

# Factors Affecting Economic Growth in Indonesia

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## Factors Affecting Economic Growth in Indonesia

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### Abstract

*Inclusive economic growth is an important issue in Indonesia, given the country's uneven economic history and many social and economic inequalities. Despite significant economic progress in recent decades, many Indonesians still live in poverty and are marginalized from economic progress. The data used in this study are panel data from cross-sectional data, namely data from 34 provinces in Indonesia, and time series data, namely data from 2012–2021. The analysis technique used is panel data regression with the fixed effect model method. Based on the results of the study, it is clear that the relationship between poverty, unemployment, and economic inequality is negative and significant for inclusive economic growth in Indonesia. The analysis also emphasizes that efforts to achieve inclusive economic growth should focus on community empowerment, investment in education and training, inclusive infrastructure development, and policies focused on sustainable economic development.*

### Keywords:

poverty; unemployment; economic inequality; inclusive economic growth

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## INTRODUCTION

As a developing country, Indonesia strives to realize people's welfare through economic growth (Wibowo, 2019). Economic growth is said to be one of the indicators used to measure the success of a country's development (Valickova et al., 2014). However, the problem is that high economic growth is not enough to ensure the development of people's welfare (Dauda, 2016). On the contrary, various issues must pay attention to income equality and poverty and unemployment alleviation. There are still differences in regional development due to inequality in income distribution, causing situations that can increase poverty (Fosu, 2015). Based on these conditions, one of the economic development strategies is more directed at <sup>3</sup> paying attention to the quality of economic growth through inclusive economic growth (Yurui et al., 2021). According to Corrado (2017), inclusive growth is a concept that develops fair opportunities for economic actors during economic growth. By ensuring that all communities benefit from economic growth, inclusive growth can help create a more stable and harmonious environment (Naustdalslid, 2014).

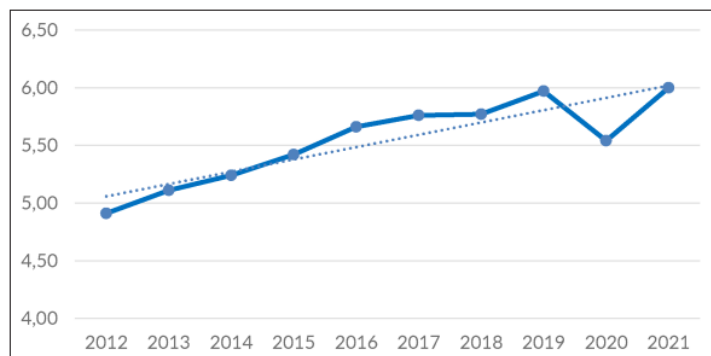
The objective of inclusive economic growth, according to the Asian Development Bank (2011), explains that, considering harmony and fairness, a good and inclusive distribution of growth in all regions is necessary. Second, economic growth with a high level of inequality will lead to dangerous social conditions, for example, crime because of the large number of unemployed. The three continuing inequalities will impact political stability, disrupting sustainable growth.

Inclusive economic growth is an essential issue in Indonesia, given the country's uneven economic history and many social and economic inequalities (Libassi, 2020; Nugraha et al., 2020). Although there has been significant economic progress in recent decades, many Indonesians still live in poverty and are marginalized from economic progress (Gupta et al. <sup>3</sup> 2016; Leichenko & Silva, 2014; Gatzweiler & Baumüller, 2014). Based on Figure <sup>3</sup> 1, inclusive economic growth in Indonesia has not shown maximum improvement. Inclusive economic growth increased from 2012 to 2019 but decreased in 2020. In that year, it was difficult for people to experience mobility because, at that time, the government imposed lockdown rules for every area infected with the COVID-19 virus (Hensher, 2020; Kanda & Kivimaa, 2020).

