

The Effect of Inflation, Unemployment, and GRDP on the Number of Poor People in South Sumatra Province

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ABSTRACT

This study aims to analyze the effects of inflation, unemployment, and Gross Regional Domestic Product (GRDP) on the number of poor people in South Sumatra Province during the 2015–2023 period. Poverty remains one of the economic problems that continues to be a major concern for the regional government because it is directly related to community welfare. A high inflation rate can reduce people's purchasing power, and increased unemployment can decrease community income, while GRDP growth is expected to improve economic activities and public welfare. Therefore, this study was conducted to determine the relationship between these macroeconomic variables and the number of poor people. This study uses a quantitative approach with secondary data obtained from Statistics Indonesia (BPS) and official regional government publications during a certain period. The analytical method used is multiple linear regression analysis to determine the partial and simultaneous effects of inflation, unemployment, and GRDP on the number of poor people in South Sumatra. The results of the study indicate that unemployment has a positive and significant effect on the number of poor people, while inflation and GRDP have a negative and insignificant effect on the number of poor people. Simultaneously, these three variables have a significant effect on the poverty level in South Sumatra. This study is expected to serve as a consideration for the government in formulating economic policies oriented toward poverty reduction and improving community welfare.

Keywords: Poverty, Inflation, Unemployment, GRDP

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh inflasi, pengangguran, dan Produk Domestik Regional Bruto (PDRB) terhadap jumlah penduduk miskin di Provinsi Sumatera Selatan dengan periode tahun 2015 - 2023. Kemiskinan merupakan salah satu permasalahan ekonomi yang masih menjadi perhatian utama pemerintah daerah karena berkaitan langsung dengan kesejahteraan masyarakat. Tingkat inflasi yang tinggi dapat menurunkan daya beli masyarakat, meningkatnya pengangguran dapat mengurangi pendapatan masyarakat, sedangkan pertumbuhan PDRB diharapkan mampu meningkatkan aktivitas ekonomi dan kesejahteraan penduduk. Oleh karena itu, penelitian ini dilakukan untuk mengetahui hubungan antara variabel-variabel ekonomi makro tersebut terhadap jumlah penduduk miskin. Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder yang diperoleh dari Badan Pusat Statistik (BPS) dan publikasi resmi pemerintah daerah selama periode tertentu. Metode analisis yang digunakan adalah regresi linear berganda untuk mengetahui pengaruh parsial maupun simultan antara inflasi, pengangguran, dan PDRB terhadap jumlah penduduk miskin di Sumatera Selatan. Hasil penelitian menunjukkan bahwa pengangguran berpengaruh positif dan signifikan terhadap jumlah penduduk miskin, sedangkan Inflasi dan PDRB berpengaruh negatif dan tidak signifikan terhadap jumlah penduduk miskin. Secara simultan, ketiga variabel tersebut memiliki pengaruh signifikan terhadap tingkat kemiskinan di Sumatera Selatan. Penelitian ini diharapkan dapat menjadi bahan pertimbangan bagi pemerintah dalam merumuskan kebijakan ekonomi yang berorientasi pada pengurangan kemiskinan dan peningkatan kesejahteraan masyarakat.

Kata Kunci: Kemiskinan, Inflasi, Pengangguran, PDRB

1. Introduction

Poverty is one of the complex and multidimensional economic problems faced by many countries, including Indonesia. Poverty is not only associated with low levels of income but also reflects limited access to education, healthcare, and other basic public services. South Sumatra Province, as one of the provinces in Indonesia, still faces significant challenges in reducing poverty rates. Based on

data from Statistics Indonesia (BPS), the number of poor people in South Sumatra remains relatively high, despite various efforts made by the regional government to reduce the poverty rate (Sinurat, 2023).

Various economic factors may influence the level of poverty in a region, one of which is inflation. High inflation causes the prices of goods and services to increase, thereby reducing people's purchasing power, especially among low-income groups. Rising prices of

basic necessities that are not accompanied by an increase in income make it increasingly difficult for poor communities to meet their daily needs (Ratih Primandari, 2019). Therefore, it is important to understand how inflation affects the number of poor people in South Sumatra.

In addition to inflation, the unemployment rate is also a major factor in determining poverty levels. High unemployment indicates that many individuals do not have a stable source of income, which ultimately increases the number of poor people. The inability to obtain decent employment causes people to experience prolonged economic hardship. Therefore, understanding the relationship between unemployment and poverty is highly crucial in designing economic and social policies (Novriansyah, 2018).

Another factor that influences the number of poor people is Gross Regional Domestic Product (GRDP). GRDP reflects economic growth in a region and may serve as an indicator of public welfare. An increase in GRDP indicates economic growth that is expected to improve people's standard of living. However, if economic growth is uneven and only enjoyed by certain groups, social inequality will widen, which may eventually worsen poverty levels (Sari & Novianti, 2024). Therefore, it is important to examine the extent to which economic growth reflected in GRDP contributes to poverty reduction in South Sumatra.

