

CHAPTER I

INTRODUCTION

A. Background

Development is a process of change towards a better and continuous direction to achieve goals, in this case namely realizing an Indonesian society that is just, competitive, advanced, and prosperous in the container of the Unitary Republic of Indonesia (Alhudori, 2017). Development is implemented to realize the prosperity of the community through economic development overcoming various development and social problems such as poverty (Puspita, 2015).

The problem faced by many countries concerning the welfare of society is the inability of the community to meet their needs (Costanza et al., 2007). Welfare can be interpreted as one of them with the level of poverty of the population. Welfare itself has a negative relationship with the level of poverty, the lower the level of poverty, the higher the level of welfare of the population.

According to economists (Prawoto et al., 2009), poverty in Indonesia is multidimensional. Multidimensional poverty can be seen in various aspects, including primary and secondary aspects. Primary aspects in the form of poor assets, socio-political organization, and low knowledge and skills. While the second aspect is in the form of poor social networks, financial resources, and information. On the other hand, poverty is a complex problem. It is not only related to the problem of low income and consumption measures, but also with low levels of education, health, and the power to participate in development.

Dimensions of poverty are manifested in the form of malnutrition, water, healthy housing, under-optimal health care, and low levels of education (Alkire and Foster, 2011).

One of the root causes of poverty is a high population. A large workforce will be formed from a high population. According to Malthus (2000), a continuous increase in population is an element that needs to support additional demand. On the other hand, an increased population is feared to have a bad effect on economic growth.

According to Todaro (2000), rapid population growth drives the problem of underdevelopment and makes development prospects even further away. An increase in population without being accompanied by the progress of other development factors will certainly not increase the income and consumer demand. Thus, the growth of the population would reduce the level of wages and lowering production costs. The decrease in the cost of production will increase the profits of the capitalists and encourage them to continue producing. But this situation is only temporary in nature because effective demand will decrease if labor income is also reduced.

Meanwhile, according to Mankiw (2006), unemployment is a macroeconomic problem that affects humans directly, as the most severe problem. An element that determines the prosperity of a society is the level of income. Community income reaches its maximum if conditions of full employment can be realized, otherwise, unemployment will occur. The bad

effect of unemployment is to reduce the level of people's income and thus will have a domino effect to reduce the level of prosperity. The decline in the level of prosperity of the people because unemployment will certainly increase the chances of being trapped in poverty and will cause other problems, namely political and social chaos (Sukirno, 2010).

The root problem of poverty concerning the high population is the existence of jobs that cannot accommodate the needs of the labor force, therefore unemployment is created which results in poverty formation. Unemployment is the number of workers in the economy who are actively looking for a job but have not obtained them (Sukirno, 2004).

The accumulation of workforce will certainly put an additional burden on a country's economy if it is not accompanied by expansion and job creation. If new job vacancies cannot accommodate all new workforces, it will extend the existing ranks of unemployment (Dumairy, 1997). Therefore, it is not surprising that unemployment is one of the factors that influence poverty.

Poverty as a national-scale problem is always faced in each central government. Poverty occurs from the accumulation of various problems and involves many main dimensions. According to Makmun in Rusdarti (2013) poverty has four main dimensions, namely: (1) lack of opportunity; (2) low capability of low of capabilities; (3) lack of guarantees / low-level of security; and (4) low of capacity or empowerment. The World Bank (2001), itself states that poverty is a result of accountability and responsibility of state institutions.

Recognizing that poverty is multi-dimensional, reflects accountability and responsibility from state institutions, poverty alleviation efforts are one of the main objectives of government responsibility.

Poverty requires government interventions. Government intervention is more or less often heard and felt by the community, both at national and regional levels. For example, in every public election campaign, there is always a poverty reduction program plan, in its realization, there has also been Direct Cash / Temporary Assistance, BOS in education, health insurance for poor people, PNPM (National Independent Community Empowerment program), Raskin (poor rice), and others Irhamni (2017). In the 1945 Constitution, Article 27 has been mandated every Indonesian citizen has the right to decent work and livelihood. This means, the government responsible for social welfare issues.

