# CHAPTER I

# INTRODUCTION

## 1.1 Background

One of the objectives of national development is to improve the performance of the economy in order to create jobs and organize a decent life for all the people who in turn will be the welfare of the Indonesian population. One of the national development goals is reducing poverty. Poverty is one of the diseases in the economy, so it must be cured or at least reduced. The problem of poverty is a complex problem and multidimensional. Therefore, the fight against poverty must be comprehensive, covering various aspects of community life, and implemented in an integrated manner (Nasir, *et al*., 2008).

Poverty has many faces it is a never ending problem confronting all governments and policy makers. This is true regardless of the weather the region belongs to higher or lower stage of development. Depending on the region concerned, the incidence of poverty differs in degree only and not so much in form. In fact, the attributes of poverty are many. The expenditures on education, health, and infrastructures to make investment in human capital. The greater provision of these services helps enhance the productivity of labor.

Poverty data that may be used to evaluate government policies on poverty, comparing poverty across time and regions, as well as to determine the target the poor with the aim to improve their quality of life. In general, poverty is defined as a condition where a person or group of people unable to meet their basic rights to maintain and develop a dignified life. The definition that described above shows that
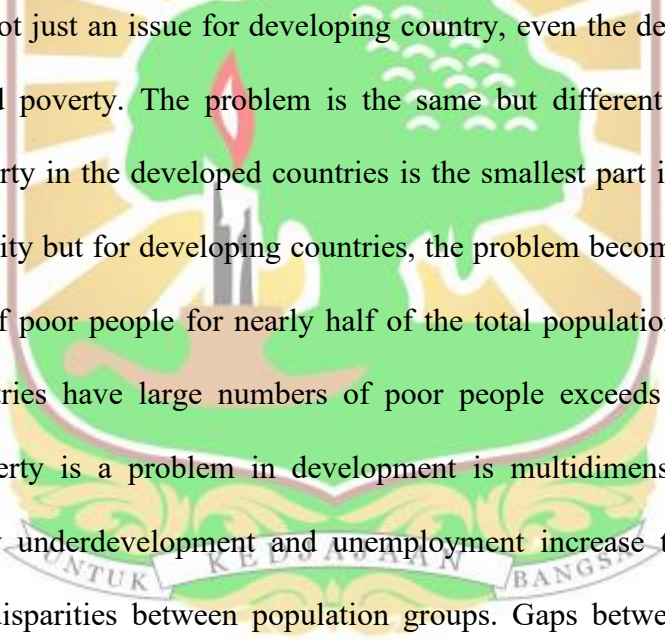
poverty is multidimensional problem, so it is not easy to measure poverty and the need to deal measurement approaches used.

Development theories that developed, did not address explicitly poverty as an issue that requires a special approach in the solution. Development theory believes the poverty problem will resolve itself through the mechanism of economic growth. Even Kuznets argued that income inequality is a prerequisite requirement for high economic growth. So, in the beginning of the economic growth rate the higher economic disparities to a certain extent the new decline. Harrod-Domar theory also says so, which is required for the high growth of capital accumulation through saving. Community component that is capable of saving is a group of wealthy people, instead of the poor class. So that economic growth can only be driven by community groups who are able to capital accumulation (Todaro, 2002).

These indicators be defined with concrete made by BAPPENAS namely, limited adequacy and quality of food, judging from the limited food stocks, low calorie intake of the poor and the poor nutritional status of infants, toddlers and mothers. About 20 percent of the population with the lowest income levels consumes only 1,571 kcal per day. Shortage of calories, which is less than 2,100 kcal per day, was experienced by 60 percent of the lowest income population (Bappenas, 2004).

Development policy to be continued and that equitable development and the results lead to the creation of social justice for all Indonesian people, high economic growth and national stability and regional healthy and dynamic. However, the success of national development during this still encountered some aspect of community life has not been touched by development. Among the aspects of community life completely unresolved is the problem of poverty that happens everywhere. According

to the National Economic Social Survey or SUSENAS in Indonesia as a country rich in natural resources have 49.5 million people who are poor has been a decline tremendous poverty levels than in developing countries more. Poverty is a social problem that is always present in the midst of society, especially in developing countries. In the context of Indonesian society, the problem of poverty is also a social problem that is always relevant to be studied continuously. Not only because of the problem of poverty has been around a long time, but also because it has yet to be alleviated and even now the symptom is increasing in line with the multidimensional crisis still facing the nation by Indonesia (Alfian, 2000).

Poverty is not just an issue for developing country, even the developed countries also experienced poverty. The problem is the same but different dimensions. The problem of poverty in the developed countries is the smallest part in the components of their community but for developing countries, the problem becomes more complex as the number of poor people for nearly half of the total population. There are even very poor countries have large numbers of poor people exceeds two-thirds of its population. Poverty is a problem in development is multidimensional. Poverty is characterized by underdevelopment and unemployment increase to trigger income inequality and disparities between population groups. Gaps between rich and poor widening chasm is unlikely to be allowed to continue because it would create problems both social and political issues in the days to come (Booth and Sundrum, 1987).

