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Inequality Between The Region In The Province Of Central Java 2012 – 2016

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Abstract. The development becomes an activity process that must be conducted by all nation as the effort to remove the backwardness and to repair the prosperity in all aspects in human life. Different with the paradigm of traditional economy development, modern economic development concerns in economic growth, unemployment problem, poverty, inequality and structural imbalance. In decade 1970s, redefinition of economic development was reached by the effort with removing the poverty, development and inequality. In the developing country, especially in Indonesia, the emergence of economic inequality between the regions it is the global phenomena that must be faced. The main discussion in the implementation of the economic development policy in the developing country in the past is the economic inequality problem, because there is the tendency that the development policy that has been designed to increase the economic growth in contrast in make worse the condition of economic inequality between the regions in a nation. The problem of economic inequality theoretically can be explained by using neo classic hypothesis. In the beginning process of development in a nation, the economic inequality between the nation tends to widen (divergen) because it is caused by mobility of production factor (capital and labor) that are not running well, so it is concentrated in the developed region. With the process of sustainable development, and with the better infrastructure so the mobility of production factor will be better, thus the economic inequality between the region will be reduced (convergen). This writing tries to analyze and answer the problem of economic inequality between the region in Central Java 2012 – 2016 with some of problems about: income per capita and economic inequality in Regency/City in central java, based on data in 35 regencies/cities in Central Java. Meanwhile presumed that in the area of developing region generally the economic inequality between the region tend to be higher, and in the developed region the economic inequality tend to be lower.

Keywords: Economic Development, Economic Growth, economic Inequality, Divergen, Convergen.

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1. INTRODUCTION

Development becomes activity process that must be conducted by all countries as the effort to move away from the under-developed and to repair prosperity in all aspects of human life. It is different with the paradigm of traditional economic development, modern economic development is concerned to the economic growth, unemployment problem, poverty, inequality and structural unbalance. In 1970s, redefinition of economic development was achieved to remove the poverty, development, and inequality (Michel P. Todaro, 2000).

In the developing countries, especially in Indonesia, the emerge of the economic inequality between the regions are the global phenomena that must be dealt (Nopirin, 1994). The main problem in determining the economic development policy in the developing country since in the past was the economic inequality problem, because there was the tendency that the development policy that had been designed to increase economic growth, in contract it tended to make worse the condition of economic inequality between the region in a country (Sjafrizal, 1997).

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The regions that do not get the same development progress it is caused by lack of resources, there is the tendency of the capital owner (investor) to choose the city area or the region that has the facilities like infrastructures, electrical network, telecommunication network, bank, insurance and skilled workers. Beside that there is the inequality of the income redistribution from central government or provinces to the region like province, regency (Mudrajat Kuncoro, 2004). The level of region inequality that happen in the java island and central java for last 5 years has the development of Williamson index that is getting lower if compared with the other province even though in the 2012 was getting better. The Province of Central Java showed the number index in 2011 is 0,697, in 2012 is 0,704, in 2013 is 0,670, in 2014 is 0,666 and in the 2015 is 0,635.

Province of Central Java is the area that has the large area with the villages characteristic and agrarian culture in the society life. The development of PDRB per capita based on the basic price in Province of Central Java from year to year shows the increase. Although it cannot be used to reflect the level of income distribution of society, but PDRB per capita can be used as one of indicator to see or become the measure of society productivity in region (Central Research of National Development Plan, 1997).

The different of potentiality and condition of geography and demography conditions between the regency in central java affects in the development. Demography condition also get the experience of inequality, education level is one of the quality measure of human resource, the higher education level in the society it is also the higher prosperity level in the society. The education is the investment that is needed as the human capital to increase the productivity and income. Based on the explanation above, this article tries to analyze growth level and inequality between the region in the Province of Central Java 2012 – 2016.

2. Material and Methods

Purpose

Based on the problem that has been explained above, this research tries to analyze and answer the problem of growth level and inequality between the region in the Province of Central Java 2012 – 2016 with the purpose :

1. To find out the level of economic growth and income per capita between the ²Regency/City in the Province of Central Java.
2. To find out the economic inequality between the ²Regency/City in the Province of Central Java.

Analysis Tool

Typology Analysis of Klassen

This ²analysis tool is used to find out the pattern and structure of economic growth in entire of Regency/City in the Province of Central Java. By using the variable of economic growth and income per capita, Klassen typology divides the development a region become 4 categories, that are;

- a. The region is getting progress and grow faster, that is the region that has the income average per capita and economic growth that are higher.
- b. The developed region but stressed, that is the region that has the high income average per capita but the average of economic growth is lower.
- c. Fast developing region, that is the region that has the income average per capita low but the average of economic growth is high.
- d. The region is relative under-developed, that is the region that has the average income per capita and the average of economic growth is low (Boediono, 1985).

