

Monetary and Multidimensional Poverty in Special Region of Yogyakarta: A Fiscal Decentralization Effect

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Abstract:

The aims of this study is: 1) To know and to analyze the characteristics of poverty in the Special Region of Yogyakarta; 2) to Analyze the ability of Fiscal Decentralization, Economic Growth, and Government Expenditure for Development in influencing the reduction of poverty rate in Special Region of Yogyakarta, Indonesia. The research emphasizes the fiscal decentralization aspect as a solution for poverty alleviation. On the other hand, this research put forward the characteristics of the province as a special region . The analysis method used is quantitative analysis with panel data analysis and descriptive qualitative method to sharpen the analysis result. Secondary data is used for empirical results of panel data regression analysis. The result of the research outline that the highest percentage of poverty in the Special Region of Yogyakarta is in Gunungkidul and Kulon Progo regencies where the amount exceeds the percentage of the poor in the Province as a whole; From the analysis it can be seen that three independent variables of fiscal decentralization, economic growth and government expenditure have a negative effect on the percentage of poverty in Special Region of Yogyakarta. The other result is that the monetary poverty in Special Region of Yogyakarta shows a static decline pattern, while multidimensional poverty in the same period shows a more dynamic pattern.

Keywords: Special Region of Yogyakarta, monetary poverty, multidimensional poverty, fiscal decentralization.

1. INTRODUCTION

Indonesia had experienced various phases of government. Those governments are famously divided in to three regimes, namely the Old Order (*orde lama*), the New Order (*orde baru*), and the Reformation. Each regime has its own characteristics. The New Order regime is identically led centrally. Various development was often planned centrally including the regional development plan. This certainly results many difficulties for local governments to develop their regions. On the other hand, sometimes development does not pay close attention to the advantages, potentials, and obstacles in the region.

Centralized government is very easy to cause the transfer of resources which is often called as backwash process (Hari, 2005). Although the government does not claim frankly the centrality of government, yet all forms of procedure are built on centrality architecture. After the switch of the New Order regime to the Reformation regime, governmental direction has only begun to develop. The Government of the Reformation regime saw the dependence of local governments to the central government no longer able to guarantee the sustainability of the nation. Based on that philosophy, then government enact regional autonomy. More specifically, the government also implements fiscal decentralization policies in response to centralized budget issues. Thus, Government issues Law (Undang – Undang) Number 22 Year 1999 and Law Number 25 Year 1999 regarding Regional Government and its Financial Balance.

Fiscal decentralization will increase economic efficiency. This is because the local government has a better position than the central government in channeling public services (Oates, 1999). The central government hopes that with fiscal decentralization, overcoming problems in the region can be done faster and better. The main problem is certainly not separated from poverty alleviation. In addition to fiscal decentralization, the formulation of government expenditure and regional gross domestic product may affect to the reduction of poverty. After the law is implemented, the fiscal decentralization policy needs to be assessed for its effects on regional problems. The real effect is expected to be able to solve various problems, especially poverty.

One of the special region in Indonesia is the Special Region of Yogyakarta (DIY). Fiscal decentralization policy has also been implemented and expected to solve the poverty problem in Special Region of Yogyakarta. Nevertheless, Special Region of Yogyakarta is very rapid growth Province, the number of poor people is not significantly decreased. Poverty in Special Region of Yogyakarta has its own characteristics. The percentage of the poor shows from 2007 to 2013 the minimum percentage of the poor is 15.9 percent. The poor population experienced a reduction in the number by an average of 2 percent per year. In 2012 the poor actually increased by 0.8 percent. At the time of global economic crisis 2008-2010 percentage of poor people decreased roughly 1.5

percent.

Based on the previous description, the objective of this study is to examine the effects of fiscal decentralization, economic growth, and government expenditure toward the decline in the number of poor people in terms of econometric statistics. Previously observed studies have emphasized the fiscal decentralization aspect as the main topic. This study emphasizes the fiscal decentralization aspect as a solution to poverty alleviation. On the other hand, this research put forward the characteristics of the province as a special region. This research has two main objectives to be achieved which are as follows: 1) to know and to analyze the characteristics of poverty in the Special Region of Yogyakarta; 2) to analyze the ability of Fiscal Decentralization, Economic Growth, and Government Expenditure for Development in influencing the reduction of poverty rate in Special Region of Yogyakarta, Indonesia

2. LITERATURE STUDIES

This research put forward the emphasis on poverty in Special Region of Yogyakarta. The fiscal decentralization policy that is theoretically capable of enhancing regional competitiveness needs to be examined its truth. Other independent variables are expected to support poverty alleviation analysis. Other independent variables are expected to support poverty alleviation analysis.

