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MACROECONOMIC DYNAMICS AND INSTITUTIONAL INTEGRITY: AN ECONOMETRIC ANALYSIS OF THE DETERMINANTS OF POVERTY IN INDONESIA 2005-2024

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ABSTRACT

Objective: This study aims to to analyze the effect of corruption on poverty levels by considering key macroeconomic factors as variables that provide theoretical contributions in the form of strengthening empirical evidence on poverty, as well as practical contributions in the form of more integrated policy recommendations to support inclusive, effective, and sustainable poverty reduction strategies.

Research Design & Methods: The study used a quantitative approach with multiple linear regression methods on Indonesian time series data for the period 2005–2024. Classical assumption tests, including normality, heteroscedasticity, autocorrelation, and multicollinearity, were conducted to ensure the feasibility of the estimation model.

Findings: The analysis shows that economic growth has a positive but insignificant effect on poverty, inflation has no significant effect, unemployment has a positive and significant effect, and CPI has a negative and significant effect on poverty. These findings confirm that structural factors such as unemployment and governance quality play a stronger role than other macro variables in explaining poverty dynamics in Indonesia.

Implications: The results of the study indicate the importance of development policies that emphasize inclusive job creation, price stability accompanied by social protection, and strengthening the eradication of corruption in order to increase the effectiveness of poverty alleviation programs.

Contribution & Value Added: This study provides latest empirical contributions regarding the simultaneous relationship between macroeconomic variables and corruption on poverty in the context of Indonesia over a long period, and confirms that improving governance and reducing unemployment are key strategies in reducing poverty in a sustainable manner.

Keywords: Poverty, Corruption, Economic Growth, Inflation, Unemployment.

JEL codes: I32, E31, J64

Article type: research paper

INTRODUCTION

Poverty alleviation remains the most fundamental structural challenge in Indonesia's national development agenda over the past two decades. The phenomenon of poverty in Indonesia is not only viewed as a statistical problem, but also as a manifestation of the inability of individuals or households to meet basic needs, both in terms of food and non-food aspects (Maulana et al., 2025). Indonesia has undergone a significant economic transformation, shifting from a phase of post-Asian crisis recovery to upper-middle-income status, but economic disparities and social vulnerabilities remain persistent issues (Gulo, 2025). A deep understanding of the factors that influence poverty levels is crucial for policymakers to formulate more inclusive and sustainable poverty reduction strategies.

Over the past few decades, poverty rates in Indonesia have shown a significant downward trend. Data from the World Bank shows that in 2010, Indonesia's global poverty rate was estimated at around 34.1%, but it has continued to decline gradually to around 5.4% in 2024 based on international standards ($3.00 per day, PPP), although this methodology differs from the national poverty line (Trendonify, 2025). In addition, based on official data from the BPS-Statistics Indonesia, the national poverty rate measured by the national poverty line has also continued to show a downward trend in recent years. For example, in September 2024, the poverty rate was

recorded at 8.57% (around 24.06 million people), down from the previous period (BPS, 2025a). Furthermore, BPS's latest release in March 2025 recorded a poverty rate of 8.47%, with approximately 23.85 million people living in poverty, indicating a decline from the previous period (BPS, 2025b). Over a decade, the number of poor people in Indonesia also decreased by around 3.06 million between March 2014 and March 2024, with a higher decline in rural areas than in urban areas (Silfia and Adji, 2024).

Many countries, especially developing countries, struggle with poverty. Governments implement various programs to combat poverty, including those related to economic growth. Along with rapid economic expansion, the main goals of development are to eradicate or reduce poverty, reduce income inequality, and create jobs in a growing economy (Todaro and Smith, 2006). Long-term poverty reduction and sustainable welfare improvement can be achieved through economic growth that is continuously balanced with income equality (Adams, 2004). Economic growth as a sustainable increase in the production capacity of goods and services (Meerhaeghe, 1986). Urbanization can have a positive impact on a country's economy by increasing gross domestic product (GDP) per capita and reducing poverty rates, as reported by the World Bank in 2018. However, in Indonesia, the effect of urbanization on increasing per capita income has not significantly improved people's welfare, preventing them from escaping poverty (Chen et al., 2019). In contrast to Setiawan et al. (2022) and Nasution et al. (2023), who found that GDP had no effect on poverty reduction. Other studies, such as that conducted by Mustika (2011) show that GDP has a significant impact on poverty levels.

