

# A way to tackle poverty in indonesia economics essay



**ASSIGN  
BUSTER**

Some indicators can be used to measure the development of a country. One of them is the rate of the poverty. Not only how this measurement be used in a developed country but also in a developing country. In other hand, many policies to reduce poverty have been made by the government or the multinational organization such as World Bank or United Nation. The big question is why it is that important to overcome poverty. Then the next question would be whether the policies have significant impact to decrease the rate of poverty. If the answer is ' not', are there any other solutions to help people who are still in the poverty lines? Therefore, this paper will provide descriptive issues about the recent condition of poverty and how social entrepreneurship can becomes the solution to tackle the poverty in developing countries specifically Indonesia.

Keyword: Social Entrepreneurship, Poverty

## **SOCIAL ENTREPRENEURSHIP PARADIGM: A WAY TO TACKLE POVERTY IN INDONESIA**

By: Huda Jamilah

### **Poverty at Glance**

United Nation (1998) defines poverty as violation of human dignity. Usually, the poor does not have sufficient basic capacity to participate effectively in society. In addition, poverty is pronounced deprivation in well-being (World Bank, 2000). Poverty is the deprivation of food, shelter, money and clothing that occurs when people cannot satisfy their basic needs. We can say someone who earns under \$2 a day is face absolute or extreme poverty. The proportion of the developing world's population living in extreme economic

poverty fell from 28 percent in 1990 to 21 percent in 2001. Most of this improvement has occurred in East and South Asia. In East Asia the World Bank reported that “ The poverty headcount rate at the \$2-a-day level is estimated to have fallen to about 27 percent [in 2007], down from 29. 5 percent in 2006 and 69 percent in 1990.” In Sub-Saharan Africa extreme poverty went up from 41 percent in 1981 to 46 percent in 2001, which combined with growing population increased the number of people living in extreme poverty from 231 million to 318 million[1]. Poverty can be understood simply as a lack of money, or more broadly in terms of barriers to everyday life.

But the truth is poverty rate cannot be decreased until zero condition so that policymakers always have poverty on their development agenda for some reasons. Many studies show some aspects that have caused poverty. Specially, economic factor is the main cause of poverty. Chen and Ravallion (2001) revealed that from 150-country level data, the change in mean income can affect poverty rate. It indicates that at least 80% of people earn less than \$10 a day[2]. The total wealth of the top 8. 3 million people around the world, rose 8. 2 percent to \$30. 8 trillion in 2004, giving them control of nearly a quarter of the world’s financial assets. In other words, about 0. 13% of the world’s population controlled 25% of the world’s financial assets in 2004 (World Bank, 2008). In Indonesia, although the rate of poverty decrease to 12, 49% this year, the sum of pauper still 20 until million people. Besides, they should face the high rate of inflation year to year. There are several majors causes poverty in Indonesia. Low rate of minimum wage, unemployment, difficult to access information, and lack of entrepreneur.

<https://assignbuster.com/a-way-to-tackle-poverty-in-indonesia-economics-essay/>

To tackle poverty in developing countries such as Indonesia, other than measurement using monetary (income and/or consumption) approach, there is another approach called multidimensional poverty measurement which is developed by Oxford Poverty & Human Development Initiative and the United Nations Development Program in 2010. Multidimensional poverty is made up of several factors that constitute poor people's experience of deprivation such as poor health, lack of education, inadequate living standard, lack of income (as one of several factors considered), disempowerment, poor quality of work and threat from violence. A multidimensional measure can incorporate a range of indicators to capture the complexity of poverty and better inform policies to relieve it. Different indicators can be chosen appropriate to the society and situation. But usually it uses the same three dimensions as the Human Development Index: health, education, and standard of living. Profiling the poor is important way to see the pattern of poverty to see how it varies by geography, community characteristics, and household and individual characteristics.

## **Social Entrepreneurship as a Solution to Tackle Poverty**

Entrepreneurship is one of the solutions of poverty. There are so many types of entrepreneurship. One of them is social entrepreneurship. Social entrepreneurship can be defined as the use of entrepreneurial behavior for social ends rather than for profit objectives, or alternatively, that the profit generated are used for the benefit of a specific disadvantaged group (Leadbetter, 1997). The terms social entrepreneur and social entrepreneurship were used first in the literature on social change in the 1960s and 1970s. The terms came into widespread use in the 1980s and

1990s, promoted by Bill Drayton the founder of Ashoka: Innovators for the Public, and others such as Charles Leadbeater. From the 1950s to the 1990s Michael Young was a leading promoter of social enterprise and in the 1980s was described by Professor Daniel Bell at Harvard as ‘ the world’s most successful entrepreneur of social enterprises’ because of his role in creating more than sixty new organizations worldwide, including the School for Social Entrepreneurs (SSE) which exists in the UK, Australia and Canada and which supports individuals to realize their potential and to establish, scale and sustain, social enterprises and social businesses. Another British social entrepreneur is Lord Mawson OBE. Andrew Mawson was given a peerage in 2007 because of his pioneering regeneration work. This includes the creation of the renowned Bromley by Bow Centre in East London. He has recorded these experiences in his book “ The Social Entrepreneur: Making Communities Work” and currently runs Andrew Mawson Partnerships to help promote his regeneration work. Although the terms are relatively new, social entrepreneurs and social entrepreneurship can be found throughout history. A list of a few historically noteworthy people whose work exemplifies classic “ social entrepreneurship” might include Florence Nightingale (founder of the first nursing school and developer of modern nursing practices), Robert Owen (founder of the cooperative movement), and Vinoba Bhave (founder of India’s Land Gift Movement). During the nineteenth and twentieth centuries some of the most successful social entrepreneurs successfully straddled the civic, governmental, and business worlds – promoting ideas that were taken up by mainstream public services in welfare, schools, and health care. One well-known contemporary social entrepreneur is Muhammad Yunus, founder and manager of Grameen Bank and its growing family of social venture

