

The Impact of People's Business Credit Program, Minimum Wage, and Investment on Indonesian Poverty

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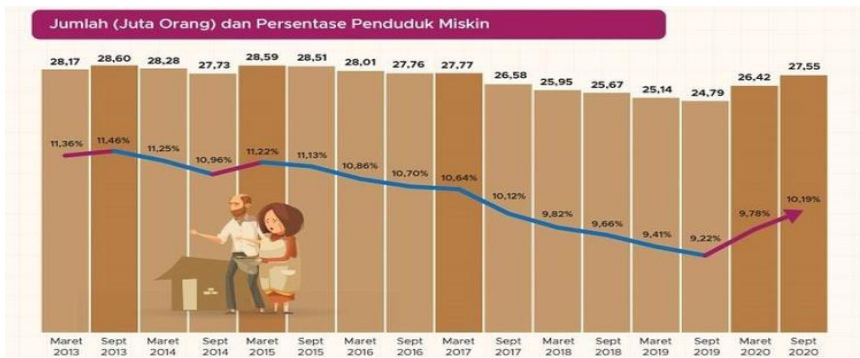
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Poverty is one of the serious problems inhibiting the national development process in Indonesia. It is usually measured for a person using the benchmarked poverty line with the values observed to be different between regions. This means some areas have a high poverty line while some have a low poverty line and this further influences the poverty rate in the country. Therefore, this survey was conducted to determine the impact of People's Business Credit (KUR), State Minimum Wage (UMP) and investment on Indonesian poverty. Processes involving the use of secondary data over the period 2016-2021 analyzed by multiple regression analysis using a panel data approach and E-views. The results showed that KUR and investment do not have a significant influence while UM has a significant effect on poverty alleviation .

Keywords: people's business credit, state minimum wage, investment, poverty

The phenomenon of poverty has been prevailing for a long time and is reported to be one of the fundamental problems usually focused on by the governments in different countries (Tubaka, 2019). This is usually caused by several factors, including B. Low economic growth, health, and education (Efendi et al., 2019). Several efforts have been made to overcome poverty but the problems have proved difficult to solve. This was further confirmed by the World Bank as quoted from katadata.co.id (Victoria, 2020) that the COVID-19 pandemic has driven 71 million people into extreme poverty, based on an international poverty line of \$ 1.9 a day. Almost every leader in Indonesia up to the present dispensation has been faced with the issue of poverty and this means it has become a phenomenal problem in the country's history. It is one of the factors hindering national development without any significant solution up to the present time. Some of the factors observed to be causing poverty in Indonesia and which are often ignored include lack of honing or human resource skills which reduces the competitiveness of individuals in the labor market, increased unemployment, inability to manage available natural resources, narrow employment opportunities, foreign management of industries and several others. Meanwhile, the country has been discovered to be focused on improving the welfare of its citizens with most observed to be living below the poverty line which ranges from high to low depending on the region.

According to Badan Pusat Statistik (BPS) (2021), The average monthly consumer spending per capita by Indonesians is below the poverty line. This is equivalent to 2,100 kcal per person per day, which is a basic non-food demand. According to BPS, from 2013 to September 2020, Indonesia's poverty rate increased in number and proportion. The information retrieved from the September 2020 National Economic Survey quoted from BPS.com (2021) also showed that the proportion of the poor increased to 10.19% in September 2020, 0.41% in March 2020, and 0.97% in September 2019. The number of poor people in the country in September 2020 is also estimated to be 27.55 million, up from 1.13 million in March 2020 and 2.76 million in September 2019 as indicated in Figure 1.



