

The Effect Of Local Government Expenditure On Poverty And Unemployment In Bireuen District

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ABSTRACT

This study aims to determine the influence of regional government expenditure on poverty and unemployment in Bireuen Regency. The research method used is a quantitative approach with simple linear regression analysis, including classical assumption tests and hypothesis testing, processed using IBM SPSS 25. The data used in this study are secondary time series data for a 10 year period, from 2014 to 2023. The results of the study show that regional government expenditure partially has a significant effect on poverty, with a t value (3.023) > t table value (2.306) and a significance level of 0.016 < 0.05. In addition, regional government expenditure also has a significant effect on unemployment, with a t value (4.059) > t table value (2.306) and a significance level of 0.004 < 0.05. The influence of regional government expenditure on poverty is 42.3%, while the remaining 57.7% is influenced by other variables outside this study. Meanwhile, the influence of regional government expenditure on unemployment is 67.3%, with the remaining 32.7% influenced by other factors not examined in this research.

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1. Introduction

Poverty and unemployment are two major social issues that must be addressed to achieve prosperity. These two issues are inextricably linked to population growth, limited employment opportunities, limited access to education and healthcare, and low quality human resources. High unemployment will lead to increased structural poverty and reduced purchasing power, thus impacting regional economic and social stability.

Poverty is the inability of people to meet their daily needs to a predetermined level. Poverty is influenced by various interrelated factors, such as income level, health status, education, environment, access to basic services, and threats to the enforcement of rights and justice. Besides causing social problems, poverty also impacts a country's economic development. Another factor that influences poverty levels is unemployment.

Unemployment refers to the population that is unemployed but is seeking employment or preparing for a new business, or those that are not seeking employment because they have been accepted but have not yet started working. Unemployment occurs due to the high rate of labor force turnover that is not balanced with adequate employment opportunities and a small percentage of labor absorption. High unemployment also reflects a failure in labor absorption due to a mismatch between labor qualifications and market needs, low investment, and weak business sector development.

One of the policy instruments used by local governments to address poverty and unemployment is the allocation of regional government spending. According to Government Regulation Number 12 of 2019 concerning Regional Financial Management, regional government spending is used to fund the implementation of government affairs within the region's authority. Regional government spending plays a role in improving the welfare of the community within the local government area by financing operational activities, development, and other programs (Safitri, 2021).

According to Law Number 9 of 2015 concerning Regional Government and Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, decentralization is implemented in the form of regional autonomy. Regional autonomy is defined as the granting of rights, authorities, and obligations to autonomous regions to regulate and manage their own regional government. Through the greater authority granted by the central government, along with funding support through central government transfers, it is hoped that regional governments will be able to provide better services to the public.

Based on previous research, Linda Wulandari et al. (2022) found that local government spending had a positive and significant impact on poverty and unemployment in Batu City. Conversely, Huda & Karsudjono (2021) showed that employee and capital expenditures in Banjarmasin City were unable to address poverty or unemployment, while spending on goods and services only reduced unemployment. Meanwhile, Fadillah & Sabar (2023) conducted a study that showed that government spending in the education, health, and economic growth sectors did not significantly impact unemployment and poverty in Gowa Regency. These differences in results indicate that the influence of local government spending on poverty and unemployment depends on the effectiveness of its allocation in each region.

Based on the description, this study was conducted to answer two main questions: (1) Does local government spending affect poverty in Bireuen Regency? and (2) Does local government spending affect unemployment in Bireuen Regency? The purpose of this study is to determine and analyze the effect of local government spending on poverty and unemployment in Bireuen Regency. The results of the study are expected to provide theoretical contributions to the development of public sector accounting literature as well as practical benefits for local governments in formulating more targeted spending policies to improve community welfare.

