

THE POTENTIAL OF POVERTY ALLEVIATION AND ECONOMIC INEQUALITY IN RURAL AREAS

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Abstract

This article aims to identify the potential for poverty alleviation programs and income inequality in rural areas globally in Indonesia as stated in Government Regulation No.11 of 2019, wherein article 100 paragraph 1 Village Expenditures stipulated in the ApBDesa are used for the implementation of village development, coaching Village community, and the empowerment of the Village community according to the local potential they have, so that the programs carried out must be in line with the needs of the village and its people..

Keywords: Poverty, Income Inequality, Rural

Abstrak

Artikel ini bertujuan untuk mengidentifikasi Potensi program-program pengentasan kemiskinan dan ketimpangan pendapatan di daerah pedesaan secara global di Indonesia sebagaimana yang tertuang dalam PP No 11 tahun 2019, dimana pada pasal 100 ayat 1 Belanja Desa yang ditetapkan dalam APBDesa digunakan untuk pelaksanaan pembangunan Desa, pembinaan kemasyarakatan Desa, dan pemberdayaan masyarakat Desa sesuai dengan potensi lokal yang di miliki, sehingga program-program yang dilakukan harus selaras dengan kebutuhan desa dan masrakatnya.

Kata Kunci: Kemiskinan, Ketimpangan Pendapatan, Pedesaan.

INTRODUCTION

In today's world, persistent poverty and inequality create a genuine difference between rich and poor that grows on a global and national scale in various countries. Therefore Anriquez and Stamoulis argue that the challenges of poverty, inequality, and food security globally must be "won or lost in rural areas of developing countries. Because poverty is a consequence experienced by poor people, hunger and low income in rural areas in countries- low-income countries.¹

¹ Gustavo Anriquez and Kostas Stamoulis, "Rural Development and Poverty Reduction: Is Agriculture Still the Key?," *ESA Working Paper*, vol. 7, 2007.

The above statement is quite reasonable as it is estimated that 1.200,000,000 poor people live on an income of \$ 1.25 or less per day, and 75% of them belong to extreme global poverty, and there are 870,000,000 people hungry every day. Likewise, the data shows that 805,000,000 poor people have an impact on their food security. Every society's obstacle when it happens is because of the government's lack of attention in the area itself, and the development facilities provided are inadequate.

Poverty is one of the problems related to development, characterized by unemployment, underdevelopment, and adversity. Poverty is not only seen from low income, but also those who do not have access to basic needs such as education, health, clean water, and adequate sanitation. Marcello concludes that the economy is in a poverty trap if the balance of output from production is low.² Other research has also been conducted by several researchers, including Loksini³, Samuel Kobina Annim⁴, Solange Ledi Gonc Alvesa⁵, Marinho⁶, Minhai et.al.⁷

The fact that economic growth is uneven is the main problem that causes poverty, as revealed by several studies, including Tri Wibowo⁸, Ida Nuraini⁹. This

² Marcelo de Carvalho Griebeler and Ronald Otto Hillbrecht, "Producers, Parasites and Poverty Traps," *Economia* 16, no. 3 (2015): 310–20, <https://doi.org/10.1016/j.econ.2015.07.002>.

³ Michael Lokshin, "A Survey of Poverty Research in Russia: Does It Follow the Scientific Method?," *Economic Systems* 33, no. 3 (2009): 191–212, <https://doi.org/10.1016/j.ecosys.2009.05.002>.

⁴ Joshua Sebu Samuel Kobina Annim, Simon Mariwah, "Spatial Inequality and Household Poverty in Ghana," *Economic Systems* 36 (2012): 487–505, <https://doi.org/10.1016/j.ecosys.2012.05.002>.

⁵ Solange Ledi Gonçalves and Ana Flávia Machado, "Poverty Dynamics in Brazilian Metropolitan Areas: An Analysis Based on Hulme and Shepherd's Categorization (2002–2011)," *Economia* 16, no. 3 (2015): 376–94, <https://doi.org/10.1016/j.econ.2015.09.001>.

