

ECONOMIC DEVELOPMENT OF INDONESIA'S OUTERMOST REGIONS: OVERCOMING CHALLENGES AND CREATING OPPORTUNITIES

Tegor¹, Said Nuwrun Thasimmim², Nisha Desfi Arianti³, Eka Lenggang Dianasari⁴, Mey Krisselni Sitompul⁵, Yusmalina⁶, Fauzan Haqiqi⁷

Universitas Karimun, Indonesia

Email: tigor.belitong@gmail.com¹, saidnuwrun84@gmail.com², nishadesfiarianti@gmail.com³, ekalenggang77@gmail.com⁴, meykrisselni.uk@gmail.com⁵

Abstract

This article reviews the research and looks at the economic growth of Indonesia's most remote areas. The purpose of this study is to comprehend the opportunities and problems associated with improving Indonesia's most remote areas. The technique is a literature review, which involves gathering information from reputable sources such as government publications, journals, and scientific literature. The findings of the literature research highlight many obstacles to the economic growth of the most remote areas, such as demographic issues, restricted financial resources, limited access and infrastructure, and regional inequalities. In this context, the government's involvement in promoting the outermost regions' economic development is crucial. This role includes increased budgetary allotments, policies that benefit the outermost areas, and community empowerment. This article offers a thorough analysis of the circumstances and obstacles facing Indonesia's outer regions in terms of economic development. It also highlights the necessity of cooperation between the public sector, private sector, academic institutions, and local communities to achieve inclusive and sustainable economic growth in these areas.

Keywords: *Economic development, Indonesia, Opportunities.*

Abstrak

Artikel ini merupakan tinjauan pustaka yang mengkaji pembangunan ekonomi daerah terluar Indonesia. Penelitian ini bertujuan untuk memahami tantangan dan peluang dalam mengembangkan wilayah-wilayah terluar di Indonesia. Metode yang digunakan adalah tinjauan pustaka, dengan mengumpulkan data dari literatur ilmiah, jurnal, laporan pemerintah, dan sumber-sumber terpercaya lainnya. Hasil tinjauan pustaka menunjukkan beberapa tantangan yang dihadapi dalam pembangunan ekonomi daerah terluar, antara lain ketimpangan regional, keterbatasan akses dan infrastruktur, keterbatasan sumber daya keuangan, dan permasalahan demografi. Dalam konteks ini, peran pemerintah dalam memfasilitasi pembangunan ekonomi daerah terluar sangat penting, termasuk alokasi anggaran yang lebih besar, kebijakan yang berpihak pada daerah terluar, dan pemberdayaan masyarakat setempat. Artikel ini memberikan pemahaman mendalam mengenai kondisi dan tantangan dalam pembangunan ekonomi daerah terluar Indonesia, serta menekankan perlunya kolaborasi antara pemerintah, pelaku bisnis, institusi akademik, dan masyarakat dalam mencapai pertumbuhan ekonomi yang inklusif dan berkelanjutan di wilayah-wilayah terluar.

Kata kunci: *Pembangunan ekonomi, Indonesia, Peluang.*

INTRODUCTION

Indonesia is the world's largest archipelagic nation, with a diverse range of territories dispersed across the archipelago. However, some areas of Indonesia, particularly those on isolated islands, are restricted due to poor infrastructure, restricted access, and poor connectivity to important economic hubs (Safdar et al., 2016). These areas frequently struggle to realize their full economic potential and raise the standard of living in their populations. Geographical conditions are one of the primary factors influencing the economic growth of the farthest regions (Aksentijević & Ježić, 2009). For instance, the geography of many isolated Indonesian islands is challenging, with steep hills, navigable rivers, and poor roads. These circumstances impede economic progress by making it costly and difficult to transfer people and goods (Wei et al., 2021). Furthermore, coastal regions that are susceptible to earthquakes, hurricanes, or floods provide further difficulties for the establishment of a sustainable economy (Budastra, 2020).

In the remotest areas, inadequate infrastructure poses a significant barrier to economic growth. Roads, ports, airports, and inadequate or nonexistent communication networks are some of the factors that make it difficult to connect to other parts of Indonesia and international markets. The most remote areas find it challenging to create economically viable industries like tourism, fishing, or agriculture in the absence of adequate infrastructure. For the remotest places to see faster economic growth, adequate infrastructure is essential. Natural resources also have a significant impact on the economic growth of the remotest areas. There are abundant natural resources in some of Indonesia's most remote areas, including forests, minerals, fisheries, and renewable energy sources. But frequently, bad management or environmental issues have prevented or hindered the best use of these natural resources. To fully realize the economic potential that already exists, efforts must be made to grow these sectors sustainably, involve local people, and consider their environmental impact (Siswanto & Tegor, 2019).

