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**REGIONAL INEQUALITY CONCERNING INVESTMENT, HUMAN RESOURCES, AND
NATURAL RESOURCES DISTRICT/CITY IN THE PROVINCE OF SOUTH SUMATRA,
INDONESIA**

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ABSTRACT

This study uses panel data analysis. The research data used is secondary data from 17 districts/cities in South Sumatra Province. Data processing uses panel data regression from 2010 to 2020 with statistical data processing tools. The variables in this study are investment, human resources, and natural resources as independent variables, while regional inequality is the dependent variable. This study aims to determine the effect of investment variables, human resources, and natural resources on regional inequality. The results of this study are investment variables affect inequality, human resource variables affect inequality, natural resource variables affect inequality.

KEY WORDS

Inequality, investment, human resources, natural resources.

In the implementation of economic development, high growth is the main target for developing countries. Economic growth that occurs during a certain period cannot be separated from the development of each sector or sub-sector that contributes to the added value of the economy of a region. High economic growth still leaves problems that must be faced in the development of a region. The government's role is very important in increasing economic growth because it includes providing public needs to the community that cannot be provided by other private parties. It is stated that economic growth is an indicator of the success of the economic development process. To be able to increase economic growth, the government's role is needed in terms of increasing employment and regulating government spending to minimize regional inequality.

Inequality between regions is caused by the mobilization of resources owned by a region. These resources include the accumulation of capital, labor, and natural resources owned. The existence of heterogeneity and various characteristics of a region causes a tendency for inequality between regions and between economic sectors of a region to occur. Some of the main factors that cause inequality between regions, namely, differences in the content of natural resources, differences in demographic conditions, lack of smooth mobility of goods and services, the concentration of regional economic activities, and allocation of development funds between regions. The concentration of economic activity in only a certain area directly has an impact on regional income disparities which vary widely. One region can provide high income, on the other hand, other regions provide relatively low income.

The main impact of regional inequality is unemployment, poverty, and the low quality of human resources. This impact is a derivative impact of the lack of employment in the area concerned, which is caused by a lack of investment from both the government and the private sector and results in unemployment. If unemployment occurs, it is usually followed by poverty. Poverty causes the quality of human resources (the next generation) to tend to be low, due to the limited ability to enjoy education due to low incomes and even none at all, so that people focus more on meeting the most crucial needs, namely food and drink. Regional inequality is often a serious problem and if it cannot be handled carefully it will lead to more complex crises such as population, economic, social, political, environmental issues and also in a macro context can harm the development process that a region wants to achieve. Developed regions continue to leave underdeveloped regions and the presence of non-

leading sectors is a burden. In Indonesia itself, it can be seen that there are developed and less developed regions as a result of these differences.

Regional government expenditures, both provincial and district/city expenditures reflected in the APBD are divided into two main groups, namely routine expenditures or regional apparatus expenditures and development expenditures or public service expenditures. Of the two types of expenditure, routine expenditure or regional apparatus expenditure is the dominant type of expenditure in development expenditure in most regions, both in the province of South Sumatra and in most regions in Indonesia. Routine expenditures or regional apparatus expenditures include personnel, goods, maintenance, official travel, loans along with interest and subsidies. All of these types of expenditures are consumption expenditures. Meanwhile, development expenditures or public service expenditures are divided according to development sectors which are more of an accumulation of capital stock.

The development of the provinces since the 2000s on the island of Sumatra and decentralization has also had an impact on pushing the inequality between provinces to be wider. Therefore, by looking at the differences in the economic growth of each province that causes inequality between regions to be uneven, this study is expected to be able to review how big the inequality is in various provinces in South Sumatra. To ensure the implementation of human development, particularly in the form of direct investment in human capital, several growth models have been developed. The neoclassical model generally emphasizes the provision of labor, capital stock, and technological change in the process of economic growth, which then develops into human resources in economic growth. The resources used are not only human resources in the context of meeting the needs of economic growth, natural resources are also a factor in the economic growth of a region, besides that natural resources can affect inequality between regions, not all regions have wealth. abundant and equal natural resources.

The improvement of the national economy must be oriented towards the implementation of development in other sectors, such as natural resources which include agriculture, plantations, marine, and the mineral resources sector. Some of these sectors aim to improve the welfare and prosperity of the people, as well as reduce inequality between regions because each region has superior natural resources. Opening access to the development is expected to increase economic growth starting from the community according to the conditions of their respective regions. This idea of economic improvement is in line with the enactment of a law on regional government, namely regional autonomy and financial decentralization between the central government and regional governments. Natural resources in the province of South Sumatra are dominated by the oil and gas sector, plantations, and agriculture. From these three things, the implementation of regional autonomy will run well.

LITERATURE REVIEW

Inequality

Inequality is a phenomenon that occurs in almost all layers of the world, be it poor countries, developing countries, or developed countries, the only thing that distinguishes them is the magnitude of the level of inequality, therefore inequality cannot be eliminated but can only be suppressed to the limit. that can be tolerated (Sukwika, 2018; Kuncoro, 2013). The increase in per capita income does indicate the level of economic progress of a region. However, the increase in per capita income does not always indicate that the income distribution has been evenly distributed. Often in developing countries, the economy emphasizes the use of capital rather than the use of labor so that the benefits of the economy are only enjoyed by some people. The concentration of economic activity in only a certain area directly has an impact on regional income disparities which vary widely. One region can provide high income, while the other region provides relatively low income. In turn, all of this will have an impact on the regional ability to grow and develop in the future (Fleisher, Li, & Zhao, 2010).