The problems of poverty, unemployment, and inequality in Indonesia have not been completely resolved. Although there has been a decrease in the poverty rate in recent years, around 9.2 percent, or around 24 million people, will still live below the poverty line in 2020 (Central Statistics Agency, 2020). Poverty rates are also higher in rural and remote areas (Wirawan & Gultom, 2021; Priasto & Ginting, 2015). Poverty is a significant obstacle to achieving inclusive economic growth, as impoverished people do not have equal access to opportunities and resources (Kim et al., 2013; Scheyvens & Biddulph, 2018; Etuk et al., 2014). The economic development literature has widely discussed the relationship <sup>7</sup> between poverty and economic growth over the past few decades. Dauda (2016) examines issues surrounding the paradox of increasing poverty amid high economic growth in Nigeria. He argues that this absurdity includes

unemployment growth, non-pro-poor growth, and the failure of poverty alleviation initiatives to address the structural transformations necessary for sustainable growth, job creation, and bridging income gaps in the economy. With the same goal, Garza-Rodriguez (2018) examines the problem of economic growth in Mexico, showing the negative influence of poverty on economic growth. Research with similar results has also been examined by Iniguez-Montiel (2014).

Figure 1. Indonesia's Inclusive Economic Growth 2012-2021



Source: Development Planning Agency (2012-2021)

In addition to poverty, unemployment is a significant problem in Indonesia (Siregar, 2020; Sasongko & Huruta, 2019). The unemployment rate is still relatively high, especially among youth and less developed areas. High unemployment can hinder inclusive economic growth because it causes a decrease in people's purchasing power and impacts decreasing demand for goods and services (Amorós et al., 2019; Omoniyi, 2018). In addition, unemployment can also exacerbate poverty and social and economic inequality, as unemployed people tend to have low incomes and have difficulty making ends meet (Prawitz et al., 2013; Gudmundsdottir, 2013). As a result, poverty rates and social and economic inequality may worsen further, thus amplifying the negative impact of unemployment on inclusive economic growth. The complex relationship between unemployment and economic growth has been examined by Mohseni and Jouzaryan (2016), who examined the influence of these two variables in Iran. Another study by Olusadum (2018) examined the situation in South Africa.

Inequality between developed and underdeveloped regions is also a problem in Indonesia (Yusuf & Resosudarmo, 2015; Gibson et al., 2021). There is significant inequality in terms of household expenditure between developed and lagging provinces (Turner, 2014). This inequality can have a negative impact on inclusive economic growth as it can exacerbate poverty and social and economic inequality (Ncube et al., 2014; Ratnawati, 2020). Inequality can strengthen the dominance of already wealthy groups and hinder the progress of underprivileged groups (Jetten, 2019). This condition can result in social and economic injustices and exacerbate disparities between groups of people.

Research related to inequality in economic growth has been studied in several countries (Halter et al., 2014; Goschin, 2015; Kim, 2016).

Based on this theory, it can be observed from previous research that the relationship between variables and inclusive economic growth has several different results from several previous studies. In line with research (Hapsari et al., 2013; Rini & Hamonangan, 2021), which explains the phenomenon of inclusive growth in reducing poverty, reducing inequality, and increasing employment, it occurs more in the western part of Indonesia. Likewise, Andrian (2020), Sholihah et al. (2014), and Purwanti & Rahmawati (2021) prove that poverty, unemployment, and inequality have a negative and significant effect on inclusive economic growth but not fully inclusive growth, namely the poverty equivalent growth (PEG) method. In further contrast with the study conducted by Anyanwu et al. (2013) and Lee & Sissins (2016), which found that education and income distribution variables have a positive effect on inclusive economic growth, Sitorus and Arsani's (2018) research on inclusive economic growth has shown satisfactory results for infrastructure and education. Folarin's (2019) research shows that financial inclusion and inclusive growth have a positive relationship because they are achieved by reducing income inequality.