⁶ Emerson Marinho et al., "Impact of Infrastructure Expenses in Strategic Sectors for Brazilian Poverty," *Economia* 18, no. 2 (2017): 244–59, <https://doi.org/10.1016/j.econ.2017.01.002>.

⁷ Daniela Manea Mihaela Mihai, Emilia Titan, "Education and Poverty," *Procedia Economics and Finance* 32 (2015): 855–60, <https://doi.org/10.1080/14649880220147301>.

⁸ Tri Wibowo, "Badan Kebijakan Fiskal, Kementerian Keuangan, Kemiskinan, Ketimpangan Dan Pertumbuhan Ekonomi Di Indonesia," *Jurnal Kajian Ekonomi Dan Keuangan* 16, no. 2 (2012): 23–25, <https://doi.org/http://dx.doi.org/10.31685/kek.v16i2.41>.

also applies to Indonesia, as evidenced by the high difference in income between regions. In 2019 the Central Statistics Agency (BPS) recorded the Indonesian population's economic inequality as measured by the Gini ratio of 0.382, the lowest level since 2011.¹⁰

The high inequality ratio mentioned above also implies low income per capita, so that the low income per capita causes a high poverty rate. One of the causes of poverty is income inequality between regions and the very high income per capita. Sumanta argues that poverty is a causal relationship in the sense that the occurrence of a high level of poverty is caused by low per capita income due to low levels of investment. The low level of investment capital is due to the low capita domestic demand, also due to the high poverty rate, and so on.¹¹

Poverty is still a problem for which there is no optimal solution in its handling. Many government efforts to alleviate poverty have been carried out, but the results have not been expected. The problem of poverty that is allowed to happen continuously will harm the growth of a country. Apart from the poverty problem faced in a country, other problems are also closely related to poverty, namely income inequality and a problem that is always faced by every nation and has never been resolved, especially for developing countries.

During 2015-2018, Indonesia's average income inequality, as measured by the Gini Ratio, was 0.39. Islands in Indonesia with an average inequality lower than the national inequality are Sumatra Island 0.36, Kalimantan Island 0.34, Sulawesi Island 0.38, Bali, and Nusa Tenggara 0.33; the Maluku Islands and Papua 0.36. Meanwhile, Java Island is the same as the national one. A decline

⁹ Ida Nuraini, "KUALITAS PERTUMBUHAN EKONOMI DAERAH KABUPATEN / KOTA DI JAWA TIMUR," 2017, 79-93.

¹⁰Rizky Alika, Tingkat Ketimpangan Maret 2019 Turun Jadi 0,382, Terendah Sejak 2011, <https://katadata.co.id/berita/2019/07/15/tingkat-ketimpangan-maret-2019-turun-jadi-0382-terendah-sejak-2011>di akses tanggal 04/12/2019

¹¹ Jaka Sumanta, "Fenomena Lingkaran Kemiskinan: Analisis Ekonometrika Regional," *Jurnal Kebijakan Ekonomi* Vol. 1, No (2015), <https://doi.org/DOI:http://dx.doi.org/10.21002/jke.v1i2.111>.

follows Low-income inequality in almost all islands in Indonesia in the number of poor people. The national average number of poor people decreased by 3.43%.

The islands in Indonesia where the number of poor people who experienced a decline was: Sumatra Island fell 1.13%, Java Island fell 3.16%, Sulawesi Island decreased 2.42%, Bali and Nusa Tenggara Islands decreased 3.84%. Meanwhile, Kalimantan and Maluku Islands and Papua increased by 0.82% and 0.49%, respectively. Decreasing income inequality and the number of poor people has an impact on an increase in Indonesia's economic growth (GDP) and economic growth (GRDP) of the provinces on each island.

The problem of poverty also occurs in rural areas, and the government should also pay attention to not only concentrating in urban areas. Since the 1950s, rural issues have been under development, and during the 1970s and 1980s, there was a strong emphasis on rural development. At present, the rural problem has re-emerged as a priority area for development policies in the international world. Development problems, especially urban-rural areas, result in inequality, one of the main threats to sustainable growth and development in developing countries.

