

**ESSAYS ON REGIONAL DEVELOPMENT IN INDONESIA:
A DISTRICT LEVEL DATA ANALYSIS ON THE ECONOMY, EDUCATION,
AND POVERTY**

by

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Summary

This dissertation examines the dynamics of regional development across Indonesian districts through several indicators, namely regional GDP per capita, educational attainment, and poverty incidence. These variables are chosen since they are the primary concern of the Indonesian Government and are a fundamental necessity for other aspects of developments.

Despite the achievements in socio-economic development at the national level in the past decades, some Indonesia regions still face several challenges. Therefore, using district-level data, this study examines regional development in Indonesia from three perspectives. First, whether regional disparities have narrowed or remained persistent. Second, what factors affect the results. Third, what is the role of decentralization on the achievements of regional development.

Moreover, each region of Indonesia has its unique geographical, ethnical, and demographical profile, which one way or another contributes to different regional performance. Therefore study in Indonesia regions may present a miniature observation of the world.

This study presents several findings as follows:

- 1. In Chapter 2, this study finds that regional disparities, represented by Theil indices, remain considerable in 2014, at the level of the early 1990s. Indonesia's inequalities are largely affected by within-region rather than between-region inequality. Among the six main islands, the Moluccas and Papua show the highest disparities, followed by Java-Bali, Kalimantan, and Sumatera islands. Nusa Tenggara and Sulawesi consistently show the lowest disparity level. Furthermore, this study finds the association between sectoral composition and regional GDP per capita level. Regions with high GDP per capita are associated with abundant mining resources, large*

manufacturing industries, and the development of transportation and telecommunication sector, while regions with low regional GDP per capita are linked to large shares of either agricultural or public service and other service sectors.

- 2. Chapter 3 shows the positive effect of the number of schools, the average distance to the nearest school, and the free tuition policy, as well as the enrolment rate in the previous school level, the household expenditure in education, in educational attainment. However, this study finds different patterns in regional disparities. The difference between regions becomes narrow at the upper-secondary school but it remains considerable at the lower-secondary school. Moreover, this Chapter suggests the rise of gender disparities in Indonesia's districts.*
- 3. In Chapter 4, this study confirms the positive effect of agricultural and service productivity in regional poverty reduction. The role of the agricultural sector is significant in outside Java-Bali, while the service sector is more dominant in Java-Bali regions. This study suggests that the effect of sectoral productivity is mainly associated with the share of sectoral labor, a sector with large labor shares will show high elasticity and vice versa.*
- 4. According to Chapter 2-4, this study also confirms the positive effect of decentralization policy in regional development yet it suggests different effect sizes on the economy, education attainment, and poverty incidence.*

Based on those findings, this study argues that there is no panacea nor a one-size-fits-all approach to address the development gap properly, meaning that the prescription may be different among Indonesia regions. However, this study suggests a sequence of policies as follows: first, the policy should be focused on increasing human capital through the improvement of educational attainment. Second, it should be followed by an improvement in regional infrastructure that eases access to education and enhances regional connectivity. Lastly, Indonesia governments should consider sectoral approaches when conducting a regional development plan.