2. Research Methods

This study uses a quantitative approach with a simple linear regression method to analyze the effect of local government spending on poverty and unemployment in Bireuen Regency. The research location was conducted in Bireuen Regency with an analysis period of 10 years, from 2014 to 2023. The data used in this study are secondary data in the form of time series for 10 years, namely from 2014 to 2023. The data were obtained from reports and various publications of the DJPK Ministry of Finance of the Republic of Indonesia and the Central Statistics Agency (BPS) of Aceh Province.

The collected data was analyzed using IBM SPSS 25 software. The analysis stages used were as follows: (1) descriptive analysis to describe the research data, (2) classical assumption test which includes normality test and heteroscedasticity test, (3) simple linear regression analysis for each dependent variable, (4) t test to test the influence of independent variables on each dependent variable partially, and (5) coefficient of determination (R^2) test to determine the extent of the contribution of independent variables to the dependent variable.

3. Results and Discussion

Statistical Analysis

Descriptive statistical analysis aims to provide a general overview of the characteristics of each of the research variables, namely local government spending, poverty, and unemployment in Bireuen Regency during the period 2014-2023. This analysis was conducted using descriptive statistics in the form of minimum, maximum, average (mean), and standard deviation values.

Table 1. Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
Regional Government Spending	1 0	.9086	1.1214	.9854 70	.0598427
Poverty	1 0	.5921	.7314	.6616 20	.0522859
Unemployment	1 0	.0352	.1102	.0535 40	.0252961
Valid N (listwise)	1 0				

Normality Test

Normality testing is used to determine whether the residuals in a regression model follow a normal distribution. One method used to test for normality is the Kolmogorov-Smirnov test. The test results are presented as follows:

Table 2. Results of the Normality Test for Poverty (Y1)

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		10
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.03571959
	Absolute	.163
Most Extreme Differences	Positive	.137
	Negative	-.163
Test Statistic		.163
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

The results of the Normality Test in the table above show that the Kolmogorov-Smirnov normality test in this study obtained an Asymp.Sig (2-tailed) value of 0.200, so the data used in this study was normally distributed because this value was greater than 0.05.

Table 3 Results of the Normality Test for Unemployment (Y2)

One-Sample Kolmogorov-Smirnov Test		Unstandardized Residual
N		10
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.01446217
	Absolute	.182
Most Extreme Differences	Positive	.182
	Negative	-.145
Test Statistic		.182
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

The results of the Normality Test in the table above show that the Kolmogorov-Smirnov normality test in this study obtained an Asymp.Sig (2-tailed) value of 0.200, so the data used in this study was normally distributed because the value was greater than 0.05.

Heteroscedasticity Test

Heteroscedasticity testing is used to determine whether there is inequality in the variance of residual values from one observation to another in the regression. The heteroscedasticity test in this study is used by examining the scatterplot graph. The test results are presented as follows:

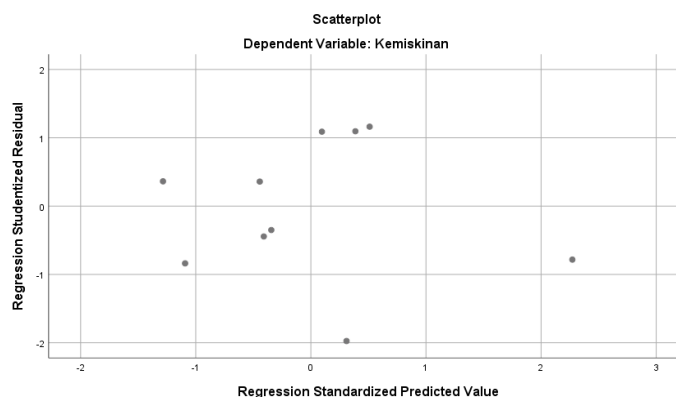


Figure 1 Graph of Heteroscedasticity Test of Poverty (Y1)

