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THE RELATIONSHIP BETWEEN ECONOMIC GROWTH AND POVERTY IN INDONESIA

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Abstract. Economic growth is one of the main parameters to evaluate a country's development efficiency. The higher the economic growth, the more productive and advanced the country will be. On the other hand, economic growth is also a strategic step to reduce poverty, which has always been an urgent problem in various parts of the world. Therefore, economic growth is needed to prosper the community through equitable economic growth. The purpose of this paper is to analyze economic growth against poverty. Data analysis used the literature review method from articles sourced from the Science and Technology Index (SINTA). The analysis is based on the latest findings on economic growth and poverty in Indonesia over the last decade. Research findings reveal that the synthesis of economic growth impacts reducing poverty in Indonesia. Furthermore, suppose economic growth is evenly distributed at all levels of society. In that case, the role of government is fair, honest, and responsible. As a result, the competence of human resources increases, and job opportunities will be wide open to absorb workers, positively impacting poverty in Indonesia.

Keywords: *human resources, job opportunities, literature review.*

Rezumat. Creșterea economică este unul dintre principalii parametri de evaluare a eficienței dezvoltării unei țări. Cu cât creșterea economică este mai mare, cu atât țara va fi mai productivă și mai avansată. Pe de altă parte, creșterea economică este, de asemenea, un pas strategic pentru reducerea sărăciei, care a fost întotdeauna o problemă urgentă în diferite părți ale lumii. Prin urmare, creșterea economică este necesară pentru a prospera comunitatea printr-o creștere economică echitabilă. Scopul acestei lucrări este de a analiza creșterea economică în raport cu evoluția sărăciei. Analiza datelor a folosit metoda de revizuire a literaturii de specialitate din articolele din baza de date Science and Technology Index (SINTA). Analiza se bazează pe cele mai recente constatări privind creșterea economică și sărăcia în Indonezia din ultimul deceniu. Rezultatele cercetării arată, că sinteza creșterii economice are un impact definit asupra reducerii sărăciei în Indonezia. S-a presupus că creșterea economică este distribuită uniform la toate nivelurile societății. În acest caz, rolul

guvernului este corect, onest și responsabil. Drept urmare, competența resurselor umane crește, iar oportunitățile de angajare vor fi larg deschise pentru a absorbi lucrătorii, având un impact pozitiv asupra sărăciei în Indonezia.

Cuvinte cheie: *resurse umane, oportunități de angajare, revizuire a literaturii.*

1. Introduction

Economic growth and poverty are crucial parameters for development success in various countries. Of course, all countries always try their best to achieve ideal economic growth and can reduce poverty. The immediate solution to creating poverty reduction in various countries is economic growth. However, what kind of economic growth can reduce poverty levels? Because in developing countries like Indonesia, the economic growth achieved is also accompanied by the problem of increasing the number of people who are still in poverty areas [1].

Poverty is a fundamental problem and is the focus of government activities in every country. In almost all developing countries, the average population has a deficient standard of living. For example, suppose you look at the life of a group of wealthy people and elites who control the economy in their own country. This can be observed from the value or form of a deficient level of income or poverty [2]. In Indonesia, poverty is a classic and challenging problem to solve, which is interrelated with fundamental problems related to the needs of individuals or groups in an area. Based on the Socio-Economic Survey conducted by the Central Statistics Agency (CSA) in 2009, it was recorded that 32.5 million people, or around 14.2% of Indonesia's population, still live in poverty.

The people trapped in poverty suffer from malnutrition, low access to education, high illiteracy, living in dirty settlements, and having no access to infrastructure or inadequate public services [1]. In the case of Indonesia, Freeport-McMoRan Copper & Gold Inc., or Freeport NYSE: FCX, is one of the world's largest gold producers [3, 4]. It is an American company with one of its branches in Indonesia, precisely in Timika, Papua. Therefore, there will be economic growth for Indonesia, which is well known as a gold mining corporation that reaps many benefits. Nevertheless, can the poverty rate in Papua be reduced? The answer is No. In 2017, the poor in Papua reached 897.69 thousand. They are classified as poor because spending on food and non-food items is still below the poverty line of Rp 457,541/person/month [5]. CSA also states that around 16.99% of the population in the age range 15-24 categorized as poor are illiterate, and around 22.61% of the poor aged 7-12 are not in school [4].

Based on these problems, it is revealed that economic growth does not directly reduce poverty in Indonesia. The current poverty rate in Indonesia is still high, and poor people continue to emerge. Economic growth is an essential indicator in reducing poverty levels. Therefore, the poverty rate will decrease if economic growth improves. It achieves moderate economic growth, and it is necessary to commit the government and the role of the community to be more productive in producing and consuming goods or services that are made themselves. The poverty rate will decrease if quality economic growth is created, namely equitable economic growth, and there is no wide economic gap in society.

Atiyatna et al. [6] explained that economic growth could directly reduce foreign intervention in Indonesia. There is no need for too many roles of foreign countries if Indonesia continues to learn to process its natural resources wisely and on target. Because if we look into it again, the result is that foreign countries will benefit more, and Indonesia may be more

disadvantaged. From the explanation above, this problem does not stop here, and it needs to be studied further, especially to realize the occurrence of quality economic growth. Thus, researchers are encouraged to examine economic growth's effect on Indonesia's poverty. This study aims for researchers to know what kind of economic growth can better reduce poverty in Indonesia. Hopefully, the results of this research can be used as a review of the development economics study.

2. Method

In writing this article, the researcher uses the literature review method [7], which is systematic, explicit, and reproducible to identify, evaluate and synthesize to summarize research results and thoughts previously made by researchers and practitioners [8]. The data source uses the Science and Technology Index database (SINTA; see sinta3.kemdikbud.go.id). The analysis is based on the latest findings on economic growth and poverty in Indonesia over the last decade.

