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Effect of Poverty Budget Allocation on Poverty Reduction Performance in Baubau City

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***Abstract*---**This research was conducted in Baubau City in 2019, the purpose of study was to analyze the effect of budget allocations for the empowerment of the informal sector, budget allocations for farmers and fishermen, and budget allocations for the development of micro, small and medium enterprises on poverty reduction performance in Baubau City. The results of the analysis show that the budget allocation has a significant effect on the performance of poverty reduction in Baubau City (standardized coefficient = 0.138, C.R = 22573, p = 0.019). The effect of budget allocation for the empowerment of the informal sector on poverty alleviation performance is 0.73 (0.97 X 0.92 X 0.99 X 0.82). The effect of budget allocations for traditional farmers and fishermen on poverty reduction performance is 0.73 (0.97 X 0.92 X 0.99 X 0.82). The effect of budget allocation for the development of micro, small, and medium enterprises on poverty alleviation performance is 0.73 (0.97 X 0.92 X 0.99 X 0.82). Simultaneously the hypothesis is accepted, the poverty budget allocation affects improving the performance of poverty reduction in Baubau City.

***Keywords*---**budget allocation, influence, management, performance, poverty.

Introduction

The process of implementing the economic development of a region that must be prevented is the occurrence of an increasingly widening economic gap between the rich and the poor because it will cause social, economic and political impacts that hinder the implementation of regional development. In addition, social and economic disparities in the regional development process provide more opportunities for economic actors from high-income groups (Bustos & González, 2008; Tang, 2009; Pant & Yadav, 2016). Thus, it is necessary to have an appropriate budget allocation policy in the preparation of development planning

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and programs through siding with and empowering the poor in a real way, so that they are not increasingly trapped in the cycle of poverty (Acosta et al., 2007; Addison et al., 2009).

Poverty is a very complex, multidimensional and universal problem because it is related to various aspects of people's lives that require comprehensive, integral and sustainable regional development programs. Poverty is a combination of insufficient purchasing power, lack of capability, vulnerability and loss of strength to struggle to earn a living (Aghion & Bolton, 1997; Alkire, 2005). This cycle of poverty continues to occur because people with low incomes are unable to access education, health and nutrition facilities properly, resulting in low quality of human resources, resulting in low productivity. The problem of poverty is like a dead knot and a tangled thread that has no end. Poverty caused by low productivity of labor has implications for low levels of per capita income, consequently, lack of consumption costs, malnutrition and vulnerability to disease. The cycle of poverty is a chain that has no end. To overcome the chain that is wrapped around poverty, efforts are made to break one link. Breaking the tangled thread must cut one of the circles that cause poverty (Alkire & Foster, 2007; Checchi & Lucifora, 2000). The population profile of Baubau City shows:

- The total population in 2017 was 162,780 people, in 2019 it increased to 171,802.
- The population growth rate in 2017 was 2.01 percent, in 2019 it increased to 2.55 percent.
- The open unemployment rate in 2017 was 7.07 percent, in 2019 it decreased to 5.84 percent.
- The number of poor people in 2017 was 13,550 or 8.39 percent, in 2019 it decreased to 12,420 or 7.27 percent.

Based on the population profile, it shows, Poverty alleviation in various programs has been designed and implemented through various approaches by the local government of Baubau City, but the condition of poverty has not changed much (Alkire & Foster,2009; Nasional, 2004). The policies launched by the Baubau City government so far have not been effective enough to tackle poverty which are characterized by:

- Many are healing, even more, charitable.
- Policies that do not take into account indicators and characteristics of poverty.
- Less sustainable in their implementation.
- Policies that are centralized and tend to be uniform.

The purpose of this research is to analyze the influence of budget allocation for empowering the informal sector, budget allocation for traditional farmers and fishermen, and budget allocation for developing micro, small and medium enterprises on poverty reduction performance in Baubau City (Byrne, 1998; Chin, 1998; Saunders, 2002).

Method

The data obtained were analyzed by descriptive statistics and inferential statistics with the Structural Equation Modeling (SEM) estimator model (Supriatna, 2000; Suselo & Tarsidin, 2008).

