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Poverty Alleviation in Indonesia: Evaluating Social Protection, Targeting Reform, and Rural–Urban Disparities Using Secondary Data

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Abstract

Poverty alleviation remains a central public-policy priority in Indonesia even as the official poverty rate continues to decline. This study evaluates recent poverty-alleviation progress and policy architecture using secondary data and documentary analysis. The analysis combines official poverty statistics from BPS-Statistics Indonesia for March 2025, September 2025, and March 2026 with national planning documents, presidential instructions on poverty reduction and the National Socioeconomic Single Data (DTSEN), social-welfare regulations, World Bank assessments, and selected empirical studies of Indonesian social protection. The evaluation focuses on four dimensions: poverty trends, rural–urban disparities, targeting and data integration, and the balance between social assistance and economic empowerment. Results show that the national poverty rate declined from 8.47 percent in March 2025 to 8.07 percent in March 2026, while the number of poor people fell from 23.85 million to 22.93 million. However, rural poverty remained substantially higher than urban poverty, reaching 10.67 percent compared with 6.34 percent in March 2026. At the same time, the Gini ratio increased from 0.363 in September 2025 to 0.368 in March 2026, indicating that poverty reduction and distributional improvement do not necessarily move together. The policy framework has strengthened through the RPJMN 2025–2029, Presidential Instruction No. 8 of 2025, and DTSEN-based targeting reform. Nevertheless, evidence from prior studies shows persistent risks of inclusion and exclusion errors and heterogeneous program effects across regions and socioeconomic groups. The study concludes that effective poverty alleviation requires not only continued social protection, but also accurate targeting, productive inclusion, territorial strategies, and transparent outcome monitoring.

Keywords: poverty alleviation; social protection; targeting; rural poverty; public policy; Indonesia

1. Introduction

Poverty is not only a condition of insufficient income or consumption; it is also closely associated with limited access to education, health services, productive employment, housing, basic infrastructure, and opportunities for social mobility. For public administration, poverty alleviation is therefore a multidimensional governance problem. It requires coordination across ministries and levels of government, reliable beneficiary data, appropriate program design, accountable budgeting, and the capacity to connect short-term protection with longer-term economic empowerment.

Indonesia has made substantial progress in reducing official poverty. BPS-Statistics Indonesia reported that the national poverty rate declined to 8.47 percent in March 2025, 8.25 percent in September 2025, and 8.07 percent in March 2026. Over the same period, the number of people classified as poor fell from 23.85 million to 22.93 million (BPS-Statistics Indonesia, 2025a, 2026a, 2026b). These figures indicate continued progress, but they do not mean that poverty has become a marginal policy issue. More than twenty-two million people remained below the national poverty line in March 2026, while many households above the line remained economically vulnerable to food-price increases, employment shocks, illness, and other disruptions.

The spatial structure of poverty is also important. In March 2026, the poverty rate in rural areas was 10.67 percent, compared with 6.34 percent in urban areas (BPS-Statistics Indonesia, 2026b). This persistent rural–urban gap suggests that national averages can conceal differences in labor-market opportunities, public-service access, infrastructure, agricultural productivity, and local institutional capacity. A uniform anti-poverty strategy may therefore be less effective than a policy portfolio that combines national social protection with territorially differentiated interventions.

Indonesia's current policy framework reflects an increasingly integrated approach. The National Medium-Term Development Plan (RPJMN) 2025–2029 targets a poverty rate of 4.5–5.0 percent by

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2029 and an extreme-poverty rate below 0.5 percent by 2026, with a medium-term target of zero by 2029. Presidential Instruction No. 8 of 2025 emphasizes integrated and accurately targeted poverty alleviation across ministries, agencies, and local governments. In parallel, Presidential Instruction No. 4 of 2025 established the National Socioeconomic Single Data (Data Tunggal Sosial dan Ekonomi Nasional, DTSEN) as the principal data reference for planning, implementation, and evaluation of social and economic policies. These reforms directly address long-standing governance problems involving fragmented databases and targeting errors.

Social protection remains one of the most visible instruments within Indonesia's poverty policy. Programs such as Program Keluarga Harapan (PKH), food assistance, education support, health protection, and subsidies can reduce household expenditure burdens and protect human-capital investment. Empirical research has generally found positive effects of PKH on consumption, education, or poverty-related outcomes, but the magnitude of benefits is not uniform. Waluyo and Khoirunurrofik (2021) found that PKH had a negative and significant relationship with poverty rates, although the effect was weaker in less-developed regions. Hadna and Askar (2022) similarly found significant consumption effects while identifying weaker benefits among households in the lowest wealth quantile. These findings imply that program existence and aggregate coverage are insufficient indicators of effectiveness.

