

## IBN KHALDUN'S SOCIO-ECONOMIC DYNAMICS MODEL: CORRUPTION AS DETERMINANT OF POVERTY IN JAVA

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### ABSTRACT

In Islamic history, one of the scholars who discussed the problem of poverty was Ibnu Khaldun. In his analysis, the phenomenon of the rise and fall of a civilization is not only caused by economic variables, but also by a number of non-economic factors. Therefore, in his book entitled "Muqaddimah", he tries to determine interrelated factors such as the role of moral, psychological, political, economic, social and demographic factors. Ibnu Khaldun's explanation shows that poverty is a classic problem and has broad and complex dimensions, so that policy strategies in efforts to eradicate it cannot have one role. Ibn Khaldun's social dynamics model, which is still abstract, is then proxied into several economic and non-economic variables. Some of these variables are poverty level, Government Expenditures (in the field of social protection), Corruption Crimes, Human Development Index (HDI), Gross Regional Domestic Product (GRDP), Government Investment and Gini Ratio. Sharia parameters are one of the non-economic parameters (moral approach) that are interesting and differentiate between Ibn Khaldun's social dynamics model and the poverty measurement model that has been widely used by researchers. The aim of this research is that with Ibnu Khaldun's dynamic model approach, it is hoped that it will be able to provide solutions in terms of alleviating poverty in various regions, including the island of Java. The data used in this research is panel data, which is a combination of cross-section and time-series data. The panel data in this research uses 6 provinces starting from 2018-2022 using the Panel Data Regression method. The research results show that Government Expenditures (in the field of social protection), Human Development Index (HDI), Gross Regional Domestic Product (GRDP), Government Investment and the Gini Ratio have a significant effect on the number of poor people on the island of Java. Meanwhile, the number of corruption cases has an insignificant effect on the number of poor people on the island of Java.

**Keywords:** Ibn Khaldun's Dynamic Model, Morality Approach, Poverty, Panel Data Regression

### INTRODUCTION

The issue of poverty is varied and complicated. There are several explanations for how poverty started and continued to exist over time. Poverty and its eradication have long been a topic of discussion. There are various approaches to understanding this phenomenon. These approaches can be either individual or structural. Poverty is both an economic and political notion. Many state and non-state actors have a role in its sustainability, which has multiple dynamics. Whether humans living in poverty are entirely accountable for their own actions whether poverty is caused by systemic issues, and why disparity rises with a country's degree of development (Daas, 2019).

In Islamic history, Ibn Khaldun was one of the philosophers who investigated the issue of poverty. More than 600 years ago, Ibn Khaldun described the reasons for the Muslim population's fall during his lifetime. Much of what Ibn Khaldun wrote has become part of today's conventional wisdom. (Chapra 2008, 837) Given that humans are at the center of Ibn Khaldun's analysis (Rosenthal, 1967), he believes that the decline and immortality of a dynasty or civilization is heavily influenced by the well-being or difficulty of human life. According to his analysis, the phenomenon of civilization's decline and immortality is produced by a variety of non-economic elements as well as economic ones. As a result, in his book "Muqaddimah," he explores linked components such as the function of moral, psychological, political, economic, social, and demographic variables (Chapra 2000, 146–47).

