

# How do Economic Structures Reduce Poverty?

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## How do Economic Structures Reduce Poverty?

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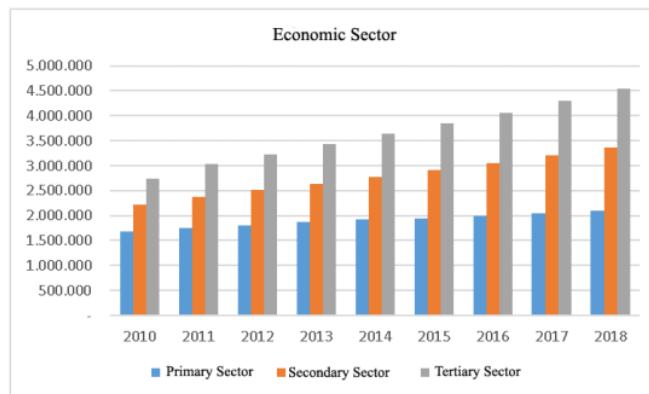
**Key words:** economic structure; poverty; economic growth

### Abstract

Poverty reduction is a government program that is carried out annually. Various efforts were made to reduce poverty levels. One of the efforts that has been taken was to continue to maintain economic growth so that it continued to increase and grow. The existence of economic growth indicates a cycle of economic activity. One of the most important production factors for economic growth is the use of labor absorbed in economic sectors. If a large number of labors are absorbed in production activities, there is an increase in income in the family. The increase in welfare that exists in society indicates that the poverty level is getting smaller. This research was conducted to test empirically on this matter. In this study, path analysis was used to determine the role of economic structure in reducing poverty with economic growth as a mediating variable. The results of this study indicated that economic growth could mediate the economic structure in reducing poverty levels through the absorption of labor in economic sectors and the resulting increase in output in each economic sector

## INTRODUCTION

Economic growth is an issue in economics which is very dynamic and is an important indicator for the economic development of a country. A country's economy is said to grow if there is an increase in output in real terms when compared to the previous year. The amount of economic growth in a country can be seen from the amount of gross domestic product (GDP) produced by a country based on constant prices. In Indonesia, GDP calculation is carried out using two approaches based on the business sector. The amount of economic growth based on the business sector consists of three sectors, namely the primary sector, the secondary sector and the tertiary sector. The contribution of each sector can be seen in graph 1 below:



Graph 1. Economic Sector Development Graph

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Based on the graph1, it can be seen that the primary sector has an increasing contribution to the output of economic activity. In the secondary sector from 2010 - 2018 the contribution of this sector to the economy tended to increase. In the tertiary sector, from 2010 to 2018 the contribution of this sector to the economy tended to increase.

In this graph, it is known that each sector from 2011 - 2015 the additional output produced tended to decrease every year, especially in 2015. This certainly had an impact on economic growth which is described in table 1 below. In 2011 - 2015 economic growth tended to decline. In 2016 - 2018 the contribution of each economic sector to the economy tended to increase. This also had an impact on economic growth which tended to increase in 2016 - 2018. The amount of economic growth in Indonesia can be seen in table 1 below:

Table 1. Economic Growth in 2010 – 2018 (%)

2010	2011	2012	2013	2014	2015	2016	2017	2018
6.2	6.5	6.0	5.6	5.0	4.9	5.0	5.1	5.2

Source: BPS Data, Processed (2010-2018)

The amount of economic growth in Indonesia certainly had an impact on the condition of society, one of which was the level of poverty in society. The increased economic growth was expected to create jobs for the community. The large availability of job opportunities provides opportunities for people to work and get jobs that lead to income. An increase in real income can improve welfare so that it is hoped that the number of poor people will decrease. In 2010-2018 the large number of poor people can be seen in table 2 below:

Table 2. The Number of Poor People

Year	Poor People (million)	Economic Growth (%)
2010	31.020.000	6.2
2011	29.890.000	6.5
2012	28.590.000	6
2013	28.550.000	5.6
2014	27.730.000	5
2015	28.510.000	4.9
2016	27.760.000	5
2017	26.580.000	5.1
2018	25.760.000	5.2