The poverty calculations used by the Central Bureau of Statistics (BPS) use the poor limit from the amount of rupiah spent per capita a month to meet the minimum food and non-feeding needs (BPS, 2016). The concept of poverty is basically the inability of individuals to meet basic needs. These basic needs are food and non-food needs. As we have known famously, food requirements are based on the fulfillment of 2,100 calories per day. Central Bureau of Statistics (BPS) of Indonesia has been using this basic needs approach for many years.

The use of the basic needs approach has three major weaknesses (Kuncoro, 2006). The first weakness is the concept of basic needs based on per capita expenditure. The second weakness is the basic measurement methodology which does not look into its characteristics and gaps between regions that are usually measured by Williamson index. The third weakness is the measurement of the actual price paid to obtain goods and services. The general price level of each region is different, thus, it needs to use the regional approach.

Common agreement simplify the positive value of science into normative science. The emergence of poverty can be seen from various perspectives rather than the state of need fulfillment. The theory of Vicious circle of poverty describes that poverty, which is essentially an effect on the resource accessibility gap. Poor people have limited knowledge which causes the limitations of access to jobs that provide the maximum wage. Furthermore, due to low productivity and low incomes lead to low savings and investments. Back again on the problem of lack of capital.

This unique characteristic actually shows the difference of poverty itself between the Special Region of Yogyakarta with other regions, even national poverty. Fulfillment the basic needs of Special Region of Yogyakarta communities need to be further investigated. Furthermore, the definition of poverty for Special Region of Yogyakarta still need to be researched more specifically about the definition. Descriptive analysis approach should be done to find out the reality of poverty in Special Region of Yogyakarta.

In the Central Bureau of Statistics method, poverty is conceptualized as an inability to meet basic needs. Usually the factors that cause poverty include economic factors, social factors, structural factors (politics), etc. Poverty is identical with developing countries, where this problem is influenced by several factors that makes developing countries difficult to advance.

Barika (2013) conducted a study titled the influence of economic growth, government spending, unemployment and inflation toward poverty levels in the province of Sumatra. Barika found that the variable of economic growth and inflation are not significantly affected toward the provincial poverty level in Sumatra. Government expenditure and unemployment rate have proved significantly to the provincial poverty rate in Sumatra.

Other studies, such as those conducted by Rusdarti and Sebayang (2013), looking at the factors affecting poverty levels in the province of Central Java. The result is PDRB having negative effect to poverty level in Central Java Province, while unemployment is not significantly affected toward poverty level in Central Java province. On the other hand, government spending has a significant effect on the poverty rate in Central Java Province.

Some research conducted abroad also found the same thing. Capuno (2011) examines the development of decentralization in the Philippines. Capuno took sample 48 cities in the Philippines. As a result, community competence influences decentralization innovation. Poverty will affect the implementation of decentralization in terms of public services. One interesting thing in this research is to put poverty as a factor of innovation of decentralization. Even in the study shows that including poverty levels, it is very important in Indonesia to explain innovations in shopping services, and revenue and public administration services.

For the definition of poverty itself, there is one inspiring study. Studies conducted by Laderchi, Saith, and Stewart (2003) resulted a strategic discussion of the definitive approach of poverty. There is a difference in the outcome of the definition of poverty in accordance with the objective of using the poverty measurement. The

different definitions like that are often confusing. The study found a difference in the number of poor people in Peru and India if the measurement of monetary poverty compared with the measurement of poverty capability. It does not close the same possibility in other developing countries. The definition of poverty should be clear to alleviate poverty. Errors in defining poverty will lead to errors in stipulating poverty reduction policies.

