

# *The Impact Of Poverty Level On Economic Development Of South Kalimantan Province*

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**Abstract** – Regional autonomy is a solution to educate the region to be more independent in the economy which in the end can develop the regional economy and the national economy. High-quality economic growth is economic growth that can encourage industrialization, can create the widest possible employment opportunities, and can improve people's incomes to reduce poverty levels. Reducing the number of poor people certainly requires increased economic growth and an even distribution of income. Rapid economic growth that is not balanced with equity will lead to inequality between regions. Several kinds of gaps often hinder a society in its efforts to achieve prosperity, namely: (1) regional disparities, (2) inter-sectoral disparities, 3) inequality in the distribution of people's income.

**Keywords** – Inequality, Poverty, Regional Economy, and Regional Autonomy.

## I. INTRODUCTION

Regional autonomy is a solution to educate the region to be more independent in the economy which in the end can develop the regional economy and the national economy. Since 1999 when Law No. 22 of 1999 was passed on regional autonomy, the regional government system in Indonesia has undergone a system change from centralization to decentralization. A fundamental change for the governance structure between the center and the regions. The government has enormous authority in planning, implementing, and at the same time being accountable for the implementation of government.

South Kalimantan Province is one of the regions in Indonesia that has a fairly large natural resource potential including the agricultural sector, plantation, and marine fisheries sub-sectors, as well as the coal mining sector which attracts investment activities both from domestic sources in the form of Domestic Investment (PMDN) and Foreign Investment (PMA). The survey of the Monitoring Committee for the Implementation of Regional Autonomy (KPPOD) in 2002 showed that institutions are the main factor determining the attractiveness of investment in an area, followed by socio-political conditions, physical infrastructure, regional economic conditions, and labor productivity.

One of the goals to be achieved in developing investment, especially with the PMDN and PMA facilities, is to encourage the level of economic growth. Positive economic growth is needed because it means it has moved the wheels of the economy faster. This movement brings an increase in production or added value and productivity in various economic chains and ultimately increases people's income and welfare. Therefore, it is quite important to measure the role of investment activities in increasing economic growth, employment, and their impact on poverty levels.

The decrease in the percentage of the number of poor people needs to be investigated more deeply whether it is related to economic growth which also increases and there is an increase in the absorption of labor in economic sectors in South Kalimantan Province. The definition of poverty according to BPS is a condition of meeting basic needs that are below the minimum standard of needs, both for food and non-food, namely being below the poverty line (poverty line). The poverty line is calculated based on

the basic needs approach, namely the number of rupiahs needed to be able to meet the minimum basic needs for food (equivalent to 2100 calories/capita/day) and non-food such as housing, health, education, transportation, clothing, and other goods/services.

High-quality economic growth is economic growth that can encourage industrialization, can create the widest possible employment opportunities, and can improve people's incomes to reduce poverty levels. Empirical research is related to the influence of macroeconomic variables such as investment, local revenue, government transfers (exports, inflation, regional economy, employment, and poverty levels). Following the description of the background, it is necessary to study and conduct studies to test, prove, and analyze the differences in theory and practice, which means that government investment and private investment play a significant role in encouraging the regional economy.

Furthermore, there is a division of labor and specialization that encourages product and process innovation that increases per capita income, reduces poverty, and increases economic growth. The more the government can provide economic goods for the population, that is where economic growth occurs. With economic growth, it is hoped that there will be the absorption of labor which can further reduce the number of poor people, either directly or indirectly.

Reducing the number of poor people certainly requires increased economic growth and an even distribution of income. Rapid economic growth that is not balanced with equity will lead to inequality between regions. Several kinds of gaps often hinder a society in achieving prosperity, namely: (1) disparities between regions, (2) disparities between sectors, and (3) disparities in the distribution of people's incomes. The gap between regions can be seen in the presence of developed regions and underdeveloped or less developed regions, this is because they do not pay attention to whether the economic growth is greater or less than the rate of population growth or changes in economic structure.

## II. MATERIALS AND METHODS

### 2.1 Understanding Economic Growth and Economic Development

Economic growth is a long-term increase in a country's ability to provide a wider variety of economic goods to its population. This capability grows with technological progress, and the institutional and ideological adjustments it requires. This definition has 3 (three) components:

- a. The economic growth of a nation is seen and the continuous increase in the supply of goods.
- b. Advanced technology is a factor in economic growth that determines the degree of growth in the ability to provide various kinds of goods to the population.
- c. The widespread and efficient use of technology requires adjustments in the institutional and ideological fields as innovations generated by human science can be used appropriately.

