

ABSTRACT

ANALYSIS OF POVERTY AND HUMAN DEVELOPMENT INDEX IN JAVA ISLAND 2018-2023 (SIMULTANEOUS PANEL MODEL)

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The main issue in this research is the bidirectional relationship between poverty and the Human Development Index (HDI) that mutually influences each other. If analyzed using the ordinary least squares (OLS) method, the estimation results can become biased and inconsistent because it overlooks the simultaneous nature of these variables. Therefore, this study uses a simultaneous panel model to obtain more accurate and reliable estimations. The objectives of this research are: (1) How does the open unemployment rate, inflation, and HDI partially affect poverty? (2) How do the open unemployment rate, inflation, and HDI collectively affect poverty? (3) How do GDP, minimum wage, and poverty partially affect HDI? (4) How do GDP, minimum wage, and poverty collectively affect HDI? This research is titled Analysis of Poverty and Human Development Index (HDI) in Java Island from 2018–2023 (Simultaneous Panel Model). The estimation results show that the TPT variable has a positive and significant effect on poverty, while the inflation variable has a negative and significant impact on poverty. Meanwhile, in the simultaneous equation model, the HDI shows that the GDP variable has a positive and significant effect on HDI. The implication of these findings is the importance of integrated development policies, not only focusing on improving human quality but also addressing the root causes of poverty structurally so that the impact of human development can be more optimal in reducing poverty.

Keywords: *poverty, HDI, simultaneous panel model, Java Island*