The Influence Of Social Economic Factors On Economic Growth And Poverty In District / City In Bali Province

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Abstract

The economic growth in Bali Province provides a very good picture compared to the national economic growth, although there are still disparities between regions. This study aims to analyze the influence of the influence of socio-economic factors on economic growth and poverty in regency / cities in Bali province. The data analysis technique used in this study is path analysis. The results showed that education, LOR, investment, and the working population had a positive and significant effect on economic growth; LOR, working population and economic growth have a negative and significant effect on poverty. Education has a positive and insignificant effect on poverty. Investment has a negative and insignificant effect on poverty; Economic growth has a negative and significant effect on poverty in districts / cities in Bali Province; Economic growth partially mediates the effect of education and the number of working people on poverty in regencies / cities in Bali Province. However, economic growth has not been able to mediate the effect of LOR and investment on poverty in districts / cities in Bali Province.

Keywords: Education, Investment, Working Population, Economic Growth, Poverty.

1. Introduction

Poverty is a problem in multidimensional development because to overcome poverty the problems faced are not limited to matters relating to the causal relationship of poverty but also involves preferences, values and politics [1]. The term poverty arises when a person or group of people is unable to meet a level of economic prosperity which is considered the minimum requirement of a certain standard of living. Poverty is often understood as a state of lack of money and goods to ensure survival.

Bali Province as one of the provinces in Indonesia cannot be separated from this problem. Bali Province, which is one of the provinces that has high and rapid economic development, especially through the tourism sector, in the midst of this rapidity, the number of poor people still exists and is still quite high. This condition is marked by the large number of people who find it difficult to meet their basic needs, and still lack of food, this proves that poverty in Bali Province needs serious attention from the government. Currently, the government has carried out many poverty alleviation programs through the role of related agencies, but the number of poor people has not been able to be eliminated one hundred percent. This is shown from the data that the number of people who are still classified as underprivileged still exist in every district / city in Bali Province [2].

The success of a region's economic development in addition to reducing poverty levels, another measure used is to increase regional economic growth. Economic growth can be interpreted as the process of increasing the production capacity of an economy which is manifested in the form of an increase in national income [3]. According to Adipuryanti and Sudibia [4] the difference in economic growth between regions will lead to inequality in income distribution. Inequality in income distribution can be caused by several factors, including unequal workforce and investment in an area. Economic growth is a necessary condition for poverty reduction. The sufficient condition is that the growth is effective in reducing poverty. This means that this growth should spread across all income groups, including among the poor [5].

There are many factors that influence the economic growth and poverty of an region, one of which is social and economic factors. Where the social factors in this study are seen from the education and working population, while the economic factors can be seen from the Local Own-source Revenue (LOR) and investment that comes into an area. Increasing Local Own-source Revenue is able to encourage regional economic growth. An increase in LOR can spur
economic growth in the regions to be better than the previous regional economic growth. Regions with positive economic growth have the possibility to get an increase in ROA [6].

Another important variable that encourages economic growth in reducing poverty is investment. Investment is one of the keys in any discussion of the economic concept. The discourse on economic growth, new job creation and poverty reduction ultimately places investment as the main driver, considering that the economy driven by consumption is admittedly very fragile [7]. Another factor that affects economic growth in reducing poverty is human resources (HR). Where human resources are increasing, it becomes both a driving force and a barrier to economic growth. The increased absorption of labor as capital for regional development is a way to reduce the level of poverty that occurs [8]. Generally, someone who is at the productive age will be able to get more income than the non-productive age, therefore the working population will generally be able to get better welfare than someone who does not work. The working population can have a positive effect on economic growth and can reduce the poverty rate in an area [9].

2. Literature Review

Purnami and Saskara [10]
Which stated that education has a positive effect on economic growth, because it becomes a means to improve the quality of human resources which will later produce a more productive workforce so that in the aggregate it can increase economic growth

which states that one of the factors that influence to be able to reduce poverty and accelerate economic growth is the variable of education. The relationship between education and poverty is very influential, because the higher a person's education, the increased his skills so that it can boost work productivity

3. Problem Formulation

The hypothesis of this project is:

a) Education, LOR, investment and working population have a positive effect on economic growth in the regencies / cities of Bali Province

b) Education, LOR, investment and working population have a negative effect on the poverty rate in the regencies / cities of Bali Province

c) Education, LOR, investment and working population have an indirect effect on poverty levels through economic growth in regencies / cities of Bali Province.

