

ECONOMIC INEQUALITY IN BORDER AREAS

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Abstract

The border areas of a country have strategic value to support national economic growth. This border region can serve as a point of entry for commerce and economic endeavors with adjacent nations. This has an impact on economic growth in border areas. Economic inequality is a condition where there are significant differences in the distribution of income, wealth and economic opportunities in society. Economic inequality can be the root of many social and economic problems, including poverty, unemployment, and social instability. One of the main causes of economic inequality is injustice in economic opportunities. The method used in this article is to use a literature study which contains theories related to the problem being studied. This research discusses the factors that cause economic inequality in border areas, the impact of economic inequality on people in border areas, and strategies for reducing economic inequality in border areas.

Keywords: Economic inequality, border areas.

INTRODUCTION

Inequality, equity and infrastructure have actually been known for quite a long time in Indonesia, for example as the background for various labor-intensive infrastructure development programs, various social safety net programs; development of infrastructure networks in rural areas, such as roads, irrigation, electricity, telephone, health and education services. Economic

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inequality is the type of inequality that is most often mentioned. Economic development inequality is frequently employed as a gauge for variations in per capita income, across income levels, between employment categories, and/or between geographic areas (Adam & Tiffin, 209).

The unequal distribution of opportunity and wealth among different social groupings is known as economic inequality. This issue affects practically every nation on earth, and those who live in poverty frequently have few opportunities to change their socioeconomic circumstances. Naturally, being born into poverty does not guarantee that a person will always be poor. Social assistance programs can be utilized in conjunction with education at all levels, skill development, and training policies to help people overcome poverty and reduce inequality (Bano, 2019).

Inequality arises because there is no equality in economic development. This uneven development is caused by differences between one region and another. This can be seen by the existence of developed regions and underdeveloped or less developed regions. The benefit of disparity is that it can make less developed areas more competitive and capable of faster growth, which will enhance their well-being. However, high inequality is typically viewed as unfair, and the detrimental effects of extreme inequality include social stability and solidarity being undermined as well as economic inefficiencies (Chotia & Rao, 2017).

Due to the fact that a large number of people from other places are moving to certain areas, those areas that grow economically faster than others will have more obligations. Because metropolitan regions offer more career opportunities, this syndrome develops. Because prospective resources are constantly migrating to developed areas to become growth hubs with better economic growth, urban areas continuously see higher rates of economic growth. Because they are now supported by the relocated potential resources, the growth center areas experience stronger cumulative growth as a result of this condition.

The border area is a portion of the state's territory that runs inside the boundaries of Indonesia and other nations. When it comes to state borders on land, the subdistrict is the border area. The importance of managing border area development is because in general border areas are strategic areas and have potential resources to be managed. Apart from that, border areas have a very important and strategic role because they are areas that border a country's sovereignty with other countries. Borders are also areas that reflect a country's front yard, but often give rise to complex problems such as lagging behind in

development with neighboring countries. One of the problems in development in Indonesia is the occurrence of disparities or gaps in the growth and development of a region or region. Border areas are areas that can be said to be underdeveloped areas. In fact, border areas are the homepage of a country which should be organized and managed well. However, in reality, in Indonesia, border areas are left behind and not paid attention to (Alamanda & Kusumah, 2018).

The cause of this huge gap is that if liberalism is implemented as far as possible, economic growth will be large, but it will be accompanied by an equally large gap between rich and poor. So, the economic system of a nation greatly determines the level of justice of the nation concerned. The economic system implemented in Indonesia is very liberal, meaning that government involvement in the fields of production, distribution and consumption must be as small as possible. One indicator in measuring the welfare of society is to look at the level of economic inequality within it. The greater inequality that occurs shows that economic growth does not occur evenly so that there is a deviation from the average per capita expenditure between cities/districts in one province or between provinces in one country. Community inequality is measured, one of the ways, by the Gini coefficient (gini ratio) which is carried out by the Central Statistics Agency (BPS) twice a year. The Gini coefficient (gini ratio) is a measure of income equality calculated based on income class. The value of the Gini coefficient (gini ratio) ranges from 0 – 1. The higher the value of the Gini coefficient (gini ratio) indicates higher inequality (Muslimah & Putri, 2021).

