

Analysis on the Influence of Investment, Labor and Economic Growth on Poverty in Indonesia

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ABSTRACT

The objective of this research is to analyze the influence of investment (PMDN and PMA), the number of workers and economic growth & its impact on poverty in Indonesia. The data used by the authors in this study is the secondary data type time series from 1990 to 2019 obtained from the Central Bureau of Statistics. The method used in this study is Vector Autoregression (VAR). The analysis showed that the investment has a negative but is minor effect on poverty as well as the labor force which give negative effect to poverty. Economic growth has a positive effect on poverty in Indonesia. Therefore, the government should not only pursue high economic growth alone but more than economic growth must be qualified and equitable growth that can be felt by the whole society. The realization of investment that is right on target, especially in poor areas, is able to reduce the level of poverty in Indonesia.

Keywords: Investments, Labor, Economic Growth, Poverty, Vector Autoregression (VAR)

INTRODUCTION

The welfare of society is the main goal of every decision, policy or priority consideration will be taken by the government. In an effort to improve the welfare of the community, the government development in various fields, both in the short term or in the long term. In 1945, there were fourteen obligations of the State to the people of Indonesia. The essence of such obligations is the welfare of the whole people of Indonesia, without exception. But,

in fact until recently it has not yet been reached.

A crucial problem that hinders that goal is the level of poverty is still high. Poverty is a situation where someone is experiencing difficulties in meeting basic needs is minimal. In the records of the IMF (International Monetary Fund), which released in 2019 that out of the 100 poorest countries in the world, Indonesia is one of them. Indonesia is in a position to 92 countries the poorest of all countries in the world based on PDB PPP per capita in 2018.

From the calculations done in the IMF, PDB PPP per capita of Indonesia has already reached US\$12.378 in 2018, this reflects that the average wealth of each population in the state is already quite high. But even so, in the same year the number of poor people in Indonesia reached 25,95 million. This is a figure that is quite high when viewed from the PDB PPP per capita of Indonesia itself.

Poverty in Indonesia is the highest in the 1970s, that there are 60% of the population categorized as poor or 70 million, in the year 1976 by 40,10%, then decreased gradually until the year 1996 to 11.3%, but this did not last long, because when the monetary crisis in 1998, the poverty rate high back to 24.2%. However, after the crisis in 1998 or 21 years after that, the level of poverty in Indonesia tends to decrease back.

In figure 1.2 shows the poverty rate reaches of 24.2% in 1998 decreased to a single digit in the year 2019 that is by 9.22%. In December 1998 to February 2005, the number of poor people continues to decline of 24,2% to 15.97%. But in March 2006 the poverty rate increased to 17.75% or 39,30 million. This increase is triggered by a rise in the price of rice as a result of the ban on rice imports (World Bank: 2006), the estimated increase in rice about 33% and also increases fuel oil.

From 2007 to 2014, the poverty rate tends to fall but in 2015 the poverty rate increased again that is equal 11,13% or 28,51 million. The increase in numbers was due to the weakening of the National economy in that year.

In 2016, the decline at 10,67% or the equivalent of 27,76 million. 2017 to 2018 continued to decline in successive namely 26,58 million and 25.95 million. In the year 2018 was the lowest figure in the history of the Republic of Indonesia lived a single digit, i.e. 9,74%. In March 2019, the Central bureau of Statistics released a standard poverty line people of Indonesia is Rp 425.250 per capita per month. However, in September 2019, the poverty line in Indonesia rose along with the decline in the poverty rate to Rp440.538 per capita per month. As a result, the poverty line is the average Nationally to Rp 2.017.664 per household. BPS noted the percentage of poor people in Indonesia by 9.22% in September 2019. The figure is equivalent to the number of poor people as much as 24,97 million. That position has decreased by 0.19 percent from March 2019, a decrease of about 358.900 people.

Similarly, compared with September 2018, a decrease of 0.44% or 880 thousand people. In the year 2019 data crib published data in 15 countries with a decrease in extreme poverty largest around the year 2000-2015. Extreme poverty what that means is the population living in households with consumption or income per person below the extreme poverty line amounting to US\$1.9 per day per capita (2011 PPP). In

figure 3.1 shows the reduction of the rate of extreme poverty with the largest decrease compared to other countries. An average reduction of extreme poverty in 15 countries this is about 1.6% of the population.

