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THE ROLE OF DOMESTIC INVESTMENT IN POVERTY REDUCTION IN 11 PROVINCES IN JAVA, BALI, NTT, NTB AND MALUKU

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Abstract

This study aims to investigates the role of domestic investment in reducing poverty in 11 provinces in Indonesia, specifically Java, Bali, East Nusa Tenggara, West Nusa Tenggara, and Maluku. This study employs a quantitative framework, utilizing panel data analysis to investigate trends across selected regions. The findings support region-specific economic strategies that boost growth and reduce poverty by encouraging local investment to reduce poverty and improve living standards. The research highlights the importance of domestic investment in promoting inclusive growth and improving social welfare in Indonesia. This research represents a novel inquiry, as the study of the panel data pool model across 11 provinces provides a wider perspective by emphasizing the importance of domestic investment in promoting inclusive growth and improving social welfare in Indonesia.

Keywords: domestic investment; PMDN; poverty

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INTRODUCTION

Governments in every nation aim to enhance the well-being of their citizens. Various programs to accelerate improving community welfare and reducing poverty rates in society in general. In general, people in the poor category will find it difficult to fulfill basic needs such as food, clothing, shelter, education and health services. The global poverty rate has decreased steadily over the last 41 years, dropping from approximately 42.7% in 1981 to 8.4% in 2022. The World Bank defines poverty as having an average daily income of less than $3.2, or Rp. 48,800 on a daily basis. Whereas, severe poverty is characterized as having an average daily income below $1.9. Countries with high levels of extreme poverty typically exhibit low standards of public health (World Bank, 2022). Poverty leads to the disturbance of family dynamics (Banovcinova, A., Levicka, J., & Veres, M., 2014). Experiencing poverty adversely affects all members of the family (Dodge et al., 1994; Gerbery et al., 2007; Currie & Stabilem, 2003).

The 2020 The corona virus outbreak has had an impact on reducing the level of public health and greatly affecting national economic growth, social development, worsening poverty and causing food shortages in a country. (United Nations, 2020). Particularly affected are underprivileged households (Howes et al., 2020)., Indonesia, being a developing nation, is witnessing a notable increase in its substantial poverty rate; in 2020, the effects of the coronavirus pushed the percentage to approximately 10.19% of the population (Hasrimi et al., 2024). Amid these challenges, an area of focus for Indonesia's development efforts is the resolution of poverty, an enduring and complex issue (OECD, 2021). One way to alleviate poverty is through development programs to improve the welfare of society as a whole.. addressing both the immediate and long-term needs of the population (Junaidi et al., 2023). The Bureau of Statistics (BPS) reports that the percentage of Indonesians living in poverty

fell from 11.47% in 2013 to 7.53% in 2022, a steady drop from the previous year. An effort is made to continue to promote investment, including that of entities whose capital is derived domestically and internationally.

Domestic investment (PMDN) refers to investment activities carried out within the government of the Republic of Indonesia that are funded by domestic investors who utilize local funds, which might be in the form of people or commercial entities. PMDN involves investing in constructing, purchasing, or acquiring an enterprise. In 2022, the investment within the domestic sector across all provinces in Indonesia was 552,769 billion rupiah (BKPM, 2022). PMDN has a beneficial effect on poverty reduction, according to sources (Permana, 2019; Agustini & Kurniasih, 2017; Momongan, 2013). Nevertheless, various researchers argue that PMDN has no substantial influence on the reduction of poverty in Indonesia (Dorojatun & Susamto, 2016). According to (Bárcena, A., 2020). For the entire population living at the poverty line level in 2020 (215 million, 34.7% of the population) their income is equivalent to the poverty line level for six months. Strategically: Universal basic income, universal social protection (health, pension, unemployment insurance) and the welfare of a country can be seen from several indicators such as fiscal, social and productivity levels, and (Nadzir M &, Kenda A S, 2023) Domestic investment is positive for domestic economic growth. In calculating and analyzing macro poverty in Indonesia, Badan Pusat Statistik BPS (2023), according to the opinion of Haughton & Khandker (2009), there are four reasons for measuring poverty, namely: 1. It is a strong instrument to focus policy makers on the lives of the poor 2. Identifying poor people so that can provide appropriate policy interventions 3. Monitor and evaluate projects and policies used for poor people 4. Evaluate institutions that have the aim of helping poor people, in real terms the results of poverty calculations and analysis show that the percentage of poor people in March 2023 is 9.36 percent, The Poverty Depth Index (P1) is 1.53 points, and the Poverty Severity Index (P2) is 0.38 points. This is relevant to measuring domestic investment as a step in alleviating poverty in several provinces. This is in accordance with statistical data that the number of poor people in 11 provinces of Indonesia in 2022 is recorded as Dki Jakarta 502, West Java 4071, Central Java 3831, In Djogjakarta 455, East Java 4181, Banten 814, Bali 306, NTB 732, NTT 1132, Maluku 291, and North Maluku 79.87. So the role of investment is very large as part of Indonesia's development efforts to resolve poverty, which is a complex and eternal problem (OECD, 2021). Problems of poverty, unemployment, deviations in income distribution, injustice and high levels of inflation will be minimized if the prosperity of a nation and state is achieved through economic growth (Donaldson, 2008; Khoirunurrofik & Fitriatinnisa, 2021; Omar & Inaba, 2020). Globally, economic growth is a competitive effort to improve technology, capital goods, human capital, services and economic goods over time (Zaidi et al., 2019).