Economic growth is an increase *in Gross Domestic Product* or changes in the prevailing economic level from year to year. In actual economic activity, economic growth means the development of the financial economy that occurs in a country, such as an increase in the number of production and industrial goods, infrastructure development, an increase in the production of existing economic activities, and various other developments.

Economic growth is the process of changing the economic conditions of a country on an ongoing basis towards a better state over a certain period. Economic growth can also be interpreted as a process of increasing the production capacity of an economy which is manifested in the form of an increase in national income. The added value that can be produced by a certain area as a result of various regional economic activities can be measured by Gross Regional Domestic Product (GRDP). Regional GRDP income is the amount of added value generated by various sectors/business fields carrying out their business activities in a certain area without regard to ownership of production factors.

GRDP is very useful as a tool for planning and analyzing economic policies, for example, an analysis to determine the increase in regional taxes and their impact, measuring the rate of economic growth, changes in the economic sector, measuring the inflation rate, especially inflation at the producer price level, measuring sectoral work productivity and the level of general welfare through value GDP per capita.

## 2.2 Classical and Modern Theories

4 factors influence economic growth, namely: population, the total stock of capital goods, land area and natural wealth, and the level of technology used. However, what classical economists paid particular attention to was the role of labor. According to them, the role of excessive labor will affect economic growth. There are 5 successive stages of economic growth starting from the hunting period, the breeding period, the gardening period, trade, and industrial stage. According to this theory, society will move from a traditional society to modern, capitalist society. In the process, economic growth will be further accelerated by a system of division of labor between economic actors. In economic development, capital plays an important role. The growth process will occur simultaneously and have a relationship with each other. The emergence of improved performance in a sector will increase the attractiveness of capital accumulation, encourage technological progress, increase specialization and expand markets. This will encourage faster economic growth. The process of economic growth as an objective function must ultimately be subject to the constraint function, namely the limitation of economic resources.

## 2.3 Economic Growth Factors

There are three main factors related to the economic growth of a country, namely the accumulation of capital which includes all new investments, population growth which increases the workforce, and technological advances in how to improve goods and handle jobs. The factors that influence economic growth are:

### a. Human Resource Factor

Similar to the development process, economic growth is also influenced by human resources. Human resources are the most important factor in the development process, the speed of the development process depends on the extent to which human resources as the subject of development have adequate competence to carry out the development process.

### b. Natural Resources Factor

Most developing countries rely on natural resources in carrying out their development process. However, natural resources alone do not guarantee the success of the economic development process, if they are not supported by the ability of human resources to manage the available natural resources. Natural resources in question include soil fertility, mineral wealth, mining, forest product wealth, and marine wealth.

### c. Science Technology Factor

The rapid development of science and technology encourages the acceleration of the development process, the change in work patterns that originally used human hands were replaced by sophisticated machines which had an impact on the efficiency, quality and quantity aspects of a series of economic development activities carried out and in the end resulted in the acceleration of the rate of economic growth.

### d. Cultural Factor

Cultural factors have a separate impact on the economic development carried out, this factor can function as a generator or driver of the development process but can also be an obstacle to development. A culture that can encourage development includes an attitude of hard work and smart work, honesty, tenacity, and so on. The cultures that can hinder the development process include anarchism, selfishness, extravagance, KKN, and so on.

### e. Capital Resources

Human capital resources are needed to process natural resources and improve the quality of AIPTEK. Capital resources in the form of capital goods are very important for the smooth development of economic development because capital goods can also increase productivity

## 2.4 Investation

In general, the investment includes the addition of goods and services in the community such as the addition of new machines, the construction of new roads, and the opening of new land. The economic theory defines investment as expenditures to buy capital goods and production equipment to replace and especially increasing capital goods in the economy that will be used to

produce goods and services in the future. Investment is a major component in driving the economic development of a country or region.

An increase in investment will encourage the volume of trade and production which in turn will expand productive employment opportunities and will mean an increase in per capita income while at the same time increasing the welfare of the community standard of living of the people.

## **2.5 Labor and Its Application**

The workforce is all people who are willing to be able to work, meaning that all people who do work activities for themselves or others without receiving wages or those who can work. According to Simanjuntak (1998), the workforce is someone who takes care of the household, school, who is looking for work or is working with the age of 14-60 years. Broadly speaking, the population of a country is divided into two groups, namely workers and non-workers. The population is classified as a workforce if the population has entered working age. The applicable age limiting Indonesia is 15 year-64 years.

