

# Poverty Alleviation in Indonesia (An Empirical Review)

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## Poverty Alleviation in Indonesia (An Empirical Review)

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### Abstract

Poverty is one issue that never ends, especially in developing countries. This paper is a study aimed to review of poverty in Indonesia, why does it need a new definition of poverty, indicators of poverty dimensions and poverty reduction strategy. In the end the people's voice, especially the voice of the poor and women, should be heard before the decision-makers when they make decisions and monitor the performance of the services provided to citizens

**Keywords:** Poverty; Alleviation; Indonesia.

### Introduction

Poverty is one issue that never ends, especially in developing countries. Poverty is a condition of people where they are unable to meet basic needs (food, clothing and shelter), while the poverty line is defined as the minimum expenditure or income required to meet basic needs (BPS 2015)

The World Bank defines the characteristics of poverty such as hunger, lack of shelter, because of illness and cannot visit a doctor, cannot go to school, illiteracy, work less, fear for the future, loss of a child due to illness, as well as the lack of representation and freedom (World Bank, 2005). Pakpahan et.al (1995) argues poverty is often characterized by one or a combination of: low income, infant mortality, poor nutritional status, poor housing, low education, and health status Indonesia experienced fluctuations in the number of people living below the poverty line long economic .Crisis has caused a significant increase. Of the 22.5 million people in 1996 to about 49.5 million in 1998. Although this number was reduced to 35 million people in 2005, but increased again to 39 million in 2006, due to rising fuel prices in late 2005 and early 2006. In 2015 the number people living below the prosperity line is 28.59 million people or 11.22% from the total. In the period September 2014-March 2015, both the Poverty Depth Index (P1) and Poverty Severity Index (P2) tends to increase (BPS 2015). This shows the failure of Indonesia to reduce poverty, and even the main objective of national development is to improve people's welfare. Failure to fight poverty can be seen from the failure of development.

### Why New Definition of Poverty

Over the past three decades, Indonesia can't escape out of the high level of poverty. The Economic crisis, natural disasters, and the sharp rise in fuel prices have contributed to increase the number of people living below the poverty line. Performance programs to reduce poverty to follow the progress of construction and the performance of social, economic and political situation.

Before the economic crisis, Indonesia has made spectacular progress in reducing poverty. Comprehensive development program has improved the lives drastically, but the economic crisis in the late 1990s showed the vulnerability of these advances, with millions of people falling back into poverty. (UNDP Poverty Report 2001)

The Indonesian government has launched several programs in order to reduce poverty. Including is Inpres Villages (IDT), Family Development Program (PKS), Project Development of Infrastructure Supporting Villages (P3DT), Income Generation Project of Farmers and Fishermen Small (P4K), Indonesia smart Card (KIP), Indonesia Wealth Card

(KIS) and other programs related to poverty reduction (Irwan and Romdiati 2000 ; YUSDJA et al: 2003). Such efforts have been recognized, especially by the World Food Organization (Food and Agricultural Organization / FAO) which Indonesia managed to reduce poverty from 54.2 million people in 1976 and only 22.5 million people in 1996 (Hendayana and Darmawan, 1995; Irawan and Romdiati, 2000). Factors that contribute to poverty reduction go round development of large-scale agriculture and non agriculture based construction and finance industries and services during the 1970s until 1990's. While this development is done by using foreign debt, but it has created a lot of employment opportunities. Social progress, economic and political stability as well as the potential of the domestic market has prompted many domestic and foreign investors to invest in Indonesia.

Within a few decades before the economic crisis of 1997-1998, Indonesia made considerable progress in tackling poverty is measured from the level of consumption. The crisis in the late 1990s showed how vulnerable such advances. To expand the progress that has been achieved and move forward again, the definition of poverty need to be developed further by recognizing the reality of poverty dynamics in a broad and multi-dimensional it. Redefinition of poverty leads to strategic choices that are different from a policy based solely on fulfilling the needs "of the population chronically poor." (UNDP Poverty Report 2001).

