

Factors Affecting Economic Growth and Poverty Rate in Kutai Timur District

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Abstract

East Kutai Regency has the second largest area in East Kutai Regency. In various ways, the local government has tried to increase economic growth and poverty alleviation, but these problems have not achieved the desired results. This study aims to determine the direct and indirect effects of private investment, labor force, infrastructure spending, human development index on economic growth and poverty levels in East Kutai Regency. To analyze the data used path analysis. The data used is secondary data in the form of time series data for 2007-2021. The results of this study indicate that the direct influence of Private Investment, Labor Force, Human Development Index on growth has a positive direction but is not significant. In contrast, infrastructure spending on economic growth has a positive approach. Then the direct effect of private investment, the human development index on poverty, is positive and not significant if it has the direction. The direct effect of the Labor Force, Infrastructure Expenditure on the Poverty Level is negative and significant. The poverty rate through economic growth has a positive and significant direction. The indirect effect of the Labor Force on the Poverty Level through economic growth has a negative and insignificant direction. The indirect effect of infrastructure spending on poverty levels through economic growth has a negative and significant direction.

Keywords: *Private Investment, Labor, Infrastructure Expenditure, Human Development Index, Economic Growth, Poverty Rate.*



A. INTRODUCTION

One of the objectives of national development is to boost economic performance in order to generate jobs and organize a decent life for everyone, so ensuring the welfare of the Indonesian people. Reduced poverty is one of the national development goals. Poverty is a disease of the economy, and as such, it must be cured or at the very least mitigated. Poverty is, certainly, a difficult and multidimensional issue. As a result, poverty alleviation activities must be comprehensive, including multiple facets of people's life, and integrated (Nasir et al., 2008).

The government of the East Kutai Regency has 18 sub-districts. Before being inaugurated as a new district, East Kutai Regency only had 5 sub-districts, namely Sangatta, Muara Bengkal, Muara Ancalong, Muara Wahau and Sangkulirang sub-districts. To facilitate government implementation and development coordination, the East Kutai Regency Government with Regional Regulation No. 16 of 2000 inaugurated 13 new sub-districts, namely Busang, Telen, Kongbeng, Bengalon Kaliorang, and Sandaran Districts. This strategic position is also supported by various internal factors in East Kutai Regency, including: a). The wealth of natural resources is enormous, including coal, petroleum, and industrial mineral resources (granite, quartz sand, clay, limestone); b). A wealth of forest resources and biodiversity. The wealth of

marine resources (fishery) East Kutai Regency has great natural resource potential in mining materials, forests, agriculture, and others. If these natural resources are not managed, it will harm the quality of the environment. East Kutai Regency has an area of 35,747.50 km² or 17% of the total area of East Kalimantan Province.

High economic growth is one of the targets to be achieved in implementing development in an area. This can be measured based on the increase in Gross Regional Domestic Product (GRDP) from year to year. In other words, GRDP is a benchmark for regional economic development, which can be used as the basis for national development planning. The existence of diversity in the ability to manage resources between regions causes differences in the amount of added value produced by an area. In addition to the ability to manage resources, the difference in the potential of natural resources and production factors also differentiates the amount of GRDP between regions. With so many natural resources and production factors, the GRDP of East Kalimantan Province has increased every year.



Figure 1. Gross Regional Domestic Product of East Kutai Regency 2016-2020 (Rupiah)

The Mining and Quarrying Sector provides an enormous contribution to forming the GRDP of East Kutai Regency. The value of the contribution of the mining and quarrying sector to the economic structure of the East Kutai Regency is 77.74 percent. Meanwhile, other sectors that also contributed significantly to the economic formation of the East Kutai Regency were the agriculture, forestry, and fishery sectors (9.16 percent).

Poverty is one of the main problems in the economy. Poverty is related to the level of income of the population below a decent standard of living. Still, other dimensions must be considered, namely the depth and severity of poverty. In addition to efforts to reduce the number of poor people, poverty reduction policies are also related to lowering the depth and severity of poverty. Poverty alleviation synergistically and systematically must be carried out.

