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# ANALYSIS OF THE EFFECT OF SOCIAL ASSISTANCE AND CAPITAL EXPENDITURE ON POVERTY

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***Abstract***

*This study aims to determine the effect of social assistance spending and capital spending on poverty rates in regencies/cities in South Sulawesi, which consists of 24 regencies, and takes samples from the last three years, namely 2018 – 2020. This research uses secondary data of the time series type. in the form of data on social assistance spending, capital spending and poverty levels. The data is taken from the government's official website, namely the Central Statistics Agency (BPS) and the Directorate General of Balance of the Ministry of Finance (DJPK). For the purposes of analysis in this study, panel data were used from all regencies/cities in South Sulawesi Province. In processing the data that has been obtained, namely using the Eviews application. The method used in this study is the VECM method by carrying out stationary tests, correlation tests and Granger causality tests. The results of this study indicate that social assistance spending has no significant effect on poverty. Likewise, capital expenditure has no significant effect on poverty. So it can be concluded that the two independent variables have no significant effect on the dependent variable.*

***Keywords**: Social Assistance, Capital Spending, and Poverty*

## 1. Introduction

Poverty is the condition of an individual who is economically unable to meet the minimum standard of living needs. These necessities of life are food, clothing, shelter, education, and health (Dewi and Andrianus 2021). Poverty is a condition of being economically incapable of meeting the average standard of living of the people in an area (Tarumingkeng, 2018). This condition of inability is marked by the low ability of income to meet basic needs in the form of food, clothing, and shelter. This low income capability will also result in reduced ability to meet average living standards such as public health standards and education standards. The condition of the so-called poor people can be identified based on the ability of income to meet living standards.

Poverty is a chronic problem that is often faced by many countries, especially developing countries including Indonesia. Indonesia itself has implemented various poverty reduction strategies such as cash and non-cash assistance programs issued by the government. Poverty is seen as a lack of economic ability to meet basic food and non-food needs as measured by spending. So, the poor are those whose expenditure per capita per month is below the poverty line. The number of poor people in Indonesia itself tends to decrease and the percentage of poverty in Indonesia also continues to decrease, however, when viewed from the difference, basically the difference in poverty tends to fluctuate quite a bit. This means that the government has not been able to implement appropriate policies to tackle poverty as a whole.

Based on this, both the central and regional governments are trying to alleviate poverty through a policy regulated in Presidential Regulation of the Republic of Indonesia No. 166 of 2014 concerning the Program for the Acceleration of Poverty Reduction. Poverty alleviation programs are activities carried out by the government, regional governments, the business world, and the community to improve the welfare of the poor through social assistance, community empowerment, empowerment of micro-economic enterprises, and other programs in the framework of increasing economic activity. To implement this policy requires funding for the implementation of the accelerated poverty alleviation program sourced from the State Revenue and Expenditure Budget, Regional Revenue and Expenditure Budget, and other funding sources that are not binding in accordance with statutory provisions.

Through the Regional Revenue and Expenditure Budget, spending that is directly related to poverty alleviation programs is Social Assistance spending. Expenditure on Social Assistance can be given directly to members of the public and/or social institutions including assistance to non-governmental organizations in the fields of education and religion. Expenditures for Social Assistance are government expenditures in the form of money/goods to the public that aim to improve people's welfare, which are not continuous and selective in nature. Other government spending that can affect poverty is Capital Expenditures. Capital expenditure is one form of regional expenditure that is used to finance the implementation of government activities which are the responsibility of the center and the government area, covering mandatory affairs to ensure and raise the standard of living of the people as the government's efforts to improve basic services so as to reduce regional poverty rates.

Based on previous research on the effect of social assistance spending and capital spending on poverty. Social assistance spending, research results from Rarun, et al., (2018) result that social assistance spending has no significant and negative effect on poverty, on the other hand these results are also in line with research from Sendouw et al., (2017) which states that spending on social assistance has no significant effect on poverty. Capital expenditure, the results of research from Kaligis et al., (2017) and Mukarramah (2020) which state that capital expenditure has a negative and insignificant effect on poverty. Meanwhile, this research is also not in line with Sugion's research (2021) which states that capital expenditure has a negative and significant effect on poverty.