Source: BPS, Data processed 2010-2018

Based on table 2, it can be seen that from 2010 - 2018 the number of poor people in Indonesia tended to decline, although in 2014 to 2015 the number of poor people tended to decline. In 2010 - 2015 the level of the economy experienced a decline, but during 2010 - 2015 the number of poor people decreased except in 2015 when the economy declined, the number of poor people increased. In 2010 - 2015 economic growth experienced a decline, but due to government policies in the form of equal distribution of the results of economic activity, the number of poor people could still be controlled (Škare & Družeta, 2016). In 2016 - 2018, when economic growth began to increase, the number of poor people decreased. Based on Table 2, it can be seen that economic growth in Indonesia greatly affected the number of poor people in Indonesia. This condition was supported by research by Purnama (2017), (Jayadi, 2016), and (Pérez de la Fuente, 2016) that high economic growth can affect the decreasing amount of poverty. So that the higher the economic growth a country has, the less the number of poor people it has. But unfortunately, this cannot be generalized because this also depends on government policies in equal distribution of income (Škare & Družeta, 2016). This condition was as illustrated by (Soleh, 2015) that in West Papua province which had high economic growth in Indonesia but the number of poor people in West Papua province was also quite high.

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Therefore, the existence of economic growth accompanied by the right income distribution policy is a combination that must be carried out by the government.

In order to increase economic growth, the government needs to ensure that there is an increase in output of existing sectors in the economy. The greater the increase in output produced by each sector each year, the greater the economic growth achieved (Alhasani & Syariah, 2017); (Kosuma et al., 2016) (Kosuma et al., 2016) (Zulkhibri et al., 2015). Increasing the output of each sector can be done by stimulating the output of each sub-sector which has a comparative advantage. An increase in sub-sectors that have a comparative advantage that is in line with endogenous factors can help achieving the level of economic growth that achieved (Foster-McGregor & Verspagen, 2016). A potential increase in capital in an economic structure can stimulate an increase in productivity growth in economic activity so that an increase in output in the economy can occur (Foster-McGregor & Verspagen, 2016).

Sectors in the economy are able to make a large contribution to economic growth, both through an increase in the output produced and the amount of input used by each sector in economic activities that have an impact on improving the welfare of the community. (Kadir & Rizki, 2016) and (Aggarwal, 2016) stated that the growth in the agricultural sector has resulted in an increase in real income in this sector and can stimulate activity in the non-agricultural sector. Where the increase in labor in the agricultural sector not only can reduce labor in this sector but also be able to control food prices so that the industrialization process can run smoothly. The existence of this industrialization process causes labor migration from the primary sector to the more productive sectors where this can reduce the poverty level in the agricultural sector through increasing income in the agricultural sector. Furthermore, it is also necessary to increase productivity accompanied by innovations in the agricultural sector so that income can be increased (Christiaensen & Martin, 2018). Moreover, it is also necessary to have a very dynamic collaboration between the agricultural and non-agricultural sectors such as in the transportation, manufacturing and agricultural product management sectors so that poverty levels can be reduced (Dorosh & Thurlow, 2018). Octarrum (2016) stated a different matter, that the existence of large growth cannot affect the amount of poverty. This is because what can reduce the level of poverty is the non-agricultural sector. (Aggarwal, 2016) in urban areas, growth in the manufacturing industry sector in particular can have a significant effect in reducing poverty. The contribution of the service sector in poverty reduction is quite large through improving the welfare of a community through the absorption of labor in the community (Daud, 2017). Based on the explanation, this research was conducted to determine the relationship between economic structure and economic growth, the relationship between economic growth and poverty reduction, how economic growth in reducing poverty with economic growth as an intervening variable.