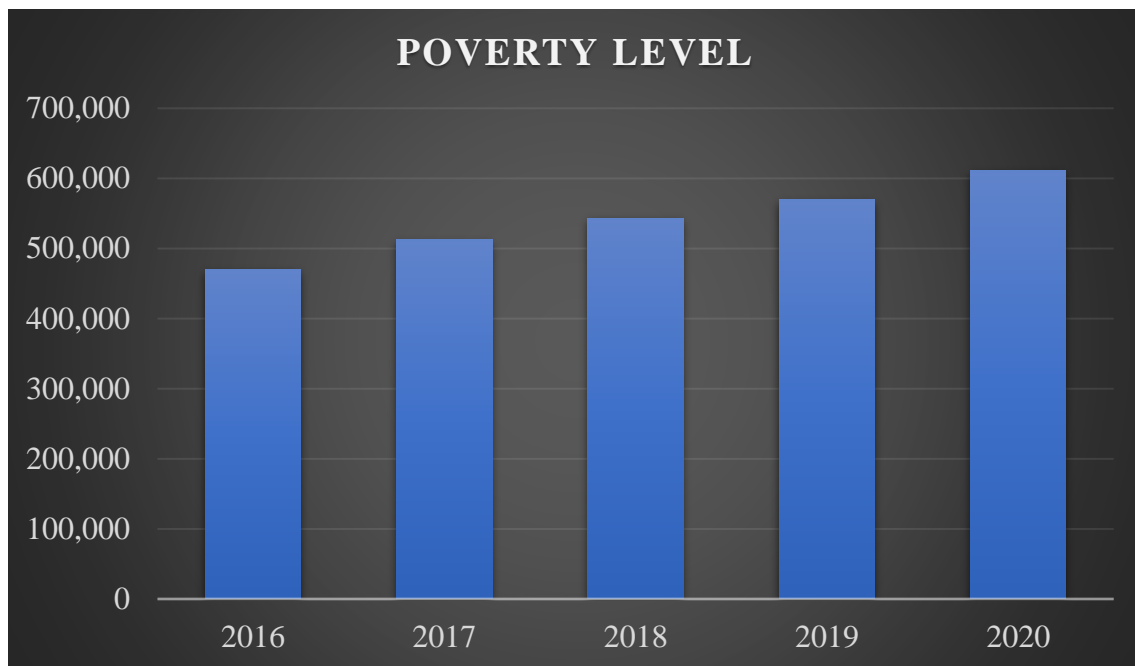


Figure 2. East Kutai Poverty Level 2016-2020 (Rupiah)

Based on data on the development of the poor population that describes the conditions of poverty in East Kutai Regency, in the last four years, from 2016 to 2020, it can be seen that in 2020 there was a high increase in the number of poor people, namely 610,858 people. The percentage of poor population development in 2020 is 9.48 percent from the previous year. This increase in the number of poverty levels is assessed based on essential services obtained by the community to meet basic food and non-food needs as measured from the expenditure side. One of the main factors influencing the increase in poverty levels is an increase in the poverty line. However, compared to Indonesia's conditions in 2019, the percentage of poor people in East Kutai is much lower than the national average (24.79 percent).

East Kutai Regency is one of the regencies with abundant natural resource potential where most of these potentials have not been utilized optimally. Natural resources and their products are mainly exported abroad, so this province is the country's primary foreign exchange earner, especially from the mining, forestry, and other products sectors. To encourage and increase in private investment activities, significantly increase investment activities carried out by foreign investors, with investment facilities stipulated in Article 6 of Law no. 25 of 2007 concerning investment. There are many benefits from the entry of foreign investment, one of which is the increase in state revenue through taxes.

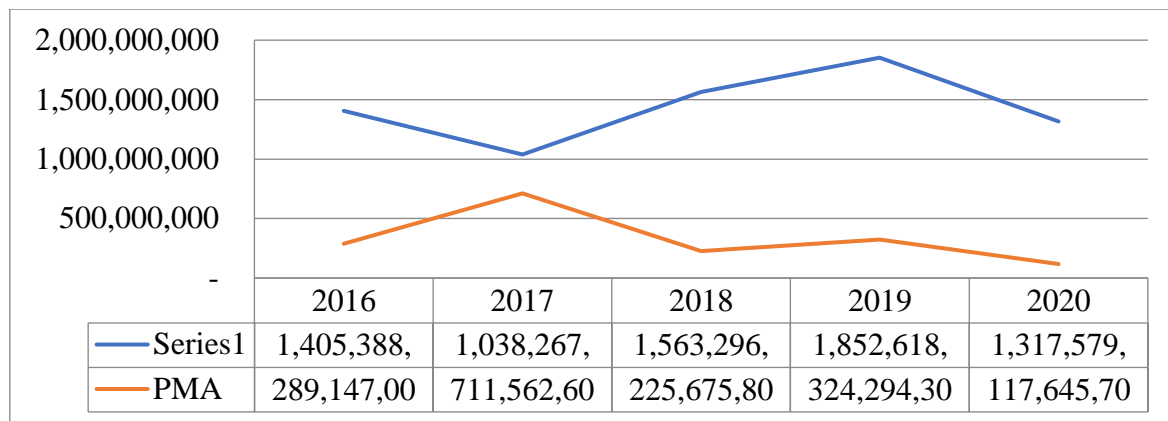


Figure 3. East Kutai Private Investment 2016-2020

Based on Figure 3, it is known that domestic and foreign investment is increasing on average every year. Although domestic investment is still below foreign investment, in 2020, the large proportion of PMDN investment realization is almost equal to Foreign Investment (PMA). This has a positive impact because PMDN has test resistance to the effect of the COVID-19 pandemic.

Employment is a fundamental aspect of human life because it includes a socio-economic dimension. Humans, in this case, labor is one of the most important production factors in moving the wheels of the economy in various fields. Because in the process of producing goods and services, humans are the main factor compared to other production factors, namely as workers who can run and use other factors of production to make goods and services. The correct number of workers and good quality can increase production.