The following table presents data on the number of poor people in South Sumatra Province during the 2015–2023 period:

Table 1. Poverty Rate in South Sumatra Province, 2015–2023

Years	Number of Poor Population (thousand people)
2015	390,87
2016	374,53
2017	375,25
2018	378,55
2019	384,53
2020	387,80
2021	402,25
2022	371,50
2023	371,75

Source : Statistics Indonesia, 2024

Based on the data above, the number of poor people in South Sumatra fluctuated from 2015 to 2023. period. In 2015, the number of poor people reached approximately 390.87 thousand individuals, then decreased in 2016 to 374.53 thousand individuals. However, after that, the poverty rate gradually increased again until it reached 402.25 thousand individuals in 2021.

The increase in poverty during 2020–2021 was influenced by the COVID-19 pandemic, which caused a slowdown in economic activities, rising unemployment, and declining household income. After the pandemic began to come under control, the number of poor people

decreased again in 2022 to 371.50 thousand individuals and remained relatively stable in 2023 at 371.75 thousand individuals.

Inflation has a close relationship with poverty levels because rising prices of goods and services can reduce people's purchasing power. When the prices of basic necessities increase, low-income communities experience difficulties in fulfilling their daily needs. According to John Maynard Keynes' theory, inflation occurs due to an increase in aggregate demand that exceeds the production capacity of goods and services. High inflation generally results in a greater burden on poor communities.

During the COVID-19 pandemic period, the unemployment rate in South Sumatra increased due to many companies reducing their workforce and declining economic activities. This condition caused an increase in the number of poor people during 2020–2021. This is in line with Ragnar Nurkse's vicious circle of poverty theory, which explains that low income and limited employment opportunities make it difficult for communities to escape poverty.

Economic growth measured through Gross Regional Domestic Product (GRDP) reflects the development of economic activities within a region. The higher the economic growth, the greater the opportunity to increase public income and create employment opportunities. South Sumatra's economy grew by 5.08 percent in 2023, with a GRDP value of IDR 629.10 trillion. However, this condition may occur because economic growth has not been evenly enjoyed by all levels of society. Most of the benefits of economic growth are still concentrated in certain sectors, so low-income communities have not fully experienced its impact.

South Sumatra Province is one of the provinces in Indonesia that still faces poverty-related problems. Although economic growth in South Sumatra has shown progress from year to year, the number of poor people remains a concern for the regional government. Based on data from Statistics Indonesia, poverty levels in South Sumatra are still influenced by economic conditions such as changes in inflation, unemployment rates, and regional GRDP growth. This condition indicates that economic development has not been fully capable of reducing the number of poor people optimally (Statistics Indonesia, 2019).

One of the economic factors that may influence poverty is inflation. High inflation causes the prices of goods and services to increase, thereby reducing people's purchasing power, especially among low-income groups. When the prices of basic necessities rise without being followed by an increase in income, poor households face greater difficulty in meeting their daily needs. According to Keynesian theory, inflation can occur when aggregate demand exceeds the production capacity of goods and services. In this situation, inflation places a heavier burden on poor communities because most of their income is used for basic consumption needs.

In addition to inflation, unemployment is also an important factor affecting poverty. High unemployment indicates that many people do not have a stable source of

income. The inability to obtain decent employment may reduce household welfare and increase the risk of poverty. This condition is in line with Ragnar Nurkse's vicious circle of poverty theory, which explains that low income, limited employment opportunities, and low productivity can make it difficult for people to escape poverty. Therefore, the relationship between unemployment and poverty needs to be examined in order to support more effective employment and poverty alleviation policies.

Another factor related to poverty is Gross Regional Domestic Product (GRDP). GRDP reflects the value of economic activities in a region and is often used as an indicator of regional economic growth. An increase in GRDP is expected to improve public welfare, increase income, and create employment opportunities. However, economic growth does not always automatically reduce poverty if the benefits of growth are not evenly distributed. In South Sumatra, economic growth may still be concentrated in certain sectors, so low-income communities may not fully experience its benefits. Therefore, it is important to examine whether GRDP growth has a significant effect on reducing the number of poor people in South Sumatra.

Several previous studies have examined the relationship between inflation, unemployment, GRDP, and poverty. However, most studies have focused on poverty at the national level or in other provinces, while studies that specifically analyze poverty in South Sumatra are still relatively limited. In addition, previous research often discusses these variables separately, whereas poverty is influenced by the interaction of several macroeconomic factors at the same time. This creates a research gap regarding how inflation, unemployment, and GRDP simultaneously affect the number of poor people in South Sumatra Province.

The novelty of this study lies in its specific focus on South Sumatra Province by analyzing the effects of inflation, unemployment, and GRDP on the number of poor people during the 2015–2023 period. Unlike previous studies that generally focus on broader areas or only examine one or two economic variables, this study combines three important macroeconomic indicators to provide a more comprehensive explanation of poverty in South Sumatra. This study is expected to contribute to the literature on regional poverty and provide empirical evidence that is relevant to local economic policy.