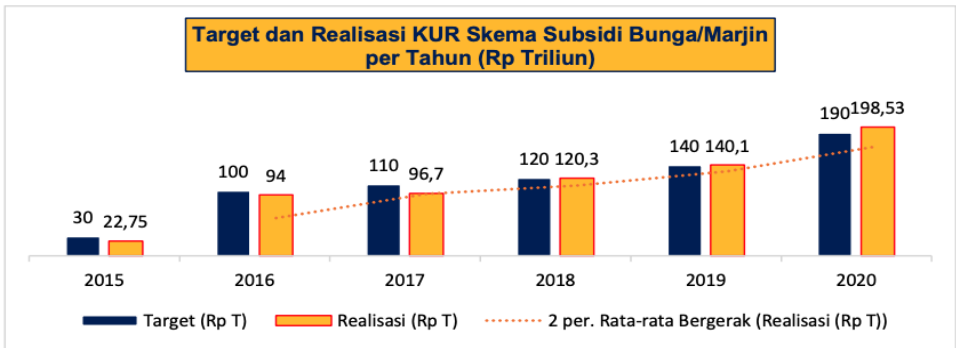
Source: Official News OF BPS Statistics

Figure 1: *Indonesia's Poverty Profile*

Governments can use this data as a resource for developing poverty alleviation policies. In addition, at the central, state, district or city level of the country, some efforts have been made to reduce poverty. This is indicated by a cluster of four groups or programs: 1) A support program to fulfill the group's basic rights of a family-based integrated society. 2) Community-level poverty reduction program group. Based on the principles of community empowerment, it aims to increase the likelihood and capacity of poor people to participate in development. 3) An empowerment-based micro and SME poverty alleviation program group aimed at strengthening micro and SME access and strengthening the economy. 4) Other programs can directly or indirectly improve economic activity and the welfare of the poor (Hermawati, 2018). However, Indonesia's poverty alleviation program adopts a social assistance approach. Indonesia's history has documented some of the alleviation of poverty through a social welfare approach. Social assistance in the form of social protection, social security, social empowerment, social rehabilitation and basic services (Diana & Seprina, 2019).

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An example of a social aid approach to poverty reduction is People's Business Credit (KUR), a program within the Small Business Empowerment (Cluster 3) -based Poverty Reduction Program Group. Moreover, Damayanti and Adam (2015), Similar to Iztiyar (2018b), The Indonesian government has shown that it is making efforts to properly shift the sector through the UMKM sector, which is making a significant contribution to the national economy. UMKM is dominated by micro enterprises, with micro enterprises accounting for about 98.68%, estimated labor absorption capacity of 89% and GDP contribution of only 37.8%. These micro enterprises are also the first to meet the most important needs of the community, with high turnover and using domestic production processes. As a result, the government has taken various measures such as interest replenishment of loans, credit restructuring, provision of working capital guarantees, and tax incentives. It is important to note that KUR is normally used to provide interest subsidies to strengthen UMKM and Rp. 670.5 trillion with an outstanding of Rp. 231.2 trillion and NPL is 0.46% NPL were reported to have been distributed from August 2015 to December 31, 2020. Moreover, the distribution reaches 100% or even more almost every year through the cooperation of all KUR stakeholders. This indicates the commitment of the government to assist the continuous growth of UMKM to ensure they become the "sokoguru" of the Indonesian economy (kur.ekon.go.id). The targets and realizations of KUR from 2015 to 2020 are presented in the following figure 2.



Source: Data of the Financing Policy Committee for UMKM

Figure 2: *Target and Realization of KUR 2015-2020*

The figure shows that the target set to be achieved in the KUR program was 190 T while the realization was 198.53 T with the ultimate aim of reducing poverty. It was discovered by Gustika (2016) that KUR has a positive impact on the income of those who run small and medium-sized enterprises (UKM) and this was further confirmed by Iztiyar (2018) as indicated by increase the number of UMKMs, their workforce and production, and the region's Gross Domestic Product (PDRB), thereby reducing poverty. In fact, with the existence of the People's Business Credit (KUR) program from the government, which is considered in the implementation of poverty reduction programs, it is hoped that it will be able to increase the ability and human capital and social capital of the poor. One example is the importance of efforts to help the poor in starting small (micro) businesses that are expected to increase their productivity and income. Indonesian SMEs (MSMEs), which have the potential to contribute to economic growth, are the largest number of

entities in Indonesia. The government program, People's Business Credit (KUR), is expected to become one of the pillars of MSME capital later. According to the theory of poverty circles, the existence of funds (KURs) can lower poverty levels, but in reality the distribution of KURs is increasing, but it does not guarantee the number of poor people, so KURs. The program is not effective decrease.