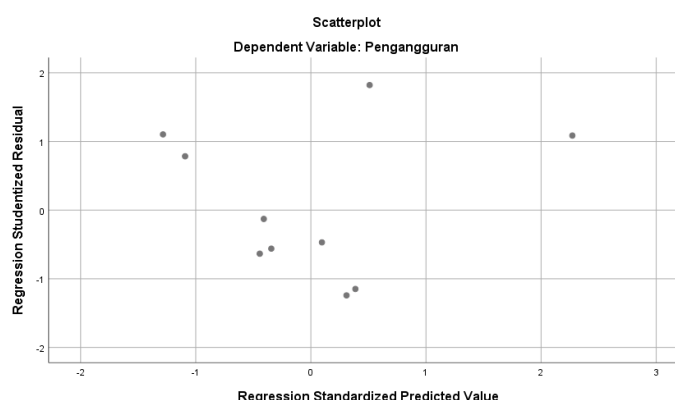


Figure 2 Heteroscedasticity Test Graph for Unemployment (Y2)

Based on the two images above, it can be seen that the residual points are spread randomly above and below the zero line and do not form a clear pattern such as an open or narrowing funnel, so it can be concluded that this regression test does not experience symptoms of heteroscedasticity.

Simple Linear Regression Analysis

Simple linear regression is used to test the effect of one independent variable on one dependent variable (Sahir, 2022). Based on the simple regression test processed using IBM SPSS Statistics 25, the test results are presented as follows:

Table 4 Linear Regression Analysis of Regional Government Expenditure on Poverty

Coefficients ^a					
Model	Unstandardized Coefficients	Standardized Coefficients	t		Collinearity Statistics

		B	Std. Error	Beta		Say .	Toleranc e	VI F
1	(Constant)	.033	.208		.158	.87 9		
	Regional Government Spending	.638	.211	.730	3.023	.01 6	1.000	1.000

a. Dependent Variable: Poverty

$$Y1 = 0,033 + 0,638X + e$$

The interpretation of the regression model equation is as follows:

1. The constant is 0.033, meaning that if local government spending is 0, the poverty rate is predicted to be 0.033 or 3.3%.
2. The regression coefficient of the regional government spending variable is 0.638, meaning that if the regional government spending variable increases by 1 unit, the poverty rate will increase by 0.638 or 63.8%.

Table 5 Linear Regression Analysis of Regional Government Expenditure on Unemployment

Coefficients^a

Model		Unstandardize d Coefficients		Standardized Coefficients	t	Say .	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.288	.084		- 3.417	.00 9		
	Regional Government Spending	.347	.085	.820	4.059	.00 4	1.000	1.000

a. Dependent Variable: Unemployment

$$Y2 = -0.288 + 0.347X + e$$

The interpretation of the regression model equation is as follows:

1. The constant is -0.288, meaning that if local government spending is 0, the unemployment rate is predicted to be -0.288.
2. The regression coefficient of the regional government spending variable is 0.347, meaning that if the regional government spending variable increases by 1 unit, the unemployment rate will increase by 0.347 or 34.7%.

Coefficient of Determination Test (R²)

The coefficient of determination (R²) test is used to measure the model's ability to explain dependent variables. The test results are presented as follows:

Table 6 Results of the Poverty Determination Coefficient Test (Y1)

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin - Watson

1	.730 _a	.533	.475	.0378863	1.219
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a. Predictors: (Constant), Regional Government Spending

b. Dependent Variable: Poverty

Based on the table above, the correlation coefficient (R) value is 0.730 or 73%, meaning it has a strong relationship. The coefficient of determination (R²) value is 0.533, meaning that local government spending influences poverty by 53.3%, while the remaining 46.7% indicates that poverty is influenced by other variables outside this study.

Table 7 Results of the Unemployment Determination Coefficient Test (Y2)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.820 ^a	.673	.632	.0153394	1.343

a. Predictors: (Constant), Regional Government Spending

b. Dependent Variable: Unemployment

Based on the table above, the correlation coefficient (R) value is 0.820 or 82%, meaning it has a very strong relationship. The coefficient of determination (R²) value is 0.673, meaning that local government spending influences unemployment by 67.3%, while the remaining 32.7% indicates that unemployment is influenced by other variables outside this study.

