

## Equitable Development as a Form of Economic Equality in Indonesia

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**ABSTRACT** : Economic disparity in Indonesia is a complex problem, influenced by geographical factors, history, and uneven development policies. As an archipelago, Indonesia has diverse economic potential in each region, but inequality remains a major challenge. Economic development in Indonesia often focuses on economic growth alone, without paying attention to equitable development which should be a priority. This study highlights that sustainable economic development should include equitable distribution of the benefits of economic growth. Various theories, such as economic growth theory, sustainable development, and regional economics, provide the necessary insights in understanding the complexity of this issue. This research uses a descriptive and exploratory qualitative approach, by collecting data from primary and secondary sources. By looking at relevant theories, this study highlights the importance of sustainable economic development, not just economic growth. The results and discussion of this study show that the government needs to make concrete efforts to address economic disparities, especially by strengthening access to equitable development. This includes improving infrastructure in remote areas, increasing access to health and education services, and policies that support economic equity. As such, this study makes an important contribution to understanding and addressing economic disparities in Indonesia, and provides concrete recommendations for the government in designing more inclusive and sustainable development policies.

**Keywords:** disparity, economic, regional

### 1. INTRODUCTION

The regional economic disparity has long been a challenge for Indonesia's economy. This issue is not only influenced by geographical conditions and the economic potential of each region but also by historical factors. Take, for example, Java Island, which not only has fertile land but also a more strategic location compared to other islands in Indonesia. Due to its fertile soil, this island is the main rice producer in the archipelago. Meanwhile, because of its central location among other islands in Indonesia, coastal cities on this island such as Surabaya, Gresik, and Jepara serve as transit ports for trading cloves from the eastern part of Indonesia and pepper from the western part (Baswir, 1987).

The issue of disparity is not merely about statistics and Gini index analysis but may only be understood by certain elite members of society, such as economists, statisticians, or those concerned with socio-economic change (Sastra, 2017). The theme of disparity is closely related to the theme of justice, where disparity is not just a set of numbers but also concerns information openness, equal opportunities, and access to the process of change. Slums line up on the outskirts of magnificent buildings in this city. Although the situation in major cities seems bright, electricity situations outside of Java remain untouched, and this is all disparity.

What is happening now is not just a dispute between the rich and the poor or a geographic division between the capital and the villages, the center and the outskirts of the city; the division

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is deepening and widening. Many people consider disparity to be normal, but other goals and conditions are narrowed down, so disparity refers to differences in income and wealth among individuals. In reality, disparity is not a natural phenomenon; it is created by humans or institutional actions. Conversely, disparity is not only an income issue but also a matter of ownership of one's highest potential, the presence of opportunities, or access to their realization. On a broader scale, the existence of disparity also has a positive impact on economic growth. In fact, this disparity provides everyone, including less fortunate groups, with an incentive to become entrepreneurs and innovate in the economy. From the different sectors and actors present, collective efforts are needed to bridge this disparity. There are at least ways to reduce the level of disparity. These include high-quality economic growth, redistributive fiscal policies, investment in social protection, strengthening equality and opportunities, eradicating profit-hunting practices, and political institutional changes (Lestari & Ainulyaqin, 2022).

Development and economic growth always go hand in hand, even though their meanings differ. Development (economic development) is defined as a continuous process towards economic improvement, which includes economic growth followed by changes in the structure and pattern of economic activities to achieve the welfare of society. Meanwhile, economic development (economic growth) is the process of long-term output increase. Economic growth is one of the important aspects of economic development. Therefore, classical economic views believe that economic growth can be created through increased capital investment combined with the reduction of various barriers (deregulation and tax incentives) in the production process of goods and services. This view shares similarities with current government policies on infrastructure development strategies, economic deregulation, and reduction of interest rates to encourage ongoing investments. A dynamic economy can be achieved through increasing people's purchasing power. Therefore, the government must maintain the stability of people's purchasing power through a demand-side approach, where people's needs will be met with increased production, thus resulting in increased demand in the domestic economy. Conversely, if production is increased while demand is absent, it will lead to an accumulation of produced goods, resulting in losses. With significant economic growth, strategic development programs targeted by the government can be executed effectively.

Despite the government's target for economic growth in 2016 to reach 5.2 percent, it only managed to achieve 5 percent. This figure indicates a decrease in economic growth in Indonesia in terms of income generation, job creation, and is likely to impact the declining purchasing power of the people. Economic disparity as a social fact will clearly affect development impacts, although there are still differences of opinion among experts and social observers that social issues are not always related to economic disparity caused by income inequality. However, economic and social disparities are not simply overlooked and deemed non-existent in the course of development so far, as they can become dry straw and can be ignited by the impact of uneven development and widening economic disparities. Since the administration of Jokowi-JK in 2014, Indonesia has faced various global economic crises. The international economic slowdown from 2014 until now (2016) has transformed Indonesia's economy in the last 5 years. For example, economic growth from 2010 to 2012 was still at a level of 6.2 to 6.5 percent, but in 2013, it began to slow down until 2015. A significant decrease in Indonesia's economic growth occurred in 2015, reaching 5.2 percent, and even in 2016, economic growth only reached 5 percent from the estimated or targeted 5.2 percent based on the 2016 APBN prognosis (Ibrahim, 2017).