The other poverty alleviation programs implemented have taken a production approach reflected in the Minimum Wage Policy (UM) aimed at giving each region the freedom to set UMP/UMR (state/region minimum wage) levels. It was based. This is necessary to protect businesses and simultaneously maintain continuity of work for employees during the economic challenging period in Indonesia. It is important to note that the welfare of a community depends on the income obtained through wages by the residents. This means that increased income can have a positive impact on people's well-being and vice versa (Ningrum, 2017). Furthermore, the assessment of the government showed that several companies were affected by the pandemic and have difficulty in fulfilling workers' rights including the payment of wages. This led to the formulation and implementation of the UM policy as one of the national strategic programs to reduce poverty and promote Indonesia's economic progress through fair and competitive wages (Handoyo, 2021). Moreover, the Minister of Manpower (Menaker) Ida Fauziyah announced that the simulation of the 2022 UMP average increase based on Government Regulation No. 36 of 2021 concerning wages led to a 1.09% increase (Sandi, 2021). The 3 simulated scenarios for the increment in UMP for 2022 are presented in the following figure.



Source: Ministry of Manpower

Figure 3: Increase in UMP

The figure shows that almost all the provinces experienced an increase in the UMP and this is expected to reduce poverty rates in the country. This is in line with the previous findings of Sutikno et al., (2019) and Faizin (2021) that UM has a significant effect on poverty rates. Family income significantly determines household poverty (Edem et al., 2020). Wage fixing policy the minimum by the government is a policy implemented with the aim of as a safety net for workers or laborers so as not to be extrapolated in working and earning wages that can meet the needs of life minimum (KHM). If the minimum needs of life can be met, then the welfare of workers improves and is free from the problem of poverty. However, although minimum wages are raised each year in some regions, the minimum wage setting is still relatively low, as the minimum wage setting is still below the proper standard of living (KHL).

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Another program resulting from poverty reduction is investment, which is defined as the mobilization of resources to generate or increase future capacity or income. It is important to note that the active participation of all skilled workers in the economy can increase the production of goods and services in order to promote further economic growth. Investment is a strong link between economic growth and poverty alleviation (Ruranga et al., 2012). This was further confirmed by Pateda et al., (2017) that investment influences the level of poverty. Another study by Pratama and Utama (2019) also showed that one of the factors with the ability to reduce the poverty rate is an investment due to its positive relationship with the improvement of people's welfare. Therefore, the more people invest, the more jobs will be created, the lower the unemployment rate and the lower the poverty rate. But in reality, investment has a negative impact on Indonesia's poverty, but it has a trivial impact.

Based on the above thoughts, it is known that the Indonesian government realizes that poverty is not an easy problem to overcome, not a difficult thing to strive for. However, these programs are expected to be able to alleviate national poverty. The author considers that although the government has implemented these three programs in solving poverty, the reality is that the results obtained have not been optimal in solving poverty in Indonesia. , Habibah, Ghofur, Anggraeni and Malik (2020) said that the poverty rate of the Indonesian population has not decreased significantly from year to year. Therefore, the poverty rate in Indonesia still needs more attention from the Indonesian Government (Murdiyana & Mulyana, 2017).

Therefore, the author looks at this to find out how people's business loan programs work, minimum wage, and investment affect it is necessary to conduct a more detailed research study. Therefore, the author is interested in raising the title of "**The Effect of People's Business Credit Program, Minimum Wage, and Investment on Poverty in Indonesia**".

Literature Review

Poverty Circle Theory

The poverty circle paradigm is a picture of an infinite causal relationship between income, poverty, savings, and investment. It shows that a low domestic income obtained due to low productivity usually increases poverty. This causes the level of domestic savings to be low which also leads to a low level of domestic investment, and subsequently lack of capital in an area. This can lead to lower domestic productivity, lower domestic income, and a virtuous cycle of poverty.

Ragnar Nurkse (1953) in Kuncoro (2004) argued that a poor country is poor because its poverty has no end which means such a country has nothing and this makes it suffer from poverty. According to Cambers (1983), poverty is understood as a state of lack of money and supplies to ensure survival, but the concept is 1) poverty, 2) helplessness, 3) vulnerability to emergencies, 4) dependence, and 5) alienation. Sociology is comprehensively explained along with five aspects, including the ones that are alienated. Poverty is a measure of both ordinal and cardinal welfare (Sen, 1976) and a more complex concept was introduced by Sen (1999) using a more complex approach in the form of its basic capabilities. This led to its continuous evolution from a utility approach to the definition based on the loss of income, food, shelter, employment opportunities, physical aspects, and productive resources. Meanwhile, it is expressed as

the inability to access clean drinking water, health facilities, risks in life, uncertainty about the future, and loss of voting rights.

