ANALYSIS OF INCOME INEQUALITY AND ITS IMPLICATIONS ON POVERTY IN SOUTH SUMATRA PROVINCE

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Abstract

Indonesia’s national economy is experiencing stagnant growth in income inequality (Gini ratio) and the number of poor people continues to increase, even though the national GDP growth indicators have been improving for several years. Regional economic growth in South Sumatra also increased based on the GRDP indicator, but the inequality in income distribution increased slightly and the inflation rate in South Sumatra fluctuated greatly in 2007-2017. Furthermore, the farmer's exchange rate, export value, human development index, and interest rate movements in South Sumatra in 2017 decreased compared to 2007, although overall infrastructure development continues to increase every year. This study analyzes income inequality and its implications for poverty in South Sumatra Province. Factors affecting income inequality are limited to farmers’ exchange rates, exports, and infrastructure. The research population is all secondary data related to the research object in South Sumatra Province for the period 2007 - 2017. Based on the Multiple Linear Regression analysis using the OLS (Ordinary Least Square) method, the results show that the exchange rate of farmers’ rupiah, exports, and infrastructure simultaneously affects income inequality. Then partially the exchange rate of farmers, exports, and infrastructure have a significant effect on income inequality. The novelty of the research lies in the object of research, where there are differences in the phenomena of economic growth and poverty rates between the National and the Province of South Sumatra.

Keywords: Farmer Exchange Rates, Exports, Infrastructure, Income, Inequality, Poverty

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INTRODUCTION

The economic development aims to achieve people's prosperity through high economic growth and equitable income distribution. Prosperity and economic growth can be created through the efficient operation of the market. The market mechanism will work efficiently if there are market regulations and laws implemented properly. On that basis, the Government through macroeconomic policies, investment, trade, implementation of laws and regulations has an important role in creating a conducive climate for the optimal functioning of the market. Likewise, as one element of macroeconomic policy, the central bank that determines monetary policy has an important role in creating conditions for an efficient market mechanism to work.

Wicaksono, Amir and Nugroho (2017) explain that Indonesia has recovered quickly from the crisis as indicated by higher GDP per capita growth after 2000. The poverty rate, which was negatively affected by the crisis, has improved. On the other hand, higher growth seems to have negative consequences on the income distribution as indicated by the Gini index which has risen sharply over the last decade. The income gap between those in the bottom decile and those at the top is widening as shown by the Gini index, which reached 0.41 in 2014. A 10 percentage point increase in the Gini over ten years is considered high among developing countries.

At some point, inequality is needed to provide some kind of incentive for the economy to continue to grow faster. However, the continuing income distribution gap will also affect future economic performance (Stiglitz 2016). Therefore, the widening gap in income distribution is one of the government's concerns. In the medium-term development, one of the government's targets is to reduce the Gini index in 2019. To overcome the increasing inequality in Indonesia, the source of income inequality must be watched out for. Once the sources of inequality have been identified, the best policy can be formulated to close the gap in income distribution (Wicaksono, Amir, and Nugroho, 2017).

One of the main indicators in measuring the success of a country's economic development is the rate of economic growth. Economic growth is one indicator to see the economy's performance, both at the national and regional levels (Suripto and Subayil, 2020). The economy is said to be growing if the production of goods and services increases from the previous year and generates additional income or community welfare within a certain period. The ability of an area to manage its natural resources can be seen from the amount of GRDP (Astuti and Lestari, 2018). In several developing countries, including Indonesia, high economic growth is the main development target.

Hakim (2010) argues that the measure of the success of developing an economy according to Malthus is the state's welfare. The term economic development is usually associated with economic development in developing countries. Some economists interpret this term as "economic development is growth plus change," or economic development is economic growth followed by changes in the structure and
style of economic activity (Almizan in Juliana et al., 2018). A country will be said to be prosperous if its potential GDP increases. The economic growth rate is measured by the percentage increase in GDP from year to year. Often also measured in the form of an average per certain period, for example per five years, ten years, or 20 years according to the needs of the analysis. As an example,

To get a more accurate picture of the distribution of economic welfare, it is necessary to know the distribution of income. One of the commonly used ways to see the distribution of income is to use the Lorenz Curve. The bigger the curve of the curve, the higher the level of inequality. Furthermore, the size of the income distribution inequality can be measured by the "Gini Concentration Ratio" (Gini Concentration Ratio) or, more simply called the Gini Coefficient. Data released by the Central Statistics Agency (BPS) shows that economic growth shows a positive performance, but income distribution inequality is widening. Economic growth can be seen from the movement of gross domestic income (GDP), while income inequality by looking at the Gini index.

