THE ROLE OF DOMESTIC INVESTMENT, FOREIGN INVESTMENT, AND MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES FOR POVERTY REDUCTION IN INDONESIA

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ABSTRACT

The Indonesian government is trying to reduce the poverty rate, among others, by encouraging investment sourced from within the country and abroad and increasing the number of micro, small and medium-sized businesses. However, until the end of 2020, the category of poor people in Indonesia is still relatively high, about ten per cent of the total population of Indonesia. This research problem encouraged the authors to examine the role Domestic Investment (DI), Foreign Investment (FI) and Micro, Small, and Medium Enterprises (MSMEs) to reduce poverty in Indonesia. This is also because there has been no previous Indonesian research involving the four variables with data from 2010 to 2020. This study used quantitative methods to determine the impact of DI, FI and MSMEs on the magnitude of poverty. Data combining time series and cross-section data is analyzed using the least square panel method. The results of the study showed that poverty would decrease when there is an increase in domestic investment, an increase in foreign investment, and an increase in the number of micro, small and medium-sized enterprises in Indonesia.

Keywords: Domestic investment; foreign investment; Indonesia; MSME; poverty

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INTRODUCTION

Governments from all countries are constantly trying to improve the welfare of all their citizens. Various policies are carried out to accelerate the increase in the level of people's welfare while reducing the community's poverty rate. According to the World Bank, the poor cannot meet basic needs such as food, clothing, housing, education and health. Over the past 38 years, the percentage of the world's poor has steadily declined from about 42.7% in 1981 to 7% in 2019. According to the World Bank, the category is poor if a person's income level averages below $3.2 per day or at 45,700 rupiah per day. Extreme poverty is when the average earnings per day are below $1.9. Countries where people live in extreme poverty, tend to have poor levels of public health (World Bank, 2020). Poverty disrupts family functioning (Banovcinova, A., Levicka, J., &Veres, M, 2014). Living in poverty has a negative impact on the entire family

(Dodge, K. A., Pettit, G. S., & Bates, J. E., 1994), (Gerbery, D., Bodnárová, B., & Filadelfiová, J., 2007), (Currie, J., & Stabile, M., 2003). The coronavirus, which began spreading in 2020, has had a devastating impact on public health and has serious implications for economic growth and social development. Poverty and extreme poverty due to coronavirus are increasing across the country (United Nations, 2020). Coronavirus greatly affects low-income families (Howes et.al., 2020).

As a developing country, Indonesia still faces obstacles to reducing poverty rates that are still in the poor category. In 2010 the category of poor people in Indonesia was around 13.3% and gradually continued to decline until 2019 to about 9.3% of the total population of Indonesia. However, in 2020 due to the coronavirus's impact, the poverty rate increased to about 10% of Indonesia's total population (OECD, 2021). The Indonesian government strives for the poverty rate to continue declining. One of the efforts is to continue encouraging investment in those whose funds are sourced from abroad and those sourced from within the country.

Investment sourced from within the country or domestic investment (DI) is an activity to invest in the territory of the Republic of Indonesia conducted by domestic investors using domestic capital that individuals and business entities can do. Domestic investment is a form of investment by building, buying, or acquiring a company. DI-related rules refer to law No.25 of 2007 on investment. To facilitate investment coordination in Indonesia, the Investment Coordinating Board (BKPM) was formed, whose job is to coordinate policies and services in domestic investment by the laws and regulations. In April-June 2021, domestic investment in all provinces in Indonesia amounted to 106,252 billion rupiahs (BKPM, 2021). Domestic investment has a positive impact on reducing poverty (Permana, 2019), (Agustini & Kurniasih, 2017), (Momongan, 2013). However, other researchers state that Domestic Investment does not significantly influence the decline in the number of poor people in Indonesia (Dorodjatun & Susamto, 2016).

Foreign Investment (FI) is an activity to invest in doing business in the territory of the Republic of Indonesia conducted by foreign investors, either using foreign capital entirely or in exchange with domestic investors. FI is a form of investment by building, buying, or acquiring a company. Law No. 25 of 2007 on Investment regulates investment in Indonesia, including for PMA. The Investment Coordinating Board (BKPM) is a Non-Ministerial Government Agency tasked with carrying out policy and service coordination in the investment field based on the laws and regulations provisions. The minimum value of the foreign investment in Indonesia is Rp 10 billion (excluding land and building prices). The minimum amount of capital paid to banks in Indonesia is Rp 2.5 billion (Ministry of Investment, 2021).