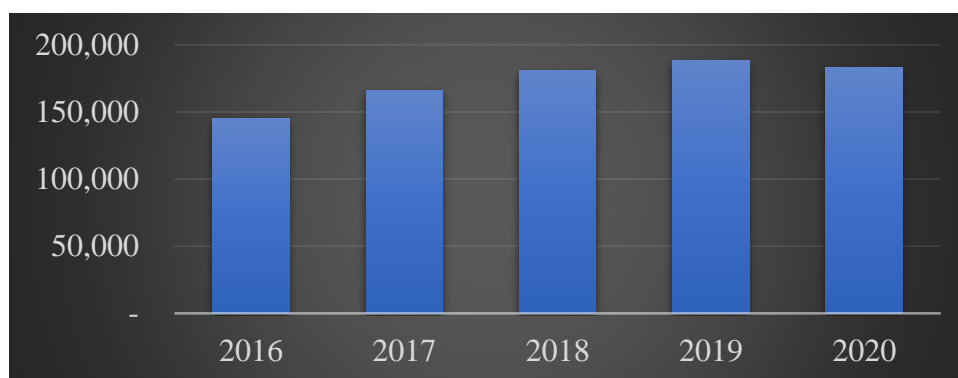


Figure 4. East Kutai Regency Workforce 2016-2020

The labor force participation rate of the East Kutai Regency in 2020 reached 182,912. The low LFPR indicates a low working age population entering the labor market and is also suspected to demonstrate a positive phenomenon in the education sector. The government’s program of 9 years of primary education, which requires school-age residents to continue their education, has directly reduced the number of child laborers. This basic education program also motivates the community to continue higher education.

East Kutai Regency allocates infrastructure spending related to the acceleration of the construction of public and economic service facilities to increase job opportunities, reduce poverty, and reduce the gap in public services between regions.

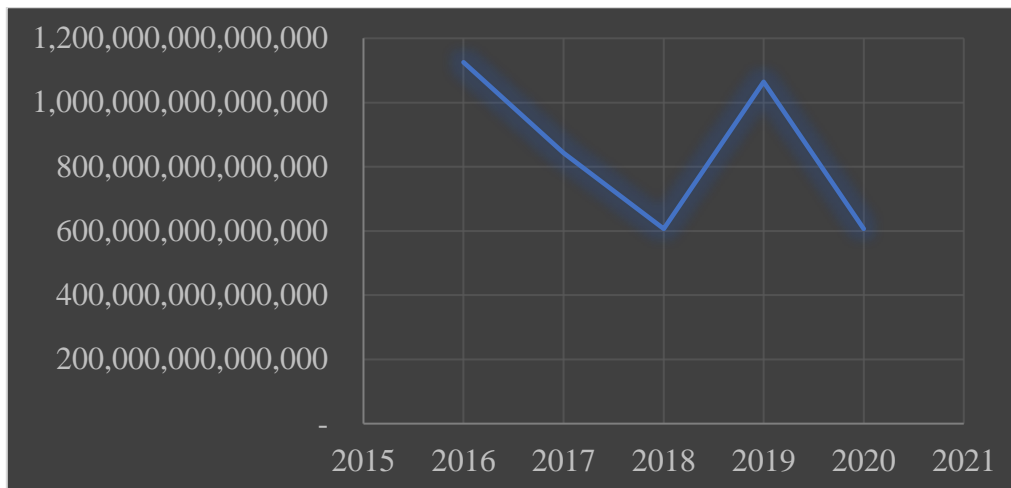


Figure 5. East Kutai Infrastructure Expenditure 2016-2020 (Rupiah)

From the picture above, it is known that East Kutai Regency infrastructure spending in 2016 amounted to 1,125,351,194,630,000. infrastructure spending, which includes capital expenditures, namely fixed assets with a long-term economic useful life. What is determined in each APBD per year is seen from 2015 to 2018, the East Kutai Regency gets a budget of less than the previous year. Capital expenditures are carried out to support programs carried out by the government to improve local governments' performance.

The Human Development Index (HDI) is a metric used to assess a region's progress toward human development. While the HDI does not assess all dimensions of human development, it is regarded capable of assessing the fundamental characteristics.

