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Poverty, Income Distribution, and Government Policy that Pro-Poor in Indonesia year 2009-2016

Hayu Fadlun Widyasthika
Central Bureau of Statistics (BPS)
fadlun.hayu@gmail.com

Azwardi
Universitas Sriwijaya

Tatang AMS
Universitas Sriwijaya

Abstract

This study aims to determine the effect of growth and distribution on poverty change as well as to analyse whether expenditure growth has given the benefits to the poor and non-poor in urban and rural area. The data used are raw data from total household consumption obtained from National Socio-Economic Survey for the period of 2009 to 2016. Poverty decomposition is used to see the effect of income growth and distribution on the poverty change. Furthermore, Poverty Equivalent Growth Rate (PEGR) supported by Growth Incidence Curve (GIC) is used to determine whether the benefit of economic growth is enjoyed more by the poor compared to pro-poor growth or not. The results show that income growth influences the decrease in poverty both in rural and urban area in Indonesia, during 2009-2016, 2009-2014 and 2014-2016. Conversely, the distribution of income increases the poverty in both areas during the periods. Inequality of income seems to give a strong influence so that the economic growth has not been a pro-poor both in rural and urban area of Indonesia during 2009-2016, 2009-2014 and 2009-2016.

Keywords: Pro Poor Growth, Inequality, Poverty.

INTRODUCTION

Indonesia is one of the countries that make the distribution of income and poverty alleviation as a priority of economic development. One of the visions in year 2005-2025 on Long Term Development Plan (RPJP) is to achieve equitable development through a comprehensive reduction of social inequalities and poverty alleviation. Increasing the welfare of the population is done by giving greater attention to disadvantaged groups, especially the poor. And poverty alleviation is directed to the fulfilment of people's basic rights by giving priority gradually to equality principle and non-discrimination.

Indicators of economic development result are commonly used, one of them is income per capita and its growth. The rate of income per capita growth of the Indonesian population is always positive after the economic crisis in 1998. This shows that the income per capita of the Indonesian population increases continuously every year where this increase fluctuates every year. Increase in income per capita in 2000 was 3.42% and in 2015, income per capita increased by 3.44% compared to the previous year. The highest increase in income per capita occurred in 2010 which is 4.90% and the lowest income increase occurred in 2001 only 2.5%

Indicators of income per capita can also be approached with expenditure per capita growth. Income that earned by individual will be used for consumption of both of food and non-food as well as expenditure in other forms such as savings. An increase in income between two years is assumed to increase per capita spending expenditure during the period. The rising income growth rate from 2001 to 2002 also increased the rate of expenditure growth from 15.36% to 41.81% likewise in the period 2006-2007 and 2009-2010.

Growth in population expenditure per capita can be seen based on the status of residential areas covering urban and rural areas. The highest expenditure growth occurred in 2002 in both urban and rural areas of over thirty percent. Meanwhile, the lowest expenditure growth occurred in 2004. In addition, the growth of expenditure in rural areas is higher than in urban areas indirectly. This implies that urban income is higher than rural incomes. In addition, economic development in urban areas is more advanced than rural areas

Implementation of economic development in any country will not be separated from obstacles even problems in which one of the obstacles of economic development in most countries in the world is poverty. The number of Indonesians is living below the absolute poverty line or the poor continuously decline from 1999 to 2016. In 1999, the poor in Indonesia is around 47.97 million and became 28.01 million in 2016. The high increase in the number of poor has occurred in 2006 where in 2005 amounted to 35.1 million people and then increased to 39.3 million people. The increase of fuel price (BBM) is indicated to be one of the factors causing the increase of poverty rate in 2006. If seen by percentage then the percentage of poor people also decreased from the year 1999 until 2016 that was originally 23.43% to 10.86%. However, the increase in the percentage of poor people also occurred in 2006 from 15.97% in 2005 to 17.75% in 2006.

Besides the problem of poverty, the problem of income inequality and regional inequality is also as constraint in development. One measure of income inequality is the Gini ratio of magnitude ranging from 0 to 1. If the ratio is closer to 0, it means the lower inequality. Conversely, if it is closer to 1, it will be the higher inequality. Inequality of income in Indonesia increases continuously from 2002 to 2015 from 0.329 to 0.408. This indicates that the income distribution of the population during this period is getting worse.

Table 1. Distribution of Indonesian Population Expenditures According to World Bank Criteria, Year 2008-2016

Population Group	2008	2009	2010	2011	2012	2013	2014	2015	2016
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
40% Lowest	18,72	18,96	18,05	16,86	16,98	16,87	17,12	17,1	17,02
40% Middle	36,43	36,14	36,48	34,73	34,41	34,09	34,6	34,65	36,09
20% Highest	44,86	44,9	45,47	48,41	48,61	49,04	48,28	48,25	46,89

Source: Calculation And Analysis Of Macro Poverty Indonesia Year 2016

Another indicator that is used to look at income inequality is the distribution of expenditures between groups of people according to the World Bank Criteria. The World Bank Criteria divides the population into three major sections, namely the lowest 40%, middle 40%, and highest 20%. The rate of inequality of population spending centred on 40% of the population with the lowest expenditure. This level of inequality in population expenditure is illustrated by the expenditure portion of this expenditure group on all population spending (BPS, 2016).