3. METHODOLOGY

The data used in this research is secondary data. Primary data is used to support the resulted statistical analysis. These secondary data are poverty data, fiscal decentralization, government expenditure, and economic growth of districts/cities in Special Regions of Yogyakarta. Data collected by district and city results a form of panel data. The data used is 2000-2016.

In addition to secondary data, primary data is used to provide a deeper analysis. Analytical descriptive analysis will be generated from data that has been collected directly, that is primary data, thus data used in this research is primary data and secondary data.

The analysis used in this study basically focuses on descriptive analysis, especially when explaining the definitive influence of monetary poverty and multidimensional poverty toward the direction of poverty reduction policy itself. The use of qualitative approach is expected to give a specific depiction about poverty in Special Region of Yogyakarta. Descriptive analysis provides a wide possibility of the tools used.

Secondary data analysis uses a data panel method that requires to test the significance / specification model. The test is done to choose which model is the most appropriate between common, fixed, and random effects. Chow test is performed to choose which is the best model between common effect models and fixed effect models. After the Chow test is performed, a significance test model with Hausman test also needs to be done. Housman test is a model between fixed effect and random effect.

Based on the previous description, we can establish the econometric statistical model of this research as follows:

$$MNP_{it} = \beta_0 + \beta_1 FDC_{it} + \beta_2 EGR_{it} + \beta_3 GEX_{it} + e_{it}$$

MNP	= percentage of poor people (percent)
FDC	= fiscal decentralization (percent)
EGR	= economic growth (percent of GRDP)
GEX	= government spending on development (% on APBD)
β_0	= Constants
$\beta_1, \beta_2, \beta_3$	= Regression coefficient / estimator
e_{it}	= Interference variable (error term)
i	= District / city
t	= Time (year)

4. RESULTS AND DISCUSSION

To calculate poverty in a country / region can use a variety of indicators where this will affect the poverty rate for the region. Indonesia's Central Bureau of Statistics uses the Poverty Line formed from the Food Poverty Line and Non-Food Poverty Line lines, while other indicators also used to calculate poverty are the determination of the income level of the population whether it has reached a decent income as much as 1.25 USD to 2 USD per day. Later emerged a new indicator called multidimensional poverty where the indicators used more complex such as by looking at the level of health, education level and decent standard of living.

4.1. Monetary Poverty in Special Regions of Yogyakarta

The development of monetary poverty in Special Region of Yogyakarta (DIY) can be known from the data that has been collected by Central Bureau of Statistic. The poverty calculated by Central Bureau of Statistic is done by determining the poverty line created by calculating the Food Poverty Line and the Non-Food Poverty Line. The percentage of the poorest people in Yogyakarta is highest during the last 7 years is in 2 areas, namely in Kulon Progo Regency and Gunung Kidul Regency. The percentage of poor people in Kulon Progo Regency and Gunungkidul Regency is even higher than the percentage of poverty in Special Region of Yogyakarta. While for the lowest percentage of poor people is in the city of Yogyakarta.

The monetary poverty data in Special Region of Yogyakarta were then analyzed by three independent variables: fiscal decentralization, economic growth and government expenditure by panel data analysis to see the effect of these three variables on poverty rate in Special Region of Yogyakarta. The results of the analysis are shown and discussed in detail in the following discussion.

Table 1: Common Effect Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.535796	0.653453	8.471608	0.0000
LOG(FDC?)	-0.294104	0.091417	-3.217170	0.0026
LOG(EGR?)	-2.115873	0.400200	-5.287041	0.0000
LOG(GEX?)	0.068079	0.046097	1.476870	0.1480
R-squared	0.513589	F-statistic	13.37440	
Adjusted R-squared	0.475188	Prob(F-statistic)	0.000004	

From the results of the analysis can be seen that the variable of fiscal decentralization has a significant negative effect on the percentage of poverty in Special Region of Yogyakarta in general. Similarly, the variable of economic growth also has a significantly negative effect on the percentage of poverty in Special Region of Yogyakarta. For the government expenditure variables of this test indicate a positive effect on poverty but not significant.

The influence of these three variables can be seen in the following equation.

$$LMNP = 5.53 + -0.29 LFDC -2.11 LEGR + 0.068 LGEX$$

In panel data analysis, the common effect analysis needs to be compared with fixed effect to see which one is better, so the above equation is not a final equation that can be directly used. Here's the step of the panel data analyst for the fixed effect model.

