

**IMPACT OF INFLATION, EXCHANGE RATE TOWARD THE UNEMPLOYMENT AND THE POVERTY IN INDONESIA.
(CASE STUDY : THE SMALL AND MEDIUM INDUSTRY AT THE TOURIST AREA IN LOMBOK)**

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Abstract

This purpose of the study to determine what the Impact of inflation and the weakening of the rupiah exchange rate against US \$ toward to the level of poverty and unemployment as well as the development of small entrepreneurs. This study will use the approach to quantitative and qualitative research methods. The results: (1)There is the significant of the rate of inflation, the value of exchange rate, economic growth and average wages to the amount of poverty.(2)There is the significant of the inflation rate and the average wage of the amount of poverty in urban areas. (3) There is the significant of the rate of inflation, the value of exchange rate, economic growth and average wages to the amount of poverty in rural areas.(4) There is the significant of the inflation rate, exchange rate and unemployment on the unemployment assuming fixed wage. (5) There is no significant between the rate of inflation, the exchange rate of the number of unemployed with no fixed wage assumption. The Qualitative analysis the finding (1) the welfare of the Small Industry both businessmen and artisans are not overly influenced by the impact of inflation and the weakening of the rupiah against the US dollar. (2) Strategies to Overcome the Impact of Inflation and Exchange Rate include by The small and medium Industry (a) Efforts to reduce the size of the goods (b) reducing the quality of the product (c) reduce business profits and d. cost efficiency of production (3) Marketing System : (a)Waiting for domestic and foreign tourists who came to be brought by Tour guide (b) Through the special market held by government (c) Through exhibitions outside some areas d. through the website to foreign countries

Key words: *inflation, unemployment, Indonesia*

JEL Classification: *L83, M31*

I.INTRODUCTION

The economies of the region as Indonesia is a priority in improving the welfare of the population, one measure that a developed or developing countries seen from the amount of unemployment and poverty population. One of the factors increasing unemployment and poverty is the magnitude of inflation and the exchange rate of the country's currency against the US dollar.

Inflation plays an important role in determining the conditions economics, and should receive serious attention from various circles specialized monetary authorities are responsible for controlling inflation. Inflation affects the economic decisions such as pricing and wages, consumption, investment. Through the decision, inflation is directly or indirectly affect the economy. When people perceive that inflation is high, it will affect the overall economy. Therefore it is necessary to know how big the effect of inflation on the growth of the Indonesian economy which ultimately will have an impact on unemployment and poverty

Furthermore, the effects of inflation can not be observed directly. One way to determine the inflation is through a survey, by directly asking the respondents about the effect of inflation. Based on this, a survey of various community groups such as businesses, households and financial market participants more often done to see the effect of inflation on the economy, especially in Lombok.. As well as the weakening of the rupiah against the US dollar will also affect directly against the economy of a region. In this research will be seen the impact of both the economic variables that is currently happening in the country of Indonesia is the main impact on unemployment and poverty.

The impact of inflation and the weakening of the rupiah against the US dollar will be seen from one of the dominant sectors in Indonesia that affect the Indonesian economy, the sector is the Small and Medium Enterprises sector that still dominate the market by 99%. Thus empowering Small and Medium Enterprises to be very strategic, because of its great potential in moving economic activities, and also become the foundation of most of the public sources of income to improve their welfare. The existence and role of the Small and Medium Enterprises in 2007

reached 49.84 million units, and is 99.99% of the national business operators, in the governance of the national economy is not in doubt, to see his contribution in employment, the establishment of the Gross Domestic Product (GDP) National, the value of national exports, and national investment.

The Small Industry sector has been promoted and used as the main agenda of economic development of Indonesia. The Small and Medium Enterprises sector has proven resilient, when the economic crisis of 1998, only the Small and Medium Enterprises sector that survived the collapse of the economy, while the larger sector actually uprooted by the crisis. Mudradjad Kuncoro in *Bisnis Indonesia* on October 21, 2008 suggests that the Small and Medium Enterprises proved stable to the crisis and is able to survive because, first, do not have foreign debt. Secondly, there is a lot of debt to banks because they are considered unbankable. Third, the use of local inputs. Fourth, export-oriented. During 1997-2006, the number of large-scale enterprises the Small and Medium Enterprises reached 99% of all business units in Indonesia. the Small and Medium Enterprises contribution to gross domestic product reached 54% - 57%. The contribution of the Small and Medium Enterprises to employment of about 96%. As many as 91% of the Small and Medium Enterprises export activities through a third party exporters / middlemen. Only 8.8% were in direct contact with buyers / importers overseas.

