# CHAPTER I

INTRODUCTION

Background

One of the current national development strategies is to reduce the degree of poverty. Poverty is one of the economic diseases that must be healed or at least lessened. Poverty, according to M. Nasir (2012), is a complicated and multidimensional issue. As a result, poverty alleviation initiatives must be comprehensive, embracing different elements of people's life, and executed in a coordinated manner.The government uses national development, which is carried out in phases and in an organized manner, to produce changes and improvements in different domains. The primary objective of economic development is to improve the well-being of the people. In this case, humans are not only objects of development but are expected to become subjects, so that they can contribute to the progress of a region. Today, human development is very important in national policy strategies in addition to infrastructure development. The importance of the quality of human development is a top priority and must be put forward because with individuals who have competitiveness, it will produce positive impacts in various aspects and will also have a macro effect on national development. West Sumatra is the central of economic turnover and is currently increasing in development. In terms of the development of poverty in West Sumatra from time to time there has been an absolute decline.

Human resources are one of the elements that may impact an individual's quality of life and also be used to determine how far the poverty level has progressed. Human development is one way that can be done to create development in other sectors. The human development index (HDI) is Indicators are used to see the success of human development. These indicators can

affect the work productivity of the community, of the HDI is low then the work productivity of the community will also be low. Low community work productivity will increase the number of existing poor people.In addition to the above factors, there are also other factors that influence the level of poverty, namely economic growth. The Gross Regional Domestic Product (GRDP) is one of the measures used to assess a region's economic growth (GRDP). GRDP refers to the total value of products and services created by all business units in an area. All economic entities in a region create final services. The growth of the GRDP in West Sumatra has been generally consistent from year to year.
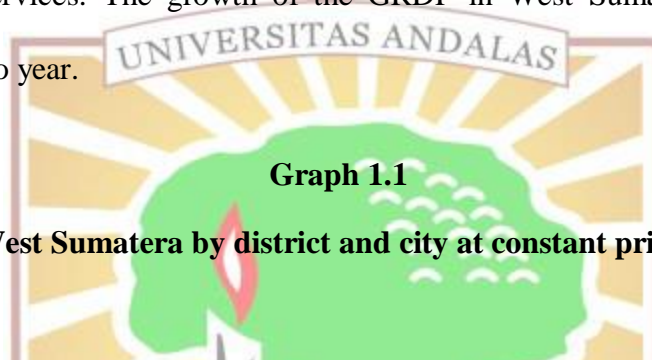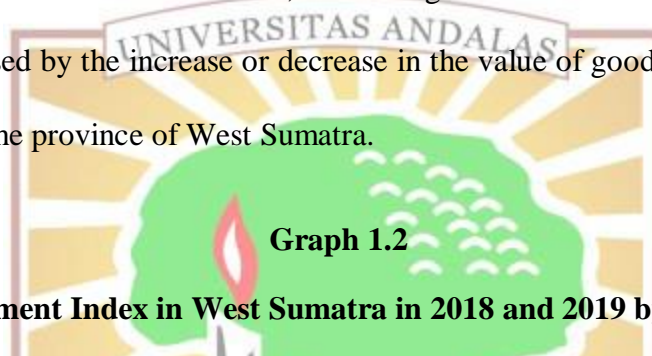
Graph 1.1