## LITERATURE REVIEW

### Economic Growth

Classical economic growth theory is formulated from static assumptions. Modern economists tried to combine classical production theory with Keynesian income analysis so that these modern economists are able to introduce dynamic variables including population, technology, and entrepreneurship, etc. Unfortunately, these variables cannot explain the essence of the phenomenon in economic growth. In this explanation, a dynamic production theory is needed which not only regarding to the relationship between the distribution of income and consumption, savings and capital but also has a detailed focus on investment consumption and development specifically in the economic sector. This new approach was expected not only to define the position of equilibrium theory not only for output, investment, and consumption but also for each sector in the economy (Rostow, 1959). In expressing a more dynamic growth theory (Rostow, 1961) stated that economic growth can be divided into five stages, namely the first stage, traditional society; the second stage, the pre-condition society for the take-off period; the third stage, the take-off period; the fourth stage, the movement towards maturity; the fifth stage, a high level of consumption.

### Poverty

There are many definitions of poverty. Basically, poverty is a condition in which an individual has less income to meet basic needs (Julius R Latumaerissa, 2015). There are several factors that affect poverty and poverty inequality in Indonesia (Machmud, 2016):

- a) The level of education attained by the population. The reduction in the level of poverty can be linked to increased educational attainment and increased income from the educated labor.
- b) The income per capita of the population. The high growth of income per capita will not have a big impact if improvements are not made to the income distribution channel.
- c) The Population Dependency Ratio.
- d) The economic growth, the results of uneven economic growth can lead to structural poverty where the results of economic growth benefit to some people only.
- e) The percentage of labor in the agricultural sector, the poor in Indonesia generally work in the agricultural sector and have a low level of education.
- f) The percentage of labor in the industrial sector, this sector has an important role in reducing poverty because the income of small business labor who work in the non-agricultural industrial sector is greater than the income of small business labor who work in the industrial sector engaged in the agricultural sector.

### Economic Structure

The economic structure is the composition of the roles of each sector in the economy both according to business fields and the division into several sectors, namely the primary sector, the secondary sector, and the tertiary sector. Based on the updating of the data display, it can be seen that the primary sector consists of (a) the agriculture, forestry and fishery-mining sub-sectors (b) mining and quarrying. The secondary sector consists of sub-sectors (a) processing industry (b) electricity and gas procurement (c) water supply, waste management, waste and recycling (d) construction. The tertiary sector consists of subsectors (a) wholesale and retail trade, repair of cars and motorbikes (b) transportation and warehousing (c) providers of accommodation and food and drink (d) information and communication (e) financial and insurance services (f) real estate (g) corporate services (h) government administration, defense and social security (i) education services (j) health services and social activities.

### Previous Research

This research was compiled based on the results of several studies that have been conducted previously by Kadir and Rizki (2016) which revealed that the agricultural sector has a role to support economic growth and has a role in poverty reduction, especially for rural areas supported by development in the non-agricultural sector. Anggarwal (2016) stated that the creation of jobs in the industrial sector accompanied by redistributive policies can solve the problem of poverty levels. By the increasing of economic activity in each sector, it can result in the increasing of economic growth that Jayadi (2016) stated that economic growth has a negative effect on poverty reduction. If it is seen from the perspective of the mining sector, it had a negative and significant effect on poverty reduction. Kosuma et al (2016) stated that the growth of the basic sector consisting of the electricity, water and gas sectors; construction and the tertiary sector are very helpful in the process of economic growth in the Ternate region. Zulkhibri (2015) stated that changes in economic structure and economic growth are integrated at the panel level. Both of these have a long-term equilibrium relationship. The existence of structural changes has a fairly small impact on economic growth and develops slowly. Therefore, a policy is needed to identify these barriers so that added value can be increased. Furthermore, policies are also needed that can encourage investment in productive sectors. Soleh (2015) states that high economic growth tends to reduce the number of poor people in Indonesia. It should be noted that high economic growth in a region does not guarantee the level of welfare of the community so that policies are needed to minimize disparities in development between regions and programs that can alleviate poverty. Purnama (2017) stated that economic growth in the province of North Sumatra can reduce the existing poverty level.