According to this understanding, everyone who can work is called a workforce. There are many opinions regarding the age of these workers, some say they are above 17 years old; some say they are over 20 years old.

Labor is distinguished from entrepreneurs (entrepreneurs) is based more on the differences in the intrinsic character that exists in the two factors of production. Entrepreneurs are seen as workers who dare to take risks, so they are entitled to receive rewards following the risks taken, and the value is not necessarily fixed. Labor is seen as a factor of production that can increase the usability of other production factors (cultivating land and utilizing capital) so that companies view labor as an investment and many companies provide education to their employees as a form of labor capitalization.

## **III. RESULTS AND DISCUSSION**

### **3.1 Regional Condition of South Kalimantan Province**

Administratively, South Kalimantan Province with its capital city Banjarmasin, is divided into 11 (eleven) regencies and 2 (two) cities. The regencies and cities are Tabalong Regency, Hulu Sungai Utara, Hulu Sungai Tengah, Balangan, Hulu Sungai Selatan, Tapin, Banjar, Tanah Laut, Tanah Bumbu, Kotabaru, Barito Kuala, City Banjarbaru, and City Banjarmasin. Part of the land in the South Kalimantan Province is still forest, and many are drained by large and small rivers. These rivers include the Barito River, Martapura River, Balangan River, Amandit River, Negara River, Batang Alai River, Kintap River, Batulicin River, and so on. In general, these rivers originate in the Meratus Mountains, and empty into the Java Sea and Makassar Strait. population transportation and goods transportation.

South Kalimantan province has various types of mines, such as kerosene, gold, diamonds, cement, iron ore, and coal. Among these types of mines, which have been exported a lot are iron ore and coal. Coal potential spreads throughout the Regency. Natural resources, especially coal, are abundant in Tabalong, Balangan, Hulu Sungai Tengah, Hulu Sungai Selatan, Tapin, Banjar, Tanah Laut, Tanah Bumbu, and Kotabaru regencies. The biggest companies that exploit coal in South Kalimantan Province are PT Adaro Indonesia, PT Arutmin Indonesia, and PT Bahari Cakrawala Sebuku. The coal deposit of South Kalimantan Province is estimated at 1.8 billion tons, with an average production of 12 million tons per year.

### **3.2 GRDP Development of South Kalimantan Province**

One of the indicators that can show an even distribution of regional economic capabilities in the Province of South Kalimantan is the Regency/City Gross Regional Domestic Product (GRDP). Gross Regional Domestic Product (GRDP) is the total value-added or the total value of final goods and services produced by all business units in a region for one year. Through this analysis of the Gross Regional Domestic Product (GDP), it can be seen that the economic activities carried out by the community in an area/region can be identified. A region that has a high GRDP (Gross Regional Domestic Product) is an indication that the activities and capabilities of the region are high in creating added economic value.

This capability is a potential that allows the area to grow. However, the differences in creating the capacity of GRDP (Gross Regional Domestic Product) between districts/cities cannot be directly compared. This is because the ability to create GRDP (Gross Regional Domestic Product) is influenced by many factors, including the area and population. The wider the area of a Regency/City, the greater the possibility of creating added value, also if the population is larger than other areas.

Until the end of 2015, the economic performance of South Kalimantan Province, in general, showed a fairly good condition. This can be seen from the development of the value of the Gross Regional Domestic Product (GRDP) based on constant prices, and the growth of GRDP which shows an increase every year. This is one of the most important indicators in analyzing economic development in South Kalimantan Province. The GRDP development of South Kalimantan Province is presented in Table 1.

Table 1. Development of GRDP of South Kalimantan Province

Year	GRDP Value (In Rp.)	Growth (%)
2007	<b>Rp. 25,922,287.52</b>	6.01
2008	<b>Rp. 27,538,452.00</b>	6.23
2009	<b>Rp. 29,051,631.00</b>	5.49
2010	<b>Rp. 30,674,123.86</b>	5.58
2011	<b>Rp. 32,552,849.54</b>	6.12
2012	<b>Rp. 34,413,316.67</b>	5.71
2013	<b>Rp. 36,196,218.23</b>	5.18
2014	<b>Rp. 38,125,476.41</b>	5.33
2015	<b>Rp. 39,970,749.03</b>	4.84

Source: BPS South Kalimantan, 2016

### 3.3 South Kalimantan Province Employment

Employment issues are important to be studied further. This is because it has a fairly large impact on the emergence of social and economic problems in an area. The main target of development in the field of employment is the creation of new job opportunities in sufficient quantity and quality. This will have an impact on the absorption of the labor force entering the labor market. The labor force is the population aged 15 years and over, which continues to grow in line with population growth.

