

CHAPTER I

INTRODUCTION

1.1 Background

According to the World Bank report (2019) Indonesia is currently the fourth most populous country in the world, with the tenth largest economy based on purchasing power parity, and is a member of the G-20. Indonesia has succeeded in reducing poverty by more than half since 1999, to 9.4% in 2019.

Despite ongoing global uncertainty, Indonesia's economic projections continue to be positive with domestic demand being the main driver of growth. Supported by strong investment, stable inflation, and a strong labor market, Indonesia's economic growth is projected at 5.2% in 2019.

Elfindri (2008) suggests that poverty makes the poor very vulnerable to access to health and education. These two things become important in poverty alleviation because they are a resource dimension that must always be maintained to produce good output and is a dynamic strategy in overcoming the problem of poverty.

Poverty is not always a matter of economic or financial well-being. Poverty should be viewed from various non-monetary aspects which show the poor quality of the poor themselves. So poverty is very important to be measured in many dimensions (multidimensional). Poverty in a multidimensional framework can be interpreted to see poverty from various dimensions and see the causes of poverty from various sides. Therefore, poverty alleviation is one of the seventeen programs contained in the SDGs (Sustainable Development Goals) which was inaugurated by the United Nations in September 2015. The concept of SDGs itself was born at the UN Conference replacing the MDGs (Millennium Development Goals). The first point of the goal of the SDGs is No Poverty, which means "ending poverty in all forms everywhere". In harmony with the United Nations, Indonesia also stated its commitment to carry out the SDGs development goals.

Before the economic crisis hit Indonesia in 1997, social protection had not been a particular concern in government priorities and government social spending. At that time government spending was only concentrated on the implementation of social services. However, the economic crisis that hit in 1997-1998 has caused a multidimensional crisis that has left many Indonesians trapped in poverty. This fact raises a common awareness for the common good (common good) about the importance of understanding the vulnerability of Indonesia's economic conditions and the crucial social protection for all Indonesians. Since then, Indonesia has sparked a social protection system marked by the emergence of a national Social Safety Net (JPS) policy. This idea subsequently developed into a social protection system that included a social security program and social assistance.

Furthermore, the 1945 Constitution (UUD 1945) has mandated the importance of the social protection system and is an inseparable part of the development process, especially in poverty reduction and gap reduction in Indonesia. In The Preamble of the 1945 Constitution mandated the government to protect the whole nation and all spilled blood, promote public welfare, and educate the nation's life. The mandate for the opening of the 1945 Constitution is clarified by Article 34 of the 1945 Constitution which states that the poor and neglected children are cared for by the state and the state is obliged to develop a national system of protection and social security. Therefore, social protection is an initiative of the government in collaboration with the private sector or the community in protecting the poor and vulnerable groups against livelihood risks, as well as improving the social status of marginalized groups (Bappenas, 2014).

In the conventional view, poverty is generally defined as a condition of lack or well-being that is often measured in monetary terms such as measures of income, expenditure, or consumption, so that a person or individual is said to be poor if unable to meet certain standards such as poverty lines or minimum calorie requirements. The measurement of poverty offers convenience and can be easily understood because its measurement is expressed in monetary units so that it makes it more developed and becomes the mainstream of poverty studies. Based

on the income or expenditure variable by using the poverty line the population is divided into two groups, namely poor and non-poor. A person is said to be poor if his income or expenditure is smaller than the poverty line.

Behind the operational ease, monetary poverty measurement has drawn criticism from several literatures. Amartya Sen in 1987 criticized the poverty approach using monetary analysis. According to Sen, this approach only captures a small part of the magnitude of the problem of poverty. Poverty problem not only related income purchasing power or consumption but there is wider dimension from poverty conditions. When there are some people who cannot access basic education services or basic health due to inability in the economy then it can be said to be poor. Likewise to the quality of standard of living such as houses with soil, lack of good sanitation, energy sources for lighting and improper cooking, then this is part of poverty (in Budiantoro et al, 2013). In line with Amartya Sen, Ravallion (2008) argues that income is not a well-defined concept to express true poverty in most developing countries, especially in rural areas.