The economic growth of the outermost areas is influenced by social and economic issues in addition to topographical, infrastructural, and natural resource challenges. Factors that require addressing include low educational attainment, poverty, and restricted access to essential services like healthcare and education. Enhancing education, reducing poverty, and enabling local communities to take part in economic development are all important aspects of inclusive and sustainable economic development. The government of Indonesia has implemented many initiatives to alleviate issues and quicken economic growth in the country's most remote areas (Tegor; Dwi Joko Siswanto; Mauli Siagian, 2020a). To promote sustainable economic growth, initiatives for local economic empowerment, infrastructural development, and strategic planning have been implemented. Furthermore, the government extends financial access and creates investment opportunities for business operators in the most remote locations. Accelerating economic development in remote regions also requires cooperation between local communities, the business sector, and the government (Tegor; Dwi Joko Siswanto; Mauli Siagian, 2020b).

There are several other obstacles to the economic development of Indonesia's most remote areas, which must be considered in light of the larger picture. The first is the notable disparity in development between the most remote areas and the developed economic hubs. Over time, Indonesia's economic development has tended to concentrate on capital-intensive industries or urban centers on Java Island, marginalizing and undermining the country's most remote regions in terms of access to opportunities and economic progress (Susanto et al., 2020). One of the primary barriers to the advancement of the economy in remote areas is inequality. Furthermore, one barrier to economic development in the most remote areas is a lack of access to trade networks and marketplaces. The majority of Indonesia's most remote areas have poor access to reliable transportation, particularly air and sea travel. These restrictions make local products less competitive and make it more difficult to distribute goods and services to a larger market. Furthermore, access to information regarding market prospects and current economic trends is sometimes limited in remote areas, which may impede the growth of the local business community (Tegor & Umar, 2017).

The economic growth of the remotest places is also impacted by issues related to investments and money (Aksentijević & Ježić, 2009). The public and commercial sectors frequently have insufficient funding available to the furthest regions to support infrastructure and development initiatives. The region's economic growth has also been adversely affected by limited private-sector investment and restricted access to funding. Therefore, regulations and incentives aimed at boosting investment in the most remote areas and incorporating the private sector in initiatives for economic growth are required. Beyond these difficulties, population factors are a significant factor in the context of the outermost areas' economic development. Certain remote regions have low population densities and both sparse and dispersed populations. Because of the scarcity of competent workers and insufficient local markets, this may impede the development of a robust and long-lasting economic environment. These days, to support sustainable economic growth in the remotest areas, workforce development plans, and community skill enhancement are required (Adedoyin et al., 2020).

Furthermore crucial is the government's involvement in promoting the economic growth of the most remote areas. It is necessary to implement policies that benefit the outside areas, such as tax and regulatory breaks that take into account the particular requirements and characteristics of each area. It is necessary to increase funding allotted to social welfare, infrastructure, and the growth of regional economies. To further promote innovation and entrepreneurship in the remotest areas, technical support,

mentorship, and skill-training programs are required (Teece, 2019). It's also critical to remember that environmental concerns must be taken into consideration for the outermost regions' sustainable economic development. It is imperative to preserve environmental sustainability in the most remote places due to the existence of delicate natural resources and their susceptibility to climate change. Effective environmental management and heightened cognizance regarding the significance of conserving biodiversity and maintaining natural environments ought to be fundamental components of the outermost region's economic development plan (Safdar et al., 2016).

Collaboration and the active involvement of local populations are also crucial for promoting greater economic development in remote areas. The durability and applicability of development initiatives can be guaranteed by involving the community in the process of organizing, carrying out, and reviewing development projects. Another essential component of fostering sustainable economic growth in the remotest locations is the economic empowerment of local communities through collaboration with business associations, cooperatives, and social organizations (Aksentijević & Ježić, 2009). The backdrop of economic development in Indonesia's outer regions is characterized by many obstacles, including environmental factors, market and investment scarcity, access restrictions, demographic issues, and regional inequality (Rymarczyk, 2020). Nonetheless, there are plenty of opportunities to address these issues and quicken economic growth in the most remote areas if a comprehensive, cooperative, and intentional strategy is used. The government, private industry, local communities, and other stakeholders must work tirelessly to establish a sustainable ecology that fosters the economic growth of Indonesia's outlying regions.

