

## Analysis Of Factors That Influence Economic Growth And Poverty Levels In Buleleng Regency

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**Abstract.** Poverty is a problem often experienced by developing countries. The poverty rate in the North Bali region is still very high when compared with other districts/cities in Bali Province. Therefore, the problem of poverty is a shared responsibility, especially for the government as a supporter of the process of improving people's lives in a government to immediately find a solution in efforts to overcome poverty. The objectives of this study are 1) to analyze the effect of education level, wages and population on economic growth in Buleleng Regency, 2) to analyze the effect of education level, wages, population and economic growth on poverty levels in Buleleng Regency, 3) to analyze the level of education, wages, population has an indirect effect on poverty levels through economic growth in Buleleng Regency. The analysis techniques used in this research are descriptive analysis and path analysis. The data used is 13 time series data from 2010-2022. The results of this research show that 1) the level of education has a positive and significant effect on economic growth in Buleleng district, 2) population has a positive and significant effect on the poverty level in Buleleng district 3) Economic growth can mediate the level of education, minimum wage, population on poverty level in Buleleng district. The Buleleng Regency government must continue to carry out programs to improve education and the economy so that poor people can enjoy education and open access to employment opportunities and improve the quality of human resources.

**Keywords:** Education, Minimum Wage, Population, Economic Growth, Poverty

**Abstract.** Poverty is a problem often experienced by developing countries. The poverty rate in the North Bali region is still very high when compared with other districts/cities in Bali Province. Therefore, the problem of poverty is a shared responsibility, especially for the government as a supporter of the process of improving people's lives in a government to immediately find a solution in efforts to overcome poverty. The objectives of this research are 1) to analyze the influence of education level, wages and population on economic growth in Buleleng Regency, 2) to analyze the influence of education level, wages, population and economic growth on poverty levels in Buleleng Regency, 3) to analyze the level of education, wages, population has an indirect effect on poverty levels through economic growth in Buleleng Regency. The analysis techniques used in this research are descriptive analysis and path analysis. The data used is secondary time series data totaling 13 data from 2010-2022. The results of this research show that 1) the level of education has a positive and significant effect on economic growth in Buleleng Regency 2) population has a positive and significant effect on the level of poverty in Buleleng Regency 3) Economic growth can mediate the level of education, minimum wage, population on the level of poverty in Buleleng Regency. So it is hoped that the Buleleng Regency government will continue to carry out programs to improve education and the economy so that poor people can enjoy education and open access to employment opportunities and improve the quality of human resources.

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### INTRODUCTION

Poverty is a common problem faced by developing countries (Vincent, 2009). Poverty is a complex problem that is influenced by various interrelated factors, including people's income level, unemployment, health, education, access to goods and services, location, geography and environment. The definition of poverty has been broadened, as the causes, indicators and other

problems surrounding it have become increasingly complex. Poverty is no longer viewed only as an economic aspect that extends to social, medical, educational and political dimensions ( Budhi, 2013) . Poverty is the inability to meet basic needs such as food, shelter, and health. Poverty occurs because the abilities of economic actors are not the same, so that there are people who cannot participate in the development process or enjoy the results of development. The gap between rich and poor communities in Indonesia is widening due to high disparities between regions due to unequal distribution of income which is one of the roots of the problem of poverty in Indonesia (Sianturi, 2011).

Poverty levels and economic growth are closely related. Economic growth is often used as a benchmark for the economic performance of a region, however high economic growth does not always indicate a high level of welfare of the people. It cannot be denied that economic growth is very meaningful for poverty alleviation and economic development. Economic growth is a necessary condition *for* reducing poverty. The sufficient condition *is* that the growth is effective in reducing poverty, meaning that economic growth must be spread evenly across every income group, including the poor ( *growth with equity* ). The factor that has a big impact on reducing income poverty *is* economic growth (Wahyudi, 2010) . According to economic studies, decreasing poverty levels have a big influence on economic growth. In principle, poverty alleviation is the first requirement for economic growth, while the second is ensuring that this growth is *pro-poor* . The economic growth conditions of a region or country cannot be separated from world economic turmoil. Moreover, in an open economic system, if there is turmoil in the international economy it will have an impact on the economy of a country, including smaller regions. As a benchmark for the success of development, it can be seen from economic growth, economic structure and the smaller income inequality between residents, between regions and between sectors.

Bali Province is one of the provinces in Indonesia which has world tourism destinations so the economy in Bali Province depends on the arrival of domestic and foreign tourists. However, in fact, economic progress by the tourism industry has not been able to overcome the problem of poverty in Bali Province ( Wenagama & Estrada, 2020 ) which can be seen in the poverty conditions of one of the districts in Bali Province, namely Buleleng Regency. Buleleng Regency is in the northern part of the island of Bali, which extends from west to east, with boundaries namely to the west Jembrana Regency, to the south Tabanan, Badung and Bangli Regency and to the east it borders Karangasem Regency while to the north it borders with the Java and Bali seas.

Table 1 shows that the number of poor people in Bali Province over the last six years has fluctuated. The lowest number of poor people is in Klungkung Regency, amounting to 10.89 thousand people in 2022, while the highest number of poor people is in Buleleng Regency, namely 41.68 thousand people in 2022. In 2019, the number of poor people in Buleleng Regency has decreased. namely 34.20 thousand people but increased again in 2020 due to the impact of *Covid-19* which caused the economy to weaken and many people were laid off. This problem of inequality needs to be given more attention, especially to Buleleng Regency which is the district with the highest number of poor people in the districts/cities in Bali Province. This inequality shows that prosperity cannot still be enjoyed by all people in Bali Province, which is why this problem must be addressed immediately so that prosperity can be enjoyed by all levels of society in Bali Province, especially in Buleleng Regency.