4. Research Methodology

The research design used was an associative quantitative research design. The research location was chosen by the regency / city of Bali Province on the grounds that in the Regency / City of Bali Province there is still a very large disparity or inequality of income distribution which causes differences in poverty levels and economic growth between districts / cities, as experienced by East and North Bali with Bali South, for example, Karangasem, Buleleng, Bangli, is very different from the conditions of Badung Regency and Denpasar City, both from the economic growth rate and the poverty level of each district / city. The object of this research is economic growth and poverty level in Bali Province which is influenced by factors such as education variables, LOR, investment, and the number of working population. The objects of this study were 45, consisting of 9 districts / cities in the province of Bali in a period of 5 years, namely 2015 - 2019. The main data source in this study was secondary data sources. Secondary data in this study consisted of data on the percentage of poor people, the rate of economic growth, the average number of years of schooling, the amount of local income, the amount of incoming investment, and the number of people working in regencies / cities in Bali Province. The analysis technique used is multiple regression analysis with path analysis.
5. Analysis Result

Descriptive analysis in this study was conducted to obtain a description of the calculation of the minimum and maximum values, mean and standard deviation in connection with the study of the influence of socio-economic factors on economic growth and poverty levels in regencies / cities in Bali Province. Based on the results of descriptive statistical analysis, it can be explained that the number of observation points is 45. The X1 variable, namely education, shows that the average length of schooling in districts / cities in Bali Province during 2015-2019 is still low because it is closer to the minimum value even though it has increased every year. The standard deviation of the education level variable itself is 1.62003. The X2 variable, namely LOR, has a minimum value of 45721.02 while the maximum value is 4835188.46 with an average value of around 762792.6493. The standard deviation of the LOR variable itself is 1.21890. The X3 variable, namely investment, has a minimum value of 3123.00 while the maximum value is 9533281.00 with an average value of 1.7705. The standard deviation of the investment variable itself is 2.43225. The variable X4 is that the working population has a minimum value of 103933.00 while the maximum value is 516642.00 with an average value of around 267982.6000. The standard deviation of the self-employed population variable is 1.20029. The Y1 variable, namely economic growth, has a minimum value of 5.06 while a maximum value of 6.81 with an average value of 5.8656. The standard deviation of the economic growth variable itself is 0.41399. The variable Y2, namely the poverty level, has a minimum value of 1.78 while the maximum value is 7.44 with an average value of 4.7102. The standard deviation of the poverty level variable is 1.58788.

1) Calculate the path coefficient and determine the structural model equation

Based on the results of the path analysis of the sub-structure 1, the regression coefficient value of the variable education, LOR, investment, and working population is positive with a t-test significance value of less than 0.05. This shows that all independent variables, namely education level (X1), LOR (X2), investment (X3), working population (X2), have a positive and significant effect on the economic growth variable (Y1).

Based on the results of the path analysis of the sub-structure 2, the regression coefficient value of each independent variable is positive and negative. The education variable (X1) has a positive and insignificant value for the poverty variable (Y2), for the LOR variable (X2), the working population (X4), and economic growth (Y1) has a significant negative value on the poverty variable (Y2) and for the investment variable (X3) is negative and insignificant towards the poverty variable (Y2).

2) Coefficient of Determination (Adjusted R²)

The results of the calculation show that the total determination value is 0.619, which means that 61.9 percent of the variation in poverty levels is influenced by variations in education, LOR, investment, working population, and economic growth. While the remaining 38.1 percent is explained by other factors not included in the model.

3) Hypothesis Test Results (t test)

a. Direct Effect of Education on Economic Growth

The standardized beta coefficient value is 0.302 and the probability value is 0.036 <0.05, this means that education (X1) has a positive and significant effect on economic growth (Y1). The positive and significant relationship obtained in the results of this study is in accordance with the results of research conducted by Todaro [12] which states that "education has a significant positive effect on economic growth, he argues that the education sector plays a major role in shaping the ability of a developing country to absorb modern technology and develop capacity. production in order to create sustainable growth and development”. The analysis result means that the higher the level of education, the higher the economic growth will be. According to Retno [13] education has a positive and significant effect on economic growth because it can change a person's mindset, where through education a person gets a lot of knowledge and information that continues to develop. With this knowledge it has an impact on a person to increase production capacity and make economic growth in the region increase so that education greatly affects the economic growth of a region.