Some of the countries that initially have a poverty rate that is very high such as Tanzania, where 86% of the population of the poor in the year 2000 to 49.1% in 2015. The numbers of extreme poverty in the country fell to 36.9 points, or the average annual decreases of 3.2%. The country that is able to decrease the rate of extreme poverty is the next Tajikistan and Chad that is 3.1 percent, followed by the Republic of the Congo of 2.7% per year. Among the 15 countries, the state of Indonesia is one of them, which is to reduce the level of extreme poverty average of 2.1% per year. The total population of Indonesia in the category of poor extremes decreased by 64.5 million souls that 83 million inhabitants in 2000 to 18.5 million in the year 2015.

Decrease in the level of poverty that has been achieved that will possibly increase. The analysis shows that the difference between the poor and near-poor is very small, this means the vulnerability to falling into poverty is very high, so that the response strategy should be centered on the community of which the income most of the.

The factors that affect the level of poverty is the development in the field of the economy through indicators of economic growth, inflation rate, investment or capital investment, the education level, the level of public health, the number of jobs available and the level of unemployment. The higher the rate of inflation then the community can initially meet the needs of day-to-day with the price of goods and services high needs was not met so that the cause of poverty. According to Sukirno (2000) activities of the investment made by the community continuously will increase economic activity and employment opportunities, increase the national income and improve the standard of

prosperity of society. If the prosperity of the society is increased then the people living below the poverty line would be reduced.

Todaro (1997) stated that low income, housing less worthy, poor health, infant mortality was high, life expectancy is relatively short, opportunities to get low well-being and low education are the factors that cause poverty. Next is the relationship of employment available to the poverty level. If the number of jobs available but this will lead to high unemployment. High unemployment will lead to people who are unemployed can't get the income to meet the needs of his life, so as a result the number of poor will increase.

Economic growth is the first requirement of undertaking the poverty elimination (Kraay: 2006). From the 1970s to the 1990s, economic growth has been rapid and reach out to the poor, every percentage point increase in the average expenditure produces a 0.3% decline in the poverty rate. Indonesia also managed to improve the economic growth is quite high, especially the period 1990-1996, namely with the growth rate of the Gross Domestic Product of the average of 7.28% per year.

The Data shown in figure 1.4 is the development of Indonesia's economic growth over the past 21 years, which tends to increase continuously. However there are years that have numbers on the decline, in 2006 the economic growth of the 5.69% down to 5.5%. The decrease of economic growth is inversely proportional to the rate of poverty has increased. In that year the poverty rate increased from 15.97% to 17.75%. However, the decline in economic growth that occurred in the year 2009 does not cause increase in the level of poverty, on the contrary decreased also. Economic growth declined from of 6.01% will be of 4.63%, in line with the decline in the poverty rate that is 15.42% down to 14.15%.

The theory of trickle-down effect gene therapy techniques developed by Arthur Lewis (1954) and expanded by Ranis and Fei (1968) explains that the progress of the community group will automatically

trickle down to the create jobs and economic opportunities that will eventually grow a variety of conditions for the creation of the distribution of the results of economic growth are unevenly distributed. The theory implies that when the economy grows, it will be perceived by the inhabitants of the rich and then in the later stages of the poor will benefit when the rich spent a result of the receipt. This means that the level of poverty will be reduced in a smaller scale, when the population of the poor receive fewer benefits than the total benefits generated by economic growth.

In the early stages of development will be characterized by the presence of high economic growth is accompanied by the level of income inequality and also poverty. These conditions will last until at the point of a certain crisis, where high rates of economic growth will be followed by the decrease of the poverty level (Kuznets: 1955). Countries that have experienced a macroeconomic features of economic growth and reduction of poverty rate that is slow compared with countries that have sound macroeconomic management is better (World Bank, 2005). Macro economic variables such are the level of national income, the level of employment, inflation, the level of investment, and the balance payment.