To address discrepancies with certain findings of prior research, Researchers conducted investigations in 11 Indonesian provinces which had the highest number of poor people in 2022, including DKI Jakarta 502, West Java 4071, Central Java 3831, Djogjakarta 455, East Java 4181, Banten 814, Bali 306, NTB 732, NTT 1132 , Maluku 291, and North Maluku 79.87. The goal of this study was to ascertain whether PMDN effectively mitigates poverty rates across all provinces examined or if its impact is limited to specific provinces and inconsequential in others. In addition, it is anticipated that the findings of this research will serve as a benchmark for implementing PMDN to alleviate poverty, particularly in provinces where such initiatives have been successful in reducing poverty. In addition, to a more recent time span for data collection, the location of this study and the number of provinces examined distinguish it from a number of earlier investigations.

METHOD

The establishment of a coordinating board for investments (BKPM) in Indonesia was intended to facilitate investment coordination. It’s mission is to ensure that policies and services pertaining to domestic investment are aligned with relevant laws and regulations. Domestic Investment (PMDN) refers to an investment endeavor conducted by domestic investors with domestic capital with the intention of participating in commercial endeavors throughout the Unitary State of the Republic of Indonesia (NKRI) territory. The provision pertaining to PMDN is outlined in Article 2 of Law No. 6 of 1968 on Domestic Investment. Furthermore, the implementation of investment is based on the applicable laws and regulations, Article 1 of the 2007 Law Number 25 about Investment. As of present time, PMDN has complied with Regulation Number 4 of 2021 of the Investment Coordinating Board of the Republic of Indonesia, which outlines the policies and processes for service licensing.

The data used in this study is quantitative, namely in the form of numbers and can be measured. The amount of data on domestic investment and poverty rates is based on secondary data from BPS from 2010 to 2022. The amount of sample data required is large enough to provide sufficient panel data, both in the form of time series and cross section data. The study of the impact of PMDN growth on reducing poverty rates is based on the results of analysis of panel data calculations according to whether they are Common Effect, Fixed Effect or based on Random Effect.

Panel data can also be utilized for practical technological purposes. During research studies, we may encounter challenges in determining the data availability needed to represent the variables used. Sometimes, we encounter data in a concise series that hinders the time series data processing due to the limited amount of data. Similarly, data may be limited in terms of cross-section units, making it challenging to conduct cross-section data processing to extract behavioral insights from the model under study. In such cases, a panel data technique could provide an adequate solution. It will be possible to considerably enhance the number of observations by integrating time-series and cross-section (pooling) data without undergoing any data processing.

