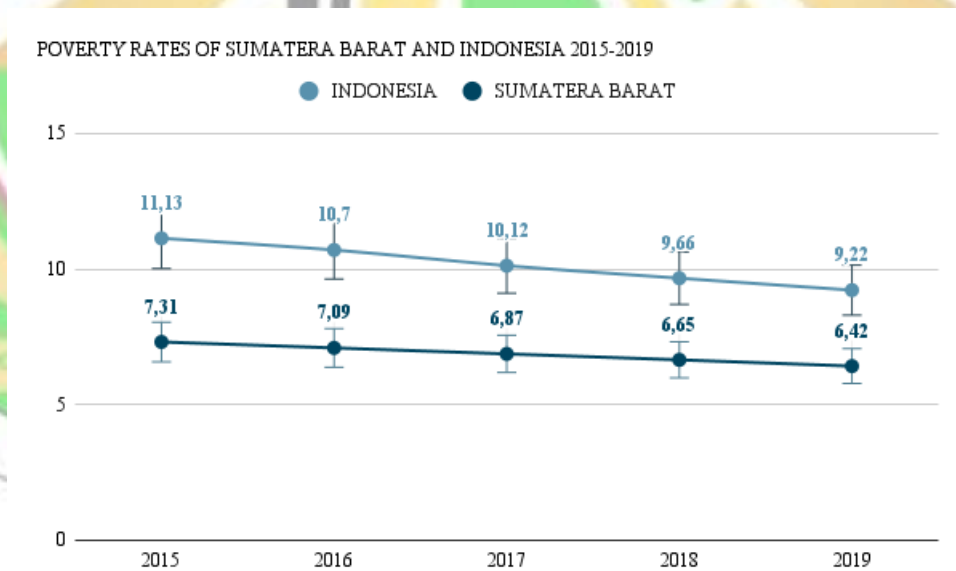# CHAPTER I

INTRODUCTION

1.1 Problem Identification

Accurate poverty data is an important instrument for finding effective poverty reduction strategies. People are considered prosperous if they can fulfill their needs based on a comparison between per capita income or consumption and a set poverty standard (Haughton&Khandker, 2012). The World Bank defines poverty as a "lack of well-being" and is seen in the inability of people to achieve their most basic needs, and is measured as the number of people living on less than $1.90 per day. According to the Central Bureau of Statistics (BPS) definition, the poor are those who have an average monthly per capita expenditure below the relative poverty line (Ardi Adji et al., 2020).

Poverty remains a significant challenge worldwide, uneven growth and income disparity are still issues in developing nations. While many developing nations see rapid economic growth, the poor do not receive enough advantages from this progress (Todaro & Smith, 2006, p.231; Kuncoro, 2003, p. 101). According to Remi & Tjiptoherijanto (2002, p. 2), the success of programs to reduce poverty, depends on the identification of target populations and places, such as who is poor and where they live. Todaro & Smith (2006, p. 269) cite the fact that "deeper understanding of who belongs to the poor and what their economic features are is necessary before we can create successful programs and policies to fight poverty. Policies that are right on target in overcoming poverty require accurate information through a comprehensive poverty profile based on the characteristics of the causes of poverty, including regional, community, household, and individual characteristics (Haughton and Khandker, 2012). Furthermore, the poverty reduction strategy is carried out by

identifying the causes of poverty so that it can accept changes through implemented policies (Geda et al., 2001).

