Influences of Inflation on Poverty In Surabaya And Islamic Solutions in Eradicating Poverty

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Abstract- **Inflation is in an economic situation in which the level of prices and general costs continues to rise and this is a problem for the government that continues to receive attention. The government's long-term goal is to keep the inflation rate in force at very low levels. Many effects are caused by the presence of inflation, one of which is poverty which is a condition in which the human or *dapak* not meet their basic needs. In this study, the author focused on the issue of inflation and poverty in Surabaya. Inflation is a situation where the level of prices and general expenses has risen and if the entire price of basic commodities also rises, then the power to purchase goods for basic needs is also reduced because the income is also affected by the same factors. This will impact on the level of poverty being high. The way for Islam to alleviate poverty is the guarantee of the fulfilment of primary needs that obliges men to provide for themselves and their families, obliging close relatives to help their relatives, obliging the state to help the poor and obliging the Muslims to help the poor. The management of the ownership of wealth distribution in the midst of society, the provision of employment and the provision of educational services is also related.**

Keyword : inflation and poverty

I. INTRODUCTION

In 1998, Indonesia suffered heavy inflation. From 1999-2013, Indonesia experienced inflation that was classified as mild and moderate. The fluctuating inflation rate affected people's purchasing power. If the increase of inflation rate is not followed by an increase of purchasing power or the income of the people, especially those of low income, then it will encourage the increase of poverty in Indonesia.

The inflation rate is relatively under control at a single-digit level, the import-export balance is good enough, interest rates are low and foreign exchange reserves are high enough to guarantee imports in moderate times and high investment (Figures may be seen in BPS Reports, Bank Statements Indonesia and Financial Note).

The following is the inflation rate data in Surabaya:

Inflation Rate in Surabaya Year 2012-2015

Year	Inflation Rate In Surabaya
2012	4,3
2013	7,31
2014	7,67
2015	3,39

Source: BPS data of Surabaya City

However, unemployment and poverty are increasing. Urbanisation is increasing, mainly from the poor and beggars. All of this indicates the existence of poverty and limited employment opportunities in the countryside. Measuring poverty levels and the influencing factors is important to show how economic progress can improve the living standards and welfare of communities and how government policies affect the poor.

The following is the poverty data in Surabaya:

Number and Lines of Poverty and the Number of Poor in Surabaya in 2012-2015

Poverty	2012	2013	2014	2015
Poverty rate (%)	6,58	6,23	6	5,79
Poverty Line (Rp)	310074	339208	372511	393151
Number of Poor People	183,3	175,1	169,4	164,36

Source: BPS data of Surabaya City

Based on this, the authors want to find out whether inflation affects the level of poverty. This is because the level of poverty of a country is one indicator of people's welfare and the development of a country. Low poverty rates indicate that the government has almost succeeded in carrying out its duties in the field of development, which is to remove the people of Indonesia from poverty.

II. LITERATURE REVIEW

A. Inflation

Inflation is a situation where there is an excess demand on goods in the economy as a whole. Inflation is a continuous rise in the price of goods and services in general (not just one kind of merchandise and for a moment). According to this definition, sporadic price increases are not said to be inflation.

B. Inflation In Islam

Islam does not recognise the term inflation, because the currency is stable with the use of the currency dinar and dirham. A decrease in value is still possible, when the value of gold that sustains the nominal value of the dinar is decreased, such as the discovery of gold in large numbers. This situation is very small possibility. The Islamic Economy according to Taqiuddin Ahmad ibn al-Maqrizi (1264-1441M), who is one of Ibn Khaldun's pupils, classified inflation in to two categories: natural inflation and human error inflation.

1. Natural inflation

In the name of natural inflation, this inflation is caused by natural causes caused by falling aggregate supply (AS) or increasing aggregate demand (AD). People have no control over it (in case of preventing it).

According to Al-Maqrizi, when a natural disaster strikes, various foodstuffs and other crops suffer crop failures, resulting in a drastic decrease in the supply of goods and scarcity.