Table 1
Stages of structural equation modeling (SEM) analysis

Step 1	Identifying individual constructs
Step 2	Develop and specify measurement models
Step 3	Testing the measurement model (measurement model analysis)
Step 4	Checking the validity of the model, is it valid or not
Step 5	Testing the structural model
Step 6	Establishing the final structural model

Source: Hair et al., 2010

Confirmatory Factor Analysis (CFA)

The confirmatory factor test is intended to test several indicators that have been previously determined based on theoretical studies, whether they can measure variables or not (Sato & Hirao, 2013; Yamamoto, 2001). The test criteria pay attention to the value of the loading factor state that if the loading factor value (λ) ≥ 0,2 then it is considered valid in explaining or measuring variables.

Table 2
Model measurement indicators

No.	Goodness of Fit Index	Cut of Value
1.	Degree of Freedom (Df)	Positive
2.	Chi-Square	Expected small
3.	Probability (P)	> 0.05
4.	CMIN/DF	≤ 3.00
5.	Goodness of Fit Index (GFI)	Close to 1
6.	Adjusted Goodness of Fit Index (AGFI)	Close to 1
7.	Root Mean Residual (RMR)	Close to 0
8.	Normed Fit Index (NFI)	Close to 1
9.	Comparative Fit Index (CFI)	Close to 1
10.	Tucker-Lewis Index (TLI)	Close to 1
11.	Parsimony Ratio (PRATIO)	Between 0 and 1
12	Root Mean Square Error of Approximation (RMSEA)	> 0.08

Source: Santoso, 2011

Research Result

Variable Indicator Establishment

There are two main variables analyzed in this study, namely poverty budget allocation, and poverty reduction performance, as follows.

Poverty Budget Allocation
Budget allocation for Informal sector empowerment

The increase in budget allocation for the informal sector is measured subjectively using four indicators, shown in the following table.

Table 3
Budget allocation for informal sector empowerment

Variable	Budget Allocation Indicator	Average	Standard deviation
P11	Initial capital assistance for business activities	3.683	.939
P12	Repair and maintenance of business premises	2.470	.759
P13	Repair of business facilities and infrastructure	3.159	.855
P14	Cleaning business activity waste	2.720	.770

Source: Processed data

The budget allocation indicators were analyzed using confirmatory factor analysis (CFA) to determine the variable construct in measuring the availability of budget allocations for the empowerment of the informal sector (Horcajada et al., 2004; Appleton et al., 1973). By issuing several indicators of budget allocation, indicators that have good parsimony are obtained, so that all measures have met the criteria.

Budget allocation for traditional farmers and fishermen

The budget allocation for traditional farmers and fishermen is measured by four indicators, which are shown in the following table.

Table 4
Budget allocation for traditional farmers and fishermen

Variable	Budget Allocation Indicator	Average	Standard deviation
P21	Farm production marketing assistance produces	3.841	.953
P22	Education assistance for children of farmers and fishermen	2.930	.738
P23	Farming skills improvement training	3.671	.830
P24	Assistance with traditional farming and fishing business facilities	3.943	.962

Source: Processed data

Indicators of budget allocation for traditional farmers and fishermen were analyzed through confirmatory factor analysis (CFA) to determine the construct of each variable (Carter et al., 1997; Mahoney, 1995). After several indicators are issued, an indicator that has parsimony is obtained that meets the size of the suitability of all the required criteria.

Budget allocation for development of micro, small and medium enterprises

The budget allocation for the development of micro, small and medium enterprises is measured by four indicators of respondents' perceptions, shown in the following table:

Table 5
Budget allocation for development of Micro, Small and Medium Enterprises

Variable	Budget Allocation Indicator	Average	Standard deviation
P31	Education and training for MSME actors	3.465	.775
P32	Business capital assistance for micro and small businesses	3.882	.949
P33	Marketing assistance for MSME leading commodities unggulan	3.346	.672
P34	Technical assistance for MSME development programs	3.680	.890

Source: Processed data

Indicators for the development of Micro, Small and Medium Enterprises were analyzed using confirmatory factor analysis (CFA) to determine the construct of the variable budget allocation for the development of Micro, Small and Medium Enterprises (McGill et al., 1992; Chandler & Hanks, 1993). After issuing several indicators, indicators are obtained that have parsimony that meet the required criteria. The results of the further analysis of the measurement of the budget allocation indicator obtained a level of match for all indicators. As shown in the following table.