Based on Table 1 it can be seen that the share of expenditure from the lowest 40% population group from 2008 to 2016 has decreased. On the contrary, the share of expenditure from the highest 20% population group is actually increased.

The share of expenditure from the lowest 40% expenditure group is 18.72 %; the 40% intermediate expenditure group of 36.43 per cent and the top 20 per cent expenditure group of 44.86 per cent in 2008. The composition was changed in 2016 where the spending share of the lowest 40 per cent expenditure group dropped to 17.02% and the share of expenditure of the top 20% spending group increased to 46.8%. This shows that the growth of the expenditure of the poor is below compare to the expenditure of the rich.

The steady growth in income per capita from 2000 to 2015 does not necessarily eliminate the problem of poverty and income inequality in Indonesia. Income growth should not come from a few people. In addition, based on expenditure data, the share of expenditure of the rich population continues to increase and

even tends to dominate the spending of the Indonesian population because the value is close to half of the total population expenditure. While the lowest 40% population expenditure group only gives a portion of 16 to 19%.

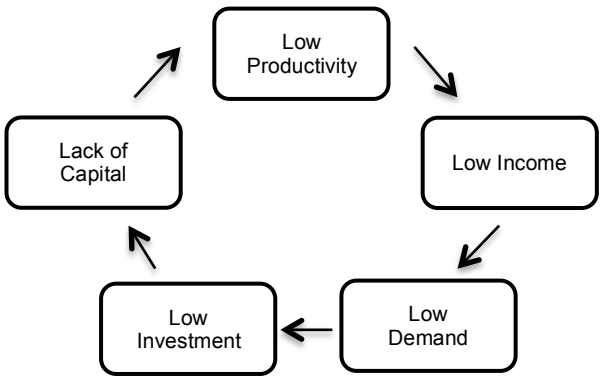
These conditions provide a temporary picture that the process of income growth is not expected to be pro-poor growth or provide more benefits to the non-poor. Therefore, the study of whether economic development outcomes, especially income growth (proportioned by expenditure data) achieved by the Indonesian government, is pro-poor growth or not, needs to be undertaken for further study, especially in urban and rural areas during 2009 to 2016.

LITERATURE REVIEW

Poverty

The definition of poverty can be based on the type of poverty conceptually which is absolute poverty and relative poverty. Absolute poverty is the number of people unable to obtain sufficient resources to meet basic needs. Poverty is absolutely determined based on the inability of a person to obtain sufficient resources to meet minimum basic needs such as food, clothing, health, housing and education needed to live and work. The minimum requirement is translated as a financial measure in the form of money. The minimum needs of these basic needs are known as poverty lines. Thus, the population is said to be poor in absolute terms if income is below the poverty line. (Todaro and Smith, 2006).

Figure 1. Vicious Cycle of Poverty by Nurkse



Source: Jhingan, 2012

Nurkse (as cited by Jhingan 2012) argues that poverty is not only caused by the absence of past development but also due to development obstacles in the future. In this connection, Nurkse says: "A country is poor because it is a poor country" (A country is poor because it is poor). In his opinion, the essence of the vicious cycle of poverty is the circumstances that cause obstacles to the creation of a high level of capital formation. The existence of backwardness,

market imperfection, and lack of capital leads to low productivity. Low productivity leads to low income they receive. This will have implications for low demand resulting in low investment. Then low investment leads to a lack of capital, and so on.

This theory can be seen from the theory of supply and demand. From the supply side, household income is determined by available production factors with payments in the form of salaries and wages, rent, interest and profits. Poor households usually do not have sufficient capital and low productivity resulting in low income earned by the poor. The income function can also be written as follows:

$$Y = f(C, S) \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

$$Y = C + S \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (2)$$

Formula remarks:
Y : income
F : function
C : consumption
S : savings

Low income from individuals would result in low consumption expenditures of individuals both of the consumption of food and non-food. It also results in low savings or investment and even poor households tend to have no savings or investments. Low consumption expenditures will certainly result in low demand (demand).

The concept of poverty used by BPS (2006) is absolute poverty where poverty is seen as the inability of individuals to meet basic food and non-food consumption for food, clothing, housing, education, health and other basic needs. The limitation of food consumption used by the poor is only able to meet the food of less than 2100 calories per capita per day which is equivalent to rice 320 kg / capita / year in rural and 480 kg / capita / year in urban areas. The minimum requirement is translated as a financial measure in the form of money. The minimum needs of these basic needs are known as poverty lines. People who have income below the poverty line are classified as poor.