RESEARCH METHODS

The methodology to be employed in this study is a literature review or literature review. This approach entails a thorough examination and synthesis of the literature on the economic growth of Indonesia's most remote areas. The process of gathering data for the literature study involves choosing pertinent sources, including books, government reports, scientific journals, and other documents about the subject of the economic development of Indonesia's most remote districts.

RESULTS AND DISCUSSION

Several noteworthy and pertinent conclusions emerged from an examination of the literature on the economic growth of Indonesia's most remote districts. These are the article's findings and discussion.

Challenges of Economic Development of Outermost Regions

A survey of the literature revealed that there are many obstacles to the economic development of Indonesia's most remote areas. The first is the disparity in development between the most remote areas and the developed economic hubs. On Java Island, an over-focus on metropolitan areas and capital-intensive industries has resulted in the marginalization and economic growth of the island's peripheral districts.

Limited Access and Infrastructure

The literature assessment also emphasizes how difficult it is for traders to reach markets and trade networks in the most remote areas. The distribution of goods and services to a larger market is hampered by the limits of air and sea transportation. Furthermore, it is frequently difficult for the remotest areas to obtain information about current economic trends and market opportunities.

Financial and Investment Constraints

A survey of the literature reveals that funding for infrastructure development and development projects is frequently scarce in the most remote areas. The economic progress of the remotest regions is also hindered by a lack of private-sector investment. Therefore, there is an urgent need for laws and incentives that involve the private sector and increase investment in the countryside.

Demographic Issues

An examination of the literature found that some of the most remote places have low population densities and both sparse and distributed populations. This can impede regional economic growth because there aren't enough local markets and there aren't enough trained workers. Thus, to promote

sustainable economic growth, a workforce development and community empowerment approach is required.

The role of government

The literature evaluation emphasizes how crucial it is for the government to support the outermost regions' economic development. Increased funding allotments for social welfare, infrastructure, and the growth of regional economies are critical, according to this study. Another important result is the necessity of policies that support local community empowerment and the remote regions.

The findings of the literature are further discussed in this article along with the context of the economic growth of Indonesia's most remote districts. It is claimed that the analysis of the literature offers a thorough understanding of the chances and difficulties in promoting economic growth in the outlying areas. The essay also highlights the necessity of taking practical steps, such as improving accessibility, building infrastructure, empowering local people, and enacting laws that benefit the most remote areas. Finally, it is anticipated that this literature review research will serve as a basis for future studies and policy initiatives, furthering our understanding of the economic growth of Indonesia's most remote districts. The government, educational institutions, businesspeople, and the general public can use the results of this literature review as a reference to promote equitable and sustainable economic growth in Indonesia's outlying regions.

CONCLUSION

Several significant conclusions on the economic growth of Indonesia's most remote districts can be made based on the review of the literature. The primary findings of this article are as follows:

1. Significant obstacles to the economic growth of Indonesia's remote areas include population issues, restricted access and infrastructure, regional inequalities, and financial and investment restrictions.
2. To support the outermost regions' economic development, government intervention is crucial. More funding allocation, policies that support the remotest areas, and community empowerment are required.
3. Enhancement of accessibility, infrastructure development, workforce development, and private sector investment are necessary for the farthest regions to have sustained economic growth.
4. An enhanced comprehension of the circumstances and obstacles in the economic development of Indonesia's most remote areas is offered by this assessment of the literature. This essay highlights current issues and offers a theoretical framework and perspective for future study and policy.

The government, corporations, academic institutions, and local communities must work together to support inclusive and sustainable economic growth in the outermost regions. The primary priorities should be research and sustainable development, with a focus on environmental and sustainability issues. It can be anticipated that the economic growth of Indonesia's most remote regions will gain more clout and benefit all communities equally with cooperative efforts and policies that support them.