Then, several previous studies at the provincial level, namely research conducted by Nurlina *et al.* (2021), stated that while poverty and the Gini Ratio did not affect economic growth, the workforce positively impacted inclusive economic growth in the province of Aceh. Furthermore, research conducted by Rahmawati *et al.* (2021) with statistical test analysis shows a significant influence of COVID-19 on inclusive economic growth in East Java. In her research, Azwar (2019) states that the variables unemployment, education, and poverty negatively influence inclusive economic growth. Furthermore, research conducted by Aimon *et al.* (2020) concluded that inclusive growth has a positive and significant effect on health, education, investment, and government spending. Meanwhile, inclusive growth in income inequality has a negative and significant effect on health, education, investment, and government spending in West Sumatra.

Based on the arguments above, this research is exciting and deserves to be studied more deeply. Despite Indonesia's economic growth, there are still significant problems in poverty, unemployment, and inequality. By highlighting this, the analysis shows that more than economic growth that relies solely on national statistics is needed to achieve inclusive and sustainable development goals. The analysis also emphasizes that efforts to achieve inclusive economic growth should focus on community empowerment, an investment in education and training, inclusive infrastructure development, and policies focusing on sustainable and environmentally sound economic development. In addition, research using panel data from all provinces in Indonesia still needs to be conducted concerning inclusive economic growth.

## METHODS

The type of research used in this study is quantitative descriptive research. The type of data used in this study is secondary data, where the data obtained comes from the



publication website of the Central Bureau of Statistics and Development Planning using dependent (related) variables, namely Inclusive Economic Growth in Indonesian provinces in 2012-2021. In comparison, the free variable uses data on poverty, unemployment, and economic inequality in Indonesian provinces. The data used in this study were at the national level.

The panel data regression analysis combines data time series and cross-section with estimation model methods: Common Effect Model, Random Effect Model, and Fixed Effect Model. It uses two model estimation techniques. Both techniques are used in panel data regression to obtain precise models in panel data regression estimation, Chow Test, and Hausman test. Test the hypothesis using the F-test and the t-test. Panel data analysis helps evaluate the effect of Independent Poverty (P), Unemployment (U), and Economic Inequality (EI) variables for Dependent Variables, namely Inclusive Economic Growth (IEG). The mathematical equation of this research as follows:

$$IEG_{it} = \alpha_{it} + \beta_1 P_{it} + \beta_2 U_{it} + \beta_3 EI_{it} + \varepsilon_{it}$$

Where: IEG = Coefficient or Index of Inclusive Economic Growth in Indonesian Provinces; P = Poverty in Indonesian Provinces; U = Unemployment in Indonesian Provinces; EI = Economic Inequality in Indonesian Provinces;  $\alpha$  = Regression Coefficient;  $\beta_1$ ,  $\beta_2$ ,  $\beta_3$  = Coefficient of independent variable  $\varepsilon$  = error term;  $i$  = 34 provinces in Indonesia;  $t$  = Year.

## RESULT AND DISCUSSION

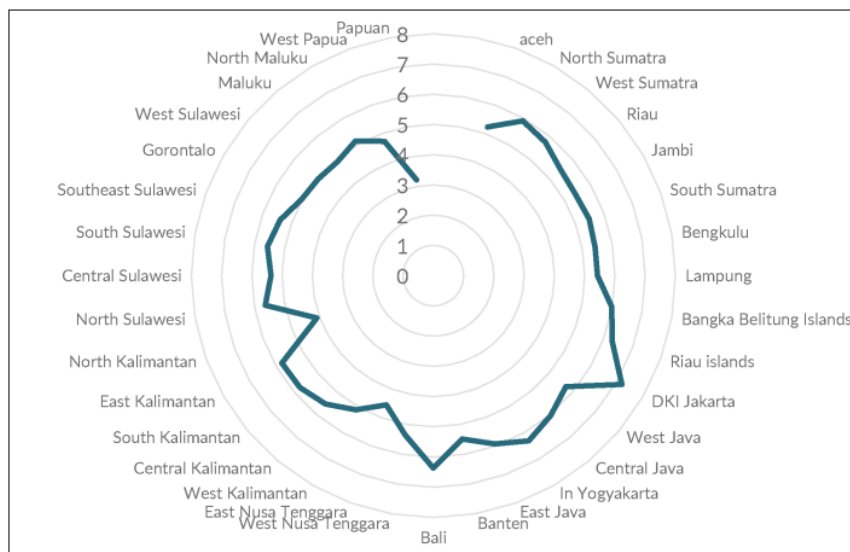
From the perspective of measuring the quality of economic growth, in addition to looking at the achievements of economic and social indicators, the measurement of the quality of economic growth can be seen in the value of the Inclusive Growth Index (IGI). This composite index is based on grading methods and weighting schemes. For the measure of economic growth, including in provinces in Indonesia, it is seen utilizing measurement, namely the achievement of a scale of 1-3 percent is unsatisfactory, a scale of 4-7 percent is satisfactory, and a scale of 7-9 percent is very satisfactory. Economic growth, including in Indonesian provinces, is shown in Gambar 2.