Ideally, according to Warr (2000), Ravallion & Chen (2003), and Dollar & Kraay (2012), high economic growth is an effective way to reduce poverty. However, this is not the case in West Sumatra. High economic growth does not ensure an improvement in the well-being of its citizens since it is simply a required and not sufficient condition. Poverty reduction efforts cannot be seen at a macro level from the aggregate level of poverty in a region when the trend of economic growth is increasing because the trend of poverty rates still fluctuates and even tends to be static. Therefore, it is necessary to examine micro conditions by looking at the causes of household poverty. The following is a figure of the poverty rate in West Sumatra and National 2015-2019.
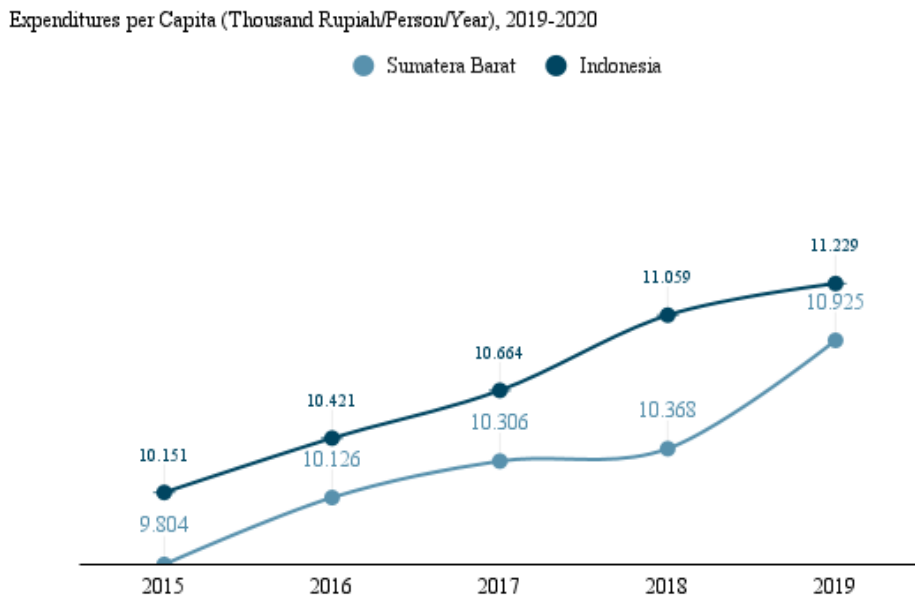
Figure 1. Poverty Rates of West Sumatra Province and Indonesia, 2015-2019

Source: BPS Sumatera Province (2023)

In the figure above, it can be seen the poverty rate of the population of West Sumatra Province (Sumbar) as of March 2019 was 6.42 percent. The Central Bureau of Statistics (BPS) observed that the percentage was lower than the national average, which showed that 9.22% of Indonesians were considered to be poor. Historically, the aggregate poverty rate in West Sumatra has decreased and has always been below the national poverty rate. However, the disparity among the population is still wide as shown by the Gini index which has consistently been around 0.4 since 2016 (BPS 2019). The next following is a figure of the expenditure per capita in West Sumatra and National 2015-2019.

Figure 2. Expenditure per capita (Thousand Rupiah/Person/Year), Province and National, 2015-2019

Expenditures per Capita (Thousand Rupiah/Person/Year), 2019-2020

● Sumatera Barat   ● Indonesia

Source: BPS West Sumatera Province (2023)

In aggregate, it can be seen that the population of West Sumatra has increased from 9,804 million in 2015 to 10,925 million in 2019. This shows population growth in West Sumatra during this time period. Likewise, Indonesia's population has also increased from 10,151 million in 2015 to 11,229 million in 2019. This represents

significant national population growth over the same time period. In aggregate, this table provides an overview of population growth both in West Sumatra and throughout Indonesia during the five-year period based on the figure.

While the poverty rate in West Sumatra has decreased and per capita expenditure has increased, there may still be inequality in income distribution. The decline in the poverty rate and the increase in per capita expenditure indicate an improvement in economic conditions and welfare in West Sumatra. However, this does not necessarily mean that all individuals or households in the region experienced a proportional increase in welfare.

According to Sumitro (1994), poverty mostly occurs in households, this is shown by the head of the family who cannot fulfill the needs of clothing, food, and shelter for his family members. However, demographic factors, such as marital status, age, gender, education, family amount, and location, are important determinants of poverty. In West Sumatera, poverty is more prevalent in female-headed households, households with large families, and households with low levels of education. The factors that affect poverty are frequently identified as the determinants of poverty; these include individual characteristics like the level of education of family members as well as household characteristics like the age, gender, marital status, and amount of family members. A study in the United States, (Adam 2010) shows that married individuals have lower poverty rates than those who are not married. In addition, married couples also have a higher average income compared to unmarried individuals. Education level can affect poverty; people with higher education tend to have better access to more skilled and well-paid jobs. People who are still in their productive age (18-65 years tend to have a better chance of getting a job and earning enough income. The female gender is often discriminated against in accessing good education and employment opportunities, which can lead to poverty.

