THE ROLE OF PHYSICAL CAPITAL ON REDUCTION POVERTY: EVIDENCE REGIONAL AUTONOMY

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Abstract: This study has purpose to determine the role of physical capital and fiscal decentralization in overcoming poverty in autonomous regions, the districts and cities of Central Java. The analysis instrument used in this study was cross section data panel regression since the number of cross section data was larger than the times series data. An important finding in this study was that physical capital has a very important role in overcoming poverty. Physical capital in this study was education and health. Based on the results of regression, education and health have a significant negative effect on poverty, whereas, fiscal decentralization has no significant effect on poverty.

Keyword: Physical Capital, Fiscal Desentralization, Poverty

1. Introduction

Development is an effort to achieve social welfare through activities that are able to develop economic activities and the standard of living of a country's people. It should be realized, the direction and goals of national development implies that all efforts and development activities must be utilized to improve the welfare of the community, and the results achieved must be able to enjoy the entire community equally. Achieving the level of population welfare in the concept of economic development certainly involves many factors (multidimensional) ranging from social, economic and other (Arsyad, 2010; Todaro& Smith, 2011). In other words, economic development is not only pursuing high economic growth, but also poverty and poverty alleviation.

In line with the above statements, the Indonesian Central Bureau of Statistics (2018) also said that the issue that was of concern to the government regarding community welfare was a fundamental problem regarding poverty.
Table 1. The Number of Poor Population and Poverty Percentage According to Island Semester 2 (September) in Indonesian

<table>
<thead>
<tr>
<th>Island</th>
<th>2013</th>
<th>Population</th>
<th>%</th>
<th>2017</th>
<th>Population</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sumatera</td>
<td>6.190,06</td>
<td>11,03</td>
<td></td>
<td>5.969,11</td>
<td>10,04</td>
<td></td>
</tr>
<tr>
<td>Jawa+Bali</td>
<td>15.733,46</td>
<td>9,42</td>
<td></td>
<td>14.112,94</td>
<td>8,16</td>
<td></td>
</tr>
<tr>
<td>Nusa Tenggara</td>
<td>1.811,60</td>
<td>18,75</td>
<td></td>
<td>1.882,86</td>
<td>18,22</td>
<td></td>
</tr>
<tr>
<td>Kalimantan</td>
<td>978,71</td>
<td>10,60</td>
<td></td>
<td>988,48</td>
<td>10,06</td>
<td></td>
</tr>
<tr>
<td>Sulawesi</td>
<td>2.139,58</td>
<td>12,85</td>
<td></td>
<td>2.107,63</td>
<td>11,98</td>
<td></td>
</tr>
<tr>
<td>Maluku</td>
<td>408,33</td>
<td>13,46</td>
<td></td>
<td>398,70</td>
<td>12,37</td>
<td></td>
</tr>
<tr>
<td>Papua</td>
<td>1.292,21</td>
<td>29,34</td>
<td></td>
<td>1.123,28</td>
<td>25,44</td>
<td></td>
</tr>
<tr>
<td>Western Region of Indonesia</td>
<td>21.923,52</td>
<td>10,22</td>
<td></td>
<td>20.082,05</td>
<td>9,10</td>
<td></td>
</tr>
<tr>
<td>Eastern Region of Indonesia</td>
<td>6.630,43</td>
<td>17,00</td>
<td></td>
<td>6.500,95</td>
<td>15,61</td>
<td></td>
</tr>
<tr>
<td>Indonesia</td>
<td>28.553,95</td>
<td>11,47</td>
<td></td>
<td>26.583,00</td>
<td>10,12</td>
<td></td>
</tr>
</tbody>
</table>

Source: BPS, processed data

Based on table 1, it can be seen that there is an interesting things about the percentage of poverty in all regions of Indonesia which has decreased, however, some regions have experienced an increase in the number of poor people. Furthermore, that the Western Region of Indonesia has a greater number of poor people than the Eastern Region of Indonesia, but the poverty rate in the Eastern Region of Indonesia is higher than the Western Region of Indonesia. As one of the western regions of Indonesia, Java-Bali has the highest number of poor people, but has the lowest percentage of poverty compared to other regions.

