

ECONOMIC INEQUALITY AS A CHALLENGE FOR SUSTAINABLE ECONOMIC DEVELOPMENT IN INDONESIA

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Abstract

Economic inequality is a social problem that is still a major challenge for Indonesia that must be faced in realizing sustainable economic development. Good economic development is one way to improve the welfare and standard of living of the community, as the main goal in each region. This study aims to determine the level of expenditure inequality that occurs in Central Java Province and how inequality in Central Java Province affects Indonesia's sustainable economic development. The method used is descriptive analysis to describe economic inequality as a challenge to sustainable economic development in Indonesia, especially in Central Java. The data used is secondary data by collecting data and information from various sources such as the Central Bureau of Statistics (BPS) in Central Java and websites related to this research. From the results of the analysis that has been carried out on the level of inequality of population expenditure in Central Java Province for the last 4 years from 2019 to 2022 as measured by using the Gini ratio. The highest inequality was obtained in March 2022 at 0.374 and the lowest inequality in September 2019 at 0.358. As for the distribution of expenditure of the lowest 40 percent population group, the highest result was obtained in 2019 at 18.71 percent and the lowest result in 2021 at 18.34 percent. Where the expenditure inequality of Central Java Province is categorized as a low level of inequality.

Keywords: SDGs, Inequality, Sustainable Economic Development

Introduction

Economic inequality is one of the unavoidable problems that arise in development, even though economic inequality is a key factor in the development process itself (Hasan, Azis, 2018 in Fahrizal et al, 2019). Economic inequality is a situation where there is a large difference in income between the poor and the rich. Currently, economic inequality in Indonesia is still high. This can be proven by the gini ratio of 0.384. The gini ratio is a measure of income distribution inequality. The gini ratio is used as an indicator to analyze the level of people's economic capabilities, making it easier for the government to analyze inequality in a region or area (Sri Hartati, 2022). The gini ratio value is a number that is 0-1, where a value close to 0 means low expenditure inequality, while a gini ratio value close to 1 means high expenditure inequality (Anas et al., 2019). Economic inequality is seen in asset or wealth ownership. The richest 1 percent of Indonesians have dominated 46.6 percent of national assets. Moreover, the richest 10 percent control 75.3 percent of national assets. This proves that economic inequality in Indonesia is still severe. As reported by Credit Suisse according to the Global Wealth Report data, Indonesia has been ranked the 4th most unequal country in the world.

Looking at the existing data, economic inequality is also experienced by Central Java Province, which is still considered high. The value of the gini ratio in Central Java Province in March 2022 was 0.374 and then fell to 0.008 to 0.366 in September 2022, which means that income distribution in Central Java Province is still uneven.

Economic inequality is a social problem that is currently still a major challenge for Indonesia that must be faced in realizing sustainable economic development. Economic development aims to produce growth that can overcome poverty, unemployment, and income or expenditure inequality (Badriah, 2019). Good economic development is one way to improve the welfare and standard of living of the community, this has become the main goal in each region. In theory, the measurement of the level of welfare resulting from economic development is per capita income, which is the ratio between income and population. How to find common ground in efforts to increase per capita income and economic growth and on the other hand seek to distribute growth evenly between regions (Nurhayani, et al., 2015 in Sri Hartati, 2022). Economic development is seen as per capita income growth, because this growth represents an increase in the economic growth of society, accelerating economic development. In a country indicated by increasing GDP, growth and economic activity need to be encouraged by sustainable growth (Syahri & Gustiara, 2020).

Therefore, economic inequality is a major challenge for sustainable economic development in Indonesia.

Economic inequality also has a negative impact on sustainable economic development in Indonesia. These negative impacts include an increase in crime, and a disruption of social stability that will hamper economic growth. There is also a decrease in investment in the health sector, and a decrease in the purchasing power of the poor, resulting in low economic growth, as a negative impact of inequality that will increase poverty and hamper economic growth.

When viewed more deeply, it turns out that inequality has a close relationship with the Sustainable Development Goals (SDGs), which are defined as development plans designed by 193 countries gathered in the United Nations (UN), with the aim of overcoming various forms of poverty, hunger, inequality in order to achieve prosperity and preserve the environment (Sach, J. D, 2012 in Lestari, I, P., Robiani, B., Sukanto, 2023). The SDGs have 169 goals summarized in 17 main goals that aim to advance social, ecological and financial conditions throughout the country (Dalampira, E. S, Nastis, 2020). This is related to the goal to be achieved, namely the tenth goal of reducing inequality. The tenth goal is intended to overcome gaps in spending, access to existing resources and opportunities for employment in order to achieve prosperity. The SDGs pattern applied in Indonesia has the principle of No One Will Be Left Behind, where development benefits all parties and development must be equitable in all areas of villages, sub-districts, cities/districts, and provinces (Rahman, 2012 in Puja Pangestu et al., 2021).