3. Results and Discussion

The results of a literature review reveal that humans are never separated from the role of economic growth in their daily lives. Economic growth has a role in supporting a country so that it does not fall into poverty so that this economic growth will be used as a benchmark for a country's prosperity [9]. Therefore, economic growth is expected to solve poverty in a sound economy. However, Indonesia's economy is currently a bubble economy, which means that although Indonesia's economic growth is high, the poverty rate is still high. Statistical figures still provide information that the number of poor people is still high through CSA data of 31.02 million people (13, 33%) of the number of poor people in Indonesia in March 2010 [10].

Jufriadi [11] argues that the problem of poverty is not a new problem and has become the seed of disease in every country. Poverty is a condition of a person's life that continues to experience a decline in both the amount of income and living conditions. The government has made many efforts to resolve the problem of poverty immediately, but the poverty level is still difficult to resolve. This is due to the low quality of human resources, and many people do not feel equitable economic growth [12].

Overcoming poverty in Indonesia requires role of economic growth in every sector. Puspita [13] in his research, explains that economic growth is an essential part of reviewing how effective a country is so that benchmarks can be made on how to overcome poverty. However, the effect of economic growth on poverty has a different understanding for everyone [14]. Purnama [15] said that economic growth has a negative and significant impact on the poverty rate, which means that if economic growth increases, poverty will decrease. The economic growth in question is quality economic growth. This is in line with research conducted by Soleh [16], who argues that increased economic growth can support the population's welfare but does not guarantee that every society is prosperous. The poor and poverty levels are still growing due to poor economic growth.

Furthermore, Jonaidi [17] explicitly reveals a close two-way relationship between economic growth and poverty in Indonesia. Economic growth significantly impacts poverty reduction, especially in places with pockets of poverty, such as rural areas. On the other hand, poverty also significantly impacts economic growth. Subsequent research by Jayadi and Brata [2] explained that economic growth had no significant effect on poverty rates. This is because the economic growth in Jambi Province still has a dividing gap and group differences between the rich and the poor, so economic growth cannot suppress poverty. Meanwhile, Khusuma

[18] said that economic growth needs to be paid more attention to government spending so that any costs incurred are managed and reviewed so there is no waste of funds.

Economic growth means showing economic progress so that in society, there is an increase in consumption and production of goods and services to create prosperity. Thus, a country needs to achieve economic growth to calculate real national income based on fixed prices at the prices applied in the selected base year [19]. Thus, economic growth measures the achievement of an economy's development [20]. Based on this explanation, it is known that every region in Indonesia experiences poverty. In essence, poverty has always been a classic problem that emerged when humans were born. Poverty is a complex and multifaceted problem and is likely to continue to be a real problem from time to time. Theoretically, the way to reduce poverty is through economic growth. Quality economic growth can reduce the poverty level of a country.

Findings from various articles that have been reviewed show that economic growth is not a guarantee for reducing poverty levels because there are many cases in Indonesia where the region is experiencing economic growth. However, the people still live in poverty, for example, in Papua. Papuans live in poverty, despite a gold mine in West Papua. Why does it happen? This is due to uneven economic growth and is only enjoyed by a handful of people. In addition, Indonesia still uses too many foreign workers, so it is difficult for local workers to find work. It takes human resources who can compete and are reliable in their work to minimize the proportion of foreign workers [16].

Suliswanto [10] explained that Indonesia needs to increase human capital development and increase the quantity of quality human resources. Quality means that human resources have the knowledge, competence, and skills to produce superior products that optimize the potential of natural resources. Furthermore, increasing abilities and skills will boost the productivity of individuals, households, companies, and regions, thus having a domino effect on suppressing the poverty index.

Highlighting the human resources problem requires strengthening the educational aspect, which is a strategic way to increase knowledge and skills. Individuals with competence and expertise will get jobs and significantly more income to finance household and individual consumption, and vice versa. So automatically, a country with a high poverty rate has a small income. The trickling effect theory explains that the progress made by a group of people will automatically trickle down to create different jobs and economic opportunities, thus creating different conditions to create an even distribution of economic growth outcomes [21, 22]. Furthermore, the theory explains that economic growth will be accompanied by a natural vertical flow from the rich to the poor. Rich people first enjoy the benefits of economic growth, and the poor feel the benefits when the rich appear and slowly spend the results of economic growth [23]. Therefore, the impact of economic growth on poverty reduction is an indirect impact of the vertical shaft from the rich to the poor. The poverty rate would decrease in a small way if the poor had only a small benefit compared to the benefits of overall economic growth.

This situation can provide opportunities for increasing poverty due to high-income inequality. This is because economic growth favors the rich rather than the poor. So it is a significant concern that economic growth can positively affect poverty alleviation if economic growth focuses on empowerment and regulations that reduce the poor, but that does not mean that the rich are ignored in the process of economic growth. On the contrary, the two groups must remain balanced so that each group's economic cycle runs dynamically and

evenly. Furthermore, quality economic growth will be able to create human resources who are ready to work, which will also play a role in reducing poverty levels.

4. Conclusions

Based on the research findings from the literature review, three main things were obtained: 1) Equitable and quality economic growth affect reducing poverty levels; 2) Poverty occurs due to a lack of education. There is a gap between the rich and poor groups, so many opportunities to obtain a prosperous life must be lost because the rich group is more dominant and powerful; 3) Human resources and job opportunities are indicators that affect poverty in Indonesia. Therefore, practical recommendations for economists to focus on developing micro and macro policy regulations highlight the indicators revealed in this paper.

Conflicts of Interest. The authors declare no conflict of interest.

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