Variables-variables that can affect economic growth as measured by Gross Domestic Product of which household consumption (C), investment (I), government spending (G), and net exports (X-M). The increase that occurred on household consumption means an increase in the demand for goods and services. The increase in the demand for goods and services will force the economy to increase the production of goods and services. The increase in the production of goods and services will lead to increased economic growth.

The theory of government expenditure developed by Rostow and Musgrave connecting government spending by stage-the stage of economic development

that will improve the economic growth. The initial stage, in the early stages of economic development the percentage of large investment, because the government should provide infrastructure, such as education, health, transport infrastructure and so on. Intermediate stage, government investment is still needed to increase economic growth so as to take off, however, the role of private investment has been increasingly enlarged. Advanced stage, economic development and the activity of the government of the switch from the provision of infrastructure to expenditures-expenditures for activities such as social welfare program and service programs of public health (Mangkoesebroto, 2008). Further, net exports made a country will have a positive impact on economic growth if the value of exports is greater than the value of imports that will increase the national income and stimulate economic growth.

Factors determining high or low levels of poverty next are an investment. Investment is a function of capital formation (capital) and the absorption of labor (labor). Indonesia's economic growth is rapid not be separated from investment development, namely the formation of capital. Capital formation is performed to enlarge the production capacity will increase national

income or create more jobs. If the number of jobs is getting a lot will be followed with the large number of workers absorbed, then it will potentially reduce the number of poverty level and will ultimately improve the welfare of society. It has the meaning that the higher the investment that will lower the number of poor people.

Since the onset of the financial crisis of 1997-1998, Indonesia's investment plummeted, even going to the runaway capital (capital flight) US\$10 billion every year. According to the Coordinating board 2004, one of the elements driving the growth of the economy has not yet recovered is an investment. The level of investment of the year 2002 only reaches about 75% compared with the pre-crisis year 1996. Slowing the recovery of the investment resulted in the role both in the formation of PDB decreased from 29,6% in 1996 to become a 20.2% in 2002.

The investment is divided into two, namely Domestic investment and Foreign direct investment. According to Ghou and Soumaru (2012) Foreign investment must be carefully designed to direct foreign investment in sectors of the economy that is productive, this will create jobs for the local community and develop the skills of local so that it stimulates the decrease in the level of poverty in the area.

Table 1.1 The Development of Investment in Indonesia from 2010 to 2019

Year	PMDN		PMA	
	Project	The Value Of Investment (Trillion Rupiah)	Project	The Value Of Investment (Trillion Rupiah)
2010	875	60,5	3.076	145.79
2011	1.313	76	4.342	176.59
2012	1.210	92,2	4.579	237.54
2013	2.129	128,2	9.612	348.82
2014	1.652	156,1	8.885	354.91
2015	5.100	179,5	17.738	403.86
2016	7.511	216,3	25.321	389.16
2017	8.838	262,3	26.257	436.78
2018	10.815	328,8	21.972	424.41
2019	30.451	386,5	30.354	392.13

Source: BKPM and BPS

Table 1.1 shows that the realization of the value of the investment Domestic investment in Indonesia in 2010-2019 dari year to year has increased and the year 2019 is the highest in the amount of Rp 30.451 trillion. While the Development of Foreign Direct Investment (FDI) showed a

fluctuating movement. The highest numbers of Foreign investment occur in the year 2017 amounting to Rp 436.78 trillion. In 2015 the realization of the investment increased to 17.8% then in the next year decline in the level of poverty in the figure 10,67%. This figure shows that when both

enhanced the effect to decrease the level of poverty. While the number of projects FDI and Domestic investment over the last ten years is volatile.

According to Sukirno (2010:50) one of the important factors to determine the prosperity of a society is the level of income. The income of the community reaches a maximum if the level of the use of full employment can be realized, so if not employed or unemployed then it reduces their income so that their welfare was not achieved and this will lead to poverty.

