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Budget Political Turbulence, the Impact on Regional Revenues, Expenditures, and Poverty Rate

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Abstract- This study examines the relationship between budget management and budget politics and their relation to poverty alleviation. The cycle of budget politics occurs in many countries in Asia, Africa, Europe, and Latin America. This illustrates that budget preparation, discussion, determination, and implementation cannot be separated from the influence of budget politics. The main sources of development in the regions consist of three main components: regional original income, transfer fund income, and other legitimate regional revenues. Currently, many regions have budgets dominated by central government transfer funds rather than their original regional revenues (a symptom of the flypaper effect). Nevertheless, political actors continue to use their budgetary authority to prioritize their political interests. As a result, it will be difficult for regions to carry out development to reduce poverty. The method used in this study is quantitative, with poverty as the dependent variable, regional original income, transfer funds, grant expenditures, social assistance expenditures, capital expenditures, and the budget cycle as independent variables. Data analysis using panel data regression. The results of this study indicate that five of the six independent variables, namely local revenue, transfer funds, grant spending, social assistance spending, and the political year dummy have a negative and significant effect on the dependent variable. In contrast, the only independent variable, namely capital expenditure, has no effect on poverty alleviation. However, in the partial analysis, capital expenditure has a significant effect on reducing poverty.

*Keywords***:** Regional Original Income; Transfer Funds; Grant Expenditures; Social Assistance Expenditures; Capital Expenditures; The Political Budget Cycle; Poverty.

Introduction

According to Caporaso's theory, all notions of power are built on two motives, goals and interests (James A Caporaso, 2018). The linkage of power and political interests occurs through interactions between powers or associative interactions (Wahab Tuanaya, 2020), including the chaotic management of budgets and grant funds in the Regions (Vassiljev & Alver, 2016; Winoto & Falikhatun, 2015). The region's budget management system needs to be strengthened to improve (Sabilla & Kirana Jaya, 2014; Yohanes Suhardjo, 2018).

In the political system in Indonesia, clientelism as a corrupt behavior is still a very strong phenomenon in the context of democracy in Indonesia (Ramadhan, M. N., & Oley, 2019). Because of this, money politics has always been rife in procedural democracy in Indonesia, especially since the 2004 direct elections (Fitri & Dewi, 2021). Prevention efforts are always carried out but never optimal (Riewanto, 2019) The causes of money politics are related to many aspects, namely the high cost of winning elections (Ghaliya, 2019), political dowry (Amsari & Febrinandez, 2019), patronizing (Sukmajati & Disyacitta, 2019), funder business (Dalilah et al., 2019), so that money politics has now become the new normal practice in elections in Indonesia (Muhtadi, 2019; Satria, 2019). The political budget cycle is quite widespread in OECD countries that have low budget transparency (Jong-A-Pin et al., 2012; Ribot & Larson, 2012), also in various countries in the European Union (Efthyvoulou, 2012) and (Mackic, 2014) in Croatia as well as in developing countries or new democracies (Bohn, 2019). Political fragmentation has been widely recognized by political economists as an important cause of budget wastage in democratic markets through bargaining and vetoing of political players in European Union countries (Bojar, 2015). Incumbents tend to use the budget for electoral interests like in Brazil (Klein & Sakurai, 2015) Turkey (Eryilmaz & Mercan, 2015), and even Germany (Schneider, 2010).

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The accountability of the public budget in the Regional Budget is relatively colored by political issues, spending priorities, and the level of budget absorption (Rahmanto et al., 2021). The practice of budgeting by the executive and legislative branches in the regions is always associated with politics, and budget bargaining, from planning to implementation, so basically the budget is a process and product of political work (Wahab Tuanaya, 2020). How massive is this happening, it seems as if this has become rooted as a system in all fields in many areas (Fitriyah & Fauzy, 2017; Noerlina et al., 2017; Riyanto, 2012; Sofianto, 2012; Wahab Tuanaya, 2020; Wicaksono & Febrina, 2016). Regional budgeting is mostly used for the benefit of regional authorities (Hamka et al., 2022). Increasing the capacity of regional financial management is important in the era of decentralization (Saragih, 2014) because many regions have relatively limited regional financial capabilities (Sistiana & Makmur, 2014), including in poverty alleviation (Gemiharto & Rosfiantika, 2017; Lisna et al., 2013; Saragih, 2014). The low capacity of regional finances causes most of the budget used by regions to carry out development to be dominated by transfer funds or balancing funds from the center or experiencing symptoms of the *flypaper effect Oates,1993* (Ponce-Rodríguez et al., 2018).

