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Connection fiscal decentralization and poverty in South Sulawesi: Analysis of the 2004–2024 period

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ABSTRACT

This study highlights both direct and indirect linkages mediated by economic growth, as it investigates the effects of fiscal decentralization on poverty levels in South Sulawesi Province between 2004 and 2024. The General Allocation Fund (DAU), Special Allocation Fund (DAK), Revenue Sharing Fund (DBH), and Local Own-Source Revenue (PAD) are the four main fiscal mechanisms that are the focus of this study. Using route analysis with time-series data in SPSS, this study reveals several important findings. Poverty levels are significantly negatively impacted by economic growth. As a mediating variable, DAU shows a strong positive relationship with poverty, but DAK and PAD show notable negative relationships. DBH, on the other hand, does not demonstrate a noteworthy indirect impact on poverty via the conduit of economic expansion. The findings suggest that the efficacy of fiscal decentralization in alleviating poverty varies among different fiscal instruments, with DAK and PAD yielding the most beneficial results when implemented in programs that foster economic growth. These insights provide critical guidance for policymakers aiming to enhance the effectiveness of fiscal decentralization strategies in combating poverty in South Sulawesi Province.

Keywords: fiscal decentralization; poverty; economic growth; general allocation fund; special allocation fund; revenue sharing fund; local own-source revenue

1. INTRODUCTION

Poverty is a multidimensional problem and a major concern for governments worldwide, including the Indonesian government. To address this challenge, governments have implemented various poverty alleviation policies, including fiscal decentralization. Fiscal decentralization aims to accelerate regional development, improve access to public services, and reduce regional disparities. The trend in the number of poor people in South Sulawesi Province from 2004 to 2024. Although there is an overall downward trend, fluctuations still occur, with the rate of decline tending to slow down. This indicates the need to evaluate and improve poverty alleviation strategies in the region. South Sulawesi Province continues to face significant challenges in alleviating poverty. Data from the Central Statistics Agency (BPS) show that the number of poor people in this province has fluctuated, decreasing from 1,001,000 in 2004 to 736,000 in 2024. However, certain areas, including Makassar City, Bone Regency, Gowa Regency, Jenepono Regency, Luwu Regency, and Pangkep Regency, continue to exhibit elevated poverty rates. Research conducted in South Sulawesi indicates disparities in the effects of fiscal decentralization across different regions and municipalities. Factors such as geography, local economic characteristics, and institutional capacity influence the effectiveness of fiscal decentralization tools in alleviating poverty (Syamsuddin, 2020). Fiscal decentralization represents a significant challenge to governance in Indonesia. This concept entails the transfer of fiscal powers from the central government to local authorities. This strategy is anticipated to improve the effectiveness and efficiency of public resource distribution, as local governments are thought to possess a more nuanced understanding of the needs within their communities. The Tiebout model of fiscal decentralization, which aims to optimize the allocation of public resources, is especially noteworthy (Tiebout, 1956). With local governments being closer to the community, budget allocations can be more targeted and better aligned with the community's actual needs. This proximity can also encourage healthy competition among regions in delivering quality public services.

The General Allocation Fund (DAU), Special Allocation Fund (DAK), Revenue Sharing Fund (DBH), and improvement of Local Own-Source Revenue (PAD) constitute a few of the fiscal transfer processes used in Indonesia's implementation of fiscal decentralization. These systems aim to provide local governments with more authority and increased autonomy in budget management and regional development financing. Shah & Thompson (2014) found that the DAU plays a significant role in equalizing fiscal capacity among regions. Sasana in Indonesia shows that the General Allocation Fund (DAU) contributes positively to regional economic growth; however, its effectiveness depends on the quality of governance (Sasana, 2019). A study by Lewis & Smoke (2017) revealed that DAK is effective in promoting regional infrastructure development, which, in turn, contributes to poverty reduction. However, Brodjonegoro emphasized the importance of proper targeting in the allocation of DAK (Brodjonegoro, 2018). Research by Ahmad & Craig (2015) has shown that DBH plays a role in reducing vertical disparities between central and regional governments. Bird and Smart emphasize the importance of optimizing PAD to enhance regional fiscal independence (Bird & Smart, 2012). Siddik empirical study in Sulawesi shows a positive correlation between an increase in PAD and regional economic growth (Siddik, 2016). The World Bank asserts that the effectiveness of fiscal decentralization in alleviating poverty depends significantly on the quality of institutions and the capacity of local governments. A longitudinal study by Bardhan & Mookherjee (2016) well-managed fiscal decentralization can reduce poverty levels by improving public services and empowering local economies.

