Poverty Reduction in Regencies/Municipalities in South Sumatra Province

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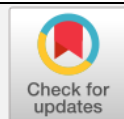Universitas Sriwijaya, 30662, South Sumatra Province, Indonesia
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ABSTRACT

Local Government expenditure is budgeting for all government needs and activities and managed under the authority of provinces, regencies, and municipalities through their respective regional heads. Well-targeted Local Government expenditure optimization has a significant impact on the regional economy. This research aims to determine poverty reduction in regencies/municipalities in South Sumatra Province, Indonesia, by examining the variable's impact of social assistance expenditure, capital expenditure, and local revenue on poverty. The data used are primary and secondary data obtained from 15 regencies/municipalities in South Sumatra Province during the 2010-2018 periods. The analysis technique uses in this research were Poverty Mapping with Klassen Typology and Multiple Linear Regression (MLR). Using the Klassen typology for poverty mapping in South Sumatra Province obtained four regional classifications (quadrant) based on poverty and economic growth: quadrant I (developed and fast-growing region), quadrant II (developed but depressed region), quadrant III (developing region), and quadrant IV (less developed region). The Klassen typology classification results: quadrant I include Palembang City, quadrant II includes Musi Banyuasin Regency, Muara Enim Regency, Ogan Komering Ilir Regency, and Banyuasin Regency. Quadrant III includes Ogan Komering Ulu Regency, Prabumulih City, and Lubuk Linggau City. Also, quadrant IV includes Lahat Regency, Musi Rawas Regency, Ogan Ilir Regency, Ogan Komering Ulu Timur Regency, Ogan Komering Ulu Selatan Regency, Empat Lawang Regency, and Pagar Alam City. The t-test regression results showed that

Social assistance expenditure and local revenue affect poverty reduction, while capital expenditure does not significantly affect poverty reduction. The F-test regression results showed that poverty reduction was affected simultaneously by social assistance expenditure, capital expenditure, and local revenue. Policies in social assistance expenditure and capital expenditure were not well-targeted. The policies expected to reduce poverty are to provide well-targeted social assistance expenditure and capital expenditure.

1. Introduction

Law of the Republic of Indonesia Number 23 of 2014 concerning Local Government describes the balancing fund transfer to regions, including General Allocation Fund, Special Allocation Funds, and Revenue Sharing Fund. Sourced from the National Budget, the difference in balance funds types lies in the funds' allocation. The General Allocation Fund aims to equal distribution of financial capacity among regions to fund regional needs in implementing decentralization. The Special Allocation Fund aims to fund regional special activities and under national priorities. The Revenue Sharing Fund aims to reduce the imbalance in financial capacity between the Central Government and Local Government (Wulandari et al., 2018).

Local Government revenues come from the Central Government (Balance Funds), local revenue, and other revenue. Local Government revenue aims to increase local independence and local economic development. Local Government revenue management policies are entirely under local head government authority (Delen et al., 2019; Yuliansyah et al., 2020).

Government management is decentralized, which means the Local Government's authority to manage and develop the region (Syari et al., 2017). The Local Government knows the potential and needs of the region in supporting development. The development process can be interpreted as a combination of social, economic, and institutional activities to improve human life quality. Das et al. (2018) explain that in the development process, there are three main objectives: 1) basic needs fulfillment, 2) an increase in living standards quality, such as income, employment, and education quality, and 3) economic capability to make choices in the community.

According to Arndt & Tarp (2016), development is a process of changing social structures, behavior, and institutions to make economic growth with equal income distribution and poverty reduction for society's welfare. The Local Government budget is a routine regional activity to fund government activities. If government needs are high, government expenditure needs will increase, and services to the community will be better (Junita et al., 2018).

Local Government expenditure optimization has a good impact on the economy. Local Government expenditure consists of 2 types: Direct Expenditure and Indirect Expenditure. Direct Expenditure consists of personnel, goods and services, and capital expenditure. Indirect expenditure consists of personnel, grants, social assistance expenditure, sharing expenditure for provincial/regency/municipalities, financial assistance expenditure for province/regency/municipalities and village governments, and unexpected expenditure

(United Nations Human Settlements Programme (UN-HABITAT), 2015; Korompot & Warongan, 2017; Nasution, 2017; Sijabat, 2017; Wakarmamu & Indrayono, 2019).

