SOCIO-ECONOMIC FACTORS AFFECTING THE REDUCTION OF POVERTY IN INDONESIA IN ISLAMIC PERSPECTIVE

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ABSTRACT

In a developing country poverty reduction programs has become the center of attention in policy at national and at international agencies and institutions. This study aims to analyze the socioeconomic factors that affect poverty reduction in the perspective of Islam in Indonesia in 1994 until 2009, the data used in this study is time series data, using the variable as a determining factor of poverty in Indonesia is economic growth, the proportion of the population informal working sector, the proportion of population consuming malnutrition, the proportion of secondary-educated population down, unemployment, investment, government policy in the form of subsidies which are: subsidy funds derived from IDT, P2KP, PNP, Independent, PPIP, in addition to data from the BMT form of funding given to the poor, as well as data zakat alms per person infak poor. Analysis tools used in this study is to use a simultaneous equation model analysis using the software Eviews-4. From the analysis it can be concluded that all variables are seen in this study a significant influence on poverty reduction in Indonesia in 1994 until 2009, but subsidies and Islam is very small variable effect on poverty reduction in Indonesia. Recommendation of this study is the government should help in terms of funding for development of SMEs due to the Islamic microfinance institutions in effect, reduce poverty, and economic growth can reduce poverty is economic growth and equitable quality, investment as a contributor to economic growth must be done in the form of accelerated industrialization, the accumulation of human capital in the form of education, as well as development and infrastructure improvements throughout the country. With the Islamic instruments namely zakat alms infaq very influential on poverty reduction while very little influence, because in Indonesia the role of zakat institutions have not been efficient because more people believe in giving alms alms infaq directly to the poor or the foundation that manages the orphans, but if domestic policy makers This would seriously to gradually use the instruments of Islamic finance as an instrument of poverty reduction, the authors believe poverty alleviation will be accelerated as well. Our nation will have economic independence, sovereignty and dignity so that the State can be maintained.

Keywords:  Government policy, policy-Islam, poverty, social economics, tawhidi string relations
INTRODUCTION

In a developing country poverty reduction programs has become the center of attention in policy discussions at national and at international agencies and institutions. Kakwani et al. (2004) states that the most important goal of development is poverty reduction, this can be achieved through high economic growth and a more equitable distribution of income. So there is a triangular relationship between economic growth, income inequality and poverty, the relationship between economic growth and income inequality is a two-way relationship (Bourguignon, 2004). In Indonesia itself, has long implemented a program that aims to reduce inequities in income and poverty. Among them is through the Farm Credit (KUT), Presidential Instruction (Instruction) in 1994 that the era Soeharto, SSN (Social Security Nets), P2KP (Urban Poverty Program), and Presidential Villages (IDT) and the most controversial of direct cash assistance (BLT) in the era of the leadership of President Susilo Bambang Yudhoyono. KUT is a very low-interest loans scheme and is intended for small farmers. Presidential Directive (Presidential Instruction) is a Presidential Directive which the government gives financial support from the central to lower levels of government and development projects aimed at physical and social infrastructure. And SSN (Social Security) is aimed at four key areas, namely food security, social protection, employment creation, and development of small and medium industry. While P2KP is aiming for an investment loan (Hidayat et al., 2007).

Table 1: Limit the Poor, Percentage and Number of Poor in Indonesia on Year 1996-2009