Based on the description above, the problem in this study can be formulated as follows:

a. Does Social Assistance Spending affect poverty?
b. Does Capital Expenditure affect poverty?

## 2. LITERATURE REVIEW

### Shopping for Social Assistance

Social Assistance According to Darise (2008) is a transfer fund in the form of money or goods and services that are used to improve people's welfare and this assistance is not given continuously in each fiscal year and is given selectively. This Social Assistance Fund can be directly given to the community or given to social institutions. These institutions include assistance provided to non-governmental organizations in the educational and religious fields. Social assistance spending is provided in the form of goods and services. Spending on social assistance is temporary or ongoing in nature to provide social rehabilitation, social protection, social security, social empowerment, and poverty alleviation in order to increase welfare levels, quality of survival, and restore social functions in order to achieve independence (Mufliha 2018). Forms of social assistance spending consist of consumptive social assistance, productive social assistance, and social assistance through educational institutions, health institutions, and certain institutions. Consumptive social assistance spending is aimed at meeting the minimum living needs of the community as a social safety net. Spending on social assistance that is productive is aimed at helping the capital of economically weak communities. Payments for social assistance spending through educational institutions, health institutions and certain institutions are made through money transfers, goods transfers, and/or service transfers (Dharmakarja, 2017).

The government draws up implementation guidelines and determines which parties and institutions are the target recipients of assistance and determines the form of assistance, either in the form of direct transfers of goods or services, which are channeled directly to dealers that has been determined before distributing social assistance.

Social assistance spending is channeled in the form of money, goods and or services. Social assistance spending is provided in the form of direct assistance, provision of accessibility, and institutional strengthening (Mufliha, 2018). The purpose of using social assistance as referred to in the Ministry of Finance of the Republic of Indonesia (2015) Article 4 letter a Number 254/PMK.05/2015 includes:

a. Social protection, which aims to prevent and deal with risks from shocks to the social vulnerability of a person, family, group, and/or community so that their survival can be met according to the minimum basic needs;
b. Social rehabilitation, which aims to restore and develop the abilities of someone experiencing social dysfunction so that they can carry out their social functions normally;
c. Social security, which is an institutionalized scheme to ensure that all people can fulfill their basic needs for a decent life;
d. Social empowerment, which are all efforts aimed at making citizens experiencing social problems have power, so that they are able to meet their basic needs;
e. Poverty reduction, which are policies, programs and activities carried out against people, families, groups and/or communities who do not have or have a source of livelihood and are unable to meet humanitarian needs that are appropriate for humanity;
f. Disaster management, which is a series of efforts that include establishing development policies that are at risk of disasters, disaster prevention activities, emergency response, and rehabilitation.

**Capital Expenditures**

Capital expenditures are government expenditures whose benefits exceed one fiscal year and will add to regional wealth or assets and will add to routine expenditures such as maintenance costs in the general administration expenditure group. Capital expenditures can be used to acquire local government fixed assets such as equipment, infrastructure and other fixed assets. How to get capital expenditure by buying through an auction or tender process Ministry of Finance of the Republic of Indonesia Directorate General of Budget (Pantas, 2019). Capital/Development Expenditures (Capital/Investment Expenditure), are direct expenditures used to finance investment activities. Capital expenditures are expenditures made by the government that produce certain fixed assets. Capital expenditure is intended to obtain local government fixed assets, namely equipment, buildings, infrastructure, and other fixed assets (Nordiawan, 2006).