According to Bappenas report (2015) regarding the results of the evaluation of the RPJMN (Rencana Pembangunan Jangka Menengah Nasional/ National Medium Term Development Plan) for 2010-2014, the Central Java province became one of the seven provinces that were of particular concern in development. The determination of the province is one of them based on the high percentage of the poor.

As one of the provinces that becomes the main concern related to the problem of poverty, Central Java Province has a fairly high poverty rate. Although the poverty rate in Central Java and National tends to decrease however the poverty rate in Central Java is considered higher than the National level (see figure 1).
Figure 1. The Percentage of Poverty in Central Java on National Level, Semester 2 (September) 2013-2017

Source: BPS, data processed

All efforts and development activities must be utilized to improve the welfare of the community, and the results achieved must be enjoyed equally by the entire community. Achieving the level of population welfare in the concept of economic development certainly involves many factors (Dauda, 2017; Hadliroh, 2014; Moche, Monkmam, & Aye, 2014; Todaro & Smith, 2011).

Factors causing poverty are socio-economic problems (Kurniawan, 2017). From the social side, one of them is human capital in terms of physical capital. Physical capital in question is education and health (Adeyemi, Ijaiya, & Raheem, 2009; Bogale, Hagedorn, & Korf, 2005). Education becomes a pioneer in the nation's future development, because quality and quality education can determine the quality of development. Higher education will provide a good opportunity in obtaining employment, so as to obtain income to meet basic life needs (Akerele et al. 2012; Hagedorn et al. 2005). In addition, the low quality of health is seen as the cause of poverty (Kurniawan, 2017). Health is one of the basic needs of the community. Improving health services will be an investment in human resources to achieve prosperity. Good health conditions are able to work and increase productivity, so getting income to meet basic needs.
Other indicators related to poverty is the government policies. As for the government policy that was taken into account related to regional autonomy regarding decentralization. The existence of a regional autonomy policy is expected that the regions will be more independent in their regional arrangements. Fiscal decentralization can bring great economic efficiency in the allocation of resources between public sectors. Fiscal decentralization can improve economic efficiency since local governments are closer to local communities than the central government so that local governments will be more responsive to local needs and preferences (Fadli, 2014; Panjawa, Samudro, & Soesilo, 2018). Regional autonomy can have a negative impact on economic development. This could happen because of government policies made not pro poor but pro rich. In addition, the high level of corruption and poor governance can also be a trigger for increasing poverty (Dauda, 2017).

Government efforts in combating poverty have always been carried out and have always been included in priority programs in national development, especially Central Java. The phenomenon described above is interesting to be studied more deeply, particularly on the role of fiscal decentralization and physical capital in overcoming poverty in the Districts and Cities of Central Java.

2. Literature Review

Economic development can be interpreted as a process where change occurs continuously which causes an increase in the real income per capita of the population in a region in the long run accompanied by improvements in the development system in all fields, such as economics, social, political, legal, and cultural (Arsyad, 2010).

Todaro (2011) adds that economic development must be seen as a multidimensional process that includes various fundamental changes to social structure, attitudes of society and social institutions, while still pursuing accelerated economic growth, handling income inequality and alleviating poverty. The nature of development should show changes in the overall social system in accordance with various basic needs, as well as efforts to foster the aspirations of individuals and social groups in the system as a whole, without exception to move forward towards a
better living conditions (including material and spiritual). The success of economic development can be seen from three main values, namely: (1) The development of the community's ability to fulfill basic needs, (2) Increased sense of self-esteem as a human, and (3) Increased ability of the community to freedom form servitude which is one of human rights.

The last few decades, the development paradigm continues to experience shifts and fundamental changes. There are distortions in the form of errors in the application of development models that are the cause. Paradigms by changing the tendency to measure the success of development on a macro basis are regional and regional approaches that are considered suitable to be implemented. The issue of balanced regional development is an even growth from different regions to improve the development of capabilities and needs of each region (Rustiadi, Saefulhakim, & Panuju, 2011). The development shift above is interesting to be linked in observing the success of economic development. It needs to be realized, the direction and goals of national development imply that all development efforts and activities must be utilized to improve the welfare of the community, and the results achieved must be enjoyed equally by the entire community, so that it comes out of the circle of poverty.