Panel data analysis often offers the potential to deliver several statistical and economic benefits, formed: (a) Data panels use individual-specific variables in econometric equations to specifically consider and address the presence of diversity or variation. (b) Controlling individual heterogeneity allows for testing and building complicated behavioral models using panel data. For example, the phenomenon of economies of scale or technical advances will be investigated with data panels rather than cross-sectional or time-series data. (c) Using panel data can dramatically lessen the problem of omitted factors, especially if the particular effect is heavily associated with other variables. (d) Panel data, which is based on repeated cross-sectional observations, is ideal for studying dynamic changes like labor mobility and employment levels. (e) Increasing the number of observations leads to more useful and varied data, lower collinearity, and increased degrees of freedom, resulting in more efficient estimation outcomes. (f) Expanded panel data analysis to include numerous people rather than just one (Ekananda, 2016).

In this research, there are three methods used to determine the estimation model that can be applied to panel data. When using panel data, the three methods will each provide an illustration that based on the existing panel data, only the most appropriate method provides optimal output based on the results of the study. These methods are as follows: This approach is referred to as the most basic panel data model as it incorporates both time series and cross-sectional data. without considering time dimensions or individuals. It assumes that the behavior of the sample data remains consistent across different time periods. In this instance, the coefficients for time and individuals, or intercepts and slopes, remain consistent across different time points and individuals. The Ordinary Least Squares (OLS) method or the least squares method can be used with this method to predict panel data (Agus, 2009). This approach capitalizes on discrepancies in intercepts among individuals while preserving an intercept that remains constant over time (time-invariant). To ascertain whether the appropriate model is Fixed Effect or Common Effect, a F Test is performed. By incorporating surrogate variables into fixed effects models, we can compensate for our ignorance of the actual model. However, this also reduces the efficacy of the parameters by causing a reduction in degrees of freedom. One potential solution to address this concern is the implementation of error interference variables, which are frequently referred to as random effects. The determination uses the Hausman test, as the most appropriate method between fixed effects and random effects (Agus, 2009).

RESULTS

The impact of domestic investment on the alleviation of poverty was examined using data from 11 provinces. The data is a compilation of data published by several Indonesian government entities.

With regard to the fact that panel data is a composite of time series and cross-sectional data, the overarching framework of panel data can be described as follows:

$$Y_{it} = \beta_0 + \Sigma^{k}_{J=1} \beta_j X_{jit} + \varepsilon_{it} \quad \text{.....(1)}$$

Information, Y_{it} stands for decrease in poverty, β_0 stands for constant, β_1 stands for regression coefficient, X_{jit} represent domestic investment, i stands for Province or i stands for 1,2,3,4,5,6 ... n, t represent Time period, t stands for 1,2,3,4,5,6 ... It, ε_{it} represent error term.

There are three approaches used in determining the estimation model using panel data (Baltagi, B.H., 2005), including:

Common Effect Model (CEM), The simplest panel data model approach is known as the CEM method, because it combines time series data with cross sections, and appears to ignore time and sample dimensions, so the behavior of the sample data can be assumed to be the same over various time periods (Widarjono 2018, p 365).

Fixed Effect Model (FEM). Based on the use of the FEM method in estimating panel data which uses dummy variables to obtain intercept differences. Basically, the intercept differs between individuals but the intercept is the same over time (time invariant) through a FEM approach. Widarjono 2018, p. 367.

Random Effect Model (REM). REM (Random Effects Model). The purpose of adding dummy variables to fixed effects is to represent an indication that we do not know what the model should be. This has an impact on reducing degrees of freedom which can reduce parameter efficiency. Problems like this are usually overcome through the use of error interference variables, also better known as random effects (Widarjono, 2018, p.370).

The study utilized data from 11 provinces spanning a decade, employing a combination of time series and cross-sectional data analysis together with panel data regression methods, which are well-suited for addressing economic and business issues (Ekananda, 2016).

The data provided includes information on Domestic Investment and Poverty Rate in 11 provinces located in Java, Bali, NTT, NTB, and Maluku Island (Tables 1 and 2).

