

## **The Influence of the Human Development Index (IPM), Unemployment, Gross Domestic Regional Product (PDRB) and Sharia Financing on Poverty Levels in Central Java**

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### **Abstract**

Poverty is a serious challenge in various countries, including Indonesia, with its impact not only being felt directly on individuals, but also having profound consequences for economic progress and societal development. The focus of this research is the problem of poverty in the province of Central Java, Indonesia. Poverty is defined as the inability to fulfill basic needs such as clothing, shelter and food, as well as the inability to obtain health facilities, access to work, and low levels of education and income (Leonita & Sari, 2019). This research aims to analyze the impact of the Human Development Index (HDI), unemployment rate, Gross Domestic Regional Product (GRDP), and sharia financing on poverty levels in Central Java. The data used comes from various official sources such as the Central Statistics Agency (BPS) and reports from sharia financial institutions. The panel data regression analysis method is used to evaluate the impact of these variables in the 2012-2022 time period. The research results show that increasing HDI contributes significantly to reducing poverty levels, while the unemployment rate does not have a significant impact. GRDP shows an insignificant negative effect, indicating that economic development is not fully related to poverty reduction. Although sharia financing does not have a significant impact, research recommends focusing on increasing HDI, evaluating employment policies, improving economic structure, and optimizing the role of sharia financing to achieve more effective poverty alleviation in Central Java. Further research can deepen other aspects that play a role in poverty levels in the region.

**Keywords:** Poverty, Human Development Index (HDI), Gross Domestic Regional Product (GRDP), Unemployment

### **INTRODUCTION**

Poverty is a serious challenge faced by many countries, including Indonesia. The impact not only affects individuals directly, but also has deep implications for economic progress and societal development. This article will discuss the problem of poverty, with a special focus on the province of Central Java in Indonesia. The definition of poverty involves a person's inability to meet basic needs, such as clothing, shelter, and food. Apart from that, ineligibility in obtaining health facilities, access to work, as well as low levels of education and income are also serious impacts of this poverty condition (Leonita & Sari, 2019). Statistical data from the Indonesian Central Statistics Agency (BPS) shows fluctuations in poverty levels in Indonesia from year to year. The declines and increases that occur each year reflect complex dynamics related to economic, social and public policy factors. In 2022,

Indonesia will have a poor population of 26.36 million people, with the highest poverty rate concentrated on the island of Java.

Java Island, which is one of the largest islands in Indonesia, plays a central role in the country's economy, contributing around 60% of Gross Domestic Product (GDP). However, this island also faces serious challenges related to poverty levels, with Central Java as one of the provinces recording the highest poverty rates. Even though the problem of poverty in Central Java is the main focus, positive changes can also be seen in the Human Development Index (HDI) in 2022. The significant increase in HDI shows that there are efforts to improve the quality of life of the community, especially in the aspects of health, education and per capita expenditure. customized. The article discusses the impact of poverty as a serious threat to a country, especially in Indonesia with a focus on Central Java. Poverty is defined as a person's inability to fulfill basic needs such as clothing, shelter and food.

Table 1. Indonesia's poverty rate data 2018-2022

Indonesia	2018	2019	2020	2021	2022
	9.66	9.22	10.19	9.71	9.57

Source: Indonesian Central Statistics Agency (BPS).

Data from table 1, shows fluctuations in poverty levels in Indonesia from 2018 to 2022, with decreases and increases occurring each year. In 2022, Indonesia will have 26.36 million poor people, with the highest poverty found on the island of Java. Java Island, despite being the fifth largest island in Indonesia, plays a central role in the country's economy, contributing 60% of GDP. Central Java stands out as the province with the highest poverty rate, reaching 10.98% in 2022.

Table 2. Number and percentage of poor people by province in 2022

Provinsi	Jumlah (ribu orang)	Persentase (%)
Jawa Timur	4236,51	10,49
Jawa Barat	4053,62	7,98
Jawa Tengah	3858,23	10,98
Banten	829,66	6,24
DKI Jakarta	494,93	4,61
DI Yogyakarta	463,63	11,49

Source: Indonesian Central Statistics Agency (BPS).

Data from table 2 shows that Central Java has the highest poverty rate, with a significant increase in the 2013-2022 period. However, Central Java's HDI shows a significant increase in 2022, reaching 72.79. Factors such as education level, unemployment, and GRDP are discussed as contributors to poverty. Unemployment in Central Java increased until February 2022, while GRDP grew positively, indicating economic improvement in the region. Factors such as education level, unemployment, Gross Domestic Regional Product (GRDP), and the implementation of the Islamic Economic System

through Sharia Financing are also the focus in analyzing the impact of poverty. The understanding that Human Resources (HR), especially through increasing levels of education, can play an important role in overcoming poverty is highlighted in this article. By digging deeper into this problem, this research aims to investigate the influence of several of these variables on poverty levels in Central Java. With the title "The Influence of the Human Development Index (HDI), Unemployment, Gross Domestic Regional Product (GRDP), and Sharia Financing on Poverty Levels in Central Java," it is hoped that this research can provide better insight to formulate more effective policies in overcoming problems. poverty complex in this region.