According to Kuncoro (2010), poverty refers to conditions as an inability to meet minimum living standards. Poverty is different from the inequality of income distribution. This difference really needs to be emphasized because poverty is closely related to the absolute standard of living of certain parts of society, while inequality refers to the relative standard of living of the entire community. At the level of extreme inequality, only one person has wealth, and a very high poverty rate.

According to Amartya Sen in Todaro (2011) someone is categorized as poor if they experience a lack of substantive freedom or in other words experience capability deprivation. Fahmi (2014) and Merdekawati (2013) added that poverty arises due to differences in abilities, differences in opportunities and differences in resources. The existence of these differences arises when a person or group of people is unable to meet the level of economic prosperity which is considered as a minimum requirement of a certain standard of living.
According to Arsyad (2010), the condition of inability to fulfill basic needs of life directs a person or group of people to the circle of poverty. The circle of poverty traps (poverty traps) shows a series of forces that influence each other in such a way as to create a situation where a country will remain poor and will continue to experience many difficulties in achieving a higher level of development. The circle of poverty arises from the interplay between the conditions of the people who are still backward (traditional) and natural resources that have not been fully utilized.

Furthermore, as stated by Arsyad (2010), these conditions are related to natural resources that have not been fully cultivated and have not been developed for three reasons: (1) the level of education of the people is still relatively low, (2) lack of needed experts, and (3) limited mobility from existing resources. In addition, Pratama (2014) and Jindra (2018) added that related to the problem of capital formation in developing countries and cultural elements also shows the linkages in a process of poverty.

All poverty measures are considered based on certain norms, especially in terms of measuring poverty based on consumption. The consumption-based poverty line consists of two elements, namely: (1) expenditure needed to buy minimum nutritional standards and other basic needs; (2) the number of other needs that are very varied, reflecting the costs of participation in people’s daily lives (Arsyad, 2010; Kuncoro, 2010; Todaro, 2011). One type of poverty and measurement issued by the Indonesian Central Bureau of Statistics which is based on the concept of capability in meeting basic needs approaches. The Central Statistics Agency (BPS) uses the concept of capability in meeting basic needs approaches to measure poverty. The main data source used is the data from the National Socio-Economic Survey (SUSENAS) which is used to estimate the proportion of expenditures for each non-food staple commodity. All efforts and development activities must be utilized to improve community welfare. The achievement of the level of population welfare in the concept of economic development certainly involves many factors (Dauda, 2017; Hadliroh, 2014; Moche et al., 2014; Todaro & Smith, 2011). Factors that are the cause of poverty are socio-economic problems (Kurniawan, 2017). From the social side, one of them is human capital in terms of physical capital. Physical capital in question is education and health (Adeyemi et al., 2009; Bogale et al., 2005).
Education is one of the basic human capital that must be fulfilled to achieve sustainable economic development. Improving the quality of human resources also starts with development efforts in the field of education (Sunusi, Kumenaung, & Rotinsulu, 2014). Education becomes a pioneer in the nation's future development, because quality and quality education can determine the quality of development. Higher education will provide a good opportunity in obtaining employment, so as to obtain income to meet basic life needs (Akerele et al. 2012; Hagedorn et al. 2005).

In addition, the low quality of health is seen as the cause of poverty (Kurniawan, 2017). Health is one of the basic needs of the community. Improvement and fulfillment of health services both by the community and the government in a fair, equitable, adequate, affordable and quality manner will be an investment of resources to achieve prosperity. Good health conditions are able to work and increase productivity, so earning income to meet basic needs in order to achieve a level of well-being (Widodo et al., 2011).

In the institutional side related to the influence of poverty on government policies. The government policies that are taken into account are related to regional autonomy regarding decentralization. The existence of a regional autonomy policy is expected that the regions will be more independent in their regional arrangements. Fiscal decentralization can bring great economic efficiency in the allocation of resources between public sectors. Fiscal decentralization can improve economic efficiency since local governments are closer to local communities than the central government so that local governments will be more responsive to local needs and preferences (Fadli, 2014; Panjawa et al., 2018). The decentralization policy is expected to be able to reduce poverty with regional authority in conducting financial management, especially in poverty alleviation programs.

