

THE RELATIONSHIP POVERTY AND ECONOMIC DEVELOPMENT

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Abstract

Economic growth and poverty are important processes that determine the success of a country. Each country continues to try to achieve good economic growth and reduce poverty. Of the many countries in the world, the first requirement for reducing poverty is economic growth. However, the state of developing countries including Indonesia, successful economic growth must be accompanied by the emergence of difficulties in increasing the population living below the poverty line. Development is a must for a country if it wants to improve the standard of living and welfare of its people. Development is carried out through various efforts, both sectoral and regional. Development is not the goal of a country, but development is one way to increase the economic growth of a country. High economic growth if not followed by equitable development in all groups of society, then the country's goals will not be achieved.

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I. Introduction

Sustainable economic development is an indicator of equitable distribution of development success in reducing poverty, many countries in the world have the main requirement for overcoming poverty. (Nizar et al., 2013). namely economic development, but developing countries such as Indonesia also often have many problems in economic development, with the

increasing number of groups in conditions of deprivation. (Arius a country. Every country will strive to achieve optimal economic growth (Charlier et al., 2024)

Development is a must for a country if it wants to improve the standard of living and welfare of its people. Development is carried out through various efforts, both sectoral and regional. Development is not the goal of a country, but development is one way to increase the economic growth of a country. High economic growth if not followed by equitable development in all groups of society, then the country's goals will not be achieved (Nadhifah, 2018).

Poverty and economic development are deeply interconnected, with economic growth often seen as a key driver in reducing poverty. As economies expand, they generate job opportunities, improve income levels, and provide better access to essential services such as healthcare, education, and infrastructure. When economic development is inclusive and sustainable, it can lift large segments of the population out of poverty by increasing productivity, wages, and overall living standards. However, the extent to which economic growth translates into poverty reduction depends on the distribution of wealth, government policies, and the effectiveness of social programs (Jerumeh, 2024).

Despite the potential benefits of economic development, poverty remains a persistent challenge in many regions due to structural inequalities and uneven economic growth. In some cases, economic progress leads to increased wealth concentration, where only a small portion of the population benefits while others remain in poverty. Factors such as inadequate education systems, lack of access to financial resources, and weak labor markets can prevent marginalized communities from fully participating in economic opportunities. This highlights the need for policies that promote inclusive growth, equitable income distribution, and targeted poverty alleviation programs (Bezgrebelna et al., 2024).

Addressing the relationship between poverty and economic development requires a multifaceted approach that goes beyond economic expansion alone. Governments and international organizations must implement strategies that enhance human capital, support small and medium enterprises, and provide social protection for vulnerable populations. Sustainable economic development should focus not only on GDP growth but also on improving the quality of life for all citizens. By fostering an environment that promotes equal opportunities, societies can achieve long-term poverty reduction and economic stability (Willand et al., 2024).

II. Literature Review

2.1. Understanding the role of development in economic development

The role of poverty in economic development can be divided into three: Absolute poverty: The absolute poverty group is poverty whose income does not meet their own basic needs such: as food, health services and cost of education, Relative poverty: the relative poor actually live above the poverty line but are still below the capabilities of the surrounding community, Cultural poverty: cultural poverty is closely related to the attitude of a person or group of people who do not want to try to improve their standard of living even though there are efforts from other parties to help them (Nadhifah, 2018).

2.2. Poverty as an Inhibitor of Economic Growth

Poverty is one of the inhibiting factors in the process of economic development. Indonesia as a developing country and included in the category of lower middle-income countries is not free from the problem of poverty. The economic development program that has been initiated by the government has paid considerable attention to poverty alleviation in Indonesia. This is because the goal of the economic. Poverty is one of the inhibiting factors in the process of economic development. Indonesia as a developing country and included in the category of lower middle-income countries is not free from the problem of poverty. The economic development program that has been initiated by the government has paid considerable attention to poverty alleviation in Indonesia. This is because the goal of the economic (Nadhifah, 2018).

3.3. Inclusive vs Exclusive Economic Growth

Inclusive growth is defined by Klasen (2010) as growth that can reduce income inequality between groups. Inclusive economic growth has been found to reduce emissions, improve income distribution, and reduce unemployment based on previous studies (Arvianda, 2021).

Exclusive growth is development that only focuses on increasing economic growth, thus causing social exclusion.

4.4. Impact of Economic Development on Poverty Alleviation

The impact of poverty can occur due to 2 factors, namely external factors and internal factors. External factors are factors related to government policies and other situations that can cause someone to become poor such as

lack of raw materials, natural disasters, wars and so on. While internal factors are factors that cause poverty that potentially come from a person or family and their surrounding environment (Nadhifah, 2018)

III. Methodology

This study uses several methods, the first is the theory of the role of poverty in economic development, poverty as an obstacle to economic development, inclusive and exclusive economic growth, the role of poverty in economic development can be divided into three, namely: Absolute poverty: The absolute poverty group is poverty whose income does not meet their own basic needs such: as food, health services and cost of education, Relative poverty: the relative poor actually live above the poverty line but are still below the capabilities of the surrounding community, Cultural poverty: cultural poverty is closely related to the attitude of a person or group of people who do not want to try to improve their standard of living even though there are efforts from other parties to help them, and knowing the impact of economic development on poverty alleviation, Analysis of the role of poverty in economic development is very important to reduce poverty and improve community welfare.

IV. Results and Discussion

The role of poverty in economic development

A. Understanding the role of poverty in economic development

Poverty is when someone is lacking, so they are said to be poor.

Malthus' theory shows that a growth in the quantity of population will provide a lot of food, When the food supply is lacking, people with low incomes who do not receive basic food will become poor (Nizar et al., 2013).