An overview of the development of employment in South Kalimantan Province during the period 2011-2015 is presented in Table 5.4 below:

Table 2. South Kalimantan Population Employment 2011-2015

Business field	Year				
	2011	2012	2013	2014	2015
Agriculture	834,685	867,042	901,423	937,973	974,533
Mining & Quarry	66,497	69,497	77,876	76,395	74,914
Industry	127,743	128,742	129,847	131,059	132,271
Electricity & Clean Water	4,608	4,836	5,000	5,341	5,682
Building	67,374	72,057	77,159	82,724	88,289
Trade, Rest, Hotel	307,322	318,322	330,070	342,620	355,170
Transport & Communication	95,633	98,800	102,132	105,641	109,150
Finance services	11,209	11,907	12,664	13,487	14,310
Amount	1,732,944	1,798,438	1,868,764	1,942,742	2,012,303

Source: Manpower and Transmigration Office of South Kalimantan Province, 2016

Based on Table 2. above, it can be seen that the working population of South Kalimantan Province is spread across various sectors/job fields. The largest sector/employment sector is agriculture, trade, industry, services, and transportation. However, the mining sector has shown significant developments in recent years.

### 3.4 Sectoral Economic Growth of South Kalimantan Province

One of the important indicators to analyze the economic development that occurs in an area is economic growth. In this connection, growth economics is a process of using the factors of production to produce goods and services (output), which in turn this process of course also produces a flow of remuneration for the production factors owned by the population. Economic growth indicator is a macroeconomic indicator that is used to assess up how far the success of development in an area in a certain period.

During a range period of 5 (five) years, namely 2011 - 2015, the economic growth of South Kalimantan Province continues to move positively. In 2015, economic growth reached 6.06%. Then it increased to 6.12% in 2011. This shows that the economic performance of South Kalimantan Province during the 2011-2015 period experienced a fairly good development. The development of economic growth by sector is presented in Table 3.

Table 3. Sectoral Economic Growth of South Kalimantan Province

No	Economic Sector	Year				
		2011	2012	2013	2014	2015
1.	Agriculture	3.03	2.60	3.52	6.46	7.05
2.	Mining & Quarry	8.67	-2.55	1.01	0.88	-8.47
3.	Processing industry	3.23	3.24	3.16	6.83	7.62
4.	Electricity & Clean Water	8.02	0.69	-2.12	15.39	26.38
5.	Building	7.01	2.86	3.36	8.29	8.70
6.	Trade, Restaurant & Hotel	7.32	5.70	3.35	6.70	7.27
7.	Transport & Communication	6.52	4.54	6.03	8.15	6.60
8.	Finance, Leasing & Services	6.71	8.12	5,12	6.02	5.42
9.	services	9.44	3.27	3.42	8.99	9.34
South Kalimantan		8.25	1.96	3.07	5.28	3.23

### 3.5 Convergent Validity Analysis

*Convergent validity* PLS with reflective indicators assessed based on outer loading. The rule of thumb used for convergent validity is outer loading > 0.50 and average variance extracted (AVE) > 0.50 (Chin, 1995 in Jogiyanto and Abdillah, 2014: 60). Indicators said to be valid can also be assessed from the value of T-statistics, provided that if the T-statistics value is greater than 1.96 then the indicator is said to be valid. The following is the value of the outer loading for each indicator on the variable government investment, private investment, economic growth, employment, poverty rate, and income disparity.

Table 4. Outer Loading Value of Each Indicator

Variable	Indicator	Outer Loading	Cut-off value	Description
Government Investment	X1	1.00	0.50	Valid
Private Investment	X2	1.00	0.50	Valid
Economic growth	Y1	1.00	0.50	Valid
Employment	Y2	1.00	0.50	Valid
Impoverishment Rate	Y3	1.00	0.50	Valid
Income Disparity	Z	1.00	0.50	Valid

Based on the evaluation of convergent validity, it is known that all indicators in the research variables have an outer loading value greater than 0.50 so that all indicators are concluded to be valid in measuring the measured variables and meet convergent validity so that they can be used for further analysis.