According to Halim (2008: 101) Capital expenditure is a budget expenditure for the acquisition of fixed assets and other assets that benefit more than one accounting period. This understanding is in accordance with the understanding of capital expenditure according to Law No. 71 of 2010 concerning Accounting Standards. Capital expenditures are regional government expenditures that benefit more than one fiscal year and will add regional assets or wealth and result in additional spending that is routine. Capital expenditures are classified into two groups, the first group is public expenditures, namely expenditures whose benefits can be directly enjoyed by the community, for example: bridge construction, buying an ambulance for the public and others. The second group is apparatus spending, namely spending whose benefits are not enjoyed directly by the public but can be felt directly by the apparatus, for example: construction of council buildings, purchase of official cars and others. Almost all capital expenditure budgets contain commitments for spending in the long term (Arsa 2012:20).

**Poverty**

Poverty is a complex problem and is influenced by several interrelated factors and is experienced by an individual or group who are unable to support themselves to meet the basic needs of life such as the need for food, clothing, housing, health, education and proper social services. Then the Central Statistics Agency (2020) states that "Poverty is seen as an economic inability to meet basic food and non-food needs as measured from the expenditure side".

Poverty is a disease that refers to various aspects, namely social, economic, cultural, and political. Poverty can be interpreted as the condition of a man or woman, whose basic rights are not fulfilled in protecting and getting a decent life (Aristina et al, 2017).

Poverty measurements can be grouped into two (Herman, 2018), namely:

1. Absolute poverty is poverty related to income levels and needs that are limited to basic needs so that the person can be called a decent life,
2. Relative Poverty seen from the aspect of social inequality. If a person is able to meet his minimum basic needs, but is still much lower than the surrounding community, then that person is classified as relatively poor.

There are four factors that cause poverty (Beik and Arsyianti, 2019), namely:

1. Individual Factors, a person becomes poor because of personal factors such as

permanent disability which causes him to become poor,

2. Social Factors, poverty occurs due to social discrimination that is carried out,
3. Cultural factors, a person becomes poor because of bad behavior such as being lazy to work and try,
4. Structural Factors, poverty occurs due to injustice in the economic system.

## 3. RESEARCH METHOD

**Population and Sample**

The population in this study are social assistance spending, capital spending and poverty in South Sulawesi Province which are obtained on the Website of the Central Statistics Agency (BPS) and the Directorate General of Balancing of the Ministry of Finance (DJPK) especially in the South Sulawesi Province area which consists of 24 Regencies and Cities. The sample used by the researcher is data on social assistance spending, capital expenditure, and poverty data for South Sulawesi Province for the last 3 years, namely data from 2018-2020.

The type of research used in this research is quantitative research. Quantitative research is a series of measurements that can be expressed in numbers. This research was conducted to determine the impact or influence caused by Social Assistance Expenditures and Capital Expenditures on Poverty.

**Dependent Variable :**

The dependent variable or dependent variable (Y) is a variable that is affected or becomes a result because of the independent variable. The dependent variable in the research is the Poverty Level in South Sulawesi Province.

**Independent Variable :**

The independent variable or commonly called the independent variable (X) is a variable that influences or causes changes in the dependent variable. There are two independent variables in this study, namely 1 (X1) is Social Assistance Expenditures and 2 (X2) is Capital Expenditures.

**Data and Data Sources**

The data object used in this study uses secondary data with the type of time series data for 2018-2020. The data sources were obtained from the Website of the Central Statistics Agency (BPS) and the Directorate General of Balance of the Ministry of Finance (DJPK), especially the South Sulawesi Province area which consists of 24 Regencies/Cities and several other sources related to related data to provide information related to Poverty Data , Social Assistance Expenditures, and Capital Expenditures. The time taken was in three years 2018-2020 because it met the criteria as a sample that met the data completeness requirements needed in this study.

**Data analysis method**

This study uses secondary data of the Time Series type. Where the data used in econometrics is often not stationary which is one of the causes of the estimation results in the regression model to be dubious or called presumptuous regression. In econometrics there is a method to overcome this problem, namely by using the Vector Error Correction Model (VECM). Based on these reasons, this study uses a model (VECM). What can the VECM test do if there is a long-term relationship using the cointegration test a variable can be declared cointegrated if it is stationary at the same order or level. In this method, the researcher analyzed the data by carrying out a stationary test, a correlation test, and a Granger causality test.

