AN INEQUALITY INCOME DISTRIBUTION IN KABUPATEN BANYUMAS CENTRAL JAVA

Pramono Hariadi
Jurusan IESP Fakultas Ekonomi Universitas Jenderal Soedirman

Arintoko
Jurusan IESP Fakultas Ekonomi Universitas Jenderal Soedirman

Icuk Rangga Bawono
Jurusan Akuntansi Fakultas Ekonomi Universitas Jenderal Soedirman

E-mail: cukycute@yahoo.com

Abstract

The central theme of this paper is the measurement of income inequality by investigating its present time in Banyumas. It is important to know the impact of local development process on income inequality. Not only the impacts of local development, but also other factors determining the trend of income inquality (i.e.fuel price raises, price and income adjustment policies) give impact on present income inequality. Nowaydays, the local development policies and the other factors are predicted that they give impact on the raise of recent income inquality in Banyumas.

Based on Gini coefficient measurement method, we obtain startling result. The result presented in this paper is based on a sample of 180 households including urban area, sub urban area and rural area. The Gini coefficient result is 0,603. This result shows the sharp raise of income inequality from past time to recent in Banyumas.

The imbalance of development between modern sectors (i.e services, contruction, finance, trade and manufacture) and traditional sectors (i.e agriculture and informal sector) causes the raise of income inequality. Based on this trend of the raise of income inequality, local government must practice pro poor development policies without ignoring sustainable economic growth and especially focusing on agriculture, rural economy, informal sector, small and medium industries.

INTRODUCTION

Generally, there are two problems facing by developing countries including Indonesia such as an inequality of distribution income between rich and poor people, the level of poverty or the number of population below in the poverty line (Tambunan, 2001).The trickle down effects is believed to use as a base for some decision maker in the development process. Therefore, the strategic of development will be focus on how to reach a high growth of economic relatively in the short time period. To achieve of this goal, based on the experience in the past, the negative consequences that may appear as the result of this short way is that the central of national economic development is started in the place with the adequate infrastructure region particularly in Java Island. Beside it, the development will be focused on the sectors which potentially having capability to produce a high added value particularly in service and industry sectors.

Since the economic crisis is happened in Indonesia in the 1997's, the economics of *Kabupaten* Banyumas had been growing for six years ago. However, the level of growth still not makes happy yet since the level of economy in *Kabupaten* Banyumas is still lower than in Central Java and national as shown in Table 1. The development is still not giving the significant change to solve the economic real condition in society. It indicates that the real sector in *Kabupaten* Banyumas is still not maximally growth yet. The level of economic growth is not able to absorb the human source adequately reducing the level of unemployment, poverty and repairing the inequality income distribution.

The relatively lower economic growth in *Kabupaten* Banyumas brings it to the crucial thing. The consequence of the low economic growth in Banyumas is even though the economy in *Kabupaten* Banyumas is growth but the income society per capita is still lower. Moreover, there is a tendency that the growth of economic is higher than the income per capita. It describes that there is a fast growth of poor people in *Kabupaten* Banyumas. Meanwhile, the effect of the price adjustment such as the price of oil (*BBM*) and the salary of civil servants *(PNS)* encouraged the inflation in the some last years that certainly influenced to the level of poverty and income distribution in *Kabupaten* Banyumas. The low of economic growth and the increasing of poverty are the problem that correlated each other.

Table 1: The comparison of Economic Growth Kabupaten Banyumas, Central Java Provision and Indonesia, 2002-2006 (in percentage)

Year	Banyumas	Central Java	Indonesia
2002	4,51	3,55	4,25
2003	3,71	4,98	5,00
2004	4,17	5,13	4,89
2005	3,21	5,35	5,66
2006	4,48	5,33	5,48

Source: BPS Kabupaten Banyumas, BPS Central Java, and Central of BPS Jakarta

The level of economic growth in *Kabupaten* Banyumas is supported by other developed sector in region. The level of economic growth in *Kabupaten* Banyumas is related with the effort development and the economy structure of Banyumas. It acknowledged that economic sectors that have a big role in Banyumas economic is still come from farm, industry, service, and trade sectors from year to year. However, the industry and farm sector tend to decrease from year to year. This tendency will affect to the serious problem which is the lower job opportunities and open unemployment.