Revenue of Indonesia, compared with income generated from ten major commodities, namely (1) the oil and gas, (2) palm oil (3) processed rubber (4) clothing (5) electrical appliance (6) textile (7) paper and paper products (8) processed food (9) wood (10) chemicals, it turns out, the tourism to contribute to foreign exchange earnings on the order of six in 2006, fifth in 2007 and continued to increase until the year 2008 reached sequence to four and even up to 2015 Tourism minister stated that the tourism sector still ranks fourth.

One of the tourist area beautiful island in Indonesia is the Lombok Island in which the island has beautiful beaches, the food was typical tempting, beautiful natural scenery, as well as the result of superior products are well known and very attractive to tourists overseas or domestic namely pottery, woven and pearl jewelry. Lombok with favorable geographical conditions the potential to be one for the region. The beautiful natural scenery, fertile soil and abundant water reserves are more value can be put to good use by the district. Lombok district with an area of 1053.92 km² of the north bordering the north of Lombok regency, and its southern border with the Indonesian Ocean. A population of 613.161 inhabitants. Population density average of 468 inhabitants / km², who worked in the industrial sector 34.447 people, 99% is a group of small industry. Located in 10 districts, 88 villages and 634 hamlets.

Commodity, pottery industry and land refined products 1 286 Small and Medium Industry, craft industry of wood and wooden furniture 1158 Small and Medium Industry, craft Small and Medium Industry webbing 1556, processed food industry (seaweed) 127 Small and Medium Industry, Weaving Industry, Industry Pearl.

In Lombok region has population as much as 419.381 people while working as many as 263.570 people with unemployment number as many as 13.551 people. Of this amount is expected to support the business activities in the family or household can be sustained which would have an impact on the supply needs of the tourists visiting the region.

1.1. Identification of problems

Based on the government's policy to reduce subsidies on fuel oil then do adjustment in fuel prices to rise by 10 to 15%. With this policy, the increase in fuel prices will have an impact on freight costs and subsequent impact on prices of other goods again causing inflation from November 2014. Besides, the exchange rate against the US \$ dollar weakening and will also have an impact on imported goods especially.

Based policies and economic Indonesia conditions current study wanted to see how the effects on the economic impact of tourism, especially the impact on unemployment and poverty, especially in the tourist region of West Nusa Tenggara Lombok. Variables that affect the level of poverty and unemployment, among others, the macro region include inflation, the rupiah exchange rate, economic growth and the level of wages. Among the variables which were affecting it variable want to know where that influence as actions to be taken in tackling poverty and unemployment.

1.2. Statement of the Problems

1. What is the impact of inflation and the weakening of the rupiah against the \$ US against the unemployment and the poverty levels
2. How to overcome the condition above is done by the employers of Small Industry.
3. How is the marketing system Small Industry
4. What is the constraints that faced by Small Industry
5. What are the sectors that are involved in supporting the success of Small Industry
6. Is there any significant difference among Inflation, Exchange Rate Rupiah against The Unemployment and The Poverty

1.3. Research purposes

1. To evaluate the impact of inflation and a weakening currency and rupiah against the US \$ against unemployment, poverty.
2. To Get some alternative ways to overcome inflation and the weakening of the rupiah exchange

rate against the dollar \$ US in maintaining the stability of the wellbeing of the Small Industries in Lombok.

3. To Evaluate the marketing system used by Small Industries in Lombok.

4. To Know the constraints faced by Small Industries in Lombok.

5. To Know the sectors involved in supporting the success of Small Industries in Lombok.

6. To Analyze the influence of Inflation, Exchange Rate Rupiah against The Unemployment and The Poverty

1.4. Benefits of research

1. For the government, and the research results of this study are expected to be input in the formulation of policy alternatives should be given to the community in to overcome unemployment and poverty through economic indicators.

2. For Small and Medium Enterprises in particular with regard to the products needed by the tourists in order to prepare a good product or any other form of souvenirs to bring innovative new products which is typical of Indonesia.

4. Policy makers, policy makers, especially the local government of this study are expected to provide information that is useful in the development of tourism sector policy making.

5. Science, in general the results of this study are expected to add to the repertoire of economics, especially the tourism economy. Special benefits for science that is able to complete a study on the demand for tourism to empirically reveal the factors that influence it.

II. LITERATUR REVIEW

2.1. Definition of Tourist

The Tourism is one industry that is able to provide rapid economic growth in terms of employment, income, living rates, and in turn on other production sectors in the host countries.

