

INFLUENCE OF GROSS REGIONAL DOMESTIC PRODUCT (GDP) AND INVESTMENT AGAINST POVERTY IN EAST KALIMANTAN PROVINCE

¹Rr. Tri Gunarti Ningrum, ²Jainuddin

^{1,2}STIE Nusantara Sangatta

trigunarti@gmail.com

Abstract

This research aims to determine the influence of Gross Regional Domestic Product (GRDP) and investment on poverty in East Kalimantan Province. The data used is time series data for 16 years (2007-2022) and analyzed using a multiple regression model. The research results show that GRDP has a significant negative effect on poverty, while investment has a positive direction and has no effect on poverty. Furthermore, the GRDP and investment variables simultaneously affect poverty. It is hoped that the government will further optimize GRDP sectors and equalize investment to reduce poverty in East Kalimantan Province.

Keywords: GRDP, Investment, Poverty

I. Introduction

Poverty eradication is one of the sustainable development goals agreed by the UN until 2030. Poverty in Indonesia has continued to show a downward trend since September 2022. BPS revealed that the number of poor people had decreased by 460 thousand people as of March 2023. Furthermore, the Ministry of Finance explained that from March 2021 to March 2023, 1.6 million people in Indonesia had left the poverty line. However, Indonesia is currently ranked 6th in the country with the highest poverty rate in Southeast Asia.

Poverty is a complex phenomenon, multidimensional, and cannot be easily seen from an absolute number alone. The vastness of the region and the very diverse culture of the people cause the conditions and problems of poverty in a region to be very diverse. Currently, efforts to reduce poverty rates and find the exact causes of poverty are still one of the targets of national economic development (Laoh et al., 2023). One indicator of the success of development implementation that can be used as a macro benchmark is economic growth. Kuznetz (1955) explained that there is a correlation between poverty and economic growth, namely that there will be pretty significant poverty in the early stages of development. However, the poverty rate will decrease as the development stage progresses.

Economic growth is the key to reducing poverty in a region. The increasing economic growth in each province indicates that the government can improve the welfare of its people, thereby reducing poverty levels. One indicator of economic growth in a region is the Gross Regional Domestic Product (GRDP), which is the net value of final goods and services produced by various economic activities in a region in a period (BPS, 2023).

East Kalimantan is one of the regions with the most significant natural resources in Indonesia, both oil and gas and non-oil and gas, and has quite significant potential so that it can support economic growth and community welfare. In September 2022, East Kalimantan contributed US\$ 2.46 billion, or 58.57% of the total coal exported by Indonesia. Furthermore, Oil resources originating from Balikpapan City have a production capacity of up to 260,000 barrels per day. With a production capacity of 260,000 barrels of Oil per day, the Balikpapan oil refinery is currently able to meet 26% of Indonesia's fuel oil (BBM) needs, especially domestic needs in Eastern Indonesia. Furthermore, East Kalimantan is the largest natural gas-producing region in Kalimantan. Natural gas sources in East Kalimantan are concentrated in the Mahakam Block, which Pertamina manages. Apart from oil, gas, and coal resources, East Kalimantan also has resources from plantations. Palm oil dominates plantation output in East Kalimantan, with a contribution reaching 80%. The area of oil palm plantations reaches 53% of the total in the Kalimantan region, namely 1,254,224 hectares.

The many resources available in the East Kalimantan region will automatically attract investors to invest in East Kalimantan. Investment is investing capital to gain profits at a later date. In 2022, investment originating from foreign investment (PMA) and domestic investment (PMDN) will total Rp. 57,765,915,399,500.00 invested by investors in East Kalimantan Province.

However, based on data in March 2023 It is known that East Kalimantan is in eighth place nationally with a poverty rate of 6.11%, while Bali Province, which has natural gas, Oil, and coal resources, far below East Kalimantan, is in first place with the lowest poverty rate, namely 4.25% (BPS, 2023). Having enormous natural resources does not guarantee that the East Kalimantan Provincial government will be free from the problem of poverty. Efforts to accelerate poverty reduction must be a priority for the East Kalimantan Provincial Government. If the problem of poverty in East Kalimantan is not immediately addressed, this will have a severe impact on other social problems. Various impacts that can arise include (i) an increase in the increasingly heavy socio-economic burden on society, (ii) a decline in the quality and productivity of the socio-economy, (iii) a decline in community participation in development, (iv) an increase in crime and disruption of social stability, (v) the emergence of inequality and social jealousy, and (vi) the decline in the quality of human resources, which has implications for the decline in the quality of the younger generation. Based on the background of the problem, this research aims to determine the influence of Gross Regional Domestic Product (GRDP) and investment on poverty in East Kalimantan.