Table 1. Total Domestic Investment

PMDN 11 Provinces in Indonesia (billion IDR)														
No	Provinces	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1	DKI Jakarta	89.224	54.708	42.955	62.095	49.097	47.262	12.217	15.513	17.812	5.755	8.540	9.256	4.599
2	Jawa Barat	80.808	59.949	51.401	49.284	42.278	38.391	30.360	26.273	18.727	9.006	11.384	11.194	15.800
3	Jawa Tengah	24.992	31.311	30.606	18.655	27.475	19.866	24.070	15.411	13.602	12.594	5.797	2.738	5.853
4	DI Yogyakarta	2.275	2.761	2.683	6.299	6.132	295	949	362	704	284	334	1,60	795
5	Jawa Timur	65.356	52.552	55.661	45.453	33.333	45.045	46.332	35.490	38.132	34.849	21.520	9.688	10,00
6	Banten	31.284	25.990	31.146	20.708	18.638	15.142	12.426	10.710	8.081	4.009	5.118	4.299	8.084
7	Bali	6.002	6.355	5.433	7.393	1.549	593	482	1.250	253	2.985	3.108	313,40	313
8	Nusa Tenggara Barat	11.032	9.091	6.582	3.519	4.135	5.414	1.343	348	213	1.398	45,40	42,30	1.806
9	Nusa Tenggara Timur	3.459	3.743	3.029	3.753	4.246	1.082	822	1.296	3,60	17,60	14,40	1,00	0,10
10	Maluku	611	2.940	475	283	1.014	52	11,40	-	-	-	3,40	0,10	-
11	Maluku Utara	3.415	2.665	662	683	2.276	1.151	8,80	48,20	156,30	114,90	320,50	13,50	-

Table 2. Poverty Rate in 11 Provinces in Java, Bali, NTT, NTB and Maluku

Number of Poor People in Indonesia in 11 Provinces as of March (x 1000)														
No	Provinces	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1	DKI Jakarta	502	502	481	366	373	390	384	399	394	354	367	363	312
2	Jawa Barat	4071	4195	3920	3399	3616	4168	4224	4436	4327	4297	4421	4649	4774
3	Jawa Tengah	3831	4110	3981	3743	3897	4451	4507	4577	4836	4733	4863	5107	5369
4	DI Yogyakarta	455	506	476	448	460	489	495	550	545	550	562	561	758
5	Jawa Timur	4181	4573	4419	4112	4333	4617	4703	4789	4787	4771	4961	5356	5529
6	Banten	814	867	776	654	661	675	658	702	623	656	648	690	577
7	Bali	206	202	165	164	172	180	178	197	185	163	161	166	175
8	Nusa Tenggara Barat	732	747	714	736	737	794	804	824	821	831	828	895	1009
9	Nusa Tenggara Timur	1132	1169	1154	1146	1142	1151	1150	1160	995	994	1000	1013	1014
10	Maluku	291	322	318	318	320	321	328	328	316	322	339	360	379
11	Maluku Utara	79,87	87,16	86,37	84,60	81,46	76,47	74,67	79,90	82,64	83,44	88,30	97,31	91,10

Dependent Variable: Y?
Method: Pooled Least Squares
Date: 02/10/24 Time: 10:02
Sample: 2010 2022
Included observations: 13
Cross-sections included: 11
Total pool (balanced) observations: 143

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	952338.8	162101.4	5.874956	0.0000
X1?	4.73E-08	7.07E-09	6.700092	0.0000

R-squared	0.241492	Mean dependent var	1587698.
Adjusted R-squared	0.236112	S.D. dependent var	1798793.
S.E. of regression	1572157.	Akaike info criterion	31.38768
Sum squared resid.	3.49E+14	Schwarz criterion	31.42912
Log likelihood	-2242.219	Hannan-Quinn criterion	31.40452
F-statistic	44.89123	Durbin-Watson stat	0.053853
Prob (F-statistic)	0.000000		

Figure 1. Ordinary Least Square

The results in Figure 1 of the common effect model will be compared with the fixed effect which is better using the Chow test to choose the best method. This result can be seen from the very low R-square and only 0.2415 of the reduction in poverty rates is due to PMDN and the remaining is influenced by other factors.