The economic crisis of 1997 has led to a serious negative impact on the welfare of people and ultimately increase the number of people living below the poverty line. Some of the factors that cause such price increases quite sharply, rising prices of consumer goods, the decline in the purchasing power of goods and services, decreased productivity agricultural income, especially in rural areas, which resulted in lower well-being, especially those with low incomes (Irawan and Romdiati, 2000).

When poverty is defined in accordance with current conditions and extended to include all dimensions of human welfare; sufficiency to food, shelter and comfort, reduce vulnerability to conflicts from the outside, access to education, health care and basic tools, as well as opportunities to participate in social and political life without in different differentiated with other communities, then poverty remains a problem for half the population of Indonesia with large differences from one region to another. (UNDP Poverty Report 2001).

Some studies indicate that there are two major problems of poverty. First, land resources: marginal, infertile, and are not used optimally , causing low productivity, low income, low accessibility of the area, mainly due to poor means of transport, causing the lack of accessibility society for labor, input and product markets, and access to the poor. The second major problem that causes poverty, because most people are not able to meet their basic needs. The second determinant factor depending on the location. Thus the characteristics and dimensions of poverty throughout the region will be different.

### New Dimension Definition of Poverty

Sudaryanto and Rusastra (2006) argues that poverty is changing from time to time in accordance dynamics. There are at least nine dimensions of poverty that need to be considered such;

1. Inability to meet basic needs (food, clothing and shelter)
2. Accessability against other low basic needs (health, education, sanitation, clean water and transport)
3. The inability to accumulate capital
4. Vulnerable to external disruption
5. The low quality of human resources
6. Absent in community activities
7. Lack of access to employment
8. The inability to run a business because of physical and mental disorders
9. Social unfortunate

### Poverty can also be differentiated in the following four dimensions:

1. The economic dimension, namely the lack of ability to meet basic needs for low income (lack of choice).
2. The political dimension, namely a lack of ability to express and have their voice heard by the authorities (lack of voice).
3. The social dimension, namely the low social status in society grading scale (lack of status)
4. The psychological dimension, namely a lack of confidence or lack of self confidence (Poli et al, 2006)

**While the characteristics of poverty is:**

1. Most live in rural areas
2. Have a family size is greater than the average
3. The main source of income is agriculture
4. Lack of resources
5. The low quality of human resources
6. Low income
7. Most of the revenue is used for basic needs
8. Tends to have food insecurity (Sudaryanto and Rusastra 2006)

**Furthermore, according to Taryoto (1995) that poverty is mostly found in rural marginal lands due to:**

1. Lack of capacity of natural resources
2. Lack of social and economic infrastructure
3. Lack of supporting institutions of social economy
4. The low quality of human resources

**In addition Simatupang et al (2004) argued poverty is:**

1. Dry land marginal
2. The quality of the low marginal resource
3. Lack of capital
4. The lack of transport conditions

These four factors are causing people to be poor and difficult to occupy economic opportunities and therefore they are trapped in poverty. Economically they depend on agriculture. Therefore, the agricultural sector must be developed in an integrated manner, including agricultural technology, the provision of credit facilities, agro-industry, and development of infrastructure to speed up rural economic activities.

**Dimension Indicators Poverty****Poverty by Economic Sector**

Poor people living mostly in rural areas is still heavily dependent on agriculture. Most commercialize agriculture by small farm size and move around. Therefore, they generally have low incomes. That is why the dependence of the poor on the farm indicated by the high proportion of poor people working in agriculture sector. During the period 200-2004 largely poor population (52% in 2000 and 59% in 2004). The poor workers in the industrial sector decreased from 14% in 2000 to less than 6% in 2004. In absolute terms the number also declined from 5.4 million in 2000 to around 2.0 million people in 2004. This decrease is mainly due to two factors : 1) a substantial contraction in the industrial sector and 2). The quality of human resources decreased because of the inability of people to continue their education and skills training needed by the industrial sector. Working poor services sector increased from 25% in 2000 to 27% in 2004.

**Poverty Based on the Poverty Gap Index**

In 2000-2004 average poverty gap index in Indonesia 3.19%. This means that the average expenditure of the poor in this period was 3.19%, or in other words, the poor are able to meet about 97% of their basic needs. Improvements poverty gap index, from 3.51 in 2000 to 2.89% in 2004, down 4.74% per year.