b. The direct effect of LOR on Economic Growth

The standardized beta coefficient value is 1.229 and the probability value is 0.009 <0.05, this means that LOR (X2) has a positive and significant effect on Economic Growth (Y1). The positive and significant relationship between LOR and Economic Growth is in accordance with the results of research conducted by Adi (2006). The higher the LOR, the higher the economic growth rate. This is because local taxes and levies are returned to the community to develop and grow the
regional economy. This research means that the more LOR received by regions will increase economic growth in a region. The results of this study are in accordance with Putri (2015) which states that "LOR has a positive and significant effect on economic growth. The higher the LOR, the higher the rate of economic growth". This is because local taxes and levies are returned to the community to develop and grow the regional economy.

c. Direct Effect of Investment on Economic Growth

The standardized beta coefficient value is 0.375 and the probability value is 0.041> 0.05, this means that investment (X3) has a significant effect on economic growth (Y1). A significant positive relationship between investment and economic growth is supported by the theory of Pangestu (1996), which states that investment and economic growth are positive and significant. This research means that the greater the amount of investment a region receives, it will increase economic growth in that region. The results of this study are supported by this condition which is not in accordance with the opinion of Nuryani (2019) which states that investment is an important component of the Aggregate Demand. Aggregate Demand is a crucial factor for the continuity of economic processes (sustainable development) or long-term economic growth. Economic development involves production activities (goods and services) in all sectors of the economy.

d. Direct Effect of Working Population on Economic Growth

The standardized beta coefficient value is 1.460 and the probability value is 0.003 <0.05, this means that the Working Population (X4) has a positive and significant effect on Economic Growth (Y1). A positive and significant relationship between Working Population and Economic Growth is in accordance with the results of research from Pangemanan (2001) which states that the working population has a significant positive effect on economic growth, where an increase in the working population means an increase in output per person employed, which is commonly called labor productivity. Increasing labor productivity is the main contribution to increased economic growth. The results of this study mean that the greater the number of working people will result in an increase in economic growth in an area. The results of this study are in accordance with research conducted by Yuni and Sudibia (2017) which states that there is a positive influence between population growth and economic growth where the conditions and progress of the population, especially the working population, are closely related to the growth and development of economic activity in a region.

e. The Effect of Education on Poverty Levels

The standardized beta coefficient value is 0.075 and the probability value is 0.218> 0.05, this means that education (X1) has a positive and insignificant effect on poverty (Y2). The results of this study indicate that the education variable has a positive effect on poverty. The results of this study are in line with previous research conducted by Ridzky Giovanni (2018) which states that education has not been able to reduce the level of poverty because school participation rates at various levels are low because there are still many poor people so that it will make education development slow which will have an impact on the lack of labor produced by graduates causes poverty to increase. The results of this study mean that the level of education of the people in an area has not been able to reduce the level of poverty in that area. Rismawati (2018) which states that "education has a positive effect on poverty because it is not enough for a person to only have education who has graduated from junior high school". So, people who have high quality education will be able to produce goods and services optimally so that they will get optimal income too. If the income of the population is high, all needs will be met and the community moves away from poverty.

f. The Effect of LOR on Poverty Levels

The standardized beta coefficient value is -2.080 and the probability value is 0.000 <0.05, this means that LOR (X2) has a negative and significant effect on poverty (Y2). The results of this study indicate that the LOR variable has a significant negative effect on poverty. The results of this study are in line with previous research conducted by Santosa (2013) which states that LOR has a significant negative effect on poverty. The better the region in managing its regional potential, the higher the income received so that the area can also improve the welfare of its people and reduce the number of poor people. The results of this study mean that the greater the amount of PAD received in an area, the lower the amount of poverty in that area. The results of this study are in line with the theory put forward by Rustiadi "the addition of LOR allocation can be useful as a very vital resource for local governments in regional development including in increasing the real income of the community through the addition of LOR, of course it can be used as access to support policies and programs that focus on poverty alleviation in in society ".

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g. The Effect of Investment on Poverty Levels

The standardized beta coefficient value is -2.080 and the probability value is 0.621 > 0.05, this means that investment (X3) has a negative and insignificant effect on poverty (Y2). The results of this study indicate that the investment variable has a negative and insignificant effect on poverty. The results of this study are in line with previous research conducted by (Waridin, 2011) which states that investment has a negative and insignificant effect on poverty, that investment will provide services to the community more equitably, so that reliable human resources (HR) will increase. Increased health and education will encourage an increase in the quality of human resources and an increase in labor productivity, which in turn will increase people's income and reduce the number of poor people. The results of this study mean that the more investment that Bali Province receives, the more it will reduce the poverty level of districts / cities in Bali Province. The results of this insignificant influence study are supported by previous research by Mustamin & Nurbayani (2015), which states that the existence of the result that does not have a significant effect between investment and poverty is because most of the existing investments are only made by the middle and upper class, and it only affects their respective lives, and does not have an impact on the lives of the poor. In addition, because of the investment that is more concentrated on the development of sectors that are less absorbent, such as the forestry sub-sector, the chemical industry, and the DPRD secretariat spending.