Data quoted from BPS South Sumatra explains that there have been fluctuations in income inequality in South Sumatra Province based on the Gini index, where in 2014 was the year with the largest Gini index of 39.03% and 2016 was the year with the smallest Gini index of 34.20%. It is also known that the poverty rate in the province of South Sumatra continued to decline from 13.95% in 2013 to 13.02% in 2017.

Increasing inequality is one of the important problems for developing countries, and Indonesia is no exception. Narrowing the gap between those above and below the income distribution is one of the government's main concerns. To achieve this goal, the sources of income inequality must be identified appropriately (Wicaksono, Amir and Nugroho, 2017).

Several studies have revealed factors that influence income inequality from various perspectives, such as agricultural liberalization (Talukder, 2016), health levels (Gao and Yao, 2016), labor force migration from rural areas (Barham and Boucher, 2019), social characteristics of household economy (Militarua and Stanila, 2016), livelihood assets (Sok, 2017), public policy (Shrestha and Shrestha, 2017; Severini and Tantasari, 2018) and sources of income with an emphasis on non-agricultural and agricultural income in particular (Davis et al., 2020; Jiao and Smith, 2016; and Adams, 2020), even on forestry-based income (Ali and Rahut, 2018), environmental income (Walelign et al., 2016) and transfers (Berman, 2018).

Using the Gini index decomposition analysis to study the impact of income sources on income inequality is the central point of research, particularly income sources. However, inconsistent results have been found. Some studies have found that non-farm incomes increase income inequality (Talukder, 2016, Davis et al., 2020; Jiao and Smith, 2016; and Adams, 2020), while others suggest that the opposite is true (Janvry et al., 2016). Xu, Qiu, Yang and Chen (2018) research show that income from household operations play a dominant role in income inequality. Meanwhile, Rani and Furrer (2018) show that employment and education status are important factors contributing to inequality in most countries, although age, gender, and...
industry group also contribute to income inequality. The results of different studies indicate a research gap in this study. For this reason, researchers conduct an analysis of income inequality and its implications for poverty through farmers' exchange rates, exports and infrastructure.

THEORETICAL BASIS

Economic disparities or inequality in income distribution between high-income and low-income groups and the level of poverty, or the number of people living below the poverty line, are two major problems in many developing countries. Inequality cannot be eliminated, but can only be reduced to a level accepted by a certain social system so that uniformity in the system is maintained during the development process (Putri et al., 2015). Rapid economic growth does not necessarily have a positive impact on inequality. Rapid economic growth will exacerbate inequality, because economic growth is not always followed by equity (Putra & Lisna, 2020). According to Atif et al. (2012) in his research, in developing countries from 1990 to 2010 shows that globalization policies impact increasing income inequality. Bhatt (2013) further reveals that the increase in exports that occurs can trigger an increase in GDP (gross domestic product) which also means an increase in GDP (gross domestic product) per capita. Then Makmuri (2017) found that infrastructure, especially roads and telecommunications, tends to increase income inequality, while electricity, airports, and airport quality positively impact income distribution and help reduce income inequality. Based on this description, a hypothesis can be made as follows: Bhatt (2013) further reveals that the increase in exports that occurs can trigger an increase in GDP (gross domestic product) which also means an increase in GDP (gross domestic product) per capita. Then Makmuri (2017) found that infrastructure, especially roads and telecommunications, tends to increase income inequality, while electricity, airports, and airport quality positively impact income distribution and help reduce income inequality. Based on this description, a hypothesis can be made as follows: Then Makmuri (2017) found that infrastructure, especially roads and telecommunications tend to increase income inequality, while electricity, airports, and airport quality have a positive impact on income distribution and help reduce income inequality. Based on this description, a hypothesis can be made as follows: Then Makmuri (2017) found that infrastructure, especially roads and telecommunications tend to increase income inequality, while electricity, airports, and airport quality have a positive impact on income distribution and help reduce income inequality. Based on this description, a hypothesis can be made as follows:

H1: Exchange rate farmers, exports, and infrastructure simultaneously affect income inequality
NTP measures the ability to exchange agricultural products produced by farmers with goods or services consumed by farmer households and goods or services needed to produce agricultural products (Ruauw, 2010). Farmers' low exchange rates make it difficult for them to meet other basic needs. In particular, the welfare of food farmers needs to be a concern, because it is related to the future of farming rice or other food in sustainable production as the staple food of the Indonesian people. Thus, the farmer's exchange rate (NTP) is one indicator that can be used to determine the direction of agricultural policy. From the effect that NTP can have on economic growth, the following hypotheses can be proposed:

**H2**: Farmer's exchange rate partially affects income inequality

Export is an economic activity selling domestic products to foreign markets (Murni, 2009). The advantage of exporting is that it can expand the market, increase the country's foreign exchange, and expand employment opportunities (Sukirno, 2010). The relationship between exports and growth is explained in the export base and resources theory. The theory reveals that the export sector can drive economic development (Priyono & Wirathi, 2016). One of the direct contributions from the export sector is by increasing the number of exports, a country can increase the number of imports, including imports of capital goods, which play an important role in economic development. Thus, referring to the theory, the following hypotheses can be made:

**H3**: Exports partially affect income inequality

Infrastructure in general includes public facilities prepared by the central and local governments as public servants to support and encourage economic and social activities of the community. Infrastructure is the primary public infrastructure in supporting the economic activities of a country or region. Provisions for the existence of infrastructure greatly affect the efficiency and effectiveness of the economic activities carried out and are a prerequisite for determining a well-running economic cycle. Iqbal et al. (2017) revealed that if infrastructure development in areas far from economic growth is carried out properly, the area will become a new center of economic growth. From this it can be seen about the influence of infrastructure on economic growth,

**H4**: Infrastructure partially affects income inequality

Income inequality is the difference in the amount of income received by the community, resulting in greater income differences between groups. The relationship between inequality and poverty is pragmatic, namely that inequality causes poverty to worsen or inequality is a form of poverty (Sugiyarto et al., 2015). The main cause of poverty in a household is the low income (Hidir & Jonyanis, 2017). High-value income inequality indicates an unequal distribution of income or it can be interpreted that the income of the rich grows much faster than the poor (Kindleberger, 1988). Based on this theory, the next proposed hypothesis is as follows:

**H5**: Income inequality partially affects poverty

**METHOD**
The population in the study is all secondary data related to farmer exchange rates, export activities (net exports), infrastructure (investment spending), income inequality (Gini Index) and poverty in South Sumatra province for the period 2007 – 2017. Data collection was carried out from sources -authentic sources of data and information, namely from Bank Indonesia, the Central Statistics Agency, the Ministry of Finance, Bappenas, economic, financial and banking studies, and scientific journals and other sources. Then for the object of this research is the economy of South Sumatra province in macro and micro. This study uses income inequality as the dependent variable. The unit of measurement for this variable uses the Gini index in percent.

The independent variables in this study are the exchange rate of farmers, exports, and infrastructure. The unit of measurement for the farmer's exchange rate variable uses percentages as the unit of measurement, which data is also sourced from the Central Statistics Agency of South Sumatra. For the export activity variable in this study, the unit of measurement is the percentage of exports sourced from the Central Statistics Agency and the South Sumatra Regional Government. The last independent variable is infrastructure using the realization of investment both PMA and PMDN in trillion rupiah as the unit of measurement, the data obtained from the Central Statistics Agency and the South Sumatra Regional Government.

There is also a dependent variable in this study, where the dependent variable is poverty. The unit of measurement uses the poverty index in percent, which is obtained from the Central Statistics Agency and the Regional Government of South Sumatra.

Based on the research instrument, the formula for the analysis model can be identified as follows:

1. Substructure-1

In general, the functional relationship between variables X and Y is as follows:

\[ Y = f(X_1, X_2, X_3, \varepsilon) \]

Specifically, it can be explained by the Cobb Douglas Theory Model as follows:

\[ Y = a + X_1^{\beta_1}X_2^{\beta_2}X_3^{\beta_3} \]

Concretely can be analyzed using the formula below:

\[ \ln Y = \ln \alpha + \ln X_1 + 2\ln X_2 + \beta_3 \ln X_3 + \ldots \]

Where Y is income inequality, is a constant. Then \( \beta_2, \beta_3 \) are regression coefficients, X1 is farmer's exchange rate, X2 is net exports, X3 is infrastructure (investment spending), and is error (residual).

2. Substructure-2

\[ Z = f(Y, \varepsilon) \]

\[ Z = + 1Y + \ldots \]

Where Z is poverty, is constant. Then 1 is the regression coefficient, Y is income inequality, and is the error (residual).