Table 1.2 The Development of Labor in Indonesia from 2010 to 2019

Year	Population 15 Years and Over		
	The Labor Force (Soul)	Work (Soul)	Unemployment (Soul)
2010	116.527.546	108.207.767	8.319.779
2011	116.097.701	107.416.309	8.681.392
2012	119.849.734	112.504.868	7.344.866
2013	120.172.003	112.761.072	7.410.931
2014	121.872.931	114.628.026	7.244.905
2015	122.380.021	114.819.199	7.560.822
2016	125.443.748	118.411.973	7.031.775
2017	128.062.746	121.022.423	7.040.323
2018	133.355.571	126.282.186	7.073.385
2019	135.859.695	128.755.271	7.104.424

Source: BPS

In table 1.2 can be seen that the trend of labor increased each year from 2010 to 2019. The amount of labor the highest in the year 2019 amounted to 128.755.271 soul is inversely proportional to the trend of the unemployment every year decline, with jumlah 7.104.424 inhabitants in 2019. This shows that when labor is increased then the number of unemployed declined. If the number of unemployed decreased then the poverty rate would be decreased, so that with the absorption of labor will have an impact on improving the standard of living of the community.

LITERATURE REVIEW

Poverty

Poverty is a situation where an individual or group of people is not able to meet basic needs, such as food, clothing, shelter, education, and health are considered

as minimum requirements and have certain standards (Central bureau of Statistics, 2000). In another aspect stated that poverty is multidimensional with many aspects therein. Aspects of primary poor asset, political organization, knowledge and skills. Aspects of secondary poor social network, financial resources and information. Such poverty exists in the form of a short on water, nutrition, proper housing, poor health services and also a low level of education (Sukirno, 2006).

Investment

Investment is the expenditure-expenditure for the purchase of capital goods and equipment-production equipment with the aim to replace and especially add to the capital goods in the economy that will be used to produce goods and services in the future (Sukirno, 2000).

Labor

Labor is any person who can do the job both inside and outside of the employment relationship in order to produce goods or services to meet the needs of the community. In this connection it workforce development is increasing the ability of the effectiveness of labor to do the work (the Labor LAW No. 14 1969), While According to the Law No. 13 Year 2003 concerning manpower stated that labor is any person who can do the work in order to produce goods and or services better to meet one's own needs or for the community.

Economic Growth

Economic growth is the process of increasing production capacity in an economy continuously toward a better direction which is manifested in the form of increase of national income (Gross Domestic Product) and revenue (Gross Regional Domestic Product) in the long term (Budiono, 1999).

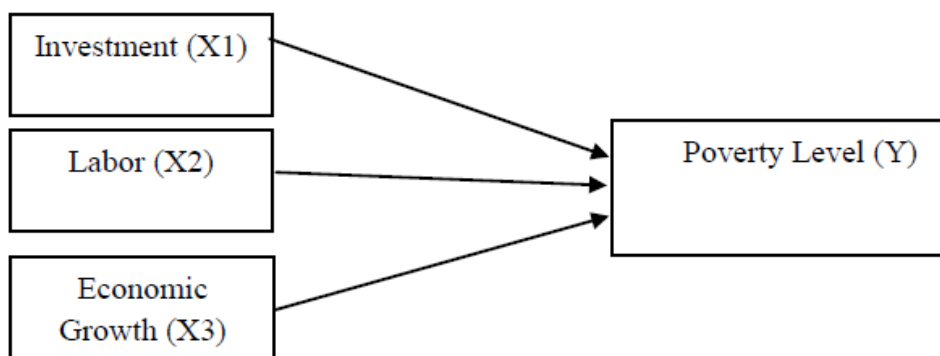


Figure 1. Conceptual Framework

Hypothesis

Based on the background research and the relationship between variables, then the research hypothesis:

1. Investment negatively affect the level of poverty in Indonesia
2. Labor negatively affect the level of poverty in Indonesia
3. Economic growth negatively affects the level of poverty in Indonesia. The value of the Exchange rate, For the Results, Inflation, and PDB are simultaneously positive influence on the Islamic Banking Assets in Indonesia.

MATERIAL AND METHODS

This research is descriptive with quantitative methods. Descriptive research is a form of research that is able to describe phenomena that exist, whether a natural phenomenon or phenomena man-made. This phenomenon can be in the form of shape, activity, characteristics, changes, relationships, similarities, and differences between the phenomena one with the other phenomena (Sukmadinata, 2006:72).

