhile, Stats Central Agency (BPS), Indonesia Defines The Poor Is A Condition Of Life Deprivation Experienced By Someone

Or Households That Can Not Meet Minimum Requirements Or Feasible For Lived.2

According To Another Definition, Poverty Is Inability To Accumulate Base Social Forces That Include: (1) Productive Capital On Assets, (2) Financial Resources, (3) Charitable Organization And Politics That Can Use For The Benefit Together, (4) Network Or A Social Network For Employment, Goods, Knowledge And Adequate Skills, And (5) Information Useful For Life.

In Solving The Problem Of Poverty This Case Is Not A Little Plan That The Government Do, But Until Now Has Not Seen A Single Solution That Can Solve The Issue Up To The Roots. Time This, What Is Needed Is A Collective Agreement The Concept Of Resolving The Issue And Its Implementation Into The Community. So It Is Not Need To Repeat The Start To Move In Solving This Problem Because Of The Concept, Infrastructure And Institutions Are Already Available Completely. Things That Need To Done

This Time Is To Evaluate The Program With Attention To The Weaknesses That Difficulties Encountered In Implementing

The Program, And Also See The Advantages Of What That Is, Of Course, Tersebut.3 During This Time, The Indonesian Government Has Give Considerable Attention To Attempts To Deal With This Poverty, Namely By Implementing Various Programs And Poverty Reduction Policies Through The Sectoral Approach, Regional, Institutional, And Specific Policy. Such Programs Include Another Is As Follows:

- Instruction Villages (IDT) On Order New To Build Rural Infrastructure and Group-Based Economic Activities Community.
- Social Safety Net Program (JPS) And Special Market Operation (OPK).
- Program Direct Cash Assistance (BLT) As Compensation For The Fuel Price Hike.
- The District Development Program (KDP).
- Urban Poverty Program (P2KP).

- The Rice For The Poor (Raskin).

In Addition To The Above, The Government Has Also Established A National Team To Accelerate Poverty (TNPKK) To Achieve Real Progress In The Efforts To Eradicate Poverty In Indonesia. Below Indicates Development Of Poor People In Indonesia From 2004 To 2016.

Poverty Alleviation Has Frequently Be Discussed As Research Conducted By Indra, Mohd. And, And Nor Azam In 2010 That Discussed On The Effects Of Expansion And Contraction Of Fiscal Policy On Economic Performance In Indonesia With Poverty As One Of The Macroeconomic Indicators Were Used, As Well As Research Conducted By Adi, Waridin And Johanna In 2011 That Discussed The Policy Evaluation Subsidy Non-Fuel On Poverty In Indonesia, Also, Various Attempts Have Also Been Indonesian Government To Reduce Poverty That Occurred In Indonesia During This Time.

However, Due To The Lack Of The Evaluation Process Related To The Advantages And Disadvantages Of Each Of These Efforts Make The People Of Indonesia Can Feel The Implementation Less. Therefore, It Is Necessary To Do In-Depth Studies Related To Aspects That Have An Influence And Which Aspects Are Not Fixing Influential In Poverty In Indonesia. It Is Necessary That The Government Should Be More Focused To Optimize The Prominent Aspects Further To Alleviate Poverty In Indonesia From The Description Above, It Appears That Poverty Is Still A Big Problem In Indonesia And Have Not Found The Optimal Solution That Could Solve This Issue. Based On This, The Study Will Focus On The Analysis Of The Effect Of Government spending in the education sector, health sector, and subsidies on poverty levels in Indonesia.

2. LITERATURE REVIEW:

Poverty is a complex issue; it is a way of poverty reduction also requires precise analysis, involving all the components of the problem, and needed proper treatment strategies, sustainable and not temporary. Some variables can be used to track the issues of poverty, and of these variables produced a series of policy strategies targeted poverty alleviation and sustainable. From the dimensions of health, low quality of public health leads to poverty. From the economic aspect, the ownership of the means of production has limited, less mastery of technology, and poor skills seen as the underlying reasons why people become sick. Cultural and structural factors are also often seen as an important element that determines the level of prosperity and inequalities of society. There is nothing wrong with this approach, but it takes the integration of various factors causing poverty are very much with clear indicators so that poverty reduction policies are not temporary, but permanent and sustainable (Sahdan, 2004).

