

# Disparities in Economic Development

In South Sumatera, Indonesia

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**Abstract**— The purpose of the paper is to examine the economic development disparities between regional in the South Sumatera. The important things in economic development are the human resources and the productive capital with collaboration of the policy from government. This paper compares the condition of seven regions/ districts in south sumatera province related to some economic indicators. Three step approach used to analyse the problems. First step is make scoring to some indicator namely: Infant Fertility Rate; Total Mortality Rate; Expectation Rate; Growth of Population; Economic Growth and Capital Investment. Second step was conduct a formula from Williamson called Index Williamson. A very large disparities found between rural and urban area. Comparison between region With Palembang and Non Palembang shows that index value fluctuative each period of study (2002-2011). It was interesting that the disparities of Labor reduce in all the region, but the disparities of investment polarized in urban area. The research analysed disparities between rural and urban are in various economic indicators then conduct an islamic concept on it.

**Keywords**- economic development disparities; index williamson; region; south sumatera

## I. INTRODUCTION

The dripping down theory (trickle-down-effect) of the Kuznets, which suggests that disadvantaged groups will receive the benefits trickling down through the mechanisms of those who have benefited from the growth process, is still in doubt.[1] [2] [3] This is due to the mismanagement of growth-oriented development to solve the problem of poverty, unequal distribution of income and unemployment, both among developing countries and between developed countries with developing countries.[4] (Amir, 1997) Development not only means an emphasis on acceleration and increase in the growth of GNP per capita, but is a multi-dimensional process that includes patterns of reorganization, and reform in the entire system of economic and social activity of societal welfare.[5] [6](Kamaluddin, 1983)

In the case of developing countries, it is often found that GNP grows rapidly, but along with it, increasingly unequal distribution of income is experienced. [6][7] (Wie, 1981). Development that promotes economic growth without regard to equity has made a bigger gap between the rich and the poor. Economic growth, in this context, had failed to remove or reduce the expansion of absolute poverty. [8] [9] Consequently, bsolute poverty remains a fact of economic life in developing

countries. [9] (Todaro, 2000) South Sumatera Province is one of the provinces where the level of GDP is constantly fluctuating as presented in Table 1.

TABLE I. GDP WITH CONSTANT PRICE IN SOUTH SUMATERA (IN MILLION RUPIAH)

Rural/ Urban	Year					
	2006	2007	2008	2009	2010	2011
OKU	3.652.8 73	2.468.6 24	2.589.7 54	2.699.1 58	2.836.9 29	3.011.98 9
OKI	4.106.4 22	2.828.4 16	2.977.5 73	3.128.9 47	3.315.2 94	3.544.19 2
M.ENI M	12.618. 464	7.300.4 05	7.714.2 77	8.079.3 24	8.499.1 69	8.950.14 9
LAHA T	3.472.6 84	2.929.0 62	2.431.6 46	2.563.0 44	2.716.4 30	2.891.69 6
MUR A	4.686.1 25	3.127.5 21	3.309.4 03	3.469.8 51	3.648.7 34	3.863.96 3
MUB A	18.940. 139	10.541. 005	10.827. 904	11.130. 764	11.465. 342	11.856.8 97
PLG	29.589. 817	34.411. 475	42.290. 513	45.500. 993	52.412. 794	58.592.4 39

Source: GDP report of South Sumatera

Table 1. shows the development in terms of GDP per district/city in South Sumatera. From the table above, the GDP per South Sumatera regency/city tend to rise every year year. Growth in GDP per district/city respectively indicates high growth (above 7%). This research examines the level of inequality of development among the Regency/ Cities in South Sumatera with various indicators.

## II. ECONOMIC DEVELOPMENT AND EQUITY

The measure of the success of economic development in a country is always gauged through the increase in income per capita or total production. To increase the per capita income or output of a country, the development of industrial sector through substantial investment has always been the most commonly use used recourse.[10][11] As of today, there are many experts who believe that industrialization in economic development is the only way to improve the welfare of the community. The strategic development employed is known as a growth-oriented strategy (Oriented Growth Strategy). [12]

According to field growth, with the development of the modern sector (industry), the relative income inequality will increase along with it but the distribution of relative income poverty rate will not change. As opposed to the traditional

sector development, increasing revenue per relative can also reduce the level of inequality and poverty. [9] (Todaro, 2000)

Thus, the high economic growth has not been a very useful indicator as a measure of the success of economic development. Similarly, the per capita income or the total production achieved, income per capita and total production are less able to function as a measure of the level of prosperity of the community. Because of this, more equitable distribution of income is capable of acting as an indicator of the level of prosperity of the community. Instead equitable revenue sharing will encourage economic growth rate without being followed by the equitable distribution of income that will only enrich the already wealthy people while the poor are getting poorer. [13] (Esmara, 1980)