According to Law No. 9 1990 About Tourism, which is meant to tourism are as follows:

1. The Tourism is an activity trip or part of these activities are carried out voluntarily and temporarily to enjoy an object or a tourist attraction.

2. The Traveler are people who do tourist activities

3. Tourist is everything related to tourism, including the exploitation of objects and tourist attraction as well as related efforts in the field.

4. Tourist is everything connected with the implementation tourism.

5. Business tourism is activity aimed at providing services.

Spillane (1987) in Badruddin (2001) defines tourism as traveling from one place to another, temporary, done individually or in groups, in an effort

to seek a balance or harmony or happiness with the environment in the social, cultural, nature and science.

The types of tourism, according to Spillane (1987) in Badruddin (2001) contained in tourist destinations that attract customers to visit so that it can also be known type of tourism that may be feasible to develop and develop the kinds of facilities and infrastructure that support the tourism activity. Kind, among others (1) Tourism to enjoy the trip (pleasure tourism) (2) Tourism for recreation (recreation sites) (3) Tourism for culture (cultural Tourism) (4) Tourism for sport (sport tourism) (5) Tourism for trade (business tourism) (6) Tourism for the convention (convention tourism)

2.2. Tourist Demand

Tourist demand effect on all sectors of the economy include individuals (people), small and medium enterprises, private enterprises, and government sectors (Sinclair and Stabler, 1997).

The Important data that can be used as indicators of tourist demand will be a tourist area is (Melnish and Goeldner, 1986 in the pistil, 2008):

1. The amount or quantity of tourists coming.

Means of transport are to be used in connection with the tourist arrivals.

3. How long residence time and the amount of money spent.

Individual choice and the budget is a determinant of tourism demand. Someone who wants to spend the holidays away from home, having some money or budget available for sightseeing, shopping for other goods and services. Size of the budget depends on the number of hours spent on work that are paid for each time period. Individuals tend to make exchanges between paid work with idle time.

Tourist demand can also be affected by tourism demand in the previous year as an alternative to visiting other places constrained by the limited information about the destination area. It is often assumed that the more information about the tourist destination will be more tourists who visit it.

The impact of increased this information can be viewed by entering the variable lag in tourism demand equation as independent variables. This is consistent with the hypothesis that most tourists will revisit the area never visited before. The total population of a country is also one variable that affects the amount of tourists visiting other countries. Increasing population, more and more people that travel.

2.3. Unemployment and Poverty

Two problems being faced by many developing countries around the world including Indonesia is the problem of unemployment and poverty. Unemployment and poverty are the two things are related to one another. People who are unemployed or do not have a job usually too poor. People who are poor are generally caused because they have no

income due to unemployment or do not have a job. Unemployment itself occurs when the accretion of new labor is greater than the employment growth that could be provided annually either the private sector or the government.

Definition of unemployment according to J. Simanjuntak, unemployment is unemployed persons aged labor force that does not work at all or work less than two days during the week prior to enumeration and trying to get a job. Definition of unemployment is technically are all in reference to a specific time, the age of the labor force that does not work, both in terms of wages or working independently, then look for a job, in the sense of having activities that are active in looking for work.

Saunders (2002) states that unemployment is a matter that is not for economy, for society and also for the unemployed themselves. Unemployment will be the cost for the economy because overall goods and services that can be produced is reduced. The World Bank defines poverty is the inability of a person reaches a minimum living standard. According to BPS (2007) poverty is determined by the population's ability to meet the basic needs minimum refer to the minimum needs of food amounted to 2100 kcal per capita per day plus the minimum basic non food is a basic need someone who covers shelter, clothing, schools, transportation and household goods and other basic individual

2.4. Inflation

Encyclopedia (2014) Inflation is a process of rising prices in general and persistent (continue) with regard to market mechanisms that can be caused by various factors, among others, private consumption increased, excess liquidity in the market which triggers consumption or even speculation, to include also due to the lack of launch distribution of goods. In other words, inflation is also a process of decline in currency values continuously. Inflation is the process of an event, not the high-low price levels. That is, the price level is considered high is not necessarily indicate inflation. Inflation is an indicator to see the rate of change, and is considered to occur if the price increase takes place continuously and the interplay of influences. The term inflation is also used to mean an increase in money supply which is sometimes seen as the cause of rising prices. There are many ways to measure the rate of inflation, the two most commonly used are the CPI and the GDP Deflator

Definition of foreign exchange rate according to Sadono Sukirno (2000: 397), is:

"The price or value of one currency expressed in the size of the currency of another country". It Can also be defined as "the amount of domestic money needed to acquire one unit of foreign currency".