This study evaluates recent poverty-alleviation performance in Indonesia through a secondary-data approach. It asks three questions: (1) What do recent official statistics show about the direction and spatial pattern of poverty reduction? (2) How does the current policy architecture address targeting, integration, and multidimensional poverty risks? and (3) What implementation weaknesses remain visible when official policy documents are read alongside empirical evidence on social protection? The study does not claim that recent declines in poverty were caused by any single government program. Instead, it provides a descriptive and institutional evaluation of trends, policy design, and implementation risks.

2. Methods

This study used a qualitative–descriptive secondary-data design combining statistical trend analysis and documentary policy analysis. No primary survey, interview, experiment, or field observation was conducted. The unit of analysis was the national poverty-alleviation policy system, with attention to statistical outcomes, social-protection design, beneficiary targeting, and spatial disparities.

Three categories of secondary sources were used. First, official statistical sources included BPS poverty profiles for March 2025, September 2025, and March 2026, together with the March 2026 Gini ratio. Second, policy and regulatory sources included the RPJMN 2025–2029, Presidential Instruction No. 4 of 2025 on DTSEN, Presidential Instruction No. 8 of 2025 on optimizing poverty alleviation and eliminating extreme poverty, and Minister of Social Affairs Regulation No. 3 of 2025 on the updating and use of DTSEN. Third, analytical sources included the World Bank's Indonesia Poverty Assessment and selected peer-reviewed studies examining PKH and targeting performance.

The quantitative component was limited to descriptive comparison. Changes in poverty rates, the number of poor people, and rural–urban poverty levels were compared across available BPS observation periods. No causal regression was conducted. Consequently, changes in poverty are interpreted as observed national outcomes rather than as effects attributable to a specific policy intervention.

The documentary component used thematic coding. Evidence was organized into four evaluative dimensions: (a) poverty reduction outcomes, (b) spatial and distributional vulnerability, (c) targeting and data governance, and (d) policy integration between social assistance and productive empowerment. Each dimension was assessed in terms of policy progress, remaining implementation risk, and implications for public-sector management. This approach allows the study to evaluate institutional coherence without overstating what secondary descriptive data can establish.

3. Results

3.1 Recent Poverty Reduction Trends

The most recent BPS data show a continuous decline in Indonesia's official poverty rate across the three observation points used in this study. The rate fell from 8.47 percent in March 2025 to 8.25 percent in

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September 2025 and then to 8.07 percent in March 2026. The number of people living below the official poverty line declined by approximately 920,000 between March 2025 and March 2026, from 23.85 million to 22.93 million.

The decline was observed in both urban and rural areas over the March 2025–March 2026 period. Urban poverty fell from 6.73 percent to 6.34 percent, while rural poverty declined from 11.03 percent to 10.67 percent. Nevertheless, the rural rate remained more than four percentage points above the urban rate in March 2026. This indicates that poverty reduction has not removed the territorial concentration of vulnerability.

Table 1. Recent official poverty indicators in Indonesia

Period	Poverty rate (%)	Poor population (million)	Urban poverty (%)	Rural poverty (%)
March 2025	8.47	23.85	6.73	11.03
September 2025	8.25	23.36	6.60	10.72
March 2026	8.07	22.93	6.34	10.67
Change: Mar 2025–Mar 2026	-0.40 pp	-0.92	-0.39 pp	-0.36 pp

Source: compiled from BPS-Statistics Indonesia poverty releases for March 2025, September 2025, and March 2026.

3.2 Poverty Reduction Has Not Eliminated Distributional Vulnerability

An important finding is that poverty reduction and inequality do not necessarily move in the same direction. BPS reported a national Gini ratio of 0.368 in March 2026, increasing from 0.363 in September 2025 although remaining below the March 2025 level of 0.375. This means that a declining headcount poverty rate can coexist with a short-term increase in expenditure inequality.

This distinction matters for policy evaluation. The poverty headcount measures the proportion of people below a specified line, whereas inequality measures the distribution of expenditure across the population. A successful anti-poverty strategy therefore requires attention not only to households below the poverty line, but also to economically insecure households just above it. These households may not be classified as poor but can fall into poverty when exposed to income loss, food inflation, illness, disasters, or employment instability.