**Poverty Based on the Human Development Index (HDI)****Human development index is measured by three dimensions:**

1. Life expectancy at birth
2. The level of formal and literacy
3. The standard of living as measured by consumption expenditure per capita per month (CBS, 2003)

Instead the Human Poverty Index (HPI) measures the failure of development in the same dimension as the HDI. The life expectancy slightly increased from 66.20 in 1996 to 67.60 in 2004, an increase of 0.42 percent per year. While the relatively high literacy rate is 88.40 per cent in 1999 and 90.40% in 2004, an increase of 0.45% per year. Indonesia's HDI value for 2014 is 0.684— which put the country in the medium human development category—positioning it at 110 out of 188 countries and territories. Between 1980 and 2014, Indonesia's HDI value increased from 0.474 to 0.684, an increase of 44.3 percent or an average annual increase of about 1.08 percent ( UNDP, 2015).

The average level of formal education increased from 6.70 in 1999 to 7.20 in 2004, an increase of approximately 1.45% per year. Spending per capita consumption is relatively low. Rp.74,22 rural per capita per month or Rp.891.260 per capita per year and consumption are Rp.578.800 per capita per year is approximately 65% of the rural poverty line. In 2004 the percentage of consumption per capita is lower than in 1999.

Human development index 64.30 in 1999 slightly increased to 65.83 in 2002 and 68.70 in 2004, an increase of 1.33% per year. Indonesia's progress in each of the HDI indicators. Between 1980 and 2014, Indonesia's life expectancy at birth increased by 9.3 years, mean years of schooling increased by 4.5 years and expected years of schooling increased by 4.3 years. Indonesia's GNI per capita increased by about 237.4 percent between 1980 and 2014.(UNDP, 2015).

### Poverty Reduction Strategy

There are several approaches are needed to reduce poverty effectively and efficiently. World Bank (2006) in his study of the revitalization of the rural economy: an assessment of rural investment climate in Indonesia quoted Rusastra et al (2006) suggested two main roads and two transition to allow people out of poverty. The two ways that the agricultural transformation of the sub-systems of modern commercial to agriculture and transformation of non-farm activities that non-formal to formal activities more productive and profitable.

In order to reduce poverty effectively, then the things that need to be considered are:

- a) Strategies for escape from poverty can be done by using a multi-sector approach.
- b) In situations where both investment and development in the construction sector should be facilitated by the government.

Multi-sector approach requires coordination of central and local government institutions (Rusastra et al 2006)

There are two areas of action which is crucial for the success of efforts to reduce poverty:

#### 1. Creating a Policy Environment for Revenue Increases the Poor, thus:

- a) The recovery of rapid economic growth
- b) Economic empowerment of the poor
- c) Budgets focused on poverty reduction

#### 2. The provision of effective public services:

- a) The public interest in any government policy
- b) Looking ahead to focus education and health
- c) Providing the means, access and mobility necessary
- d) Developing a social safety net for the poorest people in the face of disaster and misfortune

Understanding the strengths and weaknesses of the approach in the past can help the Indonesian government and people find a way out and move forward. Therefore, poverty is not merely a matter of adding Program is carried out here and there. Poverty reduction strategies must be made by evaluating all policies, all expenditures and all the programs that have an impact on the lives of those who are struggling to escape poverty and those who are vulnerable to falling back into poverty. (UNDP Poverty Report 2001)

Poverty alleviation programs should abolish the monopoly of information 'as done in the past administration. Wide dissemination of information through various channels before and during the implementation of the program should be given priority in addition to an adequate budget. Criteria for the program's success is measured by the extent to which the growing awareness among the target group (for example, the poor and the most vulnerable groups among them).

## Conclusion

The poor must be heard his voice in decisions concerning the fate in government budget allocations, in program design, in the implementation of programs in the public sector. The programs that reach poor people should be able to give them at least the same number of options granted to the non-poor, and instead of confining the poor solely as government targets.

Voice of the community, especially the voice of the poor and women, should be heard before the decision-makers when they make decisions and monitor performance of the services provided to the public.

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