Relation between Economic Growth and Distribution of Income per Capita and Human Development Index Among Five Major Islands and Provinces in Sulawesi Island, Indonesia.

Imam Mujahidin Fahmid

Abstract
This study aims to analyze interrelated between economic growth, income distribution, Gini ratio, income per capita, and poverty and unemployment rate at six provinces in Sulawesi Island and five major Islands in Indonesia. Interrelation of these variables analyzed using Simon Kuznets's theory. According to Kuznets beginning of development, high economic growth will be followed highly income disparity. Series of data from report of Indonesian Statistical Bureau from 1996-2012 and other official data of provincial government were used. This study classified four types of quadrant, namely: quadrant I explains the island in Indonesia and provinces in Sulawesi island that has high economic growth as well as high income disparity; quadrant II illustrated the island and provinces that has low economic growth and high income disparity; quadrant III show the island and provinces that has low economic growth and low income disparity; and quadrant IV explain the island and provinces in Sulawesi that has high economic growth and low income disparity. The study result indicate only two islands categorized as high economic growth, one is pro-poor and the other island is less pro-poor. The development in Sulawesi result high economic growth in three provinces, however only one province can be categorized as pro-poor and pro-job.

Keywords: Economic Growth, Income Disparity, Gini Ratio, Human Development Index

Introduction
In the beginning the scientist defines economic development as a process to increase income per capita of the community. The next stage, scientists began to make economic and social welfare income distribution as a factor determining the success of economic development. masyarakat sebagai faktor yang menentukan keberhasilan pembangunan ekonomi. According to neo-classic thought, three main factors affected economic growth which are; firstly, model that prioritizes accumulation of physical capital and technology, secondly, model that emphasizes on human capital through education and thirdly, model that accentuate on human capital through learning experiences (Lucas, 1988; 2002). This thought view economic growth as a machine that change input (human resource, natural resource and financial capital) to output: quantity of input and technology determine the output. When output increase at fast rate due to the high input or better technology. On the contrary, low output due to insufficient input or technology. Solow (1957) present increase in physical input has minimal impact in output therefore Ricardian theory particularly focus on the non-physical aspect in explaining the economic growth, increase in technology and human resource in the form of skills and knowledge (Galor 2005).

In other words, the increase in per capita as the out-put of economic development is not solely for the pursuit of GDP growth, but how to improve social welfare in a more just and equitable. This the most common critics of several economist in the last decade (Bergh, 2007; Stiglitz, JE, Sen, A & Fitoussi, J-P, 2010; Clifford, et.al 1995; McDonough , et.al. 2006).

Theory of Karl Mark (Cohen, 1982) explains that economic growth in the early stages of development will increase the demand for labor. With the increased demand for labor, then an increase in the wage rate of labor affects the subsequent increase in risk capital of labor resulting in a decline in the demand for labor. That places the problem of unemployment and