

CHAPTER 1

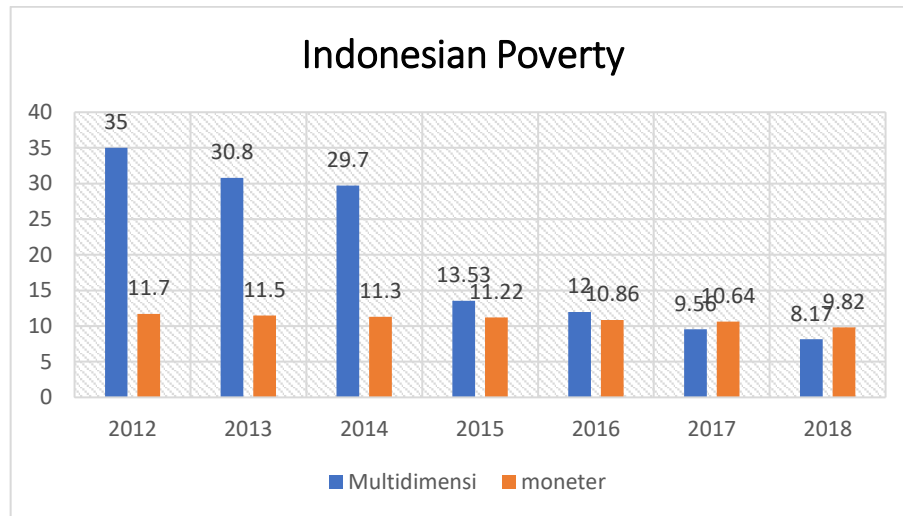
INTRODUCTION

1.1 Background

Poverty is a major socioeconomic problem in the world. Eradicating poverty is the main target and final goal of development. This can be seen from the poverty alleviation program which is the main point of the sustainable development goal. In SDG s established in 2015 by the General Assembly of the United Nations, "No poverty" is the first of the 17 agendas that will be achieved for 2030.

To overcome the problem of poverty, it is very important to consider how to measuring poverty. The right measuring method will have an impact on the accuracy of poverty alleviation. There are several methods be used to measure poverty. Indonesia through the Central Bureau of Statistics Republic of Indonesia (BPS) measures poverty using a monetary approach, this approach using the poverty line as a determinant for people who are classified as poor and not poor. This poverty line is seen from the ability to meet food and non-food needs. People who are below the poverty line are categorized as experiencing monetary poverty. However, this approach is considered not optimal because the phenomenon of poverty is not only from one side but also from various sides for a deeper measure. Over time the methods for measuring poverty have developed. In 2010 UNDP (United Nation Development Programs) issued a method to measure poverty by looking at various dimensions. The concept of poverty is to measure poverty with various dimensions by looking at the deprivation experienced by the community. The method known as Alkire Foster method uses 3 dimensions, namely health, education, and living standards. The data show that the poverty rates between monetary and multidimensional approaches are different. People may no longer be declared poor in monetary terms but are still classified as poor multidimensionally.

Graphic 1 Poverty of Indonesia (multidimensional and monetary)



Source: theprakarsa.org

From the graph above, we can see that people who are not classified as poor in monetary terms are categorized as poor multidimensionally. Until 2016, there were more poor people in multidimensional terms than the poor in monetary terms. It means that people may have enough income or their income is above poverty line, however they have less access to education, health, and poor standard living. In 2017 and 2018 there were more poor people in monetary terms than the multidimensional. It indicates that the conditions of the poor in terms of education, health, and standard living are already better. Although in terms of income, there are still many poor people who are in below or in level of inadequate income. If we compared the reduction of both poverty from 2015-2018, the multidimensional poverty was showing more progressive than monetary poverty. The reduction of multidimensional poverty is 5.36 percent, however reduction in monetary poverty was only 1.4 percent.

To solve poverty problem, the government must prepare more mature policies so that the development can be felt by all levels of society. One of the efforts made is to formulate the main program of poverty alleviation. In the Constitution No. 13 of 2011 has been explained about the handling of the poor. The state is obliged to prosper its citizens from conditions of poverty. This obligation is carried out by the central, provincial, and regional governments. Poverty alleviation