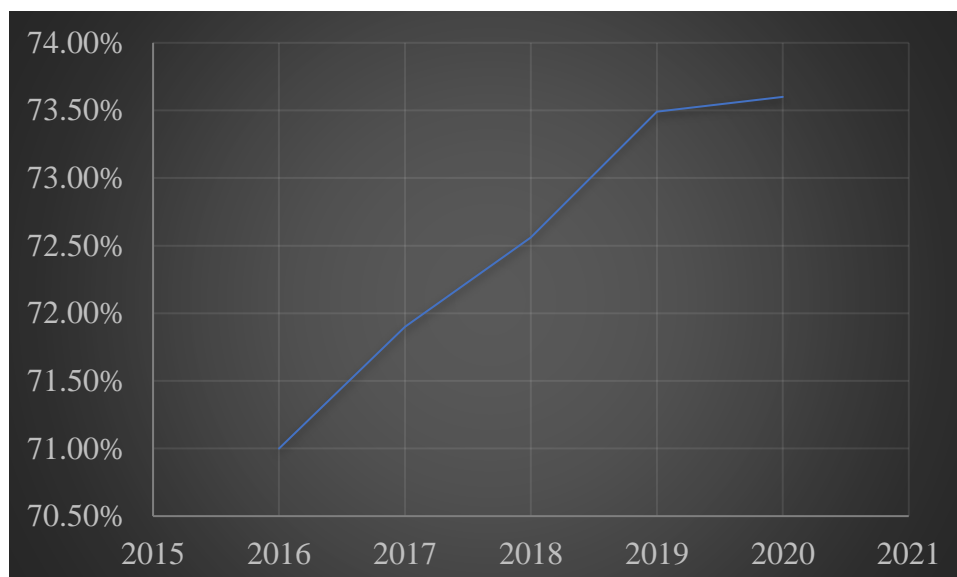


Figure 6. Human Development Index of East Kutai Regency 2016-2020

From Figure 6 in 2016, human development in East Kutai Regency shows positive results. Every year, Indonesia's HDI increases by an average of 0.65 percent per year. Within five years, there has been an increase in HDI up to 2.73 points. This development shows the improvement in human development in general in East Kutai.

Based on the calculation results, BPS recorded the HDI value of East Kutai Regency in 2020 was 73.49. Compared to the previous year, East Kutai HDI grew by 0.93 percent. The increase in HDI was caused by an increase in all components that make up the index, especially education and a decent standard of living.

B. LITERATURE REVIEW

1. Economic Growth

Economic growth is a process of changing economic conditions that occur in the East Kutai Regency on an ongoing basis to get to a situation that is considered better.

2. GRDP

GRDP is the total value added generated by all business units in East Kutai or is the full value of final goods and services produced by all economic units in East Kutai.

3. Poverty Level

Poverty is a situation faced by the people of East Kutai individually. They do not have sufficient resources to meet the needs of a comfortable life, both in economic, social, psychological, and spiritual dimensions.

4. Private Investment

Private investment is the investment made by the private sector in East Kutai, namely Domestic Investment (PMDN) or investment made by the foreign private sector or called Foreign Investment (PMA). Investments made by the private sector aim to seek profit and earn income and are driven by an increase in revenue to support development in East Kutai.

5. Workforce

The labor force is defined as the population aged 15 years or over who are working, looking for work, and are carrying out other activities, such as attending school or taking care of the household and income earners.

6. Government Infrastructure Expenditure

Government Infrastructure Expenditures are expenditures for the East Kutai Regency area carried out in the context of purchasing, procuring, or developing tangible fixed assets that have a practical value of more than twelve months to be used in East Kutai Regency government activities, such as in the form of land, machine tools, buildings and structures, roads, irrigation and networks, and other fixed assets.

7. Human Development Index

The Human Development Index quantifies the impact of efforts to strengthen the East Kutai Regency's basic human capital capabilities. Human development is a subset of population empowerment that focuses on strengthening the human base.

C. METHOD

The data analysis method employed in this study is path analysis. Path analysis is a multiple linear regression technique that was created from multiple linear regression. This technique is used to investigate the contribution shown by the path coefficient on each path diagram of the causal relationship between variables X1, X2, X3, and X4 on Y and their effect on Z. This regression analysis technique is used to measure the effect of endogenous variables on exogenous variables. Multiple linear regression analysis was used to examine the effect of private investment, employment, regional infrastructure spending, Human Development Index on Economic Growth and Poverty Rates from 2016 - 2020. This study examines the effect of variables X1 (Private Investment), X2 (Manpower Absorption), X3 (Regional Infrastructure Spending), and X4 (Human Development Index) on Y1 (Economic Growth) and Y2 (Poverty Level). Meanwhile, to analyze the effect of each variable using multiple linear regression analysis techniques.

D. RESULT AND DISCUSSION

1. First Substructure Test Results

Path analysis is an extension of multiple linear regression analysis or regression analysis used to measure causality between variables. Standardized coefficients beta used in the regression equation determine the effect and the effective contribution given between the independent variable to the dependent, but only applies at that time with the sample.

The form of Path diagram of substructure one explains the effect of Private Investment (X1), Labor Force (X2), Government Infrastructure Expenditure (X3), and Human Development Index (X4) on Economic Growth (Y). Partially or individually, the variables of Private Investment (IS), Labor Force (AK), and Human Development Index (IPM) do not affect Economic Growth (PE) because the significance value of these variables is more significant than 0.05. Meanwhile, Infrastructure Expenditure (BI) affects Economic Growth (PE) because the significance value is smaller than 0.05.

Simultaneously or together, exogenous variables (IS, AK, BI, HDI) affect economic growth with a significance value of 0.000, smaller than 0.05. The R² or R Square value contained in the Model Summary table is 0.973. This shows that the influence of X1, X2, X3, and X4 to Y is 97.3%. In comparison, the remaining 3.7% is the contribution of the other variables that were not included in the study. The error value (e1) can be searched with the formula $e1 = 1 - 0.973$, the result is $e1 = 0.164$. From the results of the analysis, a path diagram can be drawn as follows:

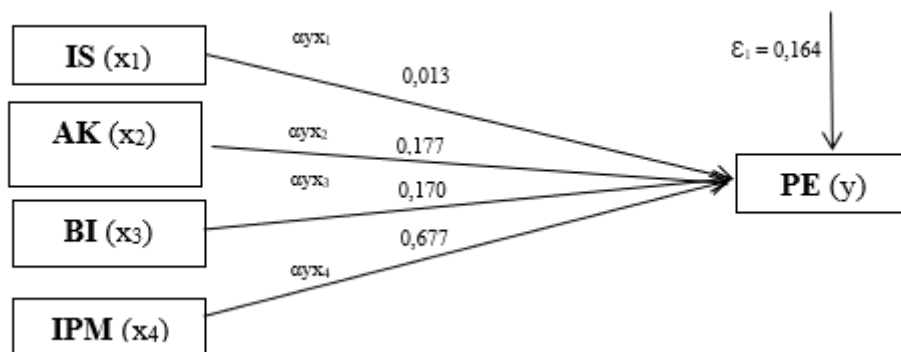


Figure 7 Path Diagram and Calculation Results of Sub Structure 1

From Figure 7 it can be seen that the direct influence of Private Investment (IS) is 0.170, the Labor Force (AK) is 0.177, Infrastructure Expenditure (BI) is 0.170 and the Human Development Index (IPM) is 0.117 on Economic Growth (PE). From these data, a path equation model from substructure 1 can be made as follows: $y = 0.013X_1 + 0.177X_2 + 0.170X_3 + 0.117X_4 + 0.528E_1$

From this equation, it can be interpreted that the variables of Private Investment (IS), Labor Force (AK), Infrastructure spending (BI), and Human Development Index (IPM) have a positive influence on Economic Growth. This means that if there is an increase in one unit of Private Investment (IS), it will be followed by the rise in Economic Growth of 0.013. Likewise with the Labor Force (AK), if there is an increase of one unit, then Economic Growth will increase by 0.177, Infrastructure Spending (BI) if it increases by one unit, Economic Growth (PE) will increase by 0.170, and the Human Development Index (IPM) if the value is increase by one unit, then Economic Growth will increase by 0.117.

2. Second Substructure Test Results

The second sub-structure test is used to calculate the relationship and direct influence of Private Investment (IS), Labor Force (AK), Infrastructure Expenditure (BI), Human Development Index (IPM), and Economic Growth (PE) on the Poverty Level (TK) in Kutai Regency East. To see how significant the relationship of each endogenous variable to exogenous variables is by looking at the value of Standardized Coefficients Beta, while to see the effect of exogenous variables on endogenous variables by looking at the significance value.

Partially or individually, the variables of Private Investment (IS) and the Human Development Index (IPM) do not affect the Poverty Level (TK) because the significance value of these variables is more significant than 0.05. While the Labor Force (AK), Infrastructure Spending (BI), Economic Growth (PE) affect the Poverty Level (TK) because the significance value is smaller than 0.05.

Simultaneously or together, exogenous variables (IS, AK, BI, HDI, PE) affect the Poverty Level with a significance value of 0.000, smaller than 0.05. The R² or R Square value contained in the Model Summary table is 0.954. This shows that the influence of X₁, X₂, X₃, and X₄ to Y is 95.4%. In comparison, the remaining 4.6% is the

contribution of the other variables that were not included in the study. The error value (e1) can be searched with the formula $e1 = 1 - 0.973$, the result is $e1 = 0.214$. From the results of the analysis, a path diagram can be drawn as follows:

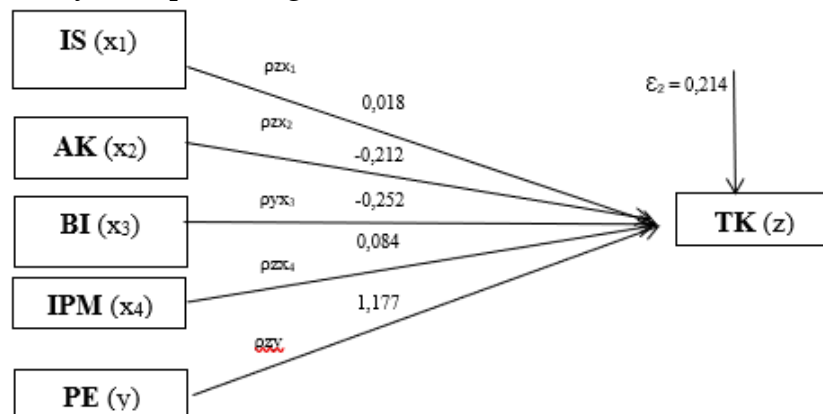


Figure 8. Path Diagram and Calculation Results of Sub Structure 2

From Figure 8 it can be seen that the direct influence of Private Investment (IS) is 0.018, the Labor Force (AK) is -0.212, Infrastructure Expenditure (BI) is -0.252, Human Development Index (IPM) is 0.084 and Economic Growth (PE) is 1.177 towards Poverty Level (TK). From these data, a path equation model from substructure 1 can be made as follows: $y = 0.018X_1 + (-0.212)X_2 + (-0.252)X_3 + (0.084)X_4 + (1.177)y + 0.214E_1$

From this equation, it can be interpreted that the variables of Private Investment (IS), Human Development Index (IPM), and Economic Growth (PE) have a positive influence on the Poverty Level (TK). Poverty is 0.018. Likewise, with the Human Development Index (IPM), if there is an increase of one unit, the Poverty Level will increase by 0.084, Economic Growth (PE) if it increases by one unit, Economic Growth will increase by 1.177. Furthermore, the Variable Labor Force (AK) and Infrastructure Expenditure (BI) harm the poverty level (TK). This means that if the Labor Force (AK) increases by one unit, there will be a decrease in the poverty rate by 0.212. This also happens to infrastructure spending (BI) if there is an increase of one unit, then the total Poverty Rate (TK) will decrease by 0.252.