<https://assignbuster.com/a-way-to-tackle-poverty-in-indonesia-economics-essay/>

businesses, who was awarded a Nobel Peace Prize in 2006. The work of Yunus and Grameen echoes a theme among modern day social entrepreneurs that emphasizes the enormous synergies and benefits when business principles are unified with social ventures. In some countries including Bangladesh, social entrepreneurs have filled the spaces left by a relatively small state. In other countries particularly in Europe and South America, they have tended to work more closely with public organizations at both the national and local level.

Social entrepreneurship tried to serve an untapped market, eliminate disparities in welfare, education, health, demographic and employment opportunities (Elkington, 2008). Alvord, Brown, and Letts (2003) show that innovation of the business, leadership, and initiatives to mobilize and build upon the assets are the important factor to empower the poor. Social entrepreneurship recognizes how the power of entrepreneurship can be harnessed to innovate solutions to social problems. Whereas traditional entrepreneurship focuses on developing an idea and maximizing profit, social entrepreneurship emphasizes the intention of the entrepreneur to solve some social problem directly through his or her work. One important feature of social entrepreneurship is that it makes use of both financial and social capital. This practice makes it especially useful because social entrepreneurship is most needed in many places where financial capital is least available. It should come as no surprise that communities around the world with limited financial resources are identifying the social and human capital assets they already have and creating change with these resources. In both developing and developed countries, social entrepreneurs who have

relatively little access to financial capital are tapping the social capital all around them to drive change. As part of this asset mapping process, social entrepreneurs insist that every individual has the capacity to create social change. We believe in social entrepreneurship because it is suited well for the challenges we face in this century. The traditional division between for-profit entrepreneurship and non-profit work is outdated. Most people recognize that business has remarkable power to change the world. They also realize that the traditional work of nonprofits could be improved by integrating some practices from the for-profit world. Our ideas about what for-profit and nonprofit corporations are capable of aren't the only views we need to revise. We need a paradigm shift that properly views individual activists, intra-entrepreneurs, and innovative social enterprises as powerful agents of change. Fitting somewhere in between conventional entrepreneurs and traditional nonprofit leaders, social entrepreneurs create lasting and financially sustainable change. With governments around the world slashing budgets for public programs, social entrepreneurs are delivering public value with the resources they already have. In a world with scarce resources, traditional entrepreneurs who mobilize resources for more economically productive uses are definitely doing something positive. But in a world with no scarcity of social ills, we need social entrepreneurs to tackle these difficult problems head on.

If we take a look into social entrepreneurship in Indonesia, some cases might be served as examples such as Goris Mustaqim of Asli Garut Muda (community development in Garut, West Java), Aldi Haryoprato of PT RUMA (a social enterprise that empowers the poor using mobile phone

<https://assignbuster.com/a-way-to-tackle-poverty-in-indonesia-economics-essay/>

technology), and Leonardo Kamilius of Koperasi Kasih Indonesia (a social business providing financial services to the poor, unbankable people). They graduated from reputable university and then run the business after they quit from their former jobs. Nowadays, such social entrepreneurships spread among college student in Indonesia. Through this paradigm, the problems related to the poverty profiling of the poor can be analyzed precisely. With a growing social gap between the rich and the poor, social enterprises are emerging as an important link in addressing the social challenges in Indonesia. The founder of Indonesian Social Entrepreneur Association, Sandiaga Uno, suggests that entrepreneurs need to come up with business models that are both socially and economically viable, in order to cope with social challenges.

Uno says that an increasing number of enterprises and individuals are getting involved in social entrepreneurship in Indonesia. However, numerous challenges continue to exist on their path to expansion. At present, nearly 80 percent of social enterprises in the country are operating on a small scale. Social entrepreneurship has grown quite fast in the last 10 years in Indonesia. According to Sandiaga, a number of social entrepreneurs have become role models for the world. He gave the example of Butet Manurung, who is the founder of Sokola Rimba, a well-known informal school that teaches remote tribals how to read, write and count.

Finally, the support from the government and private sectors are essential to develop the social entrepreneur paradigm as a sustainable complement of government poverty policies in Indonesia. Launching and expanding successful social entrepreneurship ventures are not a short-term effort. The <https://assignbuster.com/a-way-to-tackle-poverty-in-indonesia-economics-essay/>



role of the universities in Indonesia according to one of their vision as community service also becomes the key point to encourage their students in making social transformation to tackle poverty using social entrepreneurship.