The data analysis technique used to solve the research problem is a quantitative analysis technique using the analysis of the error correction model or ECM (Error Correction Model) and multiple regression with the OLS (Ordinary Least Square) model.because the data is not stationary at the level, but stationary at the level of differentiation and the two variables are cointegrated. From this analysis will be obtained a short-term regression equation towards long-term equilibrium.

Furthermore, if there is a long-term trend in these variables, analysis of multiple
regression tests using the OLS method is used as a long-term equation. Then the results of these calculations can answer the existing hypothesis, namely the most influential factor on the problem of poverty in the city of Palembang.

Assumptions that are prerequisites for using Ordinary Least Square (OLS) in linear regression are classical assumptions such as normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. Then hypothesis testing using simultaneous significance test (F test), individual significance test (t test), and analysis of the coefficient of determination (R2).

RESULTS AND DISCUSSION
Descriptive Statistical Results

The research data is in the form of time series data for the quarter 2007-2017 from inflation variables (X1), farmer exchange rates (X2), export percentage (X3), human development index (X4), infrastructure (X5), interest rates (X6), income inequality (Y) and poverty (Z) in the province of South Sumatra. Based on the research data in table 1, descriptive statistics can be made as follows:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistics</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXCR</td>
<td>0.064047</td>
<td>0.030977</td>
<td>2.067575</td>
<td>0.0457</td>
</tr>
<tr>
<td>EXPORT</td>
<td>0.287758</td>
<td>0.064241</td>
<td>4.479331</td>
<td>0.0001</td>
</tr>
<tr>
<td>INFR</td>
<td>0.469967</td>
<td>0.130262</td>
<td>3.607870</td>
<td>0.0009</td>
</tr>
<tr>
<td>C</td>
<td>23.05128</td>
<td>17.86330</td>
<td>1.290426</td>
<td>0.2049</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.576271</td>
<td>Mean dependent var</td>
<td>35.37227</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.507558SD dependent var</td>
<td>3.008802</td>
<td>4.477493</td>
<td></td>
</tr>
<tr>
<td>SE of regression</td>
<td>2.111403Akaike info criterion</td>
<td>4.761341</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>164.9469Schwarz criterion</td>
<td>4.582757</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Likelihood logs</td>
<td>-91.50484Hannan-Quinn Criter.</td>
<td>0.612660</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistics</td>
<td>8.386656Durbin-Watson stat</td>
<td>0.00009</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Eviews 7 Data Data Processing

Multiple Regression Results

Multiple regression analysis determines whether the independent variable can strengthen or weaken its influence on the dependent variable (Ghozali, 2013). The results of multiple regression calculations are shown in table 2 below:

Table 2
Effect of Independent Variables on Income Inequality

From the table of results of the standard regression analysis (OLS) of the general raw data model, the following equation is generated:

\[ Y = 23.0513 + 0.0641 \times X1 + 0.2878 \times X2 + 0.4700 \times X3 \]

\[ \cdots \cdots \cdots \cdots \cdots \cdots \cdots 6 \]
The effect of the independent variables of farmer's exchange rate, exports, and infrastructure on income inequality is significant, this is indicated by the significance of the F-count of 0.000009 which is smaller than 0.05. The independent variables of inflation, farmer's exchange rate, exports, and infrastructure can clarify the inequality of income distribution by 57.63% R-squared = 0.576271, while other factors outside the study determine the remaining 42.37%. The following are the regression results with a special model: shown in table 3 below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistics</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXCR</td>
<td>0.003861</td>
<td>0.000668</td>
<td>5.779957</td>
<td>0.000</td>
</tr>
<tr>
<td>LOG(EXPORT)</td>
<td>0.468136</td>
<td>0.088202</td>
<td>5.307534</td>
<td>0.000</td>
</tr>
<tr>
<td>LOG(INFR)</td>
<td>0.241641</td>
<td>0.030505</td>
<td>7.921309</td>
<td>0.000</td>
</tr>
<tr>
<td>C</td>
<td>0.993357</td>
<td>1.255595</td>
<td>0.791145</td>
<td>0.4339</td>
</tr>
</tbody>
</table>

R-squared: 0.354320, Mean dependent var: 0.029070, Adjusted R-squared: 0.225184, SD dependent var: 1.244955, SE of regression: 1.095854, Akaike info criterion: 42.033139, Schwarz criterion: 3.514852, Likelihood logs: 0.524522, Hannan-Quinn Criter.: 3.308020, F-statistics: 2.743779, Durbin-Watson stat: 2.012340, Prob(F-statistic): 0.022163