GRDP rate in West Sumatera by district and city at constant prices 2018 and 2019
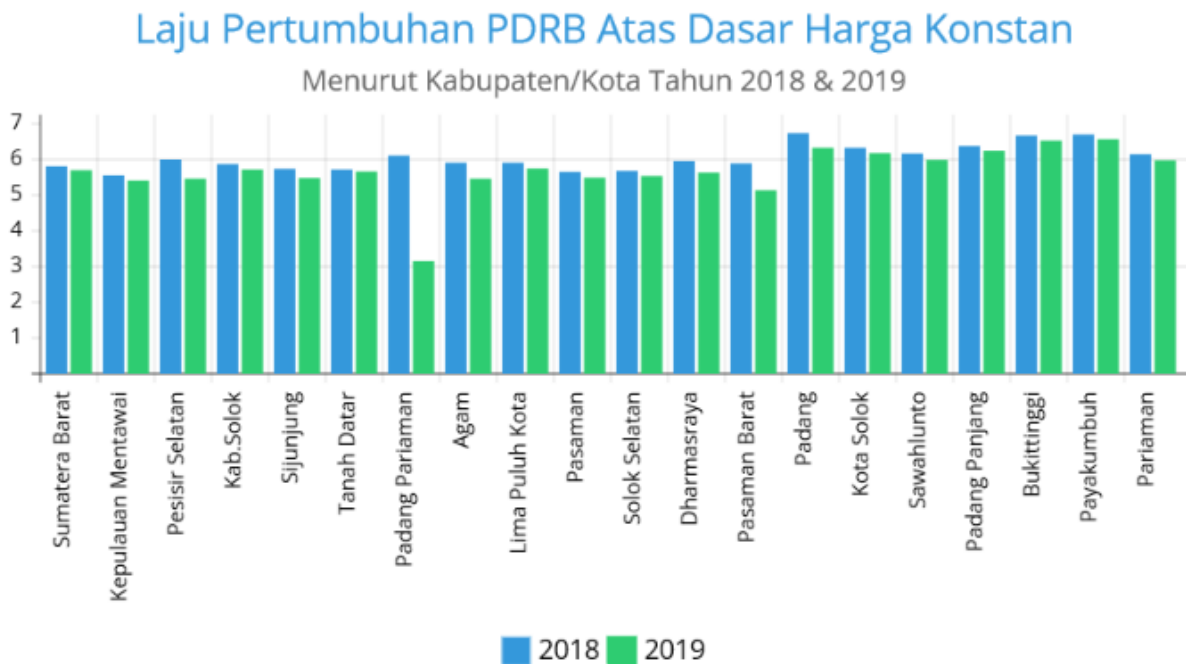
Source:www.BPS.go.id

From the graph we can see the development of the GDP rate at constant prices in 19 districts and also cities in the province of West Sumatra. In 2018 the city of Padang became one of the regions with a fairly good GDP growth rate, which was around 7%, followed by the city of Bukitinggi. And Payakumbuh around 6%, for the district level, the southern coastal area is one of the districts that has a fairly good GDP growth rate at 6%. Meanwhile in the following year the city of Padang experienced a decrease of 0.5% at 6.5%, Payakumbuh became the area that had the highest GDP rate in 2019 at 7%. Overall, the GDP growth rate in West Sumatra in 2019 was 6.8%. this can be caused by the increase or decrease in the value of goods and services produced in various regions in the province of West Sumatra.
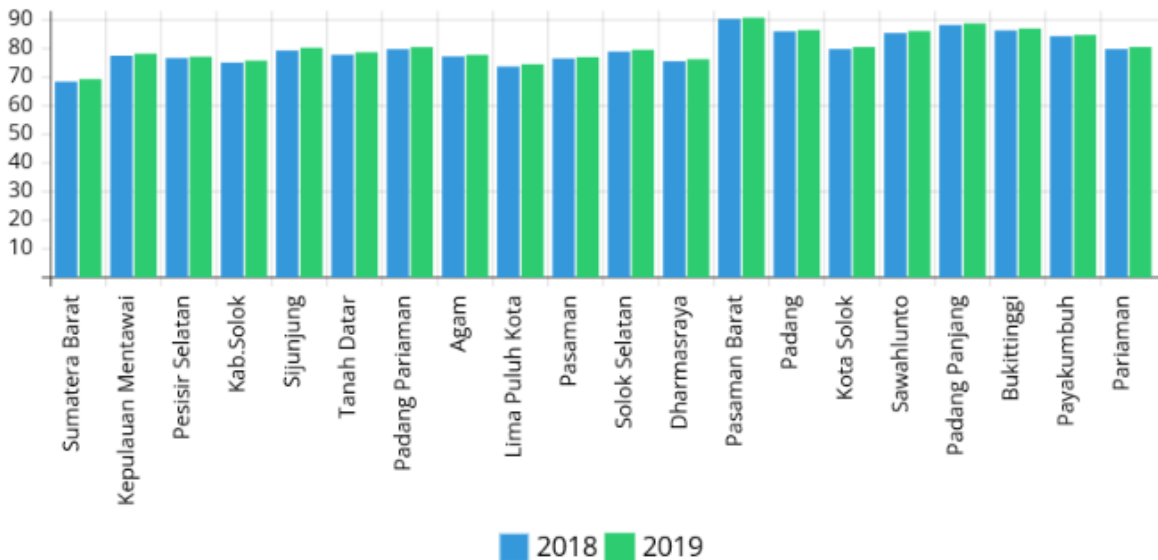
Graph 1.2