In many countries that have done programs in poverty alleviation is the relief of poverty or help directly to the poor, This approach has been part of the plan since medieval European society; assistance to the individual, namely the efforts undertaken to change the situation of the poor by individuals, including law, education, social work, job seekers; preparation for the weak, the efforts made to provide assistance to people who are categorized as poor, such as the elderly or individuals with a disability, or circumstances that make people sick, such as the need for health care (The World Bank, 2007).

The problem of poverty which is identical to the number of small public revenue should always be a priority in the development of a country. Although the issue of poverty will always arise because of the nature of poverty is relative, but when a country's experience and improvement of living standard, the standard of living will changed. Agenda for a country to overcome poverty associated with many factors related to what is caused poverty itself, because of the impact of poverty it will refer to the fundamentals is a prerequisite for the ongoing sustainable development of a country. The main problem of poverty is the ability of poor people to obtain services for their basic needs, such as the capacity to get health services and education. This is where the role of government through its spending, providing easier accessibility to poor people to obtain public services.

3. METHODOLOGY:

3.1. Empirical Methods

This study uses a quantitative approach in analyzing the effect of government spending The level of poverty in Indonesia. Variables Dependent utilized in the study This method the number of poor people in Indonesia (Poverty) in which these variables using Unit million. While the independent variables used is the amount of government spending in education (education), the amount of expenditure the government in the health sector (health), and government spending on subsidies (Subsidies) in which these three variables calculated in billion.

3.2. Data and Data Sources

The data used in this study a secondary information in the annual with a yearly time period of 2001. Through 2012. The data used cover data on poverty in Indonesia, government expenditure information in the field of education, in the field Health, and in the area of subsidies. Data were obtained from the budget and memorandum financial Ministry of Finance Indonesia as

government expenditure data areas of education, health, and spending subsidies, whereas poverty data obtained from BPS Indonesian part of the population.

3.3. Methods of Analysis

In this study used methods estimates an error correction model (ECM) and Ordinary Least Square (OLS) to analyze the influence government spending in education, health, and providing subsidies to the amount of Poor people in Indonesia. This model used because the data employed in the form of time series so with this model is expected to be describe the behavior of short-term and term the length of the variables that exist in This research. The primary model used is as follows:

$$KM_t = f(P_t, K_t, S_t) \dots\dots\dots (1)$$

Where:

KMT = number of poor people in Indonesia at the time t (million).

Pt = government expenditures on education at the time t (billion).

Kt = government expenditures on health at the time t (billion).

St = government spending on subsidies at the time t (billion).

Tables 1. Stationary Test Results

Variables	Rates Level		1 st Difference		2 st Difference	
	t-Statistic	p-Value	t-Statistic	p-Value	t-Statistic	p-Value
poverty	-0,039455	0.0089	-3.565	0.099809	-4,3345	0.1123
Education	0,401506	0,0766	-3.445	0.4545	-3.3566	0.34
Health	-1,120189	0.3343	-3.454	0.67	-2.098	0.56
Subsidy	-0,422940	0.3343	-4.565	0.8880	-1.098	0.788

The resulting models are consistent with the theory or not. Also, another reason to use ECM in this study are:

- ECM include consideration of the influence of the lag in the analysis so that the corresponding model applied in studies using time series data.
- The ability of ECM encompasses many variables in analyzing the phenomenon of short-term and long-term.
- This approach has been applied in Indonesia and can explain the experiences of the economy in Indonesia.²⁸
- The variation of the dependent variable in a given period studied is not determined by the variety of independent variables in the same period but also the change in the past and the future. With so a model that is consistent with this reality is a dynamic linear model.