<table>
<thead>
<tr>
<th>Year</th>
<th>City Poverty Buffer (Rupiah)</th>
<th>Village Poverty Buffer (Rupiah)</th>
<th>Percentage of Poor Population City + Village</th>
<th>Total Poor Population City + Village</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>40.000</td>
<td>30.500</td>
<td>18.2</td>
<td>35</td>
</tr>
<tr>
<td>1995</td>
<td>40.500</td>
<td>31.000</td>
<td>18</td>
<td>34.5</td>
</tr>
<tr>
<td>1996</td>
<td>42.032</td>
<td>31.366</td>
<td>17.7</td>
<td>34.50</td>
</tr>
<tr>
<td>1997</td>
<td>42.032</td>
<td>31.366</td>
<td>16.3</td>
<td>33.70</td>
</tr>
<tr>
<td>1998</td>
<td>96.959</td>
<td>72.780</td>
<td>24.2</td>
<td>49.50</td>
</tr>
<tr>
<td>1999</td>
<td>92.409</td>
<td>74.272</td>
<td>23.5</td>
<td>48.40</td>
</tr>
<tr>
<td>2000</td>
<td>95.650</td>
<td>70.340</td>
<td>18.95</td>
<td>37.26</td>
</tr>
<tr>
<td>2001</td>
<td>110.250</td>
<td>85.670</td>
<td>19.06</td>
<td>37.11</td>
</tr>
<tr>
<td>2002</td>
<td>130.499</td>
<td>96.512</td>
<td>17.60</td>
<td>35.68</td>
</tr>
<tr>
<td>2003</td>
<td>138.803</td>
<td>105.888</td>
<td>17.42</td>
<td>37.34</td>
</tr>
<tr>
<td>2004</td>
<td>143.455</td>
<td>108.725</td>
<td>16.66</td>
<td>36.15</td>
</tr>
<tr>
<td>2005</td>
<td>165.565</td>
<td>117.365</td>
<td>16.63</td>
<td>36.80</td>
</tr>
<tr>
<td>2006</td>
<td>179.144</td>
<td>135.896</td>
<td>19.45</td>
<td>39.30</td>
</tr>
<tr>
<td>2007</td>
<td>187.942</td>
<td>146.837</td>
<td>16.58</td>
<td>37.17</td>
</tr>
<tr>
<td>2008</td>
<td>204.896</td>
<td>161.831</td>
<td>15.42</td>
<td>34.96</td>
</tr>
<tr>
<td>2009</td>
<td>222.123</td>
<td>179.835</td>
<td>14.15</td>
<td>32.53</td>
</tr>
</tbody>
</table>

Note: The number of poor in millions of people.

MDGs in Indonesia known as the Millennium development goals (Tatyana, 2000). The eight MDGs deal in proficiency level are:
1. Tackling poverty and hunger (eradicate extreme poverty and hunger).
3. Promote gender equality and empower women (promotes gender equality and empower women).
5. Improve maternal health (increase maternal health).
7. Ensuring environmental sustainability (Ensure environment sustainability).
8. Build a global partnership for development (develop a global partnership for development).

To be able to realize the Millennium Development Goals (MDGs) in Indonesia sought to cut the vicious chain of poverty environment (Tatyana, 2000). Soekartawi (2007) says that poverty is a perfect reason which led to low Human Development Index (HDI) Human Development Index which itself is a parameter that indicates the level of quality human resources which way the calculation is not only using variables of education, but also economic variables and of health. The data used in the field of education is also a part of many educational data are available. Education data used to calculate the HDI is a data literate adults (age > 15 years) and data Gross Enrolment Ratio (Elementary, Middle School and Upper Advanced First, and Universities). Likewise, health variables, only the data used in life expectancy (life expectancy), while for the economic variables, data are only taken the numbers Gross Domestic Product (GDP) per capita. Then from the three variables are calculated its HDI. Overall quality relative to human Indonesia is still very low, compared with the human qualities in other countries in the world. The example in the following table is a comparison of HDI Indonesia and ASEAN countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>HDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapura</td>
<td>0,9020</td>
</tr>
<tr>
<td>Philipines</td>
<td>0,7930</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
<td>0,8670</td>
</tr>
<tr>
<td>Thailand</td>
<td>0,7530</td>
</tr>
<tr>
<td>Malaysia</td>
<td>0,7680</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0,8200</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0,6920</td>
</tr>
<tr>
<td>Myanmar</td>
<td>0,6600</td>
</tr>
</tbody>
</table>

Source: UNDP (2004). Ranking among eight ASEAN countries

Based on this table it appears that Indonesia was ranked seventh by the HDI for 69.20 percent of the 8 countries of ASEAN, while enhancing the world ranked 110th of 171 countries measured. This suggests that the quality of Indonesian human resources is still lacking compared to other ASEAN countries, HDI is the best is at 100 percent. Based on the Human Development Report 2004 using
2002 data, the figure Indonesia Human Development Index is 0.692, this report is the same, as what was found by Soekartawi (2007). For the HDI of 0.692 in 2004 is a composite of life expectancy at birth of 66.6 years, literacy rates of people aged 15 years upwards of 87.9 percent, combined gross enrollment rate in basic education to higher education for 65 percent, and gross domestic income per capita is calculated based on purchasing power parity (purchasing power parity) of U.S. $ 3.230. Indonesia's HDI ranks only 111 out of 177 countries (Soekartawi, 2007).

This study starts from a problem in the form of controversies like the one on the theoretical results of research on poverty reduction that has been presented in latak back problems and phenomena of poverty, this study differ by a few studies have been done before, because this study will describe how the variables influence of Islam approach Tawhidi String Relation (TSR) will play a role in poverty reduction in Indonesia, then the formulation of the problem in the form of research questions will be submitted as follows: Does Socioeconomic factors will affect the reduction of poverty in Indonesia in the Islamic perspective?