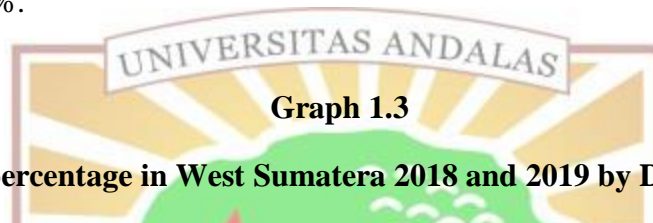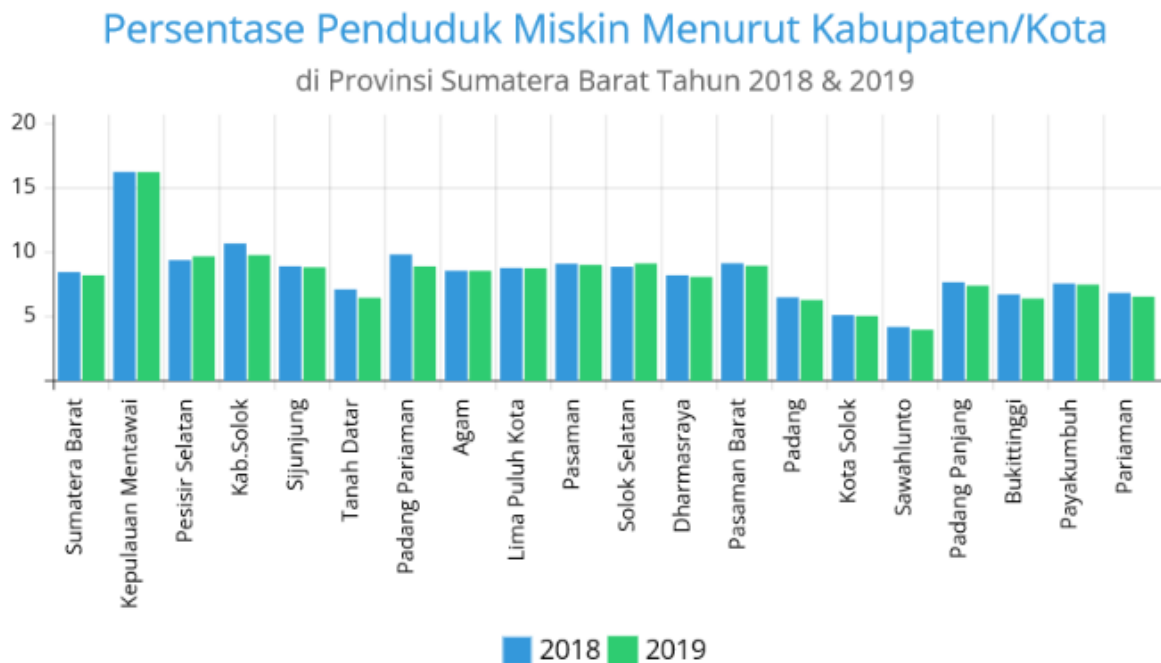**Human Development Index in West Sumatra in 2018 and 2019 by District and City**