Dependent Variable: Y?
Method: Pooled Least Squares
Date: 02/10/24 Time: 10:03
Sample: 2010 2022
Included observations: 13
Cross-sections included: 11
Total pool (balanced) observations: 143

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1696530.	26632.86	63.70061	0.0000
X1?	-8.11E-09	1.47E-09	-5.511072	0.0000
Fixed Effects (Cross)				
_JAKARTA--C	-1036144.			
_JABAR--C	2773112.			
_JATENG--C	2910837.			
_YOGYA--C	-1154295.			
_JATIM--C	3307446.			
_BANTEN--C	-881901.0			
_BALI--C	-1496111.			
_NTB--C	-862926.6			
_NTT--C	-589351.0			
_MALUKU--C	-1365419.			
_MALUT--C	-1605248.			
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.986980	Mean dependent var		1587698.
Adjusted R-squared	0.985887	S.D. dependent var		1798793.
S.E. of regression	213692.3	Akaike info criterion		27.46265
Sum squared resid.	5.98E+12	Schwarz criterion		27.71128
Log likelihood	-1951.579	Hannan-Quinn criterion		27.56368
F-statistic	902.7939	Durbin-Watson stat		0.459823
Prob (F-statistic)	0.000000			

Figure 2. Fixed Effect Model

The results of the panel data in Figure 2 above show that the value of each coefficient for each province is very significant in implementing investment in reducing poverty levels in the P 5% probability statistical test. Based on the calculation results, it shows that the regression coefficient shows a very high level of statistical significance and has a very high R-square value of 0.987. The determination uses the Hausman test, as the most appropriate method between fixed effects and random effects.

Dependent Variable: Y?
Method: Pooled EGLS (Cross-section random effects)
Date: 02/10/24 Time: 10:05
Sample: 2010 2022
Included observations: 13
Cross-sections included: 11
Total pool (balanced) observations: 143
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1693409.	422782.0	4.005396	0.0001
X1?	-7.88E-09	1.47E-09	-5.359527	0.0000
Fixed Effects (Cross)				
_JAKARTA--C	-1038654.			
_JABAR--C	2763320.			
_JATENG--C	2904581.			
_YOGYA--C	-1149540.			
_JATIM--C	3296009.			
_BANTEN--C	-880699.8			
_BALI--C	-1490961.			
_NTB--C	-859069.8			
_NTT--C	-585564.5			
_MALUKU--C	-1359956.			
_MALUT--C	-1599465.			
Effects Specification				
			S.D.	Rho
Cross-section random			1399428.	0.9772
Idiosyncratic random			213682.3	0.0228
Weighted Statistics				
R-squared	0.460385	Mean dependent var		67180.82
Adjusted R-squared	0.154430	S.D. dependent var		239988.1
S.E. of regression	220680.8	Sum squared resid		6.87E+12
F-statistic	26.93405	Durbin-Watson stat		0.398034
Prob (F-statistic)	0.000001			
Unweighted Statistics				
R-squared	-0.087045	Mean dependent var		1587698.
Sum squared resid	4.99E+14	Durbin-Watson stat		0.005472

Figure 3. Random Effect Model

The coefficient of each regional result in each province shows the influence of each investment variable that will be able to influence the poor population variable in several provinces.

The Common effect test on Fixed Effect shows a cross section F probability value of 0.000 so that the fixed effect model estimation results are better than the Common effect (Figure 4).

Redundant Fixed Effect Tests
Pool: PROPINSI11
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	750.090535	(10.131)	0.0000
Cross-section Chi-square	581.280055	10	0.0000

Figure 4. Test the Common effect model against Fixed effect

Analysis results with Common Effect, Fixed effect and Random effect models show that the value obtained from R-square is very low and only 24% of the decline in poverty rates is caused by PMDN and the

Correlated Random Effects-Hausman Test
Pool: PROPINSI11
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.373190	1	0.0013

Figure 5. Fixed effect on Random effect

The Hausman Test results indicate a cross-section value of 0.013, indicating that the fixed effect model estimate results are better than the random effect model (Figure 5).

DISCUSSION

Model analysis There are three approaches used in determining the estimation model using panel data (Baltagi, B.H., 2005), including: (1) Common Effect Model (CEM), The simplest panel data model approach is known as the CEM method, because it combines time series data with cross sections, and appears to ignore time and sample dimensions, so the behavior of the sample data can be assumed to be the same over various time periods (Widarjono, 2018). (2) Fixed Effect Model (FEM). Based on the use of the FEM method in estimating panel data which uses dummy variables to obtain intercept differences. Basically, the intercept differs between individuals but the intercept is the same over time (time invariant) through a FEM approach (Widarjono, 2018). (3) Random Effect Model (REM). REM (Random Effects Model). The purpose of adding dummy variables to fixed effects is to represent an indication that we do not know what the model should be. This has an impact on reducing degrees of freedom which can reduce parameter efficiency. Problems like this are usually overcome through the use of error interference variables, also better known as random effects (Widarjono, 2018).