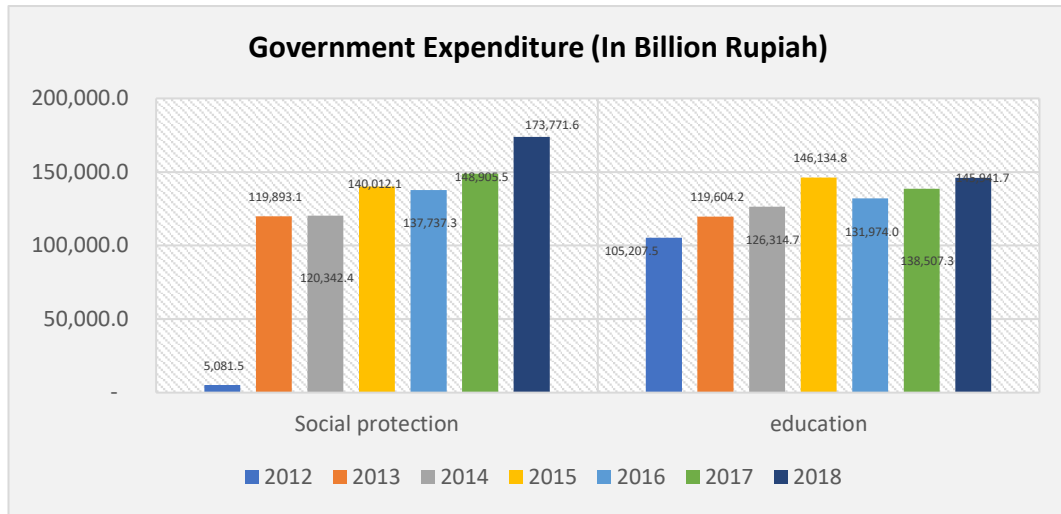
is carried out by providing protection and helping to meet the basic needs of people's lives. Poverty alleviation is also stated in the main targets of the 2015-2019 national mid-term development plan. Poverty is targeted to be at 7.00-8.00 percent in 2019. To achieve the target, the government prepares social protection programs to improve people's welfare and protect them from social risks, especially poverty. In addition, efforts are also made through improving the quality of human resources through education. Therefore, the current study wants to see the effect of government expenditure on social protection and education functions on poverty. Whether both government expenditure has succeeded in reducing poverty or is it the other way around.

1.2 Research Problems

Poverty is still a major problem in Indonesia's development. To solve poverty, the government has prepared various methods and strategies. According to Mulyadi (2018) in the journal "the government's strategy in handling poverty and inequality" the government has an integrated poverty reduction program. Poverty alleviation programs based on social assistance, poverty reduction programs based on community empowerment, and poverty alleviation programs based on the empowerment of small businesses run by various elements of both central and regional government. In general, the World Bank (2006) report also explains that to overcome poverty, the government can do by focusing government expenditure on the poor. Government expenditure helps the poor in terms of income which provides social protection to increase the community's ability to solve their economic problems.

Here is the government social protection expenditure and government educational expenditure in Indonesia from 2012-2018:

Graphic 2 Government Social Protection Expenditure And Education Expenditure Of Indonesia



Source: financial ministry of Indonesia

From the graph above, we can see the trend of social protection expenditure and education expenditure. In 2012 government expenditure on social protection was very small compared to other years. In 2012, social protection expenditure was only at 5,081.5 billion rupiahs. In 2013 there was a very sharp increase to 119,893.1 billion rupiahs. The trend of social protection expenditure fluctuates but tends to increase. The decline occurred in 2016 to 137,737.3 billion rupiahs from the previous 140,012.1 billion rupiahs. If we look at government expenditure on education, education expenditure increased from 2012 to 2015. After that, it decreased in 2016 to 131,974.0 which in the previous year was 146.134.8 billion rupiahs. However, in 2017 education expenditure increased again until 2018. Next, look at the trend of government expenditure and compare it with multidimensional poverty, it does not show the same trend where multidimensional poverty continues to decline while government expenditure fluctuates. However, if look at the decreasing trend, in 2016 social protection expenditure and education expenditure decreased in the same year with the lowest decline in the multidimensional poverty index.

Many types of research on the effect of government expenditure on poverty have been carried out. However, the effect of government expenditure on poverty

is still ambiguous. Many researchers have discussed the effect of government expenditure on poverty but have shown different results. This can happen for several reasons such as different research objects. The effect of government expenditure on poverty in developed and developing countries shows different results. In addition, the analysis at the national and provincial levels will also show different results.

Based on the description above, this is very important to analyze the effect of government expenditure on social protection and government expenditure on education on poverty. From the previous graph, we can only see the trend of the development of government expenditure and poverty. We can not sure about the relationship between these variables, the impact, and how much the impact of the social protection expenditure and education expenditure on poverty in Indonesia. Has this played a role in reducing poverty? this is very important as an evaluation material in future policymaking.

1.3 Research Question

Based on the identification of the problem, the question can be formulated:

1. Is social protection expenditure affect poverty in Indonesia?
2. Is education expenditure affect poverty in Indonesia?

1.4 Research Aim

1. To find out and analyze the effect of social protection expenditure on poverty in Indonesia.
2. To find out and analyze the effect of education expenditure on poverty in Indonesia.

1.5 Research Advantage

This research is expected to be able to provide an overview of the influence of social protection expenditure and education expenditure on poverty. This research is also expected to be able to be an evaluation for making policy planning, especially in state expenditure for welfare and poverty purposes. In addition, the expected as reference for further research.

1.6 Research Structure

CHAPTER I INTRODUCTION

This chapter contains the background, research problems, research questions, research aim, and research advantage.

CHAPTER II LITERATURE REVIEW

This chapter contains a literature review that contains a theoretical framework about social protection expenditure, education expenditure, and poverty. Also, contain previous research about the topic.

CHAPTER III RESEARCH METHOD

This chapter contains the type of research as well as the data used, data collection methods, data analysis method and variables explained in the study.

CHAPTER IV ANALYSIS OF EFFECT OF SOCIAL PROTECTION EXPENDITURE AND EDUCATION EXPENDITURE ON POVERTY IN INDONESIA

This chapter contains the general description of social protection expenditure, education expenditure, and poverty.

CHAPTER V EMPIRICAL RESULT AND ANALYSIS

This chapter contains the results of research and analysis of research results.

CHAPTER VI CONCLUSION

This chapter contains the conclusions of this study and recommendations needed.