There are two sides that cause deficiencies in a population, such as deficiencies created by the population itself or due to deficiencies from natural factors such as natural disasters, economic factors, climate change (Nizar et al., 2013).

Poverty can be divided into three meanings:

1. Absolute economy

The absolute poverty group is poverty whose income does not meet their own basic needs such: as food, health services and cost of education (Nadhifah, 2018).

2. relative poverty

The relative poverty group is a group that is defined as a group that is able to meet its own basic needs but is surrounded by a society that is more capable than those around it (Nadhifah, 2018).

3. cultural poverty

Cultural poverty groups are people or groups who do not want to work hard to earn a living even though there are parties who want to offer them work at the same time.(Nadhifah, 2018)

The poverty line is the minimum number of people to meet their living needs with the help of a social approach. It is also very difficult to test the poverty line, However, from another point of view, it can be calculated using three: approaches, namely the production, income and expenditure approaches (Nadhifah, 2018).

Poor people are often looked down upon in the economic system, so it is very difficult for poor people to completely change their position within the economic system itself (Nadhifah, 2018).

Taken from BPS, the number of poor people in Indonesia in September 2011 was 29.89 million people (12.36 percent). Judging from the number of poor people, this is not a small number, In order to reduce the poverty rate in Indonesia, the government must be able to find solutions in deciding policies (Nadhifah, 2018).

Many people live from villages to cities to improve their poverty problems. There are many traders, beggars, scavengers and others in the city, but in the village they still feel deficiencies and inability, This can have an impact on development in the wider community (Nadhifah, 2018). The government must act so that the community can feel the work space and get income for a decent life. This can have a good impact and achieve social welfare for the country.

Poverty is still being discussed in Indonesia, overcoming this problem must be resolved immediately so that the problem does not continue, if this poverty can be overcome quickly then the people will feel an increase in welfare (Nadhifah, 2018).

B. Poverty as an Inhibitor of Economic Growth

Poverty is certainly an obstacle to economic development, Indonesia can be called a developing country and Indonesia's income is also categorized as a country with below average income (Nadhifah, 2018).

The economic development plan made by the government has been seen as having a major impact on alleviating social deficiencies in Indonesia. The aim of economic development is to advance the quality and welfare of society in an even manner (Nadhifah, 2018).

The cause of poverty is because society has never contributed to the development process, therefore this potential is inadequate for production factors, in addition to that, government policies are associated as the cause of development problems which are still lacking and not balanced with society's capabilities (Nadhifah, 2018).

High economic growth is an indicator that economic development has been achieved, and there are other views that believe that if the community's capital income is increased, difficulties such as shortages, wealth gaps, unemployment will arise (Nadhifah, 2018).

In each country has a variety of poverty measures, therefore each country has different levels of poverty, developed countries have a good standard of living and in developing countries it is said that developing countries have many very high poverty rates, there are factors such as a very dense population (Nadhifah, 2018). Poverty is divided into three groups:

a) Poverty that is not enough to meet needs such as basic necessities, clothing and shelter (Nadhifah, 2018).

b) This poverty cannot collaborate in community activities and find education and information (Nadhifah, 2018).

c) Poverty which includes inadequate and inadequate income (Nadhifah, 2018).

C. Inclusive Economic Growth vs Exclusive

1. Inclusive Growth

Inclusive growth According to Klasen (2010), inclusive growth is growth that reduces inequality of viewpoints between groups, inclusive economic growth can increase viewpoints and reduce workers on the basis of inquiry (Arvianda, 2021).

According to the Bureau of Labor Statistics, there are 3 types of "unemployed" workers: (i) those who do not work but are busy looking for job information, (ii) those who do not work but are ready to launch their own business (Arvianda, 2021).

Deflation occurs due to several economic factors which can reduce production at the company level (microeconomics) and reduce aggregate demand (macroeconomics) and there is a lack of capacity in industry and business (Arvianda, 2021).

2. Exclusive Growth

Exclusive growth is development that can increase economic growth caused by economic conditions, the opposite of exclusive development is inclusive development (Arvianda, 2021).

Inclusive development is a development that is not easy to increase economic growth but the adjustments must be based on the development of the community's perspective (Arvianda, 2021).

The goal of inclusive development is to create a good and prosperous society, according to Badrudin (2017) inclusive development is a level that shows growth, employment, poverty, resulting social and income disparities, and protecting the environment (Arvianda, 2021).

D. The Impact of Economic Development on Poverty Alleviation

The impact of poverty is caused by 2 factors, namely external factors and internal factors, external factors are those related to government policies and other circumstances that make it difficult for a person to meet their daily needs, these internal factors are factors caused by personality and a group of people (Nadhifah, 2018).

The following are the impacts of poverty, including:

1) Unemployment

Poverty is caused by someone who cannot get a job and has difficulty getting an education.(Nadhifah, 2018).

2) Crime

Poor people can forget that they are fulfilling their daily needs through crime, without knowing whether the money or goods are halal or haram (Nadhifah, 2018).

3) Dropping out of school and educational opportunities

The expensive cost of education can be the reason why people are poor

in getting an education, because they cannot afford to pay for school because the costs are quite high (Nadhifah, 2018).

V. Conclusion

Poverty can be said to be a person's limitation in fulfilling his life, because it can hinder the ability to develop human resources. Poverty can also achieve development success, where there is a reduction in poverty due to fair and equitable growth, factors that can influence the problem of poverty in Indonesia are increasing regional and community group imbalances, this effect occurs because of income distribution.

We know that this paper may not be perfect, in terms of its composition and material because there are many shortcomings both in terms of references and writing, so it is criticism and suggestions that make readers more hopeful, especially for Mr. Lecturer, we ask for your guidance and direction, if explaining this paper is still less good than expected, hopefully this paper is helpful for everyone, and for us as speakers.

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