Economic disparity itself has become commonplace and very often encountered in Indonesia due to uneven development, low wages, and difficulty in finding employment. In Indonesia, many regions lack infrastructure development, and there are even statements from social media saying: "Indonesia is Java-centric," meaning the center is on the island of Java, even though Indonesia has five large islands and thousands of small islands. The plan to relocate the capital city to IKN (National Capital Region) is Indonesia's initial step to break free from being Java-centric, and all local governments should be able to see the potential of their respective regions to develop and

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improve the economic quality of their regions so that economic disparity in Indonesia can be reduced and not be so visibly apparent.

The reason I bring up this topic is because economic disparity in Indonesia is very evident, and uneven development has become a separate issue in Indonesia. The gap between the rich and the poor is very clear, and the high crime rate caused by rampant poverty. Uneven infrastructure development, or focusing only on certain cities, is a social media issue that is often discussed. Road and internet access in some rural areas are still inadequate.

Economic disparity in Indonesia has reached a point where it is very evident due to the lack of even development in remote areas. Even infrastructure development is expected to be carried out evenly by the government so that all people can feel the facilities built by the state and not just felt by people in certain cities. The purpose of this research is to provide considerations for the government in creating job opportunities and infrastructure development in non-city districts and sub-districts in order to reduce existing economic disparities in Indonesia.

This research is expected to raise awareness among both the central and local governments about the importance of even development as an effort to reduce social disparities in Indonesian society. From this research, it is hoped that the government will find solutions and strategies to reduce the level of disparity in Indonesia. Also, providing new job opportunities for the people can reduce the unemployment rate in Indonesia, thus reducing economic disparity.

## **2. METHOD**

### 2.1 Research Type

Descriptive and exploratory qualitative methodology is used in this research. Through literature review, data and information are collected. The possibility, prospects, issues, roles, and impacts of development equalization in Indonesia on economic equalization are described and explained clearly, objectively, systematically, analytically, and critically through descriptive and exploratory analysis methodology. The first stage of qualitative method is collecting necessary data, followed by classification, description, and exploration (Jolley & Jolley, 2020).

### 2.2 Data Sources

There are two categories of research data sources used in the library: primary sources and secondary sources (Tilleczek, 2020). The primary sources in this research are journals, articles, and books relevant to studying the potential, opportunities, challenges, roles, and impacts of Islamic social finance in empowering communities in Indonesia. Meanwhile, the secondary sources in this research are used to complement and support the primary sources by providing documentation and news about the research issue.

### 2.3 Data Research Method

In library research, selected, searched, presented, and analyzed literature data serve as a method for collecting research data. This research data comes from information search in the library which content requires philosophical and theoretical processing. This study is a literature review and not an empirical investigation (Cresswell, 2018). The presented material is data that needs to be processed briefly and methodically because it is in the form of words. For the collection of this research data, literature collection on the potential, possibilities, difficulties, roles, and impacts of Islamic social finance in empowering communities in Indonesia is conducted. Then, the information is selected, presented, examined, and processed to be concise and organized.

### 2.4 Data Analysis Technique

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This research uses data analysis techniques and content analysis. Analysis is a set of direct actions that show how research data is created and then processed into an easily understandable framework (Watling et al., 2016). After collecting data, the data is evaluated to provide information, but only after the data is selected based on its relevance. Content analysis in this research is used to scientifically analyze the information contained in a data message as material for analysis and comparison to examine the potential, prospects, roles, and impacts of Islamic social finance in empowering Indonesian society so that descriptions and interpretations can be fully and comprehensively understood.

### **3. RESULT AND DISCUSSION**

#### 3.1 National Development Oriented Towards Growth

Development fundamentally means sustainable growth, thus producing a concept of economics with positive connotations. This entails the implementation of certain economic and technical measures to utilize available resources to stimulate economic growth and improve the quality of life of the people. In the 1950s and 1960s, development was usually referred to as economic growth, which meant quantitative rather than qualitative changes in economic performance. Therefore, many development theories aimed to revitalize and accelerate the process of economic growth, placing developing countries on a path set by the Western industry from a primary dependence on agriculture to a primary dependence on production and trade.