Source:www.BPS.go.id

From the table above it can be illustrated that each region, namely districts and cities in West Sumatra has a different level of achievement on the human development index, in 2018 and 2019 the West Pasaman district is one of the areas with the highest achievement of the human development index reaching 90% followed by the city Padang is at 80% and also the evidence is high at numbers that are not much different. Almost all regions in West Sumatra have a growth rate of human development index above 75%, of which only the district of Limapuluh Kota has an achievement of 75%.

Graph 1.3

Poor People percentage in West Sumatera 2018 and 2019 by District and City

Persentase Penduduk Miskin Menurut Kabupaten/Kota
di Provinsi Sumatera Barat Tahun 2018 & 2019
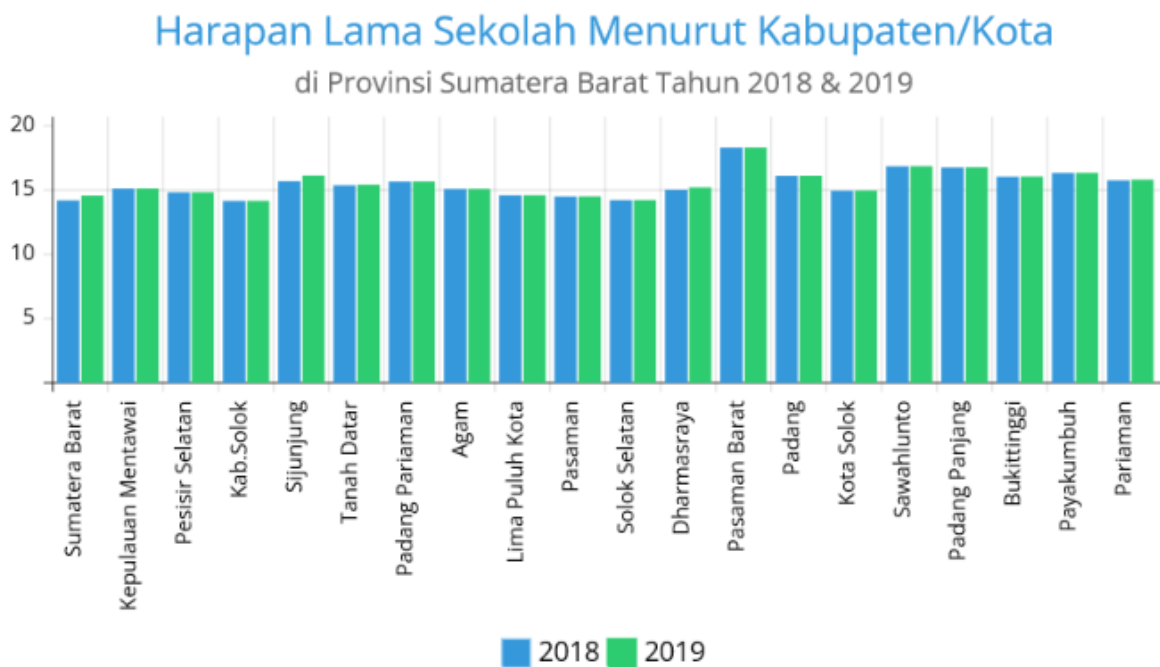
Source:www.BPS.go.id