3. Research Methods

The positivist perspective (positivist) describes the researcher starting with a causal relationship that is logically taken from the law of causation in general theory. This perspective logically links abstract ideas with precise measurements in the social world. Researcher was remain separate, neutral and objective when measuring various aspects of social life, investigating evidence and making replicas of other people’s research. All processes lead to the empirical testing and
confirmation of law (theory) in the social life. In general, the positivist perspective uses a deductive direction approach. The approach with deductive direction can develop and confirm a theory that starts with abstract concepts and theoretical relationships and leads to more concrete empirical evidence (Neuman, 2011). Therefore, this study applied a positivist perspective with a deductive approach.

The scope of this study was Central Java Province with 29 Regencies and 6 Cities. The period of observation from 2011 to 2016. The time period was chosen to determine the condition of regency and city governments in Central Java in the era of regional autonomy, namely after six years of the implementation of regional autonomy No. 32 of 2004. Election of Central Java province as a location used in research because based on the Bappenas report (2015) the results of the evaluation of the RPJMN for 2010-2014 show that Central Java province is one of the provinces with high poverty and to know the poverty condition of the region. Therefore, it needs to be studied more deeply related to the factors that affect the poverty in Central Java District and City in 2011-2016, particularly on the role of physical capital analyzed by using the variables of education and health.

The type of data used in this study was secondary data using a data panel. Sources of data from previous studies, reports and agencies such as the Central Statistics Agency. The dependent variable in this study was the poverty level, meanwhile, the independent variables in this study were as follows:

3.1 Education

The expectation of school period is the proxy of education. According to the Central Statistics Agency (2017), the expectations of school period indicate the length of school (in years) expected by children of a certain age in the future. Coverage in calculating school-aged expectations is education of residents from the age of 7 years and above. This indicator was used to determine the condition of the development of the education system at various levels which is indicated in the form of the length of education that each child is expected to achieve. As for the expectations school period unit is the year.

3.2 Health

Life expectancy at birth is proxy of health. According to the Central Statistics Agency (2017), life expectancy shows the mortality rate seen from the side of life
expectancy or can be said to represent the dimension of longevity and healthy life. Life expectancy reflects the degree of public health in an area, both from infrastructure, access, and quality of health. In other words indirectly, increasing life expectancy illustrates the degree of public health getting better in all aspects of health. The life expectancy unit is years.

3.3 Fiscal Decentralization

Fiscal decentralization was used to determine the financial performance of local governments. Fiscal decentralization in this study was measured by the ratio of Indigenous Revenue to the Total Regional Recipients in units of percent.

The analysis technique used in the study was panel data regression. Gujarati & Dawn (2010) explains that panel data is done by stacking observations of timeseries with individuals (cross section) or a combination of time series data and cross section. In this study panel data used included a balanced type of short panel because the number of cross sections (N) was greater than the time period (T) and each subject had the same number of observations. Teknik Analisis yang digunakan dalam penelitian adalah regresi data panel.

The panel data model is a model equation by combining times series and cross section data, so the model can be written as follows (Gujarati & Dawn, 2010):

\[ Y_{it} = \beta_0 + \beta_1 X_{it} + \mu_{it} \tag{3.1} \]

where, \( i = 1, 2, ..., N \); \( t = 1, 2, ..., T \); \( Y \) = dependent variable; \( X \) = independent variable; \( N \) = number of observation; \( T \) = the length of time; dan \( N \times T \) = number of panel data.

Panel data regression analysis was used to analyze the determinants of poverty levels, especially the role of physical capital. In general, the above panel data regression model for this study was formed from a panel model from Gujarati & Dawn (2010) which can be formulated as follows:

\[ POVR_{it} = \beta_0 + \beta_1 AHH_{it} + \beta_2 HLS_{it} + \beta_3 DF_{it} + u_{it} \tag{3.2} \]

where \( POVR \) is the level of poverty; \( AHH \) is the number of life expectancy; \( HLS \) is the length of schoold period; \( DF \) is the fiscal decentralization; \( i \) showed the distric
and cities in Central Java, 35 districts/cities (i = 1,2,3,...35) and t showed the year of the observation (t = 2011, ...., 2016).

There are three panel data methods that can be used, namely Pooled Ordinary Least Square/ PLS Method, Fixed Effect Model/ FEM and Random Effect Model/ REM. The selection of the right panel data model can be used with the chow test, hausman test and Pagan Breusch LM test (Gujarati & Dawn, 2010).