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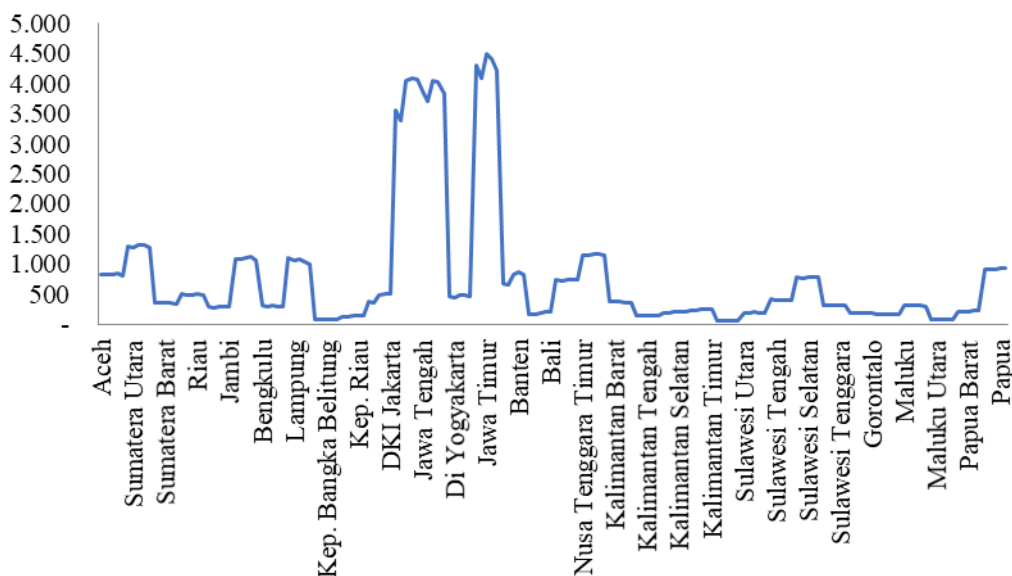
The whole of Ibn Khaldun's model in the book of Muqaddimah is contained in the statement of his advice to a monarch (ruler), which is:

أَيُّهَا الْمَلِكُ، إِنَّ الْمَلْكَ لَا يَتِمُّ عِزُّهُ إِلَّا بِالشَّرِيعَةِ، وَالْقِيَامِ بِهِ بِطَاعَتِهِ، وَالتَّصَرُّفِ تَحْتَهُ أَمْرَهُ وَنَهْيَهُ، وَلَا قَوَامَ  
لِلشَّرِيعَةِ إِلَّا بِالْمَلِكِ، وَلَا عِزَّ لِلْمَلِكِ إِلَّا بِالرِّجَالِ، وَلَا قَوَامَ بِالرِّجَالِ إِلَّا بِالْمَالِ، وَلَا سَبِيلَ لِلْمَالِ إِلَّا  
بِالْعِمَارَةِ، وَلَا سَبِيلَ لِلْعِمَارَةِ إِلَّا بِالْعَدْلِ. وَالْعَدْلُ الْمِيزَانُ الْمُنصُوبُ بَيْنَ الْخَلِيقَةِ، نَصَبَهُ الرَّبُّ وَجَعَلَ لَهُ  
قِيَامًا، وَهُوَ الْمَلِكُ

Meaning: "Oh.. King, the land cannot be complete without the Syari'ah. That is, working for Allah by obeying His instructions and avoiding His prohibitions, and the Syari'ah will not be established apart from the King. There is no glory for the ruler save through figures. There is no devotion for monarchs except among leaders. There is no honor for leaders other than funds. There is no other way to achieve money than through development. There is no development without justice. God established justice to maintain a balance among creatures. A guardian was appointed for this purpose. "Rule over the guardians."(Ibn Khaldun 1978)

This piece of guide includes eight elements of Ibn Khaldun's political policy. These eight sentences are known as "Eight Wise Principles" or eight principles (Hikammiah sentences). In a cyclical flow, every element has an equal relationship with the others, without any beginning or finish (Chapra 2000, 148).

Ibn Khaldun's reasoning demonstrates that poverty is a traditional problem with broad and complicated characteristics, therefore the governmental solution for eliminating it cannot play a single role. Ibn Khaldun's dynamic model method will probably provide solutions for poverty alleviation in a variety of countries, particularly in Indonesia, which has the world's largest Muslim population. The graph of the number of poor people in Indonesia during the previous 5 years is as follows:



**Figure 1: Line Plot Total Poor People in Indonesia (Million Souls), 2018-2022**  
Source: Indonesia Central Bureau of Statistics (BPS), (2024)

Figure 1 demonstrates that the number of poor people is distributed unevenly. Over the last 5 years, from 2018 to 2022. The majority of poor people live on the island of Java (West, Central, and East Java). This is because the island of Java is not only the seat of government, but also the center of the economy, with the industrial and service sectors

increasing quickly, particularly in industrial districts like Jabodetabek. As a result, there is a major mobilization of natural and human resources from outside Java into Java. In 2020, the province on the island of Java with the poorest people was East Java, with 4,502.54 million people.