4. ANALYSIS AND RESEARCH:

The first thing to do in this study was to test the stationary of the time series data is used. The stationary test using a test unit roots Augmented Dickey-Fuller test ADF. The test results ADF test unit can see sources in Table 4. Based on these charts, it appears that not all the variables stationary in levels, then verify the degree of integration of unity (1stDifference), The result of the first-level degree of integration shows that the three variables already stationary at 1stDifference to the level of 10 percent but a variable subsidy is not fixed, it is necessary to test the degree of integration of the second tier. The result of the level of integration both 2stDifference) and the results showed that all of the variables used in this study has been stationary.

The next step is to test the cointegration. The test results of cointegration between variables shown in Table. Based on cointegration test table above indicates that the variables used in the model are mutually cointegrated the critical value of 5 percent. Therefore, in this study can be utilized ECM estimation methods.

The next step is to estimate using ECM. Below are the results of data analysis of government spending on education, health, and subsidies on poverty reduction in Indonesia during the period 2001 to 2012. Testing individual regression coefficients (t-test) seen from the significance of the t-statistic. The t-test is to see the influence of the independent variable on the dependent variable individually (each). The parameters of a variable are said to have a significant impact if the value of t-statistic greater than t table or it can also see the t-statistic probability value smaller than alpha 1 percent, 5 percent or 10 percent. In this study, alpha used was 5 percent.

Based on the above test results show that the variables of education and health have a significant impact on poverty because the probability is smaller than alpha 5 percent and a variable subsidy does not a major impact on poverty due to the probability value is greater than alpha 5 percent.

Table 2. Analisis Data Value

Variable	Coefficient	t-Statistic	Prob.
C	38,41860	42,15816	0,0000
Pendidikan	-0,000137	-4,26563	0,0028
Kesehatan	0,000412	2,699265	0,0271
Subsidi	-5,61E-06	-0,767668	0,4647
R ²	0,896852	F-stat	23,18612
		Prob (F-stat)	0,000267

Government spending on subsidies has a coefficient -5,61E-06 with at-statistic -0.767668 and prob. 0.4647 indicates that these variables have a negative impact but not significant to poverty in Indonesia. These results show that the distribution of subsidies from the government to the people is not effective in reducing poverty. The purpose of the support is to ease the burden of the poor such as subsidies for fuel and electricity, but in fact, fuel and electricity subsidies mostly enjoyed by the upper-class society. This value happens because the people are middle to upper economic classes have more extensive facilities than the poor such as cars, motorcycles, and homes that consume electricity and fuel is greater.

Furthermore, F-test will be carried out against independent variables above. F-test was conducted to see the effect of independent variables on the dependent variable overall. If the value of the F-statistic greater than the value of F table or if the value of the F-statistic probability is smaller than alpha 5 percent means that together the variables included in the model significantly influence the dependent variable.

Meanwhile, when tested together, based on the above table it can be seen that the independent variable (government expenditure on education, health, and subsidies) jointly have a significant impact on poverty levels in Indonesia, which means that an increase and a reduction in the numbers poverty in Indonesia can be explained by using three independent variables. This is indicated by the F-statistic probability value (0.000267) smaller than alpha 5 percent.

5. CONCLUSIONS:

These papers aim to look at the impact of government spending on education, health, and spending subsidies on poverty levels in Indonesia. Because according to the government's objective that the expenditure in these areas is expected to reduce poverty in Indonesia. However, it turns out the results show some different results.

First, for the variable of government spending on education has a negative and significant impact on poverty. These results indicate that public expenditure on education has been targeted to help the poor obtain a proper education so that they can eventually improve their economic conditions.

Second, for the variable of government health spending has a positive and significant impact on poverty, which means that any increase in government expenditures on health will increase the number of poor people in Indonesia. This happens because of the disjointed public health improvement impoverished by the number of new jobs and by improving the poor health resulted in the birth rate is higher.

Third, government spending on subsidies variables have a negative impact but not significant, which means that the grant expenditure does not have a major impact on poverty reduction in Indonesia. Government grants are not spending significant impact on poverty alleviation that occurs due to improper target subsidies in the field. Community economic upper middle class was consuming more than the product of subsidized public services so that the poor people subsidies benefit only a significant impact for society middle to upper economic class.

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