Income Distribution

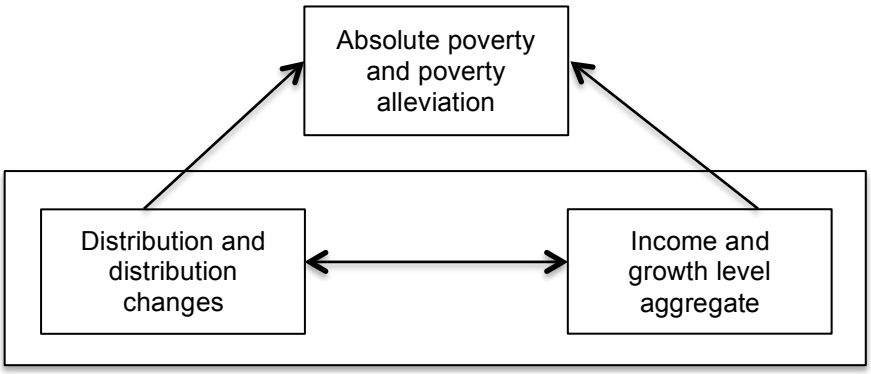
Inequality as well as equality of income distribution can be seen through the Lorenz Curve and Gini Coefficients. The Lorenz curve was developed by Lorenz in 1905, which measures the inequality of income distribution through the relationship / linkage between income and income groups. While the Gini coefficient (invented by Gini in 1912) is the development of the Lorenz curve which measures the distribution of income with a value of 0 (very uniform) to 1 (very uneven). The income distribution is said to be uneven if the Gini coefficient value is between 0.50 to 0.70 and relatively equivalent if the Gini

coefficient value ranges from 0.20 to 0.35 (Todaro, Loehr and Powelson as cited by Nurlina, 2003). Income inequality occurs when most people earn low income and large incomes are enjoyed only by a small proportion of the population. The greater the difference in income received by each group indicates greater inequality.

Poverty & Expenditure Growth

Poverty is a situation where individual annual income in a region cannot meet the minimum expenditure standards that individuals need to be able to live a decent life in the region. Individuals that live below the minimum expenditure standard are poor. As the economy grows in a region (a smaller region or region), there is more income to spend, which if well distributed among the inhabitants of the region will reduce poverty. In other words, theoretically economic growth plays an important role in overcoming the problem of poverty reduction (Debraj, 1998).

Figure 2. Triangle Relationship of Growth, Inequality, and Poverty

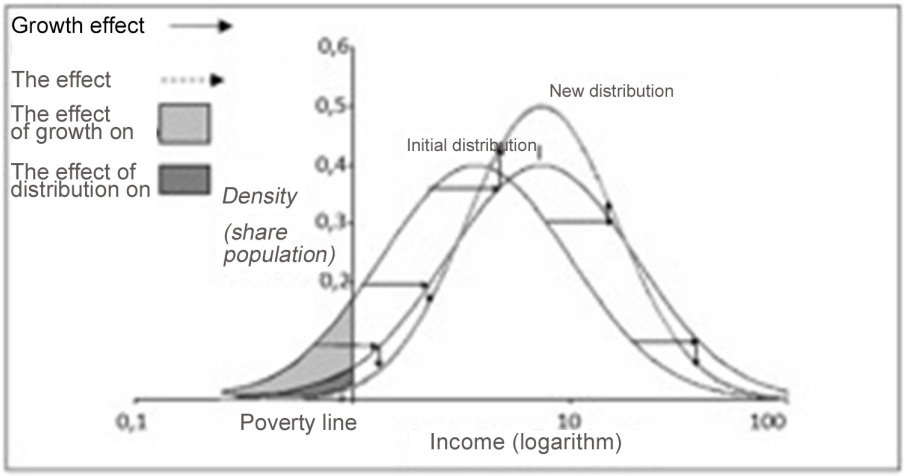


Source: Bourguignon (2014)

Changes in income distribution will affect two things. First, the effect of change is proportional to all income levels so that the relative distribution of income does not change. This effect is called the influence of growth. Second, the effect of changes in the relative income distributions that are independent of the average. This effect is called as distribution effect. Thus, there is an interaction between economic growth and income distribution. These two effects can be explained by Figure 2.

Changes in poverty levels are a function of growth, distribution and distribution change. For example, the amount of poverty is defined as the area under the curve to the left of the poverty line (shaded area) and it is assumed that the income per capita of the population follows the normal log distribution. The x-axis shows the density of the income distribution, for example the number of individuals at each income level in the logarithmic scale. The y-axis shows the share of population with a certain level of income to the entire population.

Figure 3. Decomposition of Poverty Change toward Growth and Income Distribution Effect



Source: Bourguignon (2014)

The existence of economic growth causes the average income per capita to increase. The change from the initial distribution to the new distribution does not occur at once but through the intermediate process by moving the initial distribution to the right and obtained "I" the initial distribution. In this process, the shape of the distribution does not change only shifts its location. This change can be interpreted as the same proportionate increase in income at all levels of the population (neutral). This change is called the influence of growth. Furthermore, the initial distribution I curve turns into a new distribution curve but with an average fixed income. This change indicates a change in the distribution of relative income. This is called the effect of distribution. However, it should be emphasized that the movement of the distribution curve can be either right or left depend on changes in economic growth. The shape of the curve that is more taper or more horizontal depends on changes in the distribution of income.

Pro Poor Growth

The concept of Pro poor growth was described implicitly by the World Bank in 1990 in its report with broad-based growth. Then the term pro poor growth was explicitly described in the World Bank study material in 1993. Pro poor growth is a reciprocal relationship between three elements: growth, poverty, and inequality. Poverty rates are not only influenced by economic growth but are also affected by levels and changes in inequality in income distribution.