East Java's high poverty rate is caused by its big population, which is not balanced by population equality and broadened employment prospects (BPS East Java, 2021). So far, the majority of the population stays centered in Java. According to the BPS 2020 census, Java is linked to 56.10 % of Indonesia's total population, with East Java accounting for 26.11 %. The rise in the price of basic commodities as a result of the lack of basic necessities during the Covid-19 outbreak is also contributing to the rise in East Java's poverty rate. The end outcome is distribution inequality, development and income disparities, and unequal economic growth.

Several studies have been undertaken to help policymakers reduce poverty in various nations, particularly emerging countries. In general, researches are conducted utilizing a current economic science methodology. According to research (Dankumo et al. 2019; Salahuddin et al. 2020), the corruption perception index is one of the factors that can contribute to poverty. The researchers (Cahyadi and Cen, 2020; Fahrika, Salam, and Buhasyim, 2020; Hasan, 2021) have found that the Human Development Index can help to lower poverty rates. (Hasan, 2021; Rochman and Sylviana, 2020) found that the higher the GDP, the lower the poverty rate. Several research (Ahmad et al. 2019; Budi Setiawan and Adzim, 2018; Dhahri and Omri, 2020; Fahrika, Salam, and Buhasyim, 2020; Luthfi, Hamzah, and Izazi, 2018; Rochman and Sylviana, 2020) have found that government investment can reduce poverty rates, in addition to GDP. According to this explanation, researchers use variables in a sophisticated manner by referencing past research variables. Previous study on the causes of poverty focused only on the economic aspects. However, in this study, researchers introduced new variables into the Ibn Khaldun dynamics model, specifically non-economic variables (Syaria/morality). The Sharia parameter is an interesting non-economic parameter (moral approach) that distinguishes Ibn Khaldun's social dynamics model from the poverty measuring model developed by several studies.

## LITERATURE REVIEW

### **Ibn Khaldun's Socio-Economic Dynamics**

The concept of development in Islam refers to the socio-economic dynamics previously defined by the Islamic scholar Ibn Khaldun and later developed by Umer Chapra (Sri Wahyudi Suliswanto et al. 2019). In the book *Muqaddimah*, Ibn Khaldun's entire model can be summarized in the advice he gave to kings as follows (Chapra 2000): 1) The power of sovereignty (Al-Mulk) will not be realized except through the implementation of Sharia; 2) Sharia cannot be implemented except by a sovereign (Al-Mulk); 3) Sovereignty will not gain strength unless it is supported by human resources (Ar-Rijal); 4) Human resources cannot be maintained except through wealth (Al-Mal); 5) There is no way to acquire wealth except through development (Al-Imarah); 6) Development cannot be achieved except through justice (Al-'Adl); 7) And justice is the yardstick (Al-Mizan) by which Allah judges humans; 8) The responsibility to uphold justice is part of sovereignty.

This sentence of advice consists of eight principles of political wisdom developed by Ibn Khaldun. The "hikamiyah" (eight wise principles) comprise these eight sentences. In a cyclical flow, the beginning and end are indistinguishable from each other because everything is interconnected (Chapra, 2000).

This sentence about hikamiyyah demonstrates the dynamic and interdisciplinary nature of Ibn Khaldun's analysis. All important political and socio-economic variables, such as Sharia (S), political authority (G), society (N), wealth (W), development (g), and justice (j),

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are included within this interdisciplinary framework. In this interdependent cycle, each factor influences and is influenced by the others.

### **Government Expenditure (Proxy of Al-Mulk or Political Power or Authority dimension)**

Al Mulk or ownership is the relationship between a person (the government) and property (wealth) which specifically gives the right to distribute said wealth (government expenditure) in any form as long as there is no prohibition in it according to sharia law. So the proxy that can be used to measure the Al Mulk dimension is government spending. The government expenditure used in this study is government expenditure in the social sector.

Theoretically, providing social assistance to the poor, both cash and non-cash, will have a multiplier effect. This is in line with economists' understanding of the movement of economic activity related to consumption. Consumption decisions depend on many factors, but one of the most important is income (Blanchard 2013).

When someone has income, in this case income from cash assistance such as Direct Cash Assistance (BLT) in social protection programs, they will have the ability to purchase goods. This ability to purchase goods will lead to changes in demand for goods. Changes in demand for goods lead to changes in production. Changes in production lead to changes in income (labor). Changes in income, in turn, lead to changes in demand for goods due to a person's ability to purchase goods (Blanchard 2013).