Table 2: Fixed Effect Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.184679	0.153659	20.72567	0.0000
LOG(FDC?)	-0.005451	0.022291	-0.244520	0.8083
LOG(EGR?)	-0.307265	0.103844	-2.958897	0.0057
LOG(GEX?)	-0.015961	0.009544	-1.672268	0.1039
Fixed Effects (Cross)				
_YOG--C	-0.484698			
_SLM--C	-0.369053			
_BTL--C	0.126078			
_KPR--C	0.340920			
_GKD--C	0.362232			
_DIY--C	0.024522			
Cross-section fixed (dummy variables)				
R-squared	0.985587	F-statistic	282.0838	
Adjusted R-squared	0.982093	Prob(F-statistic)	0.000000	

From the results of the analysis can be seen that three independent variables; fiscal decentralization, economic growth and government spending negatively affect the percentage of poverty in Special Region of Yogyakarta. Meanwhile, according to the significance test only economic growth variables that significantly affect the percentage of poverty in Special Region of Yogyakarta.

The influence of these three variables can be seen in the following equation.

Yogyakarta City

$$LMNP = 3.18 - 0.48 - 0.005 LFDC - 0.307 LEGR - 0.015 LGEX$$

Sleman District

$$LMNP = 3.18 - 0.36 - 0.005 LFDC - 0.307 LEGR - 0.015 LGEX$$

Bantul District

$$LMNP = 3.18 + 0.12 - 0.005 LFDC - 0.307 LEGR - 0.015 LGEX$$

Kulon Progo District

$$LMNP = 3.18 + 0.34 - 0.005 LFDC - 0.307 LEGR - 0.015 LGEX$$

Gunungkidul District

$$LMNP = 3.18 + 0.36 - 0.005 LFDC - 0.307 LEGR - 0.015 LGEX$$

Special Regions of Yogyakarta

$$LMNP = 3.18 + 0.024 - 0.005 LFDC - 0.307 LEGR - 0.015 LGEX$$

In the analysis of fixed effect on the panel, data panels need to be compared with the previous common effect to see which one is better with the Chow test. Here are the results of chow test that has been done.

Chow test shows the probability F count is smaller than 5%, then we accept H_a and H_0 rejected, meaning that fixed effect model is better when compared with the common effect model in describing the relationship of research variables. Based on the principle of panel data analysis when the chow test results show a significant statistical value then the test is continued on the panel regression with the random effect model. Here are the results of the random effects model test that has been done.

From the results of the Random Effect Analysis can be seen that the three independent variables of fiscal decentralization, economic growth and government spending negatively affect toward the percentage of poverty in Special Region of Yogyakarta. Meanwhile, according to the significance test, only economic growth variables

that significantly affect to the percentage of poverty in Special Region of Yogyakarta.

The influence of these three variables can be seen in the following equation.

Yogyakarta

$$LMNP = -0.47 + 3.20 - 0.008LFDC - 0.32LEGR - 0.014LGEX$$

Sleman

$$LMNP = -0.36 + 3.20 - 0.008LFDC - 0.327LEGR - 0.014LGEX$$

Bantul

$$LMNP = 0.12 + 3.209 - 0.008LFDC - 0.32LEGR - 0.014LGEX$$

Kulon Progo

$$LMNP = 0.336 + 3.209 - 0.008LFDC - 0.327LEGR - 0.014LGEX$$

Gunung kidul

$$LMNP = 0.358 + 3.209 - 0.008LFDC - 0.32LEGR - 0.014LGEX$$

Special Regions of Yogyakarta

$$LMNP = 0.024 + 3.209 - 0.008LFDC - 0.327LEGR - 0.014LGEX$$

In analyzing panel data, random effect analysis need to be compared with previous fixed effect to see which one is better by using hausman test. Here are the results of hausman test that has been done. Hausman test shows the probability of chi-square (χ^2) higher than 5%, thus we accept H_0 which means H_a rejected and the model used is the fixed effect model.