Inflation is one of the macroeconomic indicators often associated with poverty dynamics because continuous increases in the prices of goods and services can reduce people's purchasing power, especially among low-income groups. When inflation rises, the real value of household income decreases, limiting the ability to meet basic needs and potentially increasing poverty (Puti et al., 2026). A number of empirical studies also show that inflation has a negative impact on poverty, where rising inflation tends to worsen the welfare conditions of poor communities (Anin and Amarato, 2026; Kasim et al., 2021). However, not all findings point to the same direction. Some studies find that inflation actually has a positive effect on poverty or does not always worsen poverty conditions, depending on the economic structure, price stabilization policies, and social protection mechanisms in place (Alwiraq and Saharuddin, 2022; Tamba et al., 2023).

Unemployment is one of the main determinants affecting poverty levels because reduced employment opportunities directly lower household income and social welfare. In the context of economic development oriented towards improving welfare and meeting basic needs, the availability of employment opportunities is a key factor in reducing poverty (Sukirno, 2004). Empirically, various studies in Indonesia show a positive correlation between open unemployment and poverty, whereby an increase in unemployment tends to be followed by an increase in the number of poor people in various regions (Karim et al., 2026). A number of other studies have found that unemployment does not have a significant effect on poverty (Budhijana, 2019).

Poverty is not only defined by low income or low consumption, but it has a broader meaning because it is related to the inability to achieve aspects beyond income. Corruption is one element that is believed to have a significant impact on poverty in Indonesia. According to the World Bank, corruption is the abuse of authority for personal gain. Corruption is a widespread problem that affects almost every aspect of life. USAID claims that corruption hinders economic growth. Corruption in the private sector increases transaction costs, can cause trade disruptions, lowers the standard of government facilities and services, and adds to the burden on government budgets, all of which limit the government's ability to combat poverty. Corruption and poverty are often associated with developing countries (Nawatmi et al., 2024).

Corruption has a significant impact on increasing poverty levels in Indonesia. This is due to reduced pro-poor public spending and distortions in resource management. According to Jaidi (2025), a 1% increase in corruption can cause a 1.36% increase in poverty. In addition, corruption hinders economic growth by reducing investment and entrepreneurship, which in turn exacerbates income inequality. Thus, it can be concluded that efforts to eradicate corruption must be a priority in order to reduce poverty in Indonesia. Corruption affects poverty by reducing economic growth and domestic and foreign investment, distorting markets, weakening competition, and increasing income inequality (Chetwynd et al., 2003; Iskandar, 2018). Research by Idonije et al. (2021) concluded that government intervention schemes to tackle poverty in Nigeria have not achieved the desired results due to endemic political corruption.

This study stems from the problem that although poverty rates in Indonesia have shown a downward trend over the past decade, poverty remains a structural challenge influenced by macroeconomic dynamics and corrupt practices that have the potential to undermine the effectiveness of development and welfare distribution. The inconsistency of empirical findings regarding the impact of economic growth, inflation, and unemployment on poverty, as well as strong indications that corruption hinders growth, investment, and income distribution, point to an analytical gap that needs to be examined more comprehensively in the Indonesian context. Therefore, this study aims to analyze the effect of corruption on poverty levels by considering key macroeconomic factors as variables that provide theoretical contributions in the form of strengthening empirical evidence on poverty, as well as practical contributions in the form of more integrated policy recommendations to support inclusive, effective, and sustainable poverty reduction strategies.

LITERATURE REVIEW

Poverty

Poverty is a complex phenomenon that arises from a lack of growth or unequal distribution of resources (Ghosh and Mondal, 2024). Poverty is a multidimensional economic problem that has social and political implications. The main objective of development policy is to eliminate poverty and inequality while promoting sustainable development. These policies must focus on the country's economic growth to create more job opportunities and livelihoods, as well as promote democracy and respect for human rights. The poverty rate in Indonesia is measured as a percentage.