South Sumatra Province has natural resources, particularly in the mining sector (oil and coal), plantations (tea and coffee), and agriculture (rubber, oil palm, and rice). These natural resources are added value to the Gross Regional Domestic Product (GRDP). Compared with the GRDP value of all provinces in Sumatra Island, in 2010-2018, the GRDP of South Sumatra Province is ranked fifth (Katadata.co.id, 2019). The economic growth of South Sumatra Province tends to be high. However, the high economic growth value cannot prove that South Sumatra Province's poverty has reduced evenly.

Based on local autonomy and decentralization, South Sumatra Province has 13 regencies and four municipalities, which are required to manage their local budget. The Local Government expenditure amount depends on several influencing factors, which, if the Local Government appropriately manages these factors, will increase Local Government expenditure. Increasing Local Government Expenditure will increase local interests and significantly impact the economy and reduce poverty (Rohima, 2018). Local Government Expenditure in South Sumatra province as follows:

Table 1. Actual GRDP, Revenue, and Expenditure of Government of South Sumatra Province in 2013-2019

Year	Gross Regional Domestic Product (billion rupiahs)	Local Government Revenue (thousand rupiahs)	Local Government Expenditure (thousand rupiahs)
2013	280,348.46	5,468,139,691.03	5,678,703,610.53
2014	306,421.60	6,252,136,312,52	5,781,570,143.91
2015	331,765.70	5,869,535,074.63	5,169,621,852,82
2016	353,866.90	6,582,780,929.68	4,962,572,330.78
2017	382,885.70	8,195,968,131.80	6,409,382,404.46
2018	419,723.51	9,141,371,395.10	7,941,143,670.10

Source: Badan Pusat Statistik Provinsi Sumatera Selatan (2016, 2019)

The Gross Regional Domestic Product (GRDP) depends on local revenue and Local Government expenditure (Syari et al., 2017; Anita & Apriliano, 2017). The allocation of personnel, goods and services and capital expenditures can encourage economic development to increase local independence and optimize local potential to achieve a prosperous society (Susetyo et al., 2018). If the local economic growth is high, it means that local revenue continues to grow to reduce poverty and improve the community's welfare (Akhmad et al., 2018).

Poverty is a significant problem for South Sumatra Province. In 2018, the number of poor people in South Sumatra Province was 1.068 million or 12.80% of the total population and was the seventh-highest number of poor people in Indonesia. Musi Rawas Utara Regency had the highest percentage of poor people at 19.12%, while Pagar Alam City had the lowest percentage of poor people at 8.77% (Badan Pusat Statistik Provinsi Sumatera Selatan, 2019).

One of the efforts made to reduce poverty is to transfer funds from the Central or Local Government to the community to increase economic capacity and increase each region's social welfare. The amount of transfer funds provided by the government each year is not the same, according to the community's needs and the circumstances in a region. Transfer of funds is also known as Social Funds. In 2018, Ogan Komering Ilir Regency had the highest realized social

assistance budget, with 54.5 billion rupiahs for 495,460 beneficiary families. Meanwhile, Ogan Komering Ulu has the lowest realized social assistance budget, with 1.3 billion rupiahs for 11,866 beneficiary families (Badan Pusat Statistik Provinsi Sumatera Selatan, 2019).

Studies on poverty reduction in South Sumatra Province were still limited. The previous studies only discuss development progress on poverty, without further examining poverty reduction in each region. Therefore, this current research aims to examine poverty reduction in regencies/municipalities in South Sumatra Province. Besides, with this research, it is hoped that the government can distribute well-targeted social assistance expenditure and capital expenditure to impoverished people.

2. Literature Review
2.1. The Theory of Government Expenditure

Adolf Wagner stated that government expenditure and government activities are increasing. Wagner measured government expenditure ratio on the national product in the European countries, the United States, and Japan in the 19th century. The result showed that government activity in the economy is experiencing an increasing trend. Wagner calls this trend "law of ever increasing state activity" (Mangkoesoebroto, 2002 as cited in Azwar, 2016). Furthermore, the law is formulated as follows:

$$\frac{GpCt}{YpCt} > \frac{(GpCt-1)}{(YpCt-1)} > \frac{(GpCt-2)}{(YpCt-2)} > \frac{(GpCt-n)}{(YpCt-n)} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(1)$$

Information:
GpC = government expenditure per capita
YpC = per capita income
t = time

The essence of the law means that government activities will cause market failures and externalities. Then Wagner concluded that economic growth would lead to a complicated relationship between industry and industry, and between industry and the community, leading to more significant market failure and negative externalities.