Partial Test (t-Test)

The t-test is a test conducted to determine whether the independent variables used partially have a significant effect on the dependent variable. The results of the t-test are as follows:

Table 8 Results of the Poverty t-Test (Y1)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.033	.208		.158	.879
	Regional Government Spending	.638	.211	.730	3.023	.016

a. Dependent Variable: Poverty

Based on the table above, the calculated t value is 3.023 with a significance value of 0.016. The t table value with a significance level of 0.05 or 5% is 2.306. Since the calculated t value is greater than the t table value, it can be interpreted that the poverty variable is significantly influenced by local government spending.

Table 9 Results of the Unemployment t-Test (Y2)

Coefficients^a

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
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		B	Std. Error	Beta		
1	(Constant)	-.288	.084		-3.417	.009
	Regional Government Spending	.347	.085	.820	4.059	.004

a. Dependent Variable: Unemployment

Based on the table above, the calculated t value is 4.059 with a significance value of 0.004. The t table value with a significance level of 0.05 or 5% is 2.306. Since the calculated t value is greater than the t table value, it can be interpreted that the unemployment variable is significantly influenced by local government spending.

Discussion

The Impact of Regional Government Spending on Poverty

The results of this study indicate that local government spending has a positive and significant effect on poverty, and the hypothesis that local government spending influences poverty is accepted. Although the direction of the relationship is positive, this indicates that local government spending has not been effective in reducing poverty levels. This suggests the need to evaluate the allocation and effectiveness of local government spending to promote community welfare. These results align with those of Linda Wulandari et al. (2022) and Putri & Yefriza (2025).

The Impact of Regional Government Spending on Unemployment

The results of this study indicate that local government spending has a positive and significant effect on unemployment, and the hypothesis that local government spending affects unemployment is accepted. Although the direction of the relationship is positive, this indicates that local government spending has not been effective in reducing the unemployment rate. This indicates ineffectiveness or inappropriate targeting of spending in absorbing the workforce. These results align with those of Linda Wulandari et al. (2022) and Huda & Karsudjono (2021).

4. Conclusion and Suggestions

Based on the results of the research that has been conducted, the author makes the following suggestions:

Regional government spending has a positive and significant impact on poverty in Bireuen Regency. The regression test results show a calculated t value ($3.032 > t$ table (2.306) with a significance value of $0.016 < 0.05$. This indicates that the greater the regional government spending, the higher the poverty rate in Bireuen Regency.

Regional government spending has a positive and significant impact on unemployment in Bireuen Regency. The regression test results show a calculated t value ($4.059 > t$ table (2.306) with

a significance value of $0.004 < 0.05$. This indicates that the greater the regional government spending, the higher the unemployment rate in Bireuen Regency.

Between the two variables, namely poverty and unemployment, it turns out that the unemployment rate has the greatest influence from regional government spending with a coefficient of determination (R^2) of 67.3% compared to poverty of 53.3%.

Based on these conclusions, it is recommended that Regional Governments continue to improve the effectiveness and efficiency of budget use, especially in programs that have a direct impact on reducing poverty and unemployment, such as skills training programs, social assistance for the poor, empowerment of MSMEs, and development of labor-intensive sectors that are able to absorb a wide range of workers.

For related agencies, it is necessary to monitor and evaluate the impact of each program funded by regional government spending, so that it can be determined which program is most effective in reducing poverty and unemployment rates.

For future researchers, it is recommended to add other variables that may influence poverty and unemployment, such as direct and indirect spending, social spending, education, health, or other spending. The results of this study can serve as a reference and a bridge to further research, particularly in the same field of study with a broader range of variables and analytical methods.

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