Economic Growth

Economic growth is defined as an increase in a country's long-term capacity to provide goods and services to its population, driven by technological advances, institutional adjustments, and ideological changes in line with development needs (Jenicek, 2016). Adam Smith's classical view states that economic growth is related to population growth, division of labor, specialization, and strengthening of property rights that increase output. The free market mechanism, through the concept of the invisible hand, is expected to allocate resources efficiently with little government intervention, which only covers defense, law, and the provision of public services (Sujidno and Febriani, 2023). The success of economic development is generally indicated by high growth rates, which reflect accelerating economic activity and regional spending, thereby promoting better economic conditions (Noor and Mutmainah, 2019). Economic growth is also closely related to improved welfare and reduced poverty levels due to the creation of new jobs that can reduce unemployment (Susanto and Pangesti, 2021). However, according to Kuznets' hypothesis, the relationship between economic growth and poverty is dynamic: in the early stages of development, poverty tends to increase, while in the later stages, the number of poor people begins to decline as the fruits of development are more evenly distributed (Purnama, 2017; Rahmawati and Anwar, 2022).

Inflation

Inflation is a complex economic issue that continues to be a major focus around the world for governments, policymakers, central banks, and macroeconomists (Hussain and Malik, 2011). Inflation is an important indicator in assessing the health of the economy because excessively high inflation can reduce public welfare, while excessively low inflation reflects suboptimal economic activity, such as slowing growth, stagnant job creation, and increased poverty (Yolanda, 2017). Inflation is the result of an increase in the money supply or an increase in the amount of money in circulation, which causes a decline in the value of money (Danlami et al., 2020). Conceptually, inflation can be caused by limited goods or human policy errors such as corruption, poor administration, excessive taxation, and an excessive amount of money in circulation, which can increase poverty among the population.

Unemployment

Unemployment is a major determinant of poverty because it deprives households of their main source of income. Theoretically, when individuals lose their jobs, they lose access to wages as a source of income, thereby increasing the probability of falling below the poverty line (Martínez et al., 2003). Unemployment as part of economic vulnerability, where the lack of work leads to a decline in consumption, reduced savings, and increased dependence on social assistance (DeFina, 2004). If social protection systems are weak, the impact of unemployment on poverty becomes stronger and faster. Meanwhile, Sukirno (2004) asserts that unemployment contributes to a decline in individual welfare and increases the likelihood of falling into poverty. Thus, unemployment can be understood as one of the main determinants that affect the level of economic welfare and social conditions of society.

Corruption

Corruption is a global phenomenon that almost all countries face and continues to evolve along with social, political, and economic changes. Legally, corruption is defined as an unlawful act aimed at enriching oneself, others, or corporations, thereby harming the country's finances and economy (Sujidno and Febriani, 2023). Corruption practices include various forms such as state financial losses, bribery, embezzlement, extortion, fraud, gratification, and conflicts of interest in procurement. These practices are a common problem in many countries because they have the potential to slow economic growth, reduce investment, and exacerbate poverty and income inequality.

A country's level of corruption is generally measured using the Corruption Perceptions Index (CPI) published by Transparency International on a scale of 0–100, where a low score indicates a high level of corruption, while a high score reflects a cleaner environment (Saragih et al., 2025). A low CPI score is associated with weak public institutions, high levels of bribery, and budget misuse, while a higher score reflects press freedom, information transparency, strong integrity standards, and an independent judicial system (Transparency International, 2017).

METHODS

This study uses a quantitative approach with multiple linear regression estimated through Ordinary Least Squares (OLS) to analyze the effect of macroeconomic factors and corruption on poverty levels in Indonesia. The data used is annual time series secondary data for the period 2005–2024. The data sources are obtained from official institutions, namely the BPS-Statistics Indonesia for data on poverty, inflation, unemployment, and economic growth, as well as Transparency International and the World Bank for data on the corruption perception index. All data is processed using EViews software as an econometric analysis tool.