Table 6
The goodness of Fit budget allocation for the poor

Goodness-of-fit measure		Even data	Cut-off value	Good fit?	Match Rate
Chi-square	x^2	4.59			
Probability	P	.022	>.05	√	Good
Normed chi square	x^2/df	2.29	<3.0	√	Good
Goodness of Fit Index	GFI	.98	≥.90	√	Good
Adjusted Goodness of Fit Index	AGFI	.92	≥.90	√	Good
Tucker Lewis Index	TLI	.97	≥.95	√	Good
Comparative Fit Index	CFI	.99	≥.95	√	Good
Standardized Root Mean Square Residual	SRMR	.02	≤.05	√	Good
Root Mean Square Error Approximation	RMSEA	.08	≤.08	√	Good

Source: Processed data

Table 6 above shows that all data matching criteria have been met (Byrne, 2010). All match indicators have met the requirements to be continued in the next analysis stage.

Poverty Reduction Performance

The economic dimension of poverty reduction performance

The economic dimension of poverty reduction performance is measured by four indicators, which are shown in the following table:

Table 7
Poverty reduction performance in the economic dimension

Variable	Performance Indicator	Average	Standard deviation
K11	Able to meet the needs of eating and drinking 3 times a day for all family members	3.864	.959
K12	Able to buy at least one pair of new clothes a year for all family members	2.955	.895
K13	Able to have a private house that is livable	2.645	.765
K14	Able to pay for their children's education until they finish high school	3.795	.932

Source: Processed data

The economic dimension of poverty reduction performance indicators was analyzed through confirmatory factor analysis (CFA) to determine the variable construct in measuring the economic dimension of poverty reduction performance (Ravallion, 2002; Ljupco & Jasminka, 2017). After the variables are tested, it appears that by issuing several performance indicators, indicators are obtained that have good parsimony and meet the size of the suitability of all the indicators needed.

Performance of Poverty Alleviation Social Dimension

The social dimension used to measure the performance of poverty alleviation through respondents' perceptions is shown in the following table:

Table 8
Performance of poverty reduction in social dimensions

Variable	Performance Indicator	Average	Standard deviation
K21	Have a feeling of more confidence in the association of community groups	2.945	.756
K22	Engage in decision-making working groups in the community	3.269	.824
K23	Educational activities and children's work skills training are getting better	3.743	.961
K24	The health condition of all family members is good	3.754	.898

Source: Processed data

The social dimension poverty reduction performance indicators were analyzed through confirmatory factor analysis (CFA) to determine the variable construct in measuring the economic dimension of poverty reduction performance. After all the indicators have been tested, it is found that the parsimony is quite good, so that all the fit measures have met all the required performance indicators.

Description of the performance of poverty reduction in the Cultural dimension

The performance of poverty reduction in the cultural dimension is measured by four indicators obtained from respondents' perceptions, which are shown in the following table:

Table 9
Performance of poverty reduction in cultural dimensions

Variable	Performance Indicator	Average	Standard deviation
K31	Have the habit of getting up at 5 am, leaving for work at 7 am, and working until 5 pm	2.536	.641
K32	Have a habit of working hard and improving work skills	2.765	.752
K33	Have a habit of saving every month	3.708	.967
K34	Have the habit of working together in groups	2.928	.759

Source: Processed data

Performance indicators of the cultural dimension of poverty reduction were analyzed through confirmatory factor analysis (CFA) to determine the construct of each variable in measuring the performance of the cultural dimension of poverty reduction. The results of testing the performance indicators show that by issuing several performance indicators, indicators that have parsimony are obtained so that all measures of compatibility have met all the required indicators.

Table 10
The goodness of Fit poverty reduction performance

Goodness-of-fit measure		Even data	Cut-off value	Good fit?	Match rate
Chi square	x^2	.77			
Probability	P	.018	>.05	√	Good
Normed chi square	x^2/df	1.59	<3.0	√	Good
Goodness of Fit Index	GFI	.98	≥.90	√	Good
Adjusted Goodness of Fit Index	AGFI	.97	≥.90	√	Good
Tucker Lewis Index	TLI	.99	≥.95	√	Good
Comparative Fit Index	CFI	.99	≥.95	√	Good
Standardized Root Mean Square Residual	SRMR	.04	≤.08	√	Good
Root Mean Square Error Approximation	RMSEA	.06	≤.08	√	Good

Source: Processed data

Table 8 above shows that all data matching criteria have been met (Byrne, 2010). It is very difficult to fulfill all the conditions if there are enough data pairs as the accumulation of the difference between the average value and the individual observation values (Chen, 2007). The results of the analysis show that the performance of poverty reduction is quite good so that increasing the poverty budget allocation will further improve the performance of poverty reduction in Baubau City.

