Determinants Of Poverty In East Kalimantan Province, Indonesia

Prapdopo, Amiril Azizah

Abstract: This study aims to identify and analyze the effects of both direct and indirect variables are human development index (HDI), income inequality and economic growth on poverty in East Kalimantan Province. The value of this research implies that the essential for the local government of East Kalimantan Province to determine policies that can reduce poverty. This study focuses on factors affecting poverty in East Kalimantan Province with secondary data coming from 9 (nine) urban districts. This study uses quantitative methods to identifying and analyzing the effects of HDI, income inequality and economic growth against poverty in East Kalimantan Province. The analysis model used Ordinary Least Square (OLS) using AMOS program. The result shows the Increasing HDI, income inequality and economic growth could develop the economic growth in East Kalimantan. The increase of HDI does not significantly affect the level of poverty. Moreover, the increase in HDI has not significant to reducing poverty rate in East Kalimantan through economic growth. However, HDI have positive impact to increasing poverty. Enhance the income inequality has a significant impact on poverty rate in East Kalimantan .

Index Terms: Human Development Index (HDI), Inequality Income, Economic Growth, Poverty, East Kalimantan Province

————————————◆————————————

1 INTRODUCTION

Poverty is one of the major diseases in the economy in almost every country, especially in developing countries such as Indonesia which still have a high poverty rate compared the other countries. The problem of poverty is a complex and multidimensional problem. Therefore, efforts to alleviate poverty should be done correctly, covering various aspects of community life, and implemented in an integrated manner [6]. It can be seen development of the number of poor people in East Kalimantan Province as a whole since 2006 to 2009 tend declining and nationally. East Kalimantan province ranks 5 (five) of the poorest number of poorest people. However, when viewed from the distribution of developments in each regency / city, there are 6 (six) districts / cities that experienced a tendency to increase the poor population of Berau, Nunukan, Penajam Paser Utara, Balikpapan, Samarinda and Bontang [2]. There are several factors affecting the poverty rate in Indonesia, among others, economic growth in the form of Gross Domestic Product at national level and Gross Regional Domestic Product at the regional level; [18] states that human development in Indonesia is synonymous with poverty reduction. Investments in education and health care will be more meaningful to the poor than the non-poor, because for the poor the main asset is their raw labor. The existence of cheap educational and health facilities will greatly help to increase productivity, and in turn increase revenue [13]. Furthermore, the problem of income inequality cannot be separated from the problem of poverty, usually occurs in poor and developing countries. According to [1], many developing countries experiencing high economic growth rates in the 1960s began to realize that such growth is of little benefit in solving poverty problems. In poor countries the main concern is the issue of growth versus income distribution [10].

————————————————

- *Prapdopo is Lecturer of Administration Department of State Polytechnic of Samarinda, PH-085250340046. E-mail: dopo.polnes @gmail.com*
- *Amiril Azizah is Lecturer of Administration Department of State Polytechnic of Samarinda, PH-081351261021. E-mail: amirilazizah @yahoo.com*

2 LITERATURE REVIEW

2.1 The Effect HDI on Economic Growth
HDI plays an important role in the development of modern economy because good human development will make the factors of production can be maximized. The quality of a good population will be able to innovate developing existing production factors. Besides the high human development resulted in the population will be high also so it will raise the level of consumption. This will make it easier to promote economic growth [12].

2.2 The Effect Income Inequality on Economic Growth
According to Irma Adelma and Cynthia Taft Morris in [1] there are 8 (eight) things that cause inequality or inequality income distribution in developing countries are: 1) high population growth resulting in decreased per capita income; 2) inflation in which money income increases but is not followed in proportion to the increase in the production of goods; 3) inequality of regional development; 4) very large investments in capital-intensive projects, so the percentage of capital income from extra work is large compared to the percentage of income generated from work, so that unemployment increases; 5) low social mobility; 6) implementation of import substitution industry policy resulting in price increases of industrial goods to protect the efforts of the capitalist class; 7) the deterioration of the term of trade for developing countries in trade with developed countries, as a result of the disastrous demand of developed countries on the export goods of developing countries; and 8) the destruction of the people's craft industry such as carpentry, home industry, and others. Kaldor (1956) in [18] states that inequality of high income distribution tends to increase economic growth. Inequality of income through the accumulation of capital according to the theory of neo-classical growth is one of the factors that determine economic growth. This is supported by [5], that income distribution inequality has a positive effect on economic growth.