### **Corruption Level (Proxy of Sharia/Moral dimension)**

Sharia is Islamic law that not only regulates human worship of Allah SWT but also regulates human relationships with other humans, including civil, criminal, and political matters. In Islamic economics, Sharia prohibits maysir (unlawful gambling), gharar (unlawful gambling), usury (riba), and batil (unlawful gambling). In politics and government, evil includes dishonest behavior, deception, cheating, and bribery. Therefore, a proxy for measuring the Sharia dimension is the crime of corruption, which is a manifestation of evil behavior in a government or political system.

Corruption, coupled with a lack of freedom of expression, also tends to undermine the legal system, making it less likely that the ruling elite will be punished. When wrongdoers go unpunished, vices tend to spread, making it difficult to eradicate crime. If only the poor are punished, there will be increased dissatisfaction and a decline in solidarity between the government (G) and the people (N). This contributes to social and political instability, which is a major factor hindering economic development (Chapra 2000).

Due to corruption, a large amount of scarce public resources in these countries are diverted to development and financing the luxuries and consumption of the ruling elite, leaving the government unable to spend money appropriately on education, health, infrastructure, development and the provision of public services needed to accelerate development.

### **Human Development Index (Proxy dimension Ar-Rijal / Nation)**

A rijal refers to a person, either male or female, who has reached puberty and possesses the qualities necessary to lead a government. Therefore, the proxy used to measure the dimensions of rijal is the Human Development Index (HDI). The HDI is an index for measuring human development achievements based on several basic components of quality of life. It uses a three-dimensional approach that encompasses a long and healthy life, knowledge, and a decent standard of living.

According to the latest UNDP index, Indonesia ranks 107th out of 177 countries. Despite the fact that human development is one measure of a country's progress, this condition

places Indonesia among developing countries with a medium level of human development. Gross domestic product (GDP) is not the only factor that determines a country's progress, but also the standard of living and education of its citizens. Therefore, human resource development must be prioritized.

#### **Gross Regional Domestic Product (Proxy dimension of Al-Mal/Wealth)**

In Ibn Khaldun's definition of wealth, "mal" refers to the wealth or economic condition of a region/country. Therefore, the proxy used to measure the dimension of "al-mal" is Gross Regional Domestic Product (GRDP).

Wealth provides the resources necessary to ensure justice (j) and development (g). Wealth depends on economic activity, the size of markets, and incentives and facilities provided by the state, which in turn depend on savings or profits after meeting people's needs. Increased income will lead to increased savings and investment in equipment, which in turn will result in greater contributions to development (g) and wealth (W).

#### **Government Investment (Proxy of Al-Imarah/Development dimension)**

In more interpretive language, Ijarah consists of two parts: physical structures, like the buildings we often see, and non-physical structures, such as investments, which are common in today's modern era. Therefore, the proxy used to measure the dimension of Al Ijarah (development) in Ibn Khaldun's dynamic model is government investment, which means that wealth will grow if invested.

Development is an effort to achieve prosperity and welfare for the people in a sustainable manner in various aspects of life and the results must be distributed evenly to all levels of society. According to (Todaro, Michael P. 2004), there are three core objectives of development: 1) Increasing the availability and expanding the distribution of various necessities; 2) Improving the standard of living; 3) Expanding economic and social choices.

#### **Gini Ratio (Proxy of Al-'Adl/Justice/Justice dimension)**

Justice means maintaining a moderate attitude and avoiding reckless behavior. In relation to Ibn Khaldun's wisdom about a just leader, a just leader is one who carries out God's commands and places everything in its proper place. Justice, in the context of Ibn Khaldun's dynamic model, relates to the previous dimension of invested wealth. The income from these investments must be distributed equally across all levels of society. Therefore, the proxy used to measure the Al-'Adl dimension is the Gini Ratio. The Gini Ratio is a tool used to measure the level of inequality in the distribution of income among residents of a region.

#### **Institutional development in the context of decentralization and autonomy**

In decentralization, the balanced relationship between the central government and regional governments can be viewed as a principal-agent relationship. According to Ascher and Rondinelli (1999), due to imperfect information and the possibility of opportunistic behavior, the principal-agent relationship in a contract can lead to adverse selection (hiding information) and moral hazard (abuse of authority) (Jaya, 2021).