The population in this study is to report data from the Central bureau of Statistics Indonesia, the Indonesian investment Coordinating board, the World Bank, namely Domestic investment, Foreign direct investment, labor, economic Growth, and poverty rate by as much as 30 years of the years 1990-2019 and all sampled. Time series Data (cascading time), recorded or observed all the time in sequence. A period of observation in this study is 30 years of the years 1990-2019. The method of

analysis used is the Vector Auto Regression (VAR) if the data used are stationary and do not terkointegrasi, or followed by Vector Error Correction Model (VECM) if the data used is stationary but there is cointegration. By the method of VAR we can use to observe the movement and response between variables in the period of the present and forecasting the condition variable if arising a shock or a change of a variable. This test is referred to as the Impulse Response Function. In addition, the method of VAR can help us to do forecasting on the percentage of contribution of a variable to the variation in the change of a variable occurs when shock or innovation in the variable.

The type of data used in this research is secondary data. Secondary Data is the data type of the obtained indirectly or in other words, secondary data is data obtained through sources that has been collected by certain parties such as documentation, publications, scientific works, or a special note from the institution or department, or certain parties related to the research. The source of data in this research was obtained from the Central bureau of Statistics Indonesia, the Indonesian investment Coordinating board, the World Bank, namely Domestic investment, Foreign direct investment (FDI), labor, economic Growth, and poverty level.

Data collection in a study intended to obtain data that is relevant, accurate and realistic. The method used in data collection in this research is literature study method,

which is obtained from related institutions, reference books, and journals of the economy. The Data used is time series data (cascading time), recorded or observed all the time in sequence. A period of observation in this study is 30 years of the years 1990-2019.

RESULTS AND DISCUSSION

The Influence Of The Investment On The Level Of Poverty

The coefficient of $D(INV(-2))$ of $-0,003$ with the value of t-statistics are smaller than the t-table is $-0,548 < 1,706$, this means that Both (X1) negatively affect the Poverty Level (Y). This has a meaning that with the increasing investment in Indonesia, it will result in the decrease of the population is poor. Decrease in the level of poverty in Indonesia is caused due to an investment, a good investment in the form of Capital investment In the Country (Domestic) and Foreign Capital investment.

Based on the results of the impulse response shows that if there are changes in the amount of investment then the poverty rate would respond negatively. This negative response shows that the increase in investment will provide a response on the level of poverty in the form of decrease in the number of poor people. A negative response is due to the large amount of investment then the source of capital to create or increase the capacity of production and income in the future is increasing, if the income of the community increases, the people who are below the poverty line will be reduced. In accordance with the theory put forward Sukirno (2000) that the activities of the investment made by the public will continually increase economic activity and employment opportunities, increase the national income and improve the standard of prosperity of society. This role is sourced from three important functions of investment activities, namely; (1) the investment is one component of aggregate expenditure, so that the increase in investment will increase aggregate demand, national income and employment

opportunities; (2) accretion of capital goods as a result of the investment will increase production capacity; (3) the investment will always be followed by the development of technology.

This research is in line with research conducted by Yolanda Pateda et al., (2017) which states that both negatively affect the level of poverty with a coefficient of $-10,075$. Different with the research done by a Series of Jeffery A.W (2016) which states that the investment does not affect the level of poverty in Indonesia. Investment activity should be done not only physical but non-physical such as investment in human resources in the field of education. Investments in education will be able to improve the quality of human resources, which will push your skills. Increased knowledge and expertise will drive the productivity of a person, so the company will give you a higher salary for a workforce that is productive. This will improve the welfare of society and help them get out of the cycle of poverty.

The results of the forecast error variance from period one to period to ten shows that the variable investment has contributed to changes in the level of poverty in a particular period by 0.83%. This variable has contributed the most among the other variables.

The Influence Of Labor On The Level Of Poverty

The coefficient of $D(LAB(-1))$ of $-0,221$ with the value of t-statistics are smaller than the t-table is $-1,122 < 1,706$, this means that Labor (X2) negatively affect the Poverty Level (Y). This means that any increase in labor then poverty will decline. The results of this study in accordance with the results of the research pointed out by Gusti et al., (2017) which states that labor and a significant negative effect on the level of poverty. However, in contrast with the study conducted by Agus Budi Purnomo et al (2019), which states that the absorption of labor has a positive effect on the number of poor people.