Within the scope of the Sustainable Development Goals (SDGs), the aspect of sustainable economic development is one of the SDGs development scopes. The key to achieving the SDGs is through sustainable economic development. Sustainable economic development is a development concept in which the current generation can meet its needs without sacrificing the ability of the next generation to meet personal needs. Development has 3 main values including sufficiency (sustenance), self-esteem, and freedom (freedom) (Zusanti et al., 2020). In addition, sustainable economic development has various aspects that need to be considered such as social, environmental and economic aspects. These aspects must be carried out in a balanced and sustainable manner so that these development goals can be achieved and continue properly. Therefore, the role of the government is needed to overcome inequality in Indonesia so that sustainable economic development can be achieved. Efforts can be made by implementing various policies and strategies, such as equitable infrastructure development in each region and integrated, developing potential economic sectors in underdeveloped areas, and the government improving the quality of human resources in underdeveloped areas through education and training programs. The efforts that have been made have had a significant impact, but have not been able to overcome the problem of inequality that exists in Indonesia, so this problem is still a big challenge for sustainable economic development that requires a greater role from the government and also the participation of the Indonesian people.

This study aims to determine the level of expenditure inequality that occurs in Central Java Province and how inequality in Central Java Province affects Indonesia's sustainable economic development. To see the level of inequality, data on urban and rural Gini ratios and the distribution of expenditure of the lowest 40 percent of the population were obtained from the Central Bureau of Statistics (BPS). With these objectives, this research is expected to help the government by providing relevant information so that the government can implement appropriate policies to reduce inequality towards sustainable economic development that occurs in Central Java Province, in order to achieve equitable distribution of welfare to remote areas.

Methods

The method used is descriptive analysis to describe economic inequality as a challenge to sustainable economic development in Indonesia, especially in Central Java. The descriptive analysis method according to (Putri & Pitri, 2021) is an analysis with data in the form of numbers which are then described in the form of descriptions. This study uses secondary data by collecting data and information from various sources such as the Central Statistics Agency (BPS) in Central Java and websites related to this study. Secondary data according to (Anandanisa, P. N., 2018) is data obtained in the form of documents, archives, or literacy publications or publications from a particular agency.

Results and Discussion

From the results of data processing, the Level of Expenditure Inequality of the Population of Central Java Province from 2019 - 2022 is obtained as follows:

Table 1. Level of Expenditure Inequality in Central Java 2019-2022

No.	Indicators	2019	2019	2020	2020	2021	2021	2022	2022
		March	Sept	March	Sept	March	Sept	March	Sept
1.	Gini Ratio	0,361	0,358	0,362	0,359	0,372	0,368	0,374	0,366

2.	Urban Gini Ratio	0,383	0,379	0,385	0,386	0,398	0,393	0,404	0,392
3.	Rural Gini Ratio	0,318	0,315	0,319	0,318	0,325	0,324	0,322	0,326
4.	Expenditure Lowest 40% population group	18,71		18,53		18,34		18,51	

Source: Central Java Statistics Agency, 2025

1. Analysis of Expenditure Inequality in Central Java 2019-2022

Level of Inequality

In March 2019, the level of expenditure inequality in Central Java Province increased to 0.361 based on the gini ratio. This figure increased by 0.004 when compared to the gini ratio in September 2018 which was 0.357. However, when combined with the gini ratio in March 2018, it will reach 0.378, a decrease of 0.017. In urban areas, the gini ratio in March 2019 reached 0.383, which was an increase from the September 2018 gini ratio of 0.377 and the March 2018 gini ratio of 0.400. Meanwhile, in rural areas, the gini ratio in March 2019 reached 0.318, which increased compared to the September 2018 gini ratio of 0.315, but decreased when compared to the March 2018 gini ratio of 0.336. The cost allocation of the bottom 40% of the population in March 2019 was 18.71%, indicating that the expenditure inequality of this population is low.