Source: Eviews 7 Data Data Processing

From the table, short-term equations are obtained as follows:

\[ D(Y) = 0.0015\times X1 + 0.2459\times D(X2) + 0.0302\times D(X3) - 0.0383 \]

The results of substructure-2 multiple regression calculations can be seen in table 5 below:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistics</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>29.34919</td>
<td>2.909218</td>
<td>10.08834</td>
<td>0.000</td>
</tr>
<tr>
<td>Y</td>
<td>-0.402694</td>
<td>0.081956</td>
<td>-4.913505</td>
<td>0.000</td>
</tr>
</tbody>
</table>

R-squared: 0.365008, Mean dependent var: 15.10500, Adjusted R-squared: 0.349889, SD dependent var: 2.005476, SE of regression: 1.617004, Akaike info criterion: 3.843417, Schwarz criterion: 3.924516, Likelihood logs: 82.55517, Hannan-Quinn Criter.: 3.873492, F-statistics: 24.14254, Durbin-Watson stat: 0.120357, Prob(F-statistic): 0.000014

Source: Eviews 7 Data Data Processing

From the table above, the following equation is obtained:

\[ Z = -0.4027\times Y + 29.3492 \]

Discussion

Based on the description statistic results, the average inflation rate is 5.22% with a maximum inflation of 8.48%
occurring in the 4th quarter of 2014, while the minimum inflation of 2.72% occurs in the 4th quarter of 2012. The average farmer exchange rate is 107.07%, with a maximum farmer exchange rate of 153.94%. in the 1st quarter of 2007, while the minimum exchange rate of 92.49% occurred in the 4th quarter of 2017. The average human development index was 70.78% with a maximum human development index of 75.39% occurred in the 1st quarter of 2007, while the minimum human development index was 66.16% in the 4th quarter of 2013. The infrastructure average was 15.13 with a maximum infrastructure of 31.48 occurred in the 4th quarter of 2016, while the minimum infrastructure was 3.73 occurred in the 1st quarter of 2007 The infrastructure average was 15.13 with a maximum infrastructure of 31.48 occurred in the 4th quarter of 2016, while the minimum infrastructure 3.73 occurred in the 1st quarter of 2007. The average interest rate was 6.96% with a maximum interest rate of 9.25% in the 4th quarter of 2008, while the minimum interest rate of 4.25% occurred in the 3rd quarter of 3.4 2017. The average income inequality is 35.37% with a maximum income inequality of 40.10% occurring in the 4th quarter of 2011 and 1.3 quarters. 2012, the minimum income inequality was 31.30% in the 4th quarter of 2008 and 1,2,3,4 in 2009. The average poverty was 15.11%, with maximum poverty of 19.82% occurred in the 1st quarter of 2007, while the minimum poverty was 12.27% occurring in the 4th quarter of 2017.25% occurred in the 4th quarter of 2008, while the minimum poverty of 4.25% occurred in the 3rd quarter of 2017. The average poverty was 15.11%, with a maximum poverty of 19.82% in the 1st quarter of 2007, while the minimum poverty of 12.27% occurred in the 4th quarter of 2008, while the minimum poverty was 12.27% in the 1.3 year quarter. 2012, the minimum income inequality was 31.30% in the 4th quarter of 2008 and 1,2,3,4 in 2009. The average poverty was 15.11% with maximum poverty of 19.82% in the 1st quarter of 2007, while the minimum poverty of 12.27% occurred in the 4th quarter of 2017. The average poverty was 15.11% with maximum poverty of 19.82% in the 1st quarter of 2007, while the minimum poverty of 12.27% occurred in the 4th quarter of 2017.

Referring to the results of the study, there was a simultaneous effect indicated by the Prob value (F-statistic) of 0.0000 which was smaller than the 5% research error (0.000 < 0.05). These results indicate that the exchange rate of farmers, exports, and infrastructure can explain income inequality by 79.56%; while other factors outside the research limits explain the rest. The results of this study are partially in line with the studies of Urata & Narjoko (2017); Cerdeiro...
and Komaromi (2017); Makmuri (2017); and Chotia and Rao (2017) which state that there is a direct influence of farmer exchange rates, exports, and infrastructure on income inequality.