Based on the title, background, problem definition and purpose of research, this study is expected to have the following benefits:
1. Contribute to science in the field of Islamic economics, especially economics. Where the results obtained in this study are expected to add to existing theories, particularly those related to poverty reduction with an Islamic perspective.
2. Provide advice to the government in connection with government policy in terms of poverty alleviation.
3. As a reference for academics and the public when conducting research with a similar topic.
4. Provide advice to the government that by instrument of Islam is zakat alms infaq instrumen that should be used in tackling poverty in Indonesia because Indonesia is a Muslim majority population.
5. Provide advice to the government that the approach Tawhidi String Relation (TSR) can be used as tools of analysis and decision-makers in terms of poverty reduction in Indonesia.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

In accordance with the issues raised in the introduction that “socioeconomic factors that affect poverty reduction in Indonesia in the Islamic perspective” then in this chapter will be given of literature review relating to issues under investigation regarding both the reduction of poverty in terms of conventional and poverty reduction is seen from the side of Islam, before discussing it in advance will be explained about the definition of poverty according to the conventional perspective and definition of poverty according to the Islamic perspective, and will be discussed about the causes of poverty according to the conventional and the causes of poverty according to Islam. In addition to the above discussion will also be elaborated on the theory of TSR (String Tawhidi Relation), think the framework and hypotheses.

Tatyana (2000) theory of the causes of poverty leads to a vicious circle of poverty. The existence of backwardness, market imperfections, and the lack of capital resulting in low productivity...
resulting in low income they receive. Low incomes will have implications for the low savings and investment that result in backwardness. Vicious circle of poverty by Tatyana (2000) are as follows:

**Figure 1: Circle of Satan Poverty**

![Circle of Satan Poverty Diagram](image_url)

*Sources: Beyond Economic Growth, An Introduction to Sustainable Development (2000).*

Muttaqin (2006) poverty can be classified in structural poverty, poverty, cultural and natural poverty. Structural poverty caused by the unequal economic structural conditions in society, either because the government’s economic policies, domination by a few factors of production, monopoly, collusion between businessmen and officials, and others. The point of this structural poverty is because of man-made factors. The cultural poverty arises because of cultural or community mental factors that encourage people living in poverty, such as behavior lazy to work, low creativity and no desire to live more advanced. While poverty is the poverty that occurs naturally in nature, among other factors caused by the low quality of human resources and limited natural resources. Of the three categories of poverty, poverty basically stem from issues of wealth distribution is unequal and unfair. Therefore Islam setting a fair distribution of economic inequality in a society that can be eliminated.

Gavin (2006), in his view Muslims in Afghanistan, Turk, Lebanon and Jordan poverty in the country due to low income is below $1,000 per year, and they mostly work the informal sector, are not concerned about the health of the household, and they are also less educated (Cockburn, 2001).

1. Nature poverty, ie poverty caused by the natural condition of a person; eg mental or physical disability, advanced age and is unable to work, and others.
2. Cultural poverty, the poverty caused by low quality of human resources, due to the culture of
certain communities, such as feeling lazy, unproductive, dependent on the estate, and others.

3. Structural poverty, the poverty caused by a fault system that used the State in regulating the affairs of the people. Of the three main causes, the most influential is the structural poverty. Therefore, the impact of poverty caused can be very widespread in society.

Sukarni (1999), in his view that poverty is the result of high unemployment triggered by the presence of low economic growth in one country as it did in 1998 in Bangladesh that poverty as a result of huge unemployment in the country due to the economic crisis that occurred in that year. Qaradawi (1996) Islam believes that poverty is a problem unmet primary needs as a whole. Islamic Law has determined that the primary requirement (concerning human existence) of three things, namely food, clothing, and shelter. A wide variety of opinions about the causes of poverty. However, an outline can be said there are three main causes of poverty. First, the nature of poverty, ie poverty caused by the natural condition of a person; eg mental or physical disability, advanced age and is unable to work, and others. Second, cultural poverty, the poverty caused by low quality of human resources due to a specific community culture; eg feeling lazy, unproductive, dependent on the estate, and others. Third, structural poverty, the poverty caused by a fault system that used the State in regulating the affairs of the people.