Based on the problems described above, this study aims to analyze the effects of inflation, unemployment, and GRDP on the number of poor people in South Sumatra Province. The findings of this study are expected to provide useful information for the regional government in formulating poverty reduction policies, particularly policies related to price stability, employment creation, and more inclusive regional economic growth.

2. Literature Review

Poverty Theory

Poverty theories attempt to explain the causes and dynamics of poverty within society. Various approaches have been proposed by scholars to analyze poverty, each

offering different perspectives (Pawit Fadila Rika Farisa et al., 2023).

One of the most well-known theories is the individual or cultural theory, which argues that poverty is caused by attitudes and habits inherited within poor communities themselves. According to this perspective, values such as laziness, lack of education, and an inability to manage finances are considered the primary causes of poverty (Palikhah et al., 2016).

Furthermore, structural theory considers poverty as the result of injustice and imbalance within social and economic structures. Examples include unequal distribution of wealth, limited access to education and healthcare services, and government policies that do not favor poor communities (Pinem et al., 2019).

In contrast, cycle theory explains that poverty may become an intergenerational cycle, where the poverty experienced by parents reduces educational opportunities and economic access for their children, causing them to remain trapped in the same condition of poverty. Meanwhile, the capability theory popularized by Amartya Sen emphasizes the importance of individual capability in achieving the kind of life they value and appreciate. According to this theory, poverty is not only measured by income or material wealth but also by limited individual capabilities to pursue meaningful life choices. On the other hand, Neo-Classical economists argue that poverty can be overcome through economic growth and free markets. According to this perspective, if the economy grows and more opportunities are created, poor communities will gain access to escape poverty (Diyah & Adawiyah, 2020).

Lastly, dependency theory argues that poverty in developing countries is caused by their dependence on developed countries, which often exploit the natural resources and labor of poorer nations for economic gain. Overall, these poverty theories provide various perspectives regarding the causes of poverty and strategies for overcoming it, which may help formulate fairer and more effective social and economic policies (Utama, 2018).

Inflation

According to Ulum (2019), inflation is an economic phenomenon that occurs when there is a general increase in the prices of goods and services within an economy over a certain period of time. Inflation indicates a decline in the purchasing power of money, meaning that with the same amount of money, individuals are able to purchase fewer goods or services. Inflation is measured using the Consumer Price Index (CPI), which measures the average price changes of a group of goods and services consumed by households, such as food, housing, transportation, and healthcare. Inflation may be triggered by several interrelated factors, such as demand-pull inflation and cost-push inflation. Demand-pull inflation occurs when the demand for goods and services in the market exceeds the economy's production capacity, causing prices to rise. On the other hand, cost-push inflation occurs when production costs increase, such as rising raw material

prices or wages, leading producers to raise the selling prices of goods and services to cover these costs.

Moderate inflation is often considered a sign of a healthy economy because it may reflect strong demand and economic growth. However, excessively high or uncontrolled inflation may have negative impacts on the economy. High inflation can disrupt economic stability by creating uncertainty for both consumers and producers. For example, consumers may become concerned about continuously rising prices and therefore reduce their spending, while producers may face difficulties in planning production and pricing strategies. High inflation may also reduce a country's competitiveness in international markets because domestically produced goods become more expensive compared to those from other countries (Hafidz Meiditambua Saefulloh et al., 2023).

Conversely, very low inflation or deflation, which refers to a decline in the prices of goods and services, may also be harmful. Deflation may cause consumers to postpone purchasing goods and services because they expect prices to continue falling, which in turn may reduce demand and slow economic growth. To control inflation, central banks often implement monetary policies, such as increasing interest rates to reduce the money supply circulating in society. On the other hand, governments may also implement fiscal policies, such as reducing public spending or increasing taxes, to reduce inflationary pressure. Therefore, maintaining inflation at a stable and controlled level is essential to ensure healthy and sustainable economic growth (Eka Budiyaniti, 2024).

According to Ramadhani, inflation is the process of a continuous increase in general prices within an economy. An increase in the price of only one or two goods cannot be categorized as inflation unless it affects the prices of other goods. According to Boediono, inflation is the tendency for prices to increase generally and continuously. Inflation may reduce the value of money, causing people to spend more to fulfill their living needs. John Maynard Keynes' inflation theory states that inflation occurs because aggregate demand increases beyond the production capacity of goods and services. When public demand increases while the supply of goods is limited, the prices of goods and services will rise. Meanwhile, Milton Friedman argued that inflation is a monetary phenomenon caused by an excessive money supply compared to the amount of goods and services available in society.

Based on these theories, it can be concluded that inflation has a relationship with poverty because rising prices of basic necessities may reduce people's purchasing power, especially among low-income communities.