Many studies have been carried out by experts to understand how household features affect poverty status; however, not all studies produce the same findings. Studies on poverty by de Silva (2008), Majeed & Malik (2015), Teka et al. (2019),Nguyen et al. (2013), and Biyase & Zwane (2018) similarly use household-based microdata. Individual-based microdata was utilized as well by Hyder & Sadiq (2015),Vijaya et al (2014), Espinoza-Delgado & Klasen (2017), and others (2010). Moreover Epo (2011), Cho & Kim (2017) and Geda et al (2001), analyzing the factors that contribute to household poverty status in three different levels of poverty—very poor, poor, and non-poor—Mok et al (2007) and Sekhampu (2013) analyzed those same factors in two different levels of poverty—poor and non-poor

According to studies by (Ennin et al., 2011; Sekhampu, 2013), the age of household heads has a substantial impact on poverty. However, according to Mok et al. (2007), the result is not significant. According to research by Sekhampu (2013); Geda et al. (2001), and Mok et al. (2007) education head of the household did not significantly lower the risk of being poor. Geda et al. (2001) and Sekhampu (2013) claim that there is no relationship between poverty and the gender of the household head. Male family heads often had lower incomes. The number of household heads has a positive effect on poverty, according to research by Ennin et al. (2011), Sekhampu (2013), Geda et al. (2011), Chaudhry & Malik (2009), Andersson et al. (2006), and Khalid et al. (2005).

There has been a lack of research on the factors that influence poverty status in households in Indonesia. Compared to previous studies with this research, there are several differences, particularly in the data used to categorize poverty status, variables, and locations. In this study, using West Sumatra SUSENAS data in 2019, using household head characteristics like the gender of household head, education of household head, occupation of household head, marital status of household head and age of household head variables and choosing West Sumatra as the research location. The analysis of microdata at the individual level is used in this study to categorize

three poverty levels: Not poor, poor, and very poor. By examining the factors that influence the poverty status in West Sumatra at household levels, this study will contribute to a more comprehensive poverty profile at the micro level. The poverty research gap in West Sumatra can be closed by focusing on household characteristics elements, using ordered logit regression models, and quantitative analysis techniques. While there have been many studies on poverty, the effectiveness of government initiatives to alleviate it is still uneven. This study, *"Determinants Of Poverty Status In West Sumatera: Household Characteristics Analysis",* will examine how household characteristics may affect the state of poverty in West Sumatra.

1.2 Problem Statement

The fact that the head of the household is unable to provide the clothing, food and shelter that his or her family members need shows how prevalent poverty is within the household, (Faharuddin 2022). This study aims to analyze how the characteristics of household heads can affect poverty status in West Sumatra. Previous research has identified the characteristics of household heads as an important factor in determining poverty levels in the region. By examining these factors, this study seeks to provide a more comprehensive understanding of poverty at the household level in West Sumatra. In summary, the problem formulation in this study is how the characteristics of the household head can affect poverty status in West Sumatra. This study aims to investigate the impact of factors such as gender, education level, occupation, age marital status on poverty status in West Sumatra. This research will contribute to a more comprehensive understanding of poverty at the household level in West Sumatra and provide input for the development of poverty reduction policies and programs.

1.3 General Research Objectives

This research aims to determine how household head characteristics affect the likelihood of household poverty based on the problem's formulation. In addition, understanding at the micro level and the factors that cause poverty is quite necessary because it will contribute and can provide more effective strategies for the government to eradicate poverty to achieve the core SDGs.

1.4 Benefit of Research

The benefits of this research are expected to be able to contribute to the parties considered interested as follows:

1. Improve understanding of the elements affecting poverty status in West Sumatra.

2. Provide the government and associated organizations with the information they may use to create policies and initiatives to fight poverty in West Sumatra.

3. Increasing literature and understanding regarding poverty in Indonesia, especially in the West Sumatra region.

4. As a resource for other academics interested in carrying out related research or carrying out this research using a different strategy or methodology.