According to the Basic Needs Development Model (Lund et al., 2013), the Basic Needs Development Model has five main interconnected principles, but the core of the model is No complementary indicators in Development, namely:

1. **Capacity building:** Capacity building is one of the fundamental needs in development, and capacity is the space to accommodate the implemented development model. For example, integrated service capability serves to facilitate the community in exercising their rights and responsibilities as citizens in a law-abiding society. This service capacity is a form of development that forms the basis for the capacity of local and central governments to fulfill the basic development needs that need to be implemented. However, capacity building requires community participation. Thus, capacity development carried out is in line with the desires of all stakeholders involved.
2. **Sustainable Livelihoods:** It is part of the development of basic livelihood needs for communities according to their local context and geographical location, providing sustainable environmental benefits and can be developed as multifunctional livelihoods.
3. **Research in Development:** The basic needs development model requires research both by scientists and practitioners. This is to ensure that the basic needs development model has a solid foundation and reference such as academic documents in the implementation of basic needs development covering various fields. Development research is an inseparable process in development planning, implementation, and evaluation to strengthen the basic needs development model.
4. **Management and Administration:** Following the Functions and Roles of the Basic Needs Development Model: B. Volume 17 | Number 1 | Journal of Administration Science June 2020 Development Model Development Paradigm in Indonesia For example, when implementing a regional or national development project, basic needs development in terms of management and administration needs to be carried out so that the project implemented can be classified as efficient and effective both physically and in implementation.
5. **Mental Health of the Community:** The basic development model plays a role. In other words, the mental health needs of the community aim to the community's willingness to embrace

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development as a basic need. It means that the basic needs in this development are already on the right track. There is not enough funding for community development considering the impact of development on their areas. And in implementing basic needs development, positive and negative risks must be considered.

The process of basic needs development, which has strong needs with the achievement of desires for success, should have high needs for achievement. High needs for achievement result in high levels of satisfaction when a person completes tasks such as projects on time, closing sales with prospects, or generating new and innovative ideas (Mahadiansar et al., 2020).

### 3.2 Economic Development

Economic development is a study aimed at improving the standard of living of the population in developing countries by addressing its main problems of poverty, unemployment, and inequality. Development in developing countries has resulted in different patterns, methods, or models among them. These differences have become global paradigms or views in carrying out development (Sukirno, 2009). In conventional economic development, the main issue in the economy is growth. Economic growth is always an indicator of prosperity and a solution to every economic crisis. This growth is driven by the increase in resources, especially human and technological resources (Ulum, 2015). Economic growth of a country occurs if there is an increase in the total value of goods and services produced. This growth is usually seen in two major dimensions, namely growth pressure points and growth measurements. The logic built from this growth emphasis is because of the ideological competition that wants to show which ideology between Communist and Capitalist is more capable of creating a good economy. They then assume that more is better. Meanwhile, the growth measurement they use is per capita GNP. If the per capita income obtained from the total real GNP divided by the population is high, then economic growth is high and welfare is also high. Economic development and economic growth have always been the main issues, whereas Indonesia is a country with many potential natural resources, including forest resources, marine resources, air, land, and mining products (Geography, 2017). One of the marine resources is fisheries, estimated by the National Fish Stock Review Committee (Kasjikan, 2017) that the national fisheries potential in 2017 will reach 9.9 million tons. From the potentials owned by this country, it proves that Indonesia is indeed capable of building a country that will have a positive impact on economic growth. The term economic development is usually associated with economic development in developing countries. Some economists interpret this term as "economic development is growth plus change" or economic development is economic growth followed by changes in the structure and pattern of economic activities (Almizan, 2016). According to (Nawawi, 2009) development in perspective is an effort or series of planned growth and changes carried out by nations, states, and governments. Economic development is broader than the conventional concept of economic development even though the basis of Islamic economic development is multidimensional. Islam has several dimensions including moral, social, political, and economic dimensions (Mannan, 1993). There are three dimensions of inequality according to (INFID, 2015) namely inequality between regions, between sectors, and between income groups. And there are two inequalities, namely income and opportunity inequality. Inequality not only slows down poverty reduction but also slows down economic growth and threatens social cohesion (Juliana et al., 2018).

### 3.3. Government Efforts in Overcoming Economic Disparities

#### a. Strengthening Development Equitability Access

Since the 1980s until now, economic debates have been colored by debates stating that society must choose or prioritize economic growth or conversely reduce inequality? However, many studies also state that reducing inequality also promotes economic growth. During the

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Bismark Chancellor's leadership, Germany consciously provided social guarantees and provided quality education to its citizens regardless of economic ability. Germany has become a highly productive and income-earning country, while maintaining low inequality. This strategy was later imitated by several other developing countries.