Unemployment

According to Sukirno (2012), there are several theories regarding unemployment, namely:

- a. Classical Theory (Causes of Frictional and Structural Unemployment)

Classical economic theory, pioneered by economists such as Adam Smith and David Ricardo, views unemployment as a temporary and self-correcting phenomenon that results from imperfections in the labor market rather than from deficiencies in aggregate demand. Classical economists argue that labor markets, like other markets, operate through the forces of supply and demand. Under normal conditions, wages are flexible and will adjust to ensure that the labor market reaches equilibrium. Therefore, persistent unemployment is generally attributed to factors that prevent workers and employers from matching efficiently rather than to a lack of available jobs in the economy.

Within the classical framework, unemployment is commonly categorized into frictional unemployment and structural unemployment. Frictional unemployment refers to the short-term unemployment that occurs when individuals are transitioning between jobs, entering the labor force for the first time, or re-entering the labor market after a period of absence. This type of unemployment arises because workers require time to search for employment opportunities that best match their skills, preferences, and wage expectations. Similarly, employers need time to identify and recruit suitable candidates. Consequently, frictional unemployment is considered a natural and unavoidable component of a dynamic economy and is often viewed as an indicator of labor market mobility rather than economic weakness.

Structural unemployment, on the other hand, occurs when there is a mismatch between the skills possessed by workers and the skills demanded by employers. This mismatch is often the result of long-term changes in the economy, including technological progress, industrial transformation, globalization, and shifts in consumer preferences. For example, technological innovations may automate certain tasks, reducing the demand for workers in traditional industries while increasing the demand for workers with advanced technical skills. As a result, workers whose skills have become obsolete may experience prolonged periods of unemployment unless they acquire new competencies through education, training, or reskilling programs. Classical economists believe that labor market flexibility is essential for reducing both frictional and structural unemployment. Flexible wages, efficient labor market information systems, occupational mobility, and access to education and training can facilitate the adjustment process between labor supply and labor demand. In this perspective, government intervention should focus primarily on improving labor market efficiency, enhancing workforce skills, and reducing barriers to employment rather than stimulating aggregate demand.

Furthermore, classical theory assumes that the economy naturally tends toward full employment in the long run. Any unemployment that persists is generally attributed to labor market rigidities, such as minimum wage regulations, labor union pressures,

information asymmetries, or restrictions that hinder the adjustment of wages and labor mobility. Therefore, reducing unemployment requires policies that encourage workforce adaptability and improve the matching process between workers and available jobs.

In relation to poverty, classical theory suggests that high levels of frictional and structural unemployment can reduce individuals' income and productivity, thereby increasing the likelihood of poverty. Structural unemployment is particularly concerning because it often affects workers for extended periods, limiting their earning opportunities and reducing their overall welfare. Consequently, policies aimed at improving education, vocational training, and workforce development are essential for enhancing employability and reducing poverty in the long term.

b. Keynesian Theory

According to the Keynesian theory developed by John Maynard Keynes, unemployment arises primarily due to insufficient aggregate demand within the economy. Keynes argued that when overall demand for goods and services declines, firms experience reduced sales and profits, leading them to cut production levels. As a result, businesses reduce their demand for labor, causing unemployment to increase. Unlike classical economists who believed that labor markets naturally adjust through wage flexibility, Keynes maintained that wages and prices are often rigid in the short run, preventing the labor market from reaching full employment automatically. Therefore, unemployment can persist for extended periods even when workers are willing to accept lower wages.

Furthermore, Keynes emphasized that unemployment is largely a macroeconomic problem rather than an issue of individual worker characteristics or skill mismatches. During economic downturns, households tend to reduce consumption and firms postpone investment, further weakening aggregate demand and creating a vicious cycle of declining income, spending, and employment. To address this situation, Keynes advocated active government intervention through expansionary fiscal policies, such as increasing public expenditure, investing in infrastructure projects, and reducing taxes. These measures are intended to stimulate aggregate demand, encourage business activity, and generate new employment opportunities. Consequently, Keynesian theory suggests that government spending plays a crucial role in stabilizing economic fluctuations and reducing unemployment, particularly during periods of recession and economic stagnation.

c. Mankiw's Theory

According to Gregory Mankiw, unemployment is defined as a condition in which individuals who are willing and able to work are unable to obtain employment opportunities. In economics, unemployment is considered one of the most important macroeconomic indicators because it reflects that human resources are not being utilized

optimally within the economy. A high unemployment rate indicates inefficiency in the labor market and suggests that the economy is operating below its potential level of output.

Mankiw explains that unemployment can occur for various reasons, including economic downturns, limited job opportunities, technological advancements, and mismatches between workers' skills and labor market demands. During periods of economic slowdown, companies tend to reduce production and limit labor recruitment, which ultimately increases unemployment levels. In addition, technological progress may replace human labor in certain sectors, causing some workers to lose their jobs if they are unable to adapt to new skill requirements.

According to Mankiw, unemployment not only affects individuals but also has broader economic and social impacts. Economically, unemployment reduces national income because unemployed individuals do not contribute productively to economic activities. A high unemployment rate also decreases public purchasing power, which may reduce aggregate demand and slow economic growth. Socially, unemployment may increase poverty levels, social inequality, crime rates, and psychological stress among affected individuals and families.