Regions carry out equitable development in order to combat the resulting inequity. The objectives of regional development are to better people's lives, lessen regional inequities, boost economic growth, and make areas more competitive. Every Indonesian region aspires to strategic and high-quality regional development. In addition to boosting regional competitiveness, regional development aims to balance growth across regions based on their individual potentials. The accomplishments of regional development performance generally may be seen in the development of key indicators in the field, such as economic growth, unemployment reduction, and poverty reduction.

RESEARCH METHOD

The method used in this article is to use a literature study which contains theories related to the problem being studied.

A methodical and iterative approach was used in the literature search for this thorough review in order to compile a thorough grasp of economic disparity in border regions. Establishing the scope of the literature review precisely, identifying key subjects like the theoretical foundation, optimization techniques, social and cultural aspects, and offering suggestions for real-world application are the first steps (Paré & Kitsiou, 2015).

Next, an evaluation of the ideas and concepts used is carried out based on accessible literature. Research conducted in libraries helps develop ideas or theories that become the basis for research studies, especially from papers published in various scientific publications. Research, particularly scholarly research with the primary goal of advancing theoretical and practical excellence, needs to involve a process of literature review or studies.

RESULT AND DISCUSSION

Factors Causing Economic Inequality in Border Areas

High rates of economic growth, low rates of unemployment, and fairly distributed per capita income serve as benchmarks for measuring how far a region has progressed in its development. Meanwhile, political stability, legal certainty, social institutions, culture, and environmental sustainability are benchmarks that can be utilized to guarantee the continuation of progress and equality across time (Aginta et al, 2018).

In order to design regional development, the central government raises productivity growth, widens business opportunities, balances income distribution, lowers unemployment, and upholds sustainable development. This is the primary goal that the national government consistently pursues. To realize this goal, the region must have dynamic conditions in facing competition. So in formulating the concept of regional development it must be in accordance with the conditions of the region itself by paying attention to growth potential so that it can help sustainable economic growth. A more sensible population distribution, more productivity, and more job possibilities all contribute to more sustainable economic growth. According to the definition used in this study, regional development is a continuous process that spans sectors and regions. As such, all of the activities that are a part of it need to be integrated and mutually supportive, with an emphasis on all natural, human, and physical capital assets. Therefore, in the regional development process, regional development planning stages are needed, so that harmony and balance of development can be achieved between regions within a region

as well as harmony and balance of development between all sectors and resources (Ali et al, 2020).

This research views regional development as an ongoing process that spans sectors and regions, requiring all of its processes to be integrated and mutually supportive through an emphasis on all available natural, human, and physical capital resources. Therefore, in the regional development process, regional development planning stages are needed, so that harmony and balance of development can be achieved between regions within a region as well as harmony and balance of development between all sectors and resources. In this regard, it is necessary to assess criteria and indicators for regional development.

An assessment of the success or failure of regional development in an area cannot be carried out without an assessment tool that is comprehensive, easy to operate and always in line with current developments. Regional development indicators are a necessary measuring tool since this evaluation tool needs to have precise measurement parameters that take into account population wellbeing and other qualitative factors in addition to economic ones (Bajar & Rajeev, 2016).

Based on the results of the descriptive analysis, several factors were found that influence or cause regional disparities, namely as follows:

1. Gross Regional Domestic Product The level of community welfare is a reflection of the success of regional development. Increasing the welfare of the people in a region is the goal of regional development. To see the level of community welfare, it can be measured using several indicators. One indicator that can be used in this case is the level of GRDP (Gross Regional Domestic Product) for each region. The increase in community welfare can be seen by looking at the GRDP value which continues to increase from time to time. Economic development will have an impact on increasing real income and increasing productivity.
2. Investment Allocation In Harrod's theory, it is explained that there is a positive correlation between the rate of economic growth and the level of investment. The lower the investment in an area, the lower the level of economic growth and community income. This happens because there is no productive economic activity.
3. Low level of mobility of production factors between regions. Regional economic inequality occurs because of the lack of smooth mobility of production factors. Mobility of production factors consisting of labor and capital between regions. The approach that can be used to explain the

relationship between regional disparities and production factors is by using a market mechanism approach. The existence of differences between the rates of economic growth between regions will cause differences in per capita opinion between regions. This is assumed to be a free output or input market mechanism. (Adeyonu et al, 2022).

Differences in demographic conditions between regions. Demographic conditions between regions are one of the factors causing economic inequality. The demographic conditions referred to include population number and growth, population density, health, education, work ethic and community discipline. A large population can be a potential market growth seen from the demand side. This means that to increase the growth of economic activity, population is a very influential factor. Meanwhile, from the supply side, increasing production requires a large population, good health and education, high work ethic and discipline (G Abigail et al, 2022).