**Table 1. Number of Poor Population in Bali Province According to Regency/City During the 2017-2022 Period (Thousands of People)**

No	Regency/City	Number of Poor Population in Bali Province by Regency/City (in Thousands of People)					
		2017	2018	2019	2020	2021	2022
1	Jembrana	14.78	14.35	13.55	12.60	14.24	15.00
2	Tabanan	21.66	19.77	18.74	19.11	23.11	23.46
3	Badung	13,16	12.97	11.89	13.75	18.52	18.28
4	Gianyar	22.42	21.26	19.85	21.01	25.36	24.74
5	Klungkung	11.15	10.43	9.66	8.76	10.19	10.89
6	Bangli	11.76	11.05	10.08	9.56	11.68	12.17
7	Karangasem	27.02	26.02	25.99	24.69	28.52	29.45
<b>8</b>	<b>Buleleng</b>	<b>37.48</b>	<b>35.20</b>	<b>34.26</b>	<b>35.25</b>	<b>40.92</b>	<b>41.68</b>
9	Denpasar City	20.70	20.72	19.83	20.48	29.41	30.02
	<b>Bali province</b>	<b>180.13</b>	<b>171.76</b>	<b>163.85</b>	<b>165.19</b>	<b>201.97</b>	<b>205.68</b>

Source: Bali Province Central Statistics Agency 2023

In alleviating poverty levels, education is one way to improve the quality of the population because in current development the participation of an educated and skilled population is needed in order to fully participate in development. This education is included in one of the investments in the field of human resources, where this investment is called *Human Capital* (human capital theory). Educational investment is an activity that can be assessed as human

stock, where the value of human stock after attending education in various types and forms. Education is expected to increase various forms of value in the form of increasing individual income, increasing work productivity, and increasing individual rational values ( *social benefits*) compared to before receiving education (Idris, 2007). Education can play a key role in increasing a country's human capital. In developing countries, education can break the chain of a person's *vicious circle of poverty* in which they are trapped (Todaro & Smith, 2006).

Education is an important factor in efforts to find work, because available jobs tend to always have certain requirements and standards regarding the level of education and quality of the workforce required. The low level of education of the population causes the low quality and quantity of output produced by producers and will directly impact on low labor absorption in the sector. Higher education leads a person to obtain a more decent job (Santika & Maulana, 2020).

**Table 2. Average Years of Schooling in Bali Province According to Regency/City  
During the 2017-2022 Period (Years)**

No	Regency/City	Average Length of School in Bali Province by Regency/City (Years)					
		2017	2018	2019	2020	2021	2022
1	Jembrana	7.62	7.95	8.22	8.23	8.35	8.64
2	Tabanan	8.43	8.64	8.87	8.88	9.14	9.15
3	Badung	9.99	10.06	10.38	10.39	10.62	10.64
4	Gianyar	8.87	8.92	8.94	9.04	9.29	9.55
5	Klungkung	7.46	7.75	8.12	8.13	8.14	8.46
6	Bangli	6.80	7.13	7.16	7.17	7.18	7.47
7	Karangasem	5.52	5.97	6.31	6.32	6.33	6.67
<b>8</b>	<b>Buleleng</b>	<b>7.03</b>	<b>7.04</b>	<b>7.08</b>	<b>7.24</b>	<b>7.25</b>	<b>7.56</b>
9	Denpasar City	11.15	11.16	11.23	11.47	11.48	11.50
<b>Bali province</b>		<b>8.55</b>	<b>8.65</b>	<b>8.84</b>	<b>8.95</b>	<b>9.06</b>	<b>9.39</b>
<i>Source: Bali Province Central Statistics Agency 2023</i>							

Table 2 shows the average length of schooling according to districts/cities in Bali Province which has increased consistently from 2017 to 2022. It can be seen that there are three districts that have the lowest average length of schooling in Bali Province, including Karangasem

Regency, Regency Bangli and Buleleng Regency. Even though the average length of schooling in Buleleng Regency is relatively low when compared to the average length of schooling in Bali Province, the average length of schooling in Buleleng Regency continues to increase until 2022, reaching 7.56 years. This value shows the highest figure in the last six years, which means that the awareness of the population in Buleleng Regency regarding the importance of education is increasing.

Apart from educational factors, another factor that can influence high levels of poverty and economic growth is wages, wages are costs paid by companies to workers for being dedicated to the company. The population increases every year so that daily consumption needs also increase every year, so additional income is needed every year. Minimum wage is a monthly (lowest) receipt as compensation from employers to employees for work for services that have been or will be performed and is expressed or valued in money determined on the basis of an agreement or statutory regulations and paid on the basis of an employment agreement between entrepreneurs and employees include benefits, both for the employees themselves and for their families, therefore the minimum wage element is necessary for economic growth.

The minimum wage policy is one of the government's strategies for tackling poverty, by calculating basic needs such as: clothing, food and shelter, as well as acting as a social safety net by calculating the need for basic education and transportation services. The government's policy to increase the minimum wage in an area will have an impact on increasing the average wage of workers in that area.

In Table 3 it is shown that the minimum wage according to districts/cities in Bali Province continues to increase every year. The minimum wage in Buleleng Regency is quite high when compared to the average minimum wage in Bali Province. It can be seen that in 2022 the minimum wage level in Buleleng Regency will experience the highest growth, reaching IDR 2,542,312.

**Table 3. Bali Province Minimum Wage According to Regency/City period  
2017-2022 (Rupiah)**

No	Regency/City	Regency/City Minimum Wage in Bali Province (Rupiah)					
		2017	2018	2019	2020	2021	2022
1	Jembrana	200661 7	2181393	235655 9	255710 2	255710 2	256336 4

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2	Tabanan	205996 5	2239500	241933 2	262521 7	262521 7	264377 9
3	Badung	229931 1	2499581	270029 7	293009 3	293009 3	296128 5
4	Gianyar	206123 3	2240766	242100 0	262700 0	262700 0	265600 9
5	Klungkung	199152 9	2164992	233884 0	253800 0	253800 0	254084 8
6	Bangli	195773 4	2128253	229915 2	249481 0	249481 0	551697 1
7	Karangasem	205187 9	2180000	235505 4	255546 9	255546 9	255547 0
<b>8</b>	<b>Buleleng</b>	<b>199152</b> <b>9</b>	<b>2165000</b>	<b>233885</b> <b>0</b>	<b>253800</b> <b>0</b>	<b>253800</b> <b>0</b>	<b>254231</b> <b>2</b>
9	Denpasar City	217300 0	2363000	255300 0	277030 0	277030 0	280292 6
	<b>Bali province</b>	<b>195672</b> <b>7</b>	<b>2127157</b>	<b>229796</b> <b>9</b>	<b>249352</b> <b>3</b>	<b>249352</b> <b>3</b>	<b>251697</b> <b>1</b>

*Source: Bali Province Central Statistics Agency 2023*

In research by Aryaanta & Indraajaya (2018) regarding the influence of the unemployment rate, minimum wage and the number of poor people on economic growth in Bali Province, it is stated that the minimum wage has a negative influence on economic growth. Apart from that, in Yulmardi & Jaya's (2017) research regarding the analysis of the influence of wages, number of workers, and road infrastructure on economic growth in Jambi Province, the research states that wages have a positive influence on economic growth.