From the above definition, it can be concluded is the value of the exchange rate is the price of the rupiah currency against the other currencies. When we

discuss about the exchange rate, then there are at least two types of currencies compared.

2.5. Factors Affecting Exchange

If the foreign exchange rate is completely determined by the market mechanism, the foreign exchange rate will continue to change over time.

According Sukirno (1997: 362), there are several factors that influence the exchange rate.

1. Changes in taste society

This change will affect demand. If the population of a country increasingly prefer the goods of the other country (in other words, more like import), then the demand for the currencies of other countries increased. Then such a change have a tendency to raise the value of the currencies of other countries.

2. Changes in the price of goods exports

If the price of export goods undergo changes then these changes will affect the demand for export goods. These changes will further affect foreign exchange rates. The increase in the price of goods exports will reduce the demand for goods abroad. Then the increase would reduce supply of foreign currency. Shortage of foreign currency deals is going to drop the dollar value of a country that experienced an increase in the prices of export goods.

3. The increase in general prices (inflation)

Applicability of inflation in one country may reduce the value of its currency. On the one hand an increase in prices that will lead to the country's population increasingly imported from other countries. Therefore, the demand for foreign currencies increases. On the other side of the country's exports increasingly expensive and this will reduce demand and will reduce the supply of foreign exchange.

4. Changes in the interest rate and rate of return on investment. Besides, affected by changes in supply and demand for the goods traded between different countries, the foreign exchange rate is also influenced by the flow of long-term capital and short-term. The interest rate and the return on investment greatly affect the amount and direction of the flow of long-term capital and short-term. The level of investment income more attractive will encourage capital inflows into the country. Furthermore, foreign exchange offers these increases will raise the value of currency of the country receiving the capital.

5. Economic Development

Forms of influence on the economic development of foreign exchange rates depending on the pattern of development of the economy. If caused by the development of the export sector, offers foreign currency will continue to grow. In these circumstances economic development will raise the value of the currency. But if it is a source of economic development of the expansion of economic activity beyond the export sector, these developments will tend to lower the value of foreign currencies. Such a result would arise due to the increased revenue will

increase imports. The increase in imports will raise the demand for foreign currency upward.

2.6. Previous Studies

Adi Laksono (2008) conducted a study on the economic impact of tourism on the economy of Indonesia, research shows that the variable GDP and exchange rate very give impact Indonesian economy due to the abundance of foreign tourists entering Indonesia which is the foreign exchange earnings for the country.

Lurent (2007) econometric model called tourist demand in France resulted in that there is a positive relationship between the tourist expenditure to GDP and a negative relationship between spending tourists with relative prices.

Chialy Yap (2010) entitled econometric analysis of domestic tourist demand in Australian with the results Tourist domestic consumption amounted to 737% of the services and goods produced Australia but foreign tourist amounted to only 23.6%. From this it is concluded that the domestic tourists are important for all sectors of the Australian economy.

Son and Kakwani (2004) conducted a study on the relationship between economic growth and poverty using the elasticity of poverty. The results showed that economic growth showed poor people have a greater impact in reducing poverty.

Pariaman Sinaga (2006), the title "If there is an increase in fuel, what strategy of the Small and Medium Industry" findings if fuel prices rise, the Small and Medium Industry generally do a reduction in labor costs as an indicator of production which resulted in modest production volumes. But most the Small and Medium Industry do not take to raise the selling price, namely by using the strategy of reducing the size of the goods, reducing product quality, reduce profits isaha and cost efficiency of production.

Nur Afiah (2009) entitled "The role of entrepreneurial Small and Medium Industry In strengthening Indonesia a Facing the Global Financial Crisis". The Goal Research is to identify contribution of Small and Medium Industry in general to the economy and development of Indonesia. And how the role of entrepreneurship in increasing competitiveness and operational quality of Small and Medium Industry in the face of global financial crisis. The method used descriptive method and qualitative approach literature study. The results showed that the Small and Medium Industry sector has contributed to the economic development of Indonesia. There are several factors that become a challenge in the development of Small and Medium Industry.

2.7. Research Framework

Conceptual framework in this study limiting factors of inflation and exchange rates, economic growth and wages will affect the level of poverty and unemployment in the activities of the Small Industry n

Lombok, yet another macro variable plays an important role among other things the economic growth rate and the wage rate. The Small Industry must in producing or conducting business did not escape from the Human Resources function, Production, Marketing and Finance.