The symptoms of the flypaper effect in various parts of Indonesia are quite diverse, with the majority showing the phenomenon of the flypaper effect occurring in most parts of Indonesia (Nurhayati & Wicaksono, 2017; Prakoso et al., 2019; Subadriyah & Solikul, 2018). It also occurs in districts/cities with high and low incomes (Inayati & Setiawan, 2018). However, several studies also show that the flypaper effect does not occur in regencies/cities on the island of Java (Pramuka, 2010), but also Regencies/Cities in Banten Province (Fitri Amalia, 2019).

Development planning and development programs in Indonesia have not been able to overcome poverty, even more, rampant development has added to the series of poverty and inequality (Meilizar & Hasan, 2018), noted that Indonesia has been able to reduce poverty but inequality is increasing. The poorest 40% of Indonesia's population only accounts for 20% of total household consumption, while the richest 20% of the population contributes almost 50%, making Indonesia one of the OECD countries with the highest inequality level. This data complements the 2013 World Bank data, which states that 13% of Indonesia's population is below poverty, but the other 40% is right above the poverty line (Kilby, 2013).

Theoretically, Nurske, 1953 (Hasan & Azis, 2018) state that poverty will always seem to be a vicious circle and that it is the circle of power that causes the poor to remain poor. Poor people eat less, resulting in poor health, low productivity, and low income. Due to low income, they eat less and return to their original cycle. This condition can be seen from the data on the development of poverty on the most populous island in Indonesia, namely Java. The following data shows that the reduction in the poverty rate in Java in the last four years has not experienced any significant development. This fact supports Nurske's theory of poverty:

Table 1.

| Province	POVERTY RATE				
	2018	2019	2020	2021	AVERAGE
DKI Jakarta	3,56	3,45	4,61	4,70	4,07
West Java	7,35	6,87	8,16	8,19	7,64
Mid Java	11,61	10,69	11,62	11,52	11,36
East Java	11,96	11,55	12,54	12,36	12,10
DI Yogyakarta	10,92	10,29	11,68	11,00	10,70
Banten	5,24	5,02	6,28	6	5,78

(source: BPS processed)

This research is expected to explore issues related to budget politics and its impact on the management of regional revenues and expenditures to reduce poverty, especially in Central Java Province. Budget politics, a symptom of the flypaper effect, the unfulfilled aspirations and expectations of the community because the allocation of the budget indicated to be used for political purposes is a problem that needs to be solved so that local budgets become more useful in poverty alleviation.

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Literature Review

Agency and Stewardship theory. In the context of leadership within the Regional Government, according to Law Number 23 of 2014, what is meant by regional government is the executive led by the Regent and DPRD. The Regional Head and DPRD are the holders of the mandate given by the community through the General Election. In agency theory, the local government is the manager/steward agent, while the community is in the position of the principal. However, the DPRD's position in regional government is unique, because apart from being elected, it also has the functions of budget, supervision, and legislation, so that the DPRD's position can represent the community, or as a principal. The community as the principal expects the Regional Head and DPRD to position themselves as stewards rather than agents. According to Davis et al, 1997 (Ghozali, 2020) a servant-spirited leader, is trustworthy, has a more facilitating attitude, is trustworthy, highly committed, has high-order needs, and referent. While in an agent position, he tends to be an economic man, individualistic, opportunistic, low order need, low commitment coercive, and selfish.

Government management based on good governance and stewardship should be a guideline for anyone who is given the mandate to lead the region (Jafar AW, 2019; Jefri, 2018), this is to reduce the opportunistic behavior of budget makers (Bagus & Astika, 2015; DeGrave et al., 2021). Several studies have shown that the government and local governments have developed various policies to improve transparent and accountable governance, such as technology development, in managing regional revenues and expenditures. Some successes are shown by some local governments (Edowati et al., 2021; Gunawan, 2016). However, many areas experience the opposite, namely the occurrence of irregularities or failures (Hastuti, 2018; Raharja et al., 2017). According to Stoker, Vasudha Chhotray, and Gerry, there are five theories related to good governance, namely regarding governance, the dynamics of delegation and incentives, building trust, actions that encourage governance, and institutional concepts (Stoker, 2009). In this paper, the concept of good governance is closer to how social theory looks at how interests are articulated, communicated, and conditioned by governance discourse and how identity and trust can be built.