The results of the convergent validity evaluation based on the outer loading value for each indicator on the variables of government investment, private investment, economic growth, employment, poverty levels, and income disparities can also be seen in the following figure:

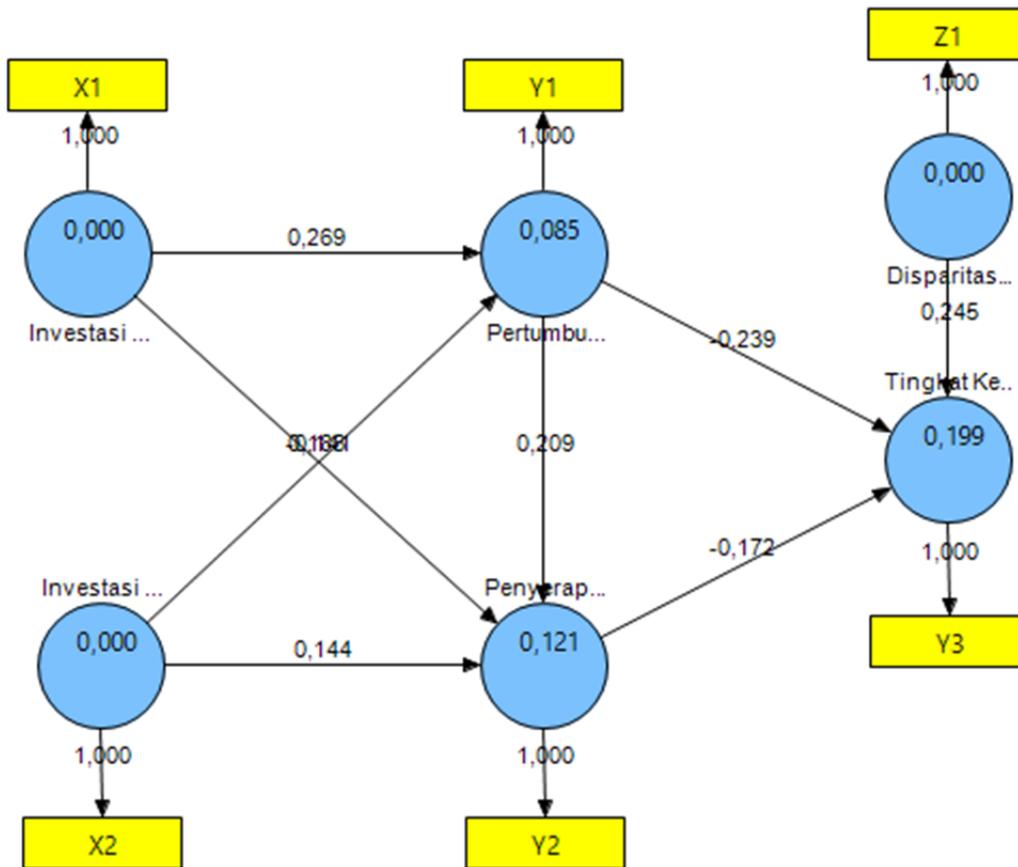


Figure 1. Outer Loading Evaluation of Each Indicator

Table 5. Ave Value in Outer Model Evaluation

Variable	AVE	Cut-off value	Description
Government Investment (X1)	1.00	0.50	Valid
Private Investment (X2)	1.00	0.50	Valid
Economic Growth (Y1)	1.00	0.50	Valid
Labor Absorption (Y2)	1.00	0.50	Valid
Poverty Rate (Y3)	1.00	0.50	Valid
Income Disparity (Z)	1.00	0.50	Valid

Based on the AVE value, all latent constructs/variables have AVE values below 0.50, namely government investment, private investment, economic growth, employment, poverty level, and income disparity, so that the indicators on all these constructs are concluded to be valid in measuring the variables. latent or meet convergent validity (convergent validity).

### 3.6 Discriminant Validity Analysis

*Discriminant validity* is seen based on the value of cross-loading for each indicator in the construct that was formed. An indicator is said to meet discriminant validity if the indicator has a greater cross-loading value on the construct that is formed, compared to other constructs. The results of discriminant validity testing through cross-loading calculations on the variables of government investment, private investment, economic growth, employment, poverty levels, and income disparities are presented in Table 6.