The above also occurs in Indonesia, where around 21.4 percent of Indonesia's population currently live in absolute poverty, and 53.8 percent live in relative poverty. Poverty in Indonesia focuses on rural areas, with around 25.14 million people or around 9.82% of the total Indonesian population living below the poverty line defined by Statistics Indonesia. As the World Bank notes, three-quarters of the world's poor are rural farmers. This statistic reflects three out of five Indonesians who live in rural areas where agriculture is the main occupation. Many people tend to small areas of their own or their neighbors' lands to achieve food self-sufficiency due to a lack of agricultural knowledge and property rights.

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¹² Pekerti, "Kemiskinan Di Pedesaan Indonesia," 31 Mar 2020, 2020, <https://pekerti.com/id/tentang-kami/kemiskinan-di-pedesaan-indonesia/>.

Seeing the above phenomena, it is essential for the Indonesian government to continue to reduce the occurrence of income inequality and poverty, so that in the future, it is expected to encourage economic improvement and equity (economic growth) not only between islands in Indonesia but also in rural areas.

Rafallion argued that in making policies to fight poverty, one must care about the poor's impact. The policy should not ignore the diversity of average impacts. This diversity is an essential indication for the government regarding what needs to be done in making policies to reduce poverty and increase economic growth.¹³

In 2019 the government issued a government regulation No. 11 of 2019 concerning the implementing regulations of law number 6 of 2014 concerning villages wherein article 100 paragraph 1 Village Expenditures stipulated in the ApBDesa are used provided that: a. at least 70% (seventy percent) of the total Village expenditure budget to fund: 1. Village Administration, including operational expenditure for Village Government and incentives for neighborhood and community units; 2. Village development implementation; 3. Village community development; and 4. Village community empowerment.

Looking at Government Regulation No.11 of 2019 above, especially in points 2-4, this article aims to identify the potential for poverty alleviation programs and income inequality in rural areas globally in Indonesia, as stated in Government Regulation No.11 of 2019.

METHOD

This article uses a qualitative research approach. The building of the analysis in the article will attempt to articulate some of the potential themes of poverty alleviation and income inequality programs in rural areas by reducing data, triangulating the articles' results, and then presenting the data in the form of narrative text. The data used in this study are secondary in the form of literature,

¹³ Martin Rafallion, "Growth, Inequality and Poverty Looking Beyond Averages," *Pergamon* Vol. 29, N (2001): 1803-15.

articles, and research journals that have been carried out with themes related to the potentials of rural development that lead to poverty alleviation and income distribution.

POTENTIAL POVERTY ALLEVIATION PROGRAMS IN RURAL AREAS

To alleviate poverty, the Government has prepared a strategy to reduce the poverty rate in 2019. One of them is by increasing social assistance distribution to the community aimed at accelerating poverty reduction in 2019. These programs are implemented nationally, namely:

First, the Family Hope Program (PKH) is conditional non-cash assistance for 10 million beneficiary families (KPM). Second, the Smart Indonesia Card, with a target of 20.1 million school-age children. This figure is an increase compared to 2018, which was targeted at 19.7 million. Third, Non-Cash Food Assistance (BPNT) targeted at 15.6 million KPM, which is expected to be implemented in all districts/cities. Fourth, the Healthy Indonesia Card (KIS), with a target of 96.8 million people or 40 percent of the lowest income population.

Furthermore, ultra-micro financing with a maximum of IDR 10 million per customer with an interest rate of 2-4 percent and distributed by Non-Bank Financial Institutions (LKBB). Finally, through Permodalan Nasional Madani (PNM) by improving services and community business assistance. Then the People's Business Credit (KUR) with a 7 percent interest subsidy scheme through 41 distributors and 11 guarantee companies.

The government has also prepared programs to accelerate poverty reduction in 2019, one of which is through village funds projected at 4.9-5.3 percent of GDP. Through the village funds programmed in the APBDes as mandated in Government Regulation No.11 of 2019, they are used to implement Village development, Village community development, and empowerment of Village communities.

The use of village funds should increase community income and reduce the level of poverty in villages as recipients of village funds. For this reason, the

program that can be carried out in this effort is to develop the creative economy in rural areas while still paying attention to village potentials.