The definition expressed by White and Anderson (2000) on pro poor growth is when the increase in the share of the poor population exceeds the current share or exceeds the average portion of the population. This indirectly means growth improves income inequality.

Ravallion (2004) defines pro poor growth as an increase in GDP that reduces poverty. According to this definition, growth followed by poverty reduction includes pro poor growth, although there is no improvement in income distribution. While international bodies such as the United Nations, the Organization for Economic Cooperation and Development (OECD), UNDP, and the World Bank more often use the definition of pro poor growth as economic growth that benefits the poor and provides opportunities for the poor to improve the economic situation proposed by Kakwani, et al. (2004).

If the benefits of growth are more enjoyed by the poor, then there is a change in the shape of the distribution curve, where the curve on the left side of the poverty line is lower because some of the poor population's incomes increase so that it is above the poverty line. The influence of growth and the influence of distribution contribute to poverty reduction. Conversely, if the benefits of less growth are enjoyed by the poor, then the shape of the curve to the left of the poverty line will be high from the initial curve, so that the effect of the distribution will increase the poverty level. Poverty reduction due to growth influence will be offset by the effect of distribution so that poverty alleviation will run more slowly.

According to World Bank (2008) there are four methods of measuring pro poor growth include:

1. Pro poor growth Index (PPGI) was proposed by Kakwani and Pernia in 2000.
2. Poverty Bias of Growth (PBG) proposed by Kakwani in 2000.
3. Poverty Growth Curve (PGC) was proposed by Son in 2003.
4. Poverty Equivalent Growth Rate (PEGR) proposed by Kakwani, et al. in 2004.

The PEGR method is a development of the previous three methods. This method has the advantage of being applicable to calculate all the benefits of growth to the poor with various FGT poverty measures. Like the headcount ratio, the poverty gap ratio, and the Severity of poverty index and the Watts poverty measurement method.

Previous Research

Kakwani et al. (2004) examines the relationship between poverty, growth and inequality by looking at what benefits poverty can derive from economic growth in Korea, Vietnam and Thailand for the 1990-1999 periods. By using data of per capita consumption expenditure in three countries, the result obtained is pro poor growth pattern during the 1990's in Korea and Vietnam. But unfortunately, growth in Thailand is not included in the category of pro poor growth in the same period.

Are (2012) analysed the contribution of growth and redistribution of aggregate economic component to poverty change in Ireland from 1987-2005, using Shapley decomposition value approach and pro poor growth checking using Growth Incidence Curve (GIC). The data used are disposable income data from the Household By-House Survey to calculate the poverty index. The decomposition of poverty change reveals that the growth component dominates

rather than the redistribution component in reducing poverty. This suggests that a drastic reduction in poverty during the survey period can be attributed to a significant increase in household income rather than a redistributive government transfer policy and income tax system. While based on the resulting GIC curve, it appears that the economic growth was slightly pro-poor between 1987 and 1994 and generally anti pro poor between 1994 and 1999.

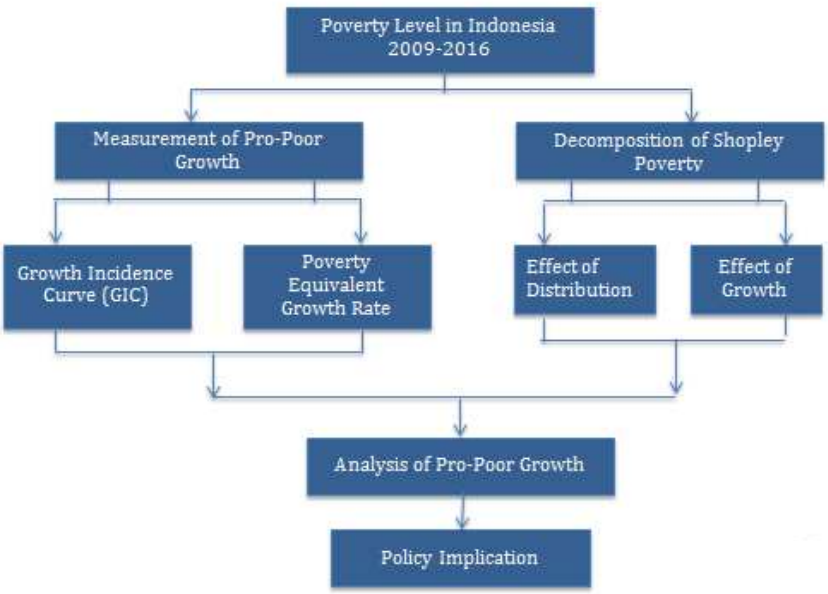
The decomposition process of poverty changes on growth, distribution and population in India in urban and rural areas during the period of 2004 - 2005 and 2009 - 2010 was conducted by Mishra in 2015. Household consumption expenditure data shows that poverty change is more dominated by growth influence than distribution as well as the population especially in rural areas. Distribution of income has reduced poverty in rural areas but increased poverty in urban areas. Increased populations have increased poverty especially in rural areas and rural-to-urban migration is one factor that can reduce rural poverty.

