Research Paper

Analysis of the Effects of Capital Expenditure, Human Development Index and Labor Absorbed to Economic Growth and Poverty in Aceh Province

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ABSTRACT

This study aims to analyze the effect of capital expenditure, human development index and labor absorbed partially and simultaneously on poverty through economic growth in Aceh Province. The type of data used in this study is quantitative data while the data source used in this study is secondary data. The objects in this study are all District/City in Aceh Province consisting of 18 regencies and 5 cities. This study uses pooled data that combines time series data and cross sections for five years, from 2014 to 2018. The data analysis method used in this study is path analysis. The results showed that capital expenditure, human development index and labor absorbed simultaneously have a significant effect on economic growth. Capital expenditure has a positive but not significant effect on economic growth. Human development index and labor absorbed have a positive and significant effect on economic growth. Then capital expenditure, human development index and labor absorbed simultaneously have a significant effect on poverty. Capital expenditure partially has a negative but not significant effect on poverty. Human development index and labor absorbed has a negative and significant effect on poverty and economic growth has a positive and significant effect on poverty. Capital expenditure, human development index and labor absorbed have no significant effect on poverty through economic growth.

Keywords: Capital Expenditure, Human Development Index, Labor Absorbed, Poverty, Economic Growth

INTRODUCTION

The Province of Aceh is located at the northwestern tip of Sumatra (01° 58' 37,2" – 06° 04' 33,6" North Latitude and 94° 57' 57,6" – 98° 17' 02" East Longitude) with the capital city of Banda Aceh. Aceh Province has an area of 56,956 km2. Administratively in 2019, Aceh Province has 23 District/City consisting of 18 District and 5 City, 289 Districts and 6514 villages or villages. The Province of Aceh has a strategic position as a gateway to the national and international trade routes connecting the eastern and western parts of the world with its territorial boundaries: in the south it borders North Sumatra Province, in the west it borders the Indian Ocean and in the east it borders the Malacca Strait. As one of the provinces that has a strategic position as a gateway for national and international trade traffic, Aceh Province must have a rapid economic growth rate. However, this is inversely proportional to the current growth rate. As for Figure 1 below, we can see the Economic Growth Rate of Indonesia and Aceh Province:
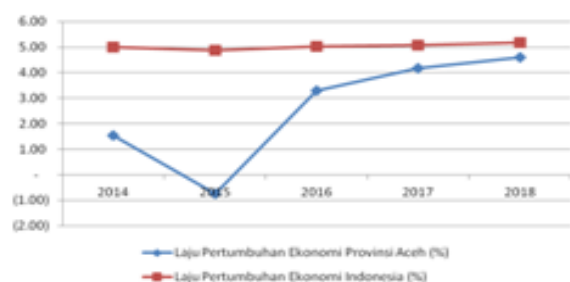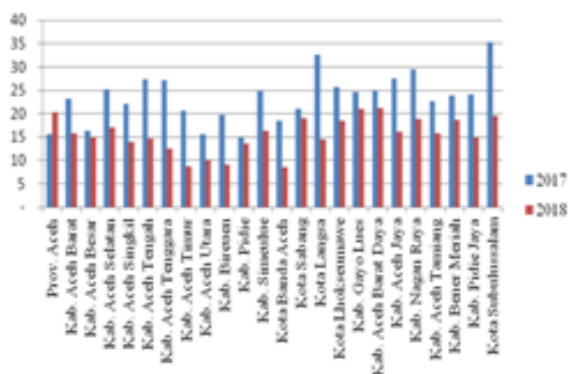

Source: BPS of Aceh Province (Data Processed)
Figure 1. Economic Growth Rate of Indonesia and Aceh Province

Based on Figure 1 shows the economic growth rate of Indonesia and Aceh Province. The Economic Growth Rate of Indonesia and the Province of Aceh has an upward trend. However, the rate of economic growth in Aceh Province is still below the rate of growth in Indonesia. Indonesia's economic growth rate ranges from 4 to 5 percent. While the economic growth rate of Aceh Province ranges from minus 1 to 4 percent.