Kuncoro (2004) states that poverty can be caused by 1) Unequal resource ownership patterns leading to unequal distribution of income, and 2) disparities in the quality of human resources that lead to lower productivity and profits. Was shown. This is usually associated with a low level of education. 3) Differences in access to capital. These three reasons underlie the virtuous cycle of poverty.

Poverty can also be caused by corrupt government practices as well as low law enforcement and government accountability. This is indicated by the findings that corruption has an indirect effect on poverty due to its reduction of the government's ability to develop programs related to poverty reduction. Another study also showed that the damage to social and human conditions is the main source of poverty (Triesman, 2002).

It is important to note that poverty includes access to the economy and wealth as well as political, socio-cultural and psychological aspects. It has been observed that these dimensions are interrelated and intertwined (Ravallion & Galasso, 2005). The characteristics of poverty are (1) lack of access to the decision-making process regarding their lives (politics), (2) exclusion from the major existing institutions (society) of society, and (3) quality. Health, low income (economy) education and skills, including low human resources (SDM), (4) low labor ethics, short-term thinking, and a culture of low-quality human resources such as deadly (culture / value) Confined, (5) low ownership of physical assets, including environmental assets such as clean and clear water. It has been discovered that these conditions can make it impossible to meet basic human needs such as clothing, food, housing, affection, safety, innovation, freedom, participation and leisure.

People's Business Credit (KUR)

There is a significant need for the role of government in poverty alleviation concerning the allocation, distribution, and stabilization of resources and this is necessary to achieve the development goal of reducing poverty. Moreover, the budget issued can be used for this purpose and several other development problems. This was confirmed by Hasibuan (2005) that There is a negative correlation between household income and number of poor, which means that an increase in household income tends to lead to a significant decline in the poverty rate. It is important to note that budgets are usually allocated for short-term and long-term poverty alleviation programs. The findings of Hasibuan were further amplified by Alawi (2006) that facts explain that the funds allocated to improve the economic capabilities of the people are negatively correlated with the severity of poverty.

As a result, the government implemented KUR and promoted increased access to formal adult financial services in Indonesia (Damayanti & Adam, 2015; Iztiyar, 2018; Saleh, 2015). It is expected to assist in reducing the poverty rate and ensuring economic growth is more evenly distributed through the transfer of the real sector through the UMKM (Micro, Small, and Medium Enterprises) sector. KUR loans were designed to provide financial access to UMKM that do not have sufficient collateral and require capital by the provisions. They are credit programs created by the government to reduce the intensity required by the borrowers to repay loans (Suryani, 2018).

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These changes focused on various aspects such as extended distribution schemes, recipient coverage, and channeling agencies. Moreover, local governments were promoted to participate actively in optimizing the distribution process (Aristanto, 2019) and this was observed to have led to changes and dynamics in the process of implementing the KUR program. KUR is a small business cooperative (UMKM-K) credit or financing support through working capital and investment backed by guarantee facilities to ensure a productive business. It was launched by the government, but the funds were completely withdrawn from the bank. KUR is expected to stimulate business actors to increase their business activities towards enhancing the productivity in the real sector as well as an increment in added value which can later be used as a component of Gross Regional Domestic Product (PDRB). Previous studies have found that the distribution of KUR funds has had a significant positive effect on Indonesian PDRB. Because we also need money to maintain our business and cover the needs of our production processes.

Minimum Wage (UM)

Government Regulation of Indonesia Number 78 of 2015 concerning Wages divides UM into (a) provincial, (b) district/city; (c) provincial sectoral, and (d) district/city sectoral UM. These wages are usually determined by the governor as the regional head based on the need to ensure decent living for workers as well as to enhance productivity and economic growth. Decent Living Needs (KHL) is the standard requirement for a single worker to have the ability to live a decent life for one month. Meanwhile, Sukirno (2005) differentiated nominal and real wages by defining nominal wage as the amount workers receive from employers as payment for the mental and physical labor used in the production process, while real wage was explained as the wage level of workers measured based on its ability to buy goods and services needed to meet their needs.