Tables 1 and 2 represent macro poverty data and analysis in Indonesia Central Statistics Agency BPS (2023) is still quite high so that investment needs to be increased as a policy that accommodates reducing poverty levels in several provinces, this is relevant to the opinion of Haughton & Khandker (2009) there are four reasons why measuring poverty, namely: 1. It is a powerful instrument to focus policy makers on the lives of the poor. 2. Identifying the poor so that they can provide appropriate policy interventions. 3. Monitoring and evaluating projects and policies used for the poor. 4. Evaluating institutions that aim to help the poor. In real terms, the results of poverty calculations and analysis show that the percentage of poor people in March 2023 was 9.36 percent, the Poverty Depth Index (P1) was 1.53 points, and the Poverty Severity Index (P2) was 0.38 points. This is relevant to measuring domestic investment as a step to overcome poverty in several provinces. This is in accordance with statistical data that the number of poor people in 11 provinces of Indonesia in 2022 was recorded in DKI Jakarta 502, West Java 4071, Central Java 3831, In Djogjakarta 455, East Java 4181, Banten 814, Bali 306, NTB 732, NTT 1132, Maluku 291, and North Maluku 79.87. So the role of investment is very large as part of Indonesia's development efforts to solve poverty which is a complex and eternal problem (OECD, 2021).

remaining 75.85% is influenced by other factors. Jufrida et al. (2016) stated that with increasing domestic investment, a country's economy will move better, especially for developing countries. Fixed Effect Model shows that the R-square value is 98.7%, this affects the higher the level of investment in a country, the higher its economic growth will be. (Ayunda & Sari, 2021). Immurana (2020) stated that the very important role of investment can change economic growth for the better. Random effect models shows Based on the results of each regional coefficient for each province, the influence of each investment variable will be able to influence the poor population variable in several provinces. In accordance with other opinions, as determined in the form of residuals, that there is a random effect, due to variations in values and relationships between subjects assuming randomness, (Achmad Kuncoro, Engkos and Ridwan, 2012). This method is used to estimate panel data provided that the residual variable has a relationship to subject and time. Widarjono's opinion, Agus. (2009), to overcome the weaknesses of fixed effects by using random effects for a model that uses dummy variables. The condition that must be met in the panel data analysis method with the random effect model is that the number of cross sections is greater than the number of research variables.

CONCLUSION

The increase in domestic investment in 11 provinces in Java, Bali, NTT, NTB, and Maluku shows that PMDM has a substantial impact on dipped poverty rates in each province. The results of studies using fixed effect models are better compared to common effects and random effect models. This is in accordance with the panel data statistical test where for the Common Effect model the panel data results in the Probability statistical test with $\alpha = 0.05$ show an R-squared figure of 24%, which states that the influence of domestic investment rates on poverty reduction rates is only 24%. % of poverty reduction while the remainder is influenced by other factors or error terms. Meanwhile, the Fixed Effect model results from panel data in the Probability statistical test with $\alpha = 0.05$ showing an R-squared figure of 98.689%, stating that the domestic investment rate has an effect on reducing poverty in the 11 Provinces studied, the remainder is only 1.31% due to other factors.

In terms of selecting the best model between Common effect and fixed effect model and between Random effect and fixed effect model, based on the statistical test results of the Chow model shows a cross section F probability value of 0.000 so that the fixed effect model estimation results are better than the Common effect . Between the fixed effect model and the random effect model, this is one of the best method selection techniques. The Hausman model statistical test results are The Hausman Test results indicate a cross-section value of 0.0013, indicating that the fixed effect model estimate results are better than the random effect model.

The results of the study are in accordance with the data and the selection of the statistical test model from the data panel, namely the Fixed Effect Model, that the poverty rate in 11 provinces is greatly influenced by the role of domestic investment. The results of the study can be presented and discussed with the local government in order to reduce the limitations of the study in terms of implementing the results of the study itself. So that later the extent to which capital investment participation will allocate their funds is based on the results of the study above.

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