Furthermore, if the t-count of the farmer's exchange rate on income inequality is found to be 2.0675 which is greater than the t-table value of 1.684, then the farmer's exchange rate strongly influences income inequality. In addition, based on the probability value = 0.0457 which is smaller than 0.05, the farmer's exchange rate has a significant effect on income inequality. The beta coefficient obtained has a positive relationship direction, meaning that if there is an increase in the farmer's exchange rate then of course the farmer will be more prosperous because the farmer's income is higher than his expenditure so that the farmer will have savings, of course it will affect the decrease in income distribution inequality with prosperous farmers in the long run. The results of this study are in line with the research of Urata & Narjoko (2017) and Cerdeiro & Komaromi (2017) which state that free trade or liberalization is directly related to income inequality. Its influence in some countries is positive, but in others it is negative.

The t-value of exports to income inequality is 4.4793, which is greater than the t-table of 1.684, so it can be concluded that exports strongly influence income inequality. When viewed from the probability of 0.0001 which is smaller than 0.05, it can be said that there is a significant influence of exports on income inequality. The value of the beta coefficient has a positive relationship direction, if there is an increase in exports, the production of goods and services will increase and affect the increase in workers' wages. With an increase in workers' wages, it will certainly provide welfare for workers so that it will affect the decrease in income distribution inequality because workers get more wages. This result is in line with Bhatt (2013), who found a long-term balance of the relationship between exports and GDP. Exports can increase GDP which means it will increase GDP per capita.

The t-count value obtained by infrastructure on income inequality is 3.6078 which is greater than the t-table value of 1.684, so infrastructure has a strong influence on income inequality. Confirmed by the probability value of 0.0009 which is smaller than 0.05, infrastructure significantly influences income inequality. Infrastructure improvements, specifically roads, seaports, air, and bridges, will affect the traffic of goods and services so that the community's economic growth will also grow. Economic growth will affect new job opportunities for the community so that people's income will increase and impact reducing inequality in income distribution. In line with Prasetyo et al. (2013), who found that social infrastructure could increase per capita income. Likewise, Chotia & Rao (2017) state a long-term relationship between infrastructure development, poverty, and inequality in the rural-urban income distribution. The construction of new roads has a significant positive impact on the average income. Road and telecommunications infrastructure tend to increase income distribution inequality, while electricity, airports, and airport quality positively impact income distribution inequality and help reduce income inequality, poverty and inequality of rural-urban income distribution. The
construction of new roads has a significant positive impact on the average income. Road and telecommunications infrastructure tend to increase income distribution inequality, while electricity, airports, and airport quality positively impact income distribution inequality and help reduce income inequality in poverty and inequality of rural-urban income distribution. The construction of new roads has a significant positive impact on the average income. Road and telecommunications infrastructure tend to increase income distribution inequality, while electricity, airports, and airport quality positively impacts income distribution inequality and help reduce income inequality.

Finally, based on the t-test, it can be seen that income inequality has a significant effect on poverty with a p-value of 0.0000 which is smaller than the 5% research error. Income inequality variable can also explain poverty by 38.29%; while other factors outside the research limits explain the rest. The value of the beta coefficient obtained has a negative relationship, thus if the income distribution inequality decreases, there will be an improvement in income distribution in the community. Similar to Fosu (2010) findings, who found that income growth is generally the main driver of poverty reduction and increase. Mitrakos (2014) also found a strong elasticity of growth and inequality in the distribution of income from poverty. Economic growth can reduce poverty and inequality in income distribution. These results also support the findings of Sukomo (2019), his research obtained a negative and significant relationship between income inequality as measured by the Gini coefficient and the poverty level. This means that there is a tendency that the higher the income inequality, the lower the poverty, or vice versa, the lower the income inequality, the higher the poverty. His research obtained a negative and significant relationship between income inequality as measured by the Gini coefficient and poverty level. This means that there is a tendency that the higher the income inequality, the lower the poverty, or vice versa, the lower the income inequality, the higher the poverty.

CONCLUSION

Simultaneously (F-Test), farmers’ exchange rates, exports, and infrastructure significantly affect income inequality. And partially, the variables of farmer’s exchange rate, exports, and infrastructure significantly influence income inequality. Income inequality also has a direct influence on poverty. The research analysis is only limited to a few variables that are considered to influence income inequality and the research period is only for the period 2007-2017. It is recommended that further research add other variables that are thought to affect income inequality and the implications for poverty and add a longer sample period to describe the actual condition better. For the Government of South Sumatra to further increase exports, focus on the agricultural sector, improve infrastructure, and train the community.
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