For Indonesia, decentralization and autonomy represent a significant institutional shift in the nation's life. The shift from centralized to decentralized governance has occurred gradually. However, to date, the success of decentralization and regional autonomy has not reached the desired level. This failure may be due to institutional issues, one of which is conflicts of interest between regional governments, such as conflicts over regional revenue. Furthermore, laws and regulations often overlap, creating uncertainty in the administration of regional governance. Increasing corruption and a lack of law enforcement also contribute to the failure of decentralization and regional autonomy. On

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the one hand, unclear laws and the lack of enforcement mechanisms encourage regional government officials to be opportunistic and abuse their authority (Jaya, 2021).

### METHODS

This study employed a quantitative research design. The population in this study consists of all 6 provinces of Java, with a 5 year observation period (2018-2022). The data source used is secondary data. Secondary data is derived from statistics published by the Central Statistics Agency (BPS), which may be obtained from the website [www.bps.go.id](http://www.bps.go.id).

Furthermore, data was collected from the Ministry of Finance's Directorate General of Fiscal Balance (DJPK) and Indonesia Corruption Watch (ICW). This study used panel data, which is a cross-sectional and time-series dataset. This study's panel data consisted of N = 6 provinces and T = 5 years, for an overall total of 30 observation data. This study's data is analyzed using the panel data analysis approach. Panel data regression models are estimated using three approaches: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). (Hill, Griffiths, and Lim, 2018)

**Table 1. Mapping of Research Variables**

Variable	Proxy	Unit	Source
<i>Al-Mulk</i>	Government Spending on Social Protection	Rupiah	Ministry of Finance, Directorate General of Fiscal Balance (DPJK)
<i>Syariah</i>	Corruption	Case	Indonesia Corruption Watch (ICW)
<i>Ar Rijal</i>	Gross Regional Domestic Product (GRDP)	Rupiah	BPS RI
<i>Al-Mal</i>	Human Development Index (HDI)	Percentage	BPS RI
<i>Al-Imarah</i>	Government Investment	Million US\$	BPS RI
<i>Al 'Adl</i>	Gini Ratio	Scale 0-1	BPS RI

Source: Processed Data (2025)

### RESULTS

Based on the panel data regression model approach with the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM) and the results of the best model selection test using the Chow Test and Lagrange Multiplier Test, it shows that the more appropriate regression model to use in this study is the Fixed Effect Model (FEM). The t test results in this study are as follows:

**Table 2. The result of t test**

Variable	Coefficient	Prob.	Description
C	17848.25	0.0001	
EXPENDITURE	-5.14E-10	0.0948	Significant Effect
CORRUPTION	15.84527	0.2017	Insignificant Effect
IPM	-344.8967	0.0002	Significant Effect
PDRB	0.002005	0.0000	Significant Effect
INVESTMENT	-0.304279	0.0049	Significant Effect
GINI RATIO	22656.67	0.0111	Significant Effect

Source: Output Eviews 9 (2025)

The panel data regression results in Table 1, with partial significance tests at the 5% and 10% significance levels can be explained as follows:

The variable Government Expenditure in the Social Protection Sector (X1) has a negative and significant effect on variable Y (poverty), with a coefficient value of  $-5.14E-10$  and a significance probability p-value of  $0.0948 (<0.1)$ . These findings suggest that the more the government spend on social protection, the fewer the number of poor people in Java.

Regarding the results of this study, government spending on social protection is effective in protecting people from economic and social dangers that can lead to poverty. The government's budget for different social protection programs, such as social assistance, has contributed to reducing the number of poor people in Java.

According to (Blanchard 2013) goods market theory, when someone obtains income, in this example income from cash assistance programs such as Direct Cash Assistance (BLT), they will be able to purchase products. The ability to buy products will cause changes in demand for goods. Changes in demand for commodities cause changes in production. Changes in production cause changes in income. Changes in income generate changes in demand for items because of a person's ability to purchase them. Thus, government spending on social assistance, both cash and non-monetary, will have a multiplier effect. Social assistance programs, when linked to goods market theory, have the potential to drive the economy and reduce poverty in the short term.

