

CHAPTER I

INTRODUCTION

1.1 Background

In order to sufficient the needs of daily life, starting from primary needs (clothing, food, and housing) as well as secondary needs (motor vehicles, telephones/mobile phones, etc.), a person or household member must have the resources, abilities, and skills, and access to obtain it. However, the problem is that not everyone is able to get the same opportunities, abilities, or resources to be able to meet these needs because of limitations in accessing them. The access of limitations is because there are still many people who faced poverty problems where poverty has the opportunity to cause other problems. In simple terms, cv poverty can be defined as the limitations of a person or household member in accessing basic needs.

Poverty is one of the main problems being faced and must be addressed by all countries in the world, especially developing countries including Indonesia of course. This is because every country must ensure that all its citizens are safe, comfortable, and prosperous, which is then one of the efforts made is to overcome the problem of poverty. Poverty is also a phenomenon that has not been exhausted and efforts are needed to eradicate it in all its forms. The success or failure of a country in alleviating poverty is one indicator of the success of achieving development programs. If a country is able to reduce the number of differences in income distribution and also eliminate all forms of poverty, then the country can be said to be successful in one of the indicators in implementing development programs (Todaro, 2009).

Poverty occurs due to several influencing factors, namely the inability to access education, certain types of work, gender (women have less than the male population), access to basic infrastructure services (such as health, education, telecommunications transportation, energy, water and sanitation), and geographic location such as soil fertility and natural wealth and equitable development (Di et al., 2013). The inability

to access educational infrastructure is caused by the high cost of education. Simply put, if a person or household cannot access education, it is difficult to get a job and tends to have low productivity. Furthermore, if someone has low productivity, it will have an impact on the minimum wages earned, making it difficult to meet daily needs.

This is in line with the explanation on the factors that influence poverty, namely education, type of work, gender, access to basic health services, as well as infrastructure and geographic location (World Bank, 2000). In addressing the problem of poverty, the education sector, health, gender and other issues are explicitly interrelated. According to the National Planning Agency (Bapenas), approaches to poverty reduction must be carried out across sectors in a systematic, coordinated, and integrated manner. By knowing what affects poverty, such as education, health, gender, and so on, poverty alleviation efforts can be carried out by knowing how the conditions of these factors are and then the central and regional governments make effective and efficient policies.

The Central Statistics Agency (BPS) defines poverty as the inability to meet the minimum standard of basic needs which includes food and non-food needs. The concept of the ability to meet basic needs to measure poverty can also be interpreted as a certain minimum amount in terms of food, clothing, shelter, water and sanitation needed to prevent disease, malnutrition, and the like (P Streeten, 1981). However, nowadays, literature or research on poverty in the world has experienced expansion and development, and Indonesia is no exception. It is stated that poverty is not enough to be measured only using a monetary approach, but also using a multidimensional approach on social dimensions, health, education and others (Rastantra & Mulia, 2019).

In Indonesia, the problem of poverty is still a major problem that must be tackled together from both the central and local governments. So far, the government has made various efforts and policies in poverty alleviation, such as the health card program, the family of hope program, school operational assistance, rice assistance for the poor, assistance to poor students, making people's business credit cards, and

others. However, to support the government's efforts, data and writings or readings on poverty conditions are needed.

Indonesia is a country that is rich in diversity, has a different social and cultural culture. It is possible that the indicators that affect poverty also vary. This is what then becomes the government's attention in taking appropriate steps and policies in accordance with the root causes of poverty in Indonesia. Therefore, it is necessary to look at multidimensional indicators of poverty in Indonesia to compare poverty from various aspects / dimensions, addressing the problem of future poverty, and providing recommendations to the government from various perspectives.