Job opportunity in sector such as big industries, construction, trade and finance is giving the high income and added value but it provided more in the city rather than in the village that dominated by primer sector, so that created the inequality of income between the city and the village.

The economic work in *Kabupaten* Banyumas is still relatively lower in regional and national scope and in fact, it cannot reduce yet the number of poverty and the inequality of income adequately. The inequality of income and poverty becoming a huge problem if cannot be solved well. Many literatures stated that the decreasing of sustainable poverty need the high

and sustainable economic. The poor society get benefit from the growth of economy because with the growth of economy so there is an increasing of market demand toward human source through potential sector *(padat karya)* such as farm, small and middle industries. Tambunan (2006) shows that the high of economy growth in the 1990's had a big role reducing poverty in Indonesia, even though it was not the only way to decrease the poverty.

Based on that fact, it is important to estimate the inequality of distribution income by using the Gini coefficient to figure out a trend of distribution income in Banyumas. It is becoming important to find how far the effect of regional development policy that had been implementing for years in Banyumas, when the increasing of the price of oil (*BBM*) and the salary of civil servants *(PNS)* encouraged inflation still affecting for poor people. Furthermore, how big the growth of economy that limited in Banyumas is able to reduce the inequality of distribution income. This indicator also use as a base for the local government to consider the inequality of distribution income such as a consideration in strategy economy and prioritize the policy that solves the poverty and inequality of income in Banyumas in the future.

THEORETICAL FRAMEWORK

The economic growth and Income distribution

The growth versus the income distribution is the problem that attracts the attention in the developing countries (Arsyad, 2004). Many developing countries that have a high economic growth in the 1960 have started to realize that a high growth only little bit to solve the poverty problems. The high level of economic growth becoming useless to solve those problems since the high of economic growth is followed by a higher level of unemployment and unreal unemployment in the village and the city. Therefore, the inequality between the rich and the poor is become higher. Eventually, the high of economic growth is failed to escape or even reduce the absolute poverty widely in the developing countries.

The data in decade 1970's and 1980's related the economic growth and distribution income in many developing countries particularly the country with the high process of developing economy such as Indonesia likely shows that there is a positive correlation between the economic growth and the disparity of economy (Tambunan, 2001). The higher growth of Gross Domestic Product (GDP) or the higher of income per capita makes the higher gap between poor and rich people. Study of Ahuja(2007) related the Southeast countries shown that after the economy was stable during 1970's and 1980's when those countries had been had relatively high average of economic growth (Asian miracle), in the beginning of 1990's, the inequality of distribution income in those countries starts to wide again.

The growth of national product income (GNP) per capita is not automatically enhancing the level of society live. Moreover, the growth of GNP per capita in many developing countries such as Pakistan, India, Kenya, etc had created the absolute reduction toward the level of poor people in villages and cities. What it called as trickledown effect from the benefit of economic growth toward the poor people is not existed.

Adelman and Morris (1973) in Arsyad(2004) stated the eight factors which causing the inequality of distribution income in many developing countries, as follows: (a) the increasing of high population that cause the decreasing of income per capita; (b) an inflation whereas there is an increase in money income but not followed by the production of goods proportionally; (c)inequality of development between region (d) many investment through the capital intensive makes the percentage of assets capital income is bigger than the percentage of work capital income, therefore there is an increasing of unemployment (e) the low of social mobility (f) the implementation of industrial import substitution policy that causing the increasing of industrial good prices to protect the capitalist people (g)the worst of term of trade toward the developing countries in the trade with the developed countries, as the result of inelasticity the demand of export goods from developed countries toward the developing countries ; and (h) the destruction of small industries such as carpentry, household industries, etc.