This occurrence emphasizes the need for more thorough research, especially in regards to the ways that different aspects of fiscal decentralization affect poverty directly and indirectly through the mediating variable of economic growth. It is anticipated that a thorough comprehension of this transmission mechanism will result in more sensible policy suggestions for reducing poverty in the province of South Sulawesi. Even while the relationship between fiscal decentralization and poverty has been the subject of multiple research, there are still a lot of unanswered questions regarding the process of transmission through economic growth, especially in the particular context of South Sulawesi. By investigating the mediating function of economic growth in the interaction between elements of fiscal decentralization and poverty alleviation tactics, this study seeks to close that gap.

2. METHODOLOGY

2.1. Research Approach

This study utilizes a quantitative research design accompanied by a descriptive analysis approach, systematically and accurately detailing activities within a specific region. The quantitative methodology aims to elucidate phenomena and present the outcomes of statistical analyses. This research approach was chosen due to its appropriateness for examining and analyzing the effects of fiscal decentralization on poverty in South Sulawesi Province.

2.2. Data and Sources

The data employed in this research are sourced from secondary materials. This secondary data has been gathered from textbooks, reports, publications, and compact discs issued by relevant organizations, including the Ministry of Finance and the South Sulawesi Central Statistics Agency. The dataset comprises a blend of time series data from South Sulawesi Province covering the period from 2004 to 2023.

2.3. Analysis Method

The analytical method employed in this study is Path Analysis, conducted using SPSS software. This model is well-suited for clarifying the relationships within the established framework. It evaluates whether the independent variables exert direct or indirect effects on the dependent variables through a mediating variable, specifically economic growth.

Regression Model:

$$Y1 = f (X1, X2, X3, X4) \dots\dots\dots(4.1)$$

$$Y2 = f (X1, X2, X3, X4, Y1) \dots\dots\dots(4.2)$$

3. RESULT AND DISCUSSION

3.1 Data Description

In recent decades, fiscal decentralization in Indonesia has advanced considerably. A variety of fiscal transfer mechanisms—such as the General Allocation Fund (DAU), Special Allocation Fund (DAK), Revenue Sharing Fund (DBH), and the enhancement of Local Own-Source Revenue (PAD)—illustrate the central government's initiative to empower local governments with greater autonomy in budget management and development financing within their regions.

Data indicate that the DAU has experienced remarkable growth, increasing from 313.61 billion in 2004 to 2,666.24 billion in 2024. This surge reflects the central government's dedication to bolstering regional fiscal capacity and ensuring the delivery of quality public services. In contrast, the DAK reached its peak in 2015 at 2,226.86 billion but has since exhibited a declining trend. This decrease may suggest a shift in budget allocation priorities or an enhancement in regional fiscal conditions that permits a reduction in special transfers. Meanwhile, the Revenue Sharing Fund (DBH) declined from 415.69 billion in 2004 to 281.20 billion in 2024. This reduction could be attributed to changes in the distribution of natural resources or fiscal policies that prioritize regional autonomy. Conversely, Local Own-Source Revenue (PAD) has shown significant growth, rising from 563.61 billion in 2004 to 5,399.97 billion in 2023. This trend signifies an improved capacity for regions to develop local revenue sources and promote fiscal independence.

Overall, the evolution of fiscal decentralization in Indonesia has positively influenced economic growth and poverty alleviation. Average economic growth reached 4.5% per year, while the poverty rate decreased by 26% during the observed period. This demonstrates that fiscal decentralization has played a crucial role in enhancing the welfare of communities across various regions.