2.2. Social Assistance Expenditure

Some of the criteria for allocating social assistance expenditure in the Local Government Budget (Kementerian Keuangan Republik Indonesia, 2014; Idris et al., 2019), as follows:
1) Social assistance expenditure is not distributed continuously in every fiscal year. Social assistance expenditure is distributed selectively to the beneficiary, and there are clear rules regarding its use.
2) The Local Government can allocate budget assistance in the form of money if the Local Government has completed the minimum service standards as regulated in the law to implement the Local Government budget function as an instrument of justice and equity to improve services and community welfare.
3) There are budgeted political parties' assistance for social assistance expenditure, which is given based on law.

The use of social assistance expenditure emphasized to improve the community's economic capacity and the social welfare of the community in each region. The amount of transfer funds

provided by the government each year is not the same and follows the community's needs and the regions.

2.3. Capital Expenditure

Expenditures aim to increase local assets or wealth, and then expenditures are used routinely for maintenance costs, including general administrative expenditures called capital expenditure (Susetyo et al., 2018). Expenditure made by the government, which produces certain fixed assets, is also referred to as capital expenditure (Triyanto et al., 2017). Local Government reports each capital expenditure into the Local Government budget realization report for one fiscal year.

Capital Expenditure is the Local Government expenditure to increase government fixed assets such as buildings, equipment, and other infrastructure, which have an essential role in the long term to provide services to the community (Widianto et al., 2015).

2.4. Local Revenue

Local revenue comes from local taxes, local retribution, profits from local state-owned enterprises, and other revenue. Although the Local Government receives revenue sources outside their local revenue, the local revenue plays a significant role in local finance to become the primary foundation for local autonomy and development (Nilawati, 2019; Lestari & Utama, 2019).

3. Research Methodology
3.1. Population and Sample

This research uses quantitative research methods with Klassen Typology and Multiple Linear Regression (MLR). This research was conducted from January to December 2019. Panel data were 405 data consisting of primary and secondary data on variables of local revenue, social assistance expenditure, and capital expenditure in 15 regencies/municipalities in South Sumatra Province. Then the time series data starts from 2010 to 2018.

3.2. Klassen Typology

Poverty characterizes the development of an area, either in a province, regency, or municipality. Classification of poverty levels in Klassen typology as follows:

Table 2. Klassen Typology

PE (y) / IPM (r)	(y1 > y)	(y1 < y)
(r1 > r)	**Quadrant I** Developed and fast-growing region	**Quadrant III** Developing region
(r1 < r)	**Quadrant II** Developed but depressed region	**Quadrant IV** Less developed region

Source: Sjafrizal (2012); Kuncoro (2018)

Information:

r1   =   regency/municipality poor population

r   = average regency/municipality poor population
y1   = regency/municipality economic growth
y   = average regency/municipality economic growth

This typology classification analysis aims to determine poverty's criteria in 15 regencies/municipalities with regency/municipality average poverty during the research period. If the poverty indicator of a region is higher than the average poverty of all regencies/municipalities in South Sumatra Province, that region has a high poverty indicator. On the other hand, if the poverty indicator of a region is lower than the average poverty of all regencies/municipalities in South Sumatra Province, that region has a low poverty indicator. So that the characteristics of impoverished regions in South Sumatra Province are divided into four (Sjafrizal, 2012; Kuncoro, 2018), as follows:
1) Developed and fast-growing region, a region with high economic growth and low poverty.
2) Developed but depressed region, a region with high economic growth but high poverty rate.
3) Developing region, a region with low poverty level but high economic growth.
4) Less developed region, a region with low economic growth and high poverty level.

3.3. Regression Model
Panel data regression analysis aims to identify the effects of social assistance expenditure, capital expenditure, and local revenue on the poverty of regencies/municipalities in South Sumatra Province in 2010-2018. The regression model is as follows:

$$Pov_{it} = \beta_o + \beta_1 SE_{it} + \beta_2 CE_{it} + \beta_3 LGR_{it} + \varepsilon_{it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (2)$$

Information:
Pov_{it}	=	poverty (percent)
β_o	=	constant
$\beta_o, \beta_1, \beta_2, \beta_3$	=	coefficient of poverty, social assistance expenditure, capital expenditure, and local revenue
SAE_{it}	=	social assistance expenditure
CE_{it}	=	capital expenditure
LGR_{it}	=	local revenue
ε_{it}	=	error
i	=	cross section
t	=	time series

4. Results and Discussion
4.1. Klassen Typology Analysis
South Sumatra Province is a province with many natural resources from the mining, plantation, and agriculture sectors. The added value of each sector will add to the Gross Regional Domestic Product (GRDP) figure. GRDP per capita in South Sumatra Province in 2018 reached a value of 50.1 million rupiahs and was ranked fifth nationally. Changes in the GRDP value of a region compared to the previous year illustrate its economic growth (Katadata.co.id, 2019).

