

Poverty Trap, Human Capital and Health Services in Indonesia

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Abstract

This study examines the relationship between education and health investment made by the Indonesian government on poverty rates in Indonesia. This study uses secondary data from world banks and processed regression using the moving average autoregression method. We find that poverty is negatively related to investment in education and investment in health. This means that the more the Indonesian government invests in education and public health services, the less poverty in Indonesia.

Keywords: Poverty Trap, Indonesia, Human Capital

JEL Classification : C0, J24,J64

Background

The poverty trap is a complex problem for developing countries such as Indonesia. People who are below the poverty line cannot simply prosper. Efforts are needed to break the chain of poverty starting from meeting the minimum needs for life and, investing in human capital that helps them to be independent (Breuer et al,2014).

Living below the poverty line is very hard, working relying on physical strength that is not well maintained for low wage health services is only enough to make a living and it is very difficult to live in a healthy category. Social assistance in the form of staple food or cash transfers is not sufficient to help them move out of the poverty line. The increase in human capital is also hampered by the necessities of life that must be fulfilled coupled with poor health conditions. A more severe condition of the poverty trap is a lack of nutrition or nutrition so that it is difficult to work and generate income. This condition is very difficult to help out of poverty (Jensen,2010).

In Indonesia, the poverty trap is exacerbated by early marriage which creates new poor families. This made matters worse. Conditions of malnutrition, physically dependent jobs with low wages, lack of education and knowledge and skills, a living environment that is far from healthy and early marriage among them which results in new poor families (Barrett et al,2018).

There is at least four assistance that must be provided to help them get out of poverty, namely the provision of a more adequate and monitored living environment, affordable and free health services for them, educational assistance for children from their environment so that they can save the generation below them, assistance direct cash and staple food as well as health education and education and skills training (Brodie et al,2020). The Indonesian government program to meet their

needs has gradually led to ideal targeted assistance such as pre-employment cards to provide subsidies for unemployed people, health cards for health service assistance and smart cards for educational assistance. In addition, there is a community health centre program that is close to the community with affordable or free health costs depending on the health services provided.

Literature Review

Poverty is a condition in which a person or a certain group of people does not have enough income to meet the minimum needs to live properly. Poverty will cause various social problems ranging from malnutrition, death of mothers and babies during childbirth, crime and so on (Beck et al,2020). Poverty should be eradicated by helping people living below the poverty line to live properly. Poverty makes it difficult for a person to invest for himself in the form of human capital investment such as improving education or adding certain skills to get a decent job (Monchuk,2014).

Poverty eradication programs in various forms have been carried out by the Indonesian government (Hill et al,2013). Starting from food aid programs, cash assistance, health assistance, educational assistance to pre-employment assistance for those who have difficulty finding work. These aid programs are continually being developed so that they can be on target and do not give the government an opportunity to misuse aid funds or commit acts of corruption that harm the people. Until the integrated health program known as the community health centre. Where the program is a health service program that is easily accessible both by distance and cost and some of the most important health services are provided free of charge, such as child immunization services and health services for the elderly and pregnant women. All efforts have been made by the Indonesian government so that all Indonesian people can be smart and healthy and able to live independently and properly.

Research Method

This study examines the relationship between education and health investment made by the Indonesian government on poverty rates in Indonesia. This study uses secondary data from world banks and processed regression using the moving average autoregression method with the following equation:

$$POV_t = C_t + \beta_1 IE_{t1} + \beta_2 IH_{t2} + e_t$$

Where,

POV = Poverty

C = Constant

IE = Education Investment

IH = Health Investment

e = Error Term

All financial data is calculated in USD, poverty data is calculated in terms of the number of people.

Result and Discussion

The estimation results are as follows:

$$POV = 86562310.2849 - 0.000111511592595*HI - 0.000062*EI$$

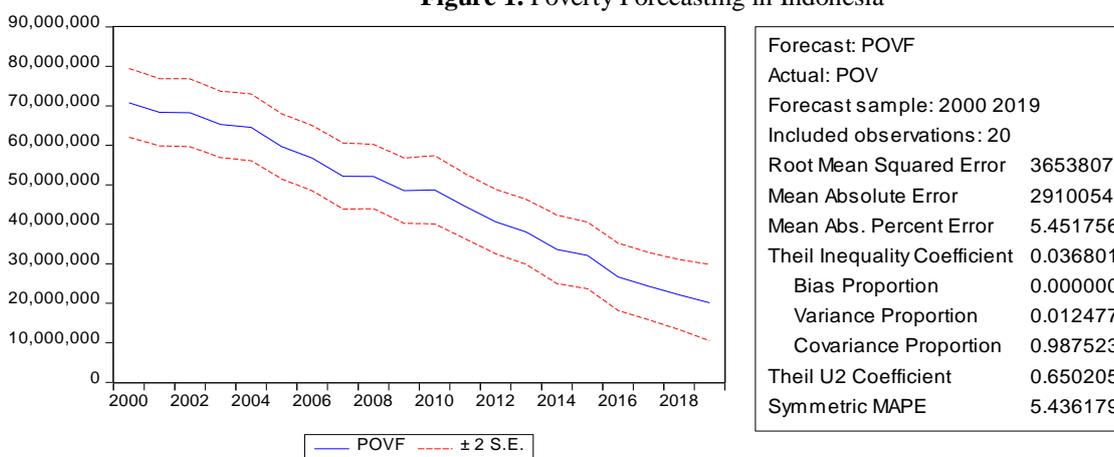
From the estimation results, poverty is negatively related to education investment and health investment. This means that the more the Indonesian government invests in education and public health services, the less poverty in Indonesia will be. Table 1 illustrates the estimation results as follows:

Table 1. Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	86562310	2730044	31.70729	0
HI	-0.000112	3.75E-05	-2.970966	0.01
EI	-0.000062	3.66E-05	-1.696229	0.1081
R-squared	0.951316	Mean dependent var		46870000
Adjusted R-squared	0.95	S.D. dependent var		16989876
S.E. of regression	3963110	Akaike info criterion		33.36044
Sum squared resid	2.67E+14	Schwarz criterion		33.5098
Log likelihood	-330.6044	Hannan-Quinn criter.		33.38959
F-statistic	166.095	Durbin-Watson stat		1.228564
Prob(F-statistic)	0			

Based on the estimation results described in Table 1., it can be seen that the R-square is quite high, namely 0.951316, so the quantitative calculation results show a 95% level of truth. Figure 1. Shows the forecasting of poverty in Indonesia

Figure 1. Poverty Forecasting in Indonesia



Source: Author Computing

From the forecasting results, it can be seen that poverty continues to decline from 2000 to 2019. This indicates that the Indonesian government's program in reducing poverty is running well through various efforts and approaches of the Indonesian government.

Conclusion

Human capital investment is the key to poverty eradication through the development of affordable education and health services for Indonesians, both in terms of distance and price.

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