An entrepreneur normally uses the factors of production to ensure receiving or is rewarded based on the amount of value-added to the marginal product to maximize profits. This means workers are employed in such a way that the added value of each person to the marginal output is equal to the wages received or the level of wages paid by the entrepreneur (Hirshleifer, 1984). The previous study by Doucouliagos and Stanley (2009) showed that an increase in UM led to a reduction in employment by a comparable value, specifically for the workforce from a young age. Moreover, Schmitt (2013) discovered that the reduced absorption of labor due to UM was caused by workers working harder in response to the minimum wage. Sen (1997) reported that unemployment does not only cause a low-income problem but also burdens the country due to low productivity which can lead to the diversion of the money initially budgeted for fiscal needs to assist unemployed families. Burkhauser (1989) found a weak relationship between low income and poverty and also exhibited a weaker relationship over time, while Card (2000) reported that UM was unable to reduce poverty in America.

Investment

Samuelson and Nordhaus (2004) defined investment as the addition of capital stock or goods such as production equipment, buildings, and inventory items in a country within one year. Investment is an investment in one or more assets owned and usually long-term in the hope of getting a profit in the future (Sunariyah, 2011). According to

Sukirno (2000), investment activities carried out by the community will continuously increase economic activities and employment opportunities, increase national income and increase the level of prosperity of the community. We know that increasing investment activity can reduce unemployment, but it can increase people's income and wealth (Sakinah & Pudjianto, 2018). Moreover, investment involves spending on business expansion and new equipment to increase capital stock which is an important determinant of economic output due to its ability to change over time to improve the economy (Mankiw, 2006). The previous study by Kuncoro (2013) also showed that a large physical capital stock obtained through a high investment ratio can lead to a high PDRB and high income. The importance of investment activities in community development is associated with three important functions which include their ability to (1) Investment is one of the components of total spending, so increasing investment increases aggregate demand, national income and employment opportunities. (2) Increasing capital goods as a result of investment increases production capacity, and (3) attract technological developments (Sukirno, 2013).

Method

A quantitative approach was used to determine the influence of KUR, UM, and investment on poverty alleviation in Indonesia. This method involves the application of empirical studies to collect, process, analyze, and display data in the form of numbers rather than narratives and to make attempts toward the accurate measurement of a concept. The data used is secondary data from 34 provinces in Indonesia in the 2016-2020 period obtained from Bank Indonesia through the official website, and the Central Statistics Agency. The dependent variables used in this study consisted of KUR, Minimum Wage, and Investment while the dependent variables were the number of poor people. The data collection method is carried out by literature studies. This study is a technique to obtain information based on the results of records, literature, documentation and others related to this research.

The design of this study is observational research on causality where the object of this study is poverty, KUR subsidies, minimum wages, and investment poverty in Indonesia in 2016-2020 with provinces as the unit of analysis consisting of 34 provinces.

- a. Poverty is the average spending gap for every poor compared to the poverty line.
- b. KUR subsidies are the number of business loans to individuals realized in the state, measured in rupiah.
- c. The UM complies with the Secretary of State's Human Resources and Reincarnation Rule No. 7 and indicates a minimum monthly wage consisting of a basic and fixed allowance set by the Governor as a safety net. Measured in rupiah.
- d. Investment is the level of private investment in the state.

This study uses quantitative analysis. Quantitative analysis is the analysis of data using mathematical, statistical, and econometric model models. The method of this study used panel data regression. Panel data is a combination of time series data and section data. According to Ghozali (2018), panel data regression is a regression method that combines time-series data and cross-section data. By combining time-series data and cross-section data, more useful and diverse data, the degree of co-linearity between variables is low, and the degree. Will be higher. Freedom and efficiency. The analysis was carried out by processing data through the Econometric Views (E-views) program

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version 12. The selection of a panel data regression model to test the regression equation to be estimated can be used by two examiners, namely the chow test and the Hausman test.