The complexity of the problem of poverty has led to the development of various measurement methods. The measurement method using the monetary dimension (unidimensional) is a good proxy for poverty but is unable to capture all aspects of well-being. Alkire and Santos (2009) summarize the weaknesses of income or expenditure-based poverty measurement:

1. It is assumed that markets always exist for all goods and services, ignoring the existence of public goods and non-market provisions;
2. Ignoring the fact that people have different conversion factors to convert monetary resources into valuable functions;
3. The availability of a certain amount of monetary resources does not guarantee that these resources will be used on valuable goods and services;
4. Data on income or consumption is collected at the household level and does not provide information about the allocation of resources within the household (intra-household);
5. These data have weaknesses due to missing observation and misinterpretation.

In line with Indonesia's general condition, West Sumatra Province also has a large number of poor people. According to the results of data collection by BPS in 2019, the number of poor people in West Sumatra in 2019 is quite fluctuating. In September 2019, the number of poor people (population with per capita expenditure per month below the Poverty Line) in West Sumatra reached 343.09 thousand people (6.29 percent), decreasing by 5.13 thousand people compared to March 2019 conditions which of 348.22 thousand people (6.42 percent).

The percentage of poor people in urban areas in March 2019 was 4.76 percent, down to 4.71 percent in September 2019. While the percentage of poor people in rural areas in March 2019 was 7.88 percent, down to 7.69 percent in September 2019.

During the period March 2019-September 2019, the number of poor people in urban areas decreased by 0.77 thousand people (from 121.35 thousand people in March 2019 to 120.58 thousand people in September 2019), while in rural areas decreased by 4,36 thousand people (from 226.87 thousand people in March 2019 to 222.51 thousand people in September 2019).

The role of food commodities in the poverty line is far greater than the role of non-food commodities. The contribution of the Food Poverty Line to the Poverty Line in September 2019 was recorded at 75.89 percent.

Three types of food commodities that have the greatest influence on the value of the Poverty Line are rice, filter clove cigarettes, red chillies (in urban and rural areas). While the five dominant non-food commodities are the cost of housing, electricity, gasoline, education and toiletries.

The fluctuation in the number of poor people in West Sumatra Province illustrates that there are parts of the poor who are still trapped in their poor lives without being able to get out, even though there have been many poverty alleviation programs implemented by the government. This shows that poverty today is not only measured by the expenditure or consumption approach but also from non-monetary dimensions through the measurement of multidimensional aspects.

Peña et.al (2000) in their study stated that income is not the most reliable measure of poverty in low-income countries because it excludes other elements of deprivation, for example lack of access to basic resources such as housing, clothing, education, and health care. On the same note, Gupta, de Wit, & McKeown, (2007) in their study which the title “ The impact of poverty on the current and future health of children ” stated that households that are not fall under the poverty line got their children greater access to a range of opportunities and enjoy more secure living conditions. Furthermore, inadequate water and sanitation mostly affect the households that fall under the poverty line, the poor basically need to make their own, often inadequate arrangements to meet basic survival needs (Bosch, et.al, 2000). So, the eradication of poverty may lead to a greater access to basic water supply and sanitation services or even the basic needs that are often unavailable to the low-income households (Swe, et.al, 2021) Therefore a study is needed to analyze poverty in West Sumatra and find out what indicator is the most sensitive to the existence of poverty on households in West Sumatra.

1.2 Problem Statement

Based on the background described, what will be focused on in this study is:

1. What indicators are related to poverty in West Sumatra?
2. What indicator is most sensitively related with poverty in West Sumatra?

1.3 General Research Objective

1. Describe indicators that are related to poverty in West Sumatra.
2. Analyze how multidimensional indicators influence poverty in West Sumatra.