The economic growth of South Sumatra Province during the period 2016-2018 shows a fluctuating value. In 2018 it reached a value of 6.04 percent. This figure is greater than the

average national economic growth in 2018, which only reached 5.17 percent. In 2017 and 2018, the achievements of economic growth in South Sumatra Province were greater than national economic growth achievements in the same period (Bisnis.com, 2019).

Allocation of local government budget figured in routine expenditure and development expenditure to develop the region. Then these expenditures are reported in the local budget. The items contained in the local budget consist of routine expenditure to funds government activities. Provincial, Regency or Municipality Governments have the authority to use Local Expenditure. The requirement for the optimization of Local Expenditure is that it can impact local economic development.

Table 3. Klassen Typology Classification

Regency/Municipality	Human Development Index	Economic Growth	Quadrant
Lahat	65.54 <	8958.5 <	IV
Musi Banyuasin	65.75 <	34717.3 >	II
Musi Rawas	63.53 <	9595.1 <	IV
Muara Enim	65.8 <	24438.5 >	II
Ogan Komering Ilir	64.82 <	13524.2 >	II
Ogan Komering Ulu	67.27 >	7246.6 <	III
Banyuasin	64.22 <	14084.1 >	II
Ogan Ilir	64.95 <	5109.4 <	IV
OKU Timur	66.63 <	6999 <	IV
OKU Selatan	63.44 <	3982.4 <	IV
Empat Lawang	63.87 <	2566.6 <	IV
Palembang	75.5 >	66408.8 >	I
Prabumulih	72.17 >	3633.7 <	III
Pagar Alam	65.96 <	1628.5 <	IV
Lubuk Linggau	72.05 >	2907.3<	III
Average	**66.76**	**12538.9**	

Source: processed data (2019)

Provincial, Regency or Municipality Governments have the authority to use local expenditure. The requirement for the optimization of local expenditure is that it can impact local economic development. The results of the typology classification of the South Sumatra Province obtained four regional groupings (quadrant) based on poverty and economic growth, as follows:

1) Quadrant I (developed and fast-growing region). The region included in quadrant one is Palembang City because it is the capital of South Sumatra Province, the center of economic activity.

2) Quadrant II (developed but depressed region with high poverty and high economic growth). The regions included in quadrant two are Musi Banyuasin Regency, Muara Enim Regency, Ogan Komering Ilir Regency, and Banyuasin Regency.

   Musi Banyuasin Regency is one of the contributing regions for oil mining products in South Sumatra Province. Meanwhile, Muara Enim, Ogan Komering Ilir, and Banyuasin regency produce oil palm and rubber farming areas. Palm and rubber processing factories can provide jobs for the people.

3) Quadrant III (developing region with low poverty level). The regions included in quadrant three are Ogan Komering Ulu Regency, Prabumulih City, and Lubuk Linggau City. Prabumulih City and Lubuk Linggau City are expansion regions that have many natural resources. The primary natural resources in Prabumulih City are oil, palm oil, and rubber. Meanwhile, Lubuk Linggau City and Ogan Komering Ulu Regency have many natural resources in rubber, palm oil, and agricultural products.

4) Quadrant IV (less developed region with high poverty rate and low economic growth). The regions included in quadrant four are Lahat Regency, Musi Rawas Regency, Ogan Ilir Regency, Ogan Komering Ulu Timur Regency, Ogan Komering Ulu Selatan Regency, Empat Lawang Regency, and Pagar Alam City. Lahat Regency and Pagar Alam City have many natural resources in plantation products (tea and coffee) but require downstream product programs and adequate road access. Likewise, Empat Lawang Regency takes about 8 hours to carry out economic mobility, thus hampering economic activity in that region. Ogan Ilir Regency's less progress because the community has not received the economic growth programs. Ogan Komering Ulu Timur Regency and Ogan Komering Ulu Selatan Regency are new expansion regions and still improving development. Less development in quadrant four' regions due to people's skeptical mindset on migrant people and government development programs.