## **RESULT AND DISCUSSION**

### **Understanding and Basics of Poverty**

Poverty, as a complexity faced by a country, reflects the inability of individuals to fulfill their basic needs. Diverse perceptions, especially in the context of economic, cultural and structural views, show that the phenomenon of poverty can be explained from various points of view. Aspects such as imbalances in production factors, limited business opportunities, low levels of education, and uneven economic policies are all part of the complexity that forms the problem of poverty. Adawiyah (2020) expands the concept of poverty by dividing it into four main categories. First, absolute poverty includes conditions where an individual's income is insufficient to meet basic living needs such as food, clothing, health, shelter and education. Second, relative poverty is related to uneven development which can cause income disparities in society. Third, cultural poverty occurs because the culture or attitude of society lacks initiative to improve their welfare. Lastly, structural poverty occurs when poor conditions are influenced by a lack of access to Human Resources (HR) in cultural, social and political systems, so that they cannot support poverty alleviation efforts.

### **Human Development Index (HDI)**

The Human Development Index (HDI) or Human Development Index (HDI) acts as a tool for measuring the quality of human development, compiled by Safitri et al. (2014). According to Leonita & Sari (2019), HDI reflects an assessment of development results felt by society, with positive effects on income, health and education. The explanation of the Human Development Index can be observed from three main dimensions which include aspects of health, education and overall welfare. A. B. Susanto & Rachmawati (2013) explained that these three dimensions involve average life expectancy as an indicator of health, average duration of education as a measure of education and knowledge, and a decent life as a component of overall well-being.

### **Unemployment**

Hilmi et al. (2022) defines unemployment as a condition where a number of workers are actively searching for work but have not succeeded in getting it, indicating that they have the capacity to work but have not yet found employment opportunities. In the context of international standards, unemployment is explained as a situation where someone who is in the labor force is actively looking for work but has not succeeded in getting a job (Permadhy

& Sugianto, 2020). Unemployment can be classified into several types, including (Dinata et al., 2020):

- a. Frictional unemployment occurs due to a mismatch between job seekers' abilities and job requirements.
- b. Structural unemployment, triggered by turmoil in economic change.
- c. Cyclical unemployment arises from a downturn in the business cycle.
- d. Seasonal unemployment, influenced by changes in job recruitment in a particular season.
- e. Natural unemployment arises because production capacity is unable to absorb all the available labor.

### **Gross Domestic Regional Product**

One way to evaluate the economic condition of a region in a certain period is through data analysis focused on Gross Domestic Regional Product (GRDP). According to Kogoya et al. (2018), GRDP can be defined as "the amount of added value produced by all business units in a region, or it can be explained as the total value of goods and services produced by all economic units." Another perspective on GRDP states that GRDP is "the sum of gross added value originating from all economic sectors in a region" (Juwita & Widia, 2022). Therefore, the higher the GRDP value, the more it reflects positive economic development. According to Wahyuningtyas et al. (2013), the presentation of GRDP is divided into two basics, namely:

- a. GRDP at current prices, which is calculated based on current prices each year. GRDP at current prices is useful for identifying changes in economic structure.
- b. GRDP at constant prices, which is calculated based on prices in a particular year which is used as the basis for the calculation. GRDP at constant prices involves calculations of goods and services consumed at a fixed basic price in a particular year, aimed at measuring economic development which is useful in assessing economic conditions.

### **Sharia Financing**

According to Kasmir, financing refers to "the provision of money in the form of bills borrowed from the bank based on an agreement between two parties, where the party being financed is obliged to return the money or bill within a predetermined time and include compensation or profit sharing" (Alia Akhmad, 2021). Financing can be defined as "distributing funds to other parties to support investment, whether carried out individually or by institutions" (Selian et al., 2016). According to Law no. 10/1999, "Sharia financing is an agreement based on Islamic law between banking institutions and other parties for the storage and/or financing of business activities in accordance with sharia principles" (Fitri, 2015). Sharia financing can also be interpreted as "the process of channeling funds from sharia financial institutions to customers using sharia principles" (M. Irwan et al., 2021). The implementation of the Islamic Economic System, especially through Sharia Financing, is an alternative that needs to be explored further in an effort to reduce poverty levels. By combining sharia financial principles, new opportunities may be opened to build economic inclusiveness.