The tendency of increasing the inequality distribution income is suitable with the economic growth is not only exist in the developing countries, but also in the industrial developed countries. Studies from Janti (1997) and Mule (1998) in Tambunan (2001) shows that there is an increasing tendency in the development of inequality distribution income between poor and rich in Swedia, England, and United States and other developed countries in west Europe during 1970's and 1980's. from Janti studies, it can be conclude that the bigger of inequality distribution income in those countries is caused by the shift of demography, the change of labor market and the change of public policies. In the change of labor market, the bigger of inequality income from breadwinner and the bigger role of income from the wife becoming two important factors in causing the amount of family income.

PREVIOUS STUDY

Some number of empirical studies tried to explain the factors causing the inequality income distribution from many aspects. Some studies explaining some macroeconomic variable influenced toward the income distribution such as inflation and unemployment based on studied from Mocan (1999) and Blejer and Guererro (1990). Meanwhile other studies shows that the effect of fiscal policy particularly the level of tax also influence toward the inequality income distribution based on Auten and Carroll (1999) also Feenberg and Poeterba (1993).

Some empirical studies are focused on the hipothesis of U inverted Kuznets such as Mushinski (2001) and Thornton (2001) that examined the correlation between the inequality income distribution and the level of development that supported by the result of studies.

Some other empirical studies specifically examining the other factor such as economy factor and institutional affecting the income distribution, for instance Li et al (2000) that test the effect of corruption toward the income distribution, Tanninen(1999) testing the effect of government spending toward the income distribution and Bourgignon and Morrison (1998) testing the dualism effect particularly the correlation between farming and the distribution of income. Some studies more testing the combination of those factors such as government spending, the level of development, etc is done by Deinenger and squire (1998), Vanhoudt (2000), and Barro (2000).

Meanwhile, the studies related the estimation of inequality income distribution that happened in the region of Indonesia such as in Kutai Kartanegara by BPS (2005) that found Gini coefficient as 0,31. This Gini coefficient indicates the low of inequality income distribution. It is supported by the succeeded of the policy to reduce the poverty in that *Kabupaten*. The other study particularly in Kabupaten Banyumas is done by Suroso dkk (2005) that found the inequality income distribution in Banyumas in the year of 2005 with the Gini coefficient as 0,432. This Gini coefficient indicates a big inequality income distribution. The result also shows an increasing tendency compare with the previous condition. Comparing with *Kabupaten* Kutai Kartanegara, *Kabupaten* Banyumas has the lower of economic growth and income per capita shows that the inequality income distribution relatively high. The further study that has been done is aimed to find the current trend related the inequality income distribution in Banyumas by connected with the causal factors.