4.2. Multidimensional Poverty in Special Regions of Yogyakarta

Special Region of Yogyakarta is a provincial-level administrative region that has privileges in government administration within the framework of Indonesia. The privilege has been confirmed in the form of Law. The People's Representative Council (DPR) approved the law draft on Special Privileges of Yogyakarta (DIY) in the plenary meeting of the Parliament, in 2012.

A number of Special Region of Yogyakarta privileges, among others are the procedures for filling the position, position, duties, and authority of the Governor and Vice Governor, local government institutions of Special Region Of Yogyakarta, culture, land, and spatial. The clauses stipulate that in the implementation of the Local Government of Special Region of Yogyakarta is led by a Governor assisted by the Vice Governor. The Governor has the duty and authority, as well as the rights and obligations set forth in the Privileges Bill of Special Region of Yogyakarta.

It is also expressly ruled regarding to the right of the governor and the deputy governor to obtain the protocol and financial position, as provided in clause 11 and 14. In this chapter, there is also a regulation on prohibitions for Governors and Vice Governors, such as making special decisions that benefit themselves, and his cronies, and the prohibition of discriminating against certain segments of society. Another prohibition, which is prohibited to participate in the company, either private or state-owned / BUMD, or foundation of a particular field. Governors and deputy governors are prohibited from having other occupation that is self-serving on concurrent positions of state officials or members of the Regional Parliament.

The filling of the office of Governor and Deputy Governor of the Province is regulated in clause Chapter VI in clause 18 to clause 27. clause 18 paragraph 1 letter (n) regulates the requirement that Sultan Hamengku Bowono is entrusted to the candidate for governor and who enters as Adipati Paku Alam to the candidate for deputy governor of the Province. The letter (n) in the same clause and paragraph regulates the requirement of the governor and the deputy governor of the Province not as a member of a political party. Terms were arranged as an affirmation that the existence of the Governor as well as Sultan HB and Vice Governor also Adipati Paku Alam belongs to the Special Region of Yogyakarta community without isolated certain political groups.

Looking at the vision and mission and privileges given by the Government to Special Region of Yogyakarta then in macroeconomic problems that is poverty, such as simple and small if only using monetary indicators such as the level of consumption or income only. Special Region of Yogyakarta needs a wider than it is and currently appropriate to meet these demands is multidimensional poverty.

The multidimensional poverty of Special Region of Yogyakarta is the same as the monetary poverty that must be overcome by the government as a part of responsibility for the welfare of its people. MPI-Indonesia has calculated multidimensional poverty rates in Special Region of Yogyakarta for 2012-2014. Almost all parameters used to measure multidimensional poverty rates show declining rates from 2012 to 2014. These parameters are as indicated by numbers such as multidimensional poverty rates, multidimensional poverty severity, and multidimensional poverty indices. Not only these 3 parameters, but from the number of poor households and the number of poor people also showed a decline from 2012 to 2014. This shows the success of poverty alleviation programs implemented by the government.

The multidimensional poverty rate in 2012 shows the figure of 20.7%, then down to 19.4% in 2013 and to 15.8% in 2014. It appears that there is a significant decrease every year with an average of 2, 45 even in the year 2013-2014 the decline reached 3.6%. Compared to the monetary poverty rate in Special Region of Yogyakarta for

the same year, 2012-2014, both of them showed a decrease. The rate of poverty monetary issued by Central Bureau of Statistics shows that in 2012, Special Region of Yogyakarta poverty rate reached 15.9%, of course the number is far below the poverty rate multidimensional. The aggregate decreases subsequently to 15.0% in 2013 and 14.5% in 2014. If both are depicted in the graph it will look as follows.

