


## New Strategy for Sustainable and Equitable Economic Growth (Central and Regional Synergy)

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Article Info	ABSTRACT
<p><b>Keywords:</b> Strategy; Economic growth; Central and Regional;</p>	<p>This writing aims to find out in depth that to increase economic growth it is necessary to provide human resources, natural resources, capital formation and investment which must continue to be stimulated and innovated to produce quality products. What is no less important is reducing disparities between the center and regions as well as structural gaps. It is necessary to realize that the limited natural resources available and human needs continue to increase, which requires more efficient use of natural resources so that future generations can still enjoy resources because the amount of available resources is the maximum limit for economic growth. In various countries the development process tends to lead to government failure, the impact of which is often more severe than market failure because it creates high transaction costs which constitute economic efficiency and hinder equality and growth. In the current development paradigm, government power must be increasingly limited to areas of managing "public good" and areas where the private sector and society have no incentive to do so. In the perspective of the concept of balance, it is required to pay attention to balance and justice between generations (intergenerational equity). The concept of a development approach known as sustainable development is a concept that meets the needs of the current generation without sacrificing future generations. The government needs to provide opportunities for the business world and society to develop while continuing to supervise in accordance with applicable regulations, so that the principles of justice can be upheld.</p>
<p>This is an open access article under the <a href="https://creativecommons.org/licenses/by-nc/4.0/">CC BY-NC</a> license</p> 	<p><b>Corresponding Author:</b> Stellamaris Metekohy Department of Development Economics, Pattimura University. Jl. Ir. M. Putuhena, Poka, Kec. Tlk. Ambon, Kota Ambon, Maluku stellametekohy5@gmail.com</p>

### INTRODUCTION

Economic growth is the process of increasing output per capita in the long term. In this case, there are two sides that need to be considered, namely the total output (GPD) and the population. Economic growth does not merely show an increase in products and income at a macro level. The theory of economic growth must include theories about total GPD growth and theories about population growth. Another aspect of the definition of "economic growth" is the long-term time perspective. An increase in output per capita for one or two years which is then followed by a decrease in output per capita is not economic growth. Economic growth grows if over a long period of time there is an increase in output per capita. Of course, it can happen that in one year output per capita declines, for example due to crop failure, but if over a fairly long period of time output per capita shows a clear tendency to increase, then it can be said that economic growth has occurred, Boediono, in Ohorella (2011).

An economy is said to experience growth or development if the economic activity of a society is higher than the economic activity it achieved in the previous period. Soekirno in Ohorella (2011), said that new economic development can be created if the number of goods and services produced in an economy increases in the following years. In every macroeconomic policy, economic growth is one of the important goals that must be achieved in a good economy, namely

an economy that is able to provide prosperity for the entire population or region concerned. Todaro (1997) said that the process of economic growth is closely related to structural and sectoral changes. Some of the main structural component changes include a gradual shift from agricultural activities towards the non-agricultural sector and from the industrial sector to the service sector. In a region that is developing, the process of economic growth will be reflected in shifts in traditional economic sectors, namely the agricultural sector will experience a decline on one side and the non-agricultural sector will increase further. The concept of growth put forward by Widodo in Ohorella (2011), namely the study of high economic growth rates may not necessarily be enjoyed by society if population growth is much higher.

It can also be explained that economic growth is an increase in GRDP from one year to the next expressed as a percentage, while the GRDP used is GRDP which is calculated on the basis of constant prices and is the basis for measuring the added value of goods and services produced by all service units. Stable, sustainable and fair economic conditions are economic conditions that can be said to be ideal for Indonesia, which is a developing country and of course conditions like this are also the ideals of other developing countries and are no exception to the ideals of developed countries. Indonesia's economic performance in recent years has been quite encouraging amidst a world economy that is weakening and filled with uncertainty. Economic growth can be maintained at a fairly high level with inflation controlled at a weak level. In the midst of declining export performance, economic growth is supported more by stronger domestic demand. This is supported by conducive macroeconomic conditions and financial systems that enable the household and business sectors to carry out their economic activities well, but strong domestic demand on the one hand and weak export performance on the other hand cause an imbalance in the current account balance (2019 Indonesian Economic Report) . Furthermore, the Indonesian economy in 2020 is expected to grow higher with a low inflation rate even though it is faced with a number of risks and challenges that need to be anticipated. A number of risks and challenges need to be anticipated to maintain macroeconomic and financial system stability, namely first, fuel consumption which continues to increase amidst the decline in domestic oil and gas production will continue to increase oil and gas imports and subsidy burdens thereby increasing pressure on the fiscal and current account deficit, second is An economic structure with high import dependence, especially for capital goods and raw materials, in the short term can create vulnerabilities in external balance when investment activities continue to increase. This condition shows that the Indonesian economy is still considered stable, this condition needs to be maintained, although it cannot be denied that global economic conditions also have an influence.