The results of the impulse response show that when labor experience shocks then the response levels of poverty tend to be negative. A negative response indicates that the increase in the number of workers will decrease the number of poor people. This result is in accordance with the theory Sukirno (2004) that the income of the society reaches a maximum when the level of the use of full employment can be realized, so that if does not work then it will reduce income and this will reduce the level of prosperity that they achieved so that it can lead to poor welfare of the community. Labor in Indonesia tends to increase. The structure of the population of working according to the field work in Indonesia in the year 2019 is still dominated by the three main job, namely: Agriculture amounted to 27,33%; Trade of 18,81%; and Industrial Processing of 14,96%.

Based on the test results of the variance decomposition showed that the variable contribution of labor to the level of poverty is at 5,94%. The value of the contribution of labor this is the highest value among the other variables. The agricultural industry of the people of proven employment opportunities are very broad, and can reach out to remote rural areas. Therefore, the revitalization of the agriculture of the people is very important. In addition, to increase the absorption of labor in the agricultural industry is to build Agriculture War Room (AWR) and strategic command of Agricultural Development (Konstra Farmer) to encourage farmers to apply innovation technology-based digitization, the use of seed of new varieties, as well as improved management of fertilizer and pengarian. The Program will encourage the use of agricultural machinery (agricultural machinery and red) efficiently, and the public should utilize the facilities of the People's Business Credit to encourage the development of agriculture in the future.

The Influence Of Economic Growth On The Level Of Poverty

The coefficient of $D(GWRT(-2))$ of 0.175 with the value of t-statistics are smaller than the t-table is $1,316 < 1,706$, this means that Economic Growth (X3) has a positive effect but not significant on the Level of Poverty (Y). There are factors that are estimated to be the cause of economic growth is less than optimal in lowering the number of poor people. First, the economic growth that occurs relatively not high, so the effect is not perceived as significant by the inhabitants of the poor. Second, economic growth in the pockets of poverty is relatively slow, so that the number of poor people is hard to be derived. Third, the weak linkages between the one sector with the other sectors have not been able to strengthen the economy of Indonesia. The latter is the economic growth is largely supported by consumption, so the increase in income tends to be enjoyed by some community groups. This result is in accordance with the theory Simon Kuznet in Tulus Tambunan (2001) that economic growth has a strong correlation to poverty, economic growth in the early stages cause the level of poverty is likely to increase but at a time when approaching the final stage of reduction in the level of poverty on a sustainable basis. Economic growth without coupled with the addition of employment opportunities will lead to inequality in the distribution of the addition of income (*ceteris paribus*), which will further create a condition of economic growth with an increase in poverty. A negative response generated by economic growth to poverty level in accordance with the research Novegya (2018) that economic growth negatively affect the level of poverty either partially or simultaneously.

The results of the impulse response show that the response of the poverty rate to shocks in economic growth tends to be positive and approach the line of balance. This is indicated by the standard deviation of the variable of economic growth increased in that period and followed by the

decrease in the standard deviation of the variable level of poverty. Based on the test results of the variance decomposition shows that the contribution of the variable of economic growth on the level of poverty is by 3,02%. The value of the contribution of economic growth is greater than the investment variable. This suggests that the increase in the income of the community faster effect compared with the investment in the form of capital that is need a long time to increase the prosperity of the community.

Policy Implications

Implications in undertaking the poverty elimination in Indonesia can be done through the development of disadvantaged areas. Both as a contributor to growth should be done in the form of accelerating the industrialization of agriculture/rural. Papua province is the Province with the highest poverty rates. Papua has great potential to be the economic drivers of the Eastern part of Indonesia through the abundance of natural resources in various sectors, including fisheries, agriculture/plantations, agro-industrial and food, tourism, nautical and natural and mining. However, investments in Indonesia have not been able to reach areas of Papua. To increase investment in the Province of Papua that needs to be done is to promote the potential of the area to accelerate the development so the partnership with many parties can occur. The development of infrastructure to penetrate the isolation and expand access to transportation, recommunication and information. The development of the connectivity of the region by building a bridge of the Trans Papua Road of National Strategic as well as road borders the Provinces of Papua and West Papua Province to improve access and connectivity between Provinces, Districts/Cities, districts and villages. This will trigger the creation of new centers of growth, local economic development, which is supported by the cooperation between central government, local government and

involving the private sector, because in reality the area that has been developed will attract a lot of investors rather than the as yet undeveloped.