Investments made by overseas investors are expected to accelerate the reduction of a country's poverty rate. Research conducted by (Do et al., 2021) in Vietnam concluded that foreign investment tends to lower poverty levels in a province. The same result was also concluded by (Hanim, 2021), who stated that foreign direct investment positively impacts economic growth in Indonesia. In contrast, research conducted by (Anetor, Esho & Verhoef, 2020) concluded that foreign direct investment and foreign aid have a negative impact on reducing poverty rates in the countries in Africa studied. Because of the differences in findings from several researchers related to the influence of Foreign Direct Investment, the author considers it necessary to see the influence of Foreign Investment in Indonesia.

The number of Micro, Small and Medium Enterprises (MSMEs) is important in developing a national economy. MSMEs play an essential aspect in economic growth, labour absorption, and distribution of development results. While the Indonesian economic crisis in 1997-1998, MSMEs also proved unaffected by the crisis. The Indonesian Central Statistics Agency data shows that after the Indonesian economic crisis from 1999-2012, the number of MSMEs increased steadily and absorbed workers from around 85 million to 107 million. Based on the data in 2012, the number of entrepreneurs in Indonesia amounted to 56,539,560 units. If we compare it with the total worker in Indonesia, MSME' workers amounted to 99.99%. The rest, about 0.01% or 4,970, are large businesses worker. We can say that MSMEs have also become a potential market, especially for financial services companies, such as banks. Currently, about 60-70% of MSMEs do not have the capacity to access banking loans. The government and legislature

proved their concern for MSMEs by launching Law No. 20 of 2008 on MSMEs. "Micro, small and medium enterprises play a vital role in a country's economic development. In contributing to increasing the Gross Domestic Product, micro, small and medium-sized company also plays a significant social role as it reduces unemployment (Woźniak et al., 2019). SMEs and economic growth are related (Aladdin et al., 2021).

In connection with differences from some of the previous research results, researchers conducted studies in all provinces in Indonesia to ascertain whether Domestic and Foreign Investment positively affected poverty rates in all provinces studied or only had a significant effect on some provinces. In contrast, in others, there was no impact. Furthermore, the results of this study are expected to be a reference to how to reduce poverty through DI and FI, especially in provinces that positively impact poverty. The difference between this study and similar studies conducted by several previous researchers in Indonesia is that the research site of previous researchers was only in one or two provinces. In contrast, this study was conducted in all provinces in Indonesia. Another difference is the data retrieval time that takes the latest data from 2010 to 2020. It is hoped that the results of this study can be used as a reference for the government as policymakers to formulate and establish appropriate domestic and foreign investment policies to accelerate the improvement of community welfare while reducing poverty in Indonesia.

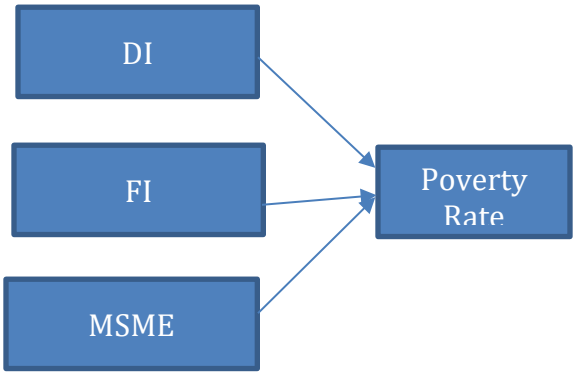

Figure 1: Influence of DI, FI and MSMEs on Reducing Poverty in Indonesia

The research model formulates a linkage between three independent variables, namely DI, FI, and MSMEs, with the dependent variables being Poverty Rates. The relationship between the three variables can be seen in Figure 1 above.

Based on the model in figure 1, the following research hypothesis is made:

Hypothesis 1: Domestic Investment has a positive and significant effect on reducing poverty in Indonesia.

Hypothesis 2: Foreign Investment has a positive and significant effect on reducing poverty in Indonesia.

Hypothesis 3: The existence of MSMEs has a positive and significant effect on reducing poverty in Indonesia.

