

## **Analysis of Factors Affecting Expenditure of Poor Households in Luwu District, Indonesia**

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**Abstract:** *This study aims to analyze the expenditure of poor households in Luwu. The research data was obtained from questionnaires, interviews with relevant parties and observation to poor households in Luwu, especially to those the households of the expenditure of poor households, education level of household, number of dependents household, income and the main job of head household. The results of this study indicate that expenditure of poor households level around 78% is influenced by variables in the model, while the rest ithe influenced by other factors outside the model.*

*In partial, level of education (X1), number of dependents household (X2), income (X3) have a positive and significant effect on the expenditure of poor households, and there are no different types of work (D1) between farmers and non-farmers on the expenditure of poor households in Luwu Regency.*

**Keywords:** *poor household expenditure, education level, number of dependents, income, type of work.*

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### **I. Introduction**

Poverty is still a classic thing that has not yet been resolved, especially in developing countries, meaning that the problem of poverty is one of the main problems of concern in every country. Poverty occurs because the ability of the community as economic actors is not the same, so there are people who cannot enjoy the results of development.

In many cases, poverty is often preceded by a lack of access to productive workforce. On the other hand, poverty hampers access to the fulfillment of education and health, which in turn has an impact on the low quality of human resources. This does not only occur in the national scope, in the regional scope in this case the district also occurs.

For the population of Luwu Regency which is one of the districts in South Sulawesi province, in 2016 as many as 353,277,000 people increased compared to 2015 as many as 350,218,000 people. The number of poor people in South Sulawesi is 80,703,000 people and the percentage of poor people is around 9.40%. Luwu Regency is the eighth highest poverty area out of the 24 other districts in South Sulawesi and the highest number of poor people in Luwu Land. The number of poor people in Luwu Regency reaches 5.058,000 people with the percentage of poor people reaching 14.35%.

According to the Central Bureau of Statistics (BPS), poverty is a person's inability to fulfill the minimum basic needs for a decent life. The poverty line set by BPS is the amount of expenditure needed by each individual to meet food needs equivalent to 2100 calories per person per day and non-food needs such as housing, clothing, transportation and the needs of other goods and services.

Mathiassen in M. Nasir (2008) identifies poverty indicators from household expenditure surveys, including illiteracy rates, highest education attained, the main occupation sector of the household head, ownership of household assets (expensive items, vehicles, equipment communication, etc.), housing conditions, demographic composition (number of household members, dependency rate, age and sex of the head of the household, number of children under 15 years old).

Rahardja (2005) states that the higher a person's education is, the higher the expenditure on consumption, thus affecting consumption patterns and their positive relationships. When a person or family has a high education, more and more of his life needs. This condition is caused by what they have to fulfill not only the need to eat and drink, but also the need for information, good relationships in the community, and the need for recognition of others for their existence.

Poverty is also closely related to the number of family members because it describes the family burden. population growth as a result of high births causes the burden of family life to become increasingly heavy. The burden of family life gets heavier if it bears relatives such as parents and relatives. Whereas according to BPS

data, poor households have an average family member greater than non-poor households. In addition to the large number of household members, there are more members in poor households who are less productive when compared to non-poor families. The fewer family members in the household means the fewer needs that must be fulfilled by the family, and vice versa. So that in one house with a large number of family members, it will be followed by many needs that must be met.

In addition, poverty is also related to limited employment and usually those who are categorized as poor do not have jobs, and their education and health levels are generally inadequate.

## **II. Literature Review**

Consumption is spending carried out by households and services in order to meet the needs of those who make these purchases. Poverty is a condition of economic inability to meet the average standard of living of a community in an area. The condition of the inability of households is characterized by the low ability of income to fulfill basic needs in the form of food, clothing and shelter.

Poor households are characterized by families living in rural areas, low total income, low total consumption, low education and illiteracy, high infant mortality rates, unhealthy living conditions, large numbers of family members and little income, ownership and control of assets narrow agricultural land, and main livelihood as farmers.

The poverty level is based on the amount of consumption rupiah in the form of those consumed to consume food which is 2100 calories per person per day (from 52 types of commodities considered to represent the consumption pattern of the population below), and non-food consumption (from 45 types of food commodities national agreement and not differentiated between rural and urban areas). Poverty is associated with many individual, or pathological causes that see poverty as a result of behavior, choices, or abilities from the side of the poor themselves.