The second, which is able to reduce the level of poverty is an increase in the amount of labor. The absorption of labor can be done by prioritizing the development of manufacturing industry solid workers and improve the skills and competence of the workforce. Labor absorption lines is dominated by the agricultural sector. To promote the agricultural sector, the government is trying to do; (i) aid and infrastructure production (seeds, agricultural machinery and fertilizer), (ii) fertilizer subsidies, which is right on target, (iii) increase the area of land for planting, (iv) improvement of the crop through irrigation program that is integrated between ministries, agencies and regions, (v) improvement of aquaculture (through the revitalization of the pond that is not yet operational and the increase in fish feed) and processing of the products of processed seaweed, (vi) the replacement of a tool for fisheries, (ix) the revitalization of the Industrial plantation Forest, and (viii) valuation services forestry.

Third, to reduce the level of poverty is through improving the quality of economic growth and evenly. Economic growth is high does not guarantee the reduction of the number of poor people, such as the phenomenon that occurred in the Province of West Papua has the average highest economic growth nationally (11,27% per year) however, the percentage of poor population in the province occupied the number two position (35,77%) or after the province of Papua. This phenomenon indicates economic growth not siding on the poor. This is due to the inequality. To address the inequality that needs to be done is : (i) improved access to support productive economic activities, including access to ownership of land and capital, (ii) improvement of skills, especially for workers vulnerable and expansion of employment opportunities so that their

welfare is constantly increasing and continuous, (iii) social protection for the poor and vulnerable groups, including the case of shocks related to health, employment, social and economic, (iv) eradication of corruption and improved governance development programs consistently, so the benefits of development can be felt by the whole society, and(v) fiscal reform and the reform of the financial sector especially the banking sector and the capital market.

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Based on the results of the research can be summed up as follows:

1. Based on the analysis using test estimation of VAR, investment in Indonesia on 2 the previous period effect is negative but small on the level of poverty at this time. This is in accordance with the test Samples that show the response of the poverty level of investment is negative but the next period was nearing the line of balance. These results are also in accordance with the analysis of Variance Decomposition a show that the composition of the investment against the level of poverty only 0.03%.
2. Based on the analysis using test estimation of VAR, labor in Indonesia the previous year negatively affect the level of poverty at this time. The influence of labor on the level of poverty is quite large in accordance with the composition of the test Variance Decomposition which is 5%. The test Samples also showed a response rate of poverty of labor is negative.
3. Based on the analysis using test estimation of VAR, Indonesia's economic growth in the previous period has a positive effect on the level of poverty at this time. This result is in accordance with the test Variance Decomposition a shows the composition of economic growth is 2.3% of the level

of poverty. Test using the IRF also shows that the initial period the poverty rate responded positively to economic growth but the next stage is already negative and approached the line of balance. Equal to 521.87 and the probability F of 0,0000.

RECOMMENDATIONS

Suggestions from the research that has been done is as follows:

1. For the Government should create a conducive investment climate and support the influx of foreign investment to Indonesia, to increase the productivity of labor in various sectors through the provision of skills training to the workforce in Indonesia, focusing in the improvement of Human resources, as well as improvement of infrastructure in Indonesia. The government should seek quality economic growth and equitable to reduce the level of poverty as well as effective in redistributes the benefits of economic growth.
2. For investors should invest with priority on pockets of poverty, and to realize the capital of the priority sectors of agriculture, trade and processing industry so that the sector will absorb labor optimally.
3. For employers, they should improve the performance of the company every year order to be able to compete in gaining the trust of investors makes it easy to obtain capital from outside the company as well as the acceleration of industrialization in the economic sector in rural areas to absorb a lot of labor.
4. For the labor so equip yourself by improving the quality of Human Resources (HR) through job training and education, to prioritize the work as well as productive in the work.
5. For the next researcher to consider and add to the other variables, which is associated with the level of poverty and increase the period of the research data, so the results of his research to be more relevant to be used as a reference in

lowering the level of poverty in Indonesia.

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