Various positive achievements in national economic performance are the result of work and cooperation between all policy makers and this cooperation is actively supported by related parties, including: business actors, the wider community and banking, in addition to achieving greater economic growth. high and maintain macroeconomic stability in accordance with the current economy.

Development with a high level of economic growth but also a high level of poverty is a condition that needs to be watched out for because ideal economic development does not only pursue high economic growth but also equality in the form of nation building in order to obtain business opportunities, improve living standards and at the same time overcome inequality and poverty. . One effort to improve the people's economy can be done by developing superior sectors so that a strong community economic structure can be built so as to avoid poverty. These leading sectors are the main sectors that are the mainstay or backbone of the Indonesian economy. From the leading sectors spread across various regions in Indonesia, the contribution to income earned can be seen.

In the midst of increasing global economic uncertainty, Indonesia's macroeconomic and financial system developments show strong resilience. The impact of the global crisis on the

Indonesian economy through trade channels is relatively limited. Indonesia's export performance remains high, which is mainly driven by exports of natural resource-based commodities and increasing market diversification with intraregional markets in the Asian region. From the domestic side, economic resilience is also supported by strong purchasing power related to increasing income and a demographic structure, the majority of which are in productive businesses. On the other hand, in line with the slowdown in economic growth, world inflation in general has decreased.

The decline in inflation is also in line with the decline in global commodity prices, especially non-oil and gas commodities. On the other hand, oil prices have actually increased, which is partly due to decreasing supply. In the non-oil and gas commodity group, price declines mainly occurred for natural resource (SDA) commodities. Weakening economic conditions have prompted authorities in most countries to shift focus from policies in controlling inflation to encouraging economic growth in a group of developing countries, some of which responded to weak economic conditions by implementing neutral monetary easing due to persistently high inflationary pressures.

In the midst of slowing world economic growth, the Indonesian economy still exists because it is supported by domestic demand. Indonesia's domestic demand was able to grow quite well amidst slowing global economic growth. Domestic demand is high and supported by increasing public purchasing power and a broad consumer base. A large and resilient domestic market is very good for increasing investment opportunities. Domestic demand was also able to offset the slowdown in exports. The aim of this research is to determine the strategies used to achieve sustainable and equitable economic growth between the center and the regions.

## METHODS

The research method used is a method used to achieve a goal. The research method used is the library research method, which is a method of collecting data obtained from books, training and literature as well as other information related to this writing.

## RESULTS AND DISCUSSION

Sustainable and equitable economic growth, both at the center and in the regions, needs to be pursued continuously so that an economy can be achieved that can prosper society by paying attention to the factors that influence it. Samuelson in Ernan Rustiadi (2011), argues that economic growth shows an expansion or increase in the potential GDP/output of a country. There are four economic factors that cause growth, namely:

a. Human Resources (HR), namely the quality of labor input or human resources which is the most important factor for economic success. Almost all other factors of production, namely capital goods, raw materials and technology, can be purchased or borrowed from other countries, but the application of high productivity techniques to local conditions almost always requires the availability of management, production skills and expertise that can only be obtained through the workforce. educated skilled.

b. Natural Resources (SDA) is the land factor because land that can be planted is the most valuable factor. Apart from land, the most important natural resources include: oil, gas, water, forests and other mineral materials.

c. Capital formation requires sacrifice in the form of reduced consumption which may last for several decades. Capital formation and investment are very necessary for progress in the economic sector.

d. Technological change and innovation are one of the key tasks of economic development that can stimulate the spirit of entrepreneurship. It will be difficult for the economy to progress if it does not have entrepreneurs who are willing to take on business risks by setting up various

factories or production facilities, implementing new technology, facing various business obstacles to importing and various more advanced business methods and techniques. The dynamic process of economic growth has illustrated that the rate of economic growth is developing or experiencing a slow pace so that this will give rise to fluctuations in economic growth itself. Therefore, logically it can be said that fluctuations in economic growth are influenced by factors that determine the economy which interact with each other. Regarding Samuelson's opinion, it can be explained as follows:

### 1. Human Resources (HR)

In line with economic growth, the government is improving the physical and mental quality of the population through development in the education and health sectors, whose development programs are designed to expand the reach of basic education and health services. Thus human development covers broad dimensions. Measuring the achievement of human development results in an area must be able to provide an overview of the impact of human development on the population as well as provide an overview of the percentage of achievement of targets. There are also those who develop the concept of human development which pays attention to productivity, equity, sustainability, empowerment plus choices such as political, economic and social freedom to the opportunity to be creative, productive and enjoy a life in accordance with personal dignity and guarantees of human rights. . The economic growth model is related to increasing national income and production (GDP). Human resource development places humans primarily as input to the production process (as a means, not an end). The welfare approach sees humans as uses, not as agents of change in development. The basic needs approach focuses on providing goods and services necessary for life. However, economic development or economic growth is a prerequisite for achieving human development, because with economic development it is guaranteed to increase productivity and income through the creation of job opportunities. According to UNDP (1996) the relationship between economic growth and human development is reciprocal, meaning that economic growth influences human development.

The relationship between economic growth and human development takes place through two channels, first, government policy and spending. The amount of expenditure is an indication of the government's commitment to human development, while secondly, through household expenditure activities, namely the amount and composition of household expenditure for basic needs such as fulfilling nutrition, costs of health services and basic education and other activities. Increasing economic development can ultimately affect the quality of human capital. The quality of human capital will influence human behavior both as producers and consumers, which will have an impact on changes in the composition and structure of the population through the dynamics of demographic components, which will then influence the employment structure which will also influence the process of economic growth and human development.

### 2. Natural Resources (SDA)

Sustainable management of natural resources also requires different treatment and perspective for various characteristics of natural resources. In general, natural resources are classified as non-renewable natural resources and renewable natural resources (stock resources) which are exhaustible, such as metals, petroleum, minerals and gas, which are resources with limited supply. Exploitation of these resources will reduce reserves and availability. Renewable resources (flow) are resources whose supply can undergo continuous regeneration, both biologically and non-biologically. Some of these natural resources have truly unlimited supply and some are renewable as long as the rate of utilization does not exceed the critical point of use, such as natural resources that can be renewed through biological processes (fish, forests, etc.) and non-biological (water from springs).

Management of natural resources is largely determined by the mental attitude and perspective of humans towards these natural resources. A conservative (pessimistic) view of natural resources causes humans to be very careful in utilizing natural resources, because humans are faced with an uncertain future. The other extreme view is the exploitative view. In this perspective, natural resources are the engines of growth. Humans transform natural resources into artificial resources that have higher value which results in better human productivity and welfare. If there is a scarcity of natural resources due to the exploitation process, there will be a response from the demand side and supply side in the market. From the demand side, due to an increase in the output price per unit of input, consumers will try to switch to substitute resources so that a new balance occurs. From the supply side, there is a response in the form of increased production or supply which is sought by producers to increase demand.

### 3. Capital Formation

Capital formation requires sacrifices in the form of reduced consumption which may last in the long term. Capital formation and investment are very necessary for progress in the economic sector. The formation of regions cannot be realized without changes in capital formation, because the productivity of an economic system and the management of capital resources are conditioned by the government, the business world and society, because the level of social welfare in a region is not only defined by the level of growth and productivity. economic and progress only in the physical field but must also consider the economic performance of the community, such as consumption levels, production levels and income levels. It cannot be denied that capital formation is very important for the business world in improving a country's economy, for this reason people's savings need to be encouraged by providing stimulation to the public through savings interest rates determined in such a way by the government, in this case Bank Indonesia, to raise people's enthusiasm for saving. Of course, people's enthusiasm for saving has the consequence of reducing consumption. Capital formation and investment are really needed to increase economic growth through a production process that will produce output in the form of goods and services for public consumption, so that by meeting people's needs, society will achieve maximum satisfaction on the one hand and on the other hand the business world will also develop and earn profits. h maximum profit. With sustainable capital formation and investment, national income will also increase and will have an impact on sustainable economic growth.