From the graph we can see that the percentage of population poverty in West Sumatra. The Mentawai Islands region is one of the highest in the province of West Sumatra, reaching 17%, in 2018 and 2019 the Mentawai Islands remain the highest in percentage at more than 15%,

while the city of Sawahlunto is an area in West Sumatra with a percentage of poor people. the lowest is in West Sumatra, which is around 6-7% in 2018 and 2019. The cause of poverty in various areas of West Sumatra is caused by various things, one of which is limited natural resources or capital resources. This happens because the conditions in the surrounding area are no longer profitable. When natural resources are poor or can not be processed anymore, and also the low quality of human resources in the region.
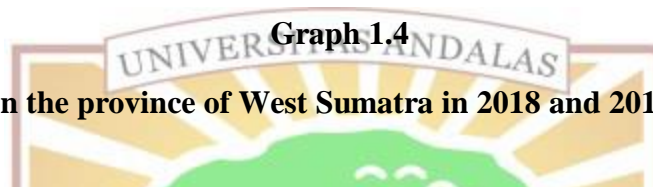
Graph 1.4

School expectations in the province of West Sumatra in 2018 and 2019 by district and city

Harapan Lama Sekolah Menurut Kabupaten/Kota
di Provinsi Sumatera Barat Tahun 2018 & 2019

Source:www.BPS.go.id

From the table it can be concluded that the school expectation rate in the province of West Sumatra in 2018 and 2019 by district and city with the highest achievement is in the West Pasaman region at 18%, followed by the city of Sawahlunto at 16%. In 2018 and 2019, on

average, all regions in West Sumatra have school expectations above 10%. Meanwhile, South Solok Regency is the lowest with an achievement of only 13%, the continuing increase in the education expectation rate in West Sumatra is due to many things, one of which is access to education which is now starting to reach all people in West Sumatra.

1.1 Problem Identification

Poverty is one of the issues that people consistently face. The issue of poverty is pretty much as old as human kind itself and the ramifications of the issue can include all parts of human existence, despite the fact that it is regularly not founded on its quality as an issue for concerned people. For the individuals who are named poor, destitution is something that is genuine in their everyday lives, since they feel and live for themselves how they live in poverty. Nonetheless, they are not really mindful of the neediness they live in. The attention to the destitution they have is possibly felt when they contrast the everyday routine they experience and the existences of others who are delegated having a more significant level of public activity.

Poverty according to Shirazi (1994) and Pramanik (1998) is a situation faced by an individual where they do not have sufficient resources to meet the needs of a comfortable life, both in terms of economic, social, psychological, and spiritual dimensions.

Poverty, according to the Central Bureau of Statistics, is defined as the inability to fulfill the bare minimum of fundamental needs, which includes both food and non-food needs. In terms of food, BPS uses the indicator recommended by the Food and Nutrition Widyakarya in 1998, namely the nutritional needs of 2,100 calories per person per day, while in terms of non-food needs it is not only limited to clothing and housing but includes education and health. This model essentially compares the consumption level of the population with a poverty line (GK), which is

the amount of rupiah for consumption per person per month. Poverty can be measured by comparing the income level of a person or family with the level of income needed to obtain minimum basic needs.

West Sumatra is one of the provinces that has many various sectors, such as agriculture, plantation, trade, fisheries, tourism, and others. However, the distribution of development not administered equally in West Sumatra.in West Sumatra, there are still many income inequality that needs to be corrected. Efforts in poverty alleviation can be seen from the root problems that occur in an area, one of which is employment that needs serious handling, namely the quality of work that is still relatively low, the problem of wages or labor income is still low and there are still sectoral imbalances in the workforce.

There are several factors that influence the level of poverty in an area such as the level of income, education, health, access to services, geographic location, and environmental location, all of which are related to one another. Such as individuals whose educational level is low so that they do not have adequate skills or skills, these individuals will find it difficult to struggle in the workplace and the income received by this individual will be determined by the type of work. The better the job, the better the income that the individual will receive as well as on the other hand, if the job he gets is not too good, the income he will receive will also tend to be low and this also determines the level of his welfare on how he can meet his daily needs. Efforts to suppress the level of poverty certainly require the role of the population itself which is expected with efforts to increase quality human capital which can also improve the quality of humans themselves so that it can facilitate competition in the world of work (Bappenas, 2013).

