Poverty Alleviation Model on the Influence of Structural Poverty on Regional Development

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Abstract

In order to overcome poverty, the government has carried out various programs. However, the poverty rate has not yet decreased significantly and has even increased in post- covid-19. Various factors influence poverty, including structural poverty. This research aims to analyze the influence of structural poverty and its overcoming on regional development in Medan Belawan District. The respondents in this study were heads of households in Medan Belawan District who had received several poverty reduction programs totaling 393 heads of families. The analytical tool used in this research is structural equation modeling. The research results show that (1) Structural poverty has a significant effect on poverty reduction; (2) Structural poverty has a significant influence on the development of the Medan Belawan District area; (3) Poverty reduction has a significant impact on the development of the Medan Belawan District area; and (4)Poverty alleviation mediates the influence of structural poverty on the development of the Medan Belawan District area.

Keywords: *Structural Poverty, Poverty Alleviation, Regional Development*

1. Introduction

Poverty alleviation is still a development theme, a main and sustainable agenda throughout the world, including in Indonesia. In the Outcome Document Transforming Our World: The 2030 Agenda For Sustainable Development, ending poverty is also the first goal of the seventeen goals agreed in the Sustainable Development Goals (SDGs) (Sun et al., 2023).

The problem of poverty has been a problem since time immemorial. In the past, people generally became poor not because they lacked food, but because they were poor in the form of a lack of convenience or material things. Based on the standards of modern life today, they do not enjoy educational facilities, health services and other conveniences that are available in modern times. Poverty is indeed a complex problem, because it is not only related to the problem of low levels of income and consumption

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(Tarmizi et al., 2017). However, it is also related to low levels of education, health and their inability to participate in development as well as various problems related to human development. These dimensions of poverty are manifested in the form of lack of nutrition, water, healthy housing, poor health care, and low levels of education (Zhou, 2023).

Poverty is seen as an economic inability to meet basic food and non-food needs as measured by expenditure (BPS). Poverty is a problem faced by all countries. Economic growth is an indicator in overcoming the problem of poverty, where economic growth is a concept of economic development (Atalay 2015, Maksum, 2021). In general, poverty in Indonesia is caused by high unemployment and limited job opportunities. Poverty can be defined as a situation where a person is unable to meet the needs of life in accordance with the standard of living of his group and is also unable to utilize both physical and social resources in his group (Fajriadi et al., 2013).

Based on the latest data, the poverty level released by the Central Statistics Agency (BPS) shows this. If the percentage of poor people in September 2019 was 9.22% as of March 2020 then it increased to 9.78%. This percentage is compared with the addition of 1.63 million poor people since September 2017, increasing to 26.42 million people. The last increase in the number of poor people occurred in March 2017. At that time the number of poor people reached 27.7 million people or an increase of 10.64% compared to September 2016. However, after March 2017, the number of poor people showed an upward trend until it soared. (BPS, 2021).

North Sumatra's poverty rate decreased by 0.18 points, namely from 8.33 percent in September 2022 to 8.15 percent in March 2023. This poverty rate is equivalent to 1.24 million people in March 2023, or a decrease of around 22.4 thousand soul in the last semester. Several factors influenced the reduction in the poverty rate, including the success of the North Sumatra Provincial Government in responding to the budget intended for inflation control programs, so that by December, the inflation rate could be held at 6.12%. Other factors reduce the numbers

This poverty is an increase in economic growth in the third quarter which can grow by 4.97%, higher than the previous quarter, namely 3.95% and also a decrease in the Open Unemployment Rate (TPT) in August 2022 amounting to 6.16% or a decrease of 0.17 %. This reduction in poverty cannot be separated from the synergy of programs carried out by the Central Government, Provincial Government and City Regency Government in North Sumatra (Pemprovsu, 2023).

The poverty rate in Medan in 2022 was 8.07 percent, down 3.24 percent compared to 2021. The decline also occurred in the Open Unemployment Rate (TPT), which in 2022 was 8.89 percent or down 1.92 percent compared to 2022. 2021. The Medan City Government has handled poverty, including through the Universal Health Coverage (UHC) Medan Berkah Health Insurance (JKMB) program as a form of improving health services to the community, education through the BSM program for 40 thousand elementary and middle school students, both public and private, social assistance for residents affected by rising fuel prices, as well as development of city infrastructure to alleviate poverty for Medan residents. The Medan City Government carries out various