II. Literature review

Poverty

Two conditions cause poverty to occur, namely natural and artificial poverty. Natural poverty occurs, among other things, due to limited natural resources, low use of technology, and natural disasters. Artificial poverty occurs because existing institutions in society make some members unable to control the economic means and various other facilities available, so they remain poor. That is why economic experts often criticize development policies that only focus on

growth rather than equality. BPS (2023) defines poor people as residents whose average expenditure is below the poverty line. The per capita poverty line in March 2023 is set at IDR. 550,458 per capita per month. Meanwhile, the household poverty line is IDR. 2,592,657 per poor household per month.

Regional development policies always strive to allocate resources power can be enjoyed by most members of society. However, because the characteristics and conditions of society are very diverse and are being added to a lack of coordination between technical agencies and limitations in terms of development funding, local government policies have not yet been implemented succeeded in solving the problems of economic groups at the lower level (poverty problems). Poverty can occur because of the structure Social communities cannot participate in using sources of income that are available to them. Poverty can also occur because of poor regional government strategies for alleviating poverty.

Gross Regional Domestic Product

Bank Indonesia (2020) states that GRDP is an essential indicator of economic growth in a specific region and a certain period (a year) produced by all economic activities in a country or region. Gross Regional Domestic Product (GRDP) growth is an indicator in determining the success of development and is a necessary condition for reducing poverty levels. The requirement for adequacy is that Gross Regional Domestic Product (GRDP) growth effectively reduces poverty levels. This means GDP growth is increasing yearly and spreading across all groups, including upper, middle, and lower classes. Furthermore, GRDP growth in each business sector is significant in reducing and overcoming poverty levels (Jainuddin et al., 2023)

Investment

Investment is an essential component of economic development. Of the several components of accelerated economic growth, such as capital accumulation, population growth, and technological progress, investment as capital accumulation

is the dominant factor in improving and multiplying the quality of physical resources and human resources (Todaro & Smith, 2008).

Sukirno (2019) stated that investment activities enable society to continuously increase economic activities and employment opportunities, increase national income and increase the level of prosperity of society. This role originates from three essential functions of investment activities, namely (1) investment is a component of aggregate expenditure so that an increase in investment will increase aggregate demand, national income, and employment opportunities; (2) the increase in capital goods as a result of investment will increase production capacity; (3) investment is always followed by technological developments.

III. Research methods

This research was conducted in East Kalimantan using time series data for 16 years. Data was obtained from publications by the Central Statistics Agency from 2007 to 2022. The variables studied were Regional Gross Domestic Product (GRDP), investment, and poverty. Multiple regression analysis determines how much influence GRDP and investment have on poverty in East Kalimantan Province. This research uses a descriptive method to compile and analyze the data systematically.

IV. Results and Discussion

Poverty, in general, is a condition of a person's economic inability to meet the average living standard of society in an area. From the research results, it is known that R square is valuable 0.638. This shows that the independent variables GRDP and investment can explain the dependent variable poverty by 63.8% while the remaining 36.2% is explained by other variables not included in the research. From the coefficient calculations, the mathematical equation $Y = 16,453 - 0.123X_1 + 0.003X_2 + e$. This equation can explain that the GRDP variable has a negative influence, meaning that if there is an increase of one unit in the GRDP variable, it will be followed by a reduction in poverty of 0.123. Furthermore, the investment

variable positively affects poverty, meaning that if investment increases by one unit, there will be an increase in poverty of 0.003.

The t-test is used to determine the effect of each independent variable on the dependent variable. Based on the t-test, it can be seen that the Gross Regional Domestic Product (GRDP) variable has a negative and significant effect on poverty; this means that increasing the GRDP value will reduce the poverty level. The economic structure of East Kalimantan has yet to undergo many significant changes. The economic structure is still dominated by natural resource-based business fields, namely the mining sector, especially coal, oil, and natural gas commodities. This business field has the most significant role in forming East Kalimantan's GRDP. The large number of workers needed in this business field affects the income level of the people of East Kalimantan. The high dominance of non-renewable natural resources in the economic formation of East Kalimantan Province will cause economic turmoil in the future if there is no sustainable management of economic development.

The t-test for the investment variable is positive and has no significant effect on poverty. In theory, a high level of investment will increase production capacity, ultimately leading to an increase in people's income and a reduction in poverty rates. However, the facts in East Kalimantan Province show that while investment has increased, it has not been able to reduce poverty. This shows that investment results are not enjoyed equally by members of society, only enjoyed by the wealthiest community groups.

