

ABSTRACT

One of the complex and chronic problems related to the welfare of the community is poverty. The high of poverty rate will cause on the emergence of other negative social problems. It is difficult to find out what the exact cause is and how the solution is really effective in reducing this poverty problems. In this regard, the problem of poverty in Central Java is related to it's slow pace of poverty reduction even tends to be constant and the high level of poverty (Head Count Index) in Central Java which is always above the national level. The aim of this research is to analyze how the influence of poverty alleviation variables on poverty itself based on various theories and related previous research.

The contribution of the agricultural sector (agrishare) and the industrial sector (industrial share) in GRDP were analyzed as variables for poverty reduction from the income side, while village funds and social protection expenditure were analyzed as variables for poverty reduction from government spending side. It will also analyze the labor productivity variable as a poverty reduction factor from the employment aspect. This research is a quantitative study using secondary data in the form of panel data with a cross section of 29 districts in Central Java and a time series for 7 years from 2014-2020. The analytical tool used is pooled regression analysis with the Fixed Effect Model (FEM) approach using the Generalized Least Square (GLS) method.

The results show that partially, all the independent variables in this study have a significant effect on poverty. Meanwhile, labor productivity has the largest coefficient in reducing poverty, followed by the coefficient on social protection expenditure and village funds, while the contribution of the agricultural sector and the industrial sector have a positive coefficient in influencing poverty. The results of this study also show that all independent variables simultaneously have a significant effect on poverty.

Keywords: Poverty, agrishare, industrialshare, labor productivity, village funds, social protection expenditures, pooled EGLS