The main impact of regional inequality is unemployment, poverty, and the low quality of human resources. This impact is a derivative impact of the lack of employment in the area concerned, which is caused by a lack of investment from both the government and the private sector and results in unemployment. If unemployment occurs, it is usually followed by poverty. Poverty causes the quality of human resources (the next generation) to tend to be low, due to the limited ability to enjoy education due to low incomes and even none at all, so that people focus more on meeting the most crucial needs, namely food and drink.

Human Resources

Labor is any man or woman who is in and/or will do work, both inside and outside the employment relationship in order to produce goods or services to meet the needs of the community (Soebagyo, 2013). In terms of population as a factor of production, not all residents can act as a factor of production. Only the population in the form of labor can be considered as a factor of production. The workforce is the population of working age between 15 to 64 years (Irawan & Suparmoko, 2008; Nafziger, 2012). A larger number of workers means an increase in the level of production, while a larger population growth means a larger size of the domestic market. However, it is still questionable whether it is true that the rapid rate of population growth will have a positive or negative impact on its economic development. According to Irawan and Suparmoko (2008), labor includes people who are already or are working, are looking for work, and doing other activities, such as going to school and taking care of the household. The demand for labor is the need that has been based on the willingness to pay certain wages in return. The employer intends to use or request several employees with a willingness to pay a certain amount of wages each time. So this request has taken into account the high and low wages prevailing in the community, or those paid to the workers concerned (Soebagyo, 2013); Notowidigdo, 2019).

Natural Resources

The definition of natural resources according to Soerianegara (1977) is the result of a human assessment of the elements of the environment that they need, where there are three definitions of natural resources, namely total supply, resources, and reserves. Furthermore, Soerianegara (1977) also revealed that natural resources, in general, are the state of the environment and raw materials used by humans to meet their needs and improve their welfare. In general, there are two types of natural resources. These are renewable natural resources and non-renewable natural resources. Renewable natural resources can be used continuously without fear of running out, for example, water, soil, air, sunlight, geothermal, animals, and plants. Meanwhile, non-renewable natural resources are limited in number and may run out if used continuously, for example, oil, minerals, natural gas, various metals, and other mining materials.

Investment

The investment obtained by each region is also different, investors will first see the potential of an area, both in terms of natural resources and other things such as tourism, labor. Investment according to Indrawati (2012) and Terra (2008) is an investment in an activity that has a relatively long period of time in various business fields. The investment that is invested in a narrow sense is in the form of certain projects, both physical and non-physical, such as projects for the construction of factories, roads, bridges, building construction, and research and development projects. Investment is a term with several meanings related to finance and economics. The term relates to the accumulation of a form of the asset with an expectation of obtaining a profit in the future (Harrison & Rodríguez-Clare, 2010).

METHODS OF RESEARCH

This study uses panel data from 17 districts/cities in the province of South Sumatra from 2010-2020. Regression equation model of the effect of regional inequality on investment, human resources and natural resources.

$$KP = \beta_0 + \beta_1 I + \beta_2 E + \beta_3 N + \varepsilon \dots\dots\dots(1)$$

Where: β_0 , β_1 , β_2 and β_3 is the parameter to be estimated and is the error term of regional inequality; β_0 = Constanta; KP = Inequality; I = Investment; E = Human Resources; N = Natural Resources.

The data used is secondary data. Secondary data is data that comes from records in other sources that have been collected by certain parties (Sekaran & Bougie, 2013).

RESULTS AND DISCUSSION

Regression measurement in this study uses panel data regression analysis, which is a combination of time series and cross-section, the following table of statistical test results using panel data.

Table 1 – The effect of Investment, Human Resources and Natural Resources on Inequality

Variable	t-Statistic	Prob.
C	-7.8612	0.0000
INVESTASI	-10.2433	0.0000
SDM	16.3083	0.0000
SDA	9.9066	0.0000

Source: Processed data, 2021.

The investment obtained by each region is also different, investors will first see the potential of an area, both in terms of natural resources and other things such as tourism, labor. investment creates income which is the impact of investment demand, and second, investment increases the production capacity of the economy by increasing the capital stock which is the impact of investment supply. This study is following research from Nursini (2006) to develop a study on the relationship between fiscal policy, economic openness and economic growth in Indonesia during the 1974-2003 period. HR and R&D investments have a positive and significant impact on economic growth and inequality, both financed from taxes and foreign debt, while routine spending and infrastructure investment do not significantly affect economic growth.

A larger number of workers means an increase in the level of production, while a larger population growth means a larger size of the domestic market. However, it is still questionable whether it is true that the rapid rate of population growth will actually have a positive or negative impact on its economic development. This research is the same as that of Kusreni (2009) who developed a study entitled the effect of changes in economic structure on sectoral and regional specialization and the structure of sectoral labor absorption in East Java. Sectoral workers have a significant positive effect on inequality that occurs due to sectoral specialization.

Ownership of natural resources certainly has an impact on the economy, regions rich in natural resources will get additional regional income from the oil and gas and non-oil and gas sectors. This research is in line with the results of Agusalim's research (2016). One of the results of his research is that all macroeconomic variables including government spending, growth of human resources, and natural resources have an influence on inequality that results in poverty between regions.

CONCLUSION

Investment variables, human resources, and natural resources influence inequality. Inequality between regions is caused by the mobilization of resources owned by a region. These resources include the accumulation of capital, labor, and natural resources owned. The existence of heterogeneity and various characteristics of a region causes a tendency for inequality between regions and between economic sectors of a region to occur.

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