The World Bank says there are four factors that deepen economic inequality in border regions. First, inequality of opportunities from birth. Children born into poor families tend to have a less fortunate future than those born into rich families. This is because they grow up in injustice, thereby reducing opportunities for prosperity. In this condition, some inequality occurs due to factors beyond a person's control (J. G Williaamsom, 1965).

Second, labor market inequality. Individuals trapped in informal work usually have low income, because their productivity is low. This situation prevents them from developing because they are losing out to highly skilled workers in the formal sector.

Third, concentration or concentration of wealth in a few people. Only 1 percent of the richest households in Indonesia are able to control 50.3 percent of national wealth. Indonesia's position is right below Russia and Thailand which are still trapped in the same problems of social inequality.

Fourth, poor people tend to be unprepared to face economic shocks. Usually this group will be most affected when an economic crisis occurs. For example, the Covid-19 pandemic caused a crisis in Indonesia so that quite a few people lost their jobs. As a result, poor groups experience income difficulties and find it difficult to invest in health and education (Ng Law et al, 2017).

Economic inequality refers to the significant gap between high and low income groups in a society or country. The factors causing economic inequality are very diverse and include differences in income, access to education and

training, gaps in access to resources, and unequal economic structures (Randa & Sentosa, 2020).

The Impact of Economic Inequality on Border Area Communities

Development carried out by a region or country aims to improve the welfare of the community. Community welfare can be sought to increase through sustainable economic development. The economic development carried out should be more even and without causing development disparities between regions or areas, especially income inequality and be able to reduce the number of poor people. (Suhartono, 2015).

Efforts that can be made are through equitable development in the regions and creating as many employment opportunities as possible. Equal development will reduce inequality between regions and there will be no division between developed regions and underdeveloped regions. The differences that occur encourage the process of economic development to become different and create gaps in welfare in the various regions (Wicaksono et al, 2017).

The occurrence of gaps or gaps in welfare between regions or areas will encourage income inequality and increase poverty between regions or areas. Income inequality as a result of development inequality is felt by Indonesia to this day. Income inequality will reduce people's purchasing power for output (goods or services). People's purchasing power is low, which will hinder economic activity in producing output. A hampered increase in output will result in hampered economic growth in a region. The limited output (goods and services) produced leads to limited jobs that can be created and wages (income) received (Vivi Alatas, 2017).

Limited employment opportunities mean that people will not earn income and will ultimately lead to poverty. Poverty that occurs in society can be measured using indicators of the ability to meet basic needs, both food and non-food, which is called the poverty line or also known as the poverty limit. Meanwhile, poverty measurement uses income and asset indicators to meet basic needs such as food, clothing, housing, acceptable levels of health and education. Poverty that occurs drives the level of savings of people in a region or region to be low and makes the accumulation of capital that can be collected also low. Low capital accumulation in a region or region results in low investment in economic activities. A low investment level means future output will also be low (Holmgren A Merkel, 2017).

The problem of development inequality which has resulted in the emergence of income inequality and poverty between provinces in Indonesia is still being felt to this day. Seeing the phenomenon above, it is very important for the Indonesian government to continue to reduce income inequality and poverty, so that in the future it is hoped that it can encourage economic improvement (economic growth) between the islands in Indonesia. To see how much influence income inequality and poverty have on economic growth on each island in Indonesia, further studies need to be carried out to find out how much influence income inequality and poverty have on the economic growth of each island in Indonesia (Madhu Sehrawat, 2016).

Considering the effects of economic inequality is equally crucial. Among the effects of economic disparity that are frequently mentioned are social instability, economic injustice, and slower economic progress. This inequality can lead to social unrest, a sense of discontent with society, and impede the advancement of sustainable economic growth (Luthfiyah & Tallo, 2020). In this context, it is important to analyze the causes, consequences and solutions related to economic inequality. By understanding the underlying causal factors of economic inequality, we can identify areas that need improvement. Likewise, understanding the consequences of economic inequality helps us understand the urgency of action to address this problem. Finally, effective solutions are needed to reduce economic inequality and achieve a more just and sustainable society (Ojah Kodongo, 2016).