The dependent variable in this study is the poverty rate in Indonesia. The independent variables include inflation, unemployment, economic growth, and corruption, which is proxied using the Corruption Perceptions Index (CPI). Multiple linear regression was chosen to determine the effect of each independent variable, both partially and simultaneously, on the poverty rate, as well as to obtain an empirical picture of the relationship between variables in the context of Indonesia's economic development. Mathematically, the regression model is formulated as follows:

$$Y.P = \beta 0 + c + \beta 1.GDP + \beta 2.I + \beta 3.Unemplo + \beta 4.CPI$$

The next step is to test classical assumptions, including normality, multicollinearity, heteroscedasticity, and autocorrelation, to ensure that the model meets BLUE criteria. The testing then continues with partial tests (t-tests) and simultaneous tests (F-tests) to determine the effect of independent variables on economic growth, and concludes with a coefficient of determination (R^2) test to assess the model's ability to explain variations in Indonesia's economic growth.

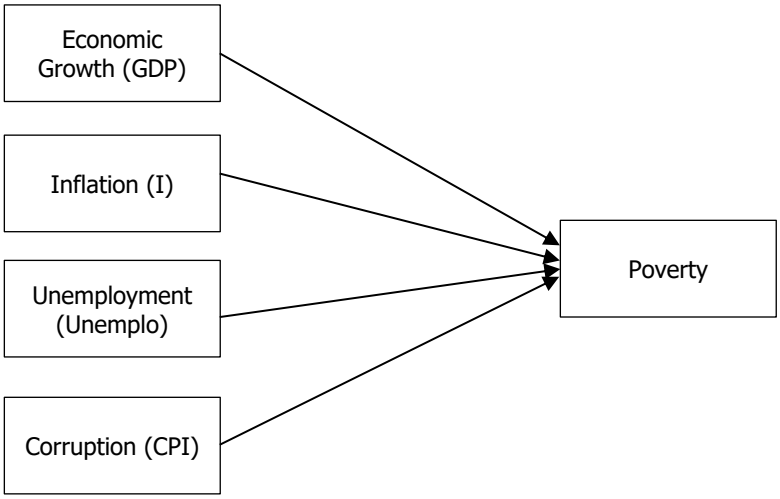

Figure 1. Research Framework

Table 1. Operational definition of variables

Variable	Operational Definition	Size	Data Source
Poverty (Y)	Percentage of population with monthly per capita expenditure below the Poverty Line.	Percent (%)	BPS-Statistics Indonesia
Economic Growth (X1)	Annual rate of change in Gross Domestic Product (GDP) at constant prices.	Percent (%)	BPS-Statistics Indonesia
Inflation (X2)	The general increase in the prices of goods and services as measured by the consumer price index.	Percent (%)	BPS-Statistics Indonesia
Unemployment (X3)	Percentage of working-age population who are unemployed and seeking work.	Percent (%)	BPS-Statistics Indonesia
Corruption (X4)	Public sector corruption perception score; 0 (highly corrupt) - 100 (highly clean).	Score (0-100)	Transparency International

RESULT

Based on 20 observations, the poverty rate (P) in Indonesia shows an average value of 11.89% with a range of 8.57–17.75% and a standard deviation of 2.73, reflecting moderate variation and a normal distribution of data (Prob. Jarque–Bera > 0.05). Economic growth (GDP) has an average of 4.87% with a minimum value of -2.07%, indicating periods of economic contraction, as well as a non-normal distribution due to high negative skewness and very high kurtosis. Inflation (I) averaged 5.25% with a range of 1.57–17.11% and relatively high

volatility (Std. Dev. 3.81), and also did not meet the normality assumption. In contrast, the unemployment rate (UNEMPLO) averaged 6.88% with moderate variation and a normal distribution, while the Corruption Perceptions Index (CPI) as a proxy for the level of corruption showed an average of 32.35, with considerable variation between periods and a normal distribution. Overall, these descriptive findings indicate that only the variables of economic growth and inflation deviate from the assumption of normality, so that inferential analysis of their impact on poverty levels needs to consider estimation approaches that are more robust and appropriate to the characteristics of the data.