In March 2020, the level of population expenditure inequality in Central Java Province increased. The gini ratio in that month reached 0.362, an increase of 0.004 compared to the gini ratio in September 2019 which was 0.358. When paired with the gini ratio in March 2019 which reached 0.361, there was an increase of 0.001. In urban areas, the gini ratio in March 2020 reached 0.385, higher than the September 2019 gini ratio of 0.379, and the March 2019 gini ratio of 0.383. On the other hand, in rural areas, the gini ratio in March 2020 reached 0.319, also an increase from the September 2019 gini ratio of 0.315, and the March 2019 gini ratio of 0.318. The distribution of expenditure in the bottom 40 percent of the population in 2020 reached 18.53 percent, which indicates a low level of inequality.

The level of inequality in population expenditure in Central Java Province in March 2021 has increased compared to the gini ratio in September 2020 and March 2020. The March 2021 gini ratio was 0.372, an increase of 0.013 compared to September 2020 which was 0.359, and an increase of 0.010 compared to March 2020 which was 0.362. In urban areas, the March 2021 gini ratio is 0.398, an increase compared to September 2020 of 0.386 and March 2020 of 0.385. Meanwhile, in rural areas, the March 2021 gini ratio was 0.325, an increase compared to September 2020 of 0.318 and March 2020 of 0.319. The expenditure distribution of the bottom 40 percent of the population in 2021 was 18.34 percent, indicating low inequality.

In March 2022, there was an increase in the level of inequality of population expenditure in Central Java Province. The gini ratio in that month was 0.374, an increase of 0.006 compared to September 2021 which amounted to 0.368 and an increase of 0.002 compared to March 2021 which amounted to 0.372. In urban areas, the gini ratio in March 2022 was 0.404, up from September 2021 of 0.393 and March 2021 of 0.398. Meanwhile, in rural areas, the gini ratio in March 2022 was 0.322, down from September 2021 of 0.324 and March 2021 of 0.325. The expenditure allocation of the bottom 40% group in 2022 was 18.51%, explaining that the expenditure of this population lies in the low inequality category.

Development of the Gini Ratio

In general, the gini ratio value of Central Java Province during the period March 2019 to September 2022 experienced a fluctuating or unstable trend series. However, in March 2020 experienced a pandemic and recovery period so that it tended to fluctuate until the final condition in September 2022, the gini ratio of Central Java Province reached 0.366.

Based on the area of residence, the gini ratio in urban areas in September 2022, which amounted to 0.392, experienced a fairly low shrinkage of 0.012 compared to March 2022 which amounted to 0.404 and decreased by 0.001 from September 2021 which was 0.393. In rural areas, the Gini ratio in September 2022 was registered at 0.326, an increase of 0.004 compared to March 2022 of 0.322 and an increase of 0.002 from September 2021 of 0.324. So, we can conclude that inequality increased in rural areas and decreased in urban areas.

Expenditure Distribution Growth in the Lowest 40 Percent Population Group

- Development of Expenditure Distribution in 2018-2019. The World Bank inequality measure is used to measure inequality using the percentage of expenditure of the lowest 40% population group. The

level of inequality is categorized into three categories: when the percentage of expenditure of the lowest 40% is below 12%, it is categorized as high inequality, when it is between 12 and 17%, it is categorized as moderate inequality, and when it is above 17%, it is categorized as low inequality. The percentage of expenditure of the lowest 40 percent population group in 2019 was 18.71 percent, which means that Central Java Province is categorized as having a low level of inequality. There was an increase of 0.81 percent when compared to the percentage of expenditure in the lowest 40 percent population group in 2018 which amounted to 17.90 percent.

- b. Development of Expenditure Distribution in 2019-2020. The World Bank's inequality measure uses the percentage of expenditure of the lowest 40 percent of the population. The level of inequality is categorized into three categories: when the percentage of expenditure in the lowest 40% population group is below 12%, it is categorized as high inequality, when it is between 12 and 17%, it is categorized as moderate inequality, and when it is above 17%, it is categorized as low inequality. The percentage of expenditure of the lowest 40% population group in 2020 was 18.53%, which means that Central Java Province is categorized as having a low level of inequality. There was an increase of 0.18% when compared to the percentage of expenditure in the lowest 40% population group in 2019 which amounted to 18.71%.
- c. Development of Expenditure Distribution in 2020-2021. The World Bank's inequality measure uses the percentage of expenditure in the lowest 40% of the population. The level of inequality is categorized into 3 categories, when the percentage of expenditure in the lowest 40% population group is below 12%, it is categorized as high inequality, when it is between 12 and 17%, it is categorized as moderate inequality, and when the figure is above 17%, it is categorized as low inequality. The percentage of expenditure of the lowest 40% population group in 2021 was 18.34%, which means that Central Java Province is categorized as having a low level of inequality. There was an increase of 0.19 percent when compared to the percentage of expenditure in the lowest 40% population group in 2020, which was 18.53%.
- d. Development of Expenditure Distribution in 2021-2022. The World Bank inequality measure is used to measure inequality using the percentage of expenditure in the bottom 40% of the population. The level of inequality is categorized into three categories: when the percentage of expenditure of the lowest 40% is below 12%, it is categorized as high inequality, when it is between 12 and 17%, it is categorized as moderate inequality, and when it is above 17%, it is categorized as low inequality. The percentage of expenditure of the lowest 40% population group in 2022 is 18.51%, which means that Central Java Province is categorized as having a low level of inequality. There was an increase of 0.17% when compared to the percentage of expenditure in the lowest 40% population group in 2021 which amounted to 18.34%.

