

# Factors Affecting People's Purchasing Power Implications for Unemployment Levels and Poverty Levels in West Java Province

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**Abstract.** The purchasing force of individuals seen through per capita uses changed by West Java territory throughout the course of recent years 2017-2020 will in general increment and somewhat recently the buying force of west Java individuals diminished because of the impact of the Covid-19 pandemic. The motivation behind this study was to dissect the impact of monetary development (X1), per capita pay (X2), expansion (X3) and utilization credit (X4), on individuals' buying power (Y) as well as the effect on the joblessness rate (Z1) and destitution rate (Z2) in West Java province. The results showed that (1) Economic development, per capita pay, expansion and the dispersion of banking utilization credit at the same time altogether affected individuals' buying power. Partially financial development, per capita pay and credit banking utilization affect individuals' buying power, while expansion to some degree influences adversely and essentially on individuals' buying power. (2) People's buying power adversely and essentially influences the joblessness rate. (3) People's buying power adversely and fundamentally on the destitution rate. (4) The discoveries of the principal study, the size of the impact of monetary development, per capita pay, expansion and utilization credit on individuals' buying power in West Java Province is extremely predominant, which is 89.62%. (5) The discoveries of the following investigation of utilization credit factors become the most predominant factors influencing buying force of individuals of West Java region.

**Keywords:** people's purchasing power; economic growth; income per capita; inflation; consumption credit; unemployment levels; poverty levels

## 1 Introduction

Economic development plays an important role for each country, especially for justice and welfare for people in poor countries or developing countries, so that in improving the welfare of the community it is necessary to approach both economically and socio-culturally that involves the environment. Economic growth in the era of openness or globalization which is full of competition between countries and will be influenced by macroeconomic problems, both at the level of aggregate demand consisting of aggregate expenditure: public utilization, venture, government spending and net products. Additionally, by total inventory in the form of business cycles, inflation, recession (short term), output development and human standard of living (long

term), therefore in maintaining sustainable economic growth it is necessary to supervise, implement macro policies in the monetary sector, especially stability. inflation, exchange rates, and price stability of goods and services, coupled with the implementation of pro-sustainable growth fiscal policies [1].

One of the variables that can influence individuals' buying power is economic growth. Prasetyo (2009, p. 237) reveals that "economic growth is defined as an increase in the physical production capacity of goods and services within a certain period of time". Economic growth will explain or measure the achievements of the economic development of a country/region. The financial development of an area should be visible from the gross territorial homegrown item (GRDP) obtained by the region.

In addition to economic growth, per capita income can also measure the level of people's purchasing power in an area. According to Sukirno (2016, p.424) "an increase in GDP/GRDP will increase the amount of income per capita and vice versa if the GDP/GRDP obtained by a country/region decreases it will decrease its income per capita so that the ability to buy goods and services want to come down [2].

The city of Sukabumi, the city of Bandung, and the city of Depok along with the city of Tasikmalaya are the regions where the expansion accomplishment is under 2%. The two urban areas with the most noteworthy expansion in West Java have comparable qualities, in particular going about as a purchaser region and not a maker region. This makes the two districts have a high reliance on regions that supply utilization materials.

Destitution is an intricate issue that is impacted by different interrelated factors, including: pay level, wellbeing, instruction, admittance to labor and products, area, geology, orientation, and natural circumstances. Alluding to the public neediness decrease methodology, the meaning of destitution is a condition in which an individual or gathering, people, have not satisfied their essential privileges to keep up with and foster an honorable life. Essential freedoms that are by and large perceived incorporate the satisfaction of the requirements for food, wellbeing, instruction, business, lodging, clean water, land, regular assets, and the climate, a feeling of safety from treatment or dangers of savagery and the option to take an interest in public activity. legislative issues, both for ladies and men [3].

Neediness in the territory of West Java is an issue that presently can't seem to be settled. Neediness can meaningfully affect human advancement in light of the fact that the issue of destitution is an intricate issue that really begins from the buying force of individuals who can't meet their essential requirements so that different necessities, for example, training and wellbeing can be disregarded [4].

The issue of destitution in the West Java area is an intricate and multi-faceted issue. Consequently, neediness lightening endeavors should be completed appropriately, cover different parts of individuals' lives, and be carried out in a coordinated way.

