

ABSTRACT

This research aims to analyze the influence of government spending in the education, health and infrastructure sectors on agricultural productivity and poverty in Indonesia. Using a simultaneous equation model as a research design. The data used is secondary data from 34 provinces in Indonesia in 2015-2020, the model behavior is estimated using estimation techniques Two Stage Least Square (TSLS).

The estimation results show that government spending in the education sector has a positive effect on agricultural productivity, but it is not significant because education in rural areas has not yet led to the development of the agricultural sector but rather to the urban sector and industrialization. Government spending in the education sector has a negative and significant effect on poverty. Education spending can be used as a means to help poor people obtain a decent education. Government spending in the health sector has a positive and significant effect on poverty, this occurs because the budget is not distributed appropriately. Infrastructure sector spending has a negative and insignificant effect on poverty, because infrastructure is only focused on big cities while poverty is concentrated in rural areas. Agricultural productivity has a negative and insignificant influence, this is due to the many challenges in agricultural development, while poverty affects agricultural productivity positively and significantly.

Key words: public sector expenditure, education, health, infrastructure, agricultural productivity, poverty