First, a classic hypothesis test is used before the data is regressed. This is so that the regression model is free from bias. The equation used to determine the relationship between the variables is presented as follows:

$$Y = f (X_1, X_2, X_3)$$

Information

X_1 = KUR Subsidy (Rupiah)

X_2 = Minimum Wage (Rupiah)

X_3 = Investment (Rupiah)

Y = Poverty (Percent)

The hypothesis tests in this study are partial test (t test) and simultaneous test (F test). The t-test is used to determine (partially) the effect of the independent variable on the dependent variable individually (partially). The t-test can be performed by comparing the calculated t with the t-table (Ghozali, 2018). At a 5% significance level using the tester criteria, if t-number and p-value > 0.05, then H0 is accepted and H1 is rejected. That is, one of the free (independent) variables has no effect. Bound (dependent) variables are important. If t-number > t-table and p-value < 0.05, then H1 is accepted and H0 is rejected. This shows that one of the free variables has a large effect on the bound (dependent) variable. The F-test, on the other hand, is used to test the capabilities of all independent variables together to explain the dependent variable. Ghozali (2018) test can be run by comparing the F-count to the F-table at a significant level of < 0.05 relative to the tester's criteria when the F-count > F-table and the f-statistic p-value < 0.05. If, H0 is rejected and H1 is accepted. This means that the independent variable works together with the dependent variable. If the F-number the F-table and F-statistics > 0.05, then H1 is rejected and H0 is accepted. That is, the independent variables are independent of each other and do not affect the dependent variable.

Results

Chow Test (Common Effect Model vs Fixed Effect Model)

Using the Chow test, 1) a better approach between the common effects model (CEM) and the fixed effects model (FEM) based on the criteria that H₀ is accepted when the probability value of the P-value cross section is F. Was selected. If it is greater than 0.05, this means that it is the correct model of choice for CEM. 2) If the probability value of the P-value cross-section F is less than 0.05, H₀ is rejected and H₁ is accepted. This is the correct model to use FEM. The hypothesis used in the Chow test is:

H₀: Common Effect Model (CEM)
 H₁: Fixed Effect Model (FEM)

Table 1
Chow Test Results

Effects Test	Statistics	df	Prob.
F	232.138841	(33,167)	0.0000
Chi-square	784.872677	33	0.0000

The table shows that the resulting value in the statistical distribution of Chi-square based on the processing of the calculation results using E-views 12 is 784.872677 with the probability value (P-value) of the cross-section F is 0.00000.05 and this means hypothesis H₀ is rejected and H₁ is accepted, thereby indicating FEM is more appropriate.

Hausman Test

The Hausman test was used to compare the random effects model with the FEM and select the most appropriate model based on the following criteria: H₀ is rejected if 1) the chi-square probability value is greater than 0.05 and the correct model to use is the random effects model (REM) and 2) the chi-square probability value is less than 0.05. This means that FEM is the right model to choose from. Moreover, the hypotheses formulated are as follows:

H₀: Random Effect Model (REM)
 H₁: Fixed Effect Model (FEM)

The results of the Hausman test are presented in the following table.

Table 2
Hausman Test Results

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-section	3.612945	3	0.0006

The table shows that the resulting value in the statistical distribution of Chi-square based on the processing of the calculation results using Eviews 12 is 3.612945 with the chi-square probability value being $0.0006 \leq 0.05$ and This means that H₀ is rejected and H₁ is accepted, indicating that FEM is more suitable. This resulted in a panel data regression test using FEM and the results are shown in Table 3.

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Table 3
FEM Test Results

Variable (Y)	Variable X	coef.	Std. Error	t-Stat	Prob
	constant	10,928	1991	5.492	0.000
	KUR	0.025	0.021	1.181	0.239
	UM	0.604	0.128	4.705	0.000
	Investment	0.020	0.036	0.565	0.572
Fixed Effect		Coefficient			
	_Aceh	1.057512			
	_Sumatera Utara	-0.403998			
	_Sumatera Barat	-0.971586			
	_Riau	-0.733464			
	_Jambi	-0.702446			
	_Sumatera Selatan	0.304925			
	_Bengkulu	0.525450			
	_Lampung	0.066670			
	_Kepulauan Riau	-0.928669			
	Kepulauan Bangka	-1.252547			
	_Jakarta	-1.140191			
	_Jabar	-0.895950			
	_Central Java	-0.273265			
	_Yogyakarta	-0.169491			
	_Jawa Timur	-0.280197			
	_Banten	-1.111258			
	_Bali	-1.378991			
	_NTB	0.520690			
	_NTT	2.107275			
	_Kalimantan Barat	-0.880014			
	_Kalimantan Tengah	-1.126520			
	_Kalimantan Selatan	-1.198413			
	_Kalimantan Timur	-0.947802			
	_Kalimantan Utara	-0.902767			
	_Sulawesi Utara	-0.587232			