The potential of capital expenditure in its role to improve public services should be the reason for the regional government to restructure the regional expenditure budget, which is to increase the proportion of capital expenditure compared to routine expenditure. As shown in the figure below, it can be seen the level of capital expenditure ratio per total District/City expenditure in the province.
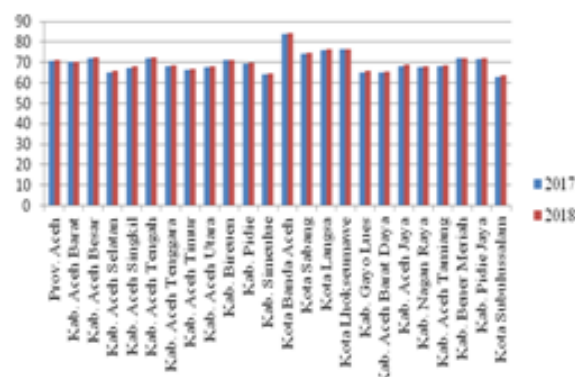

Source: DJPK (Data Processed)
Figure 2. Development of Capital Expenditure Ratio District/City in Aceh Province

Figure 2 shows a comparison of the development of capital expenditure per total District/City expenditure in Aceh Province from 2017-2018. Aceh Province in 2017 has a capital expenditure ratio per total expenditure of 16 percent, then in 2018 of 20 percent which means an increase in capital expenditure. The highest ratio of capital expenditure per expenditure in District/City in Aceh Province in 2017 was in Subulussalam City and Langsa City by 35 percent and 33 percent. North Aceh and Pidie districts have the lowest ratios of 16 percent and 15 percent, respectively.

However, the ratio of capital expenditure per total expenditure of District/City in Aceh Province in 2018 has decreased. It can be concluded that the trend of the ratio of capital expenditure per total expenditure of District/City in Aceh Province in 2018 has decreased.

United Nations Development Program (UNDP) is a program that develops a measure of development performance called the human development index (HDI) or the human development index (HDI). The indicators used to compile the HDI are life expectancy, length of school expectations, average length of schooling and the level of real per capita income based on purchasing power parity (PPP). The following are comparative data on the national human development index and the Aceh Province.

Source: BPS of Aceh Province (Data Processed)
Figure 3. Development of Human Development Index District/City in Aceh Province

Figure 3 shows the HDI in Aceh Province District/City in 2017-2018, showing the HDI of Aceh Province by 70.6 percent and increasing to 71.19 percent. In 2017 and 2018 HDI District/City in Aceh Province were the highest, namely Banda Aceh City at 83.95 percent and 84.37 percent and the lowest at Simeulue District at 62.88 percent and 63.84 percent. However, overall the Regency HDI. Cities in Aceh Province experienced an increase from 2014 to 2018.

Absorbed labor is a number of labor force that is already employed (absorbed in the economic sector). A high labor force is

formed from a high population. A workforce that has adequate education and skills that will be absorbed by the world of work and will drive the pace of economic growth. The following can be seen data on the number of workers absorbed in Aceh Province in 2014-2018.

Tabel 1. The Number of Workers Absorbed in Aceh Province, 2014-2018

Tahun	Penduduk 15 tahun Ke Atas		
	Angkatan Kerja (Jiwa)	Bekerja (Jiwa)	Pengangguran (Jiwa)
2014	2.123.312	1.931.823	191.489
2015	2.182.824	1.966.018	216.806
2016	2.330.000	2.158.000	172.000
2017	2.288.777	2.138.512	150.265
2018	2.353.440	2.203.717	149.723

Source: BPS of Aceh Province (Data Processed)

In the above it can be seen that the number of absorbed workers in Aceh Province experienced fluctuations that tended to increase every year and decreased in 2017. The highest number of absorbed workers occurred in 2018 reaching 2,203,717 people while the lowest number of absorbed workers was in 2014 of 1,931,823 inhabitants. The number of unemployed Aceh Province also continued to decline, but in 2015 it increased.