The economic growth that has been achieved with a fairly high rate of economic growth in the economy will be very significant in increasing the welfare of the community if the rate of economic growth is followed by an increase in the welfare of the community through the

creation and expansion of employment and business opportunities. In other words, economic growth is expected to be able to create *a trickle down effect* through the creation and absorption of labor which in turn is expected to be followed by an increasing number of people earning income which will ultimately increase economic growth and reduce poverty.

Budhi (2013) believes that the success of economic growth, demonstrated through the development of GRDP, has not been able to reduce the number of poor people. Accelerating poverty reduction is carried out by spurring economic growth which can lead to an acceleration of poverty reduction . It is necessary to understand how accelerated growth *nontradables* influence employment and wages for poor communities ( Purnami, 2005 ) .

The population in the economic development of a region is a fundamental problem, because uncontrolled population growth can result in the failure to achieve economic development goals, namely people's welfare . With an increasing population, consumption will increase. This increase in consumption will ultimately encourage economic growth. An increase in population means that an increase in the number of workers will increase economic growth. Through the availability of this workforce, population growth is expected to reduce poverty.

The population has an important role in making an area a potential market. This is due to economic growth and a large population that can support production and consumption activities. The more people there are, the more consumers there are. An increasing population if accompanied by adequate human resources is reliable development capital. However, if the quality of human resources is low, it will actually become a burden on economic development (Astuti, 2015). The population in an area is not fixed, but will always change over time. The government's policy in dealing with population growth is through the Family Planning (KB) program.

In Table 4 it is shown that the population in Buleleng Regency has the largest population, namely 803.8 thousand/person in 2022, which has increased by 6.4 thousand/person from 2021. If you look at it from 2017 to 2022, the population in Buleleng Regency continues to increase so this needs to get attention from the government to be able to manage human resources in Buleleng Regency so that it can create quality human resources to realize good economic development.

**Table 4. Population of Bali Province by Regency/City During the 2017-2022 Period  
(Thousands of People)**

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No	Regency/City	Population of Bali Province by Regency/City (Thousand People)					
		2017	2018	2019	2020	2021	2022
1	Jembrana	275.1	277.0	278.7	317.1	318.8	321.2
2	Tabanan	441.3	444.0	446.7	461.6	462.9	464.5
3	Badung	647.1	662.9	678.9	548.2	552.8	558.1
4	Gianyar	504.6	509.5	514.3	515.3	517.7	520.9
5	Klungkung	177.4	178.3	179.1	206.9	207.3	208.1
6	Bangli	225.1	226.4	227.6	258.7	259.3	260.4
7	Karangasem	412.8	415.0	417.0	492.4	494.9	497.5
<b>8</b>	<b>Buleleng</b>	<b>654.0</b>	<b>658.0</b>	<b>661.9</b>	<b>791.8</b>	<b>796.4</b>	<b>802.8</b>
9	Denpasar City	918.7	938.2	957.8	725.3	733.3	741.0
	<b>Bali province</b>	<b>4256.0</b>	<b>4309.2</b>	<b>4362.1</b>	<b>4317.4</b>	<b>4343.5</b>	<b>4374.3</b>

*Source: Bali Province Central Statistics Agency 2023*

Based on the data description above, it can be concluded that Buleleng Regency is the district with the highest number of poor people in Bali Province. With the education level variable which can be said to be low even though there is an increase every year, the minimum wage or salary is relatively high when compared with the average minimum wage in Bali Province and Buleleng Regency is the district with the largest population in Bali Province. Thus, this research will analyze whether these variables influence economic growth and poverty levels in Buleleng Regency so that it has the highest number of poor people in Bali Province. So it is necessary to carry out more in-depth research regarding the influence of education level, minimum wage and population on economic growth and poverty levels in Buleleng Regency.



## RESEARCH METHODS

This research is research that uses a quantitative approach in associative form. Associative research is research that aims to determine the influence or relationship between or more variables. In this research, associative research is used to determine the influence of education level, minimum wage and population on economic growth and poverty levels in Buleleng Regency. This research was conducted in Buleleng Regency because it is the district with the largest number of poor people in Bali Province using data released by the Central Statistics Agency (BPS) related to research objects.

## DATA AND DISCUSSION OF RESEARCH RESULTS

### Research Data Analysis

The data in this research was obtained from the Bali Province Central Statistics Agency which was then processed by researchers using descriptive statistical analysis and path analysis which was equipped with direct testing (hypothesis test/t test) and indirect (Sobel test). The results of this analysis will answer the problem formulation in the research. The discussion of the analysis results will be explained as follows.

### Descriptive Analysis

Descriptive analysis is statistics used to analyze data by describing or illustrating the data that has been collected as it is without intending to draw conclusions that apply to the general public. Descriptive statistics in this study provide a description of the variables education ( $X_1$ ), minimum wage ( $X_2$ ), population ( $X_3$ ), economic growth ( $Y_1$ ), and poverty level ( $Y_2$ ) as seen from the average (*mean*), standard deviation, maximum and minimum. The results of descriptive statistics in the research can be seen in the table as follows.

**Table 5. Results of Descriptive Statistics on Education, District Minimum Wages (UMK), Population, Economic Growth and Poverty Levels**

	<u>N</u>	<u>Minimu</u> <u>m</u>	<u>Maximum</u>	<u>Average</u>	<u>Std. Dev</u>
Level of education	13	6.20	7.56	68,623	.38473

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Minimum wage	13	830,000.0 0	2,542,312.0 0	17,464,185,38 5	66,130,490,94 4
Total population	13	630.30	802.80	6,799,538	6,742,304
Economic growth	13	-5.80	7.15	44,462	379,600
Poverty level	13	32.95	45.90	389,654	403.108

Based on Table 5, it can be explained that the amount of data used is 13 years from the research period, namely 2010-2022. From the results of descriptive statistical analysis, all observations can be explained as follows:

- 1) The Education variable ( $X_1$ ) has the highest value of 7.56 and the lowest 6.20. The mean value is 68.623 and the standard deviation value is 0.38473. The mean value means that education in Buleleng Regency is low because it is equivalent to Junior High School (SMP).
- 2) The Minimum Wage variable ( $X_2$ ) has a minimum value of IDR 830,000 and a maximum of IDR 2,542,312 with an average of IDR 1,746,418.54 and a standard deviation of IDR 661,304.91, which means that wages in Buleleng Regency from 2010 to 2022 are relatively low with high variance. An average value that is greater than the standard deviation data means that the average value is a good representation in describing the District Minimum Wage (UMK) value.
- 3) The population variable ( $X_3$ ) has a minimum value of 630.30 thousand inhabitants and a maximum of 802.80 thousand inhabitants with an average of 679.9538 and a standard deviation of 67.42304, which means that the population in Buleleng Regency is quite large and population growth is high.
- 4) The economic growth variable ( $Y_1$ ) has a minimum value of -5.80 and a maximum value of 7.15 with an average of 4.4462 percent and a standard deviation of 3.796 percent. The high standard deviation is due to high data variance where there were two years of negative economic growth in Buleleng Regency due to the *Covid-19 pandemic*.
- 5) The poverty variable ( $Y_2$ ) has a minimum value of 32.95 thousand people while the maximum value is 45.90 thousand people with an average value of 38.9654 with a standard deviation value of 4.03108.

**Path Analysis**

This research was conducted to determine the influence of the variables Education, Regency Minimum Wage (UMK), and Population on Economic Growth and Poverty Levels in Buleleng Regency. The results of this research were obtained from calculations using the SPSS version 27 program on the regression equation model, namely as follows.

**1) Structural Equation Testing I**

Equation I testing was carried out to see the effect of education level ( $X_1$ ), minimum wage ( $X_2$ ), population ( $X_3$ ), on economic growth ( $Y_1$ ). The results of regression test I can be presented in Table 6

**Table 6. Results of Path Analysis of Regression Equation I (Level of Education, Minimum Wage of Population on Economic Growth)**

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std Error	Beta		
(Constant)	103,573	27,015	-	3,834	,004
Education	16,191	4,903	1,641	3,302	,009
Minimum wage	-11,235	3,759	-1,244	-2,989	0.15
Total population	-.073	.012	-1,296	-6,158	,000

Table 6 shows that the level of education with a coefficient value of 1.641 and a significance of  $0.000 < 0.05$  shows that the level of education has a positive and significant effect on economic growth, the minimum wage with a coefficient value of -1.244 and a significance of  $0.015 < 0.05$  shows that wages have a negative and significant effect on economic growth, as well as population with a coefficient value of -1.296 and a significance of  $0.000 < 0.05$ , shows that population has a negative and significant effect on economic growth in Buleleng Regency.

**2) Structural Equation Testing II**

The equation test looks at the effect of education level ( $X_1$ ), minimum wage ( $X_2$ ), population ( $X_3$ ), economic growth ( $Y_1$ ) on the poverty level ( $Y_2$ ). The results of the regression test can be seen in Table 7.

**Table 7. Results of Path Analysis of Regression Equation II (Education Level, Minimum Wage Population and Economic Growth Against Poverty Level)**

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std Error	Beta		
(Constant)	1761643.173	225659.982		-7,807	,000
Education	57392.873	37534.410	,278	1,529	,165
Minimum wage	91764.933	27312.469	,486	3,360	,010
Total population	569,874	139,248	,484	4,093	,003
Eco Growth	5121.029	1715,869	,245	2,985	.017

Table 7 shows that education with a beta coefficient value of 0.278 and a significance of 0.165 > 0.005 shows that the level of education has a positive and insignificant effect on the poverty level. The minimum wage with a coefficient value of 0.486 and a significance of 0.010 < 0.05 shows that wages have a positive and significant effect and the population with a coefficient value of 0.484 and a significance of 0.003 < 0.05 shows that the population has a positive effect on poverty levels and economic growth with a coefficient value of 0.245 and significance 0.017 < 0.05 indicates that economic growth has a positive and significant effect on poverty levels.

### Path Analysis Test Results

Based on the research results, it can be seen that the relationship between research variables is the path coefficient. This model is also expressed in a structural model as follows:

Structural Equation I

$$Y_1 = 1.641 X_1 - 1.244 X_2 - 1.296 X_3$$

Structural Equations II

$$Y_2 = 0.278X_1 + 0.486X_2 + 0.484X_3 + 0.245X_4$$

**Table 8. Path Analysis Test Results**

Regression	Standardized Regression Coefficients	Standard Error	T-Count	Sig	Information
X1 → Y1	1,641	4,903	3,302	0.009	Significant
X2 → Y1	-1,244	3,759	-2,989	0.015	Significant

X3 → Y1	-1,296	0.012	-6,158	0,000	Significant
X1 → Y2	0.278	37534.410	1,529	0.165	Not significant
X2 → Y2	0.486	27312.469	3,360	0.010	Significant
X3 → Y2	0.484	139,248	4,093	0.003	Significant
Y1 → Y2	0.245	1715,869	2,985	0.017	Significant

### Standard Error Value

Calculating the value of  $e_1$  which shows the amount of variation in the economic growth variable that is not explained by the variables of education level, wages and population is calculated using the formula:

$$Pe_1 = \sqrt{1 - R_1^2} = \sqrt{1 - 0.878} = 0.478$$

Calculating the  $e_2$  value which shows the amount of variation in the poverty level variable that is not explained by education level, wages, population and economic growth is calculated using the formula:

$$Pe_2 = \sqrt{1 - R_2^2} = \sqrt{1 - 0.993} = 0.114$$

### Total Coefficient of Determination Value

In checking the validity of the model, there are indicators for carrying out the check, namely by calculating the total coefficient of determination, the results of which can be seen as follows:

$$\begin{aligned} R_m^2 &= 1 - (Pe_1)^2(Pe_2)^2 \\ &= 1 - (0.478)^2(0.114)^2 \\ &= 1 - (0.229)(0.013) = 0.997 \end{aligned}$$

Information :

$R_m^2$  : total coefficient of determination

$e_1e_2$  : standard estimate error value

value of 0.997 means that 99.7% of the variation in poverty levels is influenced by education level, wages, population and economic growth, while the remaining 0.3% is explained by other variables not included in the model.

### **Hypothesis Testing Between Models**

#### 1) Direct influence of education level on economic growth

##### (1) Hypothesis Formulation

$H_0: \beta_1 \leq 0$  level does not have a positive effect on economic growth

$H_1: \beta_1 > 0$  level has a positive effect on economic growth

##### (2) 5% significance level with 95% confidence level

##### (3) Testing Criteria

If the probability of 0.05 is smaller than the sig value then  $H_0$  is accepted and  $H_1$  is rejected. If the probability of 0.05 is greater than the sig value then  $H_0$  is rejected and  $H_1$  is accepted.