Mankiw also emphasizes the relationship between unemployment and poverty. Individuals who are unemployed generally lose their primary source of income, making it difficult for them to fulfill basic living needs such as food, education, healthcare, and housing. As a result, prolonged unemployment may increase the number of poor people within society. Therefore, reducing unemployment is considered an important strategy in improving public welfare and reducing poverty levels.

To overcome unemployment, Mankiw suggests that governments implement policies aimed at increasing employment opportunities and improving labor productivity. These policies may include encouraging investment, supporting business development, improving education and job training, and maintaining economic stability. By creating more employment opportunities and improving the quality of human resources, unemployment rates can be reduced, thereby contributing to economic growth and social welfare improvement.

d. Arthur Cecil Pigou's Theory

Pigou explained that unemployment arises due to an imbalance between wages, labor supply, and employment opportunities. If the labor market does not function properly, there will be workers who are not absorbed into employment.

Types of Unemployment

1. Open unemployment: individuals who do not have any job at all.
2. Disguised unemployment: individuals who are employed but not productive.

3. Seasonal unemployment: unemployment that occurs during certain seasons.
4. Structural unemployment: unemployment caused by changes in the economic structure.
5. Frictional unemployment: unemployment that occurs due to the process of searching for employment.

Impacts of Unemployment

1. Declining public income.
2. Increasing poverty levels.
3. Decreasing economic productivity.
4. The emergence of social problems such as crime and inequality.

Gross Regional Domestic Product (GRDP)

Gross Regional Domestic Product (GRDP) is a measure of the total value of goods and services produced within a particular region or area over a certain period, usually one year or one quarter. GRDP is used to describe the economic strength of a region and to provide an overview of economic growth, the development of specific sectors, and the quality of life of the local community. GRDP can be calculated using two approaches: the production approach and the expenditure approach. The production approach measures the added value generated by various economic sectors within the region, such as agriculture, industry, trade, and services. Meanwhile, the expenditure approach calculates total expenditures made by households, the government, and the private sector to purchase goods and services within the economy (Romadhoni et al., 2020).

GRDP can also be calculated based on current market prices or constant prices to eliminate the effects of inflation, which is known as GRDP at constant prices. This indicator is important because it can be used to analyze economic welfare, measure the contribution of specific sectors to the regional economy, and compare economic performance among regions or between regions and countries as a whole. By analyzing GRDP, governments and economic institutions can formulate policies aimed at accelerating economic growth, reducing regional disparities, and designing more effective development strategies (Purba, 2022).

However, GRDP also has several limitations. GRDP cannot measure income distribution among society, meaning that even if a region has a high GRDP, it does not necessarily indicate equitable welfare. In addition, GRDP does not take into account external factors such as environmental damage or social losses caused by certain economic activities. Therefore, although GRDP is an important indicator in economic analysis, other indicators that reflect social and environmental aspects should also be considered to provide a more comprehensive picture of regional welfare (Nur, 2019).

According to Mokodompis et al., economic growth is a long-term increase in a country's ability to provide various economic goods to its population. According to Sukirno, economic growth refers to the development of economic activities that causes the production of goods and services within society to increase, thereby improving

public prosperity. According to Saidah et al., economic growth is a continuous process of increasing production capacity in order to raise national income and improve public welfare. Meanwhile, Dylan states that economic growth is the process of increasing per capita output in the long run.

Factors affecting economic growth include:

1. Natural resources
2. Human resources
3. Capital
4. Technology
5. Infrastructure
6. Economic and political stability

High economic growth is expected to create new employment opportunities, increase public income, and reduce the number of poor people. However, if economic growth is unevenly distributed, its benefits will not be optimally enjoyed by all members of society.

3. Methodology

This study discusses the effects of inflation, unemployment, and Gross Regional Domestic Product (GRDP) on the number of poor people in South Sumatra. The object of this research is poverty in South Sumatra. This study uses one dependent variable, namely the number of poor people, and three independent variables consisting of inflation, unemployment, and GRDP. The data used in this study cover the period from 2015 to 2023.

3.1 Data

Data can be classified into two types based on the time of collection: time series data and cross-sectional data. This study uses time-series data, which are data collected periodically over time from a particular object in order to describe its development. In addition, data can also be classified based on their nature into qualitative and quantitative data. This study uses quantitative data, namely numerical data that can be analyzed using statistical computation techniques (Ulum & Veronica, 2023).

The data used in this study are secondary data, namely data obtained through the process of reading, reviewing, and studying various other sources, such as company literature, books, and documents (Raihan, 2019). These data were obtained from reports published by Statistics Indonesia (BPS) and Bank Indonesia.

3.2 Analysis Method

This study applies multiple regression analysis to examine the effects of inflation, unemployment, and GRDP on the number of poor people in South Sumatra. The analysis was conducted with the assistance of tables and graphs presenting the observed variables, which were then related to the relevant theories.

