

ABSTRACT

East Java Province has the highest number of people living in absolute poverty in Indonesia, reaching 3.98 million people in 2024, despite a declining percentage trend following the COVID-19 pandemic. The effectiveness of government expenditure in reducing poverty rates remains an empirical debate. This study aims to analyze the effect of local government expenditure in the functions of education, health, social protection, and economic affairs, on the poverty rate across 38 districts/cities in East Java Province for the period 2018–2024.

This study employs a quantitative approach using panel data sourced from the Central Statistics Agency (BPS) and the Directorate General of Fiscal Balance (DJPK), analyzed through panel data regression using the Fixed Effect Model via EViews 12 software.

The results show that government expenditure in the health and economic functions has a significant negative effect on the poverty rate. In contrast, government expenditure in the education and social protection functions does not have a significant effect on the poverty rate. These findings indicate that local government spending in health and economic functions can play a role in reducing poverty rates across districts/cities in East Java.

Keywords: Poverty Rate East Java, Government Expenditure on Education, Health, Social Protection Function, Economic Function