h. Effect of Working Population on Poverty Level

The standardized beta coefficient value is -2.093 and the probability value is 0.000 <0.05, this means that the Working Population (X4) has a negative and significant effect on poverty (Y2). The results of this study are in line with previous research conducted by Rahayu (2014) which states that the large number of working people has a significant negative effect on poverty, because the working population will usually be able to get better welfare than someone who does not work. Economically, the working population will get income that can be used to buy goods and services to meet their daily needs. Therefore, the working population can have a positive influence on economic growth and can reduce the level of poverty in an area. The results of this study mean that the greater the number of people working in an area, the less poverty in that area. The results of this study support Seran's (2017) research which states that the more the number of people who work, the less the number of unemployed will be, so that it will have an impact on the welfare of the people in an area and ultimately reduce the level of poverty in the region.

i. The Effect of Economic Growth on Poverty Levels

The standardized beta coefficient value is -2.093 and the probability value is 0.049 <0.05, this means that economic growth (Y1) has a negative and significant effect on poverty (Y2). The results of this study indicate that the Economic Growth variable has a significant negative effect on poverty. The results of this study are in line with previous research conducted by Mochammad Dwi A.R, Mohammad Saleh, Aisah Jumiati (2017). The negative relationship between economic growth and poverty is in accordance with the expectation of a trickle down effect, where economic growth is believed to be able to overcome development problems, including poverty by showing an increase in output, output will increase if the forming factors of production also experience an increase in quality and quantity. The results of this study mean that the higher the level of economic growth in an area, the more poverty is reduced in that region. The results of this study support this in accordance with research conducted by Paramitha and Purbadarmaja (2015) which states that the negative relationship between economic growth and poverty is in line with the expectation of a trickle down effect, where economic growth is believed to be able to overcome development problems, poverty by showing an increase in output. The output will increase if the forming factors of production also experience an increase in both quality and quantity, one of which is labor. An increase in production means showing an increase in productivity, which means that labor income also increases. Increased income will increase the purchasing power of workers so that they are able to meet their needs and escape poverty.

4) Sobel Test Results

The Sobel test is an analytical tool to test the significance of the indirect relationship between the independent variable and the dependent variable which is mediated by the mediator variable. Based on the calculation results, the Z-count value is -5.72 < -1.96. This means that economic growth (Y1) is a variable that mediates the level of education (X1) on the level of poverty (Y2) in Bali Province or in other words the level of education has an indirect effect on the poverty level of regencies / cities in Bali Province through economic growth.
Testing the indirect effect of the LOR variable (X2) on the poverty rate variable (Y2) through the economic growth variable (Y1)

Therefore, the Z-count is -1.63 > -1.96. This means that economic growth (Y1) is not a variable that mediates LOR (X2) on the poverty rate (Y2) of regencies / cities in Bali Province or in other words LOR does not indirectly affect the poverty level of regencies / cities in Bali Province through economic growth.

Testing the indirect effect of the investment variable (X3) on the poverty rate variable (Y2) through the economic growth variable (Y1)

Therefore, Z count is -1.46 > -1.96. This means that economic growth (Y1) is not a variable that is able to mediate the effect of investment (X3) on the poverty level (Y2) of regencies / cities in Bali Province or in other words, investment does not indirectly affect the poverty level of regencies / cities in Bali Province through the economy growth.

Testing the indirect effect of working population variables (X4) on the poverty rate variable (Y2) through the economic growth variable (Y1)

Therefore, Z count is -6.35 < -1.96. This means that economic growth (Y1) is a variable that mediates the working population (X4) to the poverty level (Y2) of regencies / cities in Bali Province or in other words, the working population has an indirect effect on the poverty level of regencies / cities in Bali Province through the economy growth.

6. Conclusion

Based on the results of the discussion, it can be concluded as follows: the variables of Education, LOR, investment, and working population have a significant positive effect on economic growth in regencies / cities in Bali Province; variables of LOR, working population and economic growth have a significant negative effect and investment has a negative and insignificant effect on the poverty level of regencies / cities in Bali Province, while education has a positive and insignificant effect on the poverty level of regencies / cities in Bali Province; Economic growth partially mediates the effect of education and the number of working people on poverty in the districts / cities of Bali Province. Meanwhile, economic growth has not been able to mediate the effect of PAD and investment on poverty in regencies / cities in Bali Province.

7. References