According to data published by the Planning and Development Agency (BAPPENAS), the province with the highest inclusive economic growth in Indonesia during 2012-2021 is DKI Jakarta Province, with an average satisfaction score of 7,197 percent. Jakarta has a conducive employment system to reduce poverty levels and absorb labor. Meanwhile, Papua Province has the lowest inclusive economic growth with an average value of 3,717 percent.

High inclusive economic growth in DKI Jakarta Province occurs due to several factors, such as geographical conditions, the existence of business and financial centers, and local government policies that support economic inclusivity. In addition, Jakarta is the center of economic and business activities in Indonesia, so many national and international companies have their headquarters and branches in Jakarta (Firman & Fahmi, 2017). It offers many job opportunities in various sectors, such as finance, trade, services, and

industry. In addition, local governments have also implemented various policies to expand employment, such as job training and education programs that focus on industry needs (Sulistiyadi et al., 2017). This program allows people to develop skills and employability to compete in an increasingly competitive labor market. With available employment and easy accessibility, people can reduce poverty rates and improve economic well-being. Therefore, a conducive employment system in Jakarta plays a vital role in encouraging inclusive economic growth that has a positive impact on society and the country as a whole (Lestari & Rahmawati, 2021).

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Figure 2. Provincial Inclusive Economic Growth in Indonesia 2012-2021



Source: Development Planning Agency (2012-2021)

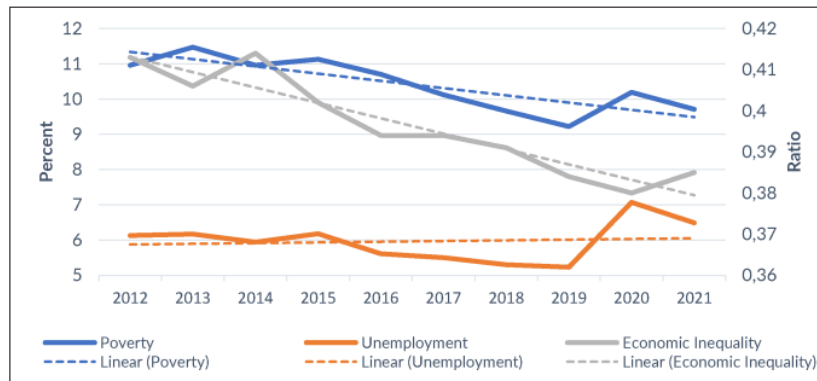
Inclusive economic growth in Papua Province is low compared to other provinces in Indonesia. Wilayah Papua still faces infrastructure, energy availability, and accessibility to markets and resources (Fauzi et al., 2019). This condition makes developing adequate economic sectors and investments difficult, thus hampering inclusive economic growth. The lack of accessibility to education and skills makes it difficult for Papuans to compete in an increasingly competitive labor market (Dong & Manning, 2017). In addition, the high poverty rate in the Papua region makes it difficult for many Papuans to find decent work and develop businesses. Significant cultural and linguistic differences in the Papua region can hinder inclusive economic development.

Based on Figure 3, the trend of poverty in Indonesia is relatively down every year but has not dropped significantly. The Government of Indonesia has implemented various development programs and improved community welfare, such as family hope programs, cash social transfers, and non-cash direct transfers (Aziz et al., 2021). These programs aim to help impoverished families meet basic needs such as food, clothing, and shelter.