Apart from that, regional development inequality is still a problem in East Kalimantan's economic activities. The development gap between regencies and cities in East Kalimantan Province is still relatively high. Development in a region can only sometimes be enjoyed equally by all levels of society because an equal increase in population income does not always accompany increased regional development. Several factors that are sources of differences in income include opportunity, education, and various other capital.

In general, investment is still centered in urban areas or industrial centers. Regency cities with an industrial economy generally have a very high level of

urbanization. On the one hand, this population migration will be beneficial because, in this way, the district city will be able to meet labor demand. However, at the same time, the unabsorbed labor force will increase the unemployment rate, increasing poverty.

Apart from that, concentrated investment in cities causes the number of poor people in rural areas to be greater than in cities. Poor rural communities are faced with problems of low-quality human resources, limited land ownership, many households without assets, limited alternative employment opportunities, inadequate public services, degradation of natural resources and the environment, weak institutions and community organizations, and helplessness in determining the price of the product produced.

The F test value is 16.756 with a significance of 0.00, meaning that the GRDP and Investment variables simultaneously significantly affect poverty. GRDP is closely related to investment in overcoming poverty in East Kalimantan Province. Theoretically, new investment allows the creation of new capital goods to absorb new production factors, that is, create new jobs, which will absorb labor, reducing unemployment. In this way, adding new output and income from these production factors will increase national output, which will cause economic growth. Reducing the unemployment rate (due to the creation of new jobs) and positive economic growth will impact the poverty level, which is expected to reduce the number of people below the poverty line.

The regional government's efforts to bring investment to East Kalimantan are aimed at ensuring that the potential of natural resources contained in East Kalimantan can be utilized efficiently and economically by paying attention to environmental sustainability and the welfare of local workers, which has not been achieved so that it does not affect GRDP. That potential.

It is impossible that it will only remain an unutilized potential if no investors are willing to process it into something of economic value. The incoming investment will open up employment opportunities for the people of East Kalimantan who are of productive age but are not yet there have a job.

East Kalimantan Province's poverty reduction strategy for 2019 - 2023 as one of the regional government's strategies in order to accelerate the reduction of the poor population is to create employment and business opportunities, increase the income of people experiencing poverty, improve social and economic facilities and infrastructure as well as increase social protection assistance so that the welfare of the community in East Kalimantan can be realized. Apart from that, the East Kalimantan Provincial government can integrate the distribution of social assistance in a targeted manner, reduce the expenditure burden on poor people by providing subsidies, providing incentives in agriculture, animal husbandry, and fisheries, and managing the APBD carefully.

V. Conclusions and Suggestions

From the research results, Gross Regional Domestic Product (GRDP) has a negative and significant effect on poverty, and investment has a positive and insignificant effect on poverty. The GDP and investment variables simultaneously positively and significantly affect poverty.

The government is expected to optimize sectors in GRDP further and equalize investment to reduce poverty in East Kalimantan Province.

BIBLIOGRAPHY

Central Bureau of Statistics. 2023. Poverty Profile in Indonesia. Official Statistics News No 47/07/XXVI/17 July 2023

Central Bureau of Statistics. 2023. East Kalimantan Province in Figures

Bank Indonesia (2020). East Kalimantan Province Economic Report. November 2020. 142 p.

Laoh Elvira Rosa, Josep Bintang Kalangi, Hanly F. Dj. Siwu. (2023). The Influence of Gross Regional Domestic Product (GRDP) and Human Development Index (HDI) on Poverty in Bolaang Mongondow Regency. Efficiency Scientific Periodical Journal Vol. 23 No. 1 January 2023

Kuznets Simon. (1955). Economic Growth and Income Inequality. The American Economic Review. Vol XLV Marc 1955. No. 1

Jainuddin, Siti Amalia, and Muhammad Awaluddin. 2023. The Effect Of Government Expenditure And Investment On Gross Regional Domestic Product And Poverty In East Kalimantan Province. *International Journal of Economics, Business and Accounting Research (IJEBAR)*. Vol-7, Issue-2. 821-829

Sukirno, Sadono. (2019). *Introductory Macroeconomic Theory*. Jakarta: PT Raja Grafindo Persada

Setyowati, FA, & Ediyono, S. 2020. The Influence of School Participation Rates and Poverty on the Human Development Index in Indonesia 2019. 1st International Conference on Research in Social Sciences and Humanities, 584 (Icorsh, 2020), 1033–1038

Todaro, MP and Stephen C. Smith. *Economic Development*. 2008. Jakarta: Erlangga