III. THE METHODOLOGY AND MODEL

The research location chosen which there are many people as a foreign or domestic tourist visited for taking holiday in the Tourist Area in Lombok. The respondent as the Informant is the Small Industries Commodity.

The data collected using direct observation to the field and also had interviews with informants to obtain more detailed information regarding the impact of rising fuel prices (rising CPI). Furthermore, in order that the data is tested for validity and reliability.

Framework of the above will be obtained a direct impact on the community and especially the Small and Medium Industry and will be obtained several alternative ways to overcome the problem of unemployment and poverty as well as product development services for Small and Medium Industry with foreign and domestic tourists.

3.1. Research methods

This study will use the approach of quantitative and qualitative research methods, descriptive to answer how the impact of inflation and the weakening of the rupiah against poverty and unemployment in the region Lombok Tourism Small and Medium Industry and premises globally.

The use of qualitative methods focus on understanding the impact of inflation and the weakening of the rupiah against the village poverty and unemployment as well as the development of Small and Medium Industry products needed foreign and domestic tourists. While the quantitative methods used to test the mathematical effect between the independent variables of inflation, the exchange rate of rupiah against unemployment and poverty.

1. Location of the study in western Lombok is located tourist area.

2. The subject of the study, using purposive sampling are selected for each is the poor level of society and entrepreneurs who provide products to foreign and domestic tourists to hire some employees

3. Data Collection, for quantitative methods using secondary data from Statistic office, Central from the years 1988-2014 and related institutions while qualitative method using participatory observation with informants and conduct in-depth interviews with informants with provided notebook and tape recorder.

4. The validity and reliability of the data was used for the quantitative data and which qualitative method used triangulation.

5. Data analysis, quantitative method using multiple regression statistical methods and qualitative methods. For data processing used the computer program SPSS, NVivo.

3.2. Data analysis technique.

Qualitative Research Methods

Qualitative research was done which collecting data using by interview to get some information from the respondent as the owner or the manager in the Small and Medium Enterprises. The information is to know the business activity as human resources, finance, marketing, production, promotion. The collecting data includes the impact of exchange rate and inflation on unemployment and poverty of the to all of the staff.

Quantitative Methods

Multiple regression analysis was used to test the effect between the independent variables and the dependent variable. The dependent variable is the amount of Unemployment and Poverty in Indonesia whereas the independent variables affect the dependent variable include inflation, exchange rate, economic growth and wage.

Multiple regression equation as follows:

$$\text{Unemployment} = f(\text{inflation, exchange rate, economic growth, wage})$$

$$\text{Poverty} = f(\text{inflation, exchange rate, economic growth, wage})$$

Common forms:

$$Y1 = b0 + b1x1 + b2X2 + b3X3 + b4X4 + e$$

$$Y2 = b0 + b1x1 + b2X2 + b3X3 + b4X4 + e$$

Where :

Y1 = Number of Poverty

Y2 = Number of Unemployment

X1 = Inflation

X2 = Exchange Rate Rupiah

X3 = Economic Growth

X4 = Wage

b0, b1, b2, b3 = regression coefficient

Classical Assumption Test

Before analyzing the data, the data should be tested with the classical assumption of multiple regression. The classical assumption includes testing of the multicollinearity, heteroscedasticity, autocorrelation and normality.

Coefficient of Determination

One that shows the magnitude of the changes that occur due to other variables. The coefficient of determination is used to determine the proportion of variation in the dependent variable explained by the independent variable.

T test

Testing the hypothesis partial / individual (H1 and H2) using the t test for each variable significant to the commitment during the study period. Tests using the formula:

$$t = bi/Sbi$$

Where :bi = regression coefficient

Sbi = standard error

Test F

Testing hypotheses simultaneously using F statistical test to determine whether the independent variables together significantly related to variable dependent.

3.3. Hypothesis Statistics

Statistically, this research hypothesis is as follows:

H1: There is no effect of inflation on Poverty .

H2: There is no influence of Exchange Rate on Poverty.

H1: There is no effect of inflation on Unemployment

H2: There is no effect on the Exchange Rate on Unemployment

IV.THE FINDINGS

4.1. Quantitative Analysis of Impact of Inflation, Exchange Rate

1. The relationship between the amount of poverty by inflation, exchange rate, economic growth and wages.

Tabel 1. Multiple Regression Output The Poverty

	Unstandradized Coeficients		Standardized Coeficients	t	Sig.
	B	Std Error	Beta		
Constant	3.540	1.695		2.089	0.490
X1	0.542	0.060	0.783	8.969	0.000
X2	0.001	0.000	0.436	2.584	0.017
X3	-3.76E-6	0.000	-0.305	-3.013	0.006
X4	-0.219	0.118	-0.146	-1.854	0.077

Dependent Variable : Y

Y : Total Poverty, X1 : Inflation, X2 : Exchange Rate, X3 : Economic Growth, X4 : Wage

Total regression equation using the factors affecting poverty as an independent variable inflation rate, exchange rate, economic growth and average wages showed determination coefficient of 96.8%, meaning that the independent variables are able to explain the diversity of the dependent variable.