The grand theory in this research is Development Economics. Development economics is a part of economics which specifically studies the economic conditions that occur in a country. "Economic development is a process that causes real per capita income to increase in the long term or if the rate of development is greater than the rate of population growth so that real per capita income increases" [5]. Rahardja Manurung (2008 p.311) "From the point of view of economics, economic development is basically an effort to expand the ability and freedom of choice (increasing the ability and freedom to choose)" [5]

The factors that affect people's purchasing power consist of four independent variables, namely economic growth (X1), per capita income (X2), inflation (X3), and consumer credit (X4).

According to Prasetyo (2009, p.237) reveals that financial development is characterized as an expansion in the actual creation limit of labor and products inside a specific timeframe. Thus, changes in increasing or decreasing economic growth will affect changes in decreasing and increasing people's purchasing power. Relevant previous research related to economic growth has been carried out by: Niu et al. (2016); Sedyaningrum et al (2016); Zayed et al. (2019) [6] [7] [8].

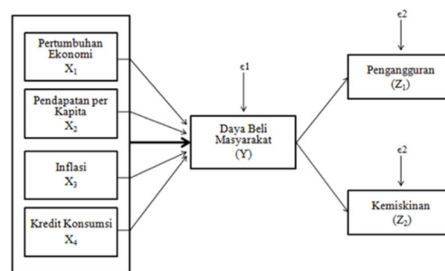
Sukirno (2016:424) an increase in GDP/GDP will increase the amount of its per capita income and vice versa if the GDP/GDP obtained by a country/region decreases it will decrease its per capita income so that the ability to buy the desired goods and services will decrease [7]. The increase or decrease in per capita income will affect changes in decreasing and increasing people's purchasing power. Relevant previous research related to per capita income has been carried out by: Niu et al. (2016); Venkata Sesaiah & Tripathy (2018) [6] [9] .

Putong (2013, p.417) expansion is the most common way of expanding general costs persistently. The aftereffect of expansion overall is a diminishing in individuals' buying power in light of the fact that in genuine terms the degree of pay moreover declines [10]. Decreasing inflation will have a negative effect on decreasing and increasing people's purchasing power. Previous relevant research related to inflation has been carried out by: Haji-Othman & Yahaya (2014); Riani et al. (2018) [11] [12].

Shopper credit is one of the administrations given by banks as advances expected to fund client needs, particularly those connected with utilization exercises. Utilization credit is utilized for individual utilization or use. In this credit there is no expansion in labor and products delivered, on the grounds that being utilized or utilized by an individual or business entity is expected [13]. Relevant previous research related to consumption credit has been carried out by: Riani et al. (2018) [12].

Sukirno (2016: 13) explains that joblessness is a condition where an individual having a place with the workforce needs to find a new line of work however has not had the option to get one [2]. According to Murni (2006: 197) unemployment is a person who does not have a job or has no income. Meanwhile, according to Suparmoko (2007: 176) unemployment is the inability of the workforce to obtain jobs according to what they need or want. Thus, increasing or decreasing people's purchasing power will have a negative effect on decreasing and increasing unemployment. Relevant previous research related to the unemployment rate has been carried out by: Estrada (2021); Leward & Lazarus (2021) [14] [15].

According to Pass and Lowes in the Complete Dictionary of Business (2006, p.36) defines purchasing power as the ability to pay for goods and services that are desired or needed [16]. The increase or decrease in people's purchasing power will have a negative effect on decreasing or increasing poverty. Previous relevant research related to the level of poverty has been carried out by: Estrada (2021) [14].



**Fig 1. Paradigms of Thought**

## 2 Research Methods

Based on theoretical studies and research that has been carried out by a number of previous researchers, this research is a complementary follow-up study on the impact of monetary development, per capita pay, expansion and utilization credit on individuals' buying power in the territory of West Java. It is called complementary because some of the variables used have been studied by previous researchers but in the composition of the relationship between variables that are different from each other and on different research objects.

Thus, this research is an inventory research and is new because it examines the relationships between variables: economic growth factors, per capita income, inflation and consumer credit on people's purchasing power which have an impact on unemployment and poverty rates that have not been studied by others using Analysis of linear regression data with the OLS (Ordinary Least Square) panel data approach, from this analysis a regression equation will be obtained, so this research will produce new ideas.