A path diagram can be drawn after forming a model based on substructures 1 and 2. This path diagram makes it easy to see the causality relationship to be tested. The complete model form of the Path diagram can be seen in Figure 9.

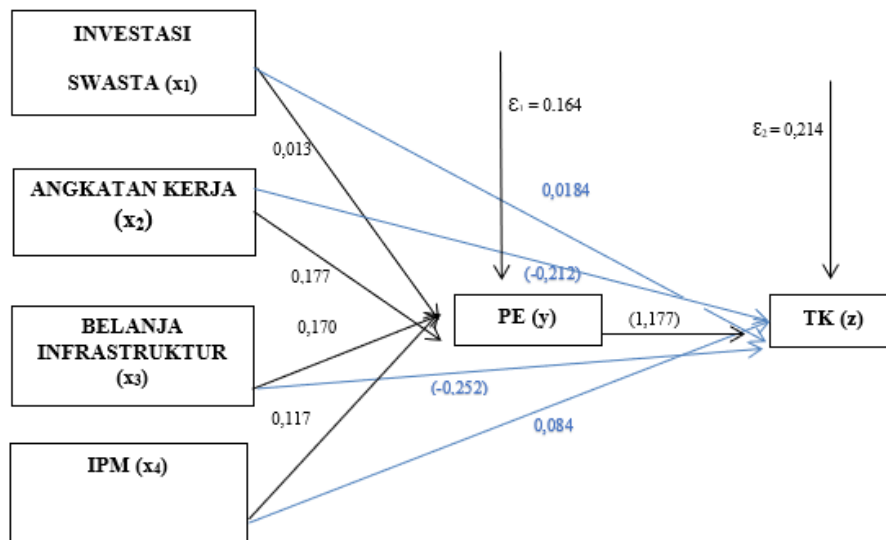


Figure 9 Path Analyst Diagram

To determine the indirect effect by multiplying the coefficient of beta x1 value to y and beta y value to z. Meanwhile, to determine the total effect by adding up the indirect and direct effects.

Table 1. Result Value of Direct Effect, Indirect Effect, and Total Effect

Exogenous Variable	Endogenous Variables	Direct Influence		Indirect Influence		Total Influence
		Symbol	Value	Symbol	Value	
IS (x1)	PE (y)	$x_1 \rightarrow y$	0,013 ^{TS}	—	—	—
AK (x2)	PE (y)	$x_2 \rightarrow y$	0,177 ^{TS}	—	—	—
BI (x3)	PE (y)	$x_3 \rightarrow y$	0,170 ^S	—	—	—
IPM (x4)	PE (y)	$x_4 \rightarrow y$	0,117 ^{TS}	—	—	—
PE (y)	TK (z)	$y \rightarrow z$	1,177 ^S	—	—	—
IS (x1)	TK (z)	$x_1 \rightarrow z$	0,018 ^{TS}	$x_1 \rightarrow y \rightarrow z$	0,021 ^S	0,039
AK (x2)	TK (z)	$x_2 \rightarrow z$	(-0,212) ^S	$x_2 \rightarrow y \rightarrow z$	(-0,249) ^S	(-0,416)
BI (x3)	TK (z)	$x_3 \rightarrow z$	(-0,252) ^{TS}	$x_3 \rightarrow y \rightarrow z$	(-0,296) ^{TS}	(-0,508)
IPM (x4)	TK (z)	$x_4 \rightarrow z$	0,084 ^S	$x_4 \rightarrow y \rightarrow z$	0,098 ^S	0,098

Based on table 1, it can be interpreted as follows: analysis of the effect of x1 through y on z: it is known that the direct impact given by x1 on z is 0.018. In comparison, the indirect impact of x1 through y on z is the product of the beta value of x1 on the value of beta y and the value of beta y on z, namely: $0.018 \times 1.177 = 0.021$. Based on the calculation results, It is known that the direct effect has a value of 0.018 and the indirect effect has a value of 0.021, indicating that the indirect impact has a bigger value than the direct effect. These findings imply that x1 through y have an indirect effect on z.

Analysis of the effect of x2 through y on z: it is known that the direct impact given by x2 on z is (-0,212). In comparison, the indirect effect of x2 through y on z is the product of the beta value of x2 on the value of beta y and the value of beta y on z, namely: $(-0.212) \times 1.177 = (-0.249)$. Based on the calculation results, given that the direct

effect is (-0.212) and the indirect effect is (-0.249), and since the indirect effect is less than the direct effect, this conclusion indicates that x_2 through y has no effect on z .