##### (4) Calculation

Based on calculations using the SPSS program, the *standardized coefficient beta value* was 1.641 and a significance value of 0.009.

##### (5) Conclusion

Based on the results of data analysis, *the standardized coefficient beta value* is 1.641 and the significance value is  $0.009 < 0.05$ , this means that  $H_0$  is rejected and  $H_1$  is accepted, meaning that the level of education has a positive and significant effect on economic growth.

#### 2) The direct effect of minimum wages on economic growth

##### (1) Hypothesis Formulation

$H_0: \beta_2 \leq 0$  wages do not have a positive effect on economic growth

$H_1: \beta_2 > 0$  wages have a positive effect on economic growth

##### (2) 5% significance level with 95% confidence level

##### (3) Testing Criteria

If the probability of 0.05 is smaller than the sig value then  $H_0$  is accepted and  $H_1$  is rejected. If the probability of 0.05 is greater than the sig value then  $H_0$  is rejected and  $H_1$  is accepted.

(4) Calculation

Based on calculations using the SPSS program, the *standardized coefficient beta value* was -1.244 and a significance value of 0.015.

(5) Conclusion

Based on the results of data analysis, *the standardized coefficient beta value* is -1.244 and the significance value is  $0.015 < 0.05$ , this means that  $H_0$  is accepted and  $H_1$  is rejected, meaning that wages have a negative and significant effect on economic growth.

3) Direct influence of population on economic growth

(1) Hypothesis Formulation

$H_0: \beta_3 \leq 0$  size does not have a positive effect on economic growth

$H_1: \beta_3 > 0$  The population has a positive effect on economic growth

(2) 5% significance level with 95% confidence level

(3) Testing Criteria

If the probability of 0.05 is smaller than the sig value then  $H_0$  is accepted and  $H_1$  is rejected. If the probability of 0.05 is greater than the sig value then  $H_0$  is rejected and  $H_1$  is accepted.

(4) Calculation

Based on calculations using the SPSS program, the *standardized coefficient beta value* was -1.296 and a significance value of 0.000.

(5) Conclusion

Based on the results of data analysis, *the standardized coefficient beta value* is -1.296 and the significance value is  $0.000 < 0.05$ , this means that  $H_0$  is accepted and  $H_1$  is rejected, meaning that population has a negative and significant effect on economic growth.

4) The direct effect of education on poverty levels

(1) Hypothesis Formulation

a.  $H_0: \beta_4 \geq 0$  The level of education does not have a negative effect on the level of poverty

b.  $H_1: \beta_4 < 0$  level has a negative effect on economic growth

(2) Significance Level 5% with 95% confidence level

(3) Testing Criteria

If the probability of 0.05 is smaller than the sig value then  $H_0$  is accepted and  $H_1$  is rejected. If the probability of 0.05 is greater than the sig value then  $H_0$  is rejected and  $H_1$  is accepted.

(4) Calculation

Based on calculations using the SPSS program, the *standardized coefficient* beta value was 0.278 and the significance value was 0.165.

(5) Conclusion

Based on the results of data analysis, *the standardized coefficient* beta value is 0.278 and the significance value is  $0.165 > 0.05$ , this means that  $H_0$  is rejected and  $H_1$  is accepted, meaning that the level of education has a positive and insignificant effect on the poverty level.

5) Direct effect of minimum wage on poverty levels

(1) Hypothesis Formulation

$H_0: \beta_5 \geq 0$  wage does not have a negative effect on poverty levels

$H_1: \beta_5 < 0$  wages have a negative effect on poverty levels

(2) Significance Level 5% with 95% confidence level

(3) Testing Criteria

If the probability of 0.05 is smaller than the sig value then  $H_0$  is accepted and  $H_1$  is rejected. If the probability of 0.05 is greater than the sig value then  $H_0$  is rejected and  $H_1$  is accepted.

(4) Calculation

Based on calculations using the SPSS program, the *standardized coefficient* beta value was 0.486 and the significance value was 0.010.

(5) Conclusion

Based on the results of data analysis, *the standardized coefficient* beta value is 0.486 and the significance value is  $0.010 < 0.05$ , this means that  $H_0$  is accepted and  $H_1$  is rejected, meaning that the minimum wage has a positive and significant effect on the poverty level.

6) Direct influence of population on poverty levels



(1) Hypothesis Formulation

$H_0: \beta_6 \leq 0$  size does not have a positive effect on poverty levels

$H_1: \beta_6 > 0$  size has a positive effect on poverty levels

(2) level with 95% confidence level

(3) Testing Criteria

If the probability of 0.05 is smaller than the sig value then  $H_0$  is accepted and  $H_1$  is rejected. If the probability of 0.05 is greater than the sig value then  $H_0$  is rejected and  $H_1$  is accepted.

(4) Calculation

Based on calculations using the SPSS program, the *standardized coefficient* beta value was 0.484 and the significance value was 0.003.

(5) Conclusion

Based on the results of data analysis, *the standardized coefficient* beta value is 0.486 and the significance value is  $0.003 < 0.05$ , this means that  $H_0$  is rejected and  $H_1$  is accepted, meaning that population size has a positive and significant effect on poverty levels.

7) The direct influence of economic growth on poverty levels

(1) Hypothesis Formulation

$H_0: \beta_7 \geq 0$  growth does not have a negative effect on poverty levels

$H_1: \beta_7 < 0$  growth has a negative effect on poverty levels

(2) Significance Level 5% with 95% confidence level

(3) Testing Criteria

If the probability of 0.05 is smaller than the sig value then  $H_0$  is accepted and  $H_1$  is rejected. If the probability of 0.05 is greater than the sig value then  $H_0$  is rejected and  $H_1$  is accepted.

(4) Calculation

Based on calculations using the SPSS program, the *standardized coefficient* beta value was 0.245 and the significance value was 0.017.

(5) Conclusion

Based on the results of data analysis, *the standardized coefficient* beta value is 0.245 and the significance value is  $0.017 < 0.05$ , this means that H0 is accepted and H1 is rejected, meaning that economic growth has a positive and significant effect on poverty levels.