In addition, qualified human resources are an important condition for sustainable economic development. Apart from that, Sharp mentioned that the cause of poverty from an economic point of view is the result of the low quality of human resource.

The Human Development Index (HDI), a significant innovation in measuring human development, may be used to quantify a person's level of well-being, with the human development index which covers three important components such as life expectancy, education and decent living standard which can provide an overview in human development, where the three components have been fulfilled by the community, the community can be classified as a prosperous society.

According to the *UNDP (United Nations Development Program)* the Human Development Index is a process for enlarging human choices ("a process of enlarging people's choices") as well as the level achieved from these efforts.

Jhingan (2012) it is stated that the formation of human capital is efforts to acquire and increase the number of people who have expertise or skills, education and experience that determine economic development in a country. In which the formation of human capital begins with an increase in education so that it affects getting job opportunities which in turn can increase productivity so that the amount of income will also increase.

According to the Central Bureau of Statistics (2015), there are three indicators of the human development index, namely the life expectancy index, the education index and the decent living standard index. Meanwhile, the concept of human development introduced by the United Nations (PBB) has assigned a human development performance rating on a scale of 0.0- 100.0 with a very high category with an HDI score of more than 80.0, the second category high with an HDI
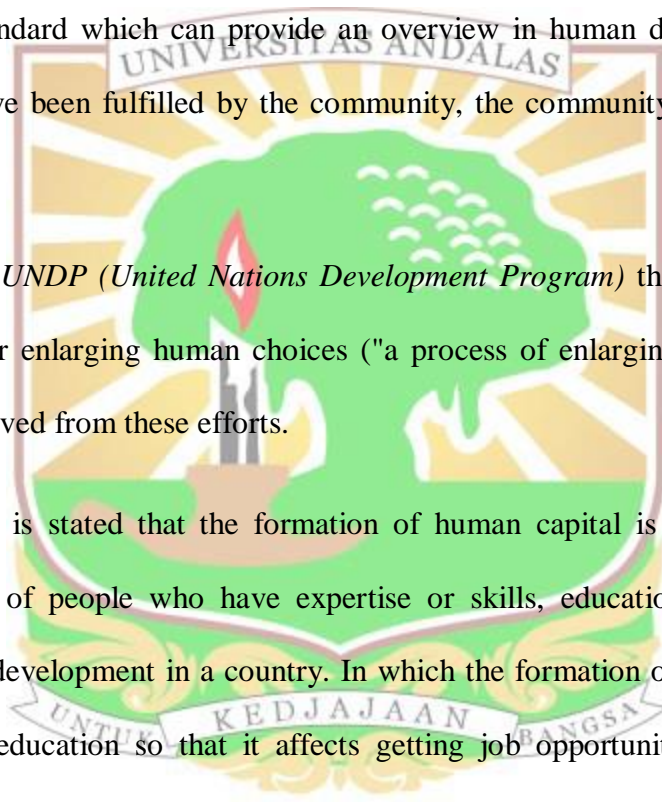
value between 70-80, the third category with a moderate level with an HDI value between 60-70, and the last is a low level with an HDI value less than 60.

There are factors that cause poverty, namely low income levels, limited employment opportunities, slow economic growth rate, income inequality, inadequate health and education facilities. From the above theory we can see that it is not only the human development index that is a factor causing the emergence poverty but there is also economic growth, in which economic growth is one of the important factors that can support the success of a country's economy or as an indicator used to measure the economic performance of a country. It is hoped that good economic growth in an area can have an impact on the welfare of the community.Local government which later will also be able to reduce the poverty rate in related areas.(*Todaro, 2011*).