Table 2. Description Variable

	P	GDP	I	UNEMPLO	CPI
Mean	11.89400	4.871000	5.250000	6.884500	32.35000
Median	11.04500	5.060000	3.700000	6.175000	34.00000
Maximum	17.75000	6.350000	17.11000	11.24000	40.00000
Minimum	8.570000	-2.070000	1.570000	4.910000	22.00000
Std. Dev.	2.730100	1.749005	3.814644	1.747881	5.518152
Skewness	0.822633	-3.295386	1.668839	1.109323	-0.536472
Kurtosis	2.425073	13.82321	5.704546	3.369406	2.024649
Jarque-Bera	2.531202	133.8167	15.37889	4.215708	1.752099
Probability	0.282070	0.000000	0.000458	0.121498	0.416425
Sum	237.8800	97.42000	105.0000	137.6900	647.0000
Sum Sq. Dev.	141.6155	58.12138	276.4786	58.04670	578.5500
Observations	20	20	20	20	20

Normality Test

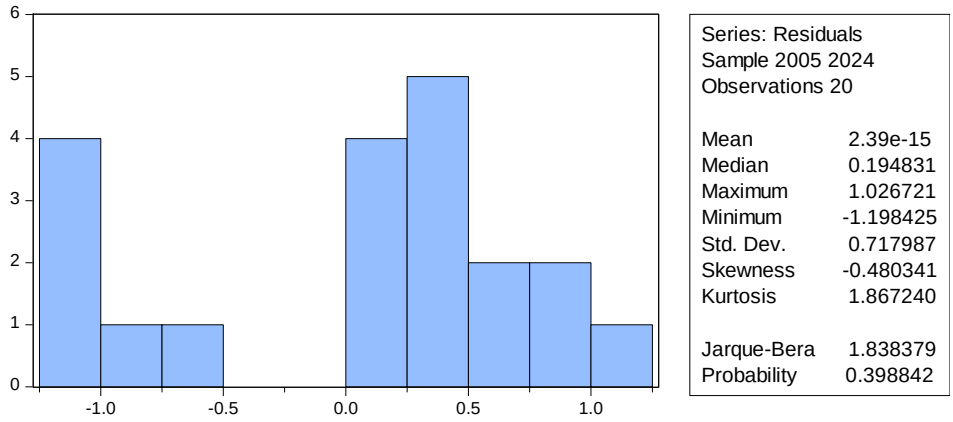

Figure 2. Normality Test

A normality test was conducted on the regression model residuals using the Jarque–Bera statistic. Based on the test results for 20 observations in the 2005–2024 period, the residuals had a Jarque–Bera value of 1.838 with a probability of 0.398 (> 0.05). A probability value greater than the 5% significance level indicates that the residuals are normally distributed, thus fulfilling the normality assumption in the regression model. With this normality assumption fulfilled, the regression model used to analyze the effect of economic growth, inflation, unemployment rate, and corruption (CPI) on poverty in Indonesia is deemed feasible to proceed to the stage of testing other classical assumptions and interpreting regression coefficients.

Heteroscedasticity Test

Table 3. Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	1.139055	Prob. F(4,15)	0.3758
Obs*R-squared	4.659611	Prob. Chi-Square(4)	0.3240
Scaled explained SS	1.136531	Prob. Chi-Square(4)	0.8884

The heteroscedasticity test using the Breusch–Pagan–Godfrey method shows that the F Prob. value is 0.3758, the Chi-Square Prob. (Obs*R-squared) is 0.3240, and the Chi-Square Prob. (Scaled explained SS) is 0.8884, all of which are greater than the significance level of 0.05. These results indicate that there are no signs of heteroscedasticity in the regression model, so that the residual variance can be considered constant (homoscedastic).

Correlation Test

Table 4. Correlation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	2.062081	Prob. F(2,13)	0.1668
Obs*R-squared	4.816775	Prob. Chi-Square(2)	0.0900

The autocorrelation test using the Breusch–Godfrey Serial Correlation LM Test method shows a Prob. F value of 0.1668 and a Prob. Chi-Square value of 0.0900, both of which are greater than the significance level of 0.05. These results indicate that there is no autocorrelation problem in the regression model residuals. Thus, the assumption of error independence has been met, so that the regression model used can be considered feasible to proceed to the testing and interpretation of regression coefficients.