### Sobel Test

The Sobel test is an analytical tool to test the significance of the indirect relationship between the independent variable and the dependent variable which is mediated by the mediator variable. The Sobel test is formulated through an equation and can be calculated using Excel. If the calculated Z value is greater than the Z table of 5%, namely 1.96, then the mediator variable is considered to significantly mediate the relationship between the independent variable and the dependent variable.

Testing the indirect influence of education variables ( $X_1$ ), wages ( $X_2$ ), and population ( $X_3$ ) on the poverty level variable ( $Y_2$ ) through the economic growth variable ( $Y_1$ ).

- 1) Mediation test of the economic growth variable ( $Y_1$ ) on the influence of education level ( $X_1$ ) on the poverty level variable in Buleleng Regency ( $Y_2$ ).

#### (1) Hypothesis formulation

H0: Economic growth does not mediate the influence of the education level variable on the poverty level of Buleleng Regency

H1: Economic growth mediates the influence of the education level variable on the poverty level of Buleleng Regency at the real level of 0.05, the z table value is 1.960.

#### (2) Test criteria

- 1) If  $|z \text{ count}| \leq 1.960$  then H0 is accepted, meaning economic growth is not a mediating variable.
- 2) If  $|z \text{ count}| > 1.960$  then H0 is rejected. Economic growth is a mediating variable.

#### (3) Calculation

$$Sb_1b_7 = \sqrt{b_7^2 Sb_1^2 + b_1^2 Sb_7^2}$$
$$= \sqrt{(5121.029)^2 (4.903)^2 + (16.191)^2 (1715.869)^2} = 37446.905$$

Information :

$Sb_1b_7$  : indirect standard error

$Sb_1$  : standard error of coefficient b1

$Sb_7$  : standard error coefficient b7

$b_1$  : *unstandardized coefficient* X1 against Y1

$b_7$  : *unstandardized coefficient* Y1 against Y2

To test the significance of the indirect effect, calculate the z value using the following formula:

$$Z = \frac{b_1 b_7}{Sb_1 b_7} = \frac{(16.191)(5121.029)}{37446.905} = 2.214$$

#### (4) Conclusion

Because  $|z \text{ count}|$  amounting to  $2,214 > 1,960$ , meaning that economic growth ( $Y_1$ ) is a variable that mediates the level of education ( $X_1$ ) on the level of poverty ( $Y_2$ ) in Buleleng Regency, in other words the level of education has an indirect effect on the poverty level of Buleleng Regency through economic growth.

## 2) Mediation test of the economic growth variable ( $Y_1$ ) on the influence of the minimum wage ( $X_2$ ) on the poverty level variable ( $Y_2$ ) in Buleleng Regency.

### (1) Hypothesis formulation

$H_0$  : Economic growth does not mediate the influence of wage variables on poverty levels in Buleleng Regency

$H_1$  : Economic growth mediates the influence of wage variables on poverty levels in Buleleng Regency

(2) At a real level of 0.05, the z table value is 1.960

### (3) Test criteria

3) If  $|z \text{ count}| \leq 1.960$  then  $H_0$  is accepted, meaning economic growth is not a mediating variable.

4) If  $|z \text{ count}| > 1,960$  then  $H_0$  is rejected. Economic growth is a mediating variable.

### (4) Calculation

$$\begin{aligned} Sb_2 b_7 &= \sqrt{b_7^2 Sb_2^2 + b_2^2 Sb_7^2} \\ &= \sqrt{(5121.029)^2 (3.759)^2 + (-11.235)^2 (1715.869)^2} \end{aligned}$$

$$= 27241.794$$

Information:

$Sb_2b_7$  : indirect standard error

$Sb_2$  : standard error of coefficient  $b_2$

$Sb_7$  : standard error coefficient  $b_7$

$b_2$  : *unstandardized coefficient* X2 against Y1

$b_7$  : *unstandardized coefficient* Y1 against Y2

To test the significance of the indirect effect, calculate the z value using the following formula:

$$Z = \frac{b_2b_7}{Sb_2b_7} = \frac{(-11.235)(5121.029)}{27241.794} = -2.112$$

(5) Conclusion

Because  $|z \text{ count}|$  amounting to  $2,112 > 1,960$ , meaning that economic growth (Y 1 ) is a variable that *mediates* wages ( through economic growth.

3) Mediation test of the economic growth variable (Y 1 ) on the influence of population (X 3 ) on the poverty level variable (Y 2 ) in Buleleng Regency.

(1) Hypothesis formulation

H0: Economic growth does not mediate the effect of population variables on poverty levels in Buleleng Regency

H1: Economic growth mediates the effect of population variables on poverty levels in Buleleng Regency

(2) At a real level of 0.05, the z table value is 1.960

(3) Test criteria

5) If  $|z \text{ count}| \leq 1.960$  then H0 is accepted, meaning economic growth is not a mediating variable.

6) If  $|z \text{ count}| > 1.960$  then H0 is rejected. Economic growth is a mediating variable.

(4) Calculation

$$Sb_3b_7 = \sqrt{b_7^2 Sb_3^2 + b_3^2 Sb_7^2}$$

$$= \sqrt{(5121.029)^2(3.759)^2 + (-11.235)^2(1715.869)^2} = 139.110$$

Information :

$Sb_3b_7$  : indirect standard error

$Sb_3$  : standard error of coefficient  $b_3$

$Sb_7$  : standard error coefficient  $b_7$

$b_3$  : unstandardized coefficient  $X_3$  against  $Y_1$

$b_7$  : unstandardized coefficient  $Y_1$  against  $Y_2$

To test the significance of the indirect effect, calculate the z value using the following formula:

$$Z = \frac{b_3b_7}{Sb_3b_7} = \frac{(-0.073)(5121.029)}{139.110} = -2.686$$

(5) Conclusion

Because  $|z \text{ count}|$  amounting to  $2,686 > 1,960$ , meaning that economic growth ( $Y_1$ ) is a variable that mediates population (.

The results of direct influence, indirect influence and total influence can be summarized in the following table.