### **Circle of Poverty Theory**

According to Ragnar Nurske, as explained in the work of Kuncoro (2004), the concept of "a poor country is poor because it is poor" highlights a dynamic in which a country's inability to get out of poverty is influenced by internal and external factors. In this context, there are elements of economic decline, imperfections in market mechanisms, and limited capital which result in a decline in productivity levels. The impact of this decline in productivity includes a decline in income, which in turn affects the country's savings and investment levels. Therefore, to overcome the problem of poverty, significant efforts are needed to break the vicious cycle or poverty trap which involves increasing productivity, improving market mechanisms, and increasing capital to achieve sustainable economic growth.

Table 3. F Test

Weighted Statistics	
2R-squared	0.615252
Adjusted R-squared	0.603038
S.E. of regression	0.827618
F-statistic	50.37181
Prob(F-statistic)	0.000000

Table 4. t Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	51.83593	3.660181	14.16212	0.0000
X1	-0.572883	0.052312	-10.95135	0.0000
X2	-0.014347	0.055126	-0.260252	0.7951
X3	4.160009	1.261008	0.331171	0.7411
X4	1.521006	0.000263	0.005782	0.9954

### **Human Development Index (HDI) on Poverty**

The t test results from the research above show that the results show a negative and significant influence, meaning that HDI has a negative and significant influence on poverty. The results of the Central Java HDI show that if the HDI rises then poverty will decrease, meaning that the HDI is able to have an impact on reducing poverty in Central Java. Supported by research conducted by Vania Grace Sianturi et al., (2021) with HDI results of -0.0008904 and a probability value of 0.0269, which means HDI has a negative and significant effect on poverty in Indonesia. According to results from Kristin Ari P, (2018) that human development is the government's role in increasing and developing human capital so that it can reduce poverty.

### **Unemployment to Poverty**

The test results that have been carried out in the t test show that unemployment has a negative and insignificant effect. This means that poverty in Central Java is not influenced by unemployment. According to research by Robby Achsyansy (2020), the Open Unemployment Rate which has no influence on poverty is proof that the unemployed population is not necessarily people who have low incomes but rather that unemployed people are still supported by someone who has a more sufficient income and not all Unemployed can be said to be poor. This is supported by the statement from the research results of Dinata (2020), that unemployment does not tend to have a significant effect on poverty because apart from unemployment there are still many individuals who are active in work.

### **Gross Regional Domestic Product (GRDP) on Poverty**

In the t test carried out, GRDP has no influence on poverty because the results of the research show GRDP has a negative and insignificant effect in Central Java. In Wangke's research (2021), developing countries have insignificant growth rates in reducing existing poverty. The causes of economic growth are not felt equally by the poor and are not fully felt. The same research was conducted by Andi Adi Hermawan (2022), that the GRDP in Indonesia in 2016-2020 showed negative and insignificant results.

### **Sharia Financing against Poverty**

With the results of the research that has been carried out, Sharia Financing does not have the same results as the hypothesis with the t test results showing that Sharia financing has a negative and insignificant effect on poverty. Research conducted by (Luis, 2023) shows that poverty has a positive and insignificant influence on South Sumatra with the assumption that Islamic finance has not been able to reduce and have an impact on reducing poverty in South Sumatra.

## **CONCLUSION**

Based on the analysis that has been carried out to investigate the impact of the Human Development Index (HDI), Unemployment Rate, Gross Regional Domestic Product (GRDP), and Sharia Financing on poverty levels in Central Java during the 2012-2022 period, it can be concluded that HDI has a negative and significant influence to the level of poverty in the region. In contrast, the unemployment variable does not have a significant impact on the poverty level in Central Java. Gross Regional Domestic Product (GRDP) and Sharia Financing, although they have a negative impact on poverty levels, the impact is not significant during the period observed. The results of these observations indicate that an increase in HDI can be associated with a reduction in poverty levels in Central Java. On the other hand, the unemployment rate, GRDP, and Sharia Financing did not significantly influence the poverty rate in that period. Therefore, it can be concluded that increasing the Human Development Index is a key factor in overcoming the problem of poverty in Central Java, while other variables such as unemployment rate, GRDP, and Sharia Financing have a less significant impact on the poverty level in the region in the 2012- 2022.

The research recommendations suggest an increased focus on human development through the allocation of resources to education, health, and skills development. Although unemployment does not have a significant impact, an evaluation of employment policies with an emphasis on job creation and skills training is recommended. Further understanding of the economic structure in Central Java needs to be improved, with government initiatives to streamline sectors that contribute less to poverty reduction. Even though Sharia financing does not have a significant impact, Islamic financial institutions and the government can optimize their role in supporting poverty alleviation. Further research is needed to explore other factors that influence poverty in Central Java, such as income distribution and food security. By implementing these suggestions, it is hoped that efforts to eradicate poverty in the region can become more effective.

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