After analyzing the selection of the right model used in the study, the next step needs to be tested for classical assumptions, test the goodness of fit and test the validity of influence to see the accuracy of the regression function in assessing the actual value. Not all classic assumption tests were carried out in each regression model, especially in the panel data regression model. Baltagi in Gujarati & Dawn (2010) explains that panel panel usage has advantages compared to time series data or cross section. As for the advantages of panel data, the combination of times series and cross section member observations has more information, variation, less collinearity between variables, more efficient and more degree of freedom. Therefore, there is no need to do a multicollinearity test, and it is assumed that the model is linear so that there is no need to use the model specification test. According to Basuki (2014) and Widarjono (2007), if panel data is more likely to focus on the characteristics of cross section data than time series, it is necessary to do heteroscedasticity testing because the test usually occurs in cross section data. In addition, the normality test is basically not a Best Linear Unbias Estimator requirement, in other words panel data can minimize bias/ deviation, meanwhile, autocorrelation tests appear on time series data problems and rarely occur in cross section data. Therefore, classic assumption test used in this study was only the heteroscedasticity test.
4. Result And Discuss

The estimation results of panel data regression with Pooled Ordinary Least Square (PLS) approach, Fixed Effect Model (FEM), and Random Effect Model (REM) can be seen in the following table 2.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Dependent: Poverty (POVR)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PLS</td>
</tr>
<tr>
<td>Constant (C)</td>
<td>101,8256</td>
</tr>
<tr>
<td>Number of Life Expectancy (NLE)</td>
<td>-0,9481</td>
</tr>
<tr>
<td>Expectacy of School Period (ESP)</td>
<td>-1,4401</td>
</tr>
<tr>
<td>Fiscal Decentralization (FD)</td>
<td>-0,0070</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>0,4755</td>
</tr>
<tr>
<td>F-Statistic</td>
<td>62,2514</td>
</tr>
<tr>
<td>Prob.F-Statistic</td>
<td>0,0000</td>
</tr>
</tbody>
</table>

Source : Output of the Result of Regression, data processed

The determination of the best estimation model from the estimation results of PLS, FEM and REM is used the Chow test, Hausman test, and Langrange Multiplier test. For the Chow test, the best model is PLS and in the Hausman test the best model is REM, the Langrange Multiplier test was used to determine the best estimation model between PLS and REM results.

<table>
<thead>
<tr>
<th>Effects Test</th>
<th>Statistic</th>
<th>d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section (F)</td>
<td>199,6039</td>
<td>(34,172)</td>
<td>0,0000***</td>
</tr>
<tr>
<td>Cross-section Random (Chi-square)</td>
<td>17.4974</td>
<td>3</td>
<td>0,0006***</td>
</tr>
</tbody>
</table>

Explanation : *Significant level at \( \alpha = 1\% \); **Significant level at \( \alpha = 5\% \); ***Significant level at \( \alpha = 10\% \)

Source: Output of the Result of Regression, data processed

Based on table 3, the results of the Chow test and the Hausman Test, the right model used in this study is the Fixed Effect Model (FEM). To strengthen the selection of the model because the sample in this study was not taken randomly, FEM was more appropriate. According to Judge in Gujarati (2012), if the number of unit cross sections (N) is greater than the number of timeseries data (T) and individual units (cross sections) of samples not taken randomly from a larger sample,
the Fixed Effect Model (FEM) the right one to use. The full estimation results can be seen in the following table 4.

Table 4. Estimation Model Fixed Effect Model and Diagnosis Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Fixed Effect Model</th>
<th>Diagnosis Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formula</td>
<td>( \text{POVR}<em>{it} = 232,1735 - 2,7167\text{AH}</em>{it} - 1,3554\text{HLS}<em>{it} + 0,0006\text{DF}</em>{it} )</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0000)*</td>
<td>(0.0000)*</td>
</tr>
<tr>
<td></td>
<td>(0.0000)*</td>
<td>(0.3000)</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>0.9870</td>
<td></td>
</tr>
<tr>
<td>( \text{Adj-R}^2 )</td>
<td>0.9843</td>
<td></td>
</tr>
<tr>
<td>( F\text{-stat} )</td>
<td>353,9177</td>
<td></td>
</tr>
<tr>
<td>( \text{Prob.F-stat} )</td>
<td>0.0000*</td>
<td></td>
</tr>
<tr>
<td>Heteroscedasticity (Glejser)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>( \text{Prob.t HLS} )</td>
<td>0.7209</td>
<td></td>
</tr>
<tr>
<td>( \text{Prob.t AHH} )</td>
<td>0.4405</td>
<td></td>
</tr>
<tr>
<td>( \text{Prob.t DF} )</td>
<td>0.8050</td>
<td></td>
</tr>
</tbody>
</table>