RelationshipVariables	Direct	Indirect	Total
$X_1 \rightarrow Y_1$	1,641		1,641
$X_1 \rightarrow Y_2$	0.278	0.402	0.680
$X_2 \rightarrow Y_1$	-1,244		-1,244
$X_2 \rightarrow Y_2$	0.486	-0.305	0.181
$X_3 \rightarrow Y_1$	-1,296		-1,296
$X_3 \rightarrow Y_2$	0.484	-0.318	0.167
$Y_1 \rightarrow Y_2$	0.245		0.245

Information :

$X_1$  = Education Level

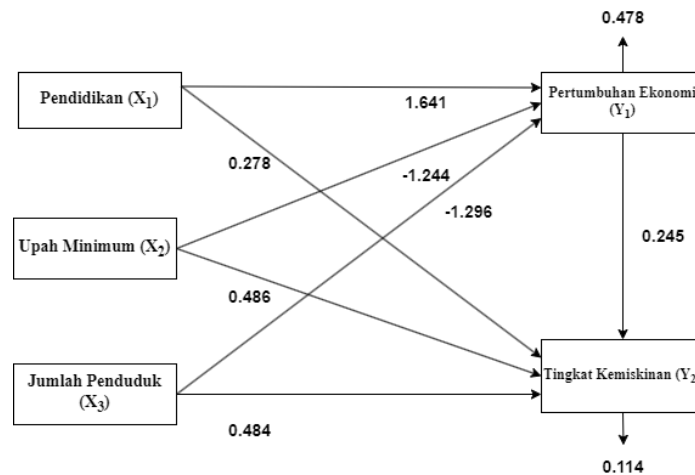
$X_2$  = Minimum Wage

$X_3$  = Population

$Y_1$  = Economic growth

$Y_2$  = Poverty Level

The path analysis test results can be seen clearly in the path analysis results diagram. The *standardized coefficient* value is used to obtain coefficients that have the same unit basis, so that they can be compared directly between independent variables in their influence on the dependent variable.



**Figure 1. Final Path Diagram Model of the Influence of Education Level, Minimum Wage and Population on Economic Growth and Poverty Levels in Buleleng Regency 2010-2022**

### Discussion of Research Results

#### The influence of education level, wages and population on economic growth in Buleleng Regency

##### 1) The influence of education level on economic growth in Buleleng Regency

The statistical test results showed that the education level coefficient value was 1,641 and was significant at  $0.009 < 0.05$ , indicating that the level of education directly had a positive and significant effect on economic growth in Buleleng Regency. This means that if the level of education increases by 1 percent it will cause an increase in economic growth in Buleleng Regency by 1.6 percent . This means that if the quality of education increases, it will significantly increase economic growth. This shows that the increase in education as reflected in the average length of schooling is capable of maximally encouraging increased economic growth. The continuing increase in the

level of education in Buleleng Regency will result in increased productivity. According to Todaro (2000), education in many countries is a way to save oneself from poverty. Policies related to increasing human capacity ( *human capital development* ) are very necessary to free them from the shackles of chronic poverty. One way is through education, where education is a long-term investment for them to permanently get out of poverty (Inna Dariwardani, 2014).

Government spending on education is basically an investment in economic growth (Fahmi, 2014). Higher education will expand people's knowledge and increase the rationality of their thinking. This allows people to take more rational steps in acting or making decisions. Education relies on people learning the technical knowledge necessary to lead and run modern enterprises from other modern activities.

The results of this research are in line with research conducted by Yudha & Purwanti (2023) and Hanifah *et al.*, (2023) which states that educational variables have a positive and significant effect on economic growth. Because the increase in school averages shows how important education is to improve the quality of human resources which are useful in long-term economic productivity . The level of education is an important indicator that shows the quality of a country's population. Limited funds require prioritization of various options in the appropriate education sector, which in the long term will encourage the rate of economic growth.

## 2) **The influence of wages on economic growth in Buleleng Regency**

The statistical test results show that the minimum wage coefficient value is -1.244 and is significant at  $0.015 < 0.05$  for economic growth. This shows that the minimum wage has a negative and significant effect on economic growth. This means that if wages increase by 1 rupiah it will cause a decrease in economic growth in Buleleng Regency by 1.2 percent. This is because *the supply* and *demand* for labor has not yet reached ideal. The theory that can explain this condition is the wage rigidity theory, which indicates the failure of wages to adjust to the equilibrium point or supply equals labor demand.

These results are in accordance with previous research by Windayana & Darsana (2020) that the minimum wage variable has a negative and significant influence on economic growth in Bali Province. Apart from that, research results from Wijaksono & Syafitri (2023) state that wages have a negative and significant effect on economic growth in East Java Province. An increase in the minimum wage encourages production

costs to increase so that the decision taken is to reduce the workforce. As a result, there is a labor surplus or unemployment. Reducing the workforce will of course affect the amount of production, thereby allowing a decrease in production sector output and impacting economic growth.

### **3) The influence of population on economic growth in Buleleng Regency**

The statistical test results showed that the population coefficient value was -1.296 and was significant at  $0.000 < 0.05$ , indicating that the population variable had a negative and significant effect on economic growth in Buleleng Regency. This means that every increase in population can reduce economic growth in Buleleng Regency. This is because every decrease or increase in population will affect the amount of economic growth. The higher the population growth, the greater the consumption expenditure and this will have an impact on economic growth. Apart from that, a large population does not necessarily make it an advantage in development. This is what drives efforts to improve the quality and productivity of the population and control the rate of population growth. If the level of economic growth is always low and does not exceed the rate of population increase, the average income of society (per capita income) will decrease. If in the long term economic growth is the same as population growth, then the country's economy will not experience development (stagnant) and the level of prosperity society is not progressing.

The results of this research are in line with research from (Sandika & Hendarto, 2012), (Tiawan & Zulgani, 2020), (Lestari, 2013), (Datu et al., 2021) which both have results that population size has a significant negative influence to economic growth. Apart from that, the results of research from Desmawan *et all* (2023) regarding "The Influence of Population on Economic Growth in Tangerang Regency in 2019-2020" stated that population has a negative and significant effect on economic growth in Tangerang Regency.

## **The influence of education level, minimum wage, population and economic growth on poverty levels in Buleleng Regency**

### **1) The influence of education level on poverty levels in Buleleng Regency**

The statistical test results showed that the education level coefficient value was 0.278 and was not significant at  $0.165 > 0.05$ , indicating that the level of education had



no effect on the poverty level in Buleleng Regency. The results of this research were also strengthened by an in-depth interview with one of the staff at the Community Empowerment Agency in Buleleng Regency, namely Mr. Dewa Nyoman Suarjana Putra, SE on April 4 2024 who said that:

“People who have higher education and have obtained jobs sometimes still have the responsibility to support their large families. They also bear the burden of three generations, namely their parents, themselves, their wives and children. This results in financial obligations tending to be higher so it will be difficult to get out of poverty.”

