

The Role of Government Investment and Policy to Overcome Poverty in Indonesia

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ABSTRACT

The role of government policy in overcoming poverty sometimes has major implications for the economy. Likewise with investments that require attractive packages for foreign and domestic investors. This study aims to explain the importance of investment and government policies in overcoming poverty. The method used is the method of literature review. Data were taken from various books, journals and data from the central statistics bureau. Government policy and investment are supporting factors that can determine the decision making to overcome poverty. The government can provide investment convenience to investors in order to increase employment opportunities for the community. In addition, infrastructure development is one of the main focuses as the foundation for development which will continue to be improved, especially related to the main link to productive economic centers.

INTRODUCTION

Increased investment is believed to contribute to boosting the economic development of a nation. In the macro economy, investment also plays a role as a component of national income, Gross Domestic Product (GDP) or Gross Domestic Product (GDP). Investment has a positive relationship with GDP or national income, if investment rises, GDP will rise, and vice versa, when investment falls, GDP will also fall (Kunle, 2014).

In the same context, Harrod-Domar put forward a very legendary theory that to grow an economy requires capital formation as an additional capital stock. Capital formation is seen as expenditure which will increase the ability of an economy to produce goods as well as expenditure which will increase the effective demand of the whole society (Saghir, & Santoro, 2018)

This requires investment to increase the ability to produce goods and services needed in the economy as an "engine of growth". Therefore, high and sustainable levels of economic growth are generally supported by increased exports and investment (Anyanwu, J. C. 2014).

Furthermore, Harrod-Domar emphasizes the importance of each economy setting aside a certain proportion of its national income to replace damaged capital goods (buildings, equipment, materials) as an effort to grow the economy, so that new investments are needed as capital stock (Todaro, 2006).

We should be grateful for the hard work of all components of the nation with directed and measurable directives step by step that we have successfully gone through in building the foundation for the nation's progress, reflected in the ease of investing in Indonesia to leverage the movement of investment has experienced many significant improvements.

According to a World Bank report, based on the Ease of Doing Business (EoDB) category, Indonesia is ranked 72 out of 190 countries. Signals of growing investment in Indonesia can be referred to from the 2018 World Investment Report, which describes foreign direct investment (FDI) to Indonesia showing significant growth.

In addition, the rating agency Fitch Ratings (Fitch) in 2019 maintained Indonesia's sovereign credit rating at the BBB/stable outlook level (Investment Grade), the affirmation of Indonesia's rating reflects the rating agency's confidence in Indonesia's economy and stability and the resilience of Indonesia's external sector amidst economic conditions and global political stability are still filled with uncertainty.

We should also be relieved that in the midst of increasingly uncertain global economic conditions, quite a brilliant achievement can be seen from the realization of investment in Indonesia. During the second quarter of 2019 the realization of Domestic Investment (PMDN) was IDR 95.6 trillion (up 18.6%) and the realization of Foreign Investment (PMA) investment was IDR 104.9 trillion (up 9.6%) compared to the same period in 2018. In the first quarter of 2019, investment realization recorded an increase of 5.3 percent compared to the first quarter of 2018 to IDR 195.1 trillion.

If you pull back the time span, investment grew almost 6 times from 2016 to 2018, which was initially only US\$3.92 billion to US\$23 billion. It is hoped that

in the future Indonesia will be able to penetrate the top 40 in the ranking of ease of investment in the world in 2019. For this reason, understanding and hard work are needed from all Ministries/Institutions to be able to cut 50 percent of the 42 thousand regulations which are considered to still hinder the investment process into domestic.

The Indonesian government is aware of the importance of prioritizing infrastructure improvements so that the investment and business climate becomes more attractive. Therefore, infrastructure development is one of the main focuses as the foundation of development which will continue to be improved, especially related to connecting to productive economic centers, so that distribution problems are no longer an obstacle to regional economic growth.

Various massive infrastructure projects have been successfully developed (Suprpto, et,al, 2022), in various parts of Indonesia, some of these development projects incl. de the Development of the Masela Block in West Southeast Maluku (MTB) which is expected to increase Indonesia's oil and gas reserves by 300 percent, increase in community-based infrastructure activities (work-intensive), construction of small irrigation, development of drinking water and sanitation, construction of National Cross Border Posts (PLBN) and arrangement of National Tourism Strategic Areas. Then, preservation of the East, West and Central Sumatra Cross roads, as well as increasing the preservation of the Trans Papua road to reduce disparities in the price of basic necessities and overcome development inequality between regions in Indonesia

LITERATURE REVIEW

Investment

The definition of investment is an investment activity, either directly or indirectly, with the hope that in the future the owner of the capital will get some profit from the results of the investment (Octaviani, & Komalasari, 2017).

The term investment itself comes from the Italian word, investire which means to use or use. Meanwhile, according to the Big Indonesian Dictionary or KBBI, investment is investing money or capital in a company or project for the purpose of making a profit (Prabowo.et.al. 2022)

Meanwhile, in general, investment is spending or utilizing time, money or energy for future profits or benefits. Investments can be made by individuals or business entities such as companies.