METHODOLOGY

This research uses quantitative methods. The data used is panel data in the form of combined time series data for ten years, namely from 2010 to 2019, and Cross Section data from 34 provinces in Indonesia. The reason for selecting 34 provinces is also to compare the impact of DI, FI and MSMEs for all provinces in Indonesia that are likely characteristic economic and socio-cultural characteristics that are also different for each province. Analyze panel data using the least Square Dummy Variable Method. The independent variables are Foreign Investment, Domestic Investment and the number of MSMEs, while the dependent variable is the Poverty Rate. The analysis uses regression panel data. Panel data analysis is more informative, more varied, and efficient, can avoid multicollinearity, is more reliable for testing cross-section and time series data simultaneously and can minimize bias (Baltagi, 2005).

RESULTS AND DISCUSSION

The effect of domestic investment on poverty reduction is analyzed by utilizing data from 34 provinces in Indonesia. The data is a combination of various relevant Indonesian government agencies.

The analysis model uses the least square dummy variable (LSDV) panel data regression method, with the following relationship equations:

$$Yit=\beta_0+\beta_1X_1it+\beta_2X_2it+\beta_3X_3it+\alpha_1D_1i+\alpha_2D_2i+\ldots.\alpha_{33}D_{33}i+\mu it$$

Where:

Y_{it} = decrease in poverty

β_0 = constant

β_1 = regression coefficient

Di = Dummy

X_1it = domestic investment.

X_2it = foreign investment.

X_3it = number of MSMEs.

i = Province; i = 1,2,3... n

t = Period of time; t = 1,2,3... It

α_{1-33} = slope coefficient dummy

μ_{it} = error term.

The test used secondary data from thirty-three provinces in Indonesia over ten years by combining time series and cross-section data analysis. Data sources were obtained from the Central Agency for National Statistics, Investment Coordinating Board, National Development Planning Agency, and Bank Indonesia.

Analysis with data panel regression methods that combine time series and cross-section data is perfect for solving economic and business problems (Ekananda, 2018).

Table 1 is data on Domestic Investment in all provinces in Indonesia. Based on the data in Table 1, it is seen that the amount of domestic investment varies for each province.

Table 1: Domestic Investments in Indonesia

Amount of Domestic Investment in Indonesia												
No	Province	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
		Billion IDR	Billion IDR	Billion IDR	Billion IDR	Billion IDR	Billion IDR	Billion IDR	Billion IDR	Billion IDR	Billion IDR	Billion IDR
1	Aceh	8241	3607	970	783	2456	4192	5110	3636	60	259	41
2	Sumatera Utara	18190	19749	8372	11684	4864	4287	4224	5069	2550	1673	663
3	Sumatera Barat	3106	3027	2310	1517	3796	1553	421	678	885	1026	74
4	Riau	34118	26292	9056	10830	6614	9943	7708	4874	5450	7463	1037
5	Jambi	3512	4437	2877	3007	3885	3540	908	2800	1446	2135	167
6	Sumatera Selatan	15825	16921	9520	8200	8534	10944	7043	3396	2931	1069	223
7	Bengkulu	5399	5458	4903	297	949	554	8	110	53	0	1738
8	Lampung	7121	2429	12315	7015	6032	1102	3496	1325	304	824	0
9	Bangka Belitung	1864	2915	3113	1735	2202	1024	616	608	534	514	9
10	Kepulauan Riau	14249	5656	4386	1398	493	612	29	418	44	1370	272
11	DKI Jakarta	42955	62095	49097	47262	12217	15513	17812	5755	8540	9256	4599
12	Jawa Barat	51401	49284	42278	38391	30360	26273	18727	9006	11384	11194	15800
13	Jawa Tengah	30606	18655	27475	19866	24070	15411	13602	12594	5797	2738	5853
14	DI Yogyakarta	2683	6299	6132	295	949	362	704	284	334	2	795
15	Jawa Timur	55661	45453	33333	45045	46332	35490	38132	34849	21520	9688	10
16	Banten	31146	20708	18638	15142	12426	10710	8081	4009	5118	4299	8084
17	Bali	5433	7393	1549	593	482	1250	253	2985	3108	313	313
18	Nusa Tenggara Barat	6582	3519	4135	5414	1343	348	213	1398	45	42	1806

Table 1: Continued.