4.2. Statistical Analysis

The selection of the best panel data estimation model used in the analysis refers to the Chow test and the Hausman test. The Chow test determines whether the analysis will use the Common Effect or Fixed Effect. In contrast, the Hausman test determines whether the analysis will use a Fixed Effect or a Random Effect.

Table 4. The Chow Test Result

Redundant Fixed Effects Tests
Pool: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	41.683725	(14,132)	0.0000
Cross-section Chi-square	253.542077	14	0.0000

Source: processed data (2019)

The probability value of 0.00, which means less than $\alpha = 0.05$. Then H0 is rejected, which shows that the panel data estimation model used is the Fixed Effect model, which is better than the Common Effect model.

Table 5. The Hausman Test Result

Correlated Random Effects - Hausman Test
Pool: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.782868	3	0.0323

Source: processed data (2019)

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The probability value of 0.0323 means less than 0.05. Thus, statistically, H0 is rejected, and H1 is accepted, so the panel data estimation model used is the Fixed Effect model, which is better than the Random Effect model. Based on the test results using the Chow test and the Hausman test, both probability values are smaller than the significance level of 0.05, so this research uses the Fixed Effect model.

Table 6. Fixed Effect Regression Model

Dependent Variable: Pov?
Method: Pooled Least Squares
Date: 09/10/19   Time: 07:49
Sample: 2008 2017
Included observations: 10
Cross-sections included: 15
Total pool (balanced) observations: 150

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	15.75050	4.490734	3.507332	0.0006
LNSAE?	0.309322	0.080020	3.865581	0.0002
LNCE?	0.559765	0.343475	1.629714	0.1055
LNLOCALLY_GENERATED REVENUE?	-1.017792	0.200355	-5.079951	0.0000
Fixed Effects (Cross)				
_LAHAT--C	4.906372			
_MUBA—C	5.104178			
_MURA—C	3.994148			
_ME—C	0.799268			
_OKI—C	1.707452			
_OKU—C	-1.433867			
_BA—C	-1.913108			
_OI—C	-0.327272			
_OKUT—C	-4.427601			
_OKUS—C	-3.203717			
_EL—C	-0.921154			
_PAL—C	1.296510			
_PBM—C	-1.569226			
_PGA—C	-4.751256			
_LLG—C	0.739272			

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.859763	Mean dependent var	14.12247
Adjusted R-squared	0.841703	S.D. dependent var	3.222711
S.E. of regression	1.282207	Akaike info criterion	3.447210
Sum squared resid	217.0154	Schwarz criterion	3.808486
Log likelihood	-240.5408	Hannan-Quinn criter.	3.593985
F-statistic	47.60389	Durbin-Watson stat	0.897886
Prob(F-statistic)	0.000000		

Source: processed data (2019)

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Based on the results of data processing in **Table 6**, the regression equation model is as follows:

Pov   = 15.75050   + 0.309322 + 0.559765 – 1.017792 ……………………… (2.1)
Std. Error   = (4.490743) (0.080020) (0.343475) (0.200355)
t-Statistic   = (3.507332) (3.865581) (1.629714) (-5.079951)
F-Statistic   = 47.60389
R-Square   = 0.859763

The regression results between the variables of social assistance expenditure and poverty of regency/municipality in South Sumatra Province showed that the t value of 3.8655 > 1.65622, H0 is rejected. It means that when social assistance expenditure increases by 0.3 percent, it can reduce poverty of regency/municipality in the South Sumatra Province by 0.3 percent.

Meanwhile, the capital expenditure showed that the value of the t-Statistic 1.629714 < 1.65622, then H1 is rejected. It means that capital expenditure has no significant effect on poverty reduction in regencies/municipalities in South Sumatra Province.

Local revenue has a value of t-Statistic and t-table of 5.0799 > 1.6730, H1 is accepted, and H0 is rejected. It means that local revenue has a negative effect on poverty reduction in regencies/municipalities in South Sumatra Province. When local revenue increases by 1 percent, it reduces poverty by 1 percent.

When tested simultaneously between the variables of social assistance expenditure, capital expenditure, and local revenue on poverty reduction, the F-Statistic and F-table results are 22.9430 > 2.67. Based on the hypothesis test, this research rejects H0 and accepts H1, which means social assistance expenditure, capital expenditure, and local revenue affects poverty reduction.

