

Per Capita Income on Poverty in Malaysia

Ilham Sentosa

University of Kuala Lumpur

Email: ilham@unikl.edu.my

Husni Muharram Ritonga

University of Kuala Lumpur

Corresponding author: ilham@unikl.edu.my

Abstract.

Poverty can worsen as it makes it difficult for people to fulfill their basic needs. Income is a key indicator in overcoming poverty as an increase in income can increase people's consumption levels. This study aims to examine the relationship between per capita income and the poverty rate in Indonesia. This research uses a qualitative descriptive approach by referring to literature studies that include previous research journals. The results show that, in general, per capita income has a negative relationship with the poverty rate. In other words, as per capita income increases, the poverty rate tends to decrease. The level of per capita income in a country directly affects the growth of the number of poor people in the country, as low-income levels will hinder people's ability to fulfill basic needs, maintain health, and obtain higher education.

Keywords: *per Capita Income, Poverty, Welfare*

INTRODUCTION

Poverty has always been a major issue in many countries. This is due to the understanding that failure to address poverty can lead to social, economic, and political problems in society. Therefore, poverty is considered a significant problem and receives serious attention from the government (Mustamin & Nurbayani, 2015).

Although the government has implemented various initiatives to reduce poverty every year, the number of people living in poverty still does not show a significant decrease (Ramdani, 2015). This indicates a downward trend in the number of people living in poverty, although, in qualitative terms, significant changes are yet to be seen.

According to Todaro and Smith (2006: 232), the poverty rate in a country is influenced by two main factors, namely the level of average national income and the level of income distribution inequality. Although the level of per capita income in a country is high, if the distribution of income is unequal, then the poverty rate in that country remains high. Conversely, even if income distribution is evenly distributed in a country, if the average level of per capita income is low, the poverty rate will also be widespread.

Per capita income is the average income received by the population of a country in a certain period, generally for one year. The way to calculate per capita income is to divide the total income in that year by the total population of the country in the same year (Sukirno, 2004).

In this study, per capita income is used as a proxy for Gross Domestic Product (GDP) per

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*Corresponding author, ilham@unikl.edu.my

capita. According to Tony and Arka, high GDP growth and high GDP per capita indicate more and better employment, higher incomes, and greater tax revenues that allow the government to provide more assistance to the poor. Another study conducted by Sutrisna and Pratiwi (2014) also confirmed that GDP per capita, as an indicator of the welfare of a country's population, affects the poverty rate. Other research results, such as those mentioned in a study by Wiguna and Sakti (2012), indicate that an increase in GDP per capita contributes to an increase in the welfare of the population in a region, which in turn can reduce the poverty rate.

LITERATURE REVIEW

Poverty

According to the World Bank, poverty is a state in which individuals or groups do not have the opportunity to improve their quality of life so that they can live according to a healthy standard of living with dignity, self-respect, and respect from society. The World Bank sets the standard poverty ratio at \$2 per day. Poverty has many dimensions, including low income, difficulty in obtaining basic goods and services needed to live decently. It also involves problems of poor health and education, poor access to clean water and sanitation, lack of physical security, lack of participation in decisions, and limitations in access and opportunities to achieve a better life. (World Bank, 2017).

From an economic perspective, poverty can be understood as the lack of resources necessary to fulfill basic needs and improve the well-being of a group of individuals. In a political context, poverty includes the level of access to power that affects the political system, which can limit the ability of a group of people to access and use resources. From a social and psychological perspective, poverty involves the lack of social networks and structures that support individuals in achieving opportunities to increase productivity.

Per capita income

Per capita, income is the average income received by the population in a country in a certain period. Sukirno (2004) defines per capita income as the total value of goods and services available on average to the population of a country during a certain period.

The calculation of per capita income has several benefits, as mentioned by Alam (2007):

- a. To monitor the welfare of a country's people from year to year.
- b. As comparative data on the welfare level of a country with other countries.

- c. To compare a country's standard of living with other countries.
- d. As data used to design economic policies.

RESEARCH METHOD

This research uses a qualitative descriptive approach, with a literature study method that refers to previous research journals relevant to the research topic, as well as data found through the publication of information on various websites (Kurniawan, 2014). In the descriptive qualitative approach, the researcher acts as the main instrument and data is collected and analyzed inductively (Sugiyono, 2012). This approach allows the presentation and analysis of data in descriptive form, such as explaining the results of interviews and observations.

FINDINGS AND DUSCUSSION

Per capita income is the average income of the population in a country in a given year. Per capita income can be used as an indicator to measure the welfare level of a country's population. However, it is important to note that having a high income in a country does not necessarily guarantee a higher level of welfare if the population is also high. Therefore, even if a country has a high income, if the population is large, the welfare of the country does not always increase significantly (Sukirno, 2006).