Poverty will have a negative impact, thus hampering the process of regional development. To overcome the problem of poverty, appropriate policies and strategies are needed, so that it will be more effective in reducing poverty. In Figure 4 can be seen the comparison of economic growth and the development of the number of poor people.
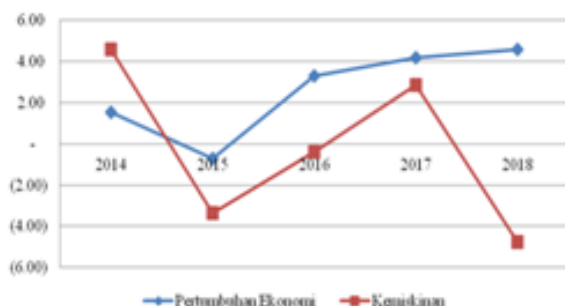
Source: BPS of Aceh Province (Data Processed)
Figure 4. Comparison of Economic Growth and Development of the Poor Population

Based on Figure 4 shows that economic growth and development of the

number of poor people fluctuate. This can be seen in 2015 economic growth has decreased by -0.73 percent but poverty has also decreased by 3.37 percent, then in 2017 is inversely proportional that economic growth has increased by 4.18 percent but poverty has also increased by 2 , 85 percent. This is inversely proportional to the theory which states that high economic growth will reduce poverty.

LITERATURE REVIEW
Capital Expenditure
In PP No. 58 of 2005 states that capital expenditures are expenditures made for the purchase/procurement of fixed assets and other assets that have a useful life of more than 12 (twelve) months to be used in government activities, such as in the form of land, equipment and machinery, buildings and buildings, networks, library books and animals.

Halim (2004:73), capital expenditure is a regional government expenditure whose benefits exceed one fiscal year and will increase regional assets or wealth and subsequently will add to routine expenditures such as maintenance costs in the General Administration Expenditure Group. Based on Minister of Home Affairs Regulation No. 29 of 2002, capital expenditure is divided into: public expenditure and apparatus expenditure. Syaiful (2007), capital expenditure can be categorized into 5 (five) main categories: land capital expenditure, equipment and machinery capital expenditure, building and building capital expenditure, road capital expenditure, irrigation and network, other physical capital expenditure.

Human Development Index
Humans are the true wealth of the nation. Human development places humanity as the ultimate goal of development, not a tool of development. Human development index is defined as a process of expanding people's choices (a process of enlarging people's choices) or a

process that improves aspects of people's lives (Ardiansyah, 2014).

HDI is one of the measurement tools that can be used to assess the quality of human development, both in terms of its impact on human physical conditions as reflected in Life Expectancy (health and well-being) and non-physical nature which can be seen from the quality of public education (Widawanto, 2015). The HDI is a composite index of 3 indices, namely: life expectancy index, knowledge index (old school expectation rate and old school average rate) and expenditure index. The formula used is as follows:

Health Dimension

$$I\ kesehatan = \frac{AHH - AHHmin}{AHHmaks - AHHmin}$$

Education Dimension

$$I\ HLS = \frac{HLS - HLSmin}{HLSmaks - HLSmin}$$

$$I\ RLS = \frac{RLS - RLSmin}{RLSmaks - RLSmin}$$

$$I\ pendidikan = \frac{IHLS - IRLS}{2}$$

Expenditure Dimension

$$= \frac{\ln(pengeluaran) - \ln(pengeluaran)min}{\ln(pengeluaran)\ maks - \ln(pengeluaran)\ min}$$

Labor

According to the Labor Law No. 13 concerning manpower Chapter I article I regarding stating that manpower is every individual who is capable of doing public works producing goods or services to meet their own needs for the community. Todaro (2000:319), population growth and labor force growth as one of the positive factors that spur economic growth. A large workforce will increase the number of productive workforce, while greater population growth means increasing the size of its domestic market. The structure of the population structure based on employment explains the term absorbed labor that is labor that has been absorbed by the economic sector in a certain time.

Figure 5. Composition of Population and Labor

Figure 5 explains that the population is divided into two namely labor and not labor. Basically, the workforce consists of the labor force and not the labor force. The workforce consists of those who work and those who are unemployed and looking for work. Whereas the non-labor force group consists of those who attend school, those who take care of the household and other groups or income earners. The three groups and workforce groups can at any time offer their services for work. Therefore, this group is often called the potential labor force (Simanjuntak, 1998: 19).