Growth pattern of an area is affected by several factors including: 1) Natural resources, 2) Investment (capital) for the management of natural resources, 3) the right technology for management, 4) Human resources, and 5) infrastructure supporting economic activity. [6] Richardson illustrated that the inter-regional economic system is an open economic system, which is focused on growth areas moving factor (factor movements). [15] The possibility of entering or exiting the outflow of labor and capital greatly increases the growth rate of different areas, so one area can have absolute advantage if the area is rich in natural resources where areas with dams can have a comparative advantage in the area as they produce more efficiently than other regions in terms of trade relations between the regions. [16]

Another factor affecting the growth of the area is the effect of sectoral and regional discretion in the disbursement of development funds which is prioritized for less developed regions through instruction funds or other funding sources. So the economic growth of a region is heavily influenced by internal factors, namely the strength of the economic carrying capacity in the region, and external factors that affect regional economic growth. [17]

### III. RESEARCH METHODOLOGY

The research area is focused on the 7 districts/municipalities in the province of South Sumatera for 10 years from 1991 to 2000. District/ city/ urban that are examined include: Musi Rawas (MURA); Muara Enim; and Palembang. Rural are Ogan Komerang Ulu (OKU); Ogan Komerang Ilir (OKI); Musi Banyu Asin (MUBA); Lahat. The data used in this study is secondary data obtained from the Central Bureau of Statistics District and Provincial derived from the documents that have been documented by the government. [18] [19] To analyze the development of inter-regional inequality measure, Williamson index was used with the formula:

$$V_w = \frac{\sqrt{\sum(Y_j - \bar{Y})^2} \times \frac{f}{N}}{\bar{Y}}$$

Whereas :  $V_w$  = index Williamson;  $f_i$  = the population in the region to  $j$  (County residents);  $Y_j$  = income per capita in the region to  $j$  (GDP at constant 1993 prices with per capita oil and gas);  $N$  = total population (the population of 7 districts in a given year) and  $\bar{Y}$  = the average regional income

The higher the index Williamson, the higher will be the development of inter-regional inequality. Williamson interval value ranges between  $0 < V_w < 1$ .  $V_w$  approaches zero when the development is very uneven, otherwise  $V_w$  approaches is highly skewed. By modifying the Williamson index, the coefficient of variance of labor and investment across the region is determined to show employment inequality. [20] [21]

### IV. STUDY FINDING

Differences in economic growth that occurred between the district and the city in the concept of Islamic economics can be resolved by spurring on the growth sectors of agriculture, industry, trade and commerce. [22][23] Refer to the following table for the results of development imbalance calculation:

TABLE II. WILLIAMSON INDEX BETWEEN THE REGIONS IN SOUTH SUMATERA

Tahun	Vw with Palembang	Vw No Palembang
1991	0,37	0,41
1992	0,38	0,41
1993	0,37	0,38
1994	0,39	0,39
1995	0,39	0,39
1996	0,36	0,38
1997	0,35	0,37
1998	0,64	0,60
1999	0,35	0,39
2000	0,39	0,43

Williamson index value is close to 1 (one) indicating the imbalance of development between the higher regions. Conversely, if the index value is near zero, Williamson development gaps between regions is decreased. The calculation results in the table reveals that the average level of interregional development disparities in South Sumateras tends to decrease but the annual index values constantly fluctuate. Index value decreased from 0.41 in 1991 to 0.37 in 1997. In 1994 and 1995, the value of index with and without Palembang remains the same (0.38), which indicates a low inequality. Same index value is the result of rounding. In the calculation of index numbers, four decimal visible difference between them exists compared with the already experiencing rounding. Nearly the same value of index is due to minute differences in income per capita of each region for those years. In 1998, this figure increased considerable i.e. 0.60 indicating a fairly high level of inequality. This is due to the high population growth, while the increase of per capita income is low. Williamson index with Palembang in general are not much different from the index without Palembang. It is quite understandable because the income per capita of Palembang is not much different than the other areas of income per capita. This result similar with study from suarni, karyani and nurmanaf.

### V. RECOMMENDATION

For successful regional development in every aspect of life, balanced work program is required in the economy, social, and

infrastructure aspects. These aspects should be mutually supportive of each other so that development in harmony will be created. To reduce the development gaps between regions in South Sumatera, equity investment projects are required from both government and the private sector in order to spur economic growth in each region. Besides that, inequality needs to be addressed by aligning development programs of regional development so that the programs of regional development support each other to create better coordination. On the concept of Islamic economics, development should give priority to human resource development. Ethical and religious sectors should be prioritized. On the order of economic development, the sector that drives people's life is considered very important economic concepts developed in Islam.

#### REFERENCES

The template will number citations consecutively within brackets [1]. The sentence punctuation follows the bracket [2]. Refer simply to the reference number, as in [3]—do not use “Ref. [3]” or “reference [3]” except at the beginning of a sentence: “Reference [3] was the first . . .”

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