Analysis of the effect of x_3 through y on z : it is known that the direct impact given by x_3 on z is (-0.252). Meanwhile, the indirect effect of x_3 through y on z is the product of the beta value of x_3 on the value of beta y and the value of beta y on z , namely: $(-0.252) \times 1.177 = (-0.296)$. Based on the calculation results, given that the direct effect is (-0.252) and the indirect effect is (-0.296), and since the indirect effect is less than the direct effect, these results show that x_3 through y has no effect on z .

Analysis of the effect of x_4 through y on z : it is known that the direct impact given by x_4 on z is 0.084. Meanwhile, the indirect impact of x_4 through y on z is the product of the beta value of x_3 on the value of beta y and the value of beta y on z , namely: $0.084 \times 1.177 = 0.098$. Based on the calculation results, it is known that the direct effect has a value of 0.084 and the indirect effect has a value of 0.098, indicating that the indirect impact has a bigger value than the direct effect. These findings imply that x_3 through y has an indirect effect on z .

Meanwhile, to calculate the total effect by adding up the direct and indirect effects, the total value of the influence of private investment on the poverty rate through economic growth is 0.039, the total value of the result of the labor force on the poverty rate through economic growth is (-0.416), the total value of the influence of infrastructure spending on the poverty rate through economic growth is (-0.508) and the total value the effect of the human development index on the level of poverty through economic growth is (-0.042).

3. The Effect of Private Investment on Economic Growth and Poverty Rate

Based on the calculation results, it is known that the private investment variable (IS) has a positive but not significant direction on economic growth. According to Heidy's (2009) research, the private investment variable affects economic growth. This explains that following the statement of the East Kutai Regency government, opening up investment opportunities in East Kutai, such as the Maloy SEZ, has already operated its port but has not yet fully operationalized it. Local governments should create a conducive investment climate by providing legal certainty, facilitating licensing, and improving and adding infrastructure. In addition, increasing the ability and skills of the workforce is also very necessary considering the increasingly global competition and as an effort to attract third parties to come to areas with high-capacity human resources.

Based on the results of the direct influence analysis, namely the analysis of the influence of private investment through economic growth on the poverty level in East Kutai Regency where if there is an increase in investment, poverty will also increase, this shows that the results of this study are not following the theory which states that if investment increases or increase will lead to a decrease in poverty.

The increase in private investment has not had a positive impact on poverty because what should be increased private investment will reduce poverty in East Kutai. The results of this study are in line with research by Siti Aminah (2009), which

states that private investment has a positive and insignificant effect on poverty levels in Jambi Province.

This is because the value of the private investment in East Kutai is mainly engaged in the plantation sector and the mining sector. The plantation sector is more labor-intensive, so that it will absorb more labor than other sectors. Employment in the plantation sector is generally educated. They are classified as manual labor and get meager wages.

The low wages received by these workers will result in them not being able to improve their welfare, which will have an impact on increasing the level of poverty. The increase is due to the shift of some people from the farming business they used to do without switching to new commodities that can promise success. However, in reality, many people have been replaced with new plants that are not yet in production and still require very high maintenance costs. Many East Kutai is forced to work for the company as unskilled laborers with low wages meet his family's needs. So the increase in private investment in East Kutai in the plantation sector only benefits a few people but remains invisible to the plantation workers themselves so that the poverty rate increases in East Kutai.

So according to the hypothesis of this study, having the effect of private investment on economic growth and poverty levels in the district of East Kutai is acceptable.

4. Analysis of the Labor Force on Economic Growth and the Poverty Level in East Kutai

The Labor Force has a positive and insignificant direction on economic growth. These results are also similar to previous research conducted by Hector Sala and José I. Silva (2011) on Labor Productivity and Vocational Training: Evidence from Europe, which showed that the labor force had a positive and insignificant effect on economic growth in Europe. Dan Bawano (2015) Regarding the Effect of Government Investment and Manpower on economic growth in Manado City. This is because the labor force in East Kutai Regency does not come from East Kutai itself but outside East Kutai, so it cannot significantly increase economic growth, and the workforce can still not make a maximum contribution to economic growth. Most of the workforce in Manado City still have low education and skills and work or are not following the instruction available to each worker.

Meanwhile, the direct influence of the labor force on the poverty level in the East Kutai Regency has a significant and negative effect. This research is the same as that carried out by Bambang Suharto (2018) regarding the analysis of factors influencing poverty in East Kalimantan in the era of fiscal decentralization. This means that the labor force is a supply, so its significant impact on poverty is also assisted by opening job opportunities (demand) that allow them to find work. The sectors that absorb the most labor in East Kutai Regency are trade and plantations. Both sectors are labor-intensive, where the workers' qualifications do not have to be skilled. Therefore, the opportunity to get income from these two sectors is wide open.

Especially the poor who lack skills because some of the education in East Kalimantan still tends to be low.

The high demand from the two sectors above can finally afford children and mothers/women from low-income families. Children who have entered working age due to the demands of their family's needs will choose to work immediately and not continue their education, so they have been counted as the labor force. Likewise for mothers/women.