Structural Modeling

The development of a measurement model to determine and test latent variables, the process of assessing each latent variable was carried out by following the approach of forming a multivariate model as suggested (Hair et al., 2006). The AMOS release 21 programs is used to determine the variables for each construct, both the poverty budget allocation and the performance of poverty reduction. The process of forming a structural model uses a path diagram to explain which variables are exogenous and endogenous and the pattern of these relationships (Homberg, 1996). In this study, the poverty budget allocation consists of three constructs and each construct consists of four indicators. Each indicator interacts with each other in influencing the performance of poverty reduction in Baubau City. Processing of the structural model from the initial model which then produces the final structural model shows a high influence between the poverty budget allocation and the performance of poverty reduction in Baubau City. as shown in the following figure.

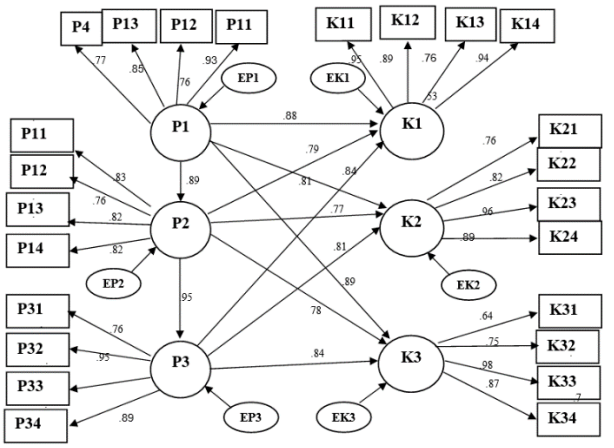

Figure 1. Final Structural Model
Source: Processed data

The level of fit of the data with the above model is shown in the following table.

Table 11
The goodness of Fit final structural model

Goodness-of-fit measure		Even data	Cut-off value	Good fit?	Match rate
Chi-square	x^2	583.72			
Probability	P	.019	>.05	√	Good
Normed chi square	x^2/df	2.85	<3.0	√	Good
Goodness of Fit Index	GFI	.93	≥.90	√	Good
Adjusted Goodness of Fit Index	AGFI	.91	≥.90	√	Good
Tucker Lewis Index	TLI	.94	≥.90	√	Good
Comparative Fit Index	CFI	.95	≥.95	√	Good
Standardized Root Mean Square Residual	SRMR	.04	≤.05	√	Good
Root Mean Square Error Approximation	RMSEA	.07	≤.08	√	Good

Source: Processed data

Table 10 above shows that the structural model has met all the goodness of fit criteria of the 8 existing criteria. Two absolute fit criteria, namely Standardized Root Mean-square Residual (SRMR) and Root Mean-square Error of Approximation (RMSEA) are under the structural model fit criteria. Bentler (1995), claims that SRMR is the best-fit measure in SEM in distinguishing the model that fits the model that does not fit the data. The measure of CFI's incremental fit is within the fit criteria limits, GFI is also within the size limits, AGFI is in the good fit category. So the fit criteria as evidence of the model are following the data (Hu & Bentler, 1995; Marsh et al., 2004).

Hypothesis test

Testing the hypothesis of the influence between variables based on the results of the following data analysis:

- Hypothesis 1: Budget allocation for informal sector empowerment has a significant effect on improving poverty alleviation performance.
  The positive coefficient is significantly different from zero at the 99.5% confidence level, finding that the budget allocation for the empowerment of the informal sector has a significant effect on poverty reduction performance (standardized coefficient = 0.138, C.R = 22573, p = 0.019). This means that the budget allocation for the empowerment of the informal sector improves the performance of poverty reduction in Baubau City. Standardized estimated influence of budget allocation for the empowerment of the informal sector is measured from the line of initial capital assistance for business activities, Repair and maintenance of business locations, Repair of business facilities and infrastructure, and cleaning of waste from business activities P1 K contributes with a path coefficient of 0.73 (0.97 X 0.92 X 0, 99 X 0.82) which indicates a strong influence of budget allocation for the empowerment of the informal sector on the performance of poverty reduction in Baubau City. Based on these

results, the hypothesis that the budget allocation for the empowerment of the informal sector has a significant effect on the performance of poverty reduction is accepted.

