ABSTRACT

RUSTAM ABD. RAUF. The Effect of Investment in Agricultural and Agricultural Manufacturing Sectors on Income Distribution and Poverty in the Central Sulawesi Province (ARIEF DARYANTO as Chairman, SJAFRI MANGKUPRAWIRA and D.S. PRIYARSONO as Members of the Advisory Committee).

Central Sulawesi Province has abundant natural resources in terms of agricultural and agricultural manufacturing sectors, but the people's welfare is still low. One factor causing income distribution gap and poverty is the investment allocation policy. The research aims are (1) to analyze the effect of investment in agricultural and agricultural manufacturing sectors on output, value added, income distribution, and poverty, (2) to measure direct and indirect, and total effects of investment in agricultural and agricultural manufacturing sectors on income distribution, (3) to determine priority subsector of each agricultural and agricultural manufacturing sectors, and (4) to determine the most effective policy strategy that can be implemented by the Central Sulawesi government particularly for agricultural and agricultural manufacturing sectors to increase output, value added, to improve income distribution and to reduce poverty. Results showed that in the Central Sulawesi Province was unequal income distribution. Multiplier effect in agricultural manufacturing is higher than for agricultural sector. Structural path analysis in agricultural sector tends to the low income of rural household through labor production input that do not receive wage from nonagricultural sector. Meanwhile, agricultural manufacturing tends to higher income agricultural household through labor that work in agriculture. Simulations showed that 10 percent increase of investment in agricultural, agricultural manufacturing and other sectors can reduce level of poverty for all households. Meanwhile, 10 percent increase of investment, plantation subsector appears to be the highest one in reducing poverty for households.