Apart from the results of the interview above, there are other results of an interview with one of the staff of the Buleleng Regency Central Statistics Agency (BPS), namely Mr. Made Bimbo Abdi Suardika SE, MAP on April 5 2024 who said that:

“High education does not necessarily guarantee someone to get a job. People who have higher education lack the skills or abilities to compete in the world of work, causing more people who have higher education to be unemployed. The lack of experience and skills of college graduates is due to limited job opportunities available.”

Education that focuses on average years of schooling is unable to influence poverty levels. Even though the average length of schooling in Buleleng Regency tends to increase every year, this increase is not accompanied by quality and skills. Working residents with college degrees have a better chance of getting a job with better wages. Many companies prioritize workers with higher education and good skills which are only possessed by people who have received higher and better education. Apart from that, if you look at the average length of school in Buleleng Regency, the average is equivalent to Junior High School (SMP) level. This happens because individuals who are poor must focus more on fulfilling their basic life needs and ignoring other needs such as education. Basically, education has an impact on future investment because if someone is highly educated it will be a bridge to improve their standard of living.

The results of this research are in accordance with research conducted by Nabawi (2020) which stated that education does not have a significant effect on poverty in Malang City, this is because the graduation rate is still low and the level of education does not affect a person's economy. The results of this research are also in line with Kurniawan (2018) who stated that education does not have a significant effect on the poverty level of Surabaya City.

## **2) The effect of minimum wage levels on poverty levels in Buleleng Regency**

The statistical test obtained a minimum wage coefficient value of 0.486 with a significance of  $0.010 < 0.05$ , indicating that the minimum wage variable has a positive and significant effect. This happens because the largest sectors that support the economy in Buleleng Regency are the agricultural and fisheries sectors which are informal sectors.

The informal sector is still unable to improve the prosperity of the people of Buleleng Regency, so a positive relationship between the minimum wage and poverty is normal because the majority of people working in Buleleng Regency are workers in the informal sector and there is a social cost factor of inflation. *Complaints* about inflation are common, the increase in the purchasing power of labor comes from capital accumulation and technological progress. Usually wages do not depend on how much money the government prints. If the government reduces inflation by slowing the rate of money growth, workers will not see their wages rise as quickly. Whereas when inflation is slower companies will slightly increase the prices of their products each year and as a result will give workers smaller wage increases. According to the classical theory of money, changes in the overall price level are like changes in units of measure.

This is in line with Anggriawan's research (2016) with the title the effect of the minimum wage and income distribution on the number of poor people in East Java, which states that the minimum wage has a positive and significant effect on the level of poverty in East Java.

## **3) The influence of population on poverty levels in Buleleng Regency**

The statistical test obtained a population coefficient value of 0.484 with a significance of  $0.003 < 0.05$ , indicating that the population variable has a positive and significant effect on the poverty level in Buleleng Regency. This indicates that if the population increases, the poverty level will increase, this occurs because the population exceeds the supply of food needed. This is in accordance with Malthus's theory which explains the importance of balancing the increase in population according to a

geometric series with the supply of food according to an arithmetic series. The population must be balanced with environmental threshold limits so that it does not become a burden on the environment or disrupt the carrying capacity and capacity of the environment.

The results of this research are in line with research conducted by Adinda and Mubaraq (2022) on " The Influence of Population and Per Capita Income on Poverty Levels in West Kalimantan Province " which states that population variables have a positive and significant effect on poverty levels. in West Kalimantan Province. The results of this research are also in line with research conducted by Azizah *et all* ., (2018) on " The Effect of Education, Per Capita Income and Population on Poverty in East Java Province" which states that population has a positive and significant effect on poverty in East Java Province .

#### 4) The Effect of Economic Growth on Poverty Levels in Buleleng Regency

The statistical test of the coefficient value of economic growth on the poverty level is 0.245 with a significance of  $0.017 < 0.05$ , indicating that economic growth has a positive and significant effect on the poverty level. It can be interpreted that if economic growth increases by 1 percent, the poverty level will increase by 0.24 percent.

When economic growth widens the gap between rich and poor areas, a polarization effect will occur . The process of polarization ( *polarization effect* ) occurs when each sector that contributes to economic growth has no connection between one sector and other sectors. Sectors that are capital intensive *have* experienced quite rapid progress, and have succeeded in making a significant contribution to the economic growth of a region. Meanwhile, sectors that are labor intensive *tend* to be slower in their contribution to a region's economic growth. As a result, the increase in the rate of economic growth that occurs in a region will only be enjoyed by a handful of rich groups, whose economy is supported by the industrial sector. Meanwhile, the majority of rural communities whose economy is supported by the agricultural sector will become poorer, as a result of the still low contribution of the agricultural sector to the economy. When the results of economic growth are only enjoyed by a few people, increasing economic growth will lead to an increase in people's per capita income. Increasing income will increase people's purchasing power. Then inflation occurred which made prices expensive, including education costs. This will further widen

inequality between social groups and will make access to welfare more difficult for the poor, and has the potential to create conditions where the rich get richer and the poor get poorer.

It can be concluded that economic growth can influence the reduction of poverty levels if there is no inequality in economic growth felt by society. Economic growth that is only felt by a handful of people or groups will not be able to influence poverty reduction. Unequal economic growth will only increase poverty, this is because people who are categorized as poor cannot experience the results of the economic growth that occurs. This will result in unequal distribution of economic growth which will cause economic growth not to be a solution to poverty alleviation but instead become one of the causes of poverty.

The results of this research are in line with research conducted by Nadhifah and Sakti (2019) who examined "Analysis of the Effect of Economic Growth, Income Inequality and Unemployment on Poverty in East Java Province" which stated that economic growth had a positive and significant influence on poverty in Java Province East. This is also in line with the results of research conducted by Ishak, RA *et al*., (2020) regarding "The Influence of Economic Growth, Education and Unemployment on Poverty Levels in Makassar City" which states that economic growth has a positive and significant influence on poverty levels in Makassar city.

## **CONCLUSION**

Based on the results of the previous discussion and description, it can be concluded:

- 1) The level of education has a positive and significant effect on economic growth in Buleleng Regency
- 2) The population has a positive and significant effect on the poverty level in Buleleng Regency.
- 3) Economic growth can mediate the level of education, minimum wage and population on the level of poverty in Buleleng Regency.

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