The theory of the vicious circle of poverty. This theory was first introduced by Nurske (1953). According to Ragnar Nurske, poor countries will tend to remain poor because they have low incomes, low savings, low productivity, and low capital, all of which are interrelated and difficult to disconnect. In general, Nurske's theory can be described as follows:
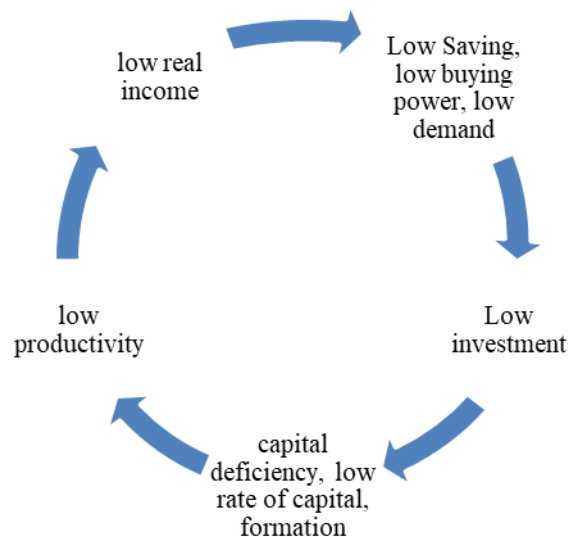
Ragnar Nurske (1953)

Poverty is one of the common characteristics of developing countries, which according to the World Bank is reflected by incomes below 2 US dollars per day or 1 dollar per day for absolute poverty (Damanhuri, 2010). But actually, there are many theories about poverty and how to measure it, such as from the World Bank, Niemietz, Gorman, Amartya Sen, Chambers, etc. However, according to Indra Maipita, poverty can be viewed from two perspectives, namely poverty according to decent living standards and poverty by income level, or it can be concluded that poverty is a condition that is not good, vulnerable, marginalized, does not have or has low access

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to education, law, or other sources. And the easiest and most common measure of poverty is the income measure (Maipita & Fitrawaty, 2014). In Indonesia, the standard for calculating poverty is based on the calculation of the Central Bureau of Statistics (BPS), namely the poverty line. Poor people are people who are below the poverty line.

In addition to general poverty, other characteristics are (a) agricultural livelihoods (b) advanced and modern economy centered in cities and vice versa in villages, (c) natural resources are not managed properly (d) high unemployment rates, and (e) low-quality labor (f) low entrepreneurship (g) capital scarcity (h) low technology. Several studies show that the causes of poverty are caused by many things including economic crises, political crises, natural phenomena, natural disasters, and so on (Oki et al., 2020). Also the factors of population, unemployment, and GRDP (Puspita, 2015). Income factors, regional expenditure allocations, and regional financial performance are also factors that affect the poverty rate (Arini & Mustika, 2015; Endrayani & Dewi, 2016; Iskandar & Subekan, 2016; Nurmasari & Hafis, 2019; Syamsudin et al., 2015). Research in Africa shows that from the perspective of human needs, the role of government politics, corruption, and poverty are interrelated as obstacles to development (Ikejiaku, 2012).

Political economy theory. According to Caporaso and Levine, as well as Joan Robinson, political economy is the relationship between politics and power in terms of aspects, processes, institutions, and economic output to overcome the problems of poverty, unemployment, and inequality (Damanhuri, 2010). In liberal theory or classical theory, there are three important characteristics, namely, the recognition of personal rights is very high, the economy is regulated through market mechanisms, and the economic motive is profit. The theory of the vicious circle of poverty is one of the adherents of liberal theory. Breaking the vicious cycle of poverty can be done by implementing a balanced development strategy, namely by creating economic externalities through increasing capital and expanding markets. Political economics can also be interpreted as the application of economics to the study of political processes by actors who are considered rational and selfish (Schnellenbach & Schubert, 2015). In this concept, regarding neoclassical theory, agents will maximize utility not only in the market context, but also in the political arena, in various capacities such as elections, lobbyists, or bureaucrats. Given the strategic nature of the intergovernmental transfer factor, research in Italy can be used as a reference that the central government should not ignore, especially in controlling transfer funds, so that the use of regional budgets is not for political purposes (Padovano, 2012).

Grants and social assistance are one the efforts to alleviate poverty, but they are often a problem because they have more political nuances (Maria et al., 2019; Sianturi, 2017). Grants and social assistance are also often used by the Incumbent before and during the general election for regional heads to maintain their position (Kis-Katos & Sjahrir, 2017; Klomp & de Haan, 2013; Sjahrir et al., 2013). To overcome political issues like this, the Government issued special regulations related to grants and social assistance (Yohanes Suhardjo, 2018), to reduce corruption in the region (Gumala & Anis, 2019; Labolo, 2017; Sommaliagustina, 2019; Sriwati, 2011; Sujarwoto, 2015), including tackling the political role of the incumbent in the use of grant funds (Winoto & Falikhatun, 2015). Or in other words, grants and social assistance are budget items that are quite vulnerable to being used by regional heads or the people's representative councils in the regions to include their political interests, because, in the preparation of the budget, they are the parties who will determine who the recipient of the assistance will be.