According to BPS (2008), the factors that influence poverty are internal factors. Internal factors are ownership of residential assets that are the building area, type of wall, defecation facility, source of drinking water, source of lighting, type of fuel for cooking, frequency of buying meat, chicken and milk a week, frequency of eating a day, a number of new clothing sets purchased a year, access to the health center / polyclinic, employment, highest education. External factors are the presence of toddlers, school-age children, family planning participation, and business credit recipients (MSMEs).

Relationship between Education Levels and Expenditures for Poor Households. In households, the highest level of education achieved by the head of the household is very vital. This is because education is one of the factors that influence income (Simanjuntak, 1985) and the head of the household is the main source of income in the household. So that the education taken by the head of the household is an important factor in determining household welfare.

Relationship between the number of family dependents and expenditure on poor households

According to Mok T.Y (2010) the number of dependents in the household (both children, productive age members who do not work and the elderly) is likely to reduce welfare in the household and eventually occur in household poverty. Income Relationship with Poor Household Expenditures, the consumption theory proposed by JM Keynes says that the size of household consumption expenditure is only based on the size of the income level of the community

Relationship between Types of Employment and Expenditures of Poor Households

According to Butar (2008) the main work of the head of the household is very influential on the poverty level of a household, this is because each type of work has different wage levels

Formulation of the hypothesis

As a temporary answer from this study which refers to the formulation of the problem and the theory, the hypothesis in this study can be explained as follows:

2. 1. It is suspected that education, the number of dependents, income has a positive effect on the expenditure of poor households in Luwu Regency.

2.2. Allegedly there are differences in the types of work of farmers and non-farmers towards household expenditure in Luwu Regency.

## **III. Research Methods**

In determining a research location, a location is needed in accordance with the needs of the researcher. In this case the research was conducted in Luwu District. The population in this study was 353,277,000 people in Luwu Regency.

**Sampling technique**

The population in this study were poor people in Luwu Regency based on BPS data in Luwu Regency as many as 5,085,000 inhabitants of the poor population spread across 22 sub-districts. The sampling technique uses simple random sampling, which is a random sampling method regardless of the strata in the population. The research uses Slovin formula as follows:

$$n = N / (1 + Ne / 2)$$

$$n = 5.058,000 / (1 + 5,058,000 \times 1 0.1] / 2)$$

$$n = 5.058.00 / (1 + 5.1)$$

$$n = 100$$

so the sample used was 100 respondents.

**Operational definitions of variables are:**

The expenditure of poor households is the total expenditure made by poor households to consume both food and non-food items such as education, health, electricity, etc., which are measured in rupiah units per month.

The level of education is the length of the last formal education taken by the head of the family (active year unit).

The number of family dependents is the amount of dependents that must be fulfilled in one family or the responsibility of the family head (mental unit).

income in this study is the total revenue in the form of money received per month expressed in rupiah by the head of the household in Luwu Regency (unit rupiah).

The main types of work of the head of the family are a source of income (0 = non-farmers, 1 = farmer).

**IV. Results And Discussion**

Luwu Regency is one of the densely populated districts. The poor population in Luwu Regency in 2016 was recorded as 5,058,000 people spread across 22 sub-districts. While the smallest 4,850,000 in 2014. The following are tables, Amounts and percentages of poor people in Luwu Regency.

**Table 1** Luwu District Poverty Rate, 2014-2016

Year	Poverty Rate(rp/kap/month)	Poor people	
		Total	Persentase
2014	239.157	4,850.000	13,95
2015	252.549	4,864.000	13,89
2016	271.804	5,058.000	14,35

Source: BPS LuwuDistrict

**Table 2** Results of Regression Estimation of Poor Household Expenditures atLuwu Regency

Variable	Coefficient	Std. Error	t. Statistic	Prob.
C	3.256658	0.344609	9.450311	0.0000
x1	0.135273	0.037311	3.62557	0.0005
x2	0.398041	0.038152	10.43313	0.0000
x3	0.308194	0.058788	5.242498	0.0000
D1	-0.075054	0.055964	-1.341127	0.1831
F-statistic		Pro (F-statistic)0.000000		
0.783009		N =100		

Source : Data ResultsEviews 9.0

$$Y = 3.256658 + 0.135273 X_1 + 0.398041 X_2 + 0.308194 X_3 - 0.075054 D1 + e \tag{1}$$

The relationship between the dependent variable (Poor Household Expenditures) and the independent (education level, number of family dependents, income and type of work) has an R of 0.78 or 78% which indicates a positive and sufficiently strong correlation between the dependent and independent variables and The remaining 22 percent is influenced by other variables.Determination Coefficient Analysis (R2)