The research development was conducted by Kireyev (2017) which examined the dynamic size of inclusive growth using Growth Incidence Curve (GIC) in Senegal in 2001, 2005 and 2011. The GIC curve generated from household consumption data had a positive slope in 2001-2005 which means that income growth is not pro-poor and inclusive. While the 2005-2011 period, the GIC has an unclear trend because of its flat, flat shape which indicates that growth rates for each population group tend to be the same. While overall during 2001-2011, GIC has a positive slope. This shows that from 2001 to 2011, income growth in Senegal has not been pro-poor and inclusive.

Framework

The framework of writing in this study is described as follow:

Figure 4. Framework



METHODS

The Scope of Study

Objects in the study are about poverty, expenditure growth, income distribution in urban and rural areas in the period 2009 to 2016. Poverty in this study includes people who have expenditure value below the poverty line in a given year. Expenditure growth represents a change in the value of expenditure between two year periods. While the income distribution is the level of income distribution which is the result of growth calculated based on income class that is low, medium and high in certain period. The calculation of poverty, the growth of expenditure and the distribution of income use the data of per capita consumption expenditure of the Indonesian population.

Types and Data Sources

This study uses secondary data derived from the Central Bureau of Statistics (BPS). Secondary data from BPS is the raw data of household expenditure which is the result of the National Socio-Economic Survey (Susenas) Consumption Module which is differentiated into Indonesia, urban and rural Indonesia data from 2009 to 2016.

Analysis Method

This research uses Quantitative Method in the form of Shapley Poverty Decomposition Method and Poverty Equivalent Growth Rate (PEGR) method supported by Growth Incidence Curve (GIC). Shapley's decomposition method of poverty is used to analyze the effect of expenditure growth and the effect of income distribution on poverty in both urban and rural areas. While GIC and PEGR are used to see the benefits of income growth in the period 2009 to 2016 it is more enjoyed by the poor or non-poor.

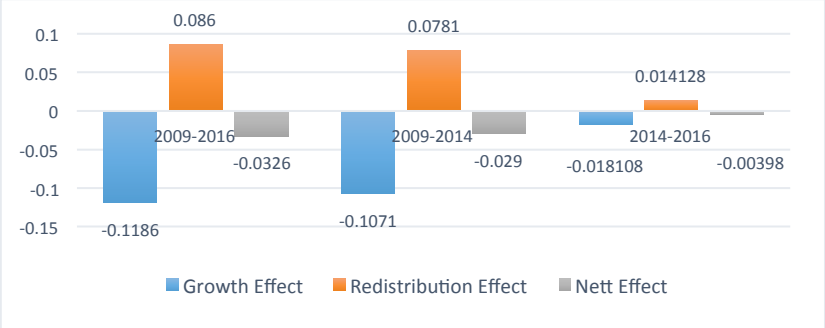
FINDINGS

The Influence of Expenditure Growth on Poverty

As explained in the methodology section, factors that affect poverty change between two years can be explained by the decomposition of poverty. The effect of growth in expenditure and income distribution as a result of poverty decomposition can have a positive sign which means having an effect of increasing poverty and negativity which means having the effect of reducing poverty.

Expenditure growth over the period 2009-2016 has the effect of reducing poverty. If the period is disaggregated by period of governance then the same conditions occur in the period 2009-2014 and 2009-2016 where the growth of expenditure also has an effect on reducing poverty.

Figure 5.The Effect of Income Distribution and Growth, Nett Effect in Poverty Alleviation in Indonesia Year 2009-2016, 2009-2014, and 2014-2016



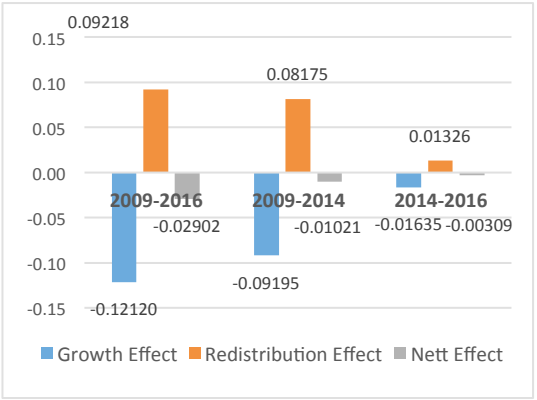
Source: SUSENAS 2009, 2014, 2016

Potential poverty reduction due to the largest growth effect occurred in 2009-2016. The poverty reduction reached 11.86%. This gives an illustration, assuming that if there is no change in income distribution then economic growth gives poverty reduction effect of 11.86%.

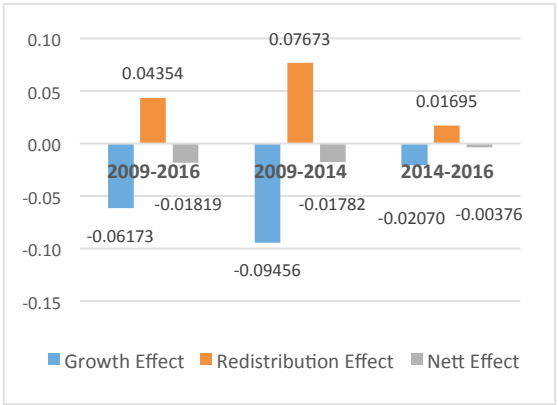
In 2009-2014, income growth had an effect of 10.71% if there was no change in income distribution. While the effect of poverty reduction that comes from the effect of the lowest income growth occurred in the period 2014-2016 amounted to 1.81%. The value of the decreasing effect of 1.81% means that in the event of economic growth, the level of public income has increased so that there are about 1.81% of the population in Indonesia is able to rise above the predetermined poverty line assuming no change in income distribution.