Results of estimation of poverty showed significantly affected by inflation, exchange rate, economic growth and the average wage by

probability-value respectively 0.00, 0.017, 0.006 and 0.077 all grades probability is smaller than an alpha value of 0.05. While the simultaneous testing also showed a significant influence to the probability-value of 0.000.

2. The relationship between the amount of Rural poverty with inflation, exchange rate, economic growth and wages

Tabel 2. Multiple Regression Output The Rural Poverty

	Unstandradized Coeficients		Standardized Coeficients	T	Sig.
	B	Std Error	Beta		
Constant	19.587	1.102		3.839	0.001
X1	-0.464	0.182	-0.789	-2.550	0.018
X2	0.000	0.001	-0.344	-0.602	0.553
X3	-4.49E-7	0.000	-0.041	-0.119	0.506
X4	0.612	0.356	0.455	1.721	0.000

Dependent Variable : Y1, Y : Total Poverty (Rural), X1 : Inflation, X2 : Exchange Rate, X3 : Economic Growth, X4 : Wage

Total regression equation rural poverty using factors affecting as independent variable inflation, exchange rate, economic growth and average wages showed determination coefficient sebesar63.5%, meaning that the independent variables are able to explain the diversity of the dependent variable.

Estimation results indicate the number of rural poverty was significantly affected by inflation and average wage by probability-value respectively 0.018 and 0.099 probability value is less than the alpha value of 0.05. While the exchange-value variables and

economic growth have no effect toward poverty urban areas with probability-value equal to the value of 0553 and 0906 that the value is greater than 0.05. While the simultaneous testing also showed a significant influence to the value probability-value of 0.000.

3. The relationship between the amount of the Urban Poverty region with inflation, exchange rate, economic growth and wages.

Tabel 3. Multiple Regression Output The Urban Poverty

	Unstandradized Coeficients		Standardized Coeficients	T	Sig.
	B	Std Error	Beta		
Constant	-3.428	1.692		-2.026	0.055
X1	0.463	0.060	1.724	7.509	0.000
X2	-0.001	0.000	-0.838	-2.542	0.019
X3	-3.82E-6	0.000	0.605	3.070	0.006
X4	0.215	0.118	0.279	1.823	0.082

Dependent Variable : Y, Y : Total Poverty (Urban), X1 : Inflation, X2 : Exchange Rate, X3 : Economic Growth, X4 : Wage

Total regression equation poverty rural areas using factors affecting as independent variable inflation, exchange rate, economic growth and average wages showed determination coefficient of 87.8%, meaning that the independent variables are able to explain the diversity of the dependent variable.

Results of estimation of poverty rural areas showed significantly affected by inflation, exchange rate, economic growth and the average wage by probability-value respectively by 0:00, 0019, 0006 and 0082 all of the value of probability is smaller than the

value of alpha of 0:05. While the simultaneous testing also showed a significant influence to the probability-value of 0.000. While the simultaneous testing also showed a significant influence to the probability-value of 0.000.

Analysis of Unemployment

1. The relationship between the amount of poverty by inflation, exchange rate, economic growth, assuming other variables ceteris paribus

Tabel 4. Multiple Regression Output The Unemployment

	Unstandradized Coeficients		Standardized Coeficients	t	Sig.
	B	Std Error	Beta		
Constant	1995.691	3.282		608.035	0.000
X1	0.002	0.000	0.839	5.349	0.000
X2	-3.76E-6	0.000	0.296	2.419	0.024
X3	-0.311	0.124	-0.270	-2.505	0.020

Dependent Variable : Y, Y : Total Unemployment, X1 : Exchange Rate, X2 : Economic Growth, X3 : Inflation

The number of unemployment only regression equation using the factors affecting as independent variable inflation rate, exchange rate and economic growth shows the determination coefficient of 93.48%, which means that the independent variables are able to explain the diversity of the dependent variable.

Results of estimating the number of rural poverty showed significantly affected by inflation, exchange rate and economic growth with probability-value respectively by 0:00, 0020 and 0024 all probability value is less than the alpha value of 0.05. While the simultaneous testing also showed a significant influence to the probability-value of 0.000.