Quantitative analysis methods were used to evaluate the effect of inflation, unemployment, and GRDP on the number of poor people in South Sumatra. The data estimation process was conducted using EViews 9 software, with the functional model formulated as follows:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + e$$

Whereas :

Y = number of poor people
 x_1 = Inflation
 x_2 = Unemployment
 x_3 = GRDP
 a = Constant
 b_1, b_2, b_3 = Coefficient Regression
 e = Error term

4. Results And Discussion

Research Results

This study aims to determine the effect of inflation, unemployment, and Gross Regional Domestic Product (GRDP) on the number of poor people in South Sumatra Province during the 2015–2023 period. The data used in this study are secondary data obtained from Statistics Indonesia (BPS) and official publications issued by the regional government. The analytical method employed in this research is multiple linear regression analysis using statistical software. The dependent variable in this study is the number of poor people, while the independent variables consist of inflation, unemployment, and GRDP.

Based on the results of data processing, the following regression equation was obtained.

Tabel 2. Regression Results

Variable	Coefficien t	Std Error	t-Statistic	Prob.
C	7.806848	0.392634	19.88328	0.0000
LOG (Inflasi)	-0.014811	0.014735	-1.005137	0.3610
LOG (Pengan gguran)	5.045231	0.048019	0.941932	0.0095
LOG (PDRB)	-0.067385	0.027762	-2.427267	0.0596

Sumber: Secondary Data Processing (2025)

Coefficient of Determination Test (R^2)

The calculation was conducted to determine the proportion or percentage of the total variation in the dependent variable that can be explained by the regression model. The R^2 value in the regression model is 0.713524, indicating that the variables of inflation, unemployment, and GRDP are able to explain 71.35% of the variation in the number of poor people in South Sumatra, while the remaining 28.65% is influenced by other variables outside the model.

T-Test (Partial Significance Test)

The t-statistical test is used to determine the relationship between each independent variable and the dependent variable. The probability value of the t-statistic for the inflation variable is 0.3610, which is greater than 0.05, indicating that inflation does not have a significant effect on the number of poor people in South Sumatra. The coefficient of the inflation variable is -0.014811, indicating that a 1 percent increase in inflation will reduce

the number of poor people in South Sumatra by 0.014811 percent.

A different result is found in the unemployment variable. The probability value of the t-statistic for the unemployment variable is 0.0095, which is smaller than 0.05, indicating that unemployment has a significant effect on the number of poor people in South Sumatra. The coefficient of the unemployment variable is 5.045231, indicating that a 1 percent increase in unemployment will increase the number of poor people in South Sumatra by 5.045231%.

The results of the t-statistical test for the GRDP variable show that the probability value of the t-statistic is 0.0596, which is greater than 0.05, indicating that GRDP does not have a significant effect on the number of poor people in South Sumatra. The coefficient of the GRDP variable is -0.067385, indicating that a 1 percent increase in GRDP will reduce the number of poor people in South Sumatra by 0.067385 percent.

F-Statistic Test

The F-statistical test is used to evaluate the simultaneous relationship between the independent variables and the dependent variable. The F-test results show that the probability value of F-statistic is 0.039749, which is smaller than the significance level of 0.05. Therefore, it can be concluded that the estimated regression model is appropriate for explaining the effect of inflation, unemployment, and GRDP on the number of poor people in South Sumatra.

Discussion

The Effect of Inflation on the Number of Poor People

The results of this study indicate that inflation has a negative and insignificant effect on the number of poor people in South Sumatra. This means that changes in the inflation rate during the research period did not have a statistically significant impact on increasing the number of poor people. Although theoretically inflation can reduce people's purchasing power, especially among low-income households, the findings of this study show that inflation was not the main determinant of poverty in South Sumatra during the 2015–2023 period.

This condition may occur because inflation in South Sumatra during the research period was relatively controlled, so its effect on poverty was not strong enough to be statistically significant. In addition, poor households may have received support from government social assistance programs, price stabilization policies, or subsidies that helped reduce the direct impact of inflation on household consumption. Therefore, although inflation is generally associated with a decline in purchasing power, its effect on poverty may differ depending on the level of inflation, government intervention, and household coping strategies.

The findings of this study are different from several studies in other provinces. For example, research in West Sulawesi found that inflation tends to increase poverty because rising prices of goods and services reduce the purchasing power of poor households. However, in South

Sumatra, inflation did not significantly affect the number of poor people. This difference indicates that the impact of inflation on poverty is not always the same across regions. The effect depends on the structure of household consumption, price stability, income level, and the effectiveness of regional government policies in controlling the prices of basic needs.

From the perspective of international literature on poverty determinants, inflation is considered one of the macroeconomic factors that may affect poverty because it influences the real income and purchasing power of households. However, inflation does not always become the dominant factor if other structural factors, such as unemployment, low productivity, inequality, and limited access to economic opportunities, have a stronger influence. Therefore, the insignificant effect of inflation in this study suggests that poverty in South Sumatra is more strongly related to structural economic problems rather than short-term price changes.