Village potentials that can be developed can be divided into four major groups, namely from the livestock, agriculture, fishery, and agro-tourism groups, which can be described as follows:

a. **Processed Products Made From Animal Raw Materials**

The potential for developing a creative economy based on raw materials from animal husbandry can be developed through the development of product processing innovations that it produces. For example, organic fertilizer from livestock manure (liquid and solid fertilizers); salted eggs, salted egg pipes, various flavors of yogurt milk, milk candy, milk crackers, milk lunthead, fish crackers, fish shredded, and others. Livestock widely cultivated in the regions, such as cows, ducks, chickens, and goats, actually have a massive enough potential to be developed. However, the available human resources have not managed them properly, so that the creative economy is challenging to develop correctly.

b. **Processed Products Made From Raw Agricultural Products**

Based on Indonesian Presidential Instruction No. 6 of 2009 on Creative Economy Development. The agricultural sector has made efforts to develop creativity and enthusiasm for developing value-added and competitive productive businesses in the farming community, especially agribusiness actors. Efforts to develop the creative economy in rural areas can be carried out based on the region's local potential. For example, if there is a cow farm that produces milk, it can be processed into various processing (such as candy, crackers, milk, yogurt, etc.).

Various product creativities that can be developed include food product creativity made from raw agricultural products of local potential, among others: processing of pickles from vegetables, cassava chips with various flavors, sponge made from cassava, banana jam, and others.

c. Processed Products Made From Forestry Products

Processed wood can be used to produce various types of products, including batik wood, handicraft, souvenir, frames, and others. The prospect of the furniture industry with wood as raw material is excellent because the market is extensive. In terms of raw materials, it is sufficiently available because rural areas with the potential for community forests can be developed, such as teak, mahogany, and other wood types.

d. Agro-tourism

Tourism aims to provide benefits for tourists and residents, both economically and non-economically (increasing community income and empowering local communities). Tourism can provide a better life for residents through the economic benefits obtained from tourist destinations.

Furthermore, tourism is a complex activity that can be viewed as an extensive system with various components, such as economic, ecological, political, social, cultural, and so on. Seeing tourism as a system means that the analysis of various aspects of tourism cannot be separated from other subsystems, such as politics, economy, culture, and so on, in a relationship of interdependence and interrelation (interconnectedness).

There are direct and indirect economic impacts on tourism. This effect comes directly from the real money spent by tourists in tourist destinations. Furthermore, another impact that can arise from the development of an area into a tourist destination is the development of innovations from various types of food and beverages native to the region. Visitors who come to an area can enjoy the authentic food of the area visited and enjoy the area's authentic culture (arts and crafts).

The inevitable flood of processed foreign products should be interpreted as challenges and opportunities that must be faced by increasing domestic products' competitiveness by improving the quality, quantity, and efficiency of products. Several considerations regarding the need and importance of implementing agricultural product-based processed product business activities and

their development, among others: increase in income related to the welfare of agricultural business actors and will also have an impact on creating income distribution and equitable development.

From the perspective of law/regulation/regulation and policy, the government has a political and economic attitude needed to build its prosperity, especially in the future. Various policies/regulations related to these efforts have also affirmed that industrialization is the way to be taken, especially those that process agricultural products (agro-industry) due to strategic natural resources.

It is predicted that the development of technology, investment, and human resources of business actors through the development of agro-industrial processing in rural areas is predicted to be able to become a formidable "driving machine" for economic progress, mainly if the empowerment and institutional development functions in line with the implemented development policy program. As an advocate for agricultural development, by obtaining added value from various highly competitive processed products produced, agro-industry is expected to be able to reach the export market, be able to create jobs and increase the interest of young workers in agriculture, be able to increase income in rural areas and be able to drive the development of rural industrialization.

1. Potential income inequality reduction programs in rural areas

In Government Regulation Number 60 of 2014, Village Funds are funds sourced from the State Revenue and Expenditure Budget for villages transferred through the Regency / City Regional Revenue and Expenditure Budget and used to finance government administration, implementation of development, community development, and community empowerment. The purpose of village funds is basically to achieve economic equity, especially in villages.