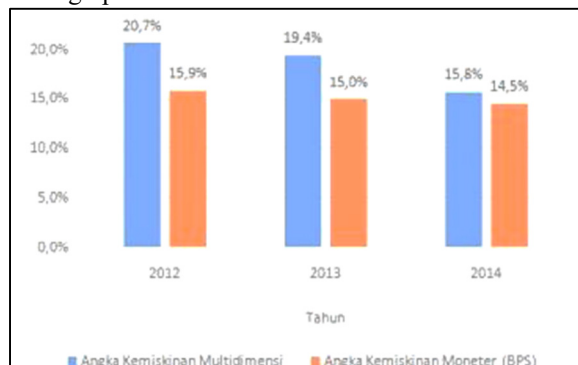


Figure.1. Comparison of Multidimensional Poverty Rate with Monetary Poverty Rate (%) 2012 - 2014 in Province of Yogyakarta

From the graph above can be seen the comparison between monetary poverty and multidimensional poverty in Special Region of Yogyakarta. Although the pattern of the both variables moved similarly, which decreased from 2012-2014 but the more interesting is that the monetary poverty is static and showing little decrease, while for the multidimensional poverty rates shows more dynamic, it's clearly seen with very big difference between the 2012 to 2013 and 2013 to 2014.

Other multidimensional poverty parameters are multidimensional poverty severity and multidimensional poverty indices. The severity of multidimensional poverty in 2012 shows a figure of 37.4%, then decreases and becomes 37.2% by 2014. While the multidimensional poverty index in 2012 shows a figure of 0.077, then went down to 0.059 in 2014. In practice, both the multidimensional poverty index and the multidimensional poverty severity (characteristics) can be divided into the urban and rural areas. their movement patterns and the comparison with national multidimensional poverty rates can be seen in the following graphs.

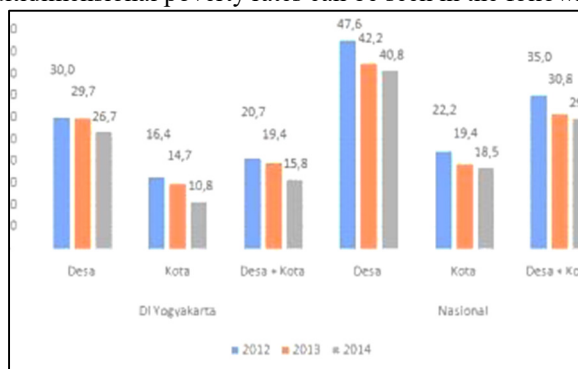


Figure.2. The Multidimensional Poverty characteristic 2012 - 2014 in Province of Yogyakarta

When compared between rural and urban areas, the proportion of multidimensional poverty in rural area is much higher than in cities. Although in absolute terms, the number of multidimensional poor people is higher in urban areas. In 2012, the number of multidimensional poor people in the village reached 334.1 thousand inhabitants and in the city reached 337 thousand inhabitants. But the proportion shown by the multidimensional poverty rate, multidimensional poverty in the village reached 29.98 percent while in the city 16.41 percent. This condition is influenced by the population concentrated in urban areas. In the village itself, there is a tendency for urbanization so that the number of people in the village decreased without adequate facilities and infrastructure (MPI-Indonesia, 2015).

The multidimensional poverty severity, indicating a declining trend from 2012-2014 in the whole region as well as in rural and urban areas, although not very significant. In 2012, the severity of poverty in Yogyakarta was 37.4 percent. Two years later it fell to 37.2. it means that the average in Yogyakarta, poor households still deprived 4-5 indicators of multidimensional poverty (MPI-Indonesia, 2015).

Comparison of severity of village and urban multi-dimensional poverty in D. I. Yogyakarta in the period 2012-2014 is not much different. Although the severity of poverty in the village is higher than in the city. The average of poverty severity in Yogyakarta at 2012 - 2014 was 38 percent. It means that there are four to five multidimensional poverty indicators deprived from 11 indicators. Since 2012-2014, the severity of poverty is not far from that range (MPI-Indonesia, 2015).

All these parameters prove that government performance can be effective in reducing poverty level in Special Region of Yogyakarta or in other words can improve society prosperity of Special Region of Yogyakarta to be better during year 2012-2014.

4.3. An Economical Review

The result of Fiscal Decentralization, Economic Growth and Government Expenditure Influence toward Special Region of Yogyakarta Monetary Poverty with panel data regression shows that fixed effect model is better than other model. This means that the 3 independent variables of fiscal decentralization, economic growth and government expenditure have a negative effect on the percentage of poverty in Special Region of Yogyakarta, where the test of significance states that only economic growth variables significantly affect the percentage of poverty in Special Region of Yogyakarta. Accordingly, the equations for each region have different intercepts which are represented by the following equations.