The Effect of Unemployment on the Number of Poor People

The results of this study indicate that unemployment has a positive and significant effect on the number of poor people in South Sumatra. This means that an increase in the unemployment rate will increase the number of poor people. This finding shows that unemployment is one of the most important determinants of poverty in South Sumatra.

Unemployment causes people to lose their sources of income, thereby reducing their ability to meet basic needs such as food, housing, education, and healthcare. Individuals who do not have permanent employment are more vulnerable to poverty because they do not have stable income to support household consumption. This condition becomes more serious among people with low levels of education and limited skills because they have fewer opportunities to enter formal and productive employment sectors.

The findings of this study are consistent with economic theory, which explains that employment opportunities are closely related to public welfare. According to Arthur Cecil Pigou's theory, unemployment occurs due to an imbalance between the labor force and available employment opportunities. When the number of job seekers is higher than the number of available jobs, some people will remain unemployed and lose income. As a result, their risk of falling into poverty increases. This finding is also in line with Ragnar Nurkse's vicious circle of poverty theory, which states that low income leads to low purchasing power, low savings, low productivity, and limited opportunities to improve welfare.

The results of this study are also in line with previous research in other provinces. For example, research in Central Java found that unemployment had a positive and significant effect on poverty. This means that an increase in unemployment was followed by an increase in poverty levels. Similar results were also found in several studies on poverty in Indonesian provinces, which explain that unemployment is an important factor affecting poverty

because it directly reduces household income. Therefore, the findings in South Sumatra strengthen the argument that unemployment is a major determinant of poverty at the regional level.

International literature also supports this finding. The World Bank states that jobs are one of the most reliable pathways out of poverty because stable and better-paid employment can increase income, improve household welfare, and strengthen economic resilience. Therefore, the significant effect of unemployment on poverty in South Sumatra shows that poverty alleviation policies should not only focus on social assistance but also on job creation, skills improvement, and the expansion of productive economic sectors.

Based on these findings, the regional government needs to prioritize policies that can reduce unemployment. These policies may include expanding employment opportunities, improving vocational training, supporting micro, small, and medium enterprises, strengthening labor market information systems, and encouraging investment in sectors that absorb a large number of workers. By reducing unemployment, household income can increase and poverty levels in South Sumatra can be reduced more effectively.

The Effect of GRDP on the Number of Poor People

The results of this study indicate that Gross Regional Domestic Product (GRDP) has a negative and insignificant effect on the number of poor people in South Sumatra. This means that an increase in GRDP tends to reduce the number of poor people, but the effect is not statistically significant. In other words, economic growth in South Sumatra has not been strong enough or evenly distributed enough to significantly reduce poverty.

Theoretically, an increase in GRDP reflects the growth of regional economic activities, including production, income, investment, and employment opportunities. Higher GRDP is expected to increase public income and reduce poverty. However, the results of this study indicate that economic growth in South Sumatra has not automatically reduced the number of poor people. This may happen because the benefits of economic growth are still concentrated in certain sectors or groups of society and have not been fully enjoyed by low-income communities.

This finding can be explained by Kuznets' theory, which states that in the early stages of economic development, economic growth may be accompanied by inequality. Although regional income increases, the distribution of income may remain unequal. As a result, poor communities may not fully benefit from economic growth. In the case of South Sumatra, GRDP growth may be driven by sectors such as mining, plantations, and large-scale trade, which may not directly absorb many poor workers. Therefore, although GRDP increases, its impact on poverty reduction may be limited.

The findings of this study are different from several studies in other regions. For example, research in Central Java found that GRDP had a negative and significant effect on poverty, meaning that economic growth was able

to reduce poverty in that region. In addition, a study using data from 34 provinces in Indonesia found that GRDP had a significant negative effect on poverty. Compared with these findings, the insignificant effect of GRDP in South Sumatra indicates that regional economic growth has not been inclusive enough. Economic growth may occur, but it has not fully created employment opportunities or increased the income of poor households.

International literature also explains that economic growth is important for poverty reduction, but growth must be inclusive. Dollar and Kraay argue that economic growth generally contributes to improving the income of the poor. However, the effect of growth on poverty reduction depends on whether the benefits of growth are distributed widely across society. Therefore, the insignificant effect of GRDP in this study suggests that economic growth in South Sumatra needs to be accompanied by policies that promote equality, employment creation, and access to productive economic opportunities.

Based on these findings, the regional government should not only focus on increasing GRDP but also on improving the quality of growth. Economic growth needs to be directed toward sectors that can absorb labor, increase household income, and reduce inequality. Policies such as strengthening small and medium enterprises, improving rural infrastructure, supporting agricultural productivity, and expanding access to education and skills training are important to ensure that GRDP growth can have a more significant impact on poverty reduction.

The Simultaneous Effect of Inflation, Unemployment, and GRDP on the Number of Poor People

Based on the simultaneous test results, inflation, unemployment, and GRDP collectively have a significant effect on the number of poor people in South Sumatra. This means that poverty in South Sumatra is not determined by a single factor but by the interaction of various macroeconomic factors. Inflation affects purchasing power, unemployment affects household income, and GRDP reflects the level of regional economic growth.