3.2 RESULT

3.2.1 Direct Variable Relationships

Table 1. Inter-Variable Effects

| Variable Relationship | Coefficient | t-value | Probability | R-Squared | Description |
|-----------------------|-------------|---------|-------------|-----------|-----------------|
| X1 → Y1 | -0,197 | -2,344 | 0,032 | 0,747 | Significant |
| X2 → Y1 | 0,554 | 3,694 | 0,002 | | Significant |
| X3 → Y1 | -1,297 | -2,092 | 0,053 | | Not Significant |
| X4 → Y1 | 0,135 | 2,358 | 0,031 | | Significant |
| Y1 → Y2 | -0,102 | -5,805 | 0,000 | 0,938 | Significant |
| X1 → Y2 | 0,007 | 1,040 | 0,315 | | Not Significant |
| X2 → Y2 | -0,028 | -1,914 | 0,075 | | Not Significant |
| X3 → Y2 | 0,040 | 0,806 | 0,433 | | Not Significant |
| X4 → Y2 | -0,002 | -0,425 | 0,677 | | Not Significant |

Source: SPSS, 2025 (processed data)

Based on [Table 1](#), the results of this research analysis are that the independent variables studied consist of the General Allocation Fund (X1), Special Allocation Fund (X2), Revenue Sharing Fund (X3), and Regional Original Income (X4). Meanwhile, the dependent variables include economic growth (Y1) and poverty (Y2).

The first step was to evaluate how fiscal variables affect economic growth. The General Allocation Fund (DAU) showed a significant negative relationship with economic growth, with a coefficient of -0.197. This indicates that increasing general fund allocations does not always have a positive impact on economic growth, possibly due to a mismatch between allocations and local needs. The Special Allocation Fund (DAU) had a significant positive effect on economic growth, with a coefficient of 0.554. This suggests that these funds are effective in driving growth, possibly because they are allocated to more focused programs aligned with regional priorities. The Revenue Sharing Fund (DBH) showed a negative relationship, with a coefficient of -1.297, but the effect was not significant at the 0.05 level, indicating that these funds may not directly contribute to economic growth. This could be due to a lack of transparency and efficiency in the use of these funds. Locally Generated Revenue (PAD) also showed a significant positive effect on economic growth, with a coefficient of 0.135. Increased local revenue, which can come from taxes and levies, allows local governments to invest more in infrastructure and public services, which in turn can drive growth.

Finally, an analysis was conducted to evaluate the direct influence of fiscal variables on poverty. The General Allocation Fund (DAU) did not show a significant effect on poverty, with a coefficient of 0.007. This indicates that this fund does not contribute to poverty reduction, possibly due to its ineffective allocation. Although the Special Allocation Fund (DAK) showed a negative trend towards poverty with a coefficient of -0.028, its effect was not significant at the 0.05 level. This indicates that despite its potential, this fund has not been fully effective in reducing poverty. The Revenue Sharing Fund (DBH) and Regional Original Revenue (PAD) also did not show a significant effect on poverty, with coefficients of 0.040 and -0.002, respectively. This indicates that neither the revenue sharing fund nor regional original revenue directly helps in poverty reduction. Overall, this study shows that the Special Allocation Fund and Regional Original Revenue have a significant positive effect on economic growth. Economic growth itself plays an important role in reducing poverty. However, other fiscal variables, such as the General Allocation Fund and Revenue Sharing Fund, did not show a significant effect on poverty reduction. This finding emphasizes the importance of effective management of fiscal funds to stimulate economic growth and improve the welfare of local communities. With appropriate allocation and a focus on local priorities, it is hoped that more significant progress can be made in poverty alleviation. The results show that economic growth has a highly significant negative relationship with poverty, with a coefficient of -0.102. This means

that increased economic growth has the potential to reduce poverty levels in the region, create new jobs, and improve community welfare. See [Table 2](#)

Table 2. Indirect Effects of Variables

| Variable Relationship | Coefficient | Probability | Description |
|-----------------------|-------------|-------------|-----------------|
| X1 → Y1 → Y2 | 0,020 | 0,030 | Significant |
| X2 → Y1 → Y2 | -0,056 | 0,000 | Significant |
| X3 → Y1 → Y2 | 0,132 | 0,050 | Not Significant |
| X4 → Y1 → Y2 | -0,014 | 0,028 | Significant |