In addition, the high flow of migration that affects fluctuations in the labor force also directly affects the poverty rate. As many as 57.1% of recent migrants in East Kalimantan, based on 2015 migration statistics, have worked as their primary activity. Suppose they are at least six months old or less than six months old and intend to stay in the East Kutai Regency area. So when the survey was carried out, they were counted as the workforce and as residents. Due to the low competitiveness of the local community, migrants will likely get more decent jobs so that they are not included in the poor. As a result, the presence of migrants will increase the denominator of the poverty rate but will not increase the numerator of the poverty rate and lead to a lower poverty rate.

On the other hand, the departure of migrants, for example, due to economic turmoil, can make the poverty rate rise again. As happened in 2015, the decline in mining activity led to many cases of termination of employment (PHK). Especially with the condition of the East Kutai Regency, where the COVID-19 pandemic is undoubtedly a very high increase in poverty.

So according to the hypothesis of this study, influencing the labor force on economic growth and poverty levels in East Kutai Regency is acceptable.

5. Analysis of Infrastructure Expenditures on economic growth and poverty levels in East Kutai Regency

Infrastructure Expenditures in question are capital expenditures, which are directly related to the acceleration of the development of public and economic service facilities to increase job opportunities, reduce poverty, and reduce inequality. The findings indicate that the direct effect of infrastructure spending on economic growth is both positive and considerable. This condition demonstrates that infrastructure investment is beneficial in terms of improving regional revenue and hence supporting economic growth. Local governments, on the other hand, must manage and raise funds for infrastructure and equipment purchases as regional assets that can support the community's economy. This research aligns with Islahwani Loka Vita Resti (2019) with the title The Effect of Infrastructure Spending on Economic Growth in East Nusa Tenggara. Infrastructure expenditure is one means to achieve regional economic goals that benefit the community's welfare and services; thus, the government requires the function of infrastructure as a driver in the economic sector to act as a multiplier effect for the development of associated sectors. It will eventually generate new economic sectors and serve as an input for consumption.

From the research results, the Direct Effect of Infrastructure Expenditure has a negative and significant direction on the poverty level in East Kutai Regency. This explains that with the increasing infrastructure spending in East Kutai, the Poverty Level will decrease. It is concluded that infrastructure development has quite an effect on poverty in East Kutai. This research follows Resti (2017).

So following the hypothesis of this study, having the effect of infrastructure spending on economic growth and poverty levels in East Kutai Regency is acceptable.

6. Analysis of the Human Development Index on economic growth and poverty levels in East Kutai Regency

According to the findings, the direct association between the Human Development Index and economic development is favorable but not statistically significant. This suggests that the higher the Human Development Index, the faster the East Kutai Regency's economic growth will be. The human development index in East Kutai is high due to adequate education and health facilities. However, there are still several sub-districts whose development has not been reached because the area cannot accommodate the distance to schools in East Kutai. The following chart illustrates the impact of the human development index on economic growth. Asnidar, the influence of the human development index and inflation on economic growth in East Aceh district, the increase in the human development index has had little effect on economic growth development. Solow stated that economic growth always comes from one and more factors increasing the quantity and quality of humans (labor).

The results of the influence of the human development index on economic growth on the level of poverty have a positive and insignificant relationship. The results of this study reflect that the development process by the local government of the East Kutai Regency is not very significant or influential in terms of reducing poverty levels. This research follows the results of researchers Rizky Jamilah (2019) and Natasya Ika Putri (2019). The human development index measures life expectancy and purchasing power, whereas the quality of public education measures the non-physical impact. Human development indicators are one of the instruments available for assessing the quality of human development, both in terms of its physical (health and welfare) and non-physical (social) consequences (intellectuality). With the growth carried out by the local government, it is expected to improve the intelligence of the community, the economy of the community, and the welfare of the people.

The Human Development Index and the poverty rate have a positive effect because a high index value on a person cannot guarantee that a person is far from poverty. This is due to the existence of subsidized assistance from the government in the fields of Education and Health for the community. Community groups can have good Health Education. However, it is not necessarily possible to live appropriately with a good level of education and not necessarily to immediately get the desired job. It causes an increase in the number of unemployed and will result in poverty. Limited employment opportunities cause unemployment to increase which ultimately reduces income so that people cannot meet their daily needs.

So according to the hypothesis of this study, having the influence of the Human Development Index on economic growth and poverty levels in the district of East Kutai is acceptable.

E. CONCLUSION

The investigation discovered a slew of fascinating findings. Private investment has a favorable but insignificant direct effect on economic growth, while it has a positive but insignificant direct effect on poverty levels. The study therefore concluded that the labor force's direct effect on economic growth was favorable but impractical. In contrast, the direct impact on the poverty level was negative and significant. Furthermore, the direct influence of infrastructure spending on economic growth is a positive and meaningful relationship, while the direct result of infrastructure spending on poverty levels is negative and significant. Following that, there is a direct association between the Human Development Index and Economic Growth, which is both positive and unimportant. In comparison, the direct association between the Human Development Index and Poverty Level is a positive and small one. Finally, the study discovered that private investment has a positive and considerable indirect effect on poverty levels via economic growth. The Labor Force's indirect influence on poverty rates via economic growth is negative and minor. Infrastructure spending has a considerable negative indirect effect on poverty via economic growth. The Human Development Index's indirect influence on poverty levels via economic growth is positive and considerable.

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