From the regression results in table 2 regarding the effect of education (X1), family dependence (X2), income (X3) and type of work (D1) on expenditure of poor households in Luwu Regency, the coefficient of determination (R2) was obtained with a value of 0.783009 , which means that 78.3% of the poverty level is influenced jointly by the level of education, number of family dependents, income and type of work. While the remaining 21.7% is the influence of other variables not included in the model. Simultaneous Significance Test (F Test)

From the regression results shown in Table 2 where the value of  $F_{count} = 85.70158$  with  $F$ -table of 0.000000 which is smaller than the significant level used which is 0.05, this indicates that the regression model that is estimated to be appropriate is used to explain the influence of education level (X1), number of family dependents (X2), income (X3) and type of work (D1) on expenditure of poor households (Y). Partial Significance Test (T Test)

Based on Table 2 the partial effect of the variable total value of education level (X1), the number of family dependents (X2), income (X3) and type of work (D1) on the expenditure of poor households (Y) can be seen from the direction of signs and levels of significance. The results of partial hypothesis testing between independent variables and dependent variables can be analyzed as follows:

1. Effect of the level of education on the expenditure of poor households. The education level variable (X1) shows that the  $Prob < \alpha$  (0,0005 < 0,05) value, means that the education variable has a positive and significant effect on the expenditure of poor households.
2. Effect of the number of family dependents on the expenditure of poor households. The variable number of family dependents (X2) shows that the value of  $Prob < \alpha$  (0.0000 < 0.05), means that the variable number of family dependents has a positive and significant effect on the expenditure of poor households.
3. Effect of income on the expenditure of poor households. The income variable (X3) shows that the value of  $Prob < \alpha$  (0.0000 < 0.05), means that the income variable has a positive and significant effect on the expenditure of poor households.
4. Effect of type of work on the expenditure of poor households. Job type variable (D1) shows that the  $Prob > \alpha$  value (0.1831 > 0.05) means that there is a negative and not significant effect, meaning that there is no large difference between occupational type variables and the expenditure of poor households.

## V. Conclusion

6. 1. Based on the results of the research and discussion described earlier, conclusions can be drawn as follows:

6.1.1. The level of education has a positive effect on the expenditure of poor households in Luwu District. Education is an important investment. By getting a good education, then someone has the opportunity to get a good job too. Therefore, with someone's education or household can improve their welfare.

6. 1. 2. The number of family dependents has a positive effect on the expenditure of poor households in Luwu Regency. The amount of family expenditure is also quite influencing household poverty where the more the number of house members is borne in one household, then the burden of poor households will be heavier because there are more and less productive members.

6. 1. 3. Income has a positive effect on the expenditure of poor households in Luwu District. This shows greater income for households, so the ability to consume is greater so that the opportunity to prosper the household is also greater.

6. 1. 4. There is no difference in expenditure on poor households between farmers and non-farmers. This happens because most of the household jobs that are not farmers have low income and are not much different from farmers, for example as temporary employees, or construction workers whose income is of course no more and not seasonal so that their household expenditure is not much different.

## 6. 2. Suggestion

The suggestions that can be conveyed in connection with the results of this study are:

6. 2. 1. The government is expected to reduce the cost of education, one step that can be taken to deal with this problem can be done by designing a training package that emphasizes improving skills and practices to be able to work and try to be more productive. The target target of this program is the heads of poor households who have lower secondary education levels.

6. 2. 2. The burden of poor households is more severe because there are many and less productive members. Given this fact it seems necessary to suggest birth control, especially in poor households that have many children. By increasing the human resources of poor family members it is a process that in a relatively long time is believed to alleviate poverty.

6. 2. 3. To increase the income of poor households, the government can increase entrepreneurial interest through the provision of working capital and guidance for poor households who are trying in the informal sector. With this assistance, businesses carried out by poor households can be economically developed and profitable. While the guidance provided can be in the form of increasing entrepreneurial attitudes / mentality, quality of business management, finance and marketing.

6. 2. 4. The government is expected to increase formal employment fields and labor intensive non-agricultural sectors. Providing assistance for educational facilities, both formal and informal. Particularly in the informal sector such as agriculture, it is necessary to increase the skills and expertise of the workforce to increase agricultural output.

6. 2. 5. For further researchers it is expected to be able to develop this research by looking at other variables that can affect the expenditure of poor households.

6. 2. 6. Limited research between the difference in income and expenditure of poor households. Researchers pay less attention to debt in the household. The next researcher is expected to add debt factors to the research.

6. 2. 7. Inaccurate researchers ask questions from respondents because the characteristics of society want income to be greater than expenditure.

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