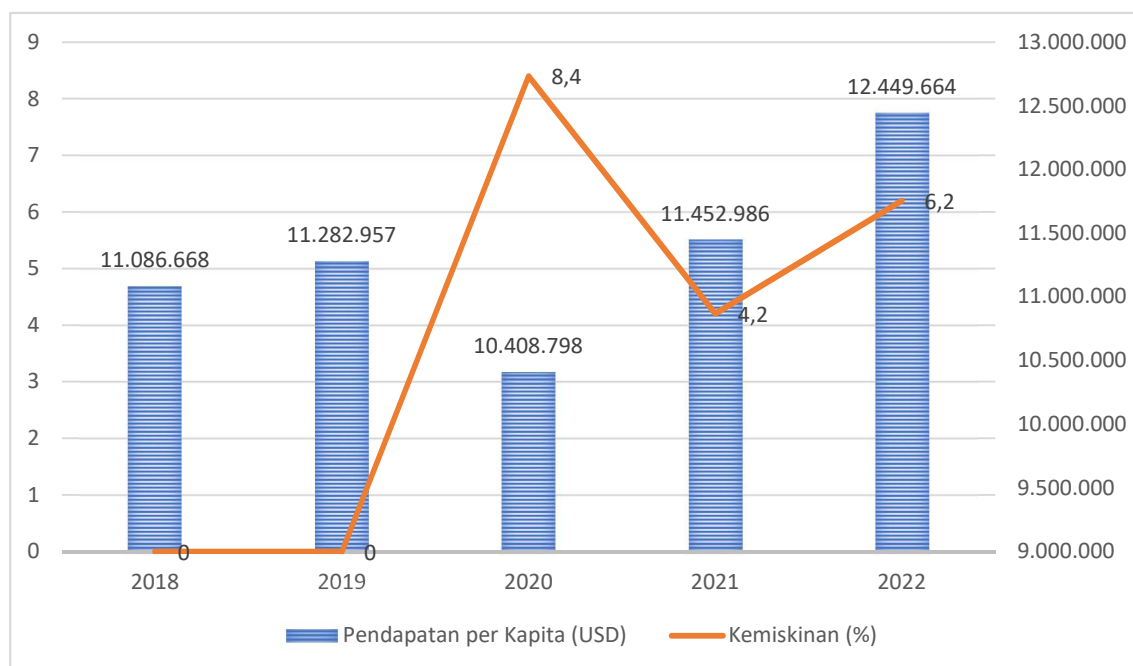


Figure 1. Development of Per Capita Income and Poverty Level in Indonesia from 2013 to 2022

Looking at Graph 1 over five years (2018 to 2022), we can see fluctuations in per capita income and the poverty rate in Indonesia. In general, the results show that per capita income influences the poverty rate. That is, when per capita income increases, the poverty rate tends to decrease. This finding is in line with previous research that has been conducted. (Yunianto, 2020).

The results of the analysis show that per capita income has a significant negative impact on the growth of the poor. This means that the higher the per capita income, the less the growth of the poor. This result supports the theory of Todaro (2003) which states that the level of community welfare will increase as per capita income increases, which in turn reduces the poverty rate (Todaro & Smith, 2003). The link between the level of per capita income and the growth of the poor is that the level of per capita income in a country will directly affect the growth of the poor in that country. This is because low per capita income will hinder people's ability to fulfill basic needs, maintain health, and access advanced education.

One of the root causes of poverty is the lack of quality human resources. The government has continued to improve the quality of human resources through policies that provide easier access to education for all citizens. Education plays an important role in development, and the higher the level of education in a region, the higher the quality of human resources in that region. Education not only provides knowledge but also opens doors of access to a better life. The level of education is also positively related to the labor productivity of the population, which in turn can reduce the poverty rate in the region (Putra, 2020).

One of the root causes of poverty is the lack of quality human resources. The government has continued to improve the quality of human resources through policies that provide easier access to education for all citizens. Education plays an important role in this is also consistent with the results of research conducted by Azizah and her colleagues in 2018. The study shows that per capita income has a negative and significant effect on the poverty rate in East Java Province. Per capita, income of people in an area can be used as an indicator of the welfare of the people in that area. When per capita income increases, people can more easily fulfill their basic needs, so the poverty rate can be reduced. This finding is also in line with previous research by Hastina in 2017, Wirawan and Arka in 2015, Sunarya and Indrawati in 2018, and I Made Anom Iswara in 2014, which also stated that per capita income has a negative and significant effect on the poverty rate. elopement, and the higher the level of education in a region, the higher the quality of human resources in that region. Education not only provides

knowledge but also opens doors of access to a better life. The level of education is also positively related to the labor productivity of the population, which in turn can reduce the poverty rate in the region.

Poverty has a serious impact because people find it difficult to fulfill their basic needs. Income is a key indicator in overcoming poverty because an increase in income will lead to an increase in consumption. Consumption is an important factor in meeting the needs of life, and when these needs are met, the poverty rate will be reduced (Putra, 2020).

CONCLUSION AND RECOMMENDATION

Overall, the study shows that per capita income hurts the poverty rate in Malaysia. In other words, an increase in per capita income goes hand in hand with a decrease in the poverty rate. The level of per capita income in a country directly affects the growth of the poor population in the country. This is because low income will prevent people from fulfilling their basic needs, maintaining their health, and improving their level of education.

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