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## 16 hypothesis Development

### The Relationship between Economic Growth and Poverty

Economic growth is an indicator in the process of economic development. Economic growth can occur when there is an increase in output when compared to the previous year. When there is an increase in output in a country, automatically there is an increase in the income obtained by the owner of the production factors. This increase in income is a general illustration of an increase in the level of welfare. Economic growth in general can reduce poverty, but in certain areas in the West Papua region, increasing economic growth could not reduce poverty because there was still an unequal income distribution (Soleh, 2015). In poor geopolitical conditions, even though economic growth has increased, the social conditions of the community will not be guaranteed, thus this cannot improve the welfare of the community (Pérez de la Fuente, 2016). In several other areas, the existence of economic growth can reduce the level of poverty to the increase in output produced by the region (Jayadi, 2016) (Purnama, 2017). Therefore, based on the above conditions, the following hypothesis can be formulated:

H1 = There is a relationship between economic growth and poverty levels

### The Relationship between Economic Structure and Economic Growth

At the beginning of economic growth, the primary sector made a major contribution to the economy. The greater the economic growth, the larger contribution of the tertiary sector to the contribution to the economy. The contribution of this sector to the economy can be in the form of an increase in output generated by each sector or absorption of labor in these sectors. The more labor that is absorbed in the sector, the more labor productivity in the sector so that the output produced will increase so that economic growth can be achieved. This condition is in accordance with (Alhasani & Syariah, 2017) that the growth of each economic sector can contribute to economic growth in Karawang City. A different thing happened in Ternate City where the secondary and tertiary sectors helped economic growth in the region (Kosuma et al., 2016). The effect of changes in economic structure on economic growth is very small and develops very slowly (Zulkhibri et al., 2015) therefore a policy is needed to identify these barriers so that added value can be increased. Moreover, policies are also needed that can encourage investment in productive sectors. The potential increase in funds in an economic structure can be a source of increased productivity growth in economic activity (Foster-McGregor & Verspagen, 2016). Based on the explanation above, it can be concluded that:

H2 = There is a relationship between the economic structure and the economic growth achieved.

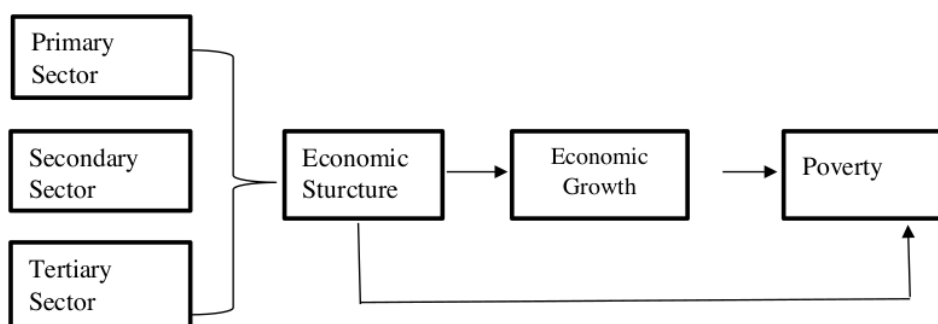
### 17 The Relationship between Economic Structure and Poverty with Economic Growth as an Intervening Variable

The contribution of the economic sector to the economy can be seen in the number of labors used by each sector. The more labor that is absorbed, the less the unemployment rate and the more labor who have income or the level of income earned is increasing. This condition can increase the level of community welfare so that the number of poor people will decrease. In the primary sector, especially agriculture, when there is an increase in productivity of 1% in rural areas, the poverty rate will decrease by 3.9%. In the non-agricultural sector, when there is an increase in productivity of 1%, it can reduce the poverty rate by 3.97% (Kadir & Rizki, 2016). The role of the agricultural sector in reducing poverty through increasing income also needs to be supported by sustainable government policies (Christiaensen & Martin, 2018) in collaboration with the non-agricultural sector such as in the trade, transportation, manufacturing and agricultural product management sectors so that poverty reduction can cover a larger scale area (Dorosh & Thurlow, 2018) due to the large number of elements in the economic sector involved in this process. In certain areas, it is precisely that the secondary and tertiary sectors make a major contribution to poverty reduction (Octarrum, 2016). In the economy, the greater the economic growth, the less the role or contribution of the agricultural sector in the economy, in fact what increases are the role of the primary and tertiary sectors (Aggarwal, 2016) which