2. The relationship between the amount of poverty by inflation, exchange rate, economic growth and wages.

Tabel 5. Multiple Regression Output The Unemployment

	Unstandradized Coeficients		Standardized Coeficients	t	Sig.
	B	Std Error	Beta		
Constant	1988.985	3.067		648.407	0.000
X1	-	0.109	0.095	0.005	0.999
X2	0.110	0.000	1.003	327.000	0.000
X3	0.001	0.000	0.290	1.569	0.116
X4	1.056E-5	0.000	0.551	4.671	0.000
X4	0.850	0.214	0.340	3.972	0.001

Dependent Variable : Z1
 Z1 : Total Unemployment
 X1 : Inflation
 X2 : Exchange Rate
 X3 : Economic Growth
 X4 : Wage

The Unemployment regression equation using the factors affecting the independent variable as inflation rate, exchange rate, economic growth and average wages showed determination coefficient of

96.2%, meaning that the independent variables are able to explain the diversity of the dependent variable.

Results of estimation of poverty showed urban areas significantly affected by the economic growth and the average wage by probability-value of each of 0000 and 0001 the value of probability is smaller than an alpha value of 0.05. While variable inflation and the exchange rate has no effect toward poverty urban areas with probability-value equal to the value of 0327 and 0131 that the value is greater than 0.05. While the simultaneous testing also showed a significant influence to the probability-value of 0.000.

4.2. Qualitative Analysis

Characteristic Entrepreneurs and Craftsmen

In general, entrepreneurs come from Lombok area because this is job which fell down from their ancestors as well as subordinates or labor also comes from relatives and neighbors closest to the previously educated to be able to work in the business.

Labor
 Expertise make pottery and weavings in general is a legacy passed down who studied or taught from childhood to adulthood that finally they've grown into hand-craft vessels that can create on in distributing art. Pottery-making skills obtained in this village for generations. The senior craftsmen lowering the talents and skills to make pottery to young people who become seniors. That is until now, young parents in the village Banyumulek have pottery making skills. Not that different from making the necessary variation woven motif woven is required the more unique or interesting motifs displayed will certainly many tourists who would buy it.

For workers who assist in a gallery just requires expertise in explaining the motives and the quality of the product. Number of labor varies from 5 to 20 people whose job it is to serve buyers. While production workers are generally made themselves at home in which the results of the good artisans weaving or pottery will be in place in a large gallery for marketed or purchased by collectors.

Marketing

Marketing strategy includes,

1. Wait for domestic and foreign tourists who came brought by tourist guides
2. Through the art market held by government
3. Through exhibitions outside some areas
4. Through the website to foreign countries

Product development

Product development strategy is started with innovations in technology and design, and also how to create products that can be packaged as a souvenir. Thus, every tourist both domestic and foreign countries, when it comes to tourist village Banyumulek, always buy souvenirs from the art shop there.

Additional income

At least thousands of young women and housewives there being a manufacturer of woven fabrics such as individual. They get a profit is not high. One weaver argues, when compared with farming, profit from the weave is not large. The income could cover some basic needs or as extra income.

Capital

To get the initial capital varies, partly the result of hereditary inheritance and further on the way to get business loan from a bank BRI, BNI or Bank Regional or cooperatives. Large loans are also different depending on the small businesses are run. Loan size ranges from IDR 10 million to IDR 200 million.

Revenue

The amount of income depends on the type of product and the number of results within a month. If a weave artisans will earn Rp 50,000 per day, or about Rp 1,500,000, - per month including meals. But entrepreneurs who make the homes and then he put on a great gallery will gain between 10-25% per unit. To a large gallery which generally accommodate products of homes also take advantage between 10-25% per unit.

The impact of inflation

Changes in the business environment faced certainly not possibly be resisted by individual Small Industry but to be able to survive several steps have been taken The Small and Medium Enterprises.

Increasing normatively to cover the cost of production, should be done by raising the selling price of products / services. However, today amid intense market competition and feel a decrease in purchasing power, the strategy to raise the selling price of products / services are not necessarily going to get a positive response from the market, especially if the product is not a primary requirement.