The simultaneous significance of these variables indicates that poverty is a multidimensional problem. Although inflation and GRDP are not partially significant, both variables still contribute to explaining changes in poverty when analyzed together with unemployment. This shows that poverty cannot be solved only through one policy approach. Poverty alleviation requires integrated policies that combine price stability, employment creation, and inclusive economic growth.

The findings of this study are consistent with development theory proposed by Michael P. Todaro, which states that economic development is not only measured by economic growth but also by improvements in income, employment opportunities, and equitable welfare distribution. In this study, unemployment is proven to be the most dominant factor affecting poverty, while inflation and GRDP also have relationships with

poverty although their partial effects are not significant. This means that poverty reduction in South Sumatra requires policies that focus on expanding employment opportunities and ensuring that economic growth benefits all groups of society.

The results of this study are also supported by international poverty literature. Poverty determinants are generally related to employment, income, economic growth, inequality, education, access to public services, and vulnerability to economic shocks. Therefore, the findings of this study confirm that poverty in South Sumatra is not only caused by low economic growth or price changes but also by limited access to decent employment and unequal distribution of economic benefits.

Compared with studies in other provinces, the results of this study show both similarities and differences. The positive and significant effect of unemployment is consistent with studies in Central Java and other Indonesian provinces, which found that unemployment increases poverty. However, the insignificant effect of GRDP differs from studies that found economic growth significantly reduced poverty. This difference suggests that the relationship between macroeconomic variables and poverty may vary across regions depending on economic structure, labor absorption, inequality, and government policy effectiveness.

Therefore, the regional government of South Sumatra needs to implement integrated poverty reduction policies. First, the government needs to maintain price stability, especially for basic necessities, so that inflation does not reduce the purchasing power of poor households. Second, the government needs to expand employment opportunities through investment, entrepreneurship development, and labor-intensive sectors. Third, economic growth should be directed to be more inclusive by ensuring that the benefits of GRDP growth are enjoyed by low-income communities. With these policies, poverty reduction in South Sumatra can be achieved more effectively and sustainably.

5. Conclusion and Suggestions

Conclusion

Based on the results of the study analyzing the effects of inflation, unemployment, and Gross Regional Domestic Product (GRDP) on the number of poor people in South Sumatra, with the parameters analyzed using the Ordinary Least Squares (OLS) method, the effects of these variables have been identified. Therefore, the conclusions of this study can be formulated as follows:

1. Inflation, unemployment, and GRDP are able to explain the proportion of variation in the number of poor people in South Sumatra, as reflected in the coefficient of determination (R^2) calculated in the statistical model.
2. The partial test results indicate that the inflation variable has a negative and insignificant effect on the number of poor people in South Sumatra. This shows that changes in inflation rates during the research

period did not have a substantial impact on changes in the number of poor people. This condition may occur because of government policies in maintaining price stability and providing social assistance to communities, thereby minimizing the impact of inflation on poverty.

3. The partial test results indicate that the unemployment variable has a positive and significant effect on the number of poor people in South Sumatra. This indicates that the higher the unemployment rate, the higher the number of poor people. Unemployment causes people to lose their sources of income, thereby reducing their ability to fulfill their living needs. Therefore, unemployment is one of the main factors influencing poverty levels.
4. The partial test results indicate that the GRDP variable has a negative and insignificant effect on the number of poor people in South Sumatra. This means that an increase in GRDP tends to reduce the number of poor people; however, the effect is not statistically strong enough. This condition indicates that the economic growth that has occurred has not been evenly enjoyed by all levels of society.
5. Inflation, unemployment, and GRDP simultaneously affect the number of poor people in South Sumatra, as reflected in the simultaneous testing results. This indicates that poverty levels are influenced by various interconnected macroeconomic factors.
6. Among the three variables examined, unemployment is the most dominant variable affecting the number of poor people in South Sumatra. Therefore, reducing unemployment rates is one of the important steps in efforts to reduce poverty levels

Suggestions

Based on the conclusions presented above, the following suggestions are proposed in relation to the findings of this study:

For the Regional Government

1. The regional government should strengthen employment creation programs through the development of MSMEs, industrial sectors, and investment opportunities to reduce unemployment rates.
2. The government should maintain inflation stability by monitoring the prices of basic necessities and implementing appropriate subsidy policies for low-income communities.
3. The government should encourage inclusive economic growth so that the benefits of GRDP growth can be enjoyed by all levels of society, especially poor households

For Future Researchers

1. Future studies are recommended to include additional variables that may affect poverty, such as education level, minimum wage, income inequality, population growth, and government expenditure.
2. Future researchers may use a longer observation period to obtain more comprehensive results.

Future studies are encouraged to employ different analytical methods, such as panel data regression or time-series econometric models, to provide more robust findings regarding the determinants of poverty.

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