Figure 6. The Effect of Income Growth, Income Distribution, Nett Effect in Poverty Alleviation in Urban and Rural Area Year 2009-2016, 2009-2014, and 2014-2016

Urban Area



Rural Area



Source: SUSENAS 2009, 2014, 2016

Growth in urban and rural expenditures also contributes to poverty reduction throughout 2009 through 2016. Urban poverty reduction is due to the impact of more expenditure growth than in rural areas of 12.12% in cities and 6.17% in rural areas. Similar conditions occur during 2009-2014 and 2014-2016 where income growth contributes to poverty reduction.

Expenditure growth in the 2009-2014 period affected poverty reduction by 10.71% for Indonesia as a whole, 9.19% in urban areas and 9.45% in rural areas. While in the period 2014 to 2016, the influence of growth has decreased only poverty can reduce by 1.8% in Indonesia, 1.63% for urban areas and 2.1% for rural areas.

Effect of Income Distribution on Poverty

The effect of income growth in reducing poverty in three periods is hampered by the effects of distribution that increase poverty. Contrary to the growth in spending that has the effect of reducing poverty, income redistribution has an effect on increasing poverty both in the city and in the village as well as in Indonesia as a whole. This of course resulted in the nett effect of poverty reduction to be not maximal.

The distribution of income in the 2009-2016 periods has the potential to raise poverty by 8.6% If the period is divided into two periods then the income distribution has the effect of increasing poverty by 7.8% in 2009-2014 and by 1.41% in 2014-2016. Distribution of incomes provides the effect of increasing poverty both in urban and rural areas, 9.21% in urban and 4.35% in rural areas from 2009 to 2016. This indirectly shows that income growth in cities higher than in villages was hand in hand with higher income inequality in urban areas than in rural areas.

The same conditions also occurred during the period 2009-2014 and 2014-2016 where the income distribution had an effect on increasing poverty both in the city and in the village. Income growth is able to reduce poverty rate by 9.19% in urban area and 9.45 in rural area in 2009-2014 and decrease in 2014-2016 equal to 1.63% in town then 2.07% in village. However, this effect is offset by income inequality that gives an effect of increasing poverty by 8.17% in cities and 7.67% in rural areas in 2009-2014. While in the period 2014-2016, the influence of income distribution to increase poverty is greater in the village compared to the city that is 1.32% in the city and 1.69% in the village. Thus, the net effect of poverty reduction in cities is only 1.02% in cities and 1.7% in rural areas in 2009-2014. Then decline in 2014-2016 that is 0.31% in the city and in rural areas by 0.37%.

Benefits of Economic Development Received by the Poor

a. Growth Incidence Curve (GIC)

One way to look at the degree of benefits of growth in spending that the poor receive is the Growth Incidence Curve (GIC). The trick is to compare the income growth line by population group to the average growth of all income

groups. If the income growth line cuts the average growth line from the top left to the lower right then growth in that period is considered pro poor growth. But if the income growth line cuts the average income growth line from the lower left to the top right, then growth is categorized as not pro poor because the population group with the greater income enjoys more growth than the low-income group.

Figure 7. Growth Curve of Indonesia Year 2009-2016

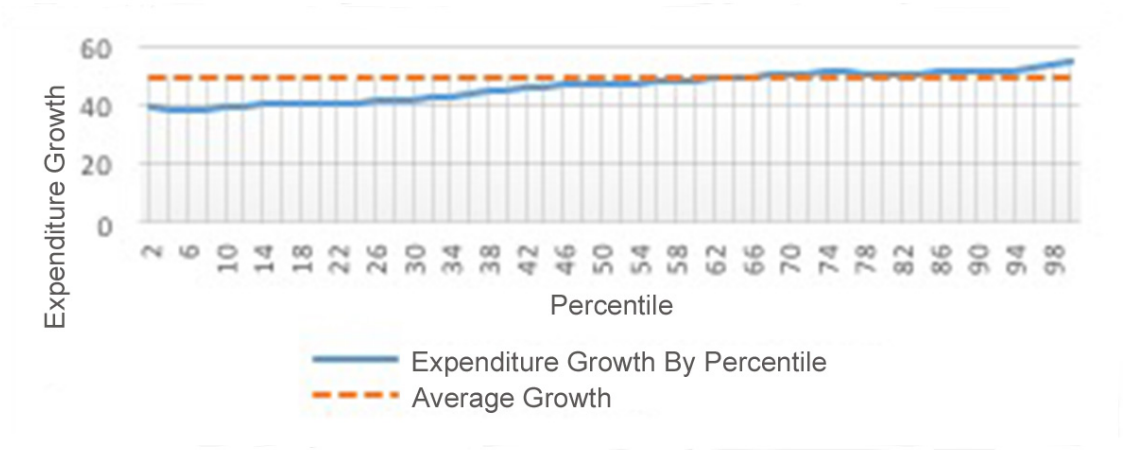
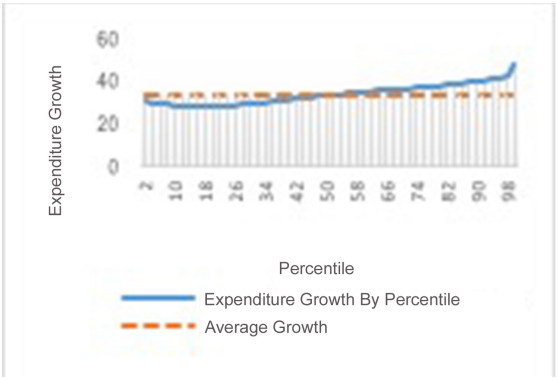