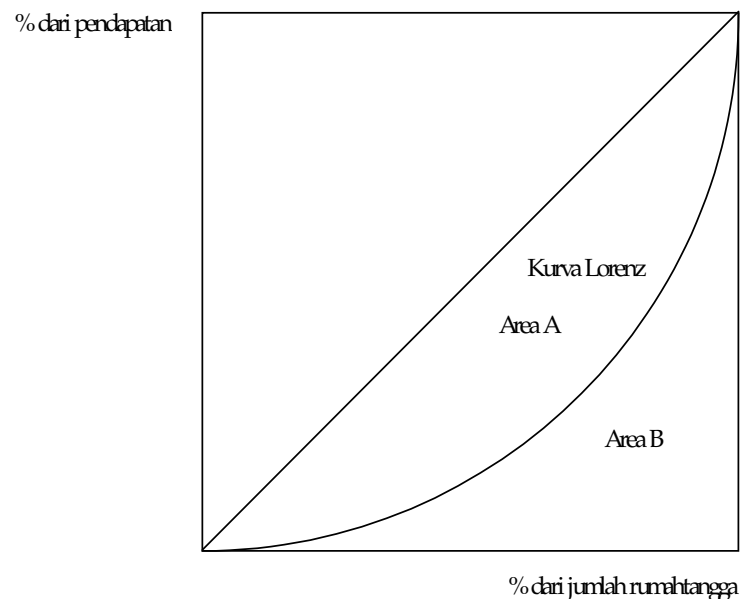**THE RESEARCH METHOD AND ANALYSIS**

The method of survey

This survey had done before the study started. The households in each *kecamatan* of *Kabupaten* Banyumas is the survey of population. The household sample is taken in each *kecamatan* by decide first which of *kecamatan* that can be represent the population of *Kabupaten* Banyumas. Those *kecamatan* in *Kabupaten* Banyumas will be chosen based on the region characteristic and the consideration of three groups the region *kecamatan* such as urban, suburban and rural area. Each group in *kecamatan* region is taken three *kecamatan* with the criteria of high, middle and low income per capita. After that, the sample of households is identified by the group of profession or the kind of the household jobs. The

purpose of this identification is to gain the variation of each lower group than the whole variation of population to get the higher of accurately hypotheses.

The sample that is taken from each group is equivalent or proportional with the measurement. The data collection is done by using the open and close questionnaire, inviting the respondent at their house, office or other places.

The measurement of Gini coefficient

The Gini coefficient is the parameter that used to measure the inequality income distribution. The value of Gini coefficient is between 0 and 1 which is a ratio between the extensive area and the Lorenz curve with the perfect equity line which the extensive area is under the Lorenz curve as shown in Picture 1. Therefore, the low of Gini coefficient indicates that a higher inequality income distribution between the group who received the income. Extremely explained that the value of 0 of Gini coefficient means that there is a perfect equality (everyone has the same income) and the value of 1 in Gini coefficient shows imperfect equality (whereas one people has their owned total income and others has no income at all).

The Lorenz curve is the curve that describes the function of cumulative income distribution. If the Lorenz curve is not acknowledge, the measurement of inequality income distribution can

use the Gini coefficient formula that developed by Gini (1912). The Lorenz curve is proxy for each of interval class of income, so the B extensive area in Lorenz curve can be proxy with the Gini coefficient:

$$G = 1 - \sum_{k-1}^{n}(X_k - X_{k-1})(Y_k + Y_{k-1})$$

X_k is the cumulative proportion of the number households, for k = 0,...,n, with X_0 = 0, X_n = 1. Y_k is the cumulative proportion of the amount of households income until class to -k, for k = 0,...,n, with Y_0 = 0, Y_n = 1.

The Lorenz curve above can be approach by getting the non linear function and scatter the double plot or the interval coordinate of income and the cumulative number of households with the certain number of class. The more class that used, therefore the softer of its Lorenz curve. In the Lorenz curve, the Gini coefficient as A extensive area divided by the extensive area (A+B).

Because (A+B) =0, 5, therefore:

G = A/0,5 = 2A = 1 – 2B n

If the Lorenz curve is stated with the function of Y = L(X), so the value of B can get by find out the integral value from that function which is $\int_0^1 L(X)dX$ so the Gini coefficient become:

$$G = 1 - 2\int_0^1 L(X)dX$$

THE RESULT OF STUDY AND ANALYSIS

The Gini coefficient in *Kabupaten* Banyumas

By the consideration of *kecamatan* income per capita data in *Kabupaten* Banyumas in the year 2006 that located in the three category area has chosen and suitable with the methodology of study, therefore (1) East Purwokerto, West Purwokerto, and North Purwokerto represent the urban area; (2) Sokaraja, Kembaran and Sumbang represent the suburban area; and (3) Ajibarang, Cilongok and Pekuncen represent the rural area that each of these groups become as *kecamatan* with the highest and the lowest of income per capita. Furthermore, there are 20 households sample that spread proportionally in many professions and the kind of jobs with the structure of jobs is taken for each kecamatan, then the total sample that taken is 180 households.