Table. 6 Cross Loading Value in Outer Model Evaluation

Indicator	Government Investment	Private Investment	Economic growth	Employment	Poverty level	Income Disparity
X1	<b>1,000</b>	0.093	0.256	0.226	-0.370	0.016
X2	0.093	<b>1,000</b>	-0.116	-0.151	0.076	-0.247
Y1	0.256	-0.116	<b>1,000</b>	0.273	-0.290	-0.015
Y2	0.226	-0.151	0.273	<b>1,000</b>	-0.318	-0.330
Y3	-0.370	0.076	-0.290	-0.318	<b>1,000</b>	0.305
Z1	0.016	-0.247	-0.015	-0.330	0.305	<b>1,000</b>
Note.	Valid	Valid	Valid	Valid	Valid	Valid

Based on Table 6. it is known that all indicators have a higher cross-loading value on the variables they form and low on other variables, so it can be concluded that all indicators on the variables of government investment, private investment, economic growth, employment, poverty level, and income disparity are concluded valid in forming the construct and fulfill discriminant validity.

### 3.7 Hypothesis Testing Results

After analysis of the coefficient of influence between variables, the next step is to test the hypothesis by using the t-statistics value. Parameters whether there is a partial effect can be known based on the value of t-statistics provided that through a comparison of t-statistics > 1.96 then there is an effect of exogenous variables on endogenous variables or endogenous variables on endogenous variables. On the other hand, if t-statistics < 1.96, then there is no effect of exogenous variables on endogenous variables or endogenous variables on endogenous variables.

Table 7. Hypothesis Testing with Inner Weight

Hypothesis.	Effect Between Variables	Coefficient Path	Tstats.	Description
H1	Government Investment (X1) → Economic Growth (Y1)	0.269	3,926	Significant
H2	Government Investment (X1) → Labor Absorption (Y2)	0.186	1,822	Not significant
H3	Private Investment (X2) → Economic Growth (Y1)	0.141	1.518	Not significant

H4	Private Investment (X2)	→	Labor Absorption (Y2)	0.144	3,292	Significant
H5	Economic Growth (Y1)	→	Labor Absorption (Y2)	0.209	2,549	Significant

#### IV. CONCLUSIONS

Based on the results of the research that has been carried out the author can be given conclusions can be drawn:

- a. The magnitude of the influence of government investment on economic growth is 0.269 with a T-statistics value of 3.926, where the T-statistics value is greater than 1.96, so it can be concluded that government investment has a significant effect on economic growth, the greater the government investment in districts/ cities in South Kalimantan Province, economic growth will increase. Thus, the first hypothesis which states that government investment has a significant effect on economic growth can be accepted (H1 is accepted).
- b. The magnitude of the effect of government investment on employment is 0.186 with a T-statistics value of 1.822, where the T-statistics value is smaller than 1.96, so it can be concluded that government investment has no significant effect on employment, the greater the government investment in regencies/cities in South Kalimantan Province only had a small impact on increasing labor absorption. Thus, the second hypothesis, which states that government investment has a significant effect on employment, cannot be accepted (H2 is rejected).
- c. The magnitude of the influence of private investment on economic growth is 0.141 with a T-statistics value of 1.518, where the T-statistics value is smaller than 1.96, so it can be concluded that private investment has no significant effect on economic growth, the greater private investment in the district/city in South Kalimantan Province has only a small impact on increasing economic growth. Thus, the third hypothesis which states that private investment has a significant effect on economic growth cannot be accepted (H3 is rejected).
- d. The magnitude of the effect of private investment on employment is 0.144 with a T-statistics value of 3.292, where the T-statistics value is greater than 1.96, so it can be concluded that private investment has a significant effect on employment. regencies/cities in South Kalimantan Province, the absorption of labor will also increase. Thus, the fourth hypothesis which states that private investment has a significant effect on employment is acceptable (H4 is accepted).
- e. The magnitude of the effect of economic growth on employment is 0.209 with a T-statistics value of 2.549, where the T-statistics value is greater than 1.96, so it can be concluded that economic growth has a significant effect on employment, the higher the economic growth in regencies/cities in South Kalimantan Province, the absorption of labor will also increase. Thus, the fifth hypothesis, which states that economic growth has a significant effect on employment, is acceptable (H5 is accepted).

#### V. FUTURE WORK

Based on the conclusions above, the following suggestions can be given:

- a. The strategy to reduce poverty levels in districts/cities in South Kalimantan Province must be carried out by increasing labor absorption through increasing the realization of private investment, both foreign and domestic, to increase employment so that it contributes to reducing poverty levels. Increasing private investment will be able to increase employment, which in turn will reduce the poverty rate.
- b. Government investment also needs to be more directed towards increasing human capital investment through improving the quality of health and education as important policy tools in local government strategies to increase economic growth and reduce poverty levels.

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