1. Stationary Test

Stationary test is a concept used to test the stationary of a time series data or time series. If a data has been declared stationary, then the data is suitable for use in the next calculation step or process. The stationary test was carried out using the Unit Root Test method, also known as the Augmented Dickey-Fuller Test (ADF). The criteria for determining whether a data is stationary or not are as follows:

ADF value < critical value and probability value < significant value used, then the data is declared stationary

ADF value < critical value and probability value > significant value used, then the data is declared not stationary

ADF value > critical value and probability value > significant value used, then the data is declared not stationary

2. Correlation Test

The correlation test aims to see the closeness or relationship between 2 or more variables. The interpretation of the correlation coefficient is as follows:

0.00 - 0.199 = very weak correlation between variables
0.20 - 0.399 = correlation between variables is weak
0.40 – 0.599 = correlation between variables is quite strong
0.60 – 0.799 = strong correlation between variables
0.80 - 1.009 = very strong correlation between variables

3. Granger Causality Test

After carrying out the stationary test and correlation test, the next step is to carry out the Granger causality test. Granger causality test, is a test that aims to see whether there is a causal or reciprocal relationship between the two research variables, so that it can be seen whether the two variables statistically have a two-way or reciprocal relationship (influence each other), have a unidirectional relationship or not at all there is a relationship (do not affect each other). To see Granger causality can be seen by comparing the probability value with the level of confidence (1%, 5%, or 10%). If the probability value is less than the confidence level, then it can be stated that the two variables have a causality relationship.

## 4. RESULTS AND DISCUSSION

**Research result**

**Stationary test**

**Table 1**

**ADF unit-root test**

| **Variabel** | **ADF** | **Prob**** |
|---|---|---|
| Belanja Bantuan Sosial | 29.0569 | 0.0001 |
| Belanja Modal | 15.5822 | 0.0162 |
| Kemiskinan | 17.8179 | 0.0067 |

Source: data processed by the author

A variable is said to be stationary if the t-statistic value is actually smaller than the critical value or the probability value is less than the confidence interval value used (in this study a significance level of 5% or 0.05 was used). The table above states that the social assistance expenditure, capital expenditure and poverty rate variables have a test value of <0.05, which means that the three variables are stationary. This indicates that all of the data is suitable for use in the next step or testing process.

**Table 2**

**Correlation coefficient**

| Variables | Belanja Bantuan Sosial | Belanja Modal | Kemiskinan |
|---|---|---|---|
| Belanja Bantuan Sosial | 1.000 | 0.107 | 0.077 |
| Belanja Modal | 0.107 | 1.000 | 0.444 |
| Kemiskinan | 0.077 | 0.444 | 1.000 |

Source: data processed by the author

Based on the results of the research in the table above, we can see that between the social assistance spending and capital expenditure variables have a correlation coefficient of 0.107, which means that these variables have a very weak correlation level. Furthermore, between social assistance spending and poverty variables has a correlation coefficient of 0.077. This means that the two variables have a very weak correlation level.

Then for capital expenditure and poverty variables, it has a correlation coefficient of 0.444, which means that the two variables have a fairly strong correlation level.

**Granger Causality Test**

**Table 3**

**Granger Causality Test**

| Variabel | F-Statistic | Prob |
|---|---|---|
| B. Modal >>> B. Bantuan Sosial | 1.52887 | 0.2250 |
| B. Bantuan Sosial >>> B. Modal | 0.50512 | 0.6059 |
| Kemiskinan >>> B. Bantuan Sosial | 0.49619 | 0.6113 |
| B. Bantuan Sosial >>> Kemiskinan | 0.19095 | 0.8267 |
| Kemiskinan >>> B. Modal | 1.80228 | 0.1736 |
| B. Modal >>> Kemiskinan | 0.17013 | 0.8440 |

Source: data processed by the author

Granger causality is a test used to see the causality or reciprocal relationship between two research variables so that it can be seen whether the two variables statistically influence each other (two-way or reciprocal relationship), have a unidirectional relationship or have no relationship at all (do not influence each other). ), (Gujarati, 2013).