Multicollinearity test (Variance Inflation Factors)

Table 5. Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	27.37177	838.3719	NA
GDP	0.019373	15.80308	1.724378
I	0.005237	6.637958	2.217216
UNEMPLO	0.080736	124.3818	7.177080
CPI	0.008797	289.7574	7.793908

Multicollinearity testing was performed using the Variance Inflation Factor (VIF). Based on the Centered VIF values, the economic growth (GDP) variable had a VIF of 1.72 and inflation (I) had a VIF of 2.22, both of which were below the general threshold of 10, thus showing no indication of multicollinearity. Meanwhile, the unemployment rate (UNEMPLO) and CPI have VIF values of 7.18 and 7.79, respectively, which are still below the threshold of 10 but relatively higher than the other variables, indicating a moderate correlation between the independent variables but still within acceptable limits.

Hypothesis Testing

Dependent Variable: P				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14.00544	5.231803	2.676981	0.0172
GDP	0.162524	0.139186	1.167671	0.2612
I	-0.103063	0.072364	-1.424229	0.1749
UNEMPLO	0.857346	0.284141	3.017329	0.0087
CPI	-0.255468	0.093790	-2.723843	0.0157
R-squared	0.930837	Mean dependent var		11.89400
Adjusted R-squared	0.912393	S.D. dependent var		2.730100
S.E. of regression	0.808068	Akaike info criterion		2.623978
Sum squared resid	9.794615	Schwarz criterion		2.872911
Log likelihood	-21.23978	Hannan-Quinn criter.		2.672572
F-statistic	50.46939	Durbin-Watson stat		0.980096
Prob(F-statistic)	0.000000			

The results of multiple linear regression estimation show that the poverty rate (P) is influenced by economic growth (GDP), inflation (I), unemployment rate (UNEMPLO), and Corruption Perceptions Index (CPI) with the general equation:

$$P = 14{,}005 + 0{,}163\ GDP - 0{,}103\ I + 0{,}857\ UNEMPLO - 0{,}255\ CPI.$$

The constant of 14.005 indicates that when all independent variables are considered constant, the poverty rate is around 14%. The positive GDP coefficient (0.163) shows that economic growth tends to be followed by an increase in poverty, but this effect is not significant, so economic growth during the study period was not fully inclusive. The inflation variable has a negative coefficient (−0.103), indicating that an increase in inflation tends to reduce poverty, but this effect is also not statistically significant. Conversely, the unemployment rate has a positive and significant coefficient (0.857), which means that every 1% increase in unemployment will increase the poverty rate by around 0.86%, assuming other variables remain constant. This confirms that limited employment opportunities are a major factor exacerbating poverty. Meanwhile, the CPI has a negative and significant coefficient (−0.255), indicating that an increase in the CPI score (which reflects a decline in corruption and improved governance) contributes to a decline in poverty rates.

Overall, the model has a very strong explanatory power ($R^2 \approx 93\%$) and is simultaneously significant, so it can be concluded that the most decisive factors determining changes in poverty levels in Indonesia during the study period were unemployment and governance/corruption, while economic growth and inflation did not have a statistically significant effect. Based on the results of multiple linear regression estimation with poverty rate (P) as the dependent variable and the observation period 2005–2024 (20 observations), it was found that the constant was 14.005 and significant at the 5% level (Prob. 0.0172). This indicates that when the variables of economic growth, inflation, unemployment rate, and CPI are considered constant, the poverty rate is estimated to be around 14%.

T-Test

Partially, economic growth (GDP) has a coefficient of 0.162 with a probability of 0.2612 (>0.05), so it does not have a significant effect on poverty levels. The positive direction of the coefficient indicates that increased economic growth has not directly reduced poverty, which may reflect inequality in the distribution of the benefits of growth. The inflation variable (I) has a coefficient of −0.103 with a probability of 0.1749 (>0.05), so it also has no significant effect on poverty, although the negative direction indicates a tendency for price stability to potentially reduce poverty.