_Sulawesi Tengah	0.511750
_Sulawesi Selatan	-0.208216
_Sulawesi Tenggara	0.192669
_Gorontalo	1.093202
_Sulawesi Barat	-0.145234
_Maluku	1.574587
_Maluku Utara	-1.075754
_Papua Barat	4.390388
_Papua	4.968884

Source: Processed data, 2022.

From Table 3 above, we can see that the probability values obtained for the KUR variable are 0.239, the UM variable is 0.000, and the investment variable is 0.572. From this, we can conclude that only variable UM has a significant impact on poverty reduction.

Classic assumption test

The classical assumption test was also conducted and the results are presented as follows:

Table 4

Autocorrelation Test Results

MSE root	0.202268	R-squared	0.980665
Mean dependent var	1.959657	Adjusted R-squared	0.976496
SD dependent var	1.458198	SE of regression	0.223555
Akaike info criterion	0.004296	Sum squared resid	8.346098
Schwarz criterion	0.606112	Likelihood logs	36.56178
Hannan-Quinn Criter.	0.247742	F-statistics	235.2774
Durbin-Watson stat	1.360559	Prob(F-statistic)	0.000000

Table 4 shows that the Durbin-Watson statistic for FEM was 1.360559 and this means there is no autocorrelation because the value is between -2 and +2.

Table 5

Multicollinearity Test Results

Variable	Called	Tolerance	VIF
R2 fixed effect	R2	0.981	1,089
KUR	R ² ₁	0.978	1,049
Minimum wage	R ² ₂	0.918	1,006
Investment	R ² ₃	0.978	1,128

The multicollinearity test can be said to have no multicollinearity because the VIF value < 10, namely the KUR variable obtained by 1,049, the UM variable obtained by 1,006, and the investment variable obtained by 1,128. Therefore, we can conclude that the data in this study did not show multicollinearity because the VIF value was less than 10. Therefore, we can conclude that the model did not show symptoms of multicollinearity.

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T-Statistic test

The t-test was used to determine the partial influence of each of the variables including KUR, UM, and investment on poverty, and the results are presented as follows:

Table 6

T-Statistics Test Results

Variable X	coef.	Std. Error	t-Stat	Prob
Constant	10,928	1991	5.492	0.000
KUR	-0.025	0.021	-1.181	0.239
UM	-0.604	0.128	-4.705	0.000
Investment	0.020	0.036	0.565	0.572

The Effect of KUR on Poverty

The number of observations was 204 with a variable number of 4 (free and bound) and an alpha of 5%. Moreover, the t-table was obtained through $df = n - k$ and $\alpha/2$ such that $df = 204 - 4 = 200$ and $0.05/2 = 0.025$. The result from Table 6 showed that the t-count value for this relationship is $1,181 < 1,971$ with a probability value of 0.239 and this means KUR does not have a significant influence on poverty alleviation. The beta coefficient value for KUR was also found to be 0.025 to show that X_1 only explains 0.025 of Y and this can be interpreted that an increase of one unit in X_1 causes a 0.025% increase in Y while other factors are considered constant. Furthermore, the coefficient value of (-0.025) means KUR has a negative influence on poverty.

The Effect of Minimum Wage on Poverty

Table 6 shows that the t-count value for this relationship is $4.705 > 1.971$ with a probability value of 0.000 and this indicates UM has a significant influence on poverty. Moreover, the beta coefficient value for UM variable was recorded to be 0.603 to show that X_2 explains 0.603 of Y and this means an increase in one unit of X_2 cause Y to increase by 0.603% while other factors are held constant. It is also important to note that the coefficient value of (-0.603) means UM has a negative influence on poverty.

