

ABSTRACT

The influence of economic potential and government spending on poverty levels is a topic of discussion that never ends and is always dynamic. High economic growth rates can be used to indicate or determine the superior potential of each region. This condition is accompanied by social problems in the form of high levels of poverty in East Java Province. Plus the amount of government spending is quite high. This research uses Location Quotient (LQ) and Dynamic Location Quotient (DLQ) analysis to determine economic potential, while to analyze the influence of economic potential and government spending on poverty levels using the Fixed Effect Model (FEM) panel data multiple regression analysis method.

The research results show several sectors that have economic potential in each region of 38 districts/cities in East Java, including: the Agriculture, Forestry and Fisheries sectors, the Mining and Quarrying sector, the Electricity and Gas Procurement sector, the Financial Services and Insurance Sector, Education sector, Processing Industry sector, Government Administration sector, Defense and Mandatory Social Security, Health Services and Social Activities Sector, Transportation and Warehousing sector, Corporate Services sector, and Other Services Sectors.

As for the research results of the influence between variables, it was found that the Economic Potential (PE) variable did not have a significant effect on the poverty level (TK). The Capital Expenditure (BM) variable has no significant and negative effect on the poverty level (TK). The Social Assistance (BS) variable has a significant negative effect on the poverty level (TK). The variable Population Number (JP) has a significant and positive effect on the poverty level (TK). The Human Development Index (HDI) variable has a significant and negative effect on the poverty level (TK).

Keyword: Economic Potential, Government Expenditures, Poverty Levels, FEM