- Hypothesis 2: Budget allocation for traditional farmers and fishermen has a significant effect on poverty reduction performance
  The positive coefficient is significantly positive at the 99.5% confidence level, finding that the budget allocation of traditional farmers and fishermen has a significant effect on poverty reduction performance (standardized coefficient = 0.217, C.R = 20,426, p = 0.019). This means that the budget allocation for traditional farmers and fishermen improves the performance of poverty reduction in Baubau City.
  The standardized estimated effect of budget allocation for traditional farmers and fishermen is measured from the marketing assistance channel for farming production, educational assistance for children of farmers and fishermen, training to improve farming skills, and assistance for traditional farming and fishing facilities P2 K contributes with a path coefficient of 0.69 (0.91 X 0.89 X 0.91 X 0.94) indicates a strong influence of budget allocations for traditional farmers and fishermen on the performance of poverty reduction in Baubau City. The results of this analysis show that the hypothesis that the budget allocation of traditional farmers and fishermen has a significant effect on poverty reduction performance is accepted.
- Hypothesis 3: Budget allocation for the development of Micro, Small and Medium Enterprises has a significant effect on poverty reduction performance.
  The positive coefficient is significantly positive at the 99.5% confidence level, finding that the budget allocation for the development of micro, small, and medium enterprises has a significant effect on poverty reduction performance (standardized coefficient = 0.152, C.R = 21,329, p = 0.018). This shows that the budget allocation for the development of micro, small and medium enterprises contributes to improving the performance of poverty reduction in Baubau City. Standardized estimated influence of budget allocation for micro, small, and medium enterprises development is measured from education and training for MSME actors, business capital assistance for micro and small enterprises, marketing assistance for MSME leading commodities, and technical assistance for MSME development programs P3 K contributes with a coefficient of line 0.74 (0.86 X 0.98 X 0.99 X 0.89). The results of the simultaneous analysis show that the budget allocation for the development of micro, small, and medium enterprises affects the performance of poverty reduction in Baubau City. Thus, the hypothesis that the budget allocation for the development of micro, small and medium enterprises has a significant effect on the performance of poverty reduction is accepted.

Conclusion

- Using Structural Equation Modeling (SEM) to analyze the data of this study, 8 research constructs with 4 observe variables, each construct produces parsimony variables between variable indicators with correlation observe variables for each construct and regression weight for each parsimony

observed variable. The final structural model of the variables has a goodness of fit level that meets the requirements of each construct indicating that there are influences on each poverty budget allocation indicator on the performance of poverty reduction in Baubau City.

- The results of the analysis of the effect of budget allocation on poverty reduction performance show a significant effect (standardized coefficient = 0.138, C.R = 22573, p = 0.019). The effect of budget allocation for the empowerment of the informal sector on poverty alleviation performance is 0.73 (0.97 X 0.92 X 0.99 X 0.82). The effect of budget allocations for traditional farmers and fishermen on poverty reduction performance is 0.73 (0.97 X 0.92 X 0.99 X 0.82). The effect of budget allocation for the development of micro, small, and medium enterprises on poverty alleviation performance is 0.73 (0.97 X 0.92 X 0.99 X 0.82). Simultaneously the hypothesis is accepted, the poverty budget allocation affects the performance of poverty reduction in Baubau City.

Recommendation

- Budget allocation for poverty reduction needs to be increased, especially the empowerment of informal sector businesses, traditional farmers and fishermen, and for micro, small and medium enterprises in Baubau City.
- It is necessary to strengthen policies through regional regulations to expand the scope of business capital loans to the poor through the Baubau City General Service Agency (BLUD).

Strategies for empowering the poor in Baubau City need to focus on:

- Human empowerment: Improved skills education, field practice and changes in mindset and behavior-oriented towards independence.
- (b) Institutional Empowerment: Establishment of farmer groups, formation of handicraft industry groups, formation of fishing groups, capacity building of the poor, improvement of network connectivity of business partners of the poor.
- (c) Business Empowerment: Facilitating the poor access to government and financial institutions to obtain support for infrastructure and facilities as well as business capital with relatively low-interest rates.

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