Talking about government policies regarding village funds, of course, it cannot be separated from how the role of the village government in carrying out development and community empowerment activities held through village funds, because the village government becomes a bridge to the village community itself in carrying out all activities to be able to help economic life and the interests of

society in general. Besides, all the activities and policy programs carried out by the village government are expected to create changes for the community, especially in the field of economy and community welfare.

Empowerment of rural communities can be said to be a form of a development strategy that is expected to be able to improve the economy in the village and improve income inequality in the village community. The direction of the Village Fund is as a means or a bridge so that a village can be independent by creating jobs and empowering its people. One strategies undertaken government is to utilize the potentials in the village as a source of village income as well as a source of income for the community.

As a form of strategy that can be carried out by the Village government through the village fund program to empower the community based on the local potentials owned by the village, including maintenance of irrigation channels, Development of Road and Bridge Infrastructure, Procurement, Development, and Maintenance of Village Tourism, Training and Counseling Women empowerment

a. Maintenance of Irrigation Channels

Irrigation canals play an important role in channeling water for agricultural crop fertility. In irrigating agricultural land, of course, a system called an irrigation network is formed. In the irrigation network, there is a water structure used to regulate rice fields' irrigation.

Conditions in the village are geographically located in mountainous areas, with lots of rice fields, which means that the population is mostly agricultural laborers or rice cultivators. Thus, irrigation is essential. In addition to living necessities and irrigating rice fields. Besides, irrigation can also be managing as a water tourism object.

b. Road and Bridge Infrastructure Development

Infrastructure development is significant to accelerate the development process on a national scale. Infrastructure development will positively affect several sectors. The most important thing is how this development can facilitate community activities. Ifta Fia stated that the development of infrastructure in rural areas is

perfect for the social impact on the community, which is quite large so that it makes various changes in society in a positive direction.¹⁴

The role of village funds is indeed vital for development because village development that is not supported by funding will result in development that cannot run optimally. One of the village community's developments that are expected by the village community is the construction of village roads and bridges to facilitate the activities of the Village community itself, and a means to become an attraction to make it easier for tourists to visit. It is undeniable that the factor of ease of travel as the flow of human activity traffic is the most important. If the infrastructure is in good condition, the roads are right, connecting bridges and others are in good condition, it will facilitate daily activities or activities. Besides, it is also essential to provide roads that can be traveled by vehicles.

c. Village Tourism Procurement, Development, and Maintenance.

The Village Fund Program is a program initiated by the government to equalize community income, which is divided into two fields: implementing village development and community empowerment. The sub-programs that have been set by the government; the main objective is how the people can earn an income. Means must provide employment opportunities. Here, the Village Government can take advantage of the potential of existing natural resources. As time goes by, village tourism is increasingly in demand by many people, and then there are always improvements and developments.

d. Training and Extension for Women's Empowerment

Women have indeed been equalized with men. Thus, women who spend time at home to take care of the household are also entitled to be given knowledge and training. With the existence of a program from the government that empowers women explicitly, it is hoped that it will be able to improve the economy in the community, namely by providing training such as training in household waste management, training on making wet cakes, and training on making plates made

¹⁴ Ifta Fia, "Evaluasi Dampak Program Pembangunan Infrastruktur Pedesaan Di Desa Wonorejo, Kecamatan Poncokusumo, Kabupaten Malang." (Universitas Brawijaya, 2018).

from sticks. This has a very positive goal in improving the community's economy, where starting from training, later, the financial institutions will provide him with self-employment provisions.

CONCLUSION

As a potential program for poverty alleviation and income distribution in rural areas, the village government can allocate village funds that it owns. The programs to be carried out are based on the village's local potentials and the community's primary needs. Village potentials that can be developed can be divided into four major groups, namely from groups of livestock, agriculture, fisheries, and agro-tourism, as a form of strategy that can be carried out by the Village government through the village fund program to empower the community based on the local potentials owned by the village, including maintenance of irrigation channels, Development of Road and Bridge Infrastructure, Procurement, Development and Maintenance of Village Tourism, Training and Counseling Women empowerment.

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