Al-Jawie (2008) thinks Islam is different from capitalism. If capitalism looked subsidy from the perspective of government intervention or market mechanisms, Islam regards subsidies must be conducted by the State. If interpreted as a subsidy in financial assistance paid by the State, Islam recognizes the existence of subsidies in this sense. Subsidies can be considered one of the ways that the State should be done in overcoming poverty, according to Islam, because it includes the provision of State-owned property to the individual rights of the people who became Caliph-Caliph Umar ibn al-Khathab never give treasure of Baitu Mal (State Treasury) to farmers in Iraq so that they can cultivate their farms. (An-Nabhani, 2004: 119). On that basis, the State should provide subsidies to individual people. States may also provide subsidies to individual people who act as a consumer, such as food subsidies (cheap groceries), or cooking oil subsidies, and so on. State subsidies may also be given to the public service sector conducted by the State, for example: (1) telecommunication services such as telephone, mail, fax, internet; (2) Islamic banking services such as transfers, deposits, and foreign exchange, and (3) Public transportation services such as trains, ships, and aircraft (Zallum, 2004: 104).

Subsidies for energy sector (such as fuel and electric) can also be given to the people of the State. Note however, that fuel and electricity in Islam including public goods. In distribution to the people, or sell to people at a price corresponding cost of production, or the corresponding market price, or give to the people in cash as sales gains, and so on. This is where the subsidy can also be given so that distributed fuel and electricity prices were getting cheaper and even free if possible (Zallum, 2004: 83). On the other side of the Indonesian population is largely Muslim and middle income earners to above are less aware of its obligation to comply with existing regulations in the Qur’an it is to tithe for the poor still suffer with the condition. According to Way (2003) Zakat according to the etymological meaning, grace, clean, and well
developed. Named zakat due, can develop and keep property that has been taken zakat from harm. According to Ibn Taimiah hearts and property of people who pay the zakat is to be pure and clean as well as develop meaningful. Way (2003) also said that Zakat according to the terminology means a number of specific property which is required by God Almighty. To be given to the mustahik mentioned in the Qur’an. Or it could also mean a certain number of certain property given to certain people. Pronunciation of zakat can also mean a number of treasure taken from the wealth of the tithe.

Zakat according to the Department of Religion (2007)

a. Zakat is something given as a right of God to people who are entitled to receive, among others, the poor, according to the provisions of the religion of Islam.

b. Zakat is the third pillar of Islam. Obligatory legal basis and clear enough described in the Qur’an and Al Hadith. Hence Muslims have consensus.

c. Property that was divided was called zakat, while the word that means increase holy charity and changed, because the property is expected to be issued zakat increases, pure and baraka (all-sufficiency).

d. Zakat has been described in the Qur’an in paragraph 82 subsection (a). From among the Qur’anic verse is Surah At-Tawbah verse 103. In the words of God Almighty about zakat in the Qur’an, most commands are preceded by prayer, and pay the Zakat (Al-Baqarah, 2: 43).

Zakat is not only an instrument in the economy primarily required is also an instrument to alleviate poverty but also a major pillar of Islam in the regulation of social interaction, social, cultural, or even to man himself, Zakat is the mechanism that controls the balance or stability in the dynamics of society, both economically and socially. Zakat maintain the stability of the rich and poor relationships, as socializing tool for every individual Muslim and as a means of worship for human life and the demands of life. This interaction is described by the hadith Rasullullah. “Zakat is taken from the rich (Muzakki) and submitted them to the needy (mustahik) they (al Hadith)” (Hafidhuddin, 2002).

According Mauddi (1903 - 1979) infak zakat and sadaqah is a system and the original instruments of the Islamic economic system. In charge of distributing wealth to the community group in need. With the belief that at each property acquired by the person in them the rights of the poor and those who lack (8 asnaf: indigent, poor, ibnussabil, jihad fillah, gharimin, converts, bondsmen and amil zakat). According Awaludin (2007) in the history of the Daulah Islamiyah government has demonstrated how Islam provides a clear concept and an issue has been tested in alleviating poverty. This is shown in the reign of Caliph Umar Bin Abdul Aziz. He was renowned as a popular caliphate, will not eat before all his people to eat. And he obliges the rich to every issue of zakat. Where necessary he himself would charge and he also gave to the poor in need. After a miraculous year, he himself discovers Baitul Mal to accumulate wealth, but no longer the poor who deserve Zakat, because Zakat implementation through practice reduces poverty.

Maududi (1903-1979) supports the system of zakat is obligatory, because it will boost morality, reducing poverty, increasing productivity and emphasizes unemployment. Quth (1906 - 1966) agrees
with Maududi (1903 - 1979) that the zakat and sadaqah infak have a significant role, he even proposed the enactment of additional taxes to reduce the gap. Meanwhile, Jamal al-Din al-Qasimi limit taxes only for the rich only.