Economic growth

Economic growth shows the extent to which economic activity will generate additional community income in a given period. Because economic activity is basically a process of using factors of production to produce output, this process will in turn produce a flow of remuneration for the factors of production owned by the community. With economic growth, it is expected that people's income as the owner of production factors will also increase.

a.Classical Economic Growth Theory

According to Classical economist, Smith, output is influenced by two main factors namely total output growth and population growth (Kuncoro, 2010:40). There are three main elements of a country's production system, namely capital, labor and natural resources. The theory put forward by Smith also explains that in the beginning the increase in labor will cause an increase in per capita income, but the population continues to grow will result in the law of

more yields which decreases or marginal production will decrease and lead to an output condition equal to marginal production. This situation causes per capita income to reach maximum value. The population at the highest point is called the optimal population. The population continues to increase and exceeds the optimal point, population growth will cause a decrease in output (Kuncoro, 2010:43).

b.Harrod-Domar's Growth Theory

Harrod-Domar's growth theory emphasizes the importance of investing to replace or add capital goods that can enhance economic growth. Harrod-Domar's growth theory explains that any net addition to capital stock in the form of new investment will result in an increase in national output flows or GDP (Todaro & Smith, 2006:128). Harrod-Domar uses three components that affect economic growth, namely the capital-output or capital-output ratio (k); national saving ratio or national saving ratio (s), which is a part of national output that is always saved; and the amount of new investment determined by the total savings (S). Savings (S) is part of a certain amount, or s, of national income (Y).

c.Sollow Swan Growth Theory

The Solow neo-classical growth model is a pillar that greatly contributes to the neo-classical growth theory so that its initiator, Robert Solow, was awarded the Nobel prize in economics. The Solow Model is a development of the Harrod-Domar formulation by adding a second factor, namely labor, and introducing a third independent variable, namely technology, into the growth equation. The Solow growth model is designed to show how capital stock growth, labor force growth, and technological progress interact in the economy, and how it affects the output of goods and services of a country as a whole (Mankiw, 2006:84). The Solow model explains that the increase in output over the long run is exogenously determined, or in other words determined outside the model. The Solow Model predicts that there will eventually be a convergence in the economy towards steady-state growth conditions that depend only on technological development and labor growth. Steady-state conditions indicate long-term economic equilibrium (Mankiw, 2006:86).

Poverty and The Causes of Poverty

Poverty is a social phenomenon and even considered as a problem faced by every community in the world throughout the period where, poverty is a condition a person is unable to maintain himself in accordance with the standard of living of his group, also unable to utilize his energy, mental or physical in the group these (Todaro, 2006:152).

According to Jhingan (2010:78), suggests three main characteristics of developing countries that are the causes and at the same time related to poverty. First, inadequate infrastructure and education that causes a high number of illiterate residents and do not have the skills or expertise. Second, health facilities and poor consumption patterns so that only a small portion of the population can become productive workers and the third is the population concentrated in the agricultural and mining sectors with outdated and high-end production methods. According to Parwadi (2012), there are three factors causing poverty when viewed from an economic perspective, namely:

1.Poverty arises because of inequality in the pattern of resource ownership that results in an unequal distribution of income. The poor have limited resources and are of low quality.

2.Poverty arises due to differences in the quality of human resources. Low quality human resources means low productivity, which in turn low wages, disadvantaged fate, discrimination or heredity.

3.Poverty arises because of differences in access to capital. These three factors that cause poverty lead to the theory of a vicious circle of poverty. The poverty circle is a series that influences each other in such a way that it will cause a country to remain

poor and will experience many difficulties to achieve a better level of development.

The theory of poverty circle was first put forward by Ragnar Nurkse in Kuncoro (2000) who said: The poverty circle consists of market imperfections, low backward investment, underdevelopment, lack of capital, low productivity, low income and low savings. The existence of underdevelopment, underdevelopment, and lack of capital causes low productivity. Low productivity causes low income. Furthermore, low income results in low savings, so investment is also low. Low investment results in underdevelopment and so on.