## 3 Results and Discussion

**Table 1.** Accuracy of the Estimates of the Parameters

Variable	Accurate	Information
<b>Model 1</b>		
Influence		
Economic growth	0,0000 < 0,05	Accurate
Income per capita	0,0484 < 0,05	Accurate
Inflation	0,0176 < 0,05	Accurate
Consumer Credit	0,0000 < 0,05	Accurate
Against People's Purchasing Power		
<b>Model 2</b>		
Influence		
People's Purchasing Power	0,0027 < 0,05	Accurate
To		
Unemployment Rate		
<b>Model 3</b>		
Influence		
People's Purchasing Power	0,0000 < 0,05	Accurate
To		
Poverty level		

**Table 2.** Explanatory Ability

Variable	Koefisien	Standar Error	½ Beta	Information
Model 1				
Influence	0,025250	0,002949	0,012626	In accordance
Economic growth	0,011929	0,005948	0,005964	In accordance
Income per capita	-0,015663	0,006455	-0,007831	In accordance

Inflation Consumer Credit Against People's Purchasing Power	0,454783	0,026070	0,227391	In accordance
Model 2 Influence People's Purchasing Power To Unemployment Rate	-1,247281	0,405362	-0,623640	In accordance
Model 3 Influence People's Purchasing Power To	-1,899219	0,176072	-0,949609	In accordance

**Table 3.** Forecasting Ability

Variable	Koefisien Determinasi R-square	Information
Model 1 Influence Economic growth Income per capita Inflation Consumer Credit Against People's Purchasing Power	89,63 % > 50 %	In accordance
Model 2 Influence People's Purchasing Power To Unemployment Rate	82,22 % > 50 %	In accordance
Model 3 Influence People's Purchasing Power To Poverty level Variable	82,32 % > 50 %	In accordance

The results showed that the combination of these four variables or indicators had a significant influence on the purchasing power of the people of West Java province. Adjusted per capita expenditure or Purchasing Power Parity (PPP) is an economic indicator that can describe the population's decent standard of living. PPP is used as the amount of people's

purchasing power in an area, development efforts in the economic sector, ultimately aimed at increasing people's purchasing power so that the quality of people's lives is better.

The effect of economic growth on people's purchasing power has a positive effect. The Covid-19 outbreak that has spread since mid-March 2020 has put heavy pressure on the West Java economy, both nationally and globally. The impact of Covid-19 which caused West Java's economic growth in 2020 to contract -2.44 percent (yoy) or decreased compared to 2019 which reached 5.07 percent (yoy).

Income per Capita has a massive impact on People's Purchasing Power. Income per capita is used as a macro indicator to see the prosperity of a region. The higher the per capita income in a region, the more prosperous the region is. Expansion fundamentally affects People's Purchasing Power. In general, the challenges or obstacles faced by the West Java provincial government in controlling expansion in West Java originate from weather conditions factors, yearly minutes like strict occasions, and the absence of data on food balance information and food dissemination networks with the goal that the circulation of food items is considered not ideal.

Consumption Credit has a significant effect on People's Purchasing Power. The distribution of bank credit in West Java province in 2019 slowed compared to lending in 2018. In 2019, credit distribution in the West Java region reached Rp. 715.96 trillion with a growth of 6.56 percent (yoy), slower than credit distribution in 2018 reached Rp.671.87 trillion with a growth of 11.21 percent (yoy). This is in line with West Java's economic performance which slowed considerably in 2019 due to global uncertainty.

#### **4 Conclusion**

In light of the consequences of the examination and investigation of the conversation, the finishes of this study are the buying force of individuals of West Java province is strongly influenced by economic growth which is experiencing contraction and is continuing an improvement trend although it is limited, per capita income has decreased which affects people's consumption patterns, inflation is quite stable and under control at the inflation target of 3 percent + 1 percent and the distribution of consumer credit by the banking sector continues to increase to households.

West Java's per capita income has decreased which affects people's consumption patterns and this will have a negative impact on people's purchasing power. West Java's inflation has decreased compared to previous years. However, inflation is quite stable and under control at the vulnerable inflation target of 3 percent + 1 percent and this will have a negative impact on people's purchasing power. The declining purchasing power of the people of West Java compared to previous years will have a negative impact on the poverty level in West Java

To build individuals' buying power during the Covid-19 pandemic, the commonplace government should have the option to support an expansion sought after (request) through the acknowledgment of social help, one of which is as essential necessities and money help to help poor people and defenseless against have the option to arrive at fundamental requirements, for example, food, training and wellbeing to keep away from different dangers of social decay.

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