The table above shows the results of the Granger causality test between variables, where the test shows that capital expenditure does not affect social assistance spending because the probability value of the F-statistic > α = 5% (0.2250 > 0.05). Furthermore, the testing of social assistance and capital expenditure both show that capital expenditure does not affect social assistance expenditure because the prob value of the F-statistic > α = 5% (0.6059 > 0.05). Likewise the test results which then show that the variables do not mutually influence each other because the prob value of the F-statistic > α = 5%.

## 5. DISCUSSION

In conducting the research "Analysis of the Influence of Social Assistance Expenditures and Capital Expenditures on Poverty Levels in Districts/Cities of South Sulawesi" which consists of 24 regencies, the first thing to do is to look for data related to the research. The data is taken from the government's official website, the Central Bureau of Statistics (BPS) and the Directorate General of Balance of the Ministry of Finance (DJPK). The data taken is data on social assistance spending, capital spending and the poverty rate for South Sulawesi Districts/Cities from 2018-2020. After getting the data, then perform data analysis using the Eviews application. In conducting data analysis several data analysis tests were carried out including: stationary test, correlation test and Granger causality test.

Stationary test, this test is carried out using the ADF method, the variable will be said to be stationary if the prob value <0.05. The results obtained from this test state that the social assistance variable has a prob value of 0.0001 <0.05. Capital expenditure variable with a prob value of 0.0162 <0.05. Poverty level variable with a prob value of 0.0067 <0.05. From the results of the data analysis test it can be stated that the three variables are said to be stationary.

Correlation test, this test aims to find out whether there is a relationship between variables and how strong the relationship between these variables is. The variable will be declared correlation if the value resulting from the analysis is more than 0.05. From the results of the correlation test that has been carried out, correlation results have been obtained from the variables of social assistance expenditure, capital expenditure, and the poverty rate in the Regency/City of South Sulawesi from 2018-2020. Where in the results of the analysis test resulted in a correlation coefficient of 0.107 for social assistance expenditure and capital expenditure variables. Furthermore, between social assistance spending and poverty variables has a correlation coefficient of 0.077, which means that the two variables have a very weak correlation level. Then for capital expenditure and poverty variables, it has a correlation coefficient of 0.444, which means that the two variables have a very strong correlation level.

Granger causality test, this test aims to determine the existence of a reciprocal relationship between variables. After conducting analysis tests on the variables of social assistance spending, capital expenditure and poverty rates in South Sulawesi Districts/Cities from 2018-2020, the results were different from the previous analysis tests. Where in the stationary analysis test it states that the three variables have stationary data or can be said to be valid. In the correlation analysis test, we get the results of the correlation level between the three variables, namely the level of correlation that is weak and quite strong. The results obtained from the Granger causality test stated that there was no reciprocal relationship between variables. Due to the provisions of the Granger causality test, the variables are declared to have a reciprocal relationship if the prob value of the F-statistic is $<0.05$. In the test results of the three variables, the prob value of F-statistic $> 0.05$ means that these variables do not have a reciprocal relationship or do not influence each other.

## CONCLUSION

Based on the results of the research and discussion that has been carried out, it can be concluded that social assistance spending has no significant effect on poverty in the province of South Sulawesi, this is in line with the theory carried out by experts and several previous studies.

Likewise, capital expenditure has no significant effect on poverty in South Sulawesi Province, this result is in line with research that has been carried out by several previous studies. So it can be concluded that social assistance spending and capital spending are not the cause of the emergence or occurrence of poverty in South Sulawesi in the 2018-2020 period. it could be caused by other factors that were not examined in this study, so further research is needed.

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