Conversely, the unemployment rate (UNEMPLO) has a coefficient of 0.857 and is significant at the 5% level (Prob. 0.0087), which means that the unemployment rate has a positive effect on poverty. This finding confirms that limited employment opportunities are a major factor driving poverty in Indonesia. Meanwhile, CPI as an indicator of perceived corruption has a coefficient of −0.255 and is significant (Prob. 0.0157), indicating that corruption has a negative effect on poverty in Indonesia. Overall, test results show that unemployment and corruption are significant determinants of poverty in Indonesia, while economic growth and inflation have not shown a statistically significant effect during the study period. These findings indicate that poverty reduction policies need to focus on job creation and strengthening clean and transparent governance.

F-Test

Based on the F-test, an F-statistic value of 50.469 was obtained with a Prob(F-statistic) of 0.0000 (< 0.05). These results indicate that economic growth, inflation, unemployment rate, and CPI simultaneously have a significant effect on poverty levels in Indonesia. Thus, the regression model used is considered valid and capable of explaining the relationship between independent variables and poverty levels collectively.

Testing Coefficient of Determination (R^2)

The R-squared value of 0.9308 and the Adjusted R-squared value of 0.9124 indicate that approximately 93.08% of the variation in poverty levels can be explained by variations in economic growth, inflation, unemployment rates, and CPI in the model. Meanwhile, the remaining 6.92% is influenced by other factors outside the research model. This high coefficient of determination value indicates that the model has a very strong explanatory power in analyzing the determinants of poverty in Indonesia.

DISCUSSION

The results of the study show that economic growth has a positive coefficient but does not significantly affect poverty levels in Indonesia. This means that if economic growth increases, poverty will also increase. Conversely, if economic growth declines, poverty will also decline. These results are not in line with the theory proposed by Kuznet, in which economic growth has a strong correlation with poverty (Stevans and Sessions, 2008). In the early stages, economic growth tends to cause poverty levels to rise, but towards the end, there is a sustained decline in poverty levels. This condition indicates that the increase in national economic output has not been fully accompanied by equitable income distribution, the creation of productive jobs, or improvements in the quality of human resources, so that the poor have not yet benefited directly from the growth that has occurred. Theoretically, non-inclusive growth tends to benefit only middle- and upper-income groups and certain economic sectors, thereby limiting its impact on poverty reduction. This finding is in line with the results of Nainggolan (2020) study, which found that economic growth did not have a significant effect on poverty levels in North Sumatra Province.

Furthermore, research results show that inflation does not have a significant effect on poverty levels in Indonesia, which means that general price fluctuations have not directly affected changes in poverty levels during the study period. The negative coefficient in the model indicates statistical insignificance, which may suggest that controlled or moderate inflation does not tend to worsen poverty conditions, or even in certain contexts, has no direct impact on poor groups if social compensation policies are in place. The findings of this study are in line with those of Murobbi and Usman (2021) and Nasution et al. (2023) who concluded that inflation has no significant effect on poverty. Inflation is considered important because it reflects economic activity. Therefore, an increase in inflation does not always mean an increase in poverty. Based on the situation on the ground, inflation affects poverty because when the prices of goods and services continue to increase, this will have an impact on people's purchasing power. Weakened purchasing power means that people are unable to meet their daily needs, because the increase in the prices of goods and services is not matched by an increase in income. This situation causes people to fall into poverty.

Furthermore, the results of this study indicate that the unemployment rate has a positive and significant effect on the poverty rate, which means that an increase in unemployment tends to increase the number of poor people due to reduced access to income and economic opportunities. Theoretically, high unemployment causes households to lose their ability to meet basic needs, weakens purchasing power, and increases socio-economic vulnerability, especially among low-income groups (Bird and Manning, 2008). Rising unemployment reduces income and purchasing power, thereby increasing the number of people living below the poverty line (Dwipatna and Setiawina, 2021). In addition, unemployment does not directly cause poverty in certain social groups. One of the contributing factors is that some of the workforce is not fully prepared to enter the job market and tends to wait for job opportunities that are more suited to their skills and educational background. Moreover, many job seekers, especially recent graduates and middle-class workers, are still financially supported by their parents, who have sufficient income. In such circumstances, individuals can delay employment while searching for jobs that provide adequate income and match their qualifications. Due to limited job opportunities, not all job seekers can be absorbed into the labor market at the same time, which can cause unemployment rates to fluctuate without directly increasing poverty rates. The results of this study are in line with those of Fayza et al. (2025) and Karim et al. (2026), which state that unemployment has a positive and significant effect on poverty, where an increase in the unemployment rate has been proven to increase poverty rates both nationally and inter-provincially in Indonesia.