2. The Effect of Inequality on Sustainable Economic Development

High and increasing inequality is one of the factors inhibiting Indonesia's sustainable economic development. Expenditure inequality can be used to measure welfare. If income increases, the increase in expenditure also tends to increase (Wijaya et al., 2021). With the increase in inequality, inequality affects sustainable economic development in Indonesia. The following is the effect of inequality on sustainable economic development:

- Slowing economic growth. Inequality can hinder economic growth because it can cause household consumption to decline. This is because most of the poor have low purchasing power in buying goods and services. Household consumption is one of the main components of Gross Domestic Product (GDP), so a decline in household consumption can cause economic growth to decline.
- Increases the risk of social conflict. Inequality can increase the risk of social conflict as it can lead to social discontent and jealousy. This is because most of the poor feel that they do not receive justice and equal opportunities in obtaining development benefits. Social conflict can disrupt social and political stability, which can hinder economic development.
- Inhibit equitable development. Inequality can hinder equitable development because it can cause some regions to be left behind and unable to develop. This is because most of the resources and opportunities are located in the more developed regions, so the lagging regions cannot develop optimally. Equitable development is one of the goals of sustainable development, so inequality can hinder the achievement of this goal.

Uneven development due to differences in regional capabilities results in inequality between regions, such as developed regions and underdeveloped regions (Rostiana & Djulius, 2019). According to (Teguh Pratama et al., 2022), there are factors that cause inequality in economic development between regions, as follows:

1. Differences between choices in focusing on natural resources
2. Differences between regional situations in a region

3. Access problems in the movement of goods and services

Regarding efforts to reduce inequality between income groups, there are efforts to help, especially in household groups that are considered less than 40 percent of the low-income community, namely plantation farmers and fishermen, vulnerable workers, small businesses with family workers, and poor people without assets (Wulan Nur Yulianingdyah, 2022). Therefore, the government needs strategies and policies to reduce inequality. Some steps that can be implemented to reduce inequality are:

- The government needs to improve accessibility and the economy in underdeveloped areas. This can be done by building infrastructure, such as roads, bridges, and ports, as well as developing potential economic sectors in the region.
- The government needs to improve the quality of human resources in underdeveloped regions through quality education and training programs.
- The government needs to involve the community in efforts to reduce inequality. Communities need to be empowered so that they can play an active role in development and reduce inequality.
- The government needs to build cooperation with the private sector to develop economic potential in underdeveloped regions. The private sector can play a role in providing employment and investment in these areas.

Conclusion

Inequality is a more serious problem in sustainable economic development. High inequality can hinder the sustainable economic development to be achieved. In the last 4 years, inequality in Central Java Province has experienced a fluctuating or unstable trend series. From the results of the analysis that has been carried out on the level of inequality of population expenditure in Central Java Province for the last 4 years from 2019 to 2022 as measured by using the Gini ratio. The highest inequality was obtained in March 2022 at 0.374 and the lowest inequality in September 2019 at 0.358. As for the distribution of expenditure of the lowest 40 percent population group, the highest result was obtained in 2019 at 18.71 percent and the lowest result in 2021 at 18.34 percent. Where the expenditure inequality of Central Java Province is categorized as a low level of inequality.

Expenditure inequality that occurs has various negative impacts on sustainable economic development, including slowing economic growth, increasing the risk of social conflict, and hampering equitable development.

Therefore, the suggestions that can be given to the government are that the government can implement policies to improve accessibility and the economy in underdeveloped areas, improve the quality of human resources, increase community participation in efforts to reduce inequality, and build cooperation with the private sector.

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Bibliography



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With dedication and a strong desire to learn, the author has successfully written an article titled “**Economic Inequality as a Challenge for Sustainable Economic Development in Indonesia.**”