This independent variable's effect value is based on the determinant coefficient value (R-Square) by 0.859763. It means that social assistance expenditure, capital expenditure, and local revenue affect 85.9763% of poverty reduction, while 14.0237% is explained by other variables not included in the regression model.

4.3. Poverty Reduction Analysis by Regency/Municipality in South Sumatra Province

Poverty is the inability to meet the minimum standard of living. Apart from that, it related to low income, low standard of living, inadequate housing to live in, poor health, and low education levels, which ultimately make human resources unqualified, thereby increasing unemployment (Felix, 2011; Ismail & Hakim, 2014).

If the social assistance expenditure, capital expenditure, and local revenue increase by 1 percent, it will reduce poverty by 1 percent in 15 regencies/municipalities in South Sumatra Province. These results are in line with the theory of government expenditure impacting poverty, which shows that if there is an increase in government expenditure, it will reduce poverty (Todaro & Smith, 2015).

Anwar (2017) and Sasti & Latrini (2019) state that the tools used to reduce poverty, directly and indirectly, can use government expenditure in the form of social assistance expenditure, capital expenditure, and other economic development. Omodero (2019) argues that government expenditure and the human development index can reduce poverty levels using panel data analysis, CGE models, and cross-section analysis.

The Local Government's authority in maximizing local resources' potential into local revenue is the essence of local autonomy implementation. Although sometimes, there is still a very high dependency on social assistance expenditure and capital expenditure, including the

findings obtained through this research.

The realization of social assistance expenditure budgets in 15 regencies/municipalities in South Sumatra Province, based on field interviews, has still not reduced poverty. It indicates the inability of the 15 Local Governments to improve living standards. Moreover, not well-targeted poverty reduction programs such as social assistance expenditure to community groups that are not in the poverty indicators have increased the number of poverty and widened the poverty gap.

The same implications also apply to capital expenditure. Field interview results showed that capital expenditure does not affect partially in reducing poverty. According to Widianto et al. (2015), capital expenditure's direct effect is the benefits of expenditure on work and welfare programs. Meanwhile, the indirect effect is the benefits when the government invests in infrastructure caused encourage economic growth. The higher economic activity allows poor people to increase income. The relationship between capital expenditure and poverty is a stimulus for economic growth, employment opportunities, and wages.

An increase in capital expenditure will increase economic activity, increase labor demand, boost labor productivity, and create high aggregate demand. The results of this current research are in line with the research of Triyanto et al. (2017), Badrudin & Kuncorojati (2017), Suratno & Ardita (2018), and Sasti & Latrini (2019), showed that capital expenditure affects the Human Development Index (HDI).

Moreover, partially, the local revenue variable still has a significant and negative effect on regencies/municipalities' poverty level in South Sumatra Province. Local revenue and poverty have a negative relationship if the increased local revenue can reduce poverty. In this position of results, the research results are still relevant to previous theories and research.

According to Mun'im (2012), Adiguno et al. (2014), and Ludi & Bird (2007), the main problem of poverty is accessibility, which means people's ability to get their basic needs, which are their rights as humans and citizens. Access that cannot be obtained by the poor people includes:

1) decent food
2) proper clothing.
3) liveable home
4) adequate health services
5) educational services
6) leisure and entertainment
7) decent quality of life

To reduce poverty, the government is obliged to increase capital expenditure in human development, either in education, health, or other public services, including economic sector activities. Increased social assistance expenditure and capital expenditure affect improving education, health, infrastructure, and employment opportunities, boost labor productivity, increase people's income, and reduce poverty.

5. Conclusion

Based on the Klassen typology results, Lahat Regency, Musi Rawas Regency, Ogan Ilir Regency, Ogan Komering Ulu Timur Regency, Ogan Komering Ulu Selatan Regency, Empat Lawang Regency, and Pagar Alam City are the less developed regions with high poverty rates and low economic growth.

Social assistance expenditure, capital expenditure, and local Revenue have different effects

on poverty. Based on the t-test regression results, social assistance expenditure positively affects poverty, and local revenue negatively affects poverty. Capital expenditure does not affect poverty. The F-test's regression results showed that poverty reduction is simultaneously affected by social assistance expenditure, capital expenditure, and local revenue.

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7. Declaration of Conflicting Interests

The authors have declared no potential conflicts of interest concerning the research, authorship, and/or publication of this article.

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