19	Nusa Tenggara Timur	3029	3753	4246	1082	822	1296	4	18	14	1	0
20	Kalimantan Barat	9257	7699	6591	12381	9016	6144	4321	2522	2811	1404	1172
21	Kalimantan Tengah	3710	8592	13092	3038	8179	1270	980	1835	4530	376	3508
22	Kalimantan Selatan	4286	10061	9975	2982	6163	2060	2617	8299	3510	2118	2015
23	Kalimantan Timur	25934	21952	25942	10980	685	9611	12859	16057	5889	6569	7881
24	Kalimantan Utara	2235	4401	1357	853	3346	922	643	0	0	0	0
25	Sulawesi Utara	3006	8260	4320	1488	5070	271	83	67	679	332	96
26	Sulawesi Tengah	5261	4439	8489	1930	1081	968	96	605	603	2620	17
27	Sulawesi Selatan	9142	5673	3276	1969	3335	9215	4950	921	2319	3986	154
28	Sulawesi Tenggara	2866	3827	1603	3149	1794	2015	1250	1262	907	59	3212
29	Gorontalo	684	844	2667	888	2203	94	45	84	165	12	840
30	Sulawesi Barat	253	1187	3144	660	84	1104	690	685	229	219	19
31	Maluku	475	283	1014	52	11	0	0	0	3	0	0
32	Maluku Utara	662	683	2276	1151	9	48	156	115	321	14	0
33	Papua Barat	1925	380	51	59	11	63	100	304	46	47	178
34	Papua	2722	568	105	1218	221	1275	249	584	55	1379	51
Indonesia		**413536**	**386498**	**328605**	**262351**	**216231**	**179466**	**156126**	**128151**	**92182**	**76001**	**60626**

Based on the data in table 1 above, it is seen that the largest domestic investment is still dominated by provinces on the island of Java, namely: DKI Jakarta, west Java, Central Java, east Java and Banten. Outside the island of Java, there are north Sumatra, Riau, South Sumatra, south Kalimantan, and east Kalimantan.

Table 2: Foreign Investment in Indonesia

Amount of Foreign Investment in Indonesia												
No	**Province**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
		Million US $	**Million US $**	**Million US $**	**Million US $**	**Million US $**	**Million US $**	**Million US $**	**Million US $**	**Million US $**	**Million US $**	**Million US $**
1	Aceh	51	138	71	23	1345	21	31	94	172	23	5
2	Sumatera Utara	975	380	1228	1515	1015	1246	551	888	645	754	181
3	Sumatera Barat	126	157	181	194	79	57	112	91	75	23	8
4	Riau	1078	1034	1033	1061	869	653	1370	1305	1153	212	87
5	Jambi	27	55	102	77	61	108	51	34	156	20	166

Table 2: Continued.

6	Sumatera Selatan	1544	737	1079	1183	2794	646	1057	486	786	557	37
7	Bengkulu	192	145	137	139	56	21	19	22	30	43	186
8	Lampung	498	155	132	121	86	258	157	47	114	80	22
9	Bangka Belitung	48	89	46	153	53	83	105	112	59	146	25
10	Kepulauan Riau	1649	1363	831	1032	519	640	392	316	537	220	31
11	DKI Jakarta	3613	4123	4858	4595	3398	3619	4509	2591	4108	4824	6429
12	Jawa Barat	4794	5881	5574	5143	5471	5739	6562	7125	4211	3839	1692
13	Jawa Tengah	1364	2723	2373	2373	1031	850	463	464	242	175	1544
14	DI Yogyakarta	10	15	81	37	20	89	65	30	85	2	59
15	Jawa Timur	1576	866	1333	1567	1941	2593	1803	3396	2299	1312	5
16	Banten	2144	1868	2827	3048	2912	2542	2035	3720	2716	2172	1769
17	Bali	293	426	1003	887	451	496	427	391	482	482	278
18	Nusa Teng. Barat	302	271	252	132	439	699	551	488	636	465	221
19	Nusa Teng. Timur	81	127	100	139	58	70	15	10	9	6	4
20	Kalimantan Barat	759	532	492	568	631	1336	966	650	398	501	170
21	Kalimantan Tengah	178	284	679	641	408	934	951	482	525	544	547
22	Kalimantan Selatan	241	373	129	244	249	961	503	261	272	272	202
23	Kalimantan Timur	378	861	588	1285	1140	2381	2146	1381	2014	602	1092
24	Kalimantan Utara	68	82	67	149	161	231	108	0	0	0	0
25	Sulawesi Utara	156	221	296	483	383	88	98	66	47	220	227
26	Sulawesi Tengah	1779	1805	672	1546	1600	1085	1494	855	807	370	1
27	Sulawesi Selatan	236	303	617	713	373	233	281	463	583	90	139
28	Sulawesi Tenggara	1269	988	673	693	376	145	162	86	36	17	442
29	Gorontalo	68	171	41	41	13	7	4	26	35	13	37
30	Sulawesi Barat	7	10	25	11	21	2	16	3	0	6	14
31	Maluku	177	33	8	212	103	82	13	53	9	12	3
32	Maluku Utara	2409	1009	363	228	439	204	99	269	90	130	246
33	Papua Barat	11	46	287	85	515	897	153	54	32	33	330
34	Papua	568	941	1132	1924	1168	2586	1261	2360	1202	1312	17
	Indonesia	28667	28209	29308	32240	28964	29276	28530	28618	24565	19475	16215