Source: SPSS & Sobel test (processed data)

The analysis shows that the General Allocation Fund (DAU) has a significant indirect effect on poverty through economic growth, with a coefficient of 0.020 and a probability of 0.030. Although the direct effect of the General Allocation Fund is not significant, this fund allocation still makes a positive contribution to poverty reduction through increased economic growth. This indicates that the allocation of general funds can improve economic conditions, which in turn has the potential to reduce poverty levels. Furthermore, the Special Allocation Fund (DAK) shows a significant negative effect on poverty through economic growth, with a coefficient of -0.056 and a probability of 0.000. This indicates that increasing the special allocation fund not only encourages economic growth but also significantly contributes to poverty reduction. This fund is effective in helping improve public welfare, reduce inequality, and support programs that directly impact poverty alleviation. Although the Revenue Sharing Fund (DBH) shows a positive effect with a coefficient of 0.132 and a probability of 0.050, its indirect effect on poverty through economic growth is not considered significant at the 0.05 level. This suggests that while there is potential to contribute to poverty reduction, the impact may not be strong or consistent enough to be considered significant, indicating the need for further evaluation of the use of these funds. Locally Generated Revenue (PAD) also shows a significant negative effect on poverty, with a coefficient of -0.014 and a probability of 0.028. This suggests that increasing local revenue not only contributes to economic growth but also indirectly helps reduce poverty levels. Increased local revenue, derived from taxes and levies, allows local governments to invest in social programs that support disadvantaged communities.

4. DISCUSSION

4.1 Impact of Economic Growth on Poverty Levels

The findings of this study demonstrate that economic growth exerts a significant negative impact on poverty levels. This is primarily due to the fact that economic growth creates additional job opportunities, allowing individuals and families to achieve higher incomes. An increase in average income facilitates the ability to meet essential needs, such as food and education. Furthermore, economic growth stimulates investment in infrastructure and public services, thereby enhancing the overall quality of life.

Moreover, effective redistribution policies can ensure that the advantages of growth are accessible to vulnerable populations. With the resultant economic stability, individuals are more inclined to invest in education and health, which are vital for the long-term reduction of poverty. These findings are consistent with previous research. [Fosu \(2017\)](#) Research found that economic growth consistently reduced poverty in 80 developing countries during the period from 1981 to 2014. Furthermore, [Dollar et al. \(2016\)](#) confirmed that a 1 percent growth in GDP per capita reduced poverty by 2.4 percent in 118 developing countries. Additionally, [Ravallion \(2014\)](#) presents cross-country evidence that sustained economic growth is strongly correlated with poverty reduction.

4.2 The Impact of General Allocation Funds on Poverty via Economic Growth

The results from the direct effect analysis indicate that General Allocation Funds do not exert a significant influence on poverty levels. This lack of impact may be attributed to the misallocation of funds. If the General Allocation Fund is not distributed equitably or fails to reach the most vulnerable

populations, the expected benefits will not be realized by those in poverty. Furthermore, inadequate monitoring of fund utilization poses a risk that resources may be redirected toward projects that do not effectively contribute to poverty alleviation, such as infrastructure initiatives that do not align with the community's actual needs.

These findings are consistent with the research conducted by [Suwandi & Warokka \(2013\)](#), a study found that the Direct Assistance Unit (DAU) is ineffective in reducing poverty because it is primarily used for routine expenditures, suffers from low management capacity, and lacks program innovation. Furthermore, [Sasana \(2019\)](#) research shows that DAU is insignificant due to the larger allocation for employee salaries, the lack of pro-poor programs, and inefficient budget utilization. Conversely, the findings of this study do not align with the research conducted by [Lewis & Smoke \(2017\)](#), a study found that DAU has a negative effect on poverty by improving basic services, developing infrastructure, and implementing empowerment programs. In addition, [Mahi \(2016\)](#) illustrates that the General Allocation Fund (DAU) can effectively contribute to poverty reduction when supported by good governance, adequate human resource capacity, and targeted programs. The findings from the indirect effect analysis suggest that DAU positively influences poverty alleviation through economic growth. Several factors contribute to this outcome.