However, this has yet to be implemented evenly throughout Indonesia. High economic growth only occurs in certain regions, such as Java and Bali, while others still need more growth. This condition causes economic disparities and poverty between regions to occur.

The unemployment rate showed a downward trend during 2012–2021 but has not shown satisfactory results. During this period, the Indonesian government has implemented programs to improve the quality of education and job training (Tamsah et al., 2020). However, there is still a gap between the workforce's skills and the job market's needs. Indonesia has a large population, thus affecting the number of unemployed (Atmojo & Fridayani, 2021). Although there is a decrease in the number of unemployed, the decrease is still not significant compared to Indonesia's population. Despite the increase in economic growth, the growth has not been optimized. This condition is because many economic sectors have not developed properly, and there are still development inequalities between regions in Indonesia.

Figure 3. Poverty, Unemployment and Economic Inequality in Indonesia



Source: Central Bureau of Statistics (2012-2021)

Poverty and unemployment show a downward trend, but inequality shows an upward trend. Economic growth in Indonesia during 2012–2021 has not been evenly distributed between regions, causing economic inequality between regions. Some regions in Indonesia experience high economic growth, while others experience slow or stagnant growth. Educational inequality also contributes to increased inequality in Indonesia (Chongvilaivan & Kim, 2016). Low levels of education make it difficult for a person to get a good job, thus causing economic inequality between groups of people (Patel et al., 2018). The distribution of resources such as land, water, and energy also influences the increase in inequality in Indonesia (Nugroho et al., 2022). These resources are not evenly distributed, so some community groups or regions can access them more efficiently, while others find it difficult to access them.

The final model selection effort determines the regression model that EViews 9 will use. Determination of the best model between Common Effect, Fixed Effect, and



Random Effect using two model estimation techniques. Both techniques are used in panel data regression to obtain the right model for estimating panel data regression. The first two tests used the Chow test, and the second was the Hausman test.

Table 1. Chow Test

Effects Test	Statistics	d.f.	Prob.
Cross-section F	33.797766	-33,300	0.0000
Cross-section Chi-square	522.799185	33	0.0000

The results of the Chow test show that the probability value of the cross-section chi-square is  $0.0000 > 0.05$ . This shows that  $H_0$  is accepted because the probability value obtained is smaller than  $0.05$ . Based on the Chow Test, the best model to use is the Fixed Effect Model.

<sup>5</sup>  
 Table 3. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-sq. d.f.	Prob.
Cross-section random	76.67098	3	0.0000

Based on Table 2 of the Hausman test, a random cross-section value of  $0.000 < 0.05$  was obtained. This determines that  $H_0$  is rejected and  $H_1$  is accepted because the probability value is smaller than  $0.05$ . Based on the results obtained by the Hausman test, it can be stated that the best model to use is the Fixed Effect Model.

Table 3. Results of Panel Data Regression Estimation Using Common Effect Model, Fixed Effect Model, and Random Effect Model Methods

Variable	Common		<sup>11</sup> Fixed		Random	
	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
C	6.026447	0.0000	11.14235	0.0000	9.896616	0.0000
P	-0.088745	0.0000	-0.227926	0.0000	-0.129978	0.0000
U	0.014366	0.3709	-0.082817	0.0000	-0.079933	0.0000
EI	0.987065	0.2214	-7.618106	0.0000	-7.129139	0.0000

After testing the suitability of the model on panel data regression using the Common Effect Model, Fixed Effect Model, and Random Effect Model methods, the best method, according to the test results of the three models, is the Fixed Effect Model. Therefore, the Fixed Effect Model is the best model used in this study. In testing using the Chow Test and Hausman Test, both obtained the result that the best model is the Fixed Effect Model. Based on the test results using the Fixed Effect Model method in Table 3.