Table 2 contains data on the amount of foreign investment in Indonesia. Based on data in Table 2 it is seen that in 2019 the provinces of DKI Jakarta, West Java, Central Java, Banten, and North Maluku attracted the largest overseas investors by absorbing more than 1000 million US$ Although we also see the amount of investment that varies from year to year for each province. Based on the data in table 2, it can be known that the largest foreign investment is in the area: north Sumatra, south Sumatra, Riau islands, DKI Jakarta, west java, central Java, east Java, Banten, east Kalimantan, west Kalimantan, Central Sulawesi, south Sulawesi, southeast Sulawesi, north Maluku and Papua.

Table 3: MSMEs in Indonesia

Number of MSMEs in all Provinces in Indonesia (unit)												
No	**Province**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	2010
1	**Aceh**	**103300**	**106918**	**114042**	**99277**	**86912**	**65492**	**71031**	**76568**	**35499**	**62225**	56118
2	Sumatera Utara	120163	127152	140608	152466	124719	99022	86063	82889	70049	79369	66722
3	Sumatera Barat	94392	100712	108588	116539	87492	67697	76520	65994	88936	56149	53050
4	Riau	50702	59837	77876	65733	46717	17435	15715	17049	8550	12383	12227
5	Jambi	26085	28159	34564	27792	29827	24169	27447	25100	19273	20001	18900
6	Sumatera Selatan	75569	80307	73564	69868	74201	49346	64492	71347	45698	59626	51531
7	Bengkulu	20433	21667	28271	26780	22653	12281	12048	11706	10549	9427	9091
8	Lampung	88526	95041	95493	99271	88799	80505	103710	101619	73285	94957	81637
9	Bangka Belitung	21557	22799	25588	26348	15909	6151	8267	11415	4472	6327	5666
10	Kepulauan Riau	13779	17031	29995	34394	17719	7468	15399	16221	6707	15585	11970
11	DKI Jakarta	59017	62929	37850	76028	93984	34994	37858	39910	179296	39612	28570
12	Jawa Barat	625943	629597	536207	574175	600720	480240	498063	489760	476930	425154	397331
13	Jawa Tengah	898162	912421	914850	892631	1009717	1030374	832472	810263	776420	627167	659126
14	DI Yogyakarta	137499	146658	113430	97316	144698	57665	80579	80760	65442	69570	63526
15	Jawa Timur	828482	862450	779390	852301	847007	820844	648706	629106	594212	627561	518327
16	Banten	107667	113139	109959	105710	95804	117548	81412	79160	162359	100508	65582
17	Bali	149516	161120	118509	149179	115143	103360	116093	105482	113032	87401	84701
18	Nusa Tenggara Barat	104588	108481	96205	116870	121804	94291	107231	101178	59972	87271	83214
19	Nusa Tenggara Timur	136054	140163	162234	161257	121861	73169	112042	104606	88651	80996	80465
20	Kalimantan Barat	39149	43024	52835	55044	38458	55113	37412	37677	22051	31600	29532
21	Kalimantan Tengah	23273	25463	31640	34587	22786	12599	19932	18741	8354	15809	14145

Table 3: Continued.