Explanation : *Significant level at \( \alpha \) = 1%; **Significant level at \( \alpha \) = 5%; ***Significant level at \( \alpha \) = 10%

Source : Output of the result of Regression, data processed

Based on table 4, it can be seen that the fulfillment of goodness of fit and homoskedasticity. The fulfillment of goodness of fit in this study is simultaneously the variables of education, health and fiscal decentralization influence poverty in Central Java District and City during the observation period, while based on the interpretation of the determinant coefficient states that Variations in poverty variables can be explained by the variables of education, health and fiscal decentralization of 98.70 percent and the remaining 1.30 percent explained by other factors not included in the model.

It should be realized that the direction and objectives of national development should signal that all development efforts and activities must be utilized to improve the welfare of the community, and the results achieved must be enjoyed equally by the entire community, so that it comes out of the circle of the poverty. The significant finding of this study was that the physical capital has a very important role in overcoming poverty. Based on table 4, it can be seen that education and health have a significant negative effect on poverty in the Districts and Cities of Central Java at a significance level of 1 percent (0.01).

Education proxied using the expectations of school period showed the length of school (in years) expected by children at a certain age in the future. The need for the attention of the government, stakeholders and the private sector regarding the condition and improvement of the education system development at various levels is shown in the form of the expected length of education that can be achieved by each
child. Education is one of the basic human capital that must be fulfilled to achieve sustainable economic development. Education becomes a pioneer in the nation's future development, because quality and quality education can determine the quality of development. Higher education will provide a good opportunity in obtaining employment, so that an individual can earn income to meet the basic life needs and achieve prosperity.

The role of other physical capital is health. Life expectancy was proxied using health. Life expectancy reflects the health status of the community in an area. It is necessary to improve and improve all aspects of health, including infrastructure, access, and quality of health. Health is one of the basic needs of the community. Improving health services will be an investment in human resources to achieve prosperity. Good health conditions will give an individual an opportunity to work well and increase productivity for earning income to meet basic needs and achieve the prosperity. In a person who experiences physical health, bodily functions are working at peak performance, due not only to a lack of disease, but also to regular exercise, balanced nutrition, and adequate rest. We receive treatment, when necessary, to maintain the balance.

Physical wellbeing involves pursuing a healthful lifestyle to decrease the risk of disease. Maintaining physical fitness, for example, can protect and develop the endurance of a person's breathing and heart function, muscular strength, flexibility, and body composition.

In the results of this study, several things need to be considered is the role of government policy through fiscal decentralization, although it does not show a significant effect on poverty in Central Java districts and cities during the observation period. The lack of influence of fiscal decentralization policies indicates that the ratio of regional original income (PAD) to the total income is still small compared to other regional income sources such as balancing funds. Small regional revenue (PAD) will certainly affect the financing of pro-poor activities or programs, so that it is only sufficient for regional operational costs. Another indication is that there is still a large budget for personnel expenditure. Therefore, there needs to be a strategic policy that is able to become a stylus or stimulate the region to increase local revenue (PAD) to be more independent. The hope is that the regions are more independent and
understand local preferences to meet their needs, particularly in physical capital, namely education and health.

5. Conclusion

All efforts and development activities must be utilized to improve the welfare of the community, and the results achieved must be enjoyed equally by the entire community, so that it comes out of the circle of poverty. One of the efforts that can be done is by paying attention to physical capital. In this study physical capital has a very important role in overcoming poverty. The physical capital studied in this study is education and health. The results showed that education and health had a significant negative effect on poverty in autonomous regions namely Central Java districts and cities during the observation period, while fiscal decentralization had no significant effect.
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