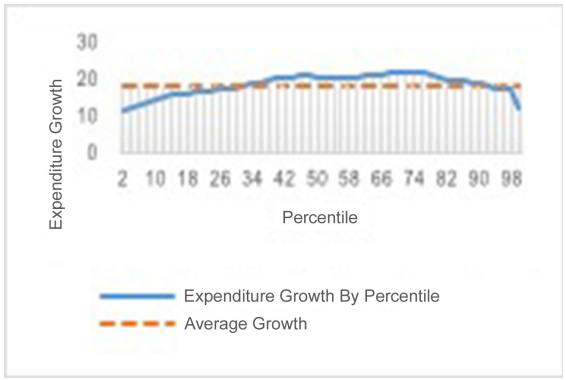
Figure 7 shows an ever-positive growth rate in every population percentile during the period 2009-2016. GIC is illustrated as an upward sloping function which shows growth in the lower percentile (up to 60th percentile) group is lower than the upper percentile group. This shows that economic growth in this period is not pro poor growth.

Figure 8. Growth Curve of Indonesia 2009-2014 and 2014-2016

Period of 2009-2014



Period of 2014-2016



Source: SUSENAS 2009,2014,2016 (processed)

The same conditions also occur during the period 2009-2014 and 2014-2016 as shown in Figure 7 where the GIC curve has a positive slope. Growth in population income 70% down has a smaller income growth compared to the top percentile in 2009-2014. But in 2014-2016 this condition worsens as the GIC curve starts to cut the average growth line in the 30% population group. This means that the bottom 30% of the population group has a smaller income growth compared to the income growth of the population group of 30% and above. The figure shows that the income growth of 2009-2014 period is better than the period 2014-2016.

b. Poverty Equivalent Growth Rate (PEGR)

PEGR method besides able to explain the influence of economic growth itself, can also explain the degree of benefit obtained by the poor from the process of economic growth. The negative PEGR value with the difference between PEGR and Growth is negative also means that economic growth is classified as anti pro poor growth or the benefit of economic growth is enjoyed by non-poor people. Economic growth in these conditions actually has an impact on increasing poverty. PEGR value is positive but lower than economic growth (growth) means that economic growth is not yet classified as pro poor growth or the benefit of economic growth is also enjoyed by the poor but the benefits received by the poor are less than the benefits received by non-poor people. PEGR value is greater than the real income growth rate means that the process of economic growth is classified as pro poor growth or the poor benefit from more growth than non-poor.

Table 2. Composition Table of Poverty Equivalent Growth Rate (PEGR) in Indonesia Year 2009-2016, 2009-2014, 2014-2016

Details	2009-2016	2009-2014	2014-2016
(1)	(2)	(3)	(4)
Growth	0,301271	0,254728	0,043523
PEGR	0,10031	0,089188	0,009213
PEGR-g	-0,200961	-0,165541	-0,0034310
Interpretation	(Not yet) *Pro Poor*	(Not Yet) *Pro Poor*	(Not Yet) *Pro Poor*

Source : SUSENAS 2009,2014,2016 (processed)

Indonesian income during 2009-2016 period based on Susenas Consumption (Combined) data is still not pro poor growth. The same condition also occurs when the period is divided into two namely 2009-2014 and 2014-2016. During those two periods, the income growth that happened was not pro poor, which was indicated by the smaller PEGR value compared to its growth. This means

the benefits of economic growth received by the poor are proportionately smaller than the benefits received by non-poor residents.

The process of economic growth implemented in the period 2009-2016 has increased income growth by 30.12% and in the period 2009-2014 by 25.47%. While in the period 2014-2016, it is only around 4.35%. The value of PEGR (Poverty Equivalent Growth Rate) in the period 2009-2016 is only 10% and lower than income growth. While the value of PEGR generated in the period 2009-2014 is greater than in the period 2014-2016. This shows that during the period of 2009-2014, the economic development enjoyed by the poor more than the period of 2014-2016, although both periods are not pro poor yet.