References

- Adedoyin, F. F., Gumede, M. I., Bekun, F. V., Etokakpan, M. U., & Balsalobre-lorente, D. (2020). Modelling coal rent, economic growth and CO2 emissions: Does regulatory quality matter in BRICS economies? *Science of the Total Environment*, 710. <https://doi.org/10.1016/j.scitotenv.2019.136284>
- Aksentijević, N. K., & Ježić, Z. (2009). Human Resources development and research Capacity and their impact on economic growth. *Zbornik Radova Ekonomskog Fakultet Au Rijeci*, 27(2).
- Budastra, I. K. (2020). Dampak Sosial Ekonomi Covid-19 Dan Program Potensial Untuk Penanganannya : Studi Kasus Di Kabupaten Lombok Barat Socio-Economic Impacts of Covid-19 and Potential Programs for Mitigation : a Case Study in Lombok Barat District. *Jurnal Agrimansion*, 20(1), 48–57.

- Rymarczyk, J. (2020). Technologies, opportunities and challenges of the industrial revolution 4.0: Theoretical considerations. *Entrepreneurial Business and Economics Review*, 8(1). <https://doi.org/10.15678/EBER.2020.080110>
- Safdar, M. Z., Awan, M. Z., Ahmed, Z., Qureshi, M. I., & Hasnain, T. (2016). International journal of economics and financial issues. In *International Journal of Economics and Financial Issues* (Vol. 6, Issue 3S). EconJournals.
- Siswanto, D. J., Tegor, T., Haqiqi, F., Yusmalina, Y., & Susanto, A. (2022). Human Resources Management in The Country's Border Region Faces Industry 4.0 and The Covid-19 Pandemic. *Al-Tanzim: Jurnal Manajemen Pendidikan Islam*, 6(1), 228-242.
- Siswanto, D. J., & Tegor. (2019). NATIONAL SECURITY OF INVESTMENT CLIMATE: A CASE STUDY IN THE SOUTH SULAWESI REGION OF INDONESIA. *Russian Journal of Agricultural and Socio-Economic Sciences*, 85(1). <https://doi.org/10.18551/rjoas.2019-01.19>
- Susanto, A., Oktavia, Y., Yuliani, S., Rahayu, P., Haryati, & Tegor. (2020). English lecturers' beliefs and practices in vocabulary learning. *Studies in English Language and Education*, 7(2). <https://doi.org/10.24815/siele.v7i2.16970>
- Teece, D. J. (2019). A capability theory of the firm: an economics and (Strategic) management perspective. *New Zealand Economic Papers*, 53(1), 1-43. <https://doi.org/10.1080/00779954.2017.1371208>
- Tegor; Dwi Joko Siswanto; Mauli Siagian. (2020a). *Manajemen Sumber Daya Manusia*.
- Tegor; Dwi Joko Siswanto; Mauli Siagian. (2020b). *Manajemen Sumber Daya Manusia* (1st ed.). Deepublish.
- Tegor, Johannes, Jaya, R. I. K., Thasimmim, S. N. (2023). Skill, Transformational Leadership, And Competitiveness: Relationships In A Love Triangle. *Al-Tanzim: Jurnal Manajemen Pendidikan Islam*, 7(2), 422-434.
- Tegor, T., Thasimmim, S. N., Dianasari, E. L., & Yusmalina, Y. (2023). The influence of work discipline in mediating work environment relationships on job satisfaction. *Jurnal Cafetaria*, 4(1), 106-112.
- Tegor, T., Yusmalina, Y., & Haqiqi, F. (2021). PENERAPAN STANDAR AKUNTANSI DAN KUALITAS APARATUR TERHADAP LAPORAN KEUANGAN PEMERINTAH DAERAH (Studi Kasus pada Dinas Pekerjaan Umum dan Penataan Ruang Kabupaten Karimun). *JURNAL CAFETARIA*, 2(1), 13-24.
- Tegor, & Umar, H. (2017). COMPENSATION ANALYSIS IN RELATIONSHIP MODERATION BETWEEN TRANSFORMATIONAL LEADERSHIP STYLE AND WORK ENVIRONMENT ON THE EMPLOYEE PERFORMANCE. *Russian Journal of Agricultural and Socio-Economic Sciences*. <https://doi.org/10.18551/rjoas.2017-11.40>
- Wei, X., Li, L., & Zhang, F. (2021). The impact of the COVID-19 pandemic on socio-economic and sustainability. *Environmental Science and Pollution Research*, 28(48). <https://doi.org/10.1007/s11356-021-14986-0>