RESEARCH METHODS

In path analysis, the number of structural equations that can be formed is as many as the endogenous variables. In this study, many endogenous variables are two variables, namely economic growth (Y_1) and Poverty (Y_2). The analytical tool used is the SPSS tool version 25. The structural equation in this study can be written in two equations, as follows:

1. First equation:

$Y_1 = \rho_1 X_1 + \rho_2 X_2 + \rho_3 X_3 + e_1$

Where:

Y_1	= Economic Growth
X_1	= Capital Expenditure
X_2	= HDI
X_3	= Labor Absorbed
ρ_1, ρ_2, ρ_3	= Regression Coefficient
e_1	= Error Term

2. First equation:

$Y_2 = \rho_4 X_1 + \rho_5 X_2 + \rho_6 X_3 + \rho_7 Y_1 + e_2$

Where:

Y_2	= Poverty
X_1	= Capital Expenditure
X_2	= HDI
X_3	= Labor Absorbed
Y_1	= Economic Growth
$\rho_4, \rho_5, \rho_6, \rho_7$	= Regression Coefficient
e2	= Error Term

The mathematical model of the path model is often called a structural model, based on the hypothesis of this study, it can be formulated as shown below:
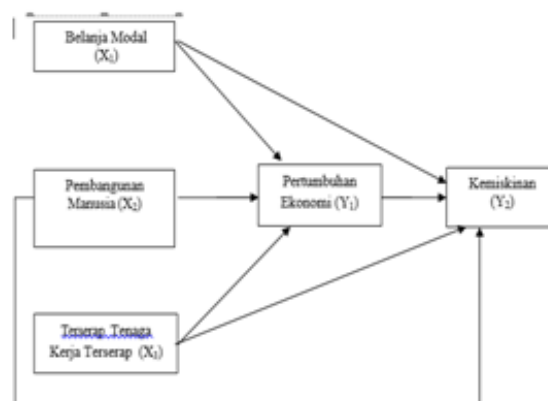

Figure 6. Conceptual Framework

RESULTS AND DISCUSSION

In the substructure equation I illustrated how the influence of capital expenditure, HDI and labor absorbed on economic growth. The path coefficient is obtained from the t-test results by looking at the value of beta standardized coefficients. The path analysis coefficient value is symbolized by (ρ). The form and results of regression of equation I substructure are as follows:

$Y_1 = \rho_1 X_1 + \rho_2 X_2 + \rho_3 X_3 + e_1$

		Coefficients[a]				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	-9.376	2.644		-3.546	.001
	Belanja Modal	.047	.075	.024	.633	.528
	IPM	2.940	.372	.272	7.896	.000
	Tenaga Kerja Terserap	.965	.044	.840	21.955	.000
a. Dependent Variable: Pertumbuhan Ekonomi						

Source: SPSS (Data Processed)
Table 2. Regression of Equation I Substructure

Based on the test results obtained partial significance test results of economic growth. The results of testing the equation are as follows:

$Y_1 = -9{,}376 + 0{,}024 X_1 + 0{,}272 X_2 + 0{,}840 X_3 + e_1$

The interpretation of the results is as follows:

a. The coefficient on capital expenditure $(X_1) = 0.024$ and t-sig $= 0.528$.

Based on the results of the structural equation capital expenditure variables are known to have a positive but not significant effect on economic growth at a significance level of 95 percent as indicated by the t-sig value smaller than α=0.05 (0.528>0.05). This means that for every 1 billion rupiah increase in capital expenditure, the economic growth variable will increase by 0.024 percent.

b. The coefficient on HDI (X_2)=0.272 and t-sig = 0.000.

Based on the structural equation results it is known that the HDI variable has a positive and significant effect on economic growth at a significance level of 95 percent as indicated by the t-sig value smaller than α=0.05 (0.000<0.05). This means that each increase in the value of the HDI variable by 1 index, the variable economic growth will increase by 0.272 percent.

c. The coefficient on absorbed labor (X_3)=0.840 and t-sig=0.000.

Based on the results of the structural equation, it is known that the absorbed labor variable has a positive and significant effect on economic growth at a significance level of 95 percent, which is indicated by the t-sig value smaller than α=0.05 (0.000<0.05). This means that each increase in the value of the workforce absorbed by 1 person then the variable economic growth will increase by 0.840 percent.