22	Kalimantan Selatan	55633	57753	70362	88272	58896	57477	70866	68390	33156	57645	55418
23	Kalimantan Timur	24644	32042	33725	33098	25999	12028	17721	24383	7996	13390	12017
24	Kalimantan Utara	4963	7194	6082	7338	4138	1300	0	0	0	0	0
25	Sulawesi Utara	37111	37031	48451	67230	52780	39470	40293	39685	24240	31367	28494
26	Sulawesi Tengah	84559	85379	89424	87190	92274	22396	106419	33190	29402	32986	26767
27	Sulawesi Selatan	126489	129823	109179	123379	132277	118473	71556	102486	91986	87710	84155
28	Sulawesi Tenggara	45588	49435	69994	67883	59875	47270	23851	65044	30205	54587	53373
29	Gorontalo	28636	28715	30022	36950	24733	13216	29098	22436	9605	19468	18605
30	Sulawesi Barat	25892	26295	26692	22446	25483	11874	36640	27120	9484	20554	20551
31	Maluku	22201	25004	45959	41867	37310	19575	7958	35872	63743	34353	26344
32	Maluku Utara	13583	14213	29311	31908	11918	7051	2479	8433	3880	7772	5834
33	Papua Barat	4588	6743	7306	11077	4523	1523	2479	2822	1194	2301	1900
34	Papua	12094	15481	15842	12481	11323	7457	10102	9955	3414	8240	7837
	Indonesia	4209837	4380176	4264047	4464685	4348459	3668873	3471954	3416367	3218042	2979071	2732726

Based on data that can be seen in Table 3, it is known that overall, over the last eleven years, from 2010 to 2020, all provinces in Indonesia have continued to increase. In 2018 there was a decrease in the number of MSMEs, but in 2019 the number of MSMEs again increased. The number of MSMEs for each province tends to fluctuate, but on average, there is an increase in the number of MSMEs. The largest number of MSMEs is in the provinces on the island of Java because it is related to the largest population on the island of Java, then Sumatra and Sulawesi.

Table 4: People in poverty in Indonesia

Number of Poor People in Indonesia (x 1000)												
No	**Province**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
1	Aceh	815	819	839	873	848	852	881	841	877	895	862
2	Sumatera Utara	1283	1282	1325	1454	1456	1464	1287	1339	1378	1481	1491
3	Sumatera Barat	344	348	357	365	372	380	379	407	398	442	430
4	Riau	483	491	500	515	515	531	500	469	481	482	500
5	Jambi	278	274	282	287	290	301	264	266	270	273	241
6	Sumatera Selatan	1082	1074	1068	1087	1101	1146	1101	1110	1042	1075	1125
7	Bengkulu	303	302	302	317	329	334	321	327	310	304	324
8	Lampung	1049	1064	1097	1132	1170	1163	1143	1163	1219	1299	1479
	Bangka Belitung	68	68	76	74	72	74	72	69	70	72	67

Table 4: Continued.