Kuran (2002) argues that based on historical data zakat never managed to function as agents of equity, he further saw that the charity is acting as a tool of political stability. Kuran income reiterated that zakat is first and foremost instrument in carrying out functions of the State in the Islamic economic perspective, namely ensuring people’s minimum needs. Economically zakat shaping behavior (economic behavior) economic actors, consumers and producers, in contrast with the conditions established conventional economic system are eligible to receive alms of them are:

1. Indigent person: someone who is very miserable life, do not have the wealth and power to meet their livelihood.
2. The poor: people who are not quite livelihoods and in a state of deficiency.
3. Freed slaves: includes also to release the captive by Muslim infidels.

Nurkholis (2006) said that Islam was viewed from the side of the Baitul Mal Wat-Tamwil abbreviated BMT, is a community based organization as an economic institution of the people who seek to develop productive enterprises and investment with the Islamic system, among others, with a system for the results to improve the quality of small economy under and small in the testing effort of poverty. BMT stand up with the idea of flexibility in reaching the grassroots, the grassroots economic institutions BMT seeks to develop productive ventures and investments in improving the economic activities of small entrepreneurs and small based on Shari’ah principles and principles of cooperatives. And he also said that the ZIS (zakat and alms), has a huge potential which is one solution to the problems of poverty, public health problems with malnutrition and the presence of BMT will reduce unemployment, improve education levels, and will increase household incomes and ultimately will improve economic growth, increased economic growth and vice versa then the BMT will increase as incomes rise. This is the same as the opinion Cheng, (2007), in China that the micro finance institutions that will reduce poverty through productive employment reduce unemployment, and public health will be better.
METHODS

The method of analysis used in this study is the method of simultaneous equations. Simultaneous equations is a set of equations where the dependent variable in one or more equations is also an independent variable in some other equations Sumodiningrat (2007), can
also be defined as a model that has a causal relationship between the dependent variable and independent variable, so that a variable can be declared a dependent or independent variable in another equation. In the system of simultaneous equations identification test must be done first to find out whether each equation exactly identified, under identified or over identified. After a simultaneous equations model can be identified, then the next step is estimating the model. According to Gujarati (2003), assessment method in the simultaneous equation method, among others:

1. Indirect least squares (ILS)
   Indirect least squares method used for assessment of an equation that is part of the system peramaan simultaneously.

2. Two Stage Least Square (2 SLS)
   With two-stage least squares (2SLS). Is a single equation method with a correlation between the independent variables, so the CLS technique is applied to each structural equation separately, the bias can be eliminated simultaneously. Therefore, theoretically it can be said that the method 2 SLS merupakan expansion of the ILS method.

According Sumodiningrat (2007), 2SLS method is often used in practice, because:

1. For the over identified equation, ILS produces valuable parameter in doubles, while the 2SLS produce a single estimate.
2. Although specifically created to address the 2SLS equations overidentified, this method can be applied to the equation is exactly Identified.
3. Identified In the case of exactly the same estimation results with less provision for ILS method.
   In the application of ILS is rather difficult to estimate the coefficients reduced from the standard error. In applying 2SLS no such difficulty, because the estimated structural coefficients directly from the OLS regression in step, both.

This study using Two-Stage Least Square (2SLS) method.

Referring to the formulation of the problem and the hypotheses of this study, then there are 10 variables studied, the proportion of poor people, government policies relating to poverty reduction that is earmarked subsidies for the poor such as IDT, P2KP, PNPM, KDP, education, employment, unemployment, health, economic growth, and investment, while the variables studied Islam is zakat alms infaq and BMT (Baitul Mal Wat Tanwil). The definition of the variables used are as follows:
The poor are the proportion of the population has an average per capita monthly pengeluranana below the poverty line.
1. Food poverty line in an area is the minimum spending requirement for food equivalent to 2100 calories per capita per day. Package of basic food commodities in the province was represented by 52 species of commodity, non-food poverty line and is the value of the minimum expenditure requirement for housing, clothing, education and health. Package of non-food commodities of basic needs is represented by 51 kinds of commodities in urban areas and 47 kinds of commodities in the countryside.
2. Economic growth is 
\[ g = \frac{\text{GDP}_{t-1} - \text{GDP}_t \times 100\%}{\text{GDP}_t} \]
3. The work that is: showing the proportion of the working population informal sector
4. Health is to approach what proportion of the population with malnutrition
5. Education is a variable that indicates the percentage of residents who graduated from junior high school level education and below.
6. Unemployment shows the proportion of people who are looking for a job.
7. Investment is the sum of both domestic investment and FDI per capita.
8. Government policy in this regard that berkiatan with a reduction policies that cater to the poor.
9. Baitul Mal Wat Tamwil (BMT) is a number issued by the financing in Indonesia, and the data being viewed is the amount of financing provided to the poor.
10. Infaq Zakat is the amount of zakat alms, alms infak and paid for the poor.
11. Ø is the knowledge derived from God’s teachings and discussions with experts or known by the term shuratic process. So that the entire law, policy or decision that is made comes from the teachings of Allah’s knowledge. The results of the implementation of the law, policy or decision based on the law of God will produce an impact in the life which is a blessing from God as Rohmatan lil Alamin, we symbolize the results of these implementations with the symbol Ø, where Ø is a variable that is later used to describe the variables that are used in this study are related to the knowledge based of the Qur’an and Hadith.