Yogyakarta

$$LMNP = 3.18 - 0.48 - 0.005LFDC - 0.307LEGR - 0.015LGEX$$

Sleman

$$LMNP = 3.18 - 0.36 - 0.005LFDC - 0.307LEGR - 0.015LGEX$$

Bantul

$$LMNP = 3.18 + 0.12 - 0.005LFDC - 0.307LEGR - 0.015LGEX$$

Kulon Progo

$$LMNP = 3.18 + 0.34 - 0.005LFDC - 0.307LEGR - 0.015LGEX$$

Gunungkidul

$$LMNP = 3.18 + 0.36 - 0.005LFDC - 0.307LEGR - 0.015LGEX$$

Special Region of Yogyakarta

$$LMNP = 3.18 + 0.024 - 0.005LFDC - 0.307LEGR - 0.015LGEX$$

As we have mentioned in this study, fiscal decentralization is proxied by the ratio of Local Revenue (PAD) plus tax and non-tax revenue sharing with the realization of total expenditure of district / city governments in decimal places. The results generated give an understanding of how much the independence level of Special Region of Yogyakarta in financing the expenditure of PAD that has been generated.

The Fiscal decentralization of Special Region of Yogyakarta from 2012-2014 shows an increase. In 2012, the fiscal decentralization rate of Special Region of Yogyakarta was 11% and in 2013 the fiscal decentralization rate had increased significantly roughly 6% to 17%. In the following year, Special Region of Yogyakarta was able to maintain the figure at 17% level. The development of fiscal decentralization level of Special Region of Yogyakarta can be seen in the graph below.

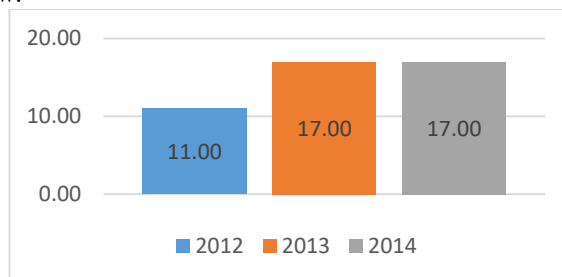


Figure.3. Development of fiscal decentralization level Special Region of Yogyakarta 2012-2014

The data of economic growth used in this study is data processed by calculating the development of Gross Regional Domestic Product (PDRB) Special Region of Yogyakarta per year by constant price year (2000) in percentage units. The data used is sourced from data issued by Central Bureau of Statistics. From the result of data analysis shows that economic growth of Special Region of Yogyakarta during the period 2012-2014 moved up. In 2012, the economic growth rate of Special Region of Yogyakarta was 5.07% which then increased consecutively to 5.28% in 2013 and 5.33% in 2014. The development of the increase in economic growth rate in Yogyakarta is shown by the picture below.

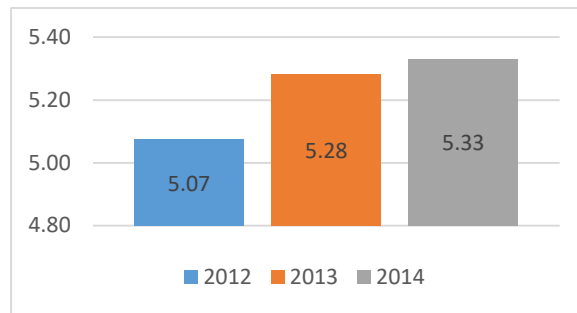


Figure.4. Economic Growth in Special Region of Yogyakarta year 2012-2014

The data used in government expenditure is data on all realization of Special Region of Yogyakarta government expenditure in Trillion Rupiah. Based on data collected from 2012 to 2014 shows increase in the amount of government expenditure Special Region of Yogyakarta. In 2012 the total amount of government expenditure Special Region of Yogyakarta reached 2.12 trillion rupiah, then increased to 2.45 trillion in 2013 and in 2014 to 3.33 trillion. The development of economic growth Special Region of Yogyakarta can be seen in the graph below.