The problem of poverty in Indonesia is quite complicated due to the vast territory, the diversity of social and cultural conditions, and experience different poverty. In addition, the problem of poverty is also multidimensional because it is not just about the size of income, but also susceptibility and vulnerability to be poor, a failure in the

fulfillment of basic rights, and the difference in treatment of a person or group of people to live a life with dignity (Agussalim, 2009).

According to Central Bureau of Statistics, poverty is the inability to meet the minimum standards of basic needs which include food needs and non food. Compare to the level of consumption of the population and the poverty line or the amount of rupiah for the monthly of consumption. As for the social services defines the poor are those who do not have a source of livelihood and are unable to meet their basic needs are worthy of humanity, and they already have a livelihood but could not meet their basic life needs for humanity.

The alleviation of poverty must be done thoroughly, which means involving the entire cause of poverty. Some of them being part of the poverty reduction have to be fixed followed and enhanced implementation is the expansion of access to credit on poor community, increasing public education, the expansion of employment (Hureirah, 2005). The higher of the number and percentage of poor people in the region will be high burden of development. Therefore, development is said to be successful when the number and percentage of poor people will be less. For the government with various programs seeks to reduce poverty, but realized that poverty eradication has not been to achieve maximum results and have not been in line with expectations. The complexity of the problem of poverty due to many factors that influenced the creation of poverty. As a multidimensional problem, poverty is related to various aspects of community life that has efforts to solve the problem of poverty is not easy. There are so many factors are suspected major effect on poverty.

The agricultural sector also has a very important role in the national economy. This can be seen from the dominant contribution, either directly or indirectly in the

achievement of national economic development goals. The dominant contribution of the agricultural sector, especially in the stabilization of food security, poverty alleviation, employment creation, and income distribution. The agricultural sector has multifunctional covering aspects of production and preserve the environment. For that agricultural sector with multifunctional value can provide benefits for improving farmers' welfare and poverty rate. As an agrarian country, so many citizens are working as farmers. But over time, many farmers began to lose their rice fields, due to the displacement of land for residential and industrial use. Briefly, the narrowing of agricultural land that creates a variety of congenital problems, including the growing number of production, while on the other hand the population of Indonesia is increasing, reaching almost 225 million people.

In understanding the multidimensional problem of poverty, it is necessary to first understand the definition of poverty itself. At first, the definition of poverty is more perceive it as a form of income in the inability to meet basic needs (Todaro, 2000). To overcome the problem of poverty must have a strategy to strengthen the role and position of the people's economy in the national economy, resulting in structural changes that include resource allocation, institutional strengthening, human resource empowerment. The selected program should be aligned and empower communities through economic development and improvement of people's economy. This program should be realized in the strategic steps aimed directly at expanding access of the poor to resources for development and create opportunities for the grassroots to participate in the development process, so that they are able to overcome the condition of backwardness. Besides efforts to reduce poverty should always be based on a precise determination of the poverty line and on a clear understanding of the causes of the emergence of the problem (Sumodiningrat, 1998).

From the description above as well as on the above ideas, the author felt compelled to explore and research on "Analysis of Poverty Rate Towards Economic Growth, Population, Expenditure per Capita, Agrishare, Literacy Rate, and Duration of School in West Sumatra".

**1.2 Research Problem**

The poverty rate in West Sumatra in 2011 to 2015 experienced a relatively good period due to a downward trend from 8.99 percent in 2011 to 6.89 percent in 2014, although it had increased in 2015 to 7.31 percent. The reason is the uneven result of government efforts in overcoming the problem of poverty throughout the district or city. Therefore, further research on the factors that can affect the poverty level in all districts or city is needed to know the factors that need to be driven to overcome the problem of poverty.

From the description in the background, the poverty rate is closely related to economic growth, the human development index (which consists of 3 components of life expectancy, literacy rate, and the average duration of school). Research conducted by Wongdesmiwati (2009) found that there is a negative relationship between economic growth and poverty levels. The concept of human development is to expand human choice especially to meet basic needs while poverty is the opposite. Poverty is related to the increasingly narrow opportunities. With this reverse relationship, a region with good human development quality ideally has a low percentage of poor people (HDI, 2007).

Amartya Sen (quoted by Todaro and Smith) reveals that almost all approaches to welfare culminate in consideration of health and education other than income. Sen analysis is part of what the United Nations calls the Human Development Index

(HDI). High population if followed by adequate quality is a reliable development capital, but if the quality is low it will be a burden of development. Hermanto and Dwi Wahyuniarti (2007) in his research found that the population variable has a positive effect on the number of poor people. Carl (2017) in his studies reviewed that increases in the productivity of farming improve living standards for farmers and other rural households, expand agribusinesses and drive economic development, by raising the returns to farmers' land and labor, increasing demand for agribusiness services, and lowering the price of food. From these descriptions, the authors formulate the following issues: How much the influence of economic growth, expenditure per capita, agrishare, literacy rate, and duration of school to the poverty rate in West Sumatra?

