

ABSTRACT

This study examines the simultaneous relationship between regional disparities and poverty across Indonesia's 34 provinces. Utilizing panel data from 2012-2023, the research employs the Two Stage Least Square (TSLS) method to analyze complex variable interactions. Endogenous variables include poverty percentage and regional disparity, while exogenous variables comprise per capita People's Business Credit (KUR), mean years of schooling, per capita GRDP, fiscal decentralization degree, and Indonesian Democracy Index. Results demonstrate a simultaneous relationship between both endogenous variables. Poverty percentage is significantly influenced by regional disparity, per capita People Business Credit, and per capita GRDP. Meanwhile, regional disparity is affected by poverty percentage, per capita GRDP, and fiscal decentralization degree. This finding confirms the importance of a policy approach that is tailored to the characteristics of each region, so as to effectively reduce the poverty and regional inequality.

Keywords: *Poverty, Regional Inequality, Panel Data, TSLS.*