2.3 The Effect HDI on Poverty
According [7] stated that human development in Indonesia is identical with poverty reduction. Investments in education and health care will be more meaningful to the poor than non-poor, because for the poor the main asset is their harsh labor. The

112

existence of cheap educational and health facilities will greatly help to increase productivity, and in turn increase revenue.

2.4 The Effect Income Inequality on Poverty
The distribution of national income is reflecting equitable or unequal distribution of a country's development outcomes among its inhabitants [4]. Furthermore [14] explains that the distribution of income is divided into two main sizes namely; size distribution, is the amount or the amount of income each person receives and the functional distribution or distribution of ownership of the factors of production. According to [14], one of the causes of poverty is the unequal pattern of resource ownership, which in turn will lead to a lame income distribution.

2.5 The Effect Economic Growth on Poverty
Economic growth according to [3] is a process of increasing production capacity in a sustainable economy towards a better direction which is realized in the form of an increase in national income (Gross Domestic Product) as well as regional income (Gross Regional Domestic Product) in the long term. Economic growth according to Kuznet quoted from Tambunan (2001) in [17] has a strong correlation to poverty. Economic growth in the early stages has caused poverty rates to tend to increase but at the end of the final stage there is a continuous reduction in poverty levels. Thus, it can be said that economic growth has a negative effect on poverty.

3 Conceptual Research Framework
To facilitate the research activities to be conducted as well as to clarify the roots of thought in this study, the following drawings conceptual framework of research:
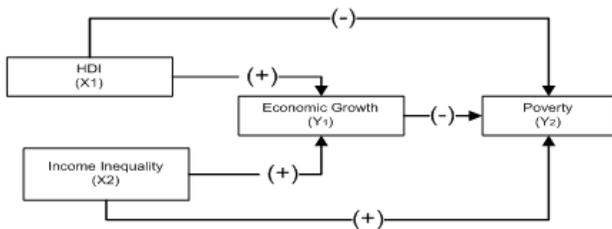

Figure 1. Conceptual Research Framework

4 Research Methodology
This research is explanatory research, which is trying to explain causality relationship between IPM and income inequality to poverty through economic growth in East Kalimantan Province. In detail this study focuses on unemployment of 9 (nine) districts in East Kalimantan Province which consists of 1) Kabupaten Berau, 2) Kabupaten Kutai Timur, 3) Kota Bontang, 4) Kota Samarinda, 5) Kabupaten Kutai Kartanegara, 6) Kota Balikpapan, 7) Kabupaten Penajam Paser Utara, 8) Kabupaten Pasir dan 9) Kabupaten Kutai Barat with the scope of the study year is in 2005-2014. This research uses pooling data or panel data, that is combination of time series data (data between time) and cross section data (inter place data); cross section data in question is data of district in East Kalimantan Province. The data used in this study consisted of 108 with poverty data from 2005 - 2014, economic growth data in 2005-2014, HDI and income inequality in 2005 - 2014. To achieve the research

objectives identified in the previous section, this research will use path analysis using AMOS version 22. Specifically, the analysis technique will be described as follows; Based on Figure 2. then the model specification can be made in the equation as follows:

$$Y1 = f(X_1, X_2,) \qquad (1)$$
$$Y2 = f(X_1, X_2, Y_1) \qquad (2)$$

Where:

X_1 is HDI; X_2 is income inequality; Y_1 is economic growth and; Y_2 is poverty. Based on the above functional model, then formed the regression equation as follows:

$$Y_1 = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \mu_1 \qquad (1.1)$$

$$Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Y_1 + \mu_2 \qquad (2.1)$$
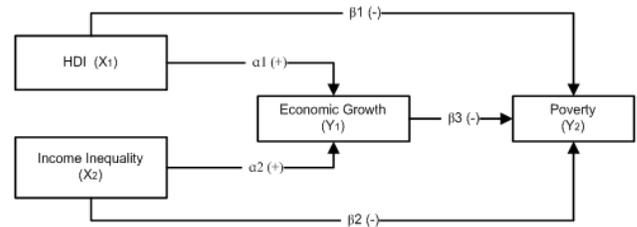