West Sumatra has achieved some accumulated development success over the 2011-2015 periods, which can be seen from: economic growth, life expectancy rate, literacy rate, duration of school, population, expenditure per capita adjusted to West Sumatra which tends to increase in every year. On the other hand, it is also found that the poverty rate of West Sumatra during the period 2011-2015 showed a declining trend of 20.49% in 2011, down to 17.72% in 2015. So the problem raised in this study is that although the poverty level in West Sumatra tends to decline, but the average percentage of poverty rate during the 2011-2015 period of 20.01% is still high compared to other provinces in Sumatra. Therefore the research question raised in this research is: "How much is the influence of economic growth, literacy rate, duration of school, expenditure per capita, agrishare and population to poverty rate in West Sumatra?"

**1.3 Research Objectives**

Based on the research problem, the writer set the objectives of this research as follows:

1. To analyze the effect of economic growth to poverty rate.

2. To analyze the effect of literacy rate to poverty rate.

3. To analyze the effect of expenditure per capita to poverty rate.

4. To analyze the effect of population to poverty rate.

5. To analyze the effect of agrishare to poverty rate.

6. To analyze the effect of duration of school to poverty rate.

**1.4 Research Advantages**

The benefits derived from this research are:

1. As an input or consideration for the government to make decisions or set policies on poverty alleviation in West Sumatra.

2. Can be used as a framework for assessing the development towards solving the problem of poverty in West Sumatra.

3. As a source of information, studies, and additional materials of reference for students of the Department of Faculty of Economics, University of Andalas, especially for students who want to do further research.

**1.5 Systematic Writing**

This thesis is prepared using the following systematic:

**CHAPTER I: INTRODUCTION**

Contain background and formulation of the problem, the objectives to be achieved, the benefits of the research, and writing the systematic thesis is used.

**CHAPTER II: THE THEORETICAL FRAMEWORK AND LITERATURE REVIEW**

Contain theories include previous research, understanding about poverty, economic growth, literacy rate, duration of school, expenditure per capita, agrishare and population in reference supporting and related issues presented, review past research and the research hypothesis.

**CHAPTER III: RESEARCH METHODOLOGY**

This chapter consists of data types, several sub-chapters that include data and data sources, identification of variables, methods of data analysis and technique of data collection, and data analysis technique used.
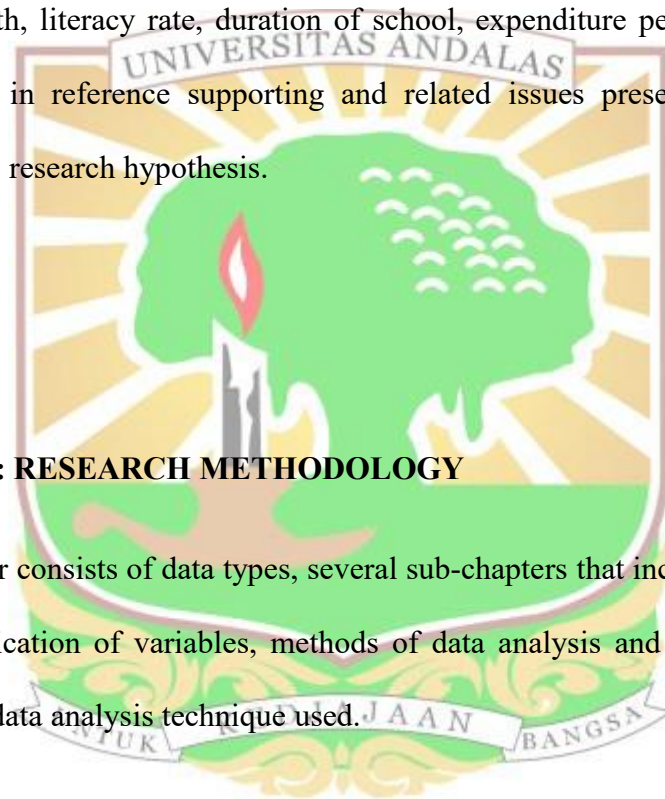
**CHAPTER IV: GENERAL DESCRIPTION**

This chapter describes about West Sumatra profile, and the data tables.

**CHAPTER V: RESULTS AND DISCUSSION**

This chapter using regression analysis and show the result estimation and discussion as well the policy implications of the research for the government

**CHAPTER VI: CLOSING**

This last chapter is the conclusions that can be drawn from the results of the research conducted as well as explain suggestions for government and the research in the future.