The World Bank's updated global poverty benchmarks further illustrate the importance of vulnerability. Using the 2025 international poverty-line update, the World Bank estimated that 5.4 percent of Indonesians were poor in 2024 at the new international extreme-poverty line, while substantially larger shares fell below the benchmarks commonly associated with lower-middle- and upper-middle-income countries. The World Bank also emphasizes that Indonesia's national poverty line remains the appropriate benchmark for domestic targeting. The broader implication is that moving above the official poverty line does not automatically mean achieving economic security.

3.3 Targeting Reform and the Role of DTSEN

Targeting quality is one of the most important administrative determinants of poverty-program effectiveness. Inclusion error occurs when benefits are received by households that do not meet the intended eligibility criteria, while exclusion error occurs when eligible poor or vulnerable households are missed. Previous research on Indonesian social transfer programs has documented both types of error and has shown that targeting performance varies across programs and household characteristics (Kusumawati & Kudo, 2019).

Presidential Instruction No. 4 of 2025 represents a major governance response to this problem by establishing DTSEN as an integrated national socioeconomic data reference. The instruction emphasizes accuracy, interoperability, updating, and inter-agency coordination. Minister of Social Affairs Regulation No. 3 of 2025 further regulates the updating and use of DTSEN for social assistance, social empowerment, and social-welfare programs. Administratively, this reform has the potential to reduce duplicate databases and improve consistency in beneficiary identification.

However, a single database does not automatically eliminate targeting errors. Data quality depends on updating frequency, household mobility, changes in employment and income, local verification, grievance mechanisms, and the capacity to correct inaccurate classifications. Therefore, DTSEN should be evaluated not only by whether institutions use the same database, but by whether eligible households are actually included quickly and ineligible records are corrected transparently.

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3.4 From Social Assistance to Productive Inclusion

Indonesia's current poverty policy combines expenditure relief with human-capital support and economic empowerment. Presidential Instruction No. 8 of 2025 directs poverty-alleviation measures to be integrated and accurately targeted, while the RPJMN 2025–2029 sets ambitious medium-term poverty targets. This architecture recognizes that cash or in-kind transfers are necessary for protecting consumption but are insufficient as a complete pathway out of poverty.

Evidence on PKH supports this interpretation. Waluyo and Khoirunurrofik (2021), using district-level panel data, found a significant negative relationship between PKH and poverty, but weaker effects in less-developed regions. Hadna and Askar (2022) found that PKH increased consumption but that benefits were heterogeneous, with the lowest wealth quantile not gaining equally under the program design. Earlier impact evaluation also found positive educational effects in specific outcomes while identifying continuing problems in the quality of education services (Hadna & Kartika, 2017).

These findings suggest that cash-transfer effectiveness depends partly on the environment into which transfers are delivered. If poor households face weak schools, inadequate health facilities, limited transportation, low-productivity employment, or inaccessible markets, income support may reduce immediate hardship without creating durable mobility. Poverty policy therefore needs productive inclusion: skills development, access to employment and enterprise opportunities, infrastructure, financial inclusion, market access, and locally relevant livelihood support.

Table 2. Evaluation of the current poverty-alleviation policy architecture

Policy element	Intended function	Observed strength	Remaining implementation risk
RPJMN 2025–2029	Sets national poverty and extreme-poverty targets	Provides measurable national direction	Targets require credible implementation and subnational alignment
Presidential Instruction No. 8/2025	Integrates poverty reduction across ministries and local governments	Strengthens cross-sector coordination mandate	Program fragmentation may persist without shared performance accountability
DTSEN – Presidential Instruction No. 4/2025	Creates a single socioeconomic data reference	Potentially improves targeting consistency and interoperability	Stale records, exclusion error, and local verification remain possible
Social assistance / PKH	Reduces household burdens and supports human capital	Empirical evidence shows benefits for consumption, education, and poverty-related outcomes	Effects are heterogeneous and may be weaker in disadvantaged areas
Economic empowerment	Builds sustainable income and mobility	Addresses structural causes beyond consumption shortfalls	Requires jobs, markets, skills, finance, and local implementation capacity
Territorial intervention	Addresses spatial poverty concentrations	Recognizes rural and regional differences	Uniform program design may not match local constraints

4. Discussion

The results present a cautiously positive picture. Indonesia's official poverty indicators continued to improve through March 2026, and the current policy architecture is more explicitly oriented toward integrated targeting than earlier fragmented approaches. Nevertheless, the evidence does not justify a simple conclusion that poverty-alleviation programs are already fully effective. A decline in the poverty rate is an outcome observed at the macro level; it is not, by itself, proof of the causal impact of a specific intervention.