Referring to the formulation of the problem, hypotheses and variable definitions of this study, the size of the variables used are:
1. Poverty: the proportion of poor people in Indonesia are obtained from the number of poor in Indonesia divided by the population in a given year times 100% from the year 1994-2009.
3. The work is measured by the proportion of people who work in the informal sector in Indonesia from 1994-2009.
4. Health is measured by the large proportion of the population consumes yan with malnutrition in Indonesia from 1994-2009.
5. Education is the proportion of people in Indonesia who graduated junior high school level down from the years 1994-2009.
6. Unemployment is measured by the proportion of people who are looking for jobs from the year 1994-2009 in Indonesia.
7. Investment is measured by investment per capita from the year 1994-2009.
8. Government policy is a subsidy that is destined to perpenduduk poor in Indonesia in the form of IDT, P2KP, first aid, PNPM from the year 1994-2009.
9. BMT is measured by the amount of funding received from BMT per 1000 population of poor in Indonesia from 1994-2009.
10. Zakat is the amount of zakat alms infak per 1000 population of poor in Indonesia from 1994 to 2009.
11. Ø This is a variable that will be used to describe the variables used in this study are related to the knowledge based of the Qur’an and the Hadith, and theta cannot be measured.

RESULTS AND DISCUSSION

1. The processed data in testing this hypothesis is divided into 10 equations and, hypothesis testing is done by testing the model simultaneously, the system of simultaneous equations identification test must be done first to find out whether each equation Exactly Identified, under or over Identified Identified. After identification test by testing the rank and order is known that the equations presented in this paper is known that these equations can be solved over so Identified with Two Stage Least Square method is in the program Eviews-4 can be processed by the “system”. The results of model testing as stated in hypothesis 1 to 10 that can disajikakan in the model equation as follows:

\[
P = 52.6 - 1.249G + 1.0344W + 0.41827H + 1.269ED + 1.888U - 0.011NV - 0.0011S - 0.0001BM - 0.0005Z + 0.000422ST
\]

\[
G = -123.966 - 0.6418P - 0.8229W - 0.2214ED - 0.2755UE + 2.500INV + 0.00350S + 0.00184BMT + 0.013ZISZ + 2.306IT
\]

\[
W = -6.9233 + 0.293395P - 0.015112G + 0.386401H + 0.324996ED + 0.164824UE - 0.37E - 0.011NV - 0.003190S - 0.001185BMT - 9.02E - 0.000394Z - 0.001031PT
\]

\[
H = 46.33506 + 0.062453P - 0.230254G - 0.570253W - 0.694223ED - 0.186355UE - 0.1863551 - 6.22E - 0.003190S - 0.001185BMT - 9.02E - 0.000394Z - 0.001031PT
\]

\[
ED = -595.7266 + 6.027918P - 6.573976G + 24.48162W + 4.762404H + 2.75444UE - 1.22E - 0.00394S - 0.000394BMT - 6.15E - 0.00131PT
\]

\[
UE = 155.1303 + 0.407030P - 0.781997G + 3.422425W + 3.557758H + 2.686563ED - 1.49E - 0.00394S - 0.000394BMT - 6.15E - 0.00131PT
\]

\[
I = 24989791 - 28536.25P + 119363.4G + 206511.1W - 45900.8H - 341587.1ED - 126525.5UE - 36.73511S + 28.60881BMT + 3.22E - 0.00394S - 0.000394BMT - 6.15E - 0.00131PT
\]