10	Kepulauan Riau	132	128	132	125	120	122	128	127	131	130	130
11	DKI Jakarta	481	366	373	390	384	399	394	354	367	363	312
12	Jawa Barat	3920	3399	3616	4168	4224	4436	4327	4297	4421	4649	4774
13	Jawa Tengah	3981	3743	3897	4451	4507	4577	4836	4733	4863	5107	5369
14	DI Yogyakarta	476	448	460	489	495	550	545	550	562	561	758
15	Jawa Timur	4419	4112	4333	4617	4703	4789	4787	4771	4961	5356	5529
16	Banten	776	654	661	675	658	702	623	656	648	690	577
17	Bali	165	164	172	180	178	197	185	163	161	166	175
18	Nusa Tenggara Barat	714	736	737	794	804	824	821	831	828	895	1009
19	Nusa Tenggara Timur	1154	1146	1142	1151	1150	1160	995	994	1000	1013	1014
20	Kalimantan Barat	367	378	387	387	381	384	402	369	356	380	429
21	Kalimantan Tengah	133	135	137	139	143	148	146	137	142	147	164
22	Kalimantan Selatan	188	192	189	194	196	198	183	182	189	195	182
23	Kalimantan Timur	230	220	219	220	213	213	254	238	246	248	243
24	Kalimantan Utara	52	49	51	49	41	39	0	0	0	0	0
25	Sulawesi Utara	192	192	193	199	203	209	208	184	178	195	207
26	Sulawesi Tengah	399	410	420	418	421	422	393	405	410	424	210
27	Sulawesi Selatan	777	768	793	813	807	798	864	788	806	833	913
28	Sulawesi Tenggara	302	303	307	332	327	322	342	302	304	330	475
29	Gorontalo	185	186	199	205	203	207	194	193	188	198	141
30	Sulawesi Barat	152	151	152	150	153	160	154	154	161	165	401
31	Maluku	318	318	320	321	328	328	316	322	339	360	379
32	Maluku Utara	86	85	81	76	75	80	83	83	88	97	91
33	Papua Barat	209	212	214	228	226	225	229	224	223	250	256
34	Papua	911	926	918	898	89	859	924	1017	976	945	762
	Indonesia	26424	25145	25950	25675	28005	28593	28280	28067	28595	30019	31023

Based on data that can be seen in Table 4 it is known that over the last ten years, namely from 2010 to 2019 the average poverty rate for all provinces in Indonesia decreased except in 2020 due to covid-19 pandemic. However, the decline tends to be volatile from year to year.

Table 5: Results of Data Analysis Using Least Square Panel Method

Dependent Variable: Y				
Method: Panel Least Squares				
Date: 12/02/21 Time: 11:43				
Sample: 2010 2019				
Periods included: 10				
Cross-sections included: 33				
Total panel (balanced) observations: 330				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	1009773.	39320.68	25.68045	0.0000
X1	-3.84E-05	1.34E-05	-2.858644	0.0046
X2	-5.44E-06	1.24E-06	-4.369958	0.0000
X3	-1.708144	0.197882	-8.632133	0.0000
D2	628311.2	52736.59	11.91414	0.0000
D3	-469583.6	51988.72	-9.032414	0.0000
D4	-371999.1	54898.57	-6.776117	0.0000
D5	-674604.0	52980.77	-12.73300	0.0000
D6	265787.4	53427.15	4.974763	0.0000
D7	-653947.3	53212.05	-12.28946	0.0000
D8	362675.8	52031.75	6.970277	0.0000
D9	-904949.8	53340.89	-16.96540	0.0000
D10	-822485.5	53680.00	-15.32201	0.0000
D11	-240154.1	79559.52	-3.018547	0.0028
D12	4428121.	104022.6	42.56881	0.0000
D13	5171144.	152857.5	33.82984	0.0000
D14	-300194.0	52101.91	-5.761670	0.0000
D15	5246781.	123494.2	42.48604	0.0000
D16	-22322.87	60767.61	-0.367348	0.7136
D17	-608247.6	52614.19	-11.56052	0.0000
D18	10884.07	52170.44	0.208625	0.8349
D19	267100.6	52574.08	5.080461	0.0000
D20	-502283.4	53304.98	-9.422824	0.0000
D21	-783393.0	53983.10	-14.51182	0.0000
D22	-673765.2	52312.99	-12.87950	0.0000
D23	-602999.5	57975.45	-10.40095	0.0000
D24	-723788.4	52454.23	-13.79848	0.0000
D25	-462534.5	53353.68	-8.669215	0.0000
D26	22040.41	52192.46	0.422291	0.6731
D27	-562084.7	52265.64	-10.75438	0.0000
D28	-772843.0	52880.85	-14.61480	0.0000
D29	-786182.2	52905.75	-14.86005	0.0000
D30	-616257.6	52508.21	-11.73641	0.0000
D31	-890403.1	53421.44	-16.66752	0.0000
D32	-763777.1	53714.56	-14.21918	0.0000
D33	-104378.4	56462.29	-1.848639	0.0655
R-squared	0.992026	Mean dependent var		850365.1
Adjusted R-squared	0.991077	SD dependent var		1229766.
SE of regression	116166.5	Akaike info criterion		26.26611
Sum squared reside	3.97E+12	Schwarz criterion		26.68055
Log-likelihood	-4297.907	Hannan-Quinn criter.		26.43142
F-statistic	1045.044	Durbin-Watson stat		1.071819
Prob (F-statistic)	0.000000			

Note: * indicates statistical significance at 5% level.