GRDP data is highly essential and critical in assessing a region's economic circumstances. Positive GDP growth indicates that the economy is growing as a result of sectors that are progressing and are mutually influencing (between one sector and another). Because it is shown by sector, this data can reveal the economic structure of a region (and sub-sector).In addition, GRDP data can also show the level of inflation / deflation that occurs in an area by comparing GRDP data in constant prices GRDP and also current price. GRDP per capita population can also provide an overview of the level of welfare of the population in an area (Permana, 2012).

Economic growth and poverty have a very strong relationship, where at the beginning of the development process the poverty level tends to be high and at the final stage of development the poverty level will gradually decrease and besides that the development process will be

accompanied by an increase in inequality substantially so that the population the poor will get a share of economic growth (Todaro, 2011)

The government understands that national development is one of the activities needed to achieve the goal of a just and prosperous society. In line with these objectives, various development initiatives have supported development in the regions, especially in areas where the poverty rate is increasing every day. Regional development continues to be done massively and structured according to the objectives and requirements of each region with roots, as well as national development goals established via long-term and short-term development As a result, the pace of reduction in the number of impoverished people is one of the most important indices of national development achievement. The major growth in selecting development methods or tools is their effectiveness in lowering the number of impoverished people.

Today, the strategic problems in West Sumatra Province government are not much different from those in the central government (national problem), which is the high poverty rate when compared to other provinces on the island of Sumatra. Therefore, poverty becomes a shared responsibility, especially the government as the organizer of the process ofimproving people's lives, to immediately find a way out by formulating accurate and systematic strategies in reducing and also completing numbers or levels of poverty.

Based on the findings, additional in-depth study on the influence of the Human Development Index (HDI) and Gross Regional Domestic Product (GRDP) on poverty levels in West Sumatra Province is required. The author's goal in this study was to evaluate the influence of the Human Development Index (HDI) on the level of poverty in West Sumatra Province, as well as the effect of the Gross Regional Domestic Product (GRDP) on the level of poverty in West Sumatra.

1.2 Problem Statement

Poverty has an impact on development because poverty occurs as a result of the limitations and inability of the community to fulfill their daily needs and neglect their health and education. The poverty rate in West Sumatra. When viewed in March of the year 2015, the number of poor people was 379,610 people, in September 2015 it decreased to 349,530 people or decreased from 7.31 percent to 6.71 percent. Based on the explanation of the background described above, the researcher is interested in discussing and analyzing the extent of the Human Development Index in West Sumatra and what are the factors that affect the HDI. In particular, the author takes the research title "HUMAN DEVELOPMENT INDEX AND GROSS DOMESTIC REGIONAL PRODUCT ON POVERTY IN WEST SUMATERA"

With the various strategies of the West Sumatra provincial government today, it is expected that factors affecting poverty such as Human Development Index (HDI), Gross Regional Domestic Product (GDP) and Education can minimize poverty that occurs in West Sumatra. Therefore in this study the following problems were formulated:

1. What is the impact of Human Development Index on poverty in West Sumatra

2. How does the Gross Regional Domestic Product (GRDP) affect poverty in West Sumatra.

1.3 General Research Objective

The purpose of this research is to analyze the impact of human development index and gross domestic regional product on poverty in West Sumatera from 2010-2019 by using the panel data.

1.4Structure of Writing

Chapter I; Introduction

There are five parts in this chapter, the first is a background which gives an introduction about the topic discussed in this research problem, research objective, and structure of writing.

Chapter II ; Theoretical Review

This chapter explain the theoretical literature about GRDP, education, Human Development Index and also some factors that can impact the poverty.

Chapter III; Research Methodology

This is explained what the model is used in this writing, source of the data and the tools that used in collecting the data, variables definition, and development of variable correlation

Chapter IV; Empirical Result and Discussion

This part will explain the output of the data estimation and analyzed the effect

Chapter V; Conclusion And Suggestions

This part will explained that is the conclusion from this research in general and also the suggestion from the writers to continue the research about these topics