The political budget cycle is part of the political economy cycle which shows the existence of policies that are taken by politicians to perpetuate their power through budgetary practices with an economic, opportunist, electoral approach (García & Hayo, 2021; Pérez-Cruz et al., 2021), so cannot be separated from the phenomenon of obstacles in budgeting practices, starting from the preparation, discussion, and determination of the budget to its implementation (Wahab Tuanaya, 2020). The political budget cycle occurs in many countries in the world such as Turkey, Chile, China, India, Mozambique, Myanmar, and Vietnam, as well as in Latin America (Aidt & Dutta, 2011; Corvalan et al., 2018; Goddard & Mkasiwa, 2016; Jones, 2014; Phiri, 2012; Sáez & Sinha, 2010; Suntikul et al., 2010). The use of budgetary authority in the political budget cycle is often carried out during the time range for the regional head general election, namely before and at the time of the election (Drazen & Eslava, 2010; González et al., 2013; Mackic, 2014). Several studies related to the political budget cycle show, especially the use of grants and social assistance by regional heads or the legislature to maintain their position (Maria et al., 2019), with distributive Pork Barrel politics or for relations of corruption to leadership power (Haliim, 2019, 2020; Saragintan & Hidayat, 2017). From several theories that have been reviewed, the political budget cycle is an effort

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made by incumbents to utilize all of their power or authority in the field of budgeting to maintain their political positions. And factually, the political budget cycle is carried out by political actors in a not short period but adjusts to the period of their political tenure (Klein & Sakurai, 2015).

Regional Revenue Theory. Article 1 Number 7 of Government Regulation Number 12 of 2019 concerning Regional Financial Management as an implementation of Law Number 23 of 2014 concerning Regional Government states Regional Revenues are all regional rights that are recognized as an increase in the value of net worth in the period of the canned fiscal year. Regional Revenue includes three components, namely Regional revenue, transfer income, and other legitimate Regional revenues. Local original income (PAD) includes Regional taxes, Regional levies, the results of the management of segregated regional wealth, and other legitimate regional original income. Transfer funds include the general allocation fund (DAU), special allocation fund (DAK), profit sharing fund (DBH), regional incentive fund (DID), special autonomy fund, privilege fund, and village fund (DD). In addition, districts/cities also receive inter-regional transfer funds in the form of profit-sharing income and financial assistance. Several studies have shown that out of the three sources of income of the Region, most districts /cities are very dependent on transfer funds, so there are symptoms of the flypaper effect (Armawaddin et al., 2017; Lisna et al., 2013; Prakoso et al., 2019; Subadriyah & Solikul, 2018; Sumiyarti, 2019; Suyanto, 2015).

Regional Expenditure Theory. Referring to Government Regulation Number 12 of 2019 concerning Regional Financial Management, what is meant by Regional Expenditure is all the obligations of local governments that are recognized as deductions for the value of net worth in the relevant fiscal year period. Regional expenditures are allocated to fund the implementation of Government Affairs which is the authority of the Regions. The types of expenditures in regional government are classified into four types of expenditures, namely operating expenditures, capital expenditures, unexpected expenditures, and transfer expenditures. The operating expenditure category includes personnel expenditure, goods, and services expenditure, interest expenditure, subsidy expenditure, grant expenditure, and social assistance expenditure. Thus, grant expenditures and social assistance expenditures are included in the operating expenditure category, while capital expenditures are for the procurement of fixed assets and other assets.

Grant expenditure is the provision of expenditure to the government above it (central), other regional governments, state or regional-owned enterprises, and/or agencies and institutions, as well as organizations society that is an Indonesian legal entity, which specifically the designation has been determined, is not mandatory and not binding, and not continuously every fiscal year, unless otherwise specified following the provisions of the legislation. Granting is adjusted to the regional financial capacity and priority scale. Social assistance spending is assistance in the form of money or goods given to individuals, families or groups, and/or communities whose nature is not continuous and selective and aims to protect against the possibility of social risk, except in certain circumstances sustainable.

Theory of capital expenditure. Following Government Regulation Number 12 of 2019, Capital expenditure is a budget for asset acquisition fixed assets, and other assets that provide benefits for more than 1 (one) accounting period The condition of capital expenditure in many regions is relatively very small compared to the total expenditure. Several studies related to capital expenditure show that many factors influence capital expenditure (Ivana et al., 2021), these factors include PAD, DAU, DAK, and SiLPA (Handayani & Saifudin, 2019; Haviz, 2016; Indriyani & Adi, 2018).