2. Human Error Inflation

Human error inflation is inflation that occurs due to mistakes made by humans themselves. Allah says:

ظَهَرَ ٱلْفَسَادُ فِي ٱلْبَرِّ وَٱلْبَحْرِ بِمَا كَسَبَتْ أَيْدِي ٱلنَّاسِ لِيُذِيقَهُم بَعْضَ ٱلَّذِي عَمِلُواْ لَعَلَّهُمْ يَرْجِعُونَ ٤١

"It appears that the damage on land and in the sea is caused by the deeds of the hands of men, that God may feel to them some of their (consequence) their actions, that they may return (to the right path)." (Surat ar-Rum ayat 41)

C. Poverty

The poor comes from the word in the Arabic language which states the very poorness. Allah SWT. Using that term in his word:

أَوْ مِسْكِينًا ذَا مَتْرَبَةٍ ١٦.

"... or the poor very poor" (QS al-Balad [90]: 16)

The word fakir that comes from the Arabic: *al-faqru,* means need *(al-ihtiyaaj).*

Poverty according to the World Bank is defined as the inability of the people concerned to achieve or meet certain minimum living standards (Kamaluddin, 1998). The inability of a person or a resident to meet their minimum living needs cannot be separated from the various factors causing it. Viewed from the aspect of the cause of poverty, poverty itself has causes other than natural and cultural. The causes can also be structural (Arsyad, 1999).

III. RESEARCH METHOD

This research used a descriptive method because the purpose of this research was to make a description, picture or painting systematically, factually and accurately about the facts, properties and relationship between the phenomena investigated (Moh.Nazir: 2005).

In this research study, the independent variable (free) is Inflation. The dependent variable (bound) is Poverty Level. The data used is the time series data Inflation Rate and Poverty Rate of Badan Pusat Statistik Kota Surabaya in 2012-2015.

IV. DISCUSSION

From the data obtained from the Badan Pusat Statistik Kota Surabaya in 2012-2015, the poverty and inflation rate that occurred in Surabaya was as follows:

Descriptive Statistics

	Mean	Std. Deviation	N
Number of Poor People	173.04	8.12616	4
Inflation Rate	5.6675	2.14203	4

From the Descriptive Statistics table, it is known that the average poverty rate is 173.04 with a standard deviation of 8.12616. The average inflation rate was 5.6675 with a standard deviation of 2.14203

Correlations

		Number of Poor People	Inflation Rate Surabaya
Pearson Correlation	Number of Poor People	1.000	.035
	Inflation Rate	.035	1.000
Sig. (1-tailed)	Number of Poor People	.	.482
	Inflation Rate	.482	.
N	Number of Poor People	4	4
	Inflation Rate	4	4

In the Correlations table, it is known that according to Pearson's way, if the poverty level variable rises by 1 unit, it will affect 0.035 units in the variable rate of inflation. Similarly, if the variable rate of inflation increases by 1 unit, then it will affect 0.035 units in the variable poverty level.

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Laju Inflasi[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: Number of poor people

From Table, the Variable Entered / Removed shows that the variable that is entered is the inflation rate, while the other variable is not issued.

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.035[a]	.001	-.498	9.94634

a. Predictors: (Constant), Number of inflation

b. Dependent Variable: Number of poor people

The Summary R Square is 0.001 which is the quadratic result of the correlation coefficient (0.035x0.035 = 0.001). The value of the Standard Error of Estimate is 9.94634. At the standard deviation, the poverty rate of 8.12616 is much smaller than the standard error. Because it is much larger than the standard deviation, the regression model is not good at acting as a predictor of poverty.

ANOVAb

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.244	1	.244	.002	.965[a]
	Residual	197.859	2	98.930		
	Total	198.103	3			

a. Predictors: (Constant), Inflation Rate

b. Dependent Variable: Number of poor people

Based on the Anova table, it is known that the significant regression is 0.965. The value of the F arithmetic is 0.002. It can be seen that based on the significant value of 0.965, it means that the probability of 0.002 is smaller than 0.05 then H0 is rejected. The regression model can therefore be used to predict Poverty Rate.