### 4. Technological Change and Innovation

Technological change and innovation are the keys to economic development that can spur the entrepreneurial spirit. It will be difficult for the economy to progress if it does not have entrepreneurs who are willing to take on business risks by setting up various factories or production facilities, applying new technology to face various business obstacles and importing various more advanced business methods and techniques. Indonesia is a developing country that is agricultural in nature and its technology is still inadequate, so the products produced cannot yet compete with products from industrial/developed countries, therefore there needs to be an effort from the government to open up the widest possible opportunities for domestic and foreign investors to invest. in Indonesia so that productive labor can be absorbed to reduce unemployment levels, reduce poverty levels and increase people's income and there are also government efforts to provide scholarships for young people to study in developed countries. Innovation needs to continue to be carried out to create superior entrepreneurs who can compete with international entrepreneurs.

The development priority scale which tends to pursue macro targets can ultimately give rise to various development imbalances in the form of sharpening disparities between the center and regions, structural gaps and so on. The macro approach also tends to ignore plurality due to

the diversity of natural and socio-cultural resources. The development paradigm shift in spatial development, especially regarding the concept of growth pole strategy, the trickle down effect to the hinterland (trickle down impact to underdeveloped areas) turns out that the net effect actually causes a massive backwash effect (Lipton, 1977). There are three prerequisites for accelerating regional development, namely: 1). Mobilization and movement of domestic potential and resources; 2). Wide community participation in the development process and efforts to meet the minimum living standards of many communities; 3). Practice "participatory planning" to build the social and institutional capacities of communities needed for sustainable development.

Economic resource mobility is an effort to extract and utilize economic resources, namely land (natural) resources, human resources, technology, capital and social resources for those who need them. Efforts to mobilize economic resources in Indonesia have quite serious challenges because the reality on the ground shows that many productive resources are controlled by a group of elite people who are close to the authorities. This authority has created inequality in gaining access for many people to development resources and this has subsequently resulted in the emergence of inequality in the level of welfare between groups in society, which in turn has led to inequality in life in society becoming the potential for an explosion of disappointment and unrest in society and leading to violence. Data in the field shows that the controlled resources are not fully utilized by those who control them, thus giving rise to inefficiencies while blocking access to other weak community groups to these resources, which incurs high social costs.

The aim of creating balance between the center and the regions is not merely a matter of resolving regional disparities on a national scale, but this is very meaningful in the context of current problems in North-South relations, in particular increasing awareness of domination and subordination between rich and poor countries. Most developing countries are still actively exporting natural resources and primary commodities to developed countries only to import manufacturing industrial production from developed countries. Third world countries are pressured by such interests and circumstances, exporting raw materials and in the process being caught in a network of economic domination by western industry and international legal bodies. Developing countries ultimately do not have the opportunity to build adequate growth and strengthening to lead to a synergistic central and regional interaction process and also to modernize the national economy. Thus, the aim of creating regional balance is basically clearly directed so that regional development has meaning in liberating the Third World from underdevelopment (Nagamine, 2000), not merely equality and justice.

Regional development can be carried out through two approaches, namely a centralized approach and a decentralized approach. The centralized approach means that the implementation of development is entirely the authority of the center and is carried out by bureaucrats at the center, while the decentralized approach is that regional development is largely the authority of the regions and is carried out autonomously by the regions themselves (regional governments). Regional development through decentralization or regional autonomy provides opportunities and chances for the realization of clean and good government (good governance), namely that the implementation of regional government tasks must be based on the principles of effective, efficient, participatory, open and accountable. This statement opens up opportunities for regional governments to drive the dynamics of regional development, which is essentially an effort to increase the capacity of regional governments so that reliable and professional capabilities can be created in running government and providing maximum services to the community. Therefore, regional development is often interpreted as an effort to enable regions to manage their economic resources efficiently and successfully for regional progress and community welfare.

The regional budget is a financial plan that is the basis for implementing public services. In the era of fiscal decentralization, it is hoped that services will improve in various sectors, especially the public sector. It is hoped that improving public services will increase the attraction for investors

to open businesses in the region. This hope can of course be realized if there is a serious effort from the government to provide various supporting facilities for investment opportunities. Consequently, the government needs to allocate greater spending for this purpose. Fiscal decentralization provides greater authority in regional management but on the other hand it can create new problems due to different levels of regional fiscal readiness. This fiscal decentralization was only implemented on January 1 2001 based on Law Number 25 of 1999 which was subsequently amended by Law Number 33 of 2004 concerning financial balance between the central government and regional governments. To implement fiscal decentralization, specifically for Indonesia, money follows functions where the main function of public services in the regions is supported by central government financing through regional revenue sources.

