

CHAPTER I

INTRODUCTION

1.1 Background

Poverty is one of the topics often developed by developing countries. Poverty also has a role in the economic development process. The problem of poverty is complex and multidimensional, because it deals with social, economic, cultural, and other aspects. Kumolojati (2015) stated that poverty is a condition where society is not able to meet the needs of life and family such as clothing, housing, food, education, health and others. What is meant by this is the basic matters that must be handled in an integrated, integrated and planned manner in the context of national and regional development.

According to Todaro (2004) poverty is one of the fundamental issues that is the center of government attention in any country. In almost all developing countries, the standard of living of most of the population tends to be very low, not only in comparison with the living standards of people in rich countries, but also with the elite in their own countries. This low standard of living manifests itself in the form of very low levels of income or poverty.

A country can be classified as a develop, developing or underdeveloped country by using the indicators of Human Development Index (HDI). Todaro & Smith (2012) defined the Human Development Index as an index that determines the national socioeconomic development with the basic calculation of the combining measures of education level, health, and adjusted real income per

capita. The Human Development Index (HDI) has a scale ranging from 0 (lowest human development) to 1 (highest human development). It relies on three goals or results of development: *longevity* as determined by life expectancy at birth, *knowledge* as determined by measurement average of adult literacy (two-third) and gross schooling years ratio (one-third), and *standard of living* as determined by real per gross domestic product adjusted with the purchasing power parity of each country's currency to describe cost of living.

Economic development basically aims to improve the welfare of the community in order to improve the welfare of the community hence required high economic growth. One of the targets of economic growth is to reduce poverty. According to the Central Bureau of Statistics (2014) poverty is the condition of a person who is below the minimum standard value, both for food and non-food called poverty line.

Poverty is a description of a person's inability to fulfill his needs according to a decent life but this poverty has different characteristics between regions. This difference is related to poverty of natural resources, human resources and local institutions. Poverty in general can be divided into three groups BPS (2012), namely:

1. Structural Poverty is poverty which refers to situations where the phenomenon of poverty is caused by the structure that binds society to advance as a whole.

2. Natural poverty is a poverty that describes the phenomenon of poverty as a result of the poverty of natural resources that support the community.
3. Relative poverty is poverty that refers to the situation of comparisons among one individual, group or other community.

Poverty is the biggest problem in Indonesia with no solution to solve it. Poverty is complex because it involves various aspects such as the right to fulfill food, health, education, employment, and so forth. In order to decrease poverty in Indonesia, support and cooperation are needed from the community and the seriousness of the government in handling this issue. (BPS Jogja, 2012)

Special Region of Yogyakarta is one of the provinces in Java Island. According to BPS (2016), during the period of 2002-2016 the percentage of poor people in Daerah Istimewa Yogyakarta is higher than the percentage of poor people in Indonesia. The government's efforts to reduce poverty look very serious, so as the government of the Special Region of Yogyakarta. A variety of ways are being undertaken to reduce poverty rates such as allocating village funds, food self-sufficiency programs, micro enterprise credit programs and physical infrastructure programs. Later on, livestock support programs, subsidies for rural infrastructure development, education and health programs. From the central government, villages also get PNPM programming, BOS, health insurance to the provision of micro business credit. All of these are done to reduce the number of poor people in the Special Region of Yogyakarta.

The problem of poverty in Yogyakarta has a high percentage of poor people compared with the percentage of poor people in Indonesia. Therefore, poverty is a shared responsibility of both government and society. Especially for the government which is a buffer process of the improvement of community life to find solutions as an effort to cope poverty.

The result of poverty reduction efforts in Yogyakarta Province showed a positive influence. Table 1.1 show the tendency of poverty incidence in Yogyakarta Province from year to year. In 2009 the poverty rate was 17.23 percent, in 2010 by 16.83 percent, in 2011 by 16.14 percent, in 2012 by 15.88 percent, in 2013 by 15.03 percent, in 2014 by 14.55 percent, in 2015 by 14.91 percent, and in 2016 by 13.34 percent. From the data, it can be seen that every year the poverty rate in Yogyakarta Province has decreased.

Table 1.1 The Percentage of Poverty 2009-2016

No	Regency/City	The Percentage of Poor People (%)							
		2009	2010	2011	2012	2013	2014	2015	2016
1	Kulonprogo	24,65	23,15	23,62	23,32	21,39	20,64	21,40	20,30
2	Bantul	17,64	16,09	17,28	16,97	16,48	15,89	16,33	14,55
3	GunungKidul	24,44	22,05	23,03	22,72	21,70	20,83	21,73	19,34
4	Sleman	11,45	10,70	10,61	10,44	9,68	9,50	9,46	19,34
5	Yogyakarta	10,05	9,75	9,62	9,38	8,82	8,67	8,75	7,70
	Province	17,23	16,83	16,14	15,88	15,03	14,55	14,91	13,34
	National	14,15	13,33	12,36	11,66	11,47	11,25	11,13	10,70

Source: BPS (data processed) 2017

Sharp (in Kuncoro, 2010) said that there are three factors causing poverty if viewed from the economic side. First, poverty arises because of the inherent pattern of resource ownership that causes the distribution of income to be unbalanced. The poor have only limited resources and low quality. Both poverty arise due to differences in the quality of human resources. The low quality of human resources results in low productivity, and in turn low wages. The low quality of human resources is due to the low level of education, the fate of the less fortunate, the discrimination or the descendants of the three poverty arises because of differences in access to capital.