Strategy for Reducing Economic Inequality in Border Areas

A nation's border regions are strategically important for fostering economic expansion within the nation. Since 1999–2004, efforts have been made to promote development throughout all regions, with a focus on eastern Indonesia, border regions, and other underdeveloped areas. These efforts have been based on the principles of decentralization and regional autonomy. Additionally, development policies have shifted from being primarily inward-looking to being more outward-looking. This border region can serve as a point of entry for commerce and economic endeavors with adjacent nations. This has an impact on economic growth in border areas (Muslimah & Putri, 2021).

Economic inequality is a condition where there are significant differences in the distribution of income, wealth and economic opportunities in society. Economic inequality can be the root of many social and economic problems, including poverty, unemployment, and social instability. One of the

main causes of economic inequality is injustice in economic opportunities (Charlery et al, 2016).

Economic opportunity refers to the opportunities available to individuals, businesses, or communities to participate in economic activities. How to overcome economic inequality caused by economic opportunities:

1. Inclusive Economic Development Policy

The government must implement policies that support inclusive economic growth. Economic benefits are distributed fairly and evenly among all levels of society. This could involve fair tax policies, good market regulation, and adequate social protection.

2. Equitable and Quality Education\

A good education is the key to providing equal opportunities to all individuals. The country must invest in an equitable and quality education system. Apart from that, it must also ensure fair access and equal opportunities to get a good education for all levels of society.

3. Entrepreneurship and Economic Empowerment

Encouraging entrepreneurship and empowering vulnerable community groups. Starting from women, youth and minority groups, this is the key to creating more equal economic opportunities. Meanwhile support, training and access to resources for starting your own business need to be intensified.

4. Strengthening Potential Economic Sectors

One way to overcome economic inequality caused by economic opportunities is to strengthen potential economic sectors, yes. Identifying and advancing economic sectors that have the potential for inclusive and sustainable growth is important. Developing these sectors will create more jobs and increase income for the wider community.

5. Collaboration and Partnership

Collaboration and partnerships are one way to overcome economic inequality caused by economic opportunities. Building partnerships between government, the private sector, non-governmental organizations and civil society is key to addressing economic inequality. This collaboration can produce a more holistic and effective solution in dealing with this problem (Bano, 2019).

One indicator in measuring the welfare of society is to look at the level of economic inequality within it. The greater inequality that occurs shows that economic growth does not occur evenly so that there is a deviation from the

average per capita expenditure between cities/districts in one province or between provinces in one country. Community inequality is measured, one of the ways, by the Gini coefficient (gini ratio) which is carried out by the Central Statistics Agency (BPS) twice a year. The Gini coefficient is a measure of income equality calculated based on income class. The value of the Gini coefficient ranges from 0-1. The higher the value of the Gini coefficient indicates higher inequality (Chotia & Rao, 2017).

To overcome the inequality that occurs, equal development is carried out between regions. The objectives of regional development are to better people's lives, lessen regional inequities, boost economic growth, and make areas more competitive. Every Indonesian region aspires to strategic and high-quality regional development. Regional development, apart from increasing regional competitiveness, also seeks to balance development between regions in accordance with their respective potentials. The accomplishments of regional development performance generally may be seen in the development of key indicators in the field, such as economic growth, unemployment reduction, and poverty reduction.

World Bank research found three key elements in reducing inequality, namely first, overcoming the inequality of opportunities between children from poor families and children from well-established families; second, overcoming various inequalities that occur in employment; third, reform fiscal policy, both in terms of state revenue and expenditure so that fiscal policy can be more effective in reducing economic inequality. The geographical conditions of an area have an important role in development progress. Regions located in strategic areas are very significant in accelerating and increasing economic development.

The solution to reducing economic inequality is to look for policy solutions that have the potential to reduce economic inequality, such as income redistribution programs, increasing access to education, or developing economic sectors that have the potential to reduce inequality.

CONCLUSION

The unequal distribution of opportunity and wealth among different social groupings is known as economic inequality. Inequality arises because there is no equality in economic development. This uneven development is caused by differences between one region and another. This can be seen by the existence of developed regions and underdeveloped or border regions. The benefit of disparity is that it can make less developed areas more competitive

and capable of faster growth, which will enhance their well-being. High inequality is typically viewed as unfair, and the negative effects of great inequality include economic inefficiency, a deterioration of social stability and solidarity, and these effects.

Economic inequality refers to the significant gap between high and low income groups in a society or country. The factors causing economic inequality are very diverse and include differences in income, access to education and training, gaps in access to resources, and inequality in economic structures.

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