Table 3. R Square of Equation I Substructure

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.941ᵃ	.886	.883	.25176
a. Predictors: (Constant), Tenaga Kerja Terserap, IPM, Belanja Modal				

Source: SPSS (Data Processed)

Based on the Table, it can be seen the value of R Square (R^2) is 0.886. This shows that capital expenditure, HDI and labor absorbed are able to provide an explanation of economic growth of 88.60 percent and the remaining 11.40 percent is explained by other variables not included in the estimation model. For the value of e1 can be calculated by the formula $e_1=\sqrt{(1-R^2)}$. Known R^2 for equation I is 0.886, then $e_1=\sqrt{(1-0.886)}=0.338$.

In substructure II equation described how the influence of capital expenditure, HDI and labor absorbed on poverty through economic growth. The path coefficient is obtained from the t-test results by looking at the value of beta standardized coefficients. The path analysis coefficient value is symbolized by (ρ). The form and results of regression of the equation II substructure are as follows:

$$Y_2 = \rho_4 X_1 + \rho_5 X_2 + \rho_6 X_3 + \rho_7 Y_1 + e_2$$

Table 4. Regression of Equation II Substructure

Coefficientsᵃ					
Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1 (Constant)	12.599	2.275		5.539	.000
Belanja Modal	-.037	.061	-.021	-.598	.551
IPM	-3.025	.379	-.313	-7.974	.000
Tenaga Kerja Terserap	-.945	.083	-.920	-11.404	.000
Pertumbuhan Ekonomi	.058	.077	.065	.755	.452
a. Dependent Variable: LN_KMS					

Source: SPSS (Data Processed)

Based on the test results obtained partial significance test results of economic growth. The results of testing the equation are as follows:

$$Y_1 = 12.599 - 0.021X_1 - 0.313 X_2 - 0.920 X_3 + 0.065 Y_1 + e_2$$

The interpretation of the results is as follows:

a. The coefficient on capital expenditure=0.021 and t-sig=0.551. Based on the structural equation results, it is known that the capital expenditure variable has a negative effect, but not significantly to poverty at the 95 percent significance level as indicated by the t-sig value greater than α=0.05 (0.551>0.05). This means that for every 1 billion rupiah increase in the value of capital expenditure, it will be followed by a poverty reduction of 0.021 percent.

b. The coefficient on HDI=-0.313 and t-sig=0.000. Based on structural equation results it is known that the HDI variable has a negative and significant effect on poverty

at a significance level of 95 percent as indicated by the t-sig value smaller than α=0.05 (0.000<0.05). This means that every increase in HDI value of 1 index will be followed by a reduction in poverty by 0.313 percent.

c.The coefficient of labor absorbed=-0,920 and t-sig=0.000. Based on the results of the structural equation, it is known that the absorbed labor variable has a negative and significant effect on poverty at a significance level of 95 percent, which is indicated by the t-sig value smaller than α=0.05 (0.000<0.05). This means that each increase in the value of the variable labor absorbed by one person will be followed by a reduction in poverty by 0.920 percent.

d.The coefficient of economic growth=0.065 and t-sig=0.452. Based on the structural equation results, it is known that economic growth variables have a positive and not significant effect on poverty at a significance level of 95 percent, which is indicated by the t-sig value greater than α=0.05 (0.452>0.05). This means that each increase in the variable value of economic growth of 1 Million Rupiah will be followed by an increase in poverty of 0.065 percent.

Table 5. R Square of Equation II Substructure

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.952ª	.906	.902	.20528
a. Predictors: (Constant), Pertumbuhan Ekonomi, Belanja Modal, IPM, Tenaga Kerja Terserap				

Source: SPSS (Data Processed)

Based on the Table 5 it can be seen the value of R Square (R^2) is equal to 0.906. This shows that capital expenditure, HDI, labor absorbed and economic growth are able to provide an explanation for poverty of 90.06 percent and the remaining 9.04 percent is explained by other variables not included in the estimation model. For the value of e2 can be calculated by the formula $e_2=\sqrt{(1-R^2)}$. Known R^2 for equation I is 0.906, then $e_2=\sqrt{(1-0.906)}=0.307$.