By considering the development in five years ago and many supporting factors, the inequality income distribution had been projected increase or higher than the previous years. From the measurement result toward those households sample can be concluded that the Gini coefficient in *Kabupaten* Banyumas in the year 2008 is 0,63 as shows in Table 2.

Table 2: The measurement of Gini coefficient Kabupaten Banyumas in the year 2008

Gini Coefficient Kabupaten Banyumas 2008

A	B	C	D	E	F	G	H	I
0.1	55,380,000	0.1	55,380,000	0.1	0.010	0.1	0.010	0.001026776
0.1	75,000,000	0.2	130,380,000	0.2	0.024	0.1	0.034	0.003444095
0.1	105,000,000	0.3	235,380,000	0.3	0.044	0.1	0.068	0.006781396
0.1	129,600,000	0.4	364,980,000	0.4	0.068	0.1	0.111	0.011131011
0.1	168,600,000	0.5	533,580,000	0.5	0.099	0.1	0.167	0.016659807
0.1	258,000,000	0.6	791,580,000	0.6	0.147	0.1	0.246	0.02456921

0.1	361,200,000	0.7	1,152,780,000	0.7	0.214	0.1	0.360	0.036049526
0.1	476,400,000	0.8	1,629,180,000	0.8	0.302	0.1	0.516	0.0515791
0.1	744,000,000	0.9	2,373,180,000	0.9	0.440	0.1	0.742	0.074206
0.1	3,020,400,000	1	5,393,580,000	1	1.000	0.1	1.440	0.144000089
1	5,393,580,000					1	3.694	0.369447009

Column A : Households class

Column B : Income class

Column C : Households cummulative

Column D : Income cummulative

Column E : Proportion of Households cummulative (X)

Column F : Proportion of Income cummulative (Y)

Column G : $X_k - X_{k-1}$

Column H : $Y_k + Y_{k-1}$

Column I : $(X_k - X_{k-1})(Y_k + Y_{k-1})$, k : class to-k

G = 1 - 0.369447009

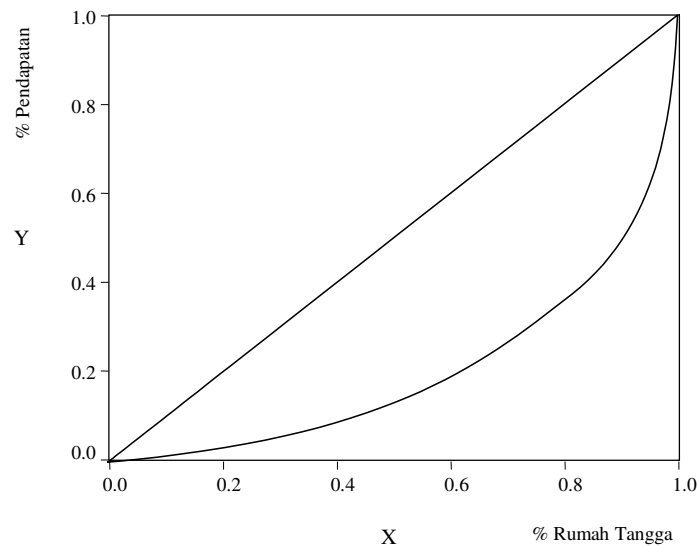| Gini Coefficient	**0.630552991**

Therefore, if the Lorenz curve is stated by the function Y = L(X), the estimation of the equation can get the function $Y = 0.867X^{3,69}$ and the integral:

$$\int_0^1 L(x)dx = 0.184861407X^{4,69} = 0.184861407 \text{ and Gini coefficient as:}$$