Williamson Index

To find out the economic inequality between the Regency/City that happens in the Province of Central Java in 2012-2016 can be analyzed by using the inequality index that is named Williamson inequality index. Regional inequality index at first is used by Jeffrey G. Williamson with formulation (Sjafrizal, 31):

$$\frac{\sqrt{\sum (y_i - \bar{y})^2 f_i / n}}{\bar{y}}$$

Where :

IW = Williamson Index

Y_i = income per capita in the Regency/City i

Y = income per capita in the average of Province of Central Java

f_i = the total residents in the Regency/City

n = total residents in the Province of Central Java

The procedure that has been conducted is the income per capita of Central Java subtracted with the average income per capita quadrat then multiple with the total residents in the Regency/City I that has been divided with the total residents in Province of Central Java, then divided with the average income per capita, so it is obtained the inequality value index.

Trend Analysis and Pearson Correlation

According to Kuncoro (2001:155) to examine the Kuznet hypothesis it can be used trend analysis and Pearson Correlation. Trend analysis between inequality index whether Williamson inequality index and Theil entropy inequality index are connected with the economic growth from one region, from the result of its curve it can be seen the form its tendency it has form linier or non linier. The result of Pearson correlation can be seen its significance and its form correlation whether it is positive or negative.

Kuznet Hypothesis

Kuznet hypothesis analysis is conducted to prove the Kuznet hypothesis that states the trade-off between the inequality and economic growth, at least for the beginning phase of economic development. If the Kuznet hypothesis is proved so it will be obtained the reverse U curve. This analysis is conducted by using analysis of curve estimation regression and data that is used involves the data PDRB per capita and variation coefficient value (Henny A.K. Pangkiro, 2016).

Region Competition Factor Analysis that Affects the Economic Growth and Inequality in Central of Java.

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Region competition that affects the economic growth and inequality between the Regency/City in the Province of Central Java by using the similarity model analysis of repeated Simultaneous. In the simultaneous similarity model there is more one similarities. Different with the single similarity model, in the simultaneous similarity model, parameter from one of the similarity cannot be estimated without using information that is provided by the other similarity (Gujarati, 2003: 717-718).

3. FINDING

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The effect of income per capita in the Regency/City in Central Java to the economic growth based on the Klassen typology it can be explained that the economic growth is the change level of economic activity from year to year, because of that to know the level of economic growth must count the movement of economic growth. And economic growth principally must be felt by residents, so the high economic growth is not absolute can be felt by residents if the growth of residents is higher (Suseno, 1990:35).

Supriyantoro (2005) analyzes the income disparity between the Regency/City in Province of Central Java I period of 1993 – 2003, by using the Williamson method that based on data PDRB per capita in region that is classified based on the dividing ten development region in Province of Central Java, it shows that period the inequality level of income between the region in Province of Central Java it is classified low that can be seen from the small CVw value. But, from year to year the inequality of income between the Regency/City in Central Java experience the bad development because the value of income inequality between the region tends to increase.

Subsequently Satrio (2009) analyzed the income inequality between the island in Indonesia in 1996-2006. The method used the Williamson index, inequality trend, correlation analysis and determinant coefficient. The result of its research that the Income inequality between the island in Indonesia was classified in the low level with the inequality index value between 0.210 to 0.261, it meant there was under 0.35. for the income inequality that happened in every island it was in the high inequality level for Sumatera, Java, Kalimantan, Maluku and Irian was 0.521 to 0.996, in island Sulawesi the inequality level was low that is between 0.050 – 0.109, and in Island of Bali the inequality level was not bad that was 0.379 – 0.498. The analysis of income inequality trend between the island showed the trend that reduced, except in Island of Jawa, and Sulawesi (Anisa Nurpita, 2016).

Meanwhile the research of Sudarmono (2006), concluded that the change of agriculture sector role is replaced by industry sector it can be seen from the change of contribution to the PDRB, it shows structural transformation in Regency/City in Development Area I Central Java. But in the other side the heterogeneity and characteristic diversity between the region in Development Area I can cause inequality between the region. The occurrence of increase tendency Entropy Theil value index or Williamson value index contains the meaning the inequality that happen in the Development Area I Central Java is getting bigger or it cannot distributed well.

And the research of Hartono (2008), concluded that the implication in order to the level of development inequality was getting smaller or reduced to the income inequality, it needed to conduct the development in the private sector in the under-developed region so inequality level between the region was smaller. Because it is to get the well distribution of prosperity it needs the longer time.

4. CONCLUSION

From the explanation above :

1. Income inequality between the region in Province of Central Java is classified low it can be seen from small CVw value. But from year to year the income inequality between the Regency/City in Province of Central Java is getting bad development because the income inequality value between the regions tends to increase.
2. Income inequality that happens in every island is in the high level inequality for the island of Sumatra, Java, Kalimantan, Maluku and Irian. Income inequality bases on the islands it also shows the trend getting lower except for the island of Java and Sulawesi.
3. The change of agriculture sector role is replaced by the industry sector it can be seen from the change of contribution to the PDRB, it shows the structural transformation in Regency/City in the Development Area I Central Java. In the other side, heterogeneity and characteristic diversity between the region in Development Area I can cause the inequality between the region.
4. In order to the development inequality is smaller or decrease to the income inequality, it needs to be conducted the development in private sector in the under-developed area so the inequality level between the region is getting smaller.

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