A concrete manifestation of government intervention is the presence of a component of government expenditure. Government expenditure contained in the State Budget (APBN) is one component of fiscal policy that aims to increase the pace of investment, employment opportunities, maintain economic stability, and create an equitable distribution of income (Rasyid et al., 2018). Government expenditure described in the APBN in principle aims to be maximally utilized for public services and improving the welfare of the community.

Government spending from year to year shows an upward trend; indicates the increasing role of government in the economic sector. Dumairy (1996) describes the government does a lot of expenses to finance its activities. These

expenditures are not only to carry out daily government activities but also to finance economic activities. It does not mean that the government does business, but the government must contribute to mobilizing and stimulating economic activity in general.

This problem of poverty has to be eradicated until it runs out at its root. Therefore, this is not the only task of the government which strives to reduce and eradicate poverty, but it is also the task of the community to improve their quality of facing poverty. So, they do not put them as a burden for themselves, even for the state. In addition to the community who work to improve their quality of facing poverty, the government must also encourage resource side and equity. The importance of poverty alleviation is a major issue discussed throughout the world, as evidenced in the SDGs by declaring no poverty as the priority item (Nina and Rustariyuni, 2018).

Table 1. 1
Total of Poor People in East Kalimantan Province Period 2013-2019

Period	Total of Poor People (Inhabitant)	Percentage of Poor People (%)
2013	246,11	6,38
2014	248,69	6,38
2015	252,68	6,31
2016	209,99	6,10
2017	211,24	6,00
2018	218,67	6,08
2019	219,92	5,94

Source : BPS East Kalimantan 2013-2019

Based on data from BPS, East Kalimantan Province shows the number of poor people in 2012 amounted to 246,11 people and increased in 2013 to 248,69

people, and in 2014 increase to 252,68 people, in 2015 decrease to 209,99 people, then the number of poor people always has increased namely in 2016 to 211,24 inhabitants, and in 2017 at 218,67 inhabitants. Poverty problems that occur are more influenced by various factors that are interrelated to one another (Bappenas, 2009).

In this case, the poverty rate in East Kalimantan Province is more influenced by several factors including the Number of Population, Unemployment Rate, Government Spending.

Table 1. 2
Total Population in East Kalimantan Province Period 2013-2019

Period	Total Population (inhabitant)	Annual Population Growth Rate (%)
2013	3.199.696	2,31
2014	3.275.844	2,31
2015	3.351.432	2,18
2016	3.426.638	2,12
2017	3.501.232	2,05
2018	3.575.449	2,12
2019	3.721.389	1,79

Source : BPS East Kalimantan 2013-2019

Based on the table 1.2, the number of population in the province of East Kalimantan in 2013-2018 has always increased from year to year. The population also affects the unemployment rate, the increasing population growth causes the number of workers and, labor force also increases. The labor force requires employment in general in developing countries since the rate of population growth (including the labor force) is greater than the rate of employment growth. Therefore not all workforce can get a job and end up unemployed (Irhamni, 2017).

Table 1. 3
Total of Unemployment in East Kalimantan
Province Tahun 2013-2019

Period	Percentage of Unemployment (%)
2013	8,90
2014	7,94
2015	7,54
2016	7,50
2017	7,46
2018	6,91
2019	6,09

Source : BPS East Kalimantan 2013-2019

Based on the table above shows the level of unemployment in East Kalimantan Province in 2013-2018 has fluctuated from year to year. It can be seen during the six years of research. The highest unemployment rate occurred in 2012, as 8.90% of the population, while the lowest unemployment occurred in 2017 which amounted as 6,91% of the population. The number of unemployed in East Kalimantan Province has rapidly decreased.

The problem of poverty leads the government to intervene in eradicating poverty itself, a concrete form of government intervention, namely the presence of a component of government expenditure. Government expenditure contained in the State Budget (APBN) is one component of fiscal policy that aims to increase the pace of investment, employment opportunities, maintain economic stability, and create an equitable distribution of income (Amalia, 2015). Government expenditure described in the APBN aims to maximize the utilization of public services and improving the welfare of the community.