Firstly, if the General Allocation Fund is not managed effectively, the allocation of resources may fail to reach the intended beneficiaries. For example, if funds are channeled into projects that do not align with community needs, the anticipated benefits will not reach those most in need, potentially resulting in dissatisfaction and exacerbating poverty conditions in the region. Secondly, an increase in DAU may cultivate a reliance on government funding, which can diminish local governments' incentive to develop innovative and sustainable policies. If local governments become excessively dependent on DAU, they may neglect the importance of diversifying their revenue sources, ultimately undermining long-term economic growth.

The findings of this study are consistent with previous research conducted by [Azwardi & Sukanto \(2014\)](#), which found that DAU actually increases poverty due to high fiscal dependence, poor economic growth, more allocation for routine spending, and a low multiplier effect. Research [Brodjonegoro \(2018\)](#) show that DAU creates fiscal laziness, thereby reducing regional tax efforts and leading to non-inclusive economic growth that increases relative poverty. In addition, [Maharajabdinul et al. \(2015\)](#) identifies that DAU distorts local economic incentives, creating pseudo-growth that increases inequality, which in turn leads to an increase in poverty.

4.3 Special Allocation Funds Influence Poverty Through Economic Growth

The findings from the direct impact analysis indicate that Special Allocation Funds (DAK) do not significantly contribute to poverty reduction. This outcome is primarily attributed to the frequent misallocation of DAK resources. When these funds are not distributed equitably or fail to reach the communities most in need, individuals living in poverty do not benefit as intended. Furthermore, a lack of transparency and accountability in the management of the Special Allocation Fund further undermines its effectiveness. Inadequate fund management heightens the risk of corruption or misuse, which ultimately detracts from poverty alleviation efforts. As a result, resources intended for social programs and infrastructure development may fall short of achieving their anticipated impact. Overall, the study's findings suggest that DAK allocations have not been effective in directly reducing poverty. This conclusion is supported by [Pratiwi \(2021\)](#) Research has found that the effectiveness of DAK in poverty alleviation depends on the accuracy of allocation and the quality of program implementation.

The results from the indirect effect analysis reveal that the Special Allocation Fund (DAK) has a negative impact on poverty through economic growth. This occurs because when DAK increases and is managed effectively, it holds significant potential for reducing poverty levels by stimulating economic growth. Firstly, a well-targeted Special Allocation Fund (DAK) can finance essential infrastructure projects, such as roads, bridges, and public facilities. This infrastructure development not only generates job opportunities but also improves access to vital services, including education and healthcare, which can subsequently enhance productivity and income. Furthermore, DAK can be allocated to social programs

that offer direct assistance to vulnerable populations, encompassing cash aid, skills training, and economic empowerment initiatives. By strengthening the skills and capabilities of the community, individuals become better prepared to participate in the labor market, thereby increasing their income and contributing to poverty alleviation. The findings of this study indicate that DAK is effective in reducing poverty through its influence on economic growth. This confirms [Santosa \(2013\)](#) that infrastructure investment from DAK creates a multiplier effect on economic growth, which then has an impact on poverty reduction.

4.4 How Revenue Sharing Funds Influence Poverty Through Economic Growth

The findings from the direct effect analysis indicate that Revenue Sharing Funds (DBH) do not have a significant impact on poverty levels. This is largely attributed to the misallocation of DBH. When funds are not distributed equitably or fail to reach the communities most in need, those living in poverty do not reap the intended benefits. Moreover, a lack of transparency and accountability in the management of DBH can further reduce its effectiveness. Ineffective fund management increases the risk of corruption or misuse, which ultimately undermines efforts to alleviate poverty. Additionally, the limited capacity of local governments to plan and execute poverty reduction programs is a crucial factor contributing to this issue. Overall, the findings suggest that DBH has not been effective in directly reducing poverty, consistent with [Kusuma \(2016\)](#) who indicates the need to evaluate the use of DBH in pro-poor programs.