These effects can be described as follows:

Direct Effect

$X_1 \longrightarrow$	Y_1	0,021
$X_2 \longrightarrow$	Y_1	0,272
$X_3 \longrightarrow$	Y_1	0,840
$X_1 \longrightarrow$	Y_2	0,021
$X_2 \longrightarrow$	Y_2	-0,313
$X_3 \longrightarrow$	Y_2	-0,920
$Y_1 \longrightarrow$	Y_2	0,065

Inderect Effect

$X_1 \longrightarrow Y_2 \longrightarrow Y_1$	0,00156
$X_2 \longrightarrow Y_2 \longrightarrow Y_1$	0,01768
$X_3 \longrightarrow Y_2 \longrightarrow Y_1$	0,0546

Total Effect

$X_1 \longrightarrow Y_2 \longrightarrow Y_1$	0,01944
$X_2 \longrightarrow Y_2 \longrightarrow Y_1$	0,29532
$X_3 \longrightarrow Y_2 \longrightarrow Y_1$	-0,8654

Effect of Capital Expenditure on Economic Growth

Capital expenditure has no significant effect on economic growth in District/City in Aceh Province. This is due to capital expenditure that is budgeted and implemented cannot directly influence economic growth, capital expenditure takes time in the process, starting from the budget, continued with the implementation and then can be used or used by the community to improve the economy. Capital expenditure for development cannot always be directly used by all levels of society in the economy, such as the purchase of land for regional assets, indirectly built facilities and infrastructure so that it must wait for time to be used. In the short term capital expenditure does not significantly influence economic growth.

The results of this study are in accordance with the studies of Setiyawati & Hamzah (2007) and Marahendra (2016), which conclude that capital expenditure has a positive but not significant effect on economic growth. The benefits of capital expenditure require a short amount of time to be exploited.

Effect of HDI on Economic Growth

The direct effect of HDI is known to be 0.272 and this value has a positive effect on economic growth meaning that any increase in HDI will increase economic growth.

Ranis (2004:6) states that an increase in the quality of human capital can be achieved when considering two determinants that are often mentioned in several literatures, namely education and health. The indirect influence of health factors on economic growth generally through several ways, for example improving health of the population will increase labor force participation, health improvement can also bring improvements in education levels which then contribute to economic growth, or the level of health improvement encourages an increase in population which will affect the mastery of skills and the ability to control pressure, so as to develop the intensity of research and technological progress will be achieved. Technological progress will affect the ability to produce goods and services which will ultimately affect economic growth.

The results of this study are supported by research by Aryanto and Handaka (2017) and Nurmainnah's research (2013) which concludes that HDI has a positive and significant influence on economic growth. This means that the higher the human development index will increase economic growth.

Effect of Labor Absorbed on Economic Growth

These results are Adam Smith's theory which states that human resources have an influence on economic growth. Resources that are skilled and absorbed by the labor market will increase regional output. Therefore, the increase in the number of workers absorbed in the District/City in the Province of Aceh can be used as a natural consideration to determine strategies to increase economic growth. Workers are absorbed in Aceh Province, employment dominates in the Regency,

namely the agricultural sector, while in the urban area is dominated by the service sector such as wholesale trade, retail, restaurants, hotels and others.

The results of this study are in line with research conducted by Nurmainah (2013) with the title "Analysis of the Influence of Capital Expenditures, HDI and Workers Absorbed Against Economic Growth and Poverty in Case Study of 35 District/City in Central Java Province." partially absorbed employment has a positive and significant effect on economic growth.

Effects of Capital Expenditure on Poverty

Capital expenditure has no significant effect in reducing the number of poor people in District/City in Aceh Province. This is because the programs/activities carried out by the District/City government in Aceh Province have not touched directly to the poor population. The capital expenditure budget for District/City in Aceh Province is also relatively low compared to the value of spending in other fields. This has an impact on capital expenditure used as the construction of public facilities and infrastructure, lack of available infrastructure that has a direct impact on the community such as education, service and health facilities and other facilities available. In addition, the programs used to reduce poverty are also considered to be reactive and short term. The effectiveness of capital expenditure has not yet been achieved due to the low quality of capital expenditure patterns. Quality improvement in using capital expenditure must be increased in order to be able to reduce poverty. So that capital expenditure must be realized properly and right on target.