The variable X2 (corruption crime) has a partial positive and insignificant effect on variable Y (poor), with a coefficient value of  $15.84527$  and a significance probability p-value of  $0.2017 > 0.1$ . The results suggest that when corruption cases increase, so will the number of poor people. However, it has just had a small effect on increasing the number of poor people in Java.

Corrupt behavior is defined as behavior that is contrasted to the principle of justice. Based on the results of this study, corruption, as a proxy for the principle of justice in Islam, has a direct impact on poverty, however the impact is not considerable. The number of poor people in a region increases as corruption levels rise. These findings suggest that corruption has an indirect impact on poverty, causing inefficiencies in the manufacturing process and misallocation of resources. Corruption may damage institutional quality and produce escape in resource finance. In this scenario, we can conclude that, according to Ibn Khaldun, the more moral a place is, the bigger its impact on reducing poverty in Java.

The Human Development Index (X3) variable has a negative and significant effect on variable Y (poverty), as indicated by a coefficient value of  $-344.8967$  and a significance probability p-value of  $0.0002 < 0.05$ . The results presented suggest that as the Human Development Index (HDI) rises, the number of depressed people in Java will decrease.

The HDI is determined employing three indicators: health, education, and standard of living (purchasing power) or income. An increase in education is frequently connected with an increase in income. If wages reflect productivity, then the more people with a better degree of education or training experience have higher productivity and a lower poverty rate. In addition to education, health contributes to economic growth. Improving the population's health has an impact on income since it increases labor force participation. Improvements in health can also lead to higher levels of education and the development of personal potential, which contributes to economic progress in Java by increasing income and decreasing poverty.

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The variable Gross Regional Domestic Product (X4) has a partial positive and significant effect on variable Y (poverty), as indicated by a coefficient value of 0.002005 and a significance probability p-value of  $0.0000 < 0.05$ . These results suggest that when the Gross Regional Domestic Product (GRDP) increases, so will the number of poor people in Java.

Income disparity is one of the reasons why Gross Regional Domestic Product (GRDP) has no negative impact on poverty rates. According to Kuznet (1995), the development process will be accompanied by a significant increase in inequality, which will reach a turning point as the economy develops. This condition is also represented by Ahluwalia et al. (1979), who also stated that economic expansion accompanied by growing inequality results in the poor receiving a little part of economic growth. According to the results of this study and previous research evidence that economic expansion or the existence of growth in GDP cannot directly relieve poverty, there is frequently a trade-off between economic growth and poverty alleviation. Because economic growth is accompanied by inequality, the poor's income rises at a slower rate than the average.

The government investment variable (X5) has a negative and significant effect on variable Y (poverty), as indicated by a coefficient value of -0.304279 and a significance probability p-value of  $0.0049 > 0.05$ . These findings suggest that increased government investment will help to lower the number of poor people in Java.

Theoretically, the results of this study support the neoclassical economic paradigm, which holds that economic activity is driven by two axes: investment and savings. Economic growth will occur if there is investment because investment creates demand for labor, which creates purchasing power because there is a level of salary received by workers (demand side), and then through investment, goods and services are produced and sold to the market, which is the basis of income / economic growth (supply side). Based on this theoretical framework, it is possible to conclude that if investment in Java increases, the number of impoverished people will decrease because investment has a beneficial impact on raising people's income.

The Gini Ratio variable (X6) has a partial positive and significant effect on variable Y (poverty), with a coefficient value of 22656.67 and a probability significance value of  $0.0111 < 0.05$ . The results suggest that rising inequality (Gini Ratio) will increase the number of people on Java Island.

According to Ibn Khaldun, the level of public wealth is an important component in determining demand and supply. Ibn Khaldun believes that people's incomes should be divided properly and evenly. The income distribution system consists of at least three components: salaries, profits, and taxes. As a result, the government in the Java island region must eliminate inequality by distributing income fairly and evenly in order to reduce poverty.

## CONCLUSION

Regarding the results of this study, it is critical for the government to consider non-economic elements such as morality when resolving the causes of poverty. Morality in governance is critical to effective regional development, particularly in Java. Increasing government spending, HDI, GRDP, and investment alone may not sufficient. It is also critical to strengthen individuals' moral qualities, which neoclassical economics frequently ignores.

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