The value of the t test = 2.681 while the magnitude of significance = 0.009 smaller than 0.05. Thus H0 is rejected which means that there is influence of inflation rate towards the poverty level. From the Coefficient table above, column B on Constant (a) is 172.285 while the inflation rate (b) is 0.133. The regression equation is:

$$Y = a + bX$$
$$Y = 172.285 + 0.133X$$

Coefficientsa

Model		Unstandardised Coefficients		Standardised Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	172.285	15.987		10.777	.009
	Inflation Rate	.133	2.681	.035	.050	.965

a. Dependent Variable: Number of poor people

Islamic Solutions in Eradicating Poverty

Allah SWT created humans while providing the means to meet their needs. In fact, not just humans; for all beings that have been, are, and will be created, God provides sustenance for him. It is impossible for God to create various creatures, and then to let them go without providing sustenance. Allah SWT said:

اَللّٰهُ الَّذِي خَلَقَكُمْ ثُمَّ رَزَقَكُمْ ثُمَّ يُمِيتُكُمْ ثُمَّ يُحْيِيكُمْ هَلْ مِن شُرَكَآئِكُم مَّن يَفْعَلُ مِن ذٰلِكُم مِّن شَيْءٍ سُبْحَٰنَهُ وَتَعَٰلَىٰ عَمَّا يُشْرِكُونَ ٤٠

"It is Allah Who created you, then gave sustenance" (QS ar-Ruum [30]: 40).

وَمَا مِن دَآبَّةٍ فِي الْأَرْضِ إِلَّا عَلَى اللّٰهِ رِزْقُهَا وَيَعْلَمُ مُسْتَقَرَّهَا وَمُسْتَوْدَعَهَا كُلٌّ فِي كِتَٰبٍ مُّبِينٍ ٦

"There is not a single creeping thing on earth, other than the God who gives sustenance"(QS Hud [11]: 6).

How Islam overcomes poverty can be explained as follows:
1. Guarantee of the Fulfilment of Primary Needs

The existence of a guarantee of the fulfilment of primary needs for every individual does not mean that the state will distribute food, clothing, and housing to anyone, at any time. Imagine if the people can laze because their needs have been met. This is a false assumption. The guarantee of the fulfilment of primary needs in Islam is manifested in the regulation of mechanisms that can solve the problem of poverty.

The mechanisms are:
- Require Men to Provide Livelihood to Themselves and Their Families
  Islam requires men who are capable and need a living, to work in order to meet their needs. Allah SWT Said:
  وَعَلَى الْمَوْلُودِ لَهُ رِزْقُهُنَّ وَكِسْوَتُهُنَّ بِالْمَعْرُوفِ
  "The duty of the father to feed and clothe the mothers in a makruf way" (Sura al-Baqarah [2]: 233).
- Require Close Relatives to Help His Brother
- Require the State to Help the Poor

2. Ownership Management

Management of ownership in Islam includes two aspects, namely the development of property *(tanmiyatul mal)* and infaq property *(infaqul mal).*

3. Distribution of Wealth in the Midst of Society
4. Provision of Employment

Providing employment is a state obligation. This rests on the hadeeth of the Prophet:

"A faith (leader) is like a shepherd, and he will be held accountable for his pasture (his people)" (Bukhari and Muslim).

5. Provision of Education Services

Islamic Sharia has obliged the state to provide free education services to the people. Therefore, education is a basic need for every individual people. This education service will improve the quality of human resources, and will further realise creative, innovative, and productive individuals. Thus, cultural poverty will be resolved.

V. CONCLUSION AND RECOMMENDATION

Based on the research and according to the theory put forward, it can be concluded that the changes in the inflation rate in Surabaya is balanced with the changes in the poverty level. It is known from the results of the regression equation that: $Y = 172.285 + 0.133X$ so, if there is an increase in the inflation rate of 1 unit, then there will be an increase in the poverty level of 0.035. Similarly, if there is a decrease of 1 unit, then there will be a decrease in the poverty level of 0.035 units.

Islam has a unique way of solving the problem of poverty. Islamic Shari'a has many laws relating to solving the problem of poverty; natural, cultural, and structural. The way of Islam to alleviate poverty is the guarantee of the fulfilment of primary needs that obliges men to provide for themselves and their families, obliging close relatives to help their relatives, obliging the state to help the ppoor and obliging fellow Muslims to help the poor. This can be done through the management of the ownership of wealth distribution in the midst of society, the provision of employment and the provision of educational services.

For the next research study, another dependent variable can be added. For example, the effect of inflation on poverty and unemployment.

Acknowledgment

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