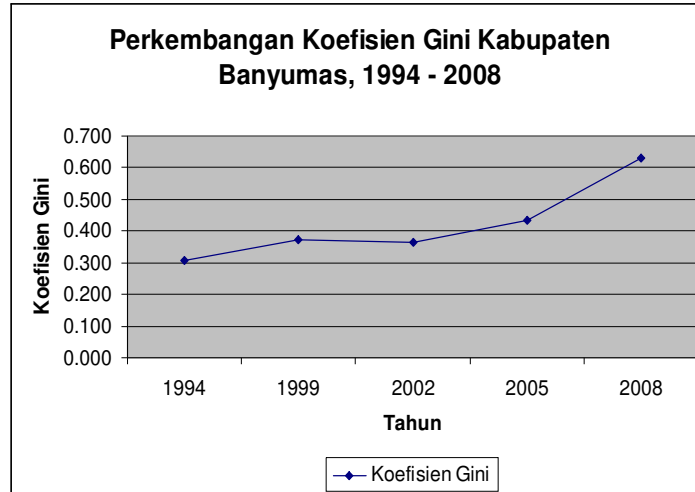$$G = 1 - 2\int_0^1 L(x)dx = 1 - 0.3697 = 0.6303$$

If the distribution function is visualized by using Lorenz curve so the households income distribution in Bnayumas in the year of 2008 in this studies is shown by this picture.

Sumber: Data primer diolah

Picture 2: The Lorenz curve of Income Distribution in Kabupaten Banyumas in the year of 2008.

In the picture 2 shows that the Lorenz curve describing the Income distribution in Kabupaten Banyumas is located far away from equity line or diagonal line. Te location of this curve indicates that there is a high inequality Income distribution. It is suitable with the high number enough of Gini coefficient is 0, 63.

Source: primer data calculation

Picture 3: The growth of Gini coefficient in Kabupaten Banyumas 1994-2008.

In the picture 3 above, there is a raising tendency enough if the Gini coefficient in the year of 2008 is compared with Gini in the previous years. It indicates that there is an increasing of income distribution between the households in Kabupaten Banyumas.

The gain of Income Distribution between the Households Groups

From the result of studies toward the households sample shows that the group of 40% the poor people or the lowest income gets 6, 8% from the total income. Meanwhile, the group of 40% the middle society of income gets 23,4% from the total income. The group of 20% the rich people or the highest income gets 69,8% from the total income.

Table 3: The Numbers of Income Distribution between the households in Kabupaten Banyumas in the year of 2008

No	Group of Society	The gain of percentage (%)
1.	40% the lowest income	6,8
2.	40% the middle income	23,4
3.	20% the highest income	69,8

Source : own calculation

An inequality that measured by Gini coefficient is high if the range is around 0, 5-0, 7; 0,36-0,49 for the middle and 0,2-0,35 for low. Based on Gini coefficient as 0,630, therefore the inequality income distribution between households in Banyumas is already becoming a very serious problem.

Based on The World Bank criteria, the level of inequality income distribution is identified to high if 40% of the lowest income group population receiving not more than 12% of the total income, the level of inequality is in the middle if those groups receiving not more than 17% of the total income, and the level of inequality is low if the groups receiving more than 17% of the total income. Analyzing the gain of income distribution between the households as shown in Table 3, therefore the inequality income distribution in Banyumas in the year of 2008 based on The world Bank criteria is identified as a high inequality or the worst inequality since the 40% of the low income society only gets 6,8% of the total income.

The factors that causing an increasing of inequality income distribution in *Kabupaten* Banyumas

The increasing of the poverty numbers is caused by the lower of economic growth and the income per capita. The reduction of farming contribution sector and potential sector *(padat karya)* indicated by the low of farmer incomes, small enterprises and households industries. An inadequate informal sector giving the result and income toward the economy society in informal sector because of production and capital cost and the low demand caused by decreasing real society of income through the inflation. The polarization of the income that gain between the low income group such as farmer, teacher, small worker and informal sector people and the high income group such as businessman, entrepreneur and professional, makes this condition raising the inequality income distribution.