On the other hand, the results of the study show that the Corruption Perceptions Index (CPI) has a negative and significant effect on poverty levels, meaning that an increase in the CPI score (an indication of reduced corruption) contributes to a decrease in poverty levels in Indonesia. Theoretically, corrupt practices drain public resources that should be allocated to social services and empowerment programs, so that when corruption is reduced, budget allocation becomes more efficient and poverty alleviation programs can run more effectively. These estimates are consistent with existing theory, which defines the abuse of power for personal or group gain as corruption. Corruption hinders economic progress because in the private sector it leads to increased expenses due to illegal payments and the risk of contract cancellation or investigation, and it disrupts trade because businesses that have close ties to the authorities become inefficient as they are protected from competition. In addition, corruption worsens the public sector by diverting funds to projects that are easier to generate bribes and rewards, lowering the quality of government services and infrastructure, and increasing pressure on the state budget. This finding is in line with the results of research by Nawatmi et al. (2024) which found that corruption has a significant negative impact on poverty in Indonesia, where an increase in the CPI substantially reduces poverty levels. Similarly, research by Wulandari (2025) shows that a significant reduction in corruption reduces poverty levels through improved governance and allocation of public resources. Thus, improving the quality of governance and eradicating corruption are important strategies in poverty alleviation efforts in Indonesia because they enable public resources to be utilized in a more targeted and equitable manner.

Furthermore, the finding that an increase in the CPI, reflecting a decrease in corruption, can reduce poverty levels, can also be explained through the relationship between governance, economic growth, and welfare distribution. Corruption tends to reduce the effectiveness of development policies because some public resources are diverted to the interests of certain groups, thus preventing development programs from fully reaching the most needy groups. When corrupt practices decline, the efficiency of public budget management increases, and government spending can be more focused on productive sectors such as education, health, infrastructure, and social protection programs. This improvement in governance quality can ultimately encourage more inclusive economic activity, increase employment opportunities, and improve income distribution. Therefore, strengthening institutions, budget transparency, and effective oversight systems are crucial factors in ensuring that economic growth not only increases national output but also significantly contributes to poverty reduction and a more equitable improvement in public welfare.

CONCLUSION

Based on the results of analysis and discussion, this study shows that economic growth has a positive coefficient but does not significantly affect poverty levels in Indonesia, indicating that the increase in national economic output has not been fully accompanied by equitable income distribution, the creation of productive jobs,

and improvements in human resource quality. Inflation was also found to have no significant effect on poverty levels, meaning that relatively controlled price fluctuations have not directly affected changes in the number of poor people. Conversely, unemployment rates were found to have a positive and significant effect on poverty, confirming that limited access to jobs and income are major factors in increasing the socio-economic vulnerability of communities. In addition, the Corruption Perceptions Index (CPI) has a negative and significant effect on poverty, which means that a decrease in the level of corruption contributes significantly to reducing poverty through improved governance, efficient allocation of public budgets, and effective social programs.

The findings of this study confirm that poverty alleviation requires a development approach that focuses not only on macroeconomic growth, but also on equitable distribution of economic benefits, creation of inclusive employment, inflation control accompanied by targeted social protection, and strengthening of corruption-free governance to improve the effectiveness of public spending and the quality of government services. Therefore, further research should add more comprehensive variables such as income inequality, education quality, social spending, financial inclusion, and digital economic transformation, as well as use more diverse methodological approaches such as regional panel analysis, dynamic causality models, or spatial approaches. From a policy perspective, the government needs to strengthen the synergy between inclusive economic growth, the creation of quality jobs, price stability, and governance reform and the eradication of corruption in a sustainable manner so that poverty reduction can be achieved more effectively and equitably.

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