The result of the regression equation shows a constant value of 11.14235 and a positive sign. If the variables of poverty, unemployment, and economic inequality are considered fixed, then inclusive economic growth will increase by 11.14235 percent. The poverty variable (P) negatively affects inclusive economic growth. This result can be seen in the value of the poverty variable coefficient of -0.227926. It can be seen that if there is an increase in poverty by 1 percent, inclusive economic growth will decrease by 0.227926 percent. This result shows that poverty will result in more significant costs for economic development, indirectly hampering the economic growth rate so that inclusive economic growth will decrease. So, the variable of poverty significantly affects inclusive economic growth.

Furthermore, the unemployment variable negatively affects inclusive economic growth. This condition can be seen in the value of the coefficient on the unemployment variable (U), which is -0.082817, from which it can be concluded that if unemployment increases by 1 percent, inclusive economic growth will decrease by 0.82817 percent. This condition shows that increasing unemployment will impact reducing inclusive economic growth. So, the unemployment variable significantly affects inclusive economic growth.

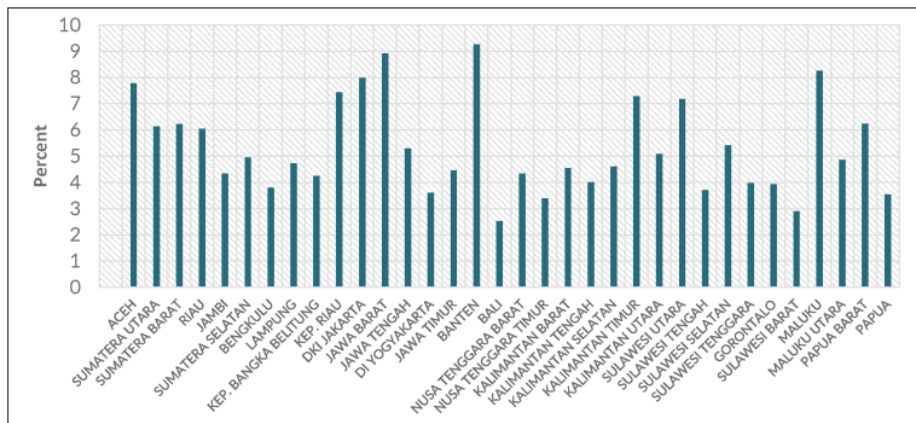
Economic inequality (EI) is the last variable that negatively affects inclusive economic growth. This result can be seen in the value of the coefficient on the unemployment variable of -7.618106, from which it can be concluded that if there is an increase in economic inequality by 1 percent, inclusive economic growth will decrease by 7.618106 percent. According to the data, the high level of economic inequality in every province in Indonesia can decrease the inclusive economic growth rate. The variable of economic inequality significantly affects inclusive economic growth. The variable of economic inequality significantly affects inclusive economic growth.

Poverty has a negative and significant effect on inclusive economic growth because it can hinder the potential for sustainable economic growth. Low-income people have limited access to resources, including education, health, and adequate employment opportunities (Silove et al., 2017; Singu et al., 2020). As a result, they cannot take advantage of existing economic opportunities and participate in overall economic growth. In addition, poverty can also hinder access to credit and business capital, making it difficult for underprivileged people to start a business or develop an existing one (Banerjee & Jackson, 2017). Developing small and medium enterprises (SMEs) is one of the most effective ways to encourage inclusive economic growth. Poverty can also exacerbate social and economic inequality, hindering inclusive economic growth (Omar & Inaba, 2020; Kaulihowa & Adjasi, 2018). Social and economic inequality can lead to social and political instability and damage public trust in government and public institutions (Boin et al., 2020). In order to promote inclusive economic growth, addressing poverty and social and economic inequality is essential. Efforts can be made by implementing programs focusing on equitable development and reducing social and economic inequalities. In addition, efforts to improve access to education and skills and encourage the development of small and medium enterprises also need to be carried out to strengthen community participation

in inclusive economic growth. The negative influence of poverty on inclusive economic growth is in line with the results of research conducted by (Erlando et al. 2020; Cabeza-García et al., 2019; Hidayat et al., 2020).

