

## ANALYSIS OF FACTORS AFFECTING POVERTY IN SUMATRA INDONESIA

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### Abstract

This study aims to analyze the effect of minimum wage, investment, gross regional domestic product, and open unemployment on poverty. The data used to support this research is time series data for a period of 5 years, precisely from 2017 to 2021 from all provinces on the island of Sumatra. The analysis model uses a panel data regression model with a Fixed Effect Model approach. The results showed that the minimum wage variable had a negative and significant effect on poverty, while the investment variable had a positive and insignificant effect on poverty, then the gross regional domestic product variable was found to have a negative and insignificant effect on poverty, while the open unemployment variable had a positive and significant effect on poverty.

**Keywords:** Minimum wage, investment, gross regional domestic product, open unemployment, poverty

### INTRODUCTION

Development means a dynamic stage that aims to improve the welfare of society. The barometer of development success can be seen from the structure of the economy, economic growth, and the smaller income gap between residents, between regions and between sectors. The main purpose of development efforts in addition to realizing the highest possible growth, must also reduce or eliminate poverty, unemployment, and inequality (Todaro, 2011). Therefore, the priority of development is the elimination of poverty. The cause of poverty seen from the first economic side, micro-poverty arises because there is a mismatch in the pattern of resource ownership to have an impact on income distribution, inequality and the poor only have resources of low quality, and the total is limited. Furthermore, poverty occurs due to the differentiation between the quality of human resources, which, if human resources have low quality, then productivity is also low because low productivity gives the reason for the low income they receive and will have an impact on their fate which is also due to low education. Finally, poverty occurs due to differences in access to capital. The three causes boil down to the vicious *circle of poverty* theory. There are lagging backs,

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