Research problem and research question
The research problem is that poverty is a problem that many countries always try to solve, to build a more prosperous country. Poverty can be caused by many factors, and this study will be discussed the factors that influence poverty, namely: The effect of regional income on poverty, The effect of regional spending on poverty, The influence of the regional budget political cycle on poverty, Simultaneous effect of income, expenditure, and poverty cycle in the region on poverty.

Thus the questions in this study are: (1) Is there any influence between local income on poverty? (2) Is there any influence on regional spending on poverty? (3) Is there any effect of the political cycle on poverty? (4). Is there a simultaneous effect between income, expenditure, and the budget cycle on poverty?

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Based on the theoretical basis stated earlier, the hypotheses in this study are: (1) PAD and Transfer Funds have a negative and significant effect on reducing poverty (2) Grant Expenditure, Social Assistance Expenditure, and the political budget cycle have a negative and significant impact on reducing poverty (3) The political budget cycle has a negative and significant effect on reducing poverty (4) PAD, Transfer Funds, Grant Expenditures, Social Assistance Expenditures, Social Assistance Expenditures, and the Political Budget Cycle simultaneously have a significant effect on reducing poverty

Research objectives and benefits
This research aims to (1) examine the effect of PAD, PDT, grant spending, social assistance expenditure, and capital expenditure have a significant effect on reducing poverty. (2) Examine whether the budget policy has an impact on reducing poverty.
The benefits of this research are (1) Theoretical Benefits. In theory, this research is expected to provide input for theoretical models in the development of economics. (2) Practical Benefit. Practically, this research is expected to provide input for local governments, regional heads, and policymakers so that they can carry out their functions as stewards of the people.

Basic Theory and Research Model Development
The development of panel data regression analysis models with dummy (binary) variables was carried out for various types of data, namely, cross-section and time series data (panel data), and for purposes of covering both time and individual conditions (Ekananda, 2016). The classification is referred to as before the crisis and after the crisis, before and after the reformation, the east and the west, the province and outside the province, the agricultural group and the non-agricultural group, the teaching profession with non-lecturers, and so on. Steps to form dummy data can be done in four stages, namely (1) determining the number of differentiating groups (2) determining the name of the dummy (3) determining the value for each dummy (4) placing the dummy in the regression equation, on the intercept (alpha) or slope (beta).
The equation model refers to Lee, 1996 which was modified (Ekananda, 2016) with the following equation:

$Educ_1 = \alpha + \beta_1 Y_1 + \beta_2\ Inc\ Distr_1 + \beta_3\ Educ\ Spend_1 + e_1$

$Educ_1$	= average length of school year
α	= intercept constant
Y	= per capita income
Inc Distr	= income distribution
Educ Spend	= ratio of government spending for the Education sector
e_1	= residue

The model is modified in this study to distinguish the political year, namely the budget allocated by the regional government in the political year with the budget allocated outside the political year. District/city panel data for 11 years is divided into data in the political year (2014, 2015, 2016, and 2019) and data outside the political year (2011, 2012, 2013, 2017, 2018). Dummy data in the political year is given a value of 1 while outside the political year it is given a value of 0. The dummy model used is the dummy intercept, which is defined to see the average dependent variable according to a certain year. If not grouped, then this intercept is interpreted as an ordinary regression equation. On this basis, the multiple regression equation of this study can be written:

$Poverty = \alpha + \beta_1 * Local\_Original\_Income + \beta_2 * Transfer + \beta_3 * Grant + \beta_4 * Social\_Assistance + \beta_5 * Capital\_Expenditure + \beta_6 * Dummy + e_1$

Methodology
Population and Sample. This study uses a saturated sample or population sample, namely all regencies/cities in Central Java as many as 29 regencies and 6 cities. However, because there are 3 regencies/cities whose data are incomplete, the research is only conducted in 32 regencies/cities. The data used is time series data for 9 years from 2011 to 2019. Data for 2020 and 2021 are not included considering there has been a change in national policy related to the budget in the pandemic era, namely budget refocusing. The budget during the pandemic underwent a very drastic change.

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Data collection technique. Quantitative data collection is carried out through the compilation of secondary data from the Ministry of Finance and the Central Bureau of Statistics for Regional Income, Regional Expenditures, and Poverty Figures. In this study, the dummy variable in the form of a political year dummy is intended as a proxy for including budget politics in the panel data regression equation.