Unemployment in Indonesia has a negative and significant impact on inclusive economic growth. First, unemployment can reduce people's purchasing power, ultimately affecting demand for goods and services, which slows economic growth (Pulkka, 2017). Second, unemployment can decrease overall productivity, which affects slower economic growth (Korkmaz, 2015). Third, unemployment increases the social burden on the government and society (Baldini et al., 2018). The government will have to spend more to provide social assistance and job training, while people will feel pressured because it is difficult to find work. Fourth, unemployment can exacerbate social and economic inequality, as unemployed people tend to be vulnerable and marginalized groups. Therefore, reducing unemployment and increasing fair and inclusive employment opportunities is essential to creating inclusive and sustainable economic growth in Indonesia. These results are in line with research conducted by Awad-Warred & Muhtaseb (2017), Aoyagi & Ganelli (2015), and Ademola & Badiru (2014).

Figure 4. Average Unemployment of Indonesian Provinces in 2012-2021



Source: Central Bureau of Statistics (2012-2021)

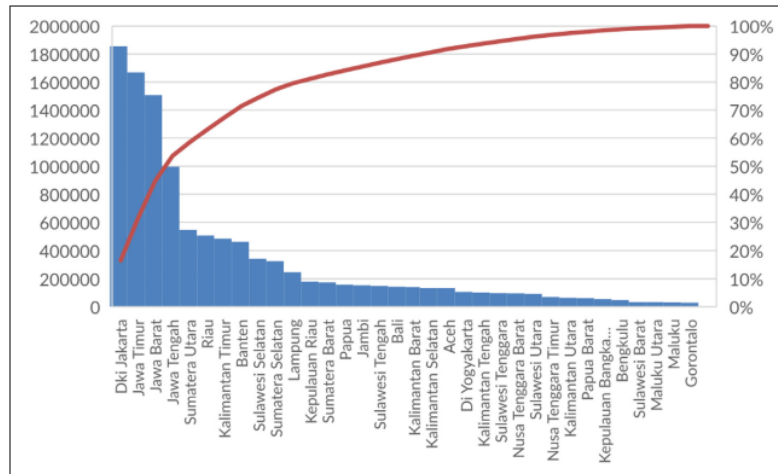
Based on Figure 4, Indonesia's highest provincial unemployment rate is in Banten, West Java, and Maluku Provinces. Banten, West Java, and Maluku provinces have suboptimal economic growth compared to other provinces in Indonesia. This condition can affect employment and lead to high unemployment rates. Some areas in these provinces have high poverty rates and lack access to education and job training, resulting in limited employment opportunities and increasing unemployment. Banten and West Java provinces have big cities such as Jakarta and Bandung that attract many residents to come and live there (Buchori et al., 2017). However, not all migrants can get the desired job, leading to high unemployment. Maluku is an archipelago that is difficult to

access, which causes difficulties in industrial development and creates jobs (Wiweka et al., 2019). This condition can lead to a high unemployment rate in the area. At the same time, the lowest unemployment rates are in Bali, Yogyakarta, and West Sulawesi. Bali and DI Yogyakarta are popular tourist destinations in Indonesia (Kataoka, 2019). The tourism sector in the two provinces contributes significantly to economic growth, thus creating ample employment for the locals. West Sulawesi is one of Indonesia's provinces with great agricultural potential (Arsyad et al., 2019). The agricultural sector in the province contributes significantly to economic growth, thus creating ample employment for the local population. Bali, Yogyakarta, and West Sulawesi have relatively low poverty rates compared to other provinces in Indonesia. These conditions allow local communities better access to job opportunities and training.