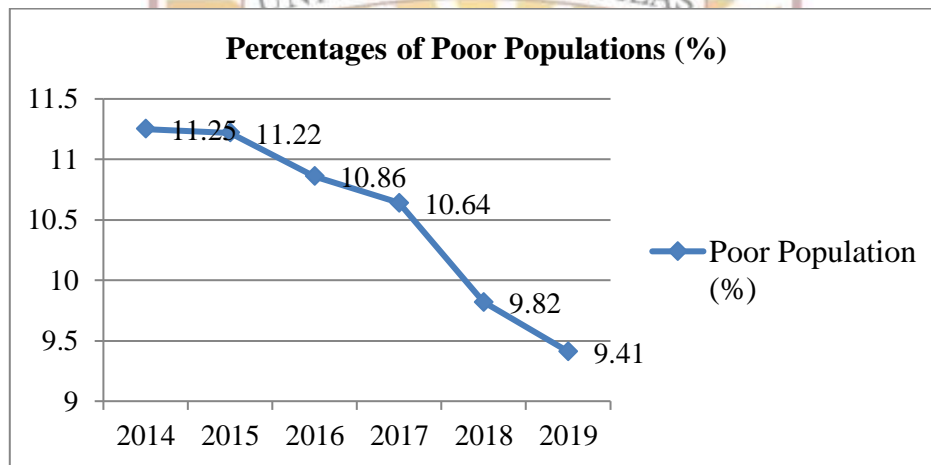
Experts argue that measuring poverty using a monetary approach alone is considered less able to provide a true picture of poverty. This approach only captures a small part of the poverty problem (Sen A, 1976). The problem of poverty is not only related to purchasing power parity, income or consumption but there is a wider dimension of poverty conditions (Prakarsa, 2013). In this regard, actually poverty is a multidimensional phenomenon that must be explained using a multidimensional approach and is not sufficiently defined only with unidimensional phenomena (Bourguignon, 2003).

The calculation of multidimensional poverty is considered relevant to be used as a reference (Prakarsa, 2013). This is because measuring poverty through this approach is believed to better reflect the real situation of the poor and can answer the call to better measure the development of poverty alleviation, especially towards the Sustainable Development Goals (SDGs). One of the goals of sustainable development is to end all forms of poverty, as well as add insight into how poverty in all dimensions is changing for the better. Sustainable development goals with multidimensional poverty indices are closely related, because they can measure the achievement of MPI indicators that have been adopted as targets and indicators for the SDGs effectively.

An alternative that can be used to determine the status of multidimensional poverty is to measure the Multidimensional Poverty Index (MPI). The most popular MPI calculation among academics or researchers is the measurement of poverty with

using the Alkire-Foster method and the application of dual cutoff. MPI aims to know the conditions of poverty in more depth and can capture various forms of poverty dimensions that occur in a country or region. In more depth, the Multidimensional Poverty Index (MPI) does not seek to eliminate monetary poverty, but rather to complement and provide a broader view in describing all aspects of poverty (S Alkire, 2015).

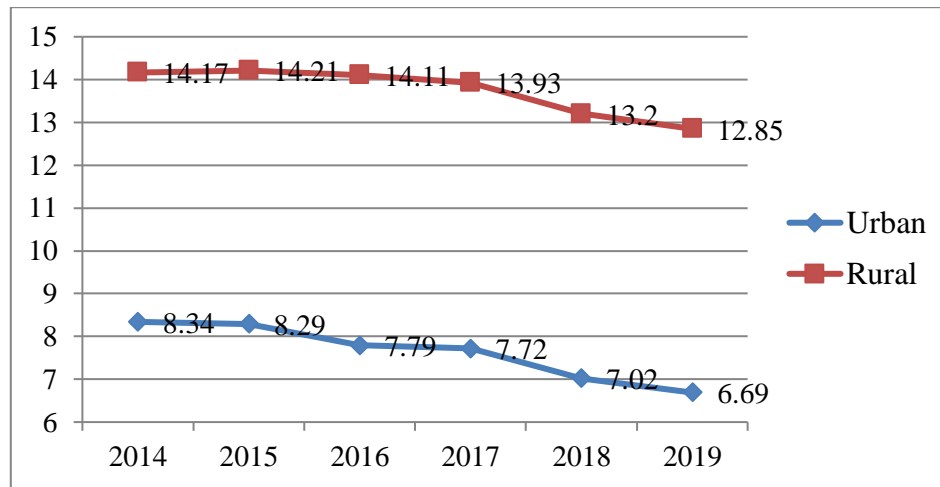
**Graphic 1 Percentage of Poor Population in Indonesia
as of March 2014-2019**