The results of the indirect effect study indicate that Revenue Sharing Funds do not have a significant impact on poverty through economic growth. This is primarily due to the frequent misallocation of DBH. If the funds are not distributed evenly or fail to reach the groups most in need, the benefits of DBH will not be experienced by those living in poverty. The lack of transparency and accountability in DBH management can reduce its effectiveness ([Achmad, 2024](#)). When funds are not managed properly, there is a risk of corruption or misuse, which can undermine poverty alleviation efforts. This can prevent resources intended for social programs and infrastructure development from achieving their intended impact.

4.5 The Relationship Between Local Revenue, Economic Growth, and Poverty Levels

The results of the direct effect study indicate that local revenue has no significant impact on poverty. Several key factors explain why an increase in local revenue does not necessarily correlate with a reduction in poverty rates. First, regarding allocation and effectiveness, an increase in local revenue does not automatically lead to effective poverty alleviation programs. Koto, in his research in West Sumatra, confirmed that most of the allocation of local revenue (PAD) is prioritized for routine regional expenditures rather than poverty alleviation initiatives ([Koto, 2016](#)). Suwandi and Warokka add that governance and institutional capacity issues are also significant obstacles in optimizing the role of PAD for poverty alleviation ([Suwandi & Warokka, 2013](#)).

The results of the indirect effect study indicate that Local Own-Source Revenue (PAD) has a negative and significant impact on poverty through economic growth. This is because PAD plays a strategic role in reducing poverty levels by stimulating economic growth as an intervening variable. An increase in effectively managed PAD can drive regional economic growth, which, in turn, contributes to poverty reduction. This process occurs through several interrelated transmission channels within the regional economic system. Optimal Locally Generated Revenue (PAD) provides fiscal flexibility for local governments to make productive public investments. Pratiwi, in their research in East Java, found that a 1 percent increase in PAD contributed to economic growth of 0.45 percent, which in turn reduced poverty levels by 0.28 percent ([Pratiwi, 2021](#)). Investment in public infrastructure, such as roads, electricity, and facilities that support economic activity, creates a multiplier effect that drives real sector growth and creates new jobs.

5. CONCLUSION

The following inferences can be made from the study's findings: Poverty levels are not significantly impacted by the General Allocation Fund (DAU). However, the DAU indirectly contributes significantly to the elimination of poverty through its impact on economic growth. This suggests that raising the DAU can help reduce poverty by promoting economic expansion, underscoring its possible efficacy. In a similar vein, the Special Allocation Fund (DAK) has little direct effect on poverty. Nevertheless, DAK makes a substantial contribution to the fight against poverty through its impact on economic growth. This suggests that when DAK is used for initiatives that promote economic growth, it effectively reduces poverty. On the other hand, there is no discernible direct impact of the Revenue Sharing Fund (DBH) on poverty, and there is also no significant indirect influence through economic growth. According to these results, DBH is not currently successful in reducing poverty either directly or indirectly. Poverty levels are not directly impacted by local own-source revenue (PAD). However, PAD makes a substantial indirect contribution to the fight against poverty through its impact on economic growth. This implies that when funds are allocated to initiatives that foster economic expansion, PAD effectively reduces poverty.