The regression test results of panel data estimates show that the variable economic inequality measured by the Gini Ratio has a negative and significant effect on inclusive economic growth. Economic inequality can affect inclusive economic growth in a variety of ways. First, economic inequality can limit an individual's or group's access to the resources and opportunities needed to increase productivity and prosperity (Kraus et al., 2017; Bapuji et al., 2020). For example, individuals born into underprivileged families tend to have more limited access to education, training, and capital. This condition can hinder their ability to improve skills and productivity and create jobs that can expand the economy. Economic inequality can also hinder individual and community groups' access to fair and balanced markets and limit their ability to actively participate in economic activities (Bapuji & Neville, 2015). Second, economic inequality can lead to social and political instability, affecting overall economic growth (Neaime & Gaysset, 2018; Tchamyoun et al., 2019). In an unjust society, people disadvantaged by economic inequality may feel dissatisfied and push for political or social changes that can destabilize the economy. Social and political instability can affect investors and businesses, as well as reduce consumer confidence, which can have a negative impact on economic growth. Lastly, economic inequality can increase income inequality, exacerbating inequalities between social and economic groups (Bor et al., 2017). This condition can hinder inclusive economic growth because sustainable development requires the active participation of all citizens, and economic success must be based on equitable and inclusive progress. Significant income inequality can limit access to equal resources and opportunities and affect society's overall health and well-being (Guest, 2017). Therefore, to achieve sustainable, inclusive economic growth, it is essential to reduce economic inequality and ensure that all citizens have equal access to the resources and opportunities needed to increase productivity and prosperity. This condition can be achieved through various efforts, such as investment in education and training, policies promoting inclusivity and justice, and fiscal policies supporting fair and sustainable redistribution.



Figure 5. Economic Growth of Indonesian Provinces in 2021



Source: Central Bureau of Statistics (2012-2021)

Economic inequality toward inclusive economic growth negatively affects Indonesia due to the large number of big cities with a high per capita income, especially in western Indonesia compared to central and eastern Indonesia (Figure 5). This condition can be caused by various factors, including regional accessibility, level of infrastructure development, unemployment rate, and poverty rate (Marinho et al., 2017; Laurens & Putra, 2020). Comprehensive and coordinated efforts between the government, the private sector, and the public are needed to address economic inequality in Indonesia. Some of the steps that can be taken include improving the accessibility of the region by improving transportation infrastructure, providing support to developing sectors of the economy in a particular region, improving the quality of education and workforce skills, and improving access to essential services such as health and sanitation.

## CONCLUSION

Poverty has a negative and significant effect on inclusive economic growth because it can hinder the potential for sustainable economic growth. People experiencing poverty tend to have limited access to resources, including education, health, and adequate employment opportunities. As a result, they cannot take advantage of existing economic opportunities and participate in overall economic growth. Unemployment in Indonesia has a negative and significant impact on inclusive economic growth. Unemployment can decrease people's purchasing power, ultimately affecting demand for goods and services and lowering overall productivity, affecting slower economic growth. In addition, unemployment increases the social burden on the government and society. Inequality negatively and significantly affects inclusive economic growth because it can limit individual or group access to resources, affect social and political stability, and increase income inequality, exacerbating social and economic inequality.



Governments should improve the effectiveness of poverty reduction programs, including social assistance and training programs, to improve the skills and abilities of community members so they can access better employment. These programs should prioritize the areas most affected by poverty. Encourage investment in sectors that employ a more comprehensive workforce and promote skill development. Government needs to improve access to quality education and training to develop the skills and capabilities of the workforce in Indonesia. Education and training programs should be designed to meet the needs of growing sectors and priority areas most affected by unemployment. Governments should prioritize inclusive economic development in poorer and more remote areas. This condition could include infrastructure, transport, and energy investments that improve the accessibility and connectivity of more isolated areas.

The relatively decreasing poverty trend in Indonesia every year indicates that the Indonesian government has taken adequate measures to deal with the problem of poverty. However, more is needed to eradicate poverty in Indonesia. Some regions in Indonesia still experience very high poverty rates, especially Papua, East Nusa Tenggara, and Maluku. This fact shows that poverty reduction efforts in these areas still need to be more intensive and sustainable. Developing local economic sectors such as agriculture, fisheries, and tourism can increase people's incomes in areas that still experience high levels of poverty. This condition can be done by providing support in terms of technology, capital, and market development. The government also needs to encourage the development of small and medium enterprises to strengthen public participation in inclusive economic growth.

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