\[
S = -684974.8 + 26.91678P + 3203.65S + 8795.35W + 13088.53H + 10334.10ED + 3423.79UE + 0.0428051 + 0.396533BMT + 2.02E - 0.00394S - 0.000394BMT - 6.15E - 0.00131PT
\]

\[
BMT = 467004.9 - 969.2095P + 1563.417G + 10897.26W - 9669.624H + 8389.009ED - 3093.344 UE + 0.0414161 + 0.263683S + 1.92E - 0.00394S - 0.000394BMT + 2.02E - 0.00394S - 0.000394BMT - 6.15E - 0.00131PT
\]

\[
Z = 5.92E + 0.12E - 1.23E + 0.2P + 2.39E + 0.2G + 5.99E + 0.2W - 9.94E + 0.2H - 8.75E + 0.2ED - 2.44E + 0.2UE + 29311 + 504097.3S + 1383052BMT + 6341572GT
\]

Are shown in the discussion of the research here is the main model of equation 1 where poverty reduction is influenced by economic growth, employment, health, unemployment, investment, subsidies, BMT, and infaq zakat alms.
CONCLUSION

The purpose of this study was to obtain empirical evidence of the factors that affect poverty reduction in Indonesia in the perspective of Islam in 1994 until 2009. Then based on the results of the analysis and discussion can be taken to a conclusion as follows:

1. Government policies that cater to the poor have an influence on the proportion of poor people in Indonesia. This proves that when the government provides subsidies in the form of loans to the poor, then poverty will fall, because the funds provided are used for the poor. Subsidy in the form of IDT, P2KP, PNPM and PPIP. One of the highlights of the results of this study is the influence of government policy in the form of subsidy was very small, because a lot of poor people who do not use funds from the government due to the poor who’ve had a revolving loan fund does not return the funds eventually institution appointed by the government for the revolving fund does not provide more assistance because it is not trusted. And according to some inventors like Yeyen (2004) that the subsidies granted to the poor lot of the wrong target, and the inventor Kartasasmita (2006), that the subsidies granted to the poor is biased.

2. The proportion of poor people have an influence on government policy in Indonesia, i.e. if poverty increases the government’s policies in the form of subsidies for the poor. Because the State if the population is poor grew, the government must provide assistance in the form of subsidies to the poor both in the form of subsidies in education, health care or assistance to businesses. In the Islamic government is obliged to always take care of its people. Therefore, if a State where poverty increases, the State shall provide assistance to community needs, so in this case between poverty and subsidies have a positive relationship if poverty increases the subsidy will increase.

3. The test results to obtain empirical evidence that the socioeconomic variables for economic growth. Education, unemployment, employment, health, and investments have an influence on the proportion of poor people in Indonesia, produces that socioeconomic variables influence the reduction of poverty in Indonesia in 1994 until 2009 where:
   a. High economic growth can reduce poverty in income resulting from the poor grow better than before. So many poor people are working. For example, or labor-intensive agricultural sector. In Islam that economic growth is the main foundation of social policy in order that the equality between the rich and the poor with ethical and moral foundation, if it is applied in the economic behavior will achieve what is desired by all mankind.
   b. Health in this case the proportion of population consuming with increased malnutrition, poverty in Indonesia will increase, due to the number of population consuming with poor nutrition then it indicates the number of poor in the area.
   c. Reduction in the informal sector of the working population will decrease poverty in Indonesia. Because if the proportion of people who work in the informal sector is reduced, poverty will be reduced. This suggests that the quality of human resources better, better education, health will be emphasized so that people can afford to compete in the labor market due to the formal work sector this suggests that the State is its people prosperous.
   d. Reduction in junior high-educated population that will lower down the poverty, because
education is an indicator of whether or not quality of human resources, if the majority of college-educated population, poverty will be overcome in because they are educated to be easy to run a good life in world and heaven. Since the main purpose of education in Islam is to seek pleasure of Allah swt. With education, expected to be born individuals who are good, moral, quality, making it beneficial to himself, his family, his community, his country and mankind as a whole.

e. Reduced unemployment it will reduce poverty, because unemployment will carry the misery of life can lead to poverty. And also very fond of Islam and lead to poverty. And also in Islam very fond of people who worked so poverty will be solved, from this it can be said that Islam indeed teaches that as human beings are asked to try and work in a lawful and good so that poverty will be overcome.

f. Increased investment per capita will menurkankan poverty, it demonstrates that the State is able to increase productivity for their business so that with an increase in investment it will optimize the resource to overcome the poverty.