The increasing of production cost caused by rose of oil price (*BBM)* since in the year 2005 and inflation had impact toward the decreasing of purchasing power in society and investment spending that makes the unbeneficial climate condition especially for the farmer and informal sectors. The reduction of relative income toward the lowest income society (40% the lowest) and the relatively high income society for the highest income society (20% the highest) makes the inequality income distribution is raising indicates by the Gini coefficient. Based on the society income distribution in *Kabupaten* Banyumas, it is clearly that 20% the highest income society very raised (getting 69,8% income), meanwhile 40% the lowest society income is in very small numbers (only get 6,8% income).

The inequality income distribution in each *Kecamatan*

Kecamatan in the city area particularly in West and east Purwokerto has been contributing toward the average GRDP of Banyumas per year 2002-2006 as 13,034 and 6,096 percent for each that the tendency is clearly dominated and rise from year to year. Otherwise, the other *kecamatan* such as Pekuncen with the average GDRP contribution as 2,538 percent tend to decrease the contribution from year to year. The total of GRDP *Kecamatan* East Purwokerto had been dominate contributed from services sector (28, 57%), transportation and communication (23,43%), Manufacture (15,94%) meanwhile the farming sector only (2,14%) in the year of 2006.

The total of GRDP West Purwokerto had been dominate contributed from manufacture sector (22, 42%), transportation and communication (18, 34%), services (14,75%) and farming sector only contributed 4,02% in the year of 2006. On the other hand, GDRP *Kecamatan* Pekuncen is

still dominated by farming sector as giving the biggest contribution toward their place as 41,41% in the year of 2006.

Table 4: Income Distribution between the Households and Gini coefficient for each

Sample Kecamatan in Kabupaten Banyumas in the year 2008.

No	Kecamatan	The percentage of income 40% Lowest	The percentage of income 40% Middle	The percentage of income 40% Highest	Gini Coefficient
1.	Purwokerto Utara	12,2%	36,8%	51%	0,442
2.	Purwokerto Barat	3,1%	14,5%	82,4%	0,751
3.	Purwokerto Timur	2,6%	9,2%	88,2%	0,795
4.	Kembaran	15,8%	41,9%	42,3%	0,366
5.	Sokaraja	10,2%	40,2%	49,6%	0,482
6.	Sumbang	9,6%	28,5%	61,9%	0,552
7.	Cilongok	12,8%	41,5%	45,7%	0,423
8.	Ajibarang	7,3%	27,7%	65%	0,596
9.	Pekuncen	12,3%	40,8%	46,9%	0,426
	Total	6,8%	23,4%	69,8%	0,630

Source: own calculation

From the table 4, it can be concluded that the inequality income distribution that much higher in Banyumas was happened in the non farming sector areas or in the modern sectors such as services, manufacture, transportation and communication, finance and trade gave the higher contribution rather than farming sector. Otherwise, the region who still have the farming sector as the main sector and give the big contribution having the relatively low inequality income distribution. It is suitable with the theory of Lewis growth model which stated that the inequality in modern sector had been a fast growing is more bigger than in traditional sector which relatively constant and stagnant.

If the Gini coefficient is compared between the city and village as shown in Table 5, it shows that the inequality income distribution in the village area is relatively lower 0,503 compared with the city area that has Gini coefficient as 0,720. This tendency is concluding that the differences the inequality income distribution for each kecamatan. The village area that generally is still dominated by farming sector as the GRDP contributor has a relatively lower the inequality income distribution than in the city area that dominated by non farming sectors such as service, transportation, manufacture and finance.

Table 5 also shows the higher inequality income distribution in the city area rather than in the village area. The percentage of the income is getting higher by the 20% group of high income society located in the city area rather than in the village area. The high of inequality income distribution is as the impact of polarization the income percentage between 40% the lowest group of income society such as informal sector society, labor and small worker with the 20% the highest group of income society such as businessman, entrepreneur and professional who are able to get the high income in the cities and the sector that can give a high output or added value.