Table 1. 4
Government Spending in East Kalimantan Province
Period 2013-2019

Period	Direct Expenditures (Rupiah)	Indirect Expenditures (Rupiah)	Total of Expenditures (Rupiah)
2013	6470550349	779583156	7430241494
2014	6662173019	779583156	7430241494
2015	5619396606	6598286393	12217683000
2016	5019910597	6464349402	11484260000
2017	3792191055	4197167944	7989359000
2018	3619191539	4399869705	7019061244
2019	4142833022	6526836978	10669670000

Source : BPS East Kalimantan 2013-2019

Based on the table 1.4, East Kalimantan Provincial government expenditure above shows tend to decrease 2012 to 2017, in year 2015 and 2017 decrease. However, the fluctuating of government expenditure reduce the poverty in the Province of East Kalimantan.

The government should pay attention to the people, do justice, make policies which are prioritized for the welfare of the people. As ALLAH SWT has stated in Surah Shaad verse 26 which reads:

يٰۤاٰدٰمُ اِنَّا جَعَلْنٰكَ خَلِيْفَةً فِى الْاَرْضِ فَاَحْكُم بَيْنَ النَّاسِ بِالْحَقِّ وَلَا تَتَّبِعِ
الْهَوٰى فَيُضِلَّكَ عَنْ سَبِيْلِ اللّٰهِ اِنَّ الَّذِيْنَ يَضِلُّوْنَ عَنْ سَبِيْلِ اللّٰهِ لَهُمْ
عَذَابٌ شَدِيْدٌ بِمَا نَسُوْا يَوْمَ الْحِسَابِ ﴿٢٦﴾

Mean:

“O David, verily We make you the caliph (ruler) on the face of the earth, so give a decision (matter) between men with justice and do not follow the passions, because he will lead you astray from the way of Allah. Indeed, those who have gone astray in the way of Allah will receive a severe punishment, because they have forgotten the day of reckoning.”

When the leader can understand what the community needs and become a just leader, not controlled by lust and personal interests alone, God willing, all problems in this beloved country, especially poverty can be overcome by the will of ALLAH SWT.

B. Scope of Problem

This study has the following limitations:

1. This research examines 9 regencies and cities in East Kalimantan Province.
2. This study has a year limit, namely from 2013 to 2018
3. This study examines the poverty variable as the dependent variable and the population variable, unemployment rate, government expenditures as an independent variables.

C. Formulation of Problem

In this world, many developing countries experienced to poverty. Another case in Indonesia, poverty is an important specter that inhibits the rate of economic growth. Where poverty is still a major problem that must be addressed. Based on the background description that has been made, the formulation of the problem in this study are:

1. How does the number of population influence the poverty rate in East Kalimantan Province?
2. How does the unemployment rate affect the poverty rate in East Kalimantan Province?
3. How does the government expenditure on the poverty rate in East Kalimantan Province?

D. Research Purposes

Based on the background description of the problem and the formulation of the problem, the objectives and uses of this study can be determined as follows:

1. To analyse the effect of total population on poverty levels in East Kalimantan Province.
2. To analyse the effect of unemployment rate on poverty levels in East Kalimantan Province.
3. To analyse the effect of government spending on poverty levels in East Kalimantan Province

E. Benefits of Research

The benefits to be gained from this research are:

1. For the writer, the research will be useful in increasing knowledge about various influencing factors and the effects of the differences on poverty levels. Furthermore, this research is also one of the requirements in getting a bachelor's degree in the Faculty of Economics and Business, Universitas Muhammadiyah Yogyakarta, especially in the department of Economics.
2. For policymakers, the research can provide useful information on the factors that affects poverty levels. Then, it recognize what triggers poverty and how to overcome the existing poverty problems.
3. For the general public, it is expected to be a source of knowledge and specifically in the economy in order to understand what factors can affect poverty in Indonesia, especially in the province of East Kalimantan.

4. Can contribute ideas in the development of science and as a reference for further research related to poverty.