Table 3. Table of Composition Poverty Equivalent Growth Rate (PEGR) Urban and Rural Areas Year 2009-2014, 2014-2016

Output Composition	Urban			Rural		
	2009-2016	2009-2014	2014-2016	2009-2016	2009-2014	2014-2016
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Growth	0,40550	0,25589	0,05089	0,10715	0,17503	0,03751
PEGR	0,13518	0,04004	0,00994	0,03230	0,03839	0,00652
PEGR-g	-0,27032	-0,21585	-0,04095	-0,07485	-0,13663	-0,03099
Interpretation	(Not yet) *Pro Poor*	(Not yet) *Pro Poor*	(Not yet) *Pro Poor*	(Not yet) *Pro Poor*	(Not yet) *Pro Poor*	(Not yet) *Pro Poor*

Source: SUSENAS 2009,2014,2016 (processed)

The result of PEGR method is consistent with the result of analysis through GIC (Growth Incidence Growth) curve which shows that pro poor growth for three periods 2009-2016, 2009-2014, 2014-2016 and better expenditure growth in 2009-2014 period compared to the period 2014-2016. Revocation of subsidies and fuel price hikes by the end of 2014 and 2015 will impact the declining growth in population spending for the lowest 30%. This is because the increase of BBM resulted in the rising prices of basic commodities so that the disposable income of the poor will decrease.

Economic growth in urban and rural areas has not been classified as pro poor growth in the period 2009-2016, 2009-2014 and 2014-2016. The poor benefit from economic growth, but the benefits the poor receive are less than the non-poor. In the 2009-2016 periods, the value of PEGR (13.52%) was lower than the income growth (40.55%) in urban areas and in rural areas had PEGR value of 3.23% with a growth value of 17.50%. This shows that during that period the economic development implemented in urban and rural areas is still biased to non-poor people.

In the 2009-2014 period, real income growth (growth) in urban areas was 25.59% with PEGR score of only 4.0% (PEGR < growth) and rural growth of

17.50% with PEGR 3.84%. Then the value of real income growth declined in the period 2014-2016 that is to 5.08% for urban areas with a value of PEGR 0.99. While in rural areas, the real growth is 3.75% and PEGR 0.65%.

The government's social assistance budget continues to increase annually as compensation for the removal of energy subsidies. Unfortunately, however, the social assistance provided by the government to more poor and vulnerable poor people each year is unable to strengthen the purchasing power of lower-income groups due to inflation following the abolition of energy subsidies. This is what keeps the lower class population having expenditure growth far below the upper middle class in the period 2014 to 2016.

In addition, based on the results of BPKP Evaluation (2014) on the review of social expenditure found that from the budget of 18.6 trillion as much as 45.2% is not on target. Meanwhile, based on the results of Mawardi and Sumarto (2003) studies, the poverty reduction programs proclaimed by the central government do not get support from most of the local governments. This is because of 268 districts/cities, only 93 districts/cities (35%) have implemented pro-poor spending policies. While from the aspect of the poor themselves, based on research results of Research Team of Centre for Rural and Regional Studies of UGM (2014) that community participation in poverty reduction program is not a participation arising from the collective consciousness of citizens, but still limited to mobilization. Not only cluster I (social services) and cluster II program, cluster III (KUR) is also still top down. The lack of engagement space in the planning of this program causes the community is not motivated to participate fully.

CONCLUSION

From the results of this study it can be concluded several things. First, poverty conditions in Indonesia during 2009 to 2016 continue to decline except in 2015 in both urban and rural areas. The percentage and number of poor people in rural areas is greater than in urban areas. However, the inequality of population income in rural areas is lower than that of urban population. This suggests that more advanced economic development in urban areas than in rural areas is not felt equally among the people of the region. Second, growth of income throughout the period of 2009-2016, 2009-2014 and 2014-2016, contributes to reducing poverty both in urban, rural and in Indonesia as a whole (Growth Effect).

Third, distribution of income in three periods (2009-2016, 2009-2014, 2014-2016) gives the effect of worsening poverty conditions in both urban, rural and Indonesian (Distribution Effects). This is because the income inequality in Indonesia is quite high during the period 2009-2016 and became one of the obstacles of poverty reduction efforts. Fourth, the growth of Indonesian population expenditure in 2009-2016, 2009-2014 and 2014-2016 periods, both in urban and rural areas, is not pro poor growth either based on Growth Incidence Growth (GIC) and Poverty Equivalent Growth Rate (PEGR). This is

because the more expenditure growth is felt by the population spending group of 40% middle and the top 20%. Meanwhile, the lower 40% population group has below average growth in expenditure.

Based on the findings and conclusions that have been described previously, then there are some efforts that can be done to state the income of the Indonesian population. First, social assistance funds or poverty reduction budgets issued by the government continue to increase annually as compensation for the removal of energy subsidies. But unfortunately, the aid still cannot encourage the income growth of the poor. This condition would be an evaluation that the removal of energy subsidies should not be done simultaneously but gradually to keep inflation in commodity prices of primary goods. It is due to unlucky population is the most affected by rising prices of primary goods and fuel increases.

Second, poverty reduction program to be more focused in rural areas, by intensifying the assistance program in the framework of agricultural revitalization, encouraging the development of labour-intensive agroindustry, expanding capital access in accordance with business character in agriculture and labour-intensive agroindustry. This can be achieved by intensifying existing government programs such as KUR. Requirements that are still a constraint need to be loosened and more oriented to the rural population and agricultural sector.

Third, the scope of this study is to examine pro-poor growth in an area where pro-poor growth is a income growth that can reduce poverty and be enjoyed by the poor. Along with the development of economic studies, this study can be followed by an inclusive growth check that is economic growth that can reduce poverty and inequality where growth can be enjoyed by all segments of society.

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