The political year dummy is used to distinguish budgeting that is intervened by political interests and outside the political year. the definition of a political year is a fiscal year around the political year, namely one year before, the year of implementation, and the year after the implementation of the regional head election. For this study, for the 2011-2021 research period, the years included as political years are 2014, 2015, 2016, and 2019, namely the political year around two simultaneous regional head elections, namely 2015 and 2020

Quantitative data analysis using panel data regression analysis with the Eviews-12 application. To choose the type of panel data regression analysis used, the Chow test and Hausman test were used. The best model chosen is the fixed effect model. In addition, the classical assumption test was also carried out.

Result and Discussion

Table 2.

Dependent Variable: POVERTY
Method: Panel Least Squares
Date: 09/22/22   Time: 20:15
Sample: 2011 2019
Periods included: 9
Cross-sections included: 32
Total panel (balanced) observations: 288

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.906825	0.273593	10.62463	0.0000
LOCAL_ORIGINAL_INCOME	-0.062810	0.023566	-2.665247	0.0082
TRANSFER	-0.353686	0.050530	-6.999525	0.0000
GRANT	-0.028034	0.007712	-3.635010	0.0003
SOCIAL_ASSISTANCE	-0.013648	0.004082	-3.343700	0.0010
CAPITAL_EXPENDITURE	0.022524	0.014716	1.530612	0.1271
DUMMY	-0.007904	0.003527	-2.241431	0.0259

Effects Specification				
Cross-section fixed (dummy variables)				

R-squared	0.976420	Mean dependent var	-0.918725
Adjusted R-squared	0.972930	S.D. dependent var	0.165301
S.E. of regression	0.027197	Akaike info criterion	-4.249041
Sum squared resid	0.184917	Schwarz criterion	-3.765733
Log likelihood	649.8619	Hannan-Quinn criter.	-4.055360
F-statistic	279.7875	Durbin-Watson stat	1.287242
Prob(F-statistic)	0.000000		

Poverty = 2.9068254651 - 0.0628096297582*Local_Original_Income - 0.353685763842*Transfer - 0.0280341374624*Grant - 0.0136478198367*Social_Assistance + 0.0225244680567*Capital_Expenditure - 0.00790448547506*Dummy + [Cx=F]

This means that with a constant value of 2.9068254651, then if the income sector (PAD, and transfer funds), the spending sector (grant spending, social assistance spending, and capital expenditure), and the dummy (budget political cycle) are equal to zero, the increase in the poverty rate is 2.9068254651. The regression coefficient for the PAD variable is -0.0628096297582, meaning that if the other variables are constant, then an increase in PAD by 1 unit will reduce the average poverty rate by 0.0628096297582 units. The regression coefficient for the transfer fund variable is - 0.353685763842, meaning that if the other variables are constant, an increase in PAD by 1 unit will reduce the average poverty rate by - 0.353685763842 units. The regression coefficient for the grant expenditure variable is -0.0280341374624, meaning that if the other variables are constant, then an increase in PAD by 1 unit will reduce the average poverty rate by 0.0280341374624 units. The regression coefficient for the social assistance expenditure variable is -0.0136478198367, meaning that if the other variables are constant, then an increase in social assistance spending of 1 unit will reduce the average poverty rate by 0.0136478198367 units. The regression coefficient for the capital expenditure variable is +0.0225244680567, meaning that if the other variables are constant, then an increase in capital expenditure of 1 unit will increase the average poverty rate by

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+0.0225244680567 units. The regression coefficient of the dummy variable (political cycle) is -0.00790448547506, meaning that if the other variables are constant, then an increase in capital expenditure of 1 unit will increase the average poverty rate by 0.00790448547506 units

The results of the partial panel data regression analysis for income, expenditure, and dummy obtained the following results.

Table 3.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOCAL_ORIGINAL_INCOME	-0.077080	0.023279	-3.311140	0.0011
TRANSFER	-0.320662	0.049831	-6.434970	0.0000
C	2.610414	0.274351	9.514878	0.0000

Variable	Coefficient	Std. Error	t-Statistic	Prob.
GRANT	-0.052796	0.010830	-4.874813	0.0000
SOCIAL_ASSISTANCE	-0.009068	0.005826	-1.556517	0.1208
CAPITAL_EXPENDITURE	-0.175744	0.012321	-14.26345	0.0000
C	1.013812	0.122257	8.292455	0.0000

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DUMMY	-0.037431	0.006348	-5.896539	0.0000
C	-0.902089	0.004232	-213.1587	0.0000

For a partial analysis of the income sector, namely PAD and transfer funds, the equation results are obtained:

POVERTY = -0.0770797953266*LOCAL_ORIGINAL_INCOME - 0.320661561571*TRANSFER + 2.61041363802 + [CX=F]

This means that with a constant value of 2.61041363802 if the PAD and transfer funds are zero, the increase in the poverty rate is 2.61041363802. The regression coefficient for the PAD variable is -0.07708, meaning that if the other variables are constant, an increase in PAD by 1 unit will reduce the average poverty rate by 0.07708 units. The coefficient of transfer funds is -0.32066, meaning that if the other variables are constant, an increase in transfer funds of 1 unit will reduce the average poverty rate by 0.32066 units.