4. Poverty affects the socioeconomic variables in Indonesia in 1994 until the year 2009 include:

   a. Increase the proportion of poor people in Indonesia’s economic growth will decline, because the productivity of society in that country resulting in low-income communities is also low so that the public welfare will be reduced.

   b. The proportion of poor people increases, the health of the population in Indonesia will get worse, because with the increasing population of the poor low-income communities, as a result people are not able to make ends meet so that malnutrition in the community will increase.

   c. The proportion of poor in Indonesia increased the proportion of secondary-educated population will increase downward, due to the increasing population of poor people not afford to send to the higher level education due to the cost of education in Indonesia is very expensive when they are poor to make ends meet so that still lacks a increasing the population of poor people who educated junior down will increase.

   d. The proportion of poor in Indonesia increased the proportion of informal sector of the working population will increase, because in a State if the proportion of the population is poor then it tends to grow low-educated people to work so that competitiveness becomes very small formal sector as a result they prefer to work the informal sector.

   e. The proportion of poor in Indonesia increased then unemployment will rise, because it shows that the condition of low-quality human resources, due to low education so that people can not afford to compete in finding jobs in the labor market requires a wide range of conditions in which poor people are not able to meet the requirements proposed.

   f. The proportion of poor in Indonesia increased the investment will be reduced, because if a large proportion of the population is poor then it tends to lower economic growth, low incomes, low education community so that productivity is also low, competitive edge to work becomes very small formal sector as a result they prefer to work informal sector. So that investment into the State is also low.
Managerial Implications

1. Due to the population of Indonesia is predominantly Muslim and in Islam, the State budget is public property, the government should think of it so that the budget be highly responsive to the interests of the poor, such as providing employment, member interest-free loans for commercial purposes (productivity), and scholarships for poor achievement, promote equity and income distribution policies that favor the poor.

2. BMT can reduce poverty while very little effect on poverty reduction in Indonesia, because BMT in Indonesia have not been representing the number of poor people in Indonesia therefore should be the government in this Bank Indonesia to help in terms of funding for the development of BMT or financial institution microfinance in Indonesia because of BMT is the potential for use as a tool to alleviate poverty by opening up the expansion of employment opportunities, increase incomes. Do not like the small and medium enterprises (SMEs) and cooperatives which have been the cornerstone of economic Indonesia marginalized. As a result jargon fair and prosperous society that is always touted the new Order in the narrows. Indonesia should take a lesson from Japan, Taiwan and South Korea. In these countries who say that growth can only be created properly when justice was also stressed together. So then spawn a concern for justice with the appeal will be growth with distribution, reduction and elimination of poverty and meet basic needs.

3. Should economic growth to reduce the proportion of the population is poor quality economic growth and equitable investment as a contributor to economic growth must be done in the form of accelerated industrialization, accumulation of human capital in the form of education, as well as development and infrastructure improvements throughout the country.

4. It is expected the government in order to give attention to poverty alleviation policy factors that influence the proportion of poor people in Indonesia, especially using the strategy of economic growth, and problems of education, employment, unemployment and poor nutrition or health problems, so that policy is made more concrete and tangible in improve the welfare of Indonesia both quantitatively and qualitatively.

5. To smooth the government’s policy program of government programs related to aspects of revenue enhancement and equitable distribution of the public should pay attention to accessibility to capital and skills, such as a credit program designed specifically for a certain target groups, namely low-income households.

6. With Islamic instruments, namely zakat alms infaq very influential on poverty reduction while very little influence, because in Indonesia the role of zakat institutions have not been efficient because more people believe in giving alms alms infaq directly to the poor or the foundation that manages the orphans, but if the policy makers this country would serious to gradually use the instruments of Islamic finance as an instrument of poverty reduction, the authors believe the fight against poverty will be accelerated as well. Our nation will have economic independence, sovereignty and dignity so that the State can be maintained. Develop Islamic financial services with developing pro-people economic policies, because the Islamic financial services has a clear partiality to the interests of the people.
7. Due to economic growth simultaneously affect the socioeconomic variables and poverty, the need for a serious government attention to address problems related mainly to equalize the economic development and GDP per capita population of Indonesia. One way is to increase economic activity or economic centers in the area of economic activity through community empowerment.

8. Muslims in Indonesia are expected to revive the teaching of evolution (gradual change) of the Prophets ummah that is freed from the burden which is crushing and handcuff them into it, where leaders in Indonesia simple life with those who are poor and live like them, eat with a simple and expected to perform three main missions prophet in order to overcome poverty, namely:
   a. Explaining the halal and haram
   b. Liberate the ummah of the burden that is crushing and handcuff them into it.

REFERENCES

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