Regional revenues are linked to the need for funds to support various regional development processes, various efforts are also made in relation to increasing regional sources of income. It cannot be denied that the problem of regional funding needs is quite large in line with the development of new regions, so balance funds from the central government are still the largest allocation of funds compared to the receipt of funds from the regions. The level of economic growth is one of the important goals of regional and central governments. Efforts to increase Regional Original Income (PAD) will be meaningless if they are not followed by increased regional economic growth.

### 5. Balancing Fund Concept

In relation to creating a fair and transparent democratic financial balancing system based on the division of authority between the central and regional governments as stated in Law Number 33 of 2004 concerning regional financial balancing which, among other things, regulates balancing funds which are an important aspect of development. Balancing funds according to Government Regulation of the Republic of Indonesia Number 104 of 2000 are defined as funds sourced from state revenue and expenditure budget (APBN) revenues allocated by the government to finance regional needs in the context of implementing decentralization. Bratakusuma in Ohorella (2011) said that balancing funds are a source of regional income originating from the state revenue and expenditure budget to support the implementation of regional government authority in achieving the goal of providing regional autonomy in improving services and community welfare, so it can be concluded that balancing funds are a source of income regions originating from the APBN to support various implementations of regional government authority in achieving regional autonomy goals, especially regarding community welfare services. The balancing fund itself consists of the General Allocation Fund (DAU), Special Allocation Fund (DAK) and Tax Profit Sharing Fund (DBHP).

The development paradigm over the last few decades has continued to experience fundamental shifts and changes. Various paradigm shifts due to distortions in the form of errors in implementing existing development models are as follows: A shift from the situation of having to choose between growth, equity and sustainability as familiar choices (trade off) to the necessity of achieving these development goals in a "balanced" manner. Tends to use an approach that looks at the achievement of development goals that are measured at a macro level into regional and local approaches. Shifting assumptions about the dominant role of government to a development approach that encourages community participation in the development process, both in planning, implementation and control.

Currently and for the future there is a need for a regional planning approach based on, among other things: Creating balanced development between regions, Creating a balance in the use of resources in the present and the future (sustainable development), Adapted to the capacity of government and society to implement the plans prepared.

One of the important characteristics of regional development is the effort to achieve balanced development between the center and the regions. The issue of balanced regional or

regional development, according to Murty (2000), does not require the same level of development between regions (equally developed) nor does it require the achievement of a uniform regional/regional level of industrialization as well as uniform regional economic patterns and structures (self-sufficiency) in each region. or area. Balanced development between the center and the regions is the fulfillment of development potentials in accordance with the various development capacities of each region/region.

The current new paradigm believes that development must be directed towards equality, efficiency and balanced sustainability in economic development. This paradigm can refer to the second fundamental of welfare economics, where this proposition states that the government can actually choose the desired equality target through transfers, taxation and subsidies while the rest of the economy can be left to market mechanisms.

### CONCLUSION

Economic growth grows if over a long period of time there is an increase in output per capita. Of course it could happen that in one year output per capita declines, for example due to crop failure, but if over a long period of time output per capita shows a clear tendency for economic growth to increase, then it can be said that economic growth has occurred. Human Resources (HR), natural resources, capital formation as well as technology and innovation are factors that influence economic growth. The development priority scale which tends to pursue macro targets can ultimately give rise to various development imbalances in the form of sharpening disparities between the center and regions, structural disparities and so on. The existence of critical awareness about the increasingly limited natural resources available and human needs that continue to increase requires a more efficient approach to the use of natural resources, moreover that the use of resources must not sacrifice the right to fulfill the needs of future generations. In the perspective of the concept of balance, it is required to pay attention to balance and justice between generations (intergenerational equity). The concept of a development approach known as sustainable development is a concept that meets the needs of the current generation without sacrificing future generations. In various countries the development process tends to lead to government failure, the impact of which is often more severe than market failure because it creates high transaction costs which constitute economic efficiency, as well as hampering equality and growth. In the current development paradigm, government power must be increasingly limited to areas of managing "public good" and areas where the private sector and society have no incentive to do so

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