programs and activities as well as collaboration with various parties in an effort to overcome the problem of unemployment, such as free training and certification for job seekers as well as efforts to create new jobs, simplify licensing, and develop MSMEs. The Medan City Government has also carried out various programs and activities as well as collaboration with various parties in an effort to overcome the problem of unemployment, such as free training and certification for job seekers as well as efforts to create new jobs, simplify licensing, and develop MSMEs. In order to reduce the poverty rate in Medan City, the Government has established three policies: (1) Facilitation of Guidance and Assistance in Making Deeds of Establishment for 50 House of Worship cooperative units; (2). Increasing the economic capacity of the community with the help of selling tools, and (3). Increasing the economic capacity of the community through community cooperatives (Savings and Loans Cooperatives) and also carrying out training for the community starting from the sub-district level. (Medan City Government, 2023). The development carried out pays great attention, the theory of development planning and regional development requires in-depth research and the perspective of regional planning science and poverty theory. Efforts to overcome poverty because basically regional development is carried out with the aim of increasing welfare through increasing income from various prevention programs that have been implemented.

2. Literature Review

2.1. Poverty Theory

Poverty theories generally boil down to two major paradigms which also influence the understanding of poverty and poverty reduction (Nurlina, 2017). The two paradigms in question are Neo-Liberal and Social Democracy. These two paradigms have very clear differences, especially in viewing poverty and in providing solutions to poverty problems. The paradigm in question is as follows:

2.2. Neo-Liberal Paradigm

In this paradigm, individuals and free market mechanisms are the main focus in viewing poverty (Syahyuti, 2006). This approach places individual freedom as an important component in a society. Therefore, in looking at poverty, this approach provides an explanation that poverty is an individual problem which is the result of individual choices. For this approach, market forces are the main key to solving the problem of poverty. This is because expanded market power and high economic growth will eliminate poverty. (Syahyuti, 2006, Nurlina et al., 2019). For this approach, poverty reduction strategies are temporary and the role of the state is very minimal. The role of the state is only carried out when institutions in society, such as families, self-help groups and other institutions are no longer able to deal with poverty.

This neo-liberal paradigm was driven by the World Bank and has become the approach used by almost all studies of poverty. Modernization theories which emphasize economic growth and production are the theoretical basis of this paradigm (Suharto,

2002, Ze et al., 2023). One indicator is national income (GNP), which since the 1950s began to be used as an indicator of development. Social scientists always refer to this approach when studying the problem of poverty in a country. Poverty measurement is then strongly influenced by the income poverty perspective which uses income as the only indicator of the "poverty line" (Suharto, 2009).

2.3. Social-Democratic Paradigm

This paradigm does not see poverty as an individual problem, but rather sees it as a structural problem (Cheyne, O'Brien and Belgrave (1998). It is injustice and inequality in society that causes poverty to exist in society. For this approach, access is closed for groups certain causes of poverty. This approach strongly criticizes the free market system, but does not view the capitalist system as a system that must be abolished, because it is still seen as the most effective form of economic organization (Cheyne, O'Brien and Belgrave, 1998).

3. Methods

This research is descriptive and associative. Thus, the type of research carried out was to obtain a description of the variables studied, namely the variables Structural Poverty, Poverty Alleviation and Regional Development. The nature of associative research is basically to test a hypothesis, which in this case tests the influence between variables. The data analysis technique used in this research is the SEM (structural equation model) analysis technique. SEM is part of multivariate statistics. SEM allows analysis of several dependent and independent variables directly (Jöreskog & Sörbom, 1982). As stated by Hair et al (2021), PLS is a powerful analysis method, because it is not based on many assumptions.

4. Result and Discussion

4.1. Result

4.1.1. Direct Influence between Variables

The direct influence between variables based on the results of data processing is presented in Table 1 :

Table 1. Direct Effect Between Variables

	Original sample	Sample mean	Standard deviation	t statistics	P values
Structural Poverty □ Poverty Alleviation	0,954	0,954	0,006	158,189	0,000
Structural Poverty □ Regional Development	0,218	0,216	0,105	2,077	0,038
Poverty Reduction □ Regional Development	0,678	0,681	0,093	7,272	0,000

4.1.2. Indirect Influence between Variables

The indirect influence between variables based on the results of data processing is seen

in Table 2.

Table 2. Indirect Effect of Structural Poverty on Regional Development.

	Original sample	Sample mean	Standard deviation	*t* statistics	*p* values
Structural Poverty □ Regional Development	0,647	0,650	0,089	7,271	0,000

4.1.3. Total Influence between Variables

The total influence between variables based on the results of data processing is presented in Table 3.

Table 3. Total Influence Model Between Variables.

Structural Poverty □ Poverty Alleviation	**0,954**	**0,954**	**0,006**	**158,189**	**0,000**
Structural Poverty □ Regional Development	0,866	0,865	0,028	31,372	0,000
Poverty Reduction □ Regional Development	0,678	0,681	0,093	7,272	0,000

4.1.4. Influence Value between Variables

The R^2 value which shows the magnitude of the influence of the independent variable on the dependent variable is given in Table 4.