6. RECOMMENDATION

A recent study has highlighted the varying impacts of different forms of fiscal transfers namely General Allocation Funds, Special Allocation Funds, Revenue Sharing Funds, and Local Own-Source Revenue—on poverty alleviation efforts in Indonesia. To maximize the effectiveness of these fiscal transfers in combating poverty, several key recommendations are proposed. First, local governments should focus on optimizing the use of General Allocation Funds by directing them toward programs that promote inclusive and sustainable economic growth. This includes making strategic investments in infrastructure, human capital development, and the expansion of productive sectors that engage the poor. By aligning these funds with initiatives that foster broad-based economic opportunities, local governments can significantly enhance their impact on poverty reduction. Second, the allocation of Special Allocation Funds needs to be targeted toward programs that stimulate economic growth. This includes prioritizing basic infrastructure development, promoting leading sectors, and improving access to essential services for the poor. By ensuring that these funds are utilized effectively, local governments can create a supportive environment for economic advancement. Furthermore, it is essential for local governments to evaluate and adjust the allocation and utilization of Revenue Sharing Funds. This can enhance their effectiveness in reducing poverty, particularly through investments in sectors that directly increase the income of the poor, such as agriculture and small-scale enterprises. In addition, local governments must ensure that Local Own-Source Revenue is allocated to programs that foster inclusive economic growth. Key areas for investment should include the development of micro, small, and medium enterprises (MSMEs), improving agricultural productivity, and enhancing infrastructure that facilitates the poor's access to basic services. To further bolster these efforts, several government policies should be implemented. First, the government should strengthen policy frameworks that integrate fiscal transfer mechanisms with poverty alleviation strategies. This will ensure that all levels of government are aligned in their goals and actions. Capacity-building initiatives for local government officials are also critical. By enhancing their skills in planning, allocating, and managing fiscal resources, the quality and impact of programs funded by fiscal transfers can be significantly improved. Moreover, establishing robust monitoring and evaluation systems will allow for the assessment of the effectiveness of these fiscal transfers in alleviating poverty. Collecting data on poverty indicators and analyzing the outcomes of funded programs will inform future allocations and strategies. Encouraging public participation in the planning and implementation of programs funded by fiscal transfers is another vital aspect. By involving communities in the decision-making process, local governments can ensure that the needs and priorities of the poor are addressed, thereby increasing accountability in the use of public funds. Additionally, targeted social protection programs should be designed and implemented to directly address the needs of the poorest segments of the population. Providing financial support and access to essential services can help lift vulnerable groups out of poverty.

Lastly, fostering partnerships between local governments and the private sector can leverage additional resources and expertise for poverty alleviation programs. Such collaborations can enhance the sustainability and impact of initiatives aimed at reducing poverty. By adopting these recommendations and implementing supportive policies, Indonesia can better utilize fiscal transfers to effectively combat poverty and promote inclusive economic growth across the nation. Through strategic management of these financial resources, local governments can play a pivotal role in improving the lives of the poor and fostering a more equitable society.

Ethical Approval

Not Applicable

Informed Consent Statement

Not Applicable

Authors' Contributions

IA responsible for conceptualization, developing the main research ideas and framework. He also designed the methodology and drafted the initial version of the article. TAT focused on validation, ensuring the accuracy of the data used, and conducting in-depth statistical analyses. He provided feedback and revisions to improve the quality of the manuscript. DHLK managed resources and collected relevant data for this study. He assisted in the final revision of the article, ensuring clarity and coherence before submission.

Disclosure Statement

The Authors declare that they have no conflict of interest

Data Availability Statement

The data presented in this study are available upon request from the corresponding author for privacy.

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Notes on Contributors

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Ihsan Ashari is currently serving as a Regional Economic Planner with a focus on developing strategic policies to enhance regional economic growth. He is affiliated with a leading economic research institution and possesses expertise in econometrics, data analysis, and sustainable development. His relevant research contributions include studies on regional economic disparities and innovative strategies for sustainable economic growth in Indonesia.

Tuti Adi Tama

Tuti Adi Tama is a lecturer at the Faculty of Islamic Studies, where she teaches Macroeconomics, Sharia Development Economics, Statistics, and the Indonesian Economy. Her area of expertise lies in the integration of Islamic economic principles within the context of macroeconomic theory. In her teaching, Tuti helps students understand economic theory in a way that aligns with Islamic values, providing a unique and relevant perspective in contemporary economics learning. Her professional contributions

include developing curricula that emphasize the application of Islamic economics in various aspects of economic life.

Dwi Hastuti Lestari Komarlina

Dwi Hastuti Lestari Komarlina is an active lecturer specializing in econometrics and statistics within the field of economics. She effectively combines theoretical knowledge with practical applications, enabling students to understand the use of econometric methods in economic data analysis. Her courses are essential as they equip students with the necessary skills to analyze data and make evidence-based inferences. Dwi often incorporates real-world case studies and data into her teaching, allowing students to appreciate the relevance of the theories in practical contexts. Additionally, her research focuses on the application of statistical and econometric methods to development issues, enriching the learning experience for her students. Through her contributions, Dwi plays a significant role in enhancing the competencies of her students in these critical areas.

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