For a partial analysis of the spending sector, namely grant spending, social assistance spending, and capital expenditure, the equation results obtained:

POVERTY = -0.0926332373558*GRANT - 0.0168288037235*SOCIAL_ASSISTANCE - 0.111011280808 + [CX=F]

This means that with a constant value of -0.111011280808, then if grant spending, social assistance spending, and capital expenditure are zero, the reduction in the poverty rate is -0.11101. The regression coefficient for the grant expenditure variable is -0.0926332373558. This means that if the other variables are constant, an increase in grant spending of 1 unit will reduce the average poverty rate by -0.0926332373558 units. The coefficient of transfer funds is - 0.0168288037235, which means that if the other variables are constant, an increase in transfer funds of 1 unit will reduce the average poverty rate by - 0.0168288037235 units. Social assistance spending in the negative partial regression analysis is not significant, meaning that social assistance spending contributes to poverty reduction but is not significant.

For a partial analysis of the dummy factor, namely the political year budget, the equation results are obtained:

POVERTY = -0.037431300904*DUMMY - 0.9020892593 + [CX=F]

This means that with a constant value of - 0.9020892593 if the dummy is zero, the poverty rate will decrease by 0.9020892593. The regression coefficient of the dummy variable is -0.037431300904 which means that if the other variables are constant, then an increase in the budget of 1 unit will reduce the average poverty rate by 0.037431300904 units.

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Based on the results of research analysis and referring to research problems, research questions, and research hypotheses simultaneously, the independent variables in this study, namely the PAD variable, transfer funds, grant spending, social assistance spending, capital expenditure, and the political year cycle, can explain the dependent variable of poverty. It can be shown from the R-square value of 0.976420, meaning that the independent variable used in this study can explain 97.6420% of the dependent variable. This means that there are still 2.3580% of other variables that are not used in this study.

When viewed from the aspect of regional income and expenditure, there are interesting things from the results of this study. In terms of income, apart from PAD and transfer funds, there are other sources of income, namely other legitimate local revenues. The composition of other legitimate regional revenues in Regency/City APBD throughout Indonesia in 2018 shows:

Table 4.

No	Components	Year (2018)	
		Rupiah (Trillion)	%
Total Revenue		763,5 T	100
1	PAD	118,2 T	15,5
2	Fund Transfer	510,2 T	66,8
3	Others Legitimate regional revenue	135,1 T	17,7

Source: RI Ministry of Finance (processed)

Of the total revenue of 763.5 T, the largest contribution of transfer funds reached 66.8%, far exceeding other legitimate local revenues (17.7%) and PAD (15.5%). The data clearly shows that the PAD of all Regencies and Cities in Indonesia is only below 20%, while transfer funds are very dominant (66.8%). This data reinforces the imbalance in the composition of regional revenue and expenditure budgets, where transfer funds are very dominant (a symptom of the flypaper effect). The ratio of transfer funds to PAD reached 66.8%:15.5%, or 4.3. This fact supports the data of this study, which were from the cumulative regression analysis for all independent variables, the contribution of transfer funds compared to PAD reached 5.63 times greater, while in the partial regression analysis the contribution of transfer funds in poverty reduction reached 4.16 times compared to PAD. In 2018 the PAD ratio of Central Java Province was quite good, namely 53.2%, higher than the national average of 35.2%. Transfer fund ratio, Central Java is below the national average (57.9%), which is 46.5%

Several studies on the effect of regional income (PAD and transfer funds) on increasing regional progress and reducing poverty were obtained from research in East Java (Qomariyah et al., 2018), throughout Indonesia (Hardinandar, 2020). However, in Papua, the opposite effect is not significant (Vitara Agatha & Uliansyah, 2021), even for some areas with high poverty such as Eastern Indonesia, with a very high gap, where the national average poverty rate in 2018 was 9.82, but in Papua 27.74, West Papua 23.01, in NTT 21.35 and Maluku 18.12 (Bappenas, 2018).

