ABSTRACT

Poverty is a multidimensional problem, it's involves various aspects of life, from the economic to the social. The spread of poor people in Indonesia focused on urban and rural areas. Urban poverty becomes an increasingly relevant issue to be addressed, related to the dynamics of urban development and population growth that accompanies. Trend of population urbanization in Indonesia was followed by further poverty urbanization, it's impact on the incidence of various aspects of the urban poverty problems and urban poverty have rigidity to decline, if compared to rural areas.

Regional economic stability have influential on poverty, some macroeconomic variables be indicator. Efforts to address poverty should refer to the development of these variables. The purpose of this study was to analyze a regional macroeconomic variable, in this case GRDP, unemployment, and inflation in urban areas during the period 2007-2010.

This study, uses secondary data in panel data form, consisting of time series data over the period 2007-2010 and a cross section 44 cities in Indonesia. The approach to estimate the panel data is Fixed Effect Model (FEM), by including a dummy variable in the equation, also known as the Least Square Dummy Variable (lSDV). Dummy variables regions used in this research model because of each difference in the characteristics and resources of each region.

The results showed that GRDP variables have significant negative effect on poverty. Meanwhile, unemployment and inflation variables have positive and significant impact on poverty. Thus, GRDP, unemployment, and inflation is worth a consideration in formulating policies to address the problem of urban poverty.

Keywords: urban poverty, regional macroeconomic variables, GRDP, unemployment, inflation.