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are generally located in urban areas. In urban areas, growth in the industrial sector, especially the manufacturing industry, has a significant effect on reducing poverty (Aggarwal, 2016). There are sector changes that have contributed significantly to poverty reduction by increasing income in both sectors. Growth accompanied by changes in economic structure and employment has a positive impact on poverty reduction (Page & Shimeles, 2015). They are not all sectors have a direct effect on poverty reduction, as in Indonesia, the existence of the service sector has an indirect effect on the level of community welfare through the absorption of existing labor (Daud, 2017). Based on these conditions, the following hypothesis can be formulated:

H3 = There is a relationship between economic structure and poverty reduction with economic growth as an intervening variable. Based on the explanation above, a research model can be drawn as follows:



Source: Developed by the authors, 2020

## METHODS

### Data

The data in this study were secondary data. This data was obtained from the website of the Central Bureau of Statistics of the Republic of Indonesia. In addition, this research data was also obtained from the literature of other research journals as a reference source for this research.

### Operational Definition of Variables and Variable Measurements

In this study, measuring the relationship between two variables, namely the independent variable was the economic structure. The economic structure is defined as the composition of each sector consisting of the primary sector, secondary sector and tertiary sector. In each of these sectors, it was seen how much it contributes to the economy. These sector data were seen from the value of each sector in the gross domestic product without oil and gas based on constant prices. The intervening variable in this study was economic growth. This economic growth was seen from the output produced each year as seen from the gross domestic product of the business sector based on constant non-oil and gas prices. The poverty as the dependent variable in this study was defined by the large number of poor people in rural and urban areas.

### Data Analysis

To determine the relationship between economic structure and poverty level with economic growth as an independent variable, this study used a path analysis tool. This path analysis was used to test the effect of the intervening variables. This analysis was also used to determine the pattern of the relationship between three or more variables and cannot be used to confirm or reject the imaginary quality hypothesis. The model in this study can be described as follows:

$$PE = \beta_0 + \beta_1 SE + \varepsilon_1$$

$$KMS = \beta_2 + \beta_3 SE + \beta_4 PE + \varepsilon_2$$

KMS is a poverty variable. SE is a variable in the economic sector and PE is a variable for economic growth, and  $\varepsilon$  is the error variable. This path analysis was an extension of the regression analysis so that the classical assumption test was still needed.

## RESULTS

### Results of Data Analysis

Data analysis in this study were carried out by path analysis. Prior to the path analysis, the classical assumption test was carried out. The normality test was known to have a value as in table 3 below:

Table 3. Data Normality Test

	Kolmogorov-Smirnov <sup>a</sup>		
	Statistical Value	Df	Sig. Value
Poverty	0.129	22	0.202
Economic Growth	0.131	22	0.252
Economic Structure	0.153	22	0.301

Source: Secondary Data, processed 2020

Based on the results of the normality test, it shows that the sig. value of the poverty variable is 0.202, economic growth is 0.252, and the economic structure is 0.301 when compared to  $\alpha$  (5%), then the sig value of all research variables is greater than 0.05, meaning that the data studied in normal distribution.

In the multicollinearity test, it was known that economic growth has a tolerance value of 0.413 and greater than 0.10, so it could be concluded that economic growth was free from multicollinearity. The economic structure variable has a tolerance value of 0.342 and greater than 0.10, so it can be concluded that the economic structure is free from multicollinearity. In the autocorrelation test, it was found that the durbin waatson value was 2.005 which was between the values 1, 54 and 2, 46, which means the variables studied did not contain an autocorrelation element. Testing on the residual value this study, namely the heteroscedasticity test, used Sperman's rho correlation. Based on the results of the Sperman test in table 3 below:

Table 3. Heteroscedasticity test

Independent Variable	Correlation Coefficient	Sig. (2-tailed)
Economic Growth	0.080	0.673
Economic Structure	0.095	0.771

Source: Secondary Data processed, 2020

Each of these variables is the economic growth variable of 0.673, and the economic structure of 0.771, where the significant value is  $> \alpha$  (0, 05). This means that the variables studied did not contain elements of heteroscedasticity. The results of the path analysis can be seen in table 4 below:



Table 4. Analysis Test Results

Variable	Regression Coefficient	t value count	Sig. Value	Explanation
Equation of Economic Growth path				
Constant	174564.04			
Economic Structure	0.465	2.345	0.030	Significant
R	0.794			
R Square	0.630			
Adjusted R Square	0.496			
Equation of Poverty path				
Constant	43741506.72			
Economic Structure	0.502	2.176	0.035	
Economic Growth	0.651	1.982	0.047	
R	0.878			
R Square	0.771			
Adjusted R Square	0.747			
F significant	0.000			
N	22			

In the path analysis hypothesis test, the results of the analysis show that the R square adjusted value is 0.747, which means that the resulting model can explain 74% of the existing conditions. Based on the results of the F statistical analysis test of this model of 32,054 with a significance value of 0,000, it can be said that this model can simultaneously be used to predict how economic structures are in reducing poverty. Based on the path analysis test, a path equation can be generated as below:

$$PE = \beta_0 + \beta_1 SE + \varepsilon_1 \quad (2)$$

$$Pe = 174564.04 + 0,465 SE + \varepsilon_1 \quad (3)$$

$$KMS = \beta_2 + \beta_3 SE + \beta_4 PE + \varepsilon_2 \quad (4)$$

$$KMS = 43741506.72 + 0,502 SE - 0,651 PE + \varepsilon_2. \quad (5)$$

Based on table 4 in hypothesis 1 test, which is the effect of economic growth on poverty levels, it can be concluded that this first hypothesis test is acceptable. The results of this analysis test show that the significance value of the effect of economic structure on poverty is 0.035. This indicates that if economic growth has increased by 1%, the poverty rate will decrease by 0.035%. In the second hypothesis test, there is an influence between the economic structure and acceptable economic growth. The result of the significance test shows that the economic structure has a positive effect on economic growth of 0.465. It shows that if there is an increase in output by 1% in the economic structure, then the economic growth will increase by 0.465%. In the third hypothesis test, economic growth can mediate the effect of economic structure on the level of poverty reduction based on the results of the calculation with T Sobel has value of 2.649 when compared to 1.96. The results of this single test can be seen that economic growth can mediate the effect of economic structure against the level of poverty, so it can be concluded that the third hypothesis could be accepted.

### Discussion of Research Results

#### There is an Influence of Economic Growth with Poverty Level

Based on the results of the analysis test, it is known that economic growth has an effect of 0.502, which means that when economic growth increases by 1%, the poverty rate decreases by 0.502%. Based on these findings, it can be seen that economic growth has an important role in reducing poverty. Thus, the rate of economic growth must be hold and maintained at all times. Economic growth has a major contribution to poverty reduction. When economic growth is

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high, it can be said that the output generated in the economy is getting bigger. The greater the output produced, the greater the number of production factors involved in economic activity. The greater the number of production factors involved has an impact on the increasing number of production factors that receive payment for the use of production factors so that initially, for example, labor who initially have no income eventually have income. Economic growth can also increase the use of producing factors in economic activities so that the amount of income received by production factors increases. An increase in income has an impact on increasing the ability to consume in society and this indicates an increase in the level of welfare for the community. The more the number of people with an improved level of welfare, the less the number of poor people in society. The explanation above is also supported by research conducted by (Soleh, 2015), (Jayadi, 2016), Purnama (2017) which stated that the greater the economic growth the less poverty there was through an increase in the real income received by the community. The results of this study were not in accordance with the research conducted by (Pérez de la Fuente, 2016) that although economic growth was increasing, it was not supported by improvements in social conditions, this economic growth would not have an impact on poverty reduction.

#### **There is an influence between the economic structure and the economic growth achieved**

The existing economic structure in Indonesia consists of three sectors, namely the primary sector, the secondary sector and the tertiary sector, where each of these sectors contributes to economic growth through both an increase in output generated and the absorption of labor in these sectors. The output produced in each of these sectors is the added value given to each sector in the gross domestic product generated in the economy. Based on Figure 1, it can be seen that the contribution of the primary sector from 2010 - 2018 tended to increase, but the additional contribution of this sector from 2010 - 2018 was decreasing. In the secondary sector in 2010-2018 contributed significantly to the output produced in the economy, however, the additional output produced every year for nine years tended to increase. This indicates that the number of labors absorbed in this sector is increasing every year. In the tertiary sector, it has the largest contribution to economic growth, both in increasing the output produced and the labor absorbed in this sector. In 2010 - 2018 the size of this additional sector had always increased. If all sectors have an increase in their contribution every year, the economic growth achieved will also increase. The large number of labors absorbed in each of these sectors provides an illustration that these sectors have a major contribution to economic growth.