The District/City Government has a policy from the central government through indirect budgeting in the form of increased social assistance expenditure in the form of government programs such as BLT. Obi's research results (2007) states that poverty reduction through government expenditure

is only effective if it is on target and must be focused on meeting the needs of poor household goods through the development of public facilities. The results of this study are in line with research conducted by Musliadi (2013) whose research results state that capital expenditure has a negative and not significant effect on poverty.

Effect of HDI on Poverty

The results of this study are supported by the research of Lavenia Kotambunan, et. al (2016), which states that the human development index has a negative effect on poverty. The reduction in poverty caused by HDI indicates that HDI increases work productivity which will increase income to meet decent needs. HDI consists of three dimensions that determine human quality. Education has an important role in increasing ability and absorbing technology that will increase capacity in realizing growth and development. However, health is also an important factor in increasing productivity. Because with health, education will be able to be achieved. The education and health dimensions are important factors in reducing poverty. Todaro (2000), states that human development is the goal of development itself. Human development plays an important role in shaping a country's ability to absorb modern technology and to develop its capacity to create sustainable growth and development.

Effect of Labor Absorbed on Poverty

Manpower is every man or woman who is in and/or will do work, both inside and outside the employment relationship to produce goods or services to meet the needs of the community (Soebagiyo, 2013). One important factor that determines people's prosperity is the level of income. Community income reaches a maximum if the full level of labor can be realized, so that if it is not working or unemployed it will reduce income and this will reduce the level of prosperity that they have reached so as to cause poor welfare (Sukirno, 2004).

Workers absorbed in District/City in Aceh Province tend to increase. The main jobs that dominate employment are agriculture and services. Increased income from absorbed labor in the District/City in Aceh Province will have an impact on reducing poverty in Aceh Province.

This research is in accordance with Nurmainah's research (2016), which states that labor absorbed has a negative and significant effect on poverty. This shows that every increase in labor absorbed will reduce poverty.

Effect of Economic Growth on Poverty

Poverty is a development problem characterized by unemployment and underdevelopment and will then lead to inequality. This proves that economic growth in Aceh Province is still exclusive, where the development goals only reach certain economic growth achievement targets without taking into account other factors. Increased economic growth has not had a direct impact on society. GRDP does not spread evenly to all levels of society, causing a large imbalance. Inequality that occurs in Aceh Province can be seen from the large value of the Gini ratio. The value of the Gini ratio in Aceh Province continues to increase every year and causes increasingly widespread income inequality in Aceh Province.

Giovanni (2018), economic growth is an indicator to see the success of development and is a necessary condition for reducing poverty levels. The condition is that growth must spread to each income group and belong to the lower middle class. The value of GRDP in Aceh Province in 2014-2018 has not been able to reduce poverty because the value of GRDP has fluctuated and has not spread to all groups. This statement is supported by a granger causality test between economic growth and District/City poverty in Aceh Province.

Based on the results of the Granger causality test, economic growth variables significantly affect poverty and vice versa poverty variables affect economic growth.

This can be seen from each probability value smaller than 0.05. Thus it can be concluded that there is an influence or a two-way causality relationship between economic growth and poverty. Increased economic growth in Aceh Province/City is a pseudo economic growth that has not been able to reduce poverty.

The positive relationship of economic growth to poverty is in line with research by Cholili and Pudjiharjo (2014) and Iswara, et. al (2015) who concluded that increasing economic growth will increase poverty.

Suggestion

1. The District/City. Regional Government is expected to pay more attention in preparing the capital expenditure budget, so that the capital expenditure budget can be more effective in reducing poverty.

2. The District/City government must pay more attention to the level of economic growth through the GRDP by paying more attention to the sectors that contribute great potential to the GRDP so that economic growth continues to increase. An increase in GRDP must also be accompanied by equitable distribution of income.

3. The District/City Regional Government should pay more attention to the provision of employment or capacity-based training through government expenditure budgets, so that the workforce has the quality to work in various economic sectors.

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