From a public-administration perspective, the most important current reform may be the move toward integrated data governance. Poverty programs historically face a coordination problem because different agencies may use different administrative lists, eligibility rules, and updating mechanisms. DTSEN addresses this institutional fragmentation by creating a common reference. Its effectiveness, however, will depend on the governance process surrounding the database: who updates records, how disputes are resolved, how quickly shocks are captured, and how citizens can correct inaccurate information.

The persistence of rural poverty also demonstrates why targeting must be more than household

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identification. A household can be correctly identified as poor and still remain poor if the surrounding economic and service environment offers few exit pathways. Rural households may face dependence on low-productivity agriculture, limited non-farm employment, weaker infrastructure, longer distances to public services, and greater exposure to climate and commodity risks. Poverty alleviation therefore requires both household-level targeting and place-based development.

A further implication concerns the relationship between protection and empowerment. Social assistance performs an essential protective function by smoothing consumption and supporting access to education and health. Removing such support prematurely can worsen vulnerability. At the same time, assistance alone cannot guarantee sustained income growth. Effective policy should therefore establish graduation pathways that are based on genuine improvement in household economic capacity rather than administrative time limits. Beneficiaries who become more economically secure should be connected to employment, entrepreneurship, skills, credit, or productive-asset opportunities.

The March 2026 inequality data add another caution. Although the poverty rate declined, the Gini ratio increased relative to September 2025. This does not negate the poverty improvement, but it shows why a single indicator should not dominate policy evaluation. A balanced monitoring framework should include the poverty headcount, poverty gap, severity of poverty, inequality, employment quality, rural–urban disparities, social-protection coverage, exclusion and inclusion errors, and beneficiary transitions over time.

The RPJMN target of reducing poverty to 4.5–5.0 percent by 2029 is ambitious relative to the March 2026 rate of 8.07 percent. Achieving it will require continued reduction among households that are increasingly difficult to reach or support. As poverty declines, the remaining poor population may include a larger concentration of households facing multiple and persistent disadvantages. This increases the importance of case management, local government capacity, disability-inclusive services, remote-area delivery, and coordination between social assistance and sectoral services.

Finally, policy evaluation should move beyond counting program recipients or budget absorption. Administrative outputs such as the number of transfers delivered are necessary but insufficient indicators. The more relevant questions are whether eligible households are reached, whether their economic vulnerability falls, whether children remain in school, whether health access improves, whether household income becomes more stable, and whether beneficiaries can move out of poverty without becoming exposed to new shocks. This outcome orientation is essential if poverty-alleviation governance is to become more effective and accountable.

5. Conclusion

This study evaluated poverty alleviation in Indonesia using official statistics, policy documents, and selected empirical research. The evidence shows continued progress: the official poverty rate declined from 8.47 percent in March 2025 to 8.07 percent in March 2026, and the number of poor people decreased by approximately 0.92 million. However, poverty remains spatially uneven, with rural poverty substantially higher than urban poverty. The increase in the Gini ratio between September 2025 and March 2026 also demonstrates that poverty reduction does not automatically ensure broader distributional improvement.

The institutional framework has strengthened through the RPJMN 2025–2029, Presidential Instruction No. 8 of 2025, and the introduction of DTSEN. These reforms improve the potential for integrated programs and more consistent beneficiary targeting. Nevertheless, the principal implementation risks remain data accuracy, inclusion and exclusion errors, heterogeneous program effects, uneven local capacity, and the possibility that social assistance reduces immediate hardship without creating sustainable economic mobility.

Accordingly, poverty alleviation should combine four elements: accurate and continuously updated targeting, adequate social protection, place-based responses to rural and regional poverty, and productive inclusion that connects poor households to skills, employment, markets, finance, and public services. Future research should use household microdata or quasi-experimental designs to estimate the causal contribution of specific programs. The present study is deliberately limited to descriptive and institutional evaluation and therefore does not attribute the observed decline in national poverty to any single intervention.

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