(Source: Statistics Indonesia, BPS)

The percentage of the number of poor people in Indonesia as of March in the 2014 to 2019 range above shows that the poverty rate tends to decrease from year to year. In 2014 the percentage of poor people was 11,25%, but in 2015 that number decreased by 0,03% to 11,22%. Furthermore, in 2016 the percentage of the poor also decreased by 0,36 % to 10,86%. This figure continued to decline in 2017 by 0,22% to 10,64%, then in 2018 the poverty rate was at 9,82% which decreased by 0,82% from the previous year. However, in 2019 experienced a slight slowdown, which was down by 0,41 % to 9,41%.

**Graphic 2 Percentage of Poverty by Area Classification in Indonesia
as of March 2014-2019**



(Source: Statistics Indonesia, BPS)

The graph above is information on the percentage of poverty by area of residence in Indonesia as of March 2014-2019. In 2014 there was a difference in the percentage of poverty between urban and rural areas, of which rural areas were 5,83 % higher. In 2015 there was also a difference in the percentage of poverty between urban and rural areas, of which rural areas were 5,92% higher. In 2016, the rural areas still had a higher percentage of poor people by 6,32% compared to urban areas. Furthermore in 2017, the rural areas had a higher percentage of poor people compared to urban areas of 6,21%. In 2018 it was also the same, the percentage of poor people in rural areas was higher than in urban areas by 6,18%. In 2019 urban areas experienced an increase in the percentage of poor people, but overall both urban and rural areas experienced a decrease in the percentage of poor people in the period 2014 to 2019. In additions the number of poverty in rural areas was almost more higher in twice towards urban areas.

The strategic problem of poverty in each of the provinces in Indonesia is not much different. In the graph of the percentage of poor people above, Indonesia experienced a decline in poverty rates in the span of 2014 to 2019. However, there was a slowdown in the decline in the percentage of poor people when compared to

every year. This shows that the welfare of the people in Indonesia is still not evenly distributed, in other words there are still many people who are trapped in the cycle of poverty. This can be seen from the poverty percentage data that the welfare of the population in urban areas is greater than in rural areas. Uneven development in an area also causes the low quality of human resources. If the quality of human resources is low, then this will certainly influence the poverty.

Existence of poverty problems in an area can also be caused by the quality of human resources which can be seen from the indicators of literacy rates and life expectancy, economic growth, and gender ratios (Fikri & Suparyati, 2017). Poverty is also related to the fewer opportunities, abilities, and resources they have to meet basic needs. Among them are education, health, and purchasing power.

The inability to access educational infrastructure, one of which is caused by the high cost of education. Simply put, if a person or household cannot access education, it is even difficult to get a job and tends to have low productivity. Furthermore, if someone has low productivity, it will have an impact on the minimum wages earned, making it difficult to meet daily needs. Like education, health is no less important to be used as a variable measuring poverty. If someone in the household experiences health complaints, it will also have an impact on productivity which tends to decrease. The decrease in productivity will also have an impact on the income earned which is decreasing. If a person's income decreases or even has no income, then this will affect purchasing power.

This research conducted is to see the phenomenon of poverty in a multidimensional manner (health, education, and quality of life) because the phenomenon of poverty is not enough to be seen only in terms of unidimensional (income / consumption) and analyze the factors that influence poverty. Actually, research on multidimensional poverty in Indonesia has been carried out by researchers or research institutions before. One of the research institutions that also examines multidimensional poverty in Indonesia is the Prakarsa institute (2020). However, there are several points that distinguish this research from the Prakarsa institution.

In the variables in each indicator used, Prakarsa measures poverty using health dimensions (sanitation, drinking water, and nutrition of toddlers), education dimensions (Early Childhood Education / PAUD and school sustainability), and dimensions of quality of life (sources of lighting, cooking fuel, roof conditions of houses, condition of house floors, and condition of house walls). Meanwhile, in this study, researchers measured poverty using health dimensions (health complaints and health insurance), education dimensions (literacy and last education), and quality of life dimensions (floor conditions, sanitation, access to drinking water, electricity, cooking fuel, and vehicles).