The explanation above is in line with the results of research conducted by (Alhasani & Syariah, 2017); (Kosuma et al., 2016) that the growth of each sector contributed to economic growth. In order to increase output in each sector, a good collaboration between the government and economic agents is needed. The government is expected to provide a conducive economic environment that can stimulate economic activity as well as policies that can assist or stimulate economic agents in carrying out business activities. Economic agents are expected to provide a consistent and cooperative attitude with the government in carrying out their business activities. It is hoped that the harmonious collaboration between the government and economic agents will accelerate the process of economic growth.

#### **There is an influence between the economic structure and poverty reduction with economic growth as an intervening variable**

The results of the research using t Sobel show that economic growth can mediate the economic structure in reducing poverty levels. The greater the contribution of each economic sector to economic growth, the greater the economic growth achieved by a region. The more output produced by each economic sector; the more output will be generated in economic activity. The increasing output produced in the economy indicates that there is an increasing demand for goods and services in society. The more output that is produced, the more income each factor of production will receive because of the increasing number of production factors it uses. The increase in income from production factors, especially real income, is an indication of the increasing ability of the community to consume goods or services so that it can be said that the community is experiencing an increase in welfare. The improvement of community welfare is

an indication of the decreasing level of poverty in society. This research is in line with research conducted by (Kadir & Rizki, 2016) and (Aggarwal, 2016) that growth in the agricultural sector can increase productivity and innovation (Christiaensen & Martin, 2018) so that real income has increased, the level of welfare increases and the number of poverties decreasing. This condition also requires dynamic collaboration between the agricultural and non-agricultural sectors so that the greater output can be generated by the economic sector, economic growth can increase, and the level of welfare also increases. Thus, the poverty rate can be reduced (Dorosh & Thurlow, 2018). Octarrum (2016) stated a different matter, where the existence of large growth could affect the amount of poverty.

## CONCLUSIONS AND SUGGESTIONS

### Conclusions

Based on the results of the study, it can be concluded that economic growth has a major contribution to reducing poverty level. High economic growth can be achieved if there is an increase in the contribution of each economic sectors. The greater the respective contributions of each sector in the economy, the higher the economic growth. The higher the economic growth, the greater the contribution of each production factor in producing output. The greater the contribution of each production factor, the greater the income so that the level of welfare can be increased. An increase in the level of welfare in the community indicates a decreasing level of poverty.

Based on this research, in reducing poverty levels, the government and economic agents should collaborate in carrying out economic activities. The government needs to provide certainty in the socio-economic situation for economic agents and provide clear rules that can encourage economic activity. Economic agents should actively follow and comply with the regulations set by the government and always coordinate with the government for the smooth running of economic activities that can help increase economic activity to reduce the level of poverty. In this study, the contribution of the economic sector to economic growth and poverty reduction is seen as a whole. In further research, it is hoped that the respective contributions of the economic sector can be seen to increase economic growth which in turn can reduce the level of poverty.

### Suggestions

The suggestions put forward in the next research are first, it can be seen more about the role of each sector in economic growth and poverty reduction. Second, in further research, it can be seen how much the role of each sector in economic growth and poverty reduction. Third, a more intense coordination and discussion is needed between the government, business agents and education service providers in formulating strategies and ways to increase economic growth that can narrow the level of inequality in society. Limitations in this study were the data used for 18 years so that if you want to know the pattern of the role of economic structure in reducing poverty levels with economic growth as an intervening variable, the time span used should be over 20 years. The data used in this study were Indonesian data in numbers as a whole, not panel data per province. In further research, it would be nice if the data used are panel data per province so that how the independent variable affects the dependent variable, the mediator variable, can be seen in each province.

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