Figure 2. Path Analysis Model

5 The Estimate Result
The results estimation of the study of the HDI and income inequality on Economic growth and poverty can be seen in Figure 3 below:
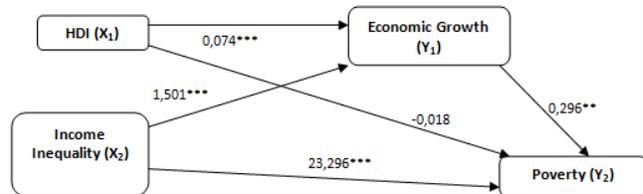

Figure 3. The Estimate Result HDI and Income Inequality on The Economic Growth and Poverty

The analysis showed that HDI has an effect on economic growth (coefficient 0,074) with p value 0,000 <0.05, the result gives meaning that HDI has significant effect to economic growth. Furthermore, income inequality also significantly affects economic growth (coefficient 1.501) with p value of 0.000 <0.05. HDI has no significant effect on poverty with coefficient of -0.018 with p value of 0.077> 0.05 which means that HDI does not directly affect poverty in East Kalimantan Province. The next variable is income inequality significantly to poverty with coefficient value is 23,719 with p value 0,000 <0,05 and variable of economic growth also have significant effect to poverty with coefficient value that is 0,296 with p value value 0,002 <0,05. The value of t arithmetic of 3.053 is greater than the value of t table 1.89304 implies that the mediation parameter is significant. It can be concluded that HDI has a significant impact toward poverty through economic

113

growth as mediation role in East Kalimantan Province. The value of t arithmetic of 2.988 is greater than the value of t table 1.89304 it indicate that the mediation parameter is significant. Thus it can be concluded that income inequality has a significant influence on poverty through economic growth in East Kalimantan Province.

6. RECOMMENDATION

Based on the results of the discussion ,which some suggestions as follows: Economic growth in urban areas is prioritized on equity and multiplier effect on rural areas, through the development of inter-regional liaison infrastructure. In addition, the agricultural sector to be more noticeable through the program to minimize negative externalities both at the level of production and agricultural markets. Human Development Index variables does not affect the number of poor people indicates that health, education and public purchasing power needs to be improved by the government. The government can also provide services in the education sector for free, especially for the poor. So the quality of human resources is increasing which is expected to reduce the number of poor people. The government's attention to health also needs to be improved with free health services, increasing the *puskesmas* especially in poor and disadvantaged villages.

REFERENCES

[1] Arsyad, Lincolin. 1999. "Ekonomi Pembangunan". Edisi Keempat, Bagian Penerbitan STIE YKPN. Yogyakarta.

[2] Badan Pusat Statistik. 2012. "Data dan Informasi Kemiskinan 2008-2012". Jakarta : Badan Pusat Statistik Indonesia.

[3] Boediono, 1999. "Teori Pertumbuhan Ekonomi". Yogyakarta: BPFE

[4] Dumairy, 1999,."Perekonomian Indonesia". Penerbit Erlangga, Jakarta.

[5] Forbes, K. J. 2000. "A Reassessment of the Relationship Between Inequality and Growth". American Economic Review, 40(4): 869–887.

[6] Jundi, Musa Al, 2014. "Analisis Faktor Yang Mempengaruhi Tingkat Kemiskinan Provinsi-Provinsi Di Indonesia". Fakultas Ekonomika Dan Bisnis Universitas Diponegoro. Semarang.

[7] Lanjouw Petter, et al. 2001. "Poverty Education and Health in Indonesia: Who Benefits From Public Spending". World Bank Discussion Paper No.339, Washington.

[8] Masika R and Baden, S., 1997. "Infrastructure and Poverty: A Gender Analysis". BRIDGE Report No. 51. Brighton: Institute of Development Studies.

[9] Paul Spicker 2002, "Poverty And The Welfare State: Dispelling The Myths", A Catalyst Working Paper, London: Catalyst

[10] Putra, Linggar Dewangga dan Achma Hendra Setiawan. 2011. "Analisis Pengaruh Ketimpangan Distribusi Pendapatan Terhadap Jumlah Penduduk Miskin Di Provinsi Jawa Tengah Periode 2000 – 2007". Fakultas Ekonomi. Universitas Diponegoro. Semarang.

[11] Sadono Sukirno 2000. "Makroekonomi Modern". Raja Grafindo Persada. Jakarta

[12] Sadono Sukirno, 2006, "Ekonomi Pembangunan Proses Masalah dan Dasar Kebijakan", cetakan ketiga, Penerbit Kencana, Jakarta

[13] Saputra, W.A. 2011. "Analisis Pengaruh Jumlah Penduduk, PDRB, IPM,Pengangguran Terhadap Tingkat Kemiskinan Di Kabupaten / Kota Jawa Tengah". Universitas Diponegoro. Semarang.