Before making an investment, it would be nice to know in advance the types and strategies that are safe to invest. The definition of investment is an investment activity, either directly or indirectly, with the hope that in the future the owner of the capital will get some profit from the results of the investment (Octaviani, & Komalasari, 2017).

Government policy

Government policy is essentially a policy aimed at the public in the broadest sense (state, society in various statuses and for the public interest), whether it is carried out directly or indirectly which is reflected in various dimensions of public life.

Wisdom as a decision to allow something that is actually prohibited or vice versa, based on certain reasons, such as humanitarian considerations, emergency situations, etc. (Wajdi, F. 2022). While the policy shows the existence of a series of alternatives that are selected based on certain principles. Textbook for Semester VII Students 2012-2013 Government Science Study Program 2 A policy can take the form of a decision in the form of a Constitution (UUD) and the National Development Program. The elaboration decisions are in the form of laws (UU) and Regional Development Programs are called policies. If laws are referred to as policies, government regulations (PP) can be called policies. So if PP can be called a policy, and Ministerial Decrees (Kepmen) can be called a policy, and so on. The definition of wisdom which is the reference in this discussion is further and deeper thoughts/considerations and decisions, not decisions to violate something. Even though the terms policy and policy have different meanings as stated above, the two words also have similarities. The similarities between policies and policies are interpreted as a certain directed action by actors (government) based on considerations that contain certain rules (principles, norms) to solve the problems faced by society in order to achieve the expected goals.

METHODOLOGY

Library research is a study that examines various reference books as well as the results of similar previous studies which are useful for obtaining a theoretical basis for the problem to be studied. This research uses library research method. Research sources are taken from various journals and articles that discuss investment and government policies as well as poverty in Indonesia in general. Literature Review contains the results of theoretical/concept studies, scientific findings and method innovations that have been achieved previously – both by the researchers themselves and others – in the fields of study that are very relevant to the research proposal submitted

RESULTS AND DISCUSSION

The Role of Investment and Government Policy to Overcome Poverty

Indonesia is a country that is still experiencing acute poverty problems. The results of a survey by Media Indonesia on 480 respondents were taken at random from the list of telephone owners in six major cities in Indonesia (Jakarta, Bandung, Yogyakarta, Surabaya, Medan and Makassar). Respondents were asked how their income is in meeting their current daily needs, whether they feel it is getting heavier or lighter. The majority of respondents (73%) felt that fulfilling their daily needs was getting harder; as many as 21% of respondents

felt the same; and only 6% feel lighter. When asked whether currently finding a new job is becoming more difficult or easier, the majority of respondents (89%) feel that it is increasingly difficult to find a new job; as many as 5% of respondents felt the same; 4% find it easier; and 2% feel they don't know. In 2007, the number of poor people was 37.17 million people or 16.58% of the total Indonesian population of 39.30 million or 17.75% of the total Indonesian population that year. Even though there was a decrease of 2.13 million people, in absolute terms this figure is still large and exceeds the total population of New Zealand (4 million), Australia (12 million) and Malaysia (25 million). The United Nations Development Program (UNDP) report, Human Development Report 2007/2008, shows that Indonesia's HDI ranking in 2007 was at number 107 out of 177 countries.

Apart from being further behind by Singapore (25th place), Brunei Darussalam (30th), Malaysia (63rd), Thailand (78th) and the Philippines (90th), Indonesia's ranking has also been overtaken by Vietnam (105th) which in 2006 was ranked 109th. Without fundamental improvement in economic and social development strategies, Indonesia's HDI ranking does not rule out the possibility of being followed by Laos (130), Cambodia (131) and Myanmar (132) in the coming years. Thus, the low ranking of Indonesia's HDI shows that the level of Indonesian human welfare is still at a lower level. In fact, because the HDI indicator basically refers to the basic concept of human capabilities, it can be said that the Indonesian people's ability to meet very basic needs is still worrying.

In other words, living well in Indonesia is still just a shadow, because most of the Indonesian people are still unable to get rid of the problem of poverty. The HDI indicator describes the level of quality of life as well as the capabilities of Indonesian people. The life expectancy indicator shows the dimensions of long and healthy life; indicators of literacy rates and average years of schooling show outputs from the knowledge dimension; and purchasing power indicators represent a decent living dimension (Suharto, 2009).

Investment is also an important indicator in development and poverty reduction. Because with a good investment, it is hoped that employment opportunities will open widely. People will be able to work and be able to meet their needs.

Government policies that are willing to open investment policies will be able to assist investment procedures in Indonesia. Easy and hassle-free investments will attract investors from developed countries to spend their money to do business in Indonesia.

CONCLUSIONS AND RECOMMENDATIONS

Government policy in controlling poverty is important. Investment can support the availability of employment. The government does not only focus on overcoming poverty, but can carry out programs to overcome poverty such as providing direct assistance to underprivileged communities. The role of investment and government policy is very strategic in overcoming poverty..

FURTHER STUDY

This research is limited to literature review. This can be developed in other methods. This research can be used as a basis for further research on investment, policy and poverty

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