In the initial weighting/deprivation score used, the Prakarsa sets the initial weighting number for each indicator on the health dimension (0,11), the education dimension (0,16), and the quality of life dimension (0,11). Meanwhile, in this study, researchers set the initial weighting figure for each indicator on the health dimension (0,16), the education dimension (0,16), and the quality of life dimension (0,03).

The focus of the research that conducted by Prakarsa focuses on providing information updates on multidimensional poverty and comparing multidimensional poverty conditions with previous periods, providing an overview of poverty at the national, regional, and village-urban levels, as well as providing alternatives to multidimensional poverty measurement in Indonesia. Actually, this study also discusses the topic of multidimensional poverty, namely measuring MPI (Multidimensional Poverty Index). The focus of this study is not on calculating MPI but only using the part of MPI calculation method on the deprivation score (cut-off). Then, the calculation of the deprivation score was continued with the decomposition of poverty based on the classification of the territory (rural-urban) using the Blinder-Oaxaca decomposition method. The Blinder-Oaxaca method aims to analyze poverty gaps based on village-cities as well as analyze the factors that affect poverty gaps in rural and urban area.

1.2 Research Problem

As in the explanation of the identification of the problem of poverty above, that poverty is still the main problem that must be tackled together, and poverty alleviation is also included as a success indicator for development programs (SDGs), the researchers in this study will also raise a topic that discusses the phenomenon of poverty. and several factors that influence it.

Then in the table and graph presenting the percentage of poor people in 2014-2019 above, it can be seen that the poverty rate has indeed decreased from year to year, but the poverty reduction rate is still experiencing a slowdown. Furthermore, the poverty rate by area of residence also shows that development is uneven in Indonesia, that is, based on the classification of areas, rural poverty is higher than urban poverty.

In addition to the monetary approach, poverty can also be measured using a multidimensional approach. Measuring poverty through a multidimensional approach is needed to illustrate a broader picture of poverty. Based on this, the formulation of the problem raised in this study is to find out how to analyze poverty measurement with a multidimensional approach in Indonesia in 2019 by applying the Blinder-Oaxaca Decomposition.

1.3 Research Questions

1. How is the analysis of multidimensional poverty on deprivation scores at the household in Indonesia?
2. How is the analysis of the poverty gap based on the classification of area in Indonesia?
3. What variables contribute to explaining the multidimensional poverty between urban and rural areas?

1.4 Research Objectives

1. Analyzing the multidimensional poverty on deprivation scores at the household in Indonesia
2. Analyzing the poverty gap based on the classification of the area of residence in Indonesia

3. Identify variables that contribute to explaining the multidimensional poverty gap between urban and rural areas

1.5 Research Advantage

1. Academic Benefits, providing an opportunity for writers to apply the knowledge that has been gained during lectures and research can be useful as input and contribution of thoughts for those who are interested in researching the same problem and as material for comparison.
2. Practical Benefits This research is expected to be used as reading material about the multidimensional phenomenon of poverty.

1.6 Research Structure

For clarity and determination of the direction of the limitations in this thesis, the author arranges the writing systematic as follows:

CHAPTER I : INTRODUCTION

Chapter I is an introductory part that explains the background, research problems, research questions, research objectives, research benefits, and research systematics.

CHAPTER II : LITERATURE REVIEW

Chapter II is the literature review section which explains the theoretical framework used in relation to previous theories and research which can be presented as literature, which is in accordance with the thesis topic and can assist in writing. In addition, this chapter also describes the framework of the problems studied.

CHAPTER III : RESEARCH METHOD

Chapter III is part of the research method that explains the methods of data collection, data analysis methods , data analysis techniques, and operationalization of variables.

CHAPTER IV : RESULTS AND DISCUSSION

Chapter IV is the results and discussion section that describes the description of variables, results of data analysis, and interpretation of data analysis.

CHAPTER V : CLOSING

Chapter V is the closing/final part of the thesis which explains the conclusions obtained from the research results and the recommendations given by the authors related to the research results.