[14] Todaro, 2000. Pembangunan Ekonomi di Dunia Ketiga. Jilid I, Edisi Keenam. Jakarta : Erlangga.

[15] Udaya R. Wagle 2006. "The Estimates and Characteristics of Poverty in Kathmandu: What Do Three Measurement Standards Suggest?". The Social Science Journal Volume 43, Issue 3, 2006, Pages 405–423

[16] United Nations Development Programme (UNDP). 1990. "Global Human Development Report". Human Resources Department.

[17] Wijayanto, Ravi Dwi. 2010. "Analisis Pengaruh PDRB, Pendidikan dan Pengangguran Terhadap Kemiskinan di Kabupaten/Kota Jawa Tengah Tahun 2005-2008". http://eprints.undip.ac.id.

[18] Yamamura, B., dan Shin, I., 2008, "Effects of Income Inequalily un Growth through Efficiency Improvement and Capital Accumulation", MPR Paper No. 10220, April 2001

[19] Yani Mulyaningsih. 2008. "Pengaruh Pengeluaran Pemerintah di Sektor Publik Terhadap Peningkatan Pembangunan Manusia dan Pengurangan Kemiskinan". Fakultas Ekonomika dan Bisnis Universitas Diponegoro. Semarang.

APPENDICES

Appendices 1

PERCENTAGE OF POOR PEOPLE IN EAST KALIMANTAN BY REGENCY AND CITY IN 2003-2014

Kabupaten/ Kota	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Rata-Rata
Samarinda	8.57	7.90	7.63	6.93	6.40	4.58	4.75	5.22	4.35	4.20	4.54	4.59	5.81
Balikpapan	4.02	3.97	3.67	3.73	3.68	3.47	3.57	4.09	3.42	3.38	2.51	2.46	3.50
Bontang	7.26	6.79	7.92	7.63	7.53	7.12	6.54	6.54	5.43	5.33	5.23	5.14	6.54
Kutim	17.40	16.58	15.86	15.79	16.98	12.91	11.63	11.42	9.53	8.95	9.23	8.86	12.93
Berau	9.83	8.46	9.72	9.26	8.94	5.67	5.74	6.65	5.54	5.38	4.91	4.77	7.07
Kukar	15.69	15.10	14.96	13.81	12.24	9.11	7.89	8.73	7.27	7.08	7.63	7.44	10.58
Kubar	13.80	13.49	12.75	13.08	13.62	10.42	8.84	9.99	8.34	9.92	9.17	9.11	11.04
Paser	27.65	15.83	15.95	15.62	15.47	10.78	9.96	9.60	7.98	7.78	8.06	7.85	12.71
PPU	0.00	16.07	16.92	16.65	17.11	12.77	11.21	10.50	8.76	8.71	7.78	7.69	12.20

Sumber: Kaltim Dalam Angka Berbagai Tahun

ECONOMIC GROWTH IN EAST KALIMANTAN PROVINCE BY REGENCY / CITY BY CONSTANT PRICE (2000) YEAR 2003-2014 (PERCENT)

Kabupaten/ Kota	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Rata-Rata
Samarinda	9,29	9,26	5,93	5,94	3,11	4,82	4,49	6,16	15,71	0,50	4,82	4,59	6,22
Balikpapan	6,03	5,15	7,21	7,93	8,02	10,14	9,98	5,13	4,6	5,57	3,6	4,67	6,50
Bontang	3,57	4,18	4,9	4,86	8,02	7,08	2,47	6,76	7,42	9,18	5,72	3,41	5,63
Kutim	23,73	24,45	23,21	23,02	8,87	5,5	5,55	9,76	17,58	11,54	10,19	7,92	14,28
Berau	2,84	2,64	4,54	5,08	5,7	4,97	5,95	8,03	21,75	15,47	10,19	7,92	7,92
Kukar	8,19	6,39	8,49	11,83	9,56	6,5	4,34	12,2	1,52	5,49	0,06	-1,35	6,10
Kubar	5,32	5,44	5,744	6,11	6,45	6,83	6,89	6,1	18,53	18,99	2,82	1,24	7,54
Paser	6,6	6,11	10,53	11,94	12,92	7,1	7,73	17,31	8,3	6,05	6,81	4,49	8,82
PPU	2,84	2,72	10,39	8,95	8,34	8,33	4,88	10,03	17,56	14,73	4,66	2,14	7,96