Therefore, for Small Industry that do not take the strategy to raise the selling price has been pursuing

a strategy partly an effort to reduce the size of the goods, reducing product quality, reduce business profits and reduce their costs of production In Nasional effect of rising fuel prices,

1. The increase in transportation costs
2. Factories will raise the price due to the price increase in electricity
3. There will be many layoffs occurred because the firm was unable to pay the salaries of employees
4. There was inflation due to rising prices of goods

Impact of Exchange Rate Rupiah Weakens

The findings of the study focused on three aspects,

a). The impact on the cost structure of production (production cost structure). The cost structure will be directly affected by exchange rate fluctuations through the input components are sourced from imports.

b) Impact of the structure of business performance (business performance).

c). The impact on market structure and capital. During periods of rising fuel prices which lacks the weakening of the exchange rate, there has been a shift in the structure of capital markets and the weaving subsector

In general, small businesses are not experiencing the shock with the increase in fuel or rupiah. However, the output is reduced, but still be able to provide the demand of buyers.

The relationship of tourism sector with other sectors

The main target of the government sector is the dominant sector of Agriculture then tour. Economy due to tourism sector, all sectors are interrelated and mutually support one another. Hotel deserted the traditional market will be quiet. The Farmers request from the hotel then they grow again. Food sector is a major problem of course is closely connected with the agricultural sector. Likewise the raw material woven craftsmen depend on cotton crops in the area of Lombok.

One of the main agricultural products are tobacco, so there are some farmers switching over from cotton to tobacco products that it makes the difficulty of the raw materials needed for weaving business in Lombok.

In general, the tourism sector will be impact positively to the following sectors,

a. Provision of hotel, food and beverage, transportation, entertainment

b. Cotton farmers, bark and fiber banana, pineapple and palm leaf fibers. The findings of a special field of cotton growers switch to tobacco farmers who have to be the attention of the government to mangrove woven material is not reduced.

- c. The Material gold thread, silver,
- d. The Material gold, silver and glass materials, egg shells, glue

V.5. SUMMARY AND CONCLUSIONS

The conclusion from these results obtained some the following findings:

5.1. Quantitative Analysis

1. There is the significant of the rate of inflation, the value of exchange rate, economic growth and average wages to the amount of poverty.

2. There is the significant of the inflation rate and the average wage of the amount of poverty in urban areas

3. There is the significant of the rate of inflation, the value of exchange rate, economic growth and average wages to the amount of poverty in rural areas.

4. There is the significant of the inflation rate, exchange rate and unemployment on the unemployment assuming fixed wage.

5. There is no significant between the rate of inflation, the exchange rate of the number of unemployed with no fixed wage assumption.

5.2. Qualitative Analysis

1. Impact of Inflation and Exchange Rate

In general, the welfare of the Small Industry both businessmen and artisans are not overly influenced by the impact of inflation and the weakening of the rupiah against the US dollar. Because this is a small business, in general has become a tradition economic activity in Lombok tourist area of community efforts to survive in which buyers generally only depending on the number of tourists who come to Lombok. However, if viewed from all economic activities without differentiating micro, small, medium and large enterprises a significant difference between the inflation and the weakening of the rupiah against unemployment and poverty.

2. Strategies to Overcome the Impact of Inflation and Exchange Rate

The Small and Medium Industry are not taking strategies to raise selling prices partially perform the following strategies:

- a. Efforts to reduce the size of the goods,
- b. reducing the quality of the product,

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- c. reduce business profits and
- d. cost efficiency of production

3. Marketing System

a. Waiting for domestic and foreign tourists who came to be brought by Tour guide

b. Through the special market held by government

c. Through exhibitions outside some areas

d. Through the website to foreign countries

4. Constraints faced by The Small and Medium Industry

a. The narrowness of the roads to the location gallery

b. Lack of clean water supplies

c. Lack of electricity supply

d. Weak Internet facilities (such as wifi or cable)

5. Linkages to other sectors

A developed Small Industry sector and the tourism sector in particular the provision of superior products that attracted tourists and the needs of the tourists will be a positive influence on other sectors that support should be maintained, among other things,

a. Provided of hotel, food and beverage, transportation, entertainment

b. The farmers of cotton, bark and fiber banana, pineapple and palm leaf fibers.

kesumba. The findings of a special field of cotton farmer switch to tobacco farmers who have to be the attention of the government that the raw material of woven is not reduced.

c. The Material of gold thread, silver

d. The Material of gold, silver and glass materials, egg shells, glue

5.3. Recommendation

One alternative way to overcome poverty and unemployment in Indonesia due to inflation and the weakening of the rupiah some findings:

1. It should be developed of Small Industries in Indonesia.

2. Provide special incentives to the Small and Medium Industry by providing loan capital or mild interest

3. Increasing foreign and domestic tourists with promotions throughout the all The World

4. The creation of the new entrepreneurs for small industries by providing the training to manage the businesses.

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