Based on the data in table 1, 2, 3 and 4, the authors conducted an analysis using the panel data model, with independent variables: Domestic Investment (X1), Foreign Investment (X2), and the Number of Micro Small and Medium Enterprises (X3), as well as Poverty numbers as a variable dependent (Y), where D1, D2, D34 is the 1st province until the 34th province.

Based on the results of the panel data analysis, as shown in Table 5, it is known that Domestic Investment and Foreign Investment have a positive and significant influence on reducing poverty in Indonesia. This is evident from the R square's value of 99.2 per cent.

The regression equation model can be written as follows:

Y = 97951 – 4.22E-09 X1 – 3.18E-09 X2 -1.401 X3 + D2...D33

Based on the above equation, it can be concluded that any increase in domestic, foreign, and micro, small and medium enterprises will reduce poverty. This is seen from the values X1, X2 and X3 marked negative or contrary to variable dependent. The effect of each variable on poverty reduction can be seen from its Prob value or t-calculate value compared to the t table.

Domestic investment has a significant influence on reducing poverty. This can be seen from the calculated value of -4.13 or its minimal Prob value, which is 0.00. The results of this study are in line with research conducted by other researchers (Permana, 2019), (Agustini & Kurniasih, 2017), (Momongan, 2013), and (Jonaidi, 2012). Based on these results, it can be proposed that the government, through the Investment Coordinating Board, should continuously encourage the creation of a conducive investment atmosphere so that the amount of investment from domestic financiers will continue to increase in all provinces in Indonesia.

Based on the results of the panel data analysis, as shown in Table 5, it is also known that overall, Foreign Direct Investment has a significant influence on reducing poverty in Indonesia. This is seen from the t statistical value of -2.42 with the prob value(α)of 0.016 ‹ 0.05. This research is in line with other research conducted by Magombeyi and Odhiambo (2017), which states that Foreign Direct Investment has an impact on reducing poverty rates in some countries. However, some do not have a significant impact. In another study by Meyer (2004), Goorg & Greenaway (2004) stated that the positive impact comes from spillover effects as a result of consumer and product surplus due to the interaction of various industries. Another study by Soumare (2015) and Zaman et al. (2012) also concluded a positive link between FDI and reduced poverty rates. However, some researchers say there is no significant link between FDI and reduced poverty (Gohou & Soumare, 2012), (Magombey & Odiambo, 2017).

The variable influence of the Number of Micro, Small and Medium Enterprises is also significant. This result is seen from the calculated value of -6.96 with a Prob value of 0 or less than 0.05. This study is in line with the results of research conducted by Zafar et al. (2019) in Pakistan, Hassas (2017) in Afghanistan, and Sokoto & Abdullahi in Nigeria (2013) concluded that the existence of small and medium-sized companies contributed to the reduction of poverty rates in the countries studied by them.

So based on the analysis conducted by the author and by comparing with the results of research conducted by other researchers, it can be stated that Domestic Investment, Foreign Direct Investment and The Number of Micro, Small and Medium Enterprises in Indonesia have an important role to accelerate the reduction of poverty rates in Indonesia.

CONCLUSION AND RECOMMENDATION

Domestic Investment, Investment sourced from foreign funds, and an increase in small and medium-sized micro enterprises significantly influence poverty levels in all provinces in Indonesia. This result is seen from the R square figure of both variables of 99.1 percent, which shows that 99.1 percent of changes related to variable poverty rates can be explained by changes in domestic investment variables, foreign investment variables and variables in the number of small and medium-sized micro-enterprises. Likewise, each variable's significance level is high, which can be seen from its probabilistic results smaller than 0.05 or t calculate each variable larger than the t table.

The Indonesian government needs to continuously build a conducive investment climate and support the creation of an increase in the amount of investment in all provinces, both domestically sourced and domestically sourced and increasing the number of Micro

Small and Medium Enterprises. There are provinces whose research shows the effect is insignificant, so there needs to be more research to find out the cause of why there are provinces that even get Domestic Investment and Foreign Investment but still have not had an impact on reducing poverty in that province.

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