Sumber: Kaltim Dalam Angka Berbagai Tahun

HUMAN DEVELOPMENT INDEX IN EAST KALIMANTAN PROVINCE BY REGENCY / CITY BY CONSTANT PRICE (2000) YEAR 2003-2014 (PERCENT)

Kabupaten/ Kota	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Rata-Rata
Samarinda	74,39	74,77	75,2	75,6	75,6	76,1	76,7	77,1	77,63	77,97	78,26	78,39	76,47
Balikpapan	74,70	75,2	75,6	76,2	76,6	77,3	77,9	78,3	78,85	78,85	79,38	77,93	77,23
Bontang	74	74,5	74,9	75,3	75,6	76,1	76,5	76,9	77,52	77,85	77,85	78,58	76,30
Kutim	68,5	69	69,6	70,2	70,5	70,8	71,2	72,1	72,88	73,75	74,23	70,39	71,09
Berau	70,2	70,7	71,2	71,8	72,1	72,8	73,2	73,8	74,63	75,05	75,83	72,26	72,80
Kukar	69,8	70,2	70,7	71,2	71,5	72	72,50	72,9	73,51	74,24	74,80	71,20	72,05
Kubar	70,1	70,6	71,00	71,44	71,93	72,16	72,60	72,90	73,69	74,05	74,61	68,91	72,00
Paser	70,5	71,1	71,69	72,30	72,70	73,46	73,99	74,66	75,40	75,85	76,56	69,87	73,18
PPU	70,5	70,9	71,31	71,76	72,00	72,69	73,11	73,59	74,03	74,35	74,82	68,60	72,47

Sumber: Kaltim Dalam Angka Berbagai Tahun

INEQUALITY OF REVENUE IN EAST KALIMANTAN PROVINCE BY REGENCY / CITY BY CONSTANT PRICE (2000) YEAR 2003-2014 (PERCENT)

Kabupaten/ Kota	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Rata-Rata
Samarinda	0,30	0,23	0,29	0,22	0,25	0,19	0,15	0,11	0,08	0,31	0,33	0,32	0,23
Balikpapan	0,28	0,20	0,09	0,07	0,19	0,15	0,14	0,14	0,08	0,33	0,31	0,31	0,19
Bontang	0,30	0,20	0,29	0,19	0,28	0,18	0,19	0,17	0,08	0,39	0,36	0,35	0,25
Kutim	0,30	0,29	0,29	0,28	0,23	0,20	0,24	0,22	0,16	0,31	0,33	0,32	0,26
Berau	0,22	0,20	0,23	0,21	0,25	0,22	0,19	0,18	0,16	0,35	0,33	0,31	0,24
Kukar	0,30	0,28	0,29	0,27	0,21	0,25	0,22	0,22	0,21	0,31	0,31	0,30	0,26
Kubar	0,30	0,27	0,29	0,26	0,23	0,25	0,26	0,23	0,12	0,30	0,31	0,31	0,26
Paser	0,24	0,24	0,33	0,34	0,32	0,28	0,27	0,24	0,20	0,30	0,29	0,29	0,28
PPU	0,24	0,27	0,33	0,37	0,28	0,25	0,23	0,23	0,22	0,30	0,24	0,27	0,27

Sumber: Kaltim Dalam Angka Berbagai Tahun

APPENDICES 2

Scalar Estimates (Group number 1 - Default model)

Maximum Likelihood Estimates

Regression Weights: (Group number 1 - Default model)

		Estimate	S.E.	C.R.	P	Label
Y1 <---	X2	1.501	.097	15.526	***	
Y1 <---	X1	.074	.002	39.434	***	
Y2 <---	X1	-.018	.010	-1.770	.077	
Y2 <---	X2	23.719	.174	136.069	***	
Y2 <---	Y1	.296	.097	3.058	.002	

Means: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
X1	73.711	.137	539.153	***	
X2	.249	.137	1.825	.068	

Intercepts: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
Y1	2.000				
Y2	2.000				

Variances: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
X1	2.000				
X2	2.000				
e1	2.000				
e2	2.000				