The situation in Indonesia faces sharp disparities between urban and rural areas, especially in remote areas, mountains, and small islands. Studies have found that in cities, there are 8% of people who have difficulty accessing health services and 7% for education. However, in rural areas, the figures jump to 41% and 40%. It's very discrepant. Imagine if we lived in one of the 2,519 remote villages that were not connected to electricity. Classes in schools without lights and young children cannot study at night. Because without a water pump, much time will be spent fetching water from the nearest river, which may not be clean. Children who during infancy are infected with infections due to unclean water are at risk of disrupting their growth so that when they become adults, it is difficult to become productive citizens. Currently, the proportion of stunted children in Indonesia is more than twice that of Malaysia and Thailand. If there is no change, poverty will be inherited by the next generation. In contrast, children in cities have broad access to education, health, and the internet, making them more competitive.

Reducing inequality cannot be separated from village development so that the poverty cycle can be broken. Do not let the repetition of children from poor families often get sick due to lack of clean water and cannot study well, and their education is not high so they have low income. The electricity network, which currently only reaches 81.5% of the population, is very important to increase the welfare and opportunities of rural residents. Next is access to clean water to reduce vulnerability to diseases, especially for toddlers. Followed by access to quality education to improve the standard of living of future generations. Membership of the Social Security Management Agency (BPJS) Health for the poor needs to be prioritized, so their families are not burdened with debt if they become seriously ill or have an accident. These programs are not cheap and cannot be covered solely from village funds. The government needs to change its policies where income from bank savings, bonds and stock trading, as well as land transactions, is considered as final taxes at a lower rate than the tax rate on wages according to the advice of Piketty and Warren Buffet. To achieve equitable growth and reverse inequality with the unequal bargaining position of the poor in Indonesia is indeed not easy and takes time (Ibrahim, 2017).

In addition to various poverty alleviation efforts, breakthrough efforts are also needed to address socio-economic inequality. The causes are uneven opportunities, unequal access to employment opportunities, asset ownership is still concentrated in wealthy groups, and resilience is still low. Disparities in infrastructure development still occur, both in roads, irrigation, and electricity which are still concentrated in Java by 58.4 percent and Sumatra by 22 percent. Economic concentration in Java and Sumatra is the result of the concentration of industrial areas (Republika online, October 20, 2017). The poverty rate tends to be higher in remote areas far from economic centers in Java and Sumatra. With a structure of island regions, low logistics costs become determining factors for diversification and equalization of economic growth centers. A concrete example of social inequality in real life in Indonesia can be seen in Jakarta as the capital city. As a metropolitan city with many tall buildings, luxury homes, and very advanced technology, there are still many people living below the poverty line with slum-like living environments. This condition also occurs in other areas and has not yet found a real solution to date.

### b. Government Strategy

The government currently has various integrated poverty alleviation programs. Some of them are poverty alleviation programs based on social assistance, poverty alleviation programs based on community empowerment, and poverty alleviation programs based on empowering small businesses run by various government elements both central and regional. In the 2019 RKP, the government launched five national priorities and 24 priority programs planned up to the project level (unit three) at the provincial, district/city levels. These five national priorities consist of: 1)

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human development through poverty reduction and improvement of basic services; 2) reducing regional disparities through strengthening connectivity and maritime affairs; 3) strengthening economic added value and job creation through agriculture, industry, tourism, and other productive services; 4) strengthening energy, food, and water resource resilience; and 5) national security stability and the success of elections (Republika online, April 27, 2018). Other programs include expanding non-cash social assistance that must be ensured to run on time, directing non-cash food assistance to improve community food consumption patterns, and cash for work programs for the less privileged. Cash for work aims to increase income, create temporary jobs, reduce stunting rates, and alleviate poverty in disaster-prone, post-conflict, and food-insecure villages. Research presented at the "Evidence on Stunting from Three Randomized Evaluations in Indonesia" Conference on May 8, 2018, stated that the social assistance Family Hope Program (PKH) was considered to significantly reduce stunting (Kompas, May 9, 2018: 14). This is because after six years of PKH implementation, there has been a change in the health behavior of aid recipients, so that in the long run, it is expected to break the chain of poverty. However, maximum education still needs to be provided by facilitators to aid recipients. In addition, the provision of health facilities in the region also still needs to be improved (M, 2018).

#### **4. CONCLUSION**

Equalizing development is a very important principle in achieving economic equality in a country. In the context of national development oriented towards economic growth, a comprehensive and integrated approach is needed to ensure that the benefits of economic growth can be felt evenly by all layers of society, especially those in remote or less developed areas. This involves efforts to increase community capacity, pay attention to the sustainability of livelihoods, conduct in-depth research, improve management and administrative efficiency in development, and pay attention to the mental health of the community. In addition, the government plays a crucial role in implementing programs that focus on reducing economic and social disparities, such as improving access to basic services, empowering communities, and developing infrastructure in marginalized areas. Thus, equalizing development can be the foundation for creating a more economically just and sustainable society.

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