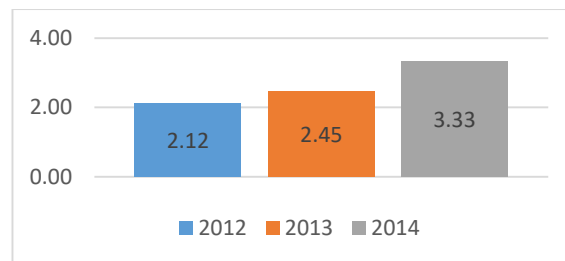


Figure.5. Special Region of Yogyakarta government expenditure 2012-2014

Based on the above 3 macroeconomic indicators, it can be seen that the macroeconomic development of Special Region of Yogyakarta for the period 2012-2014 shows a good impact, due to increasing of fiscal independence, positive and increasing economic growth, and finally the optimum government expenditure which shows an increase over the period. The development of a good macroeconomy will be interesting when compared with macro indicators like multidimensional poverty. Good macroeconomic growth will be meaningless if the the poverty level goes up. The comparison of these three macroeconomic indicators with multidimensional poverty can be seen in the graph below.

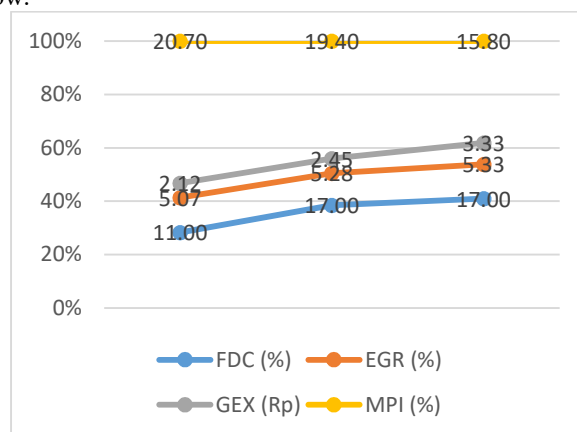


Figure.6. The development of a multidimensional poverty rate of economic growth, fiscal decentralization, Special Region of Yogyakarta expenditure and multidimensional poverty

As already discussed above, the Special Region of Yogyakarta macroeconomic indicator shows improved and even excellent growth after 2012 with large increases, declining poverty (monetary and multidimensional), increased economic growth, inclined fiscal independence and expenditure also increases. One interesting point is that the Privileged Special Region of Yogyakarta Act was just stipulated in 2012.

5. CONCLUSIONS

The conclusions drawn from the Fiscal Decentralization Effect, Government Expenditure, and Economic Growth on Poverty in the Special Province of Yogyakarta are:

1. The highest percentage of poverty in the Special Region of Yogyakarta is in Gunungkidul and Kulon Progo districts where the amount exceeds the average of poor percentage in the Special Region of Yogyakarta as a whole.
2. From the results of the analysis can be seen that the three independent variables of fiscal decentralization, economic growth and government spending negatively affect toward the percentage of poverty in Special Region of Yogyakarta. Meanwhile, according to significance test only economic growth that significantly affect to the percentage of poverty level in Special Region of Yogyakarta. It means that in the period of 2010-2016 the fiscal decentralization policy, economic growth rate and government expenditure has not had any impact in reducing the percentage of the poor in Special Region of Yogyakarta.
3. Monetary poverty in Special Region of Yogyakarta in 2012-2014 shows a static decrease or relatively stable pattern, while multidimensional poverty over the same period shows a more dynamic pattern.

The implications of this Fiscal Decentralization, Government Expenditure, and Economic Growth Impacts on Poverty in Yogyakarta Provinces research are:

1. To reduce the percentage of poverty in Special Region of Yogyakarta, district / municipality governments in the region of Yogyakarta need to formulate other policies besides pursuing economic growth.
2. The expenditure of city government in Special Region of Yogyakarta has not been able to reduce the percentage of poverty in Special Region of Yogyakarta. Thus, it needs to be evaluated in order the government expenditure give extremely positive impacts to decreasing poverty percentage in Special Region of Yogyakarta.
3. In accordance with the vision and mission of Special Region of Yogyakarta which was established by the regional commander Special Region of Yogyakarta, the local government should have used relevant indicators showing the achievement of its vision and mission with multidimensional poverty indicators, not only using consumption level indicators and income levels.

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