The Effect of Investment on Poverty

Table 6 shows that the t-count value for this relationship is $0.565 < 1.971$ with a probability value of 0.000 and this indicates investment does not have a significant influence on poverty. Moreover, the beta coefficient value for UM variable was recorded to be 0.020 to show that X_3 explains 0.020 of Y and this means an increase in one unit of X_2 cause Y to increase by 0.020% while other factors are held constant. It is also important to note that the coefficient value of (+0.020) means the investment hurts poverty

F Statistic Test

The F-statistic test was used to determine the simultaneous or combined influence of KUR, UM, and investment on reducing poverty from 2016 to 2021.

Table 7

F-Test Results

Effects Specification		
Cross-section fixed (dummy variables)		
MSE root	0.202268	R-squared 0.980665
Mean dependent var	1.959657	Adjusted R-squared 0.976496
SD dependent var	1.458198	SE of regression 0.223555
Durbin-Watson stat	1.360559	Prob(F-statistic) 0.000000

The table shows that the F-test value is 235,277 <2.42 with a probability value of 0.0000. This means KUR, UM, and Investment have a significant combined or simultaneous influence on reducing poverty levels in Indonesia between 2016 and 2021.

Discussion

KUR distributed in 2016 reached Rp 94.4 trillion and is observed to have increased to Rp 244.87 trillion in 2021. Cooperatives and SMEs (Kementerian Koperasi UKM) was reported to have appointed 7 banks to participate as distributors of KUR in 2016 and the number was discovered to have increased to 41 in 2021. But unfortunately, the success of implementing KUR distribution is not commensurate with its success in reducing poverty in Indonesia. The results of this study stated that the KUR did not have a significant influence on reducing Indonesia's existing poverty rate in the 2016-2021 period. Based on the results of the analysis, it is known that the t-count value was obtained at 1,181<1,971 with a probability value of 0.239. Therefore, it can be concluded that the KUR variable does not have a significant influence on poverty alleviation in Indonesia. This is in line with the opinion of Iztiyar (2018) saying that the People's Business Credit (KUR) has a significant negative effect on poverty. This simply means the KUR program is not the appropriate strategy to alleviate poverty because it is not designed for poor households (RTM) as the main targeted recipient. Some of the reasons associated with the inability of this method to reduce poverty include weaknesses in the provision of loan funds as indicated by the inappropriate use of loan funds and unprofessional business management.

The increase in UM was based on local government policies implemented to trigger people's interest in work as well as the increasing needs of the community at the provincial stage. It is expected that a worker can receive wages according to the minimum standard of living to have a decent life and avoid the poverty line. Based on the results of the analysis, it is known that the t-count value obtained was 4.705>1.971 with a probability value of 0.000. Therefore, it can be concluded that the UM variable has a significant influence on poverty in Indonesia. This is in line with the findings of previous studies that UM is considered an instrument to reduce poverty (Bruckmeler & Bruttel,2021) and was further confirmed to be effective (Sotomayor, 2021). The findings of this present study are also similar and this was supported by Sutikno et al. (2019). This means a higher UMP is expected to lead to lower poverty and vice versa (Priseptian & Primandhana, 2022). This shows that UM is a strategy to increase income (Olarate, 2021) and further indicates its ability to reduce the number of poor people by increasing their income. Moreover, a higher UM can assist more people in satisfying their needs better.

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Based on the results of the analysis, it is known that the t-count value was obtained at $0.565 < 1.971$ with a probability value of 0.572. Therefore, it can be concluded that investment variables do not have a significant influence on reducing the poverty rate in Indonesia. The investment was found not to have any effect on the reduction of poverty in Indonesia even though it normally leads to the absorption of additional labor (Purnomo & Kusreni, 2019). This is in line with the findings of a previous study that investment has a positive but insignificant influence on poverty (Tamrin, Iskandar, & Effendi, 2022). Another study also showed that it does not have a significant effect on poverty through economic growth (R. Pratama et al., 2017). It is important to note that investment is not only to maximize output but also to determine labor and income distribution, population growth, quality, and technology (Sukirno, 2005)

Conclusion

The analysis conducted in this study showed that KUR does not have a significant influence on poverty alleviation due to the weaknesses observed in the provision and inappropriate use of loan funds as well as inefficient, unprofessional, and poor business management. Meanwhile, UM has a significant influence on poverty due to its ability to reduce the number of poor people by increasing their income to allow them to satisfy their needs. It was also discovered that investment does not have a significant effect on the poverty rate because it only absorbs additional labor without reducing the number of poor people.

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