The livelihood of society in the village mostly is dominated by the farmer, industry labor, other laborer and trader that having relatively low variation income than in the city. Otherwise, the income variation in the livelihood of society in the cities particularly between farmer, industry labor, other labors and informal sector societies with businessman, entrepreneur and professional is very high so that creating a relatively high inequality income distribution in the cities particularly in West and East Purwokerto.

Table 5: Income Distribution between the Households and the Gini Coefficient in the village, City, Village + City in Kabupaten Banyumas in the year 2008

No	Area	The percentage of income 40% Lowest	The percentage of income 40% Middle	The percentage of income 20% Highest	Gini Coefficient
1.	Village	10,5%	33,5%	56%	0,503
2.	City	4,0%	16,6%	79,4%	0,720
	Village + City	6,8%	23,4%	69,8%	0,630

Source: own calculation

CONCLUSION

The result of study concludes that there is an increasing tendency of income distribution between the households in *Kabupaten* Banyumas until now. The increasing of inequality income distribution between the households is happened because the decreasing of the relative income and real income by the 40% society group which has the low income, caused by ;(1) from the supply side such as the limited of ownership and the capital opportunities, the limited of job opportunities, the low bargaining position; (2) from the demand side such as the unbeneficial of condition in Indonesia and the lower income caused by the inflation and the price of oil *(BBM)* since 2005, therefore there is decreasing of purchasing power of consumers that cannot be enhancing the relative income for small and household industries, informal sector, farmer, labor and the low worker.

In other side, the society groups of 20% which have the high income generally an entrepreneur, professionals, and businessman are capable to get a high income. A businessman has the opportunities gaining the high income with the lower of labor wages. Beside it, the group of society who has the high income including a businessman, entrepreneur, professional and the other profession can take benefit from the existence of increasing the modern sector such as service, finance, building, transportation, communication particularly in the central of economy activity. The high income society relative not effected with the increasing of the inflation and the price of oil *(BBM)* and the unbeneficial condition compared with the low income society.

The job opportunities in the sector such as big industries, construction, trade and finance yet give the high income and value added but the supply is limited and more provided in the city rather than in the village that dominated by primary sector, therefore it is created the inequality of income particularly between the cities and the villages.

The result of study is suitable with the theory of Lewis growth model. The theory stated that the inequality income distribution in modern sector (in the cities) such as *kecamatan* West and North Purwokerto as the central of economic activity has been growing faster than traditional sector which relatively stagnant and constant.

Recommendation of Policy

Some policies that can be recommended toward local government implementing the development of economy are that they should be more concern with the equality income distribution aspects. The increasing tendency of inequality income distribution in households should make the local government more seriously to solve the problem of inequality income distribution and poverty that the policies should more have vision to: (1) the development policies which pro poor without neglected the sustainable economy growth that concentrate with the development in farming sector and economic of society;(2) the promotion and development of informal sectors; (3) the development of small and medium enterprises (UKM) through the local commodities of central industries;(4) the agribusiness and agro industry development to create the sectored correlation increasing farming sector. The farming development and economic of society is aimed to enhance the capacity and the compete power of farm society particularly farmer who cannot reach the access toward the farming sources through the advisory revitalization and farmer consorting, the growth and intensification of farm institution and the villages enhancing the farmer bargaining position.

Remembering how relatively difficult to reach the high of economic growth that expected from the big investments so that the local government is suggested to encouraging more the economics of society that becoming a hidden potential such as small medium enterprises (UKM) and informal sector to solve the poverty and unemployment problems.

The encouragement of society economics is already proven and has been done in Bangladesh that Dr.M. Yunus as the founder. He could solve the poverty problems in his country by founding Grameen Bank. It was same with De Soto has been done in his country in Peru that can be solving the poverty problems by encouraging the informal sectors.

The local government should also doing some the policy of increasing labor and worker wages that adjusted again with the minimum standard of living caused by inflation through the policy

of increasing the standard of *Kabupaten* minimum wage (UMK) to reduce the big inequality income between the labor and businessman that happened particularly in modern sectors and the cities.

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