In the aspect of spending, the national composition for all districts/cities is described as follows:

Table 5.

No	Components	Year (2018)	
		Rupiah (Trillion)	%
Total Expenditures		804,2 T	100%
1	Employ expenditure	320,0 T	39,8%
2	Good and services expenditure	191,8 T	23,8%
3	Capital expenditure	164,2 T	20,4%
3	Others expenditure	128,2 T	15,9%

In 2018, Central Java's capital expenditure ratio was the lowest at only 7.5% of the national average of 18.1%. On the other hand, personnel expenditure in Central Java exceeded the national average (26.8%), which reached 27.2%. This disparity is one of the obstacles in the framework of the poverty alleviation program in Central Java because based on a partial regression analysis, capital expenditure has contributed to poverty reduction 3.3 times

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higher than grant spending, and 19 times higher than social assistance spending. The results of this study generally contradict the results of research in West Kalimantan (Deswantoro et al., 2017) and Yasni's research about grant spending, social assistance spending, and capital expenditure (Yasni & Yulianto, 2020), but this research is in line with the results of research in Manado City (Sendow et al., 2019).

The political year dummy as a proxy for the political budget cycle in this study shows a negative and significant relationship to the reduction in poverty, although it is relatively far away. This can be seen from the relationship between the two which both have negative coefficients, which are -0.037431300904 respectively for the dummy coefficient and - 0.9020892593 for the poverty coefficient.

The findings of this study have several practical implications that can inform policymakers and guide their actions towards poverty alleviation through effective budget management.

Firstly, the results demonstrate that increasing regional original income (PAD) and transfer funds can have a significant impact on reducing poverty. This highlights the importance of prioritizing strategies that enhance revenue generation at the regional level and ensure a fair distribution of transfer funds. Policymakers should consider implementing policies and programs that promote economic growth and revenue diversification to increase regional income. Additionally, ensuring an equitable allocation of transfer funds can support poverty reduction efforts in regions with limited resources.

Secondly, the study emphasizes the effectiveness of grant spending and social assistance programs in reducing poverty rates. Policymakers should allocate sufficient funds and effectively manage these programs to ensure their impact on poverty alleviation. Targeted grants and social assistance programs can provide direct support to individuals and communities in need, addressing their immediate needs and creating opportunities for upward mobility.

Furthermore, the study highlights the influence of the budget cycle on poverty rates. Policymakers need to be aware of the disparities in the relationship between the budget cycle and poverty. By understanding the dynamics of the budget process, they can make informed decisions during specific phases to address poverty-related concerns. This awareness can lead to more effective budgetary decisions and resource allocation throughout the cycle, maximizing the impact on poverty reduction.

The high explanatory power of the independent variables suggests the need for a comprehensive approach to poverty alleviation. Policymakers should adopt a holistic perspective that considers multiple factors, including regional income, transfer funds, grant spending, social assistance spending, and the budget cycle. By taking a comprehensive approach, policymakers can design and implement targeted interventions that address the complex nature of poverty.

It is important to acknowledge the limitations of this study and highlight potential areas for future research. Future studies could investigate the specific mechanisms through which different budgetary factors affect poverty, explore the role of governance and political will in budget management, and analyze case studies of regions that have successfully implemented poverty alleviation measures through budgetary reforms. This research can provide a deeper understanding of the dynamics between budget management, budget politics, and poverty alleviation, further informing policy decisions and interventions.

Conclusion

Based on the results of this study, it can be concluded that: (1) H-1 is proven, PAD and transfer funds have a negative and significant effect on poverty. This means that the higher the PAD and/or transfer funds, the lower the poverty rate. (2) H-2 is partially proven. Grant spending and social assistance spending have a negative and significant impact on poverty. This means that the higher the grant assistance and social assistance will be able to reduce the poverty rate. Capital expenditure has a positive and insignificant effect. This means that higher capital expenditure does not affect reducing poverty. However, the partial regression analysis obtained the opposite fact. (3) H-3 is proven. The political year as a proxy for the political cycle of the budget has a negative and significant effect on poverty, although this study found negative constants. This shows that there is a disparity in the relationship between the budget cycle and poverty. (4) H-4 is proven. In the F test, it has a significant level of 0.0000 or <0.05 so it is scientifically significant. All independent variables can explain the dependent variable, as evidenced by the R-square value of 0.976420. This means that 97.64% of the dependent variable can be explained by the independent variable or only 2.36% of other variables that are not used in this study. This research still has

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some limitations, especially in the study of the political budget cycle. Maybe in the future, it is necessary to do more in-depth research with mixed-method research, so that the research results will be more comprehensive

Acknowledgments

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