Table 4. R2 Value of Influence Between Variables.

	R-square	R-square adjusted
Structural Poverty-	0,911	0,911
> Poverty Alleviation	0,791	0,790

4.1.5. Predicted Value

The Q2 value which aims to measure how well the considered values are produced by the design and also the estimated parameters from this research is shown in Table 5.

Table 5. Predicted Q2 Values.

	Q²predict	RMSE	MAE
Poverty Alleviation	0,911	0,301	0,223
Regional Development	0,747	0,509	0,296

From the results of the previous discussion, answers to the research hypothesis can be displayed as presented in Table 6.

Table 6. Hypothesis Answers.

	Hypothesis	Coefficient	P-Value	Decision
H1	Structural Poverty Has an Influence Significant for Poverty Alleviation	0,954	0,000	Accepted
H2	Structural Poverty Has a Significant Influence on Regional Development Medan Belawan District	0,218	0,038	Accepted
H3	Poverty Alleviation Has a Significant Influence on Regional Development Medan Belawan District	0,678	0,000	Accepted
H4	Poverty Alleviation Mediates the Effect of Structural Poverty on the Development of the Medan Belawan District Area	0,647	0,000	Accepted

4.2. Discussion

The research results show that structural poverty has a significant effect on poverty alleviation in Medan Belawan District with an influence coefficient of 0.954. The amount of poverty reduction that can be explained by structural poverty is 91.1%. Based on the structural poverty indicators studied in this research, it shows that the indicators that reflect poverty in Medan Belawan District are government policy, minimum wage policy, development gaps, free markets, political systems, and transport costs.

Arifin et al (2020) in his research entitled "Culture of Poverty in Overcoming Poverty in Indonesia", concluded that the unique character of poverty in Indonesian society demands a balanced structural and cultural approach. Cultural values in society that lead to changes in thought patterns to alleviate poverty need to be raised in poverty reduction policy programs by first reinterpreting these cultural values. Meanwhile, research conducted by Murdiyana and Mulyana (2017) in their research entitled "Analysis of Poverty Alleviation Policy in Indonesia", concluded that government policies regarding poverty alleviation strategies in Indonesia are working quite well. Therefore, the government's efforts to issue several policies are outlined in laws and regulations which then formulate the structure of poverty alleviation programs.

Nasution & Marliyah (2023) in research entitled "Analysis of Government Programs in Overcoming Poverty and Unemployment in Pulau Rakyat Subdistrict, Asahan Regency" concluded that regional government programs in overcoming levels of poverty and unemployment are significant. Programs implemented by the Asahan Regency government include: PKH (Family Hope Program), BPNT (Non-Cash Food Assistance), KUBE (Joint Business Group), MSME empowerment, and others. Anggraini et al., (2023) in their research entitled "Determinants of Poverty Levels in the North Coastal Region of East Java" concluded that economic growth has a negative and significant effect on poverty levels, the Human Development Index (HDI) variable has a negative and significant effect on poverty levels while the Open Unemployment (TPT) has a very negative and significant effect on Poverty Levels. Meanwhile Itang (2015) in his research entitled "Factors Causing Poverty", concluded:

a. Low education means unequal education and the high cost of education,

b. Lazy to work,
c. Limited natural resources,
d. Limited employment opportunities,
e. Limited capital for living expenses,
f. Family burden.

Muliza (2022) in his research entitled "The Relationship between Education and Poverty and Per Capita Income as a Mediating Variable", concluded that education can directly influence the poverty rate in Aceh Province. Partially, per capita income is able to mediate the relationship between education and poverty. This is very important to improve the quality of the population by improving the quality of education, so that the population will be able to increase their income which in turn will have a better income (Zulfikar, 2019).

5. Conclussion and Suggestion

5.1. Conclussion

From the results of data processing and discussions that have been carried out, the following conclusions:

1. Structural poverty has a significant effect on poverty reduction.
2. Structural poverty has a significant influence on the development of the Medan Belawan District area.
3. Poverty reduction has a significant influence on the development of the Medan Belawan District area.
4. Poverty reduction mediates the influence of structural poverty on the development of the Medan Belawan District area.

5.2. Suggestion

In order to implement programs related to structural poverty, it is recommended that activities need to be carried out sequentially, namely:

1. Increased government policy.
2. Improvement of minimum wage policy.
3. Improved efforts to reduce development gaps.
4. Anticipate free markets.
5. Improvement of the political system.
6. Reduced transportation costs.

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