In developing countries health is an important factor for reducing poverty. According to Lanjouw, et al. (2001) human development in Indonesia is identical with poverty reduction. Investments in education and health will be more important for the poor than non-poor because for the poor the main asset is their raw labor. The availability of affordable educational and health facilities will greatly help to increase productivity and in turn increase revenue.

Based on the above explanation, it is necessary to study and analyze poverty that happened in the Special Region of Yogyakarta Province as well as factors influencing it and planning of regional development program to reduce poverty that was done in this thesis entitled "The Analysis of Factors Affecting Poverty in the Special Region of Yogyakarta Province 2009-2016 "

1.2 Problem Formulation

1.2.1 What is the effect of the Human Development Index (HDI) on poverty in the Special Region of Yogyakarta Province from 2009-2016?

1.2.2 What is the effect of the GRDP on poverty in the Special Region of Yogyakarta Province from 2009-2016?

1.2.3 What is the effect of the Government Spending on poverty in the Special Region of Yogyakarta Province from 2009-2016?

1.2.4 What is the effect of the Public Spending on poverty in the Special Region of Yogyakarta Province from 2009-2016?

1.3 Research Objective

The objectives to be achieved in this research are based on the formulations of the problem as follow:

1.3.1 To analyze the effect of Human Development Index on poverty in the Special Region of Yogyakarta Province from 2009-2016.

1.3.2 To analyze the influence of GRDP on poverty in the Special Region of Yogyakarta Province from 2009-2016.

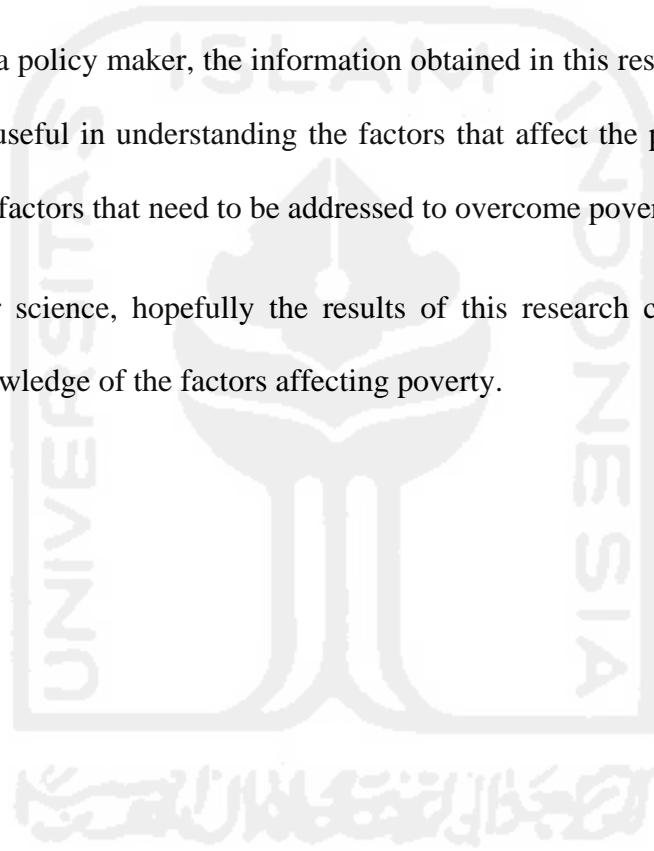
1.3.3 To analyze the influence of Local Government Spending on poverty in the Special Region of Yogyakarta Province from 2009-2016.

1.3.4 To analyze the influence of Public Spending on poverty in the Special Region of Yogyakarta Province from 2009-2016.

1.4 Research Contribution

This research is expected to contribute to the following:

- 1.4.1 For the researcher, hopefully this research can add knowledge and deeper insight about economics, especially development economics besides understanding the theories and concepts that had been obtained in lectures.
- 1.4.2 As a policy maker, the information obtained in this research is expected to be useful in understanding the factors that affect the poverty level. Thus, the factors that need to be addressed to overcome poverty can be known.
- 1.4.3 For science, hopefully the results of this research can add the general knowledge of the factors affecting poverty.



1.5 Writing Systematics

Chapter I: Introduction

This section presents introduction, problem formulation, problem limitation, research objectives, research contribution, and systematics of writing.

Chapter II: Review of Related Literature

This section discusses concept of poverty definition, causal factors, and references to the research problem investigated. By the end of this section, hypothesis formulation is presented based on literature review.

Chapter III: Research Method

This chapter describes the type of this study, population and sample, data collection method, research variables and analysis technique.

Chapter IV: Data Analysis and Discussions

This chapter discusses data analysis, hypothesis testing, and research findings.

Chapter V: Conclusions and Recommendations

This chapter presents conclusion, research limitations, and recommendations for future researchers.