

ECONOMIC PROBLEMS IN INDONESIA AND EFFORTS TO SOLVE THEM

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ABSTRACT

Economic problems are one of the problems that arise today in our beloved country. Thus causing a hampering of economic growth. Therefore, the role of the government is very large, where the government is given the widest authority to manage its own government, including economic development based on potential wealth. To carry out this task, the government must play an active role in economic development. The method used in this study is a Qualitative approach. and the type of research is Descriptive. That is to describe the present reality. The results of this study show that the problems faced by the State of Indonesia include: Low economic growth in Indonesia, poverty, unemployment, income gap, foreign debt, budget deficit, industrial incompetence, inability to manage human resources, lack of mastery of science and technology, corruption, food crisis and centralized development. Efforts to overcome economic problems in Indonesia are by means of traditional economic systems, centralized economic systems, market economic systems, mixed economic systems and the implementation of national economic recovery programs by the government.

KEYWORDS

Economic Problems, Economic Growth, Efforts to Solve

INTRODUCTION

Economic problems are problems that arise when wants and needs exceed available resources. People who have unlimited wants and needs, while available resources cannot meet those needs, then economic problems arise there (Gunawijaya, 2017). Economic problems are one of the problems that arise today in our beloved country. The problems faced by the government in the economic field are very diverse and interrelated with each other. Indonesia as a country where its national development essentially has one of the goals, namely advancing general welfare (Halim, 2020) Economic problems can be solved with firm policies and implementation from the government.

Although Indonesia's economic growth in the second quarter of 2022 was higher than before the pandemic, namely 5.4 percent (YoY). This condition indicates the continued economic recovery of Indonesia and further strengthened, driven by increased public mobility due to the easing of travel requirements during the Eid al-Fitr holiday. Real Gross Domestic Product in the second quarter of 2022 reached Rp2,923.7 trillion (Deputi Bidang Ekonomi, 2022). All components in terms of expenditure grew positively except government consumption which was still contracting.

However, this has not been able to restore Indonesia's ailing economic condition, plus commodity prices continue to rise, scarce goods, and high domestic debt. Not to mention the inflation in developed countries that have an impact on developing countries, then the world

economy in 2023 slows down, even grows negatively. Demand is reduced, causing many companies to lay off their employees. This will lead to mass unemployment.

High inflation in a country means that a country's economy is bad. According to Sukirno, economic policy, especially a country's monetary policy, strives to keep inflation at the level of creeping inflation (Ronaldo, 2019) Then the problem of unemployment is a problem for all countries in the world. High unemployment rates will disrupt the country's national stability. So every country strives to maintain the unemployment rate at a reasonable level.

Economic growth is measured from the growth rate of Gross Domestic Product (GDP) for the national scope and Gross Regional Domestic Product (GDP) for the regional scope (Ronaldo, 2019). In addition to being influenced by internal factors, a country's economic growth is also influenced by external factors, especially after an increasingly globalized economic era. Internally, the three main components that determine economic growth are the government, the business world, and the community (Kalsum, 2017).

From this explanation, it is clear that economic problems have arisen. There cannot be an economy that produces all goods for everyone, because no economy has unlimited resources. Economic growth is a benchmark for the success of a country's development, especially in the economic field.

As a developing country, Indonesia has never been free from difficulties. As in economics, there are always new problems to be solved before there are no more problems. Every problem that exists is also influenced by certain causes to cause the problem in question.

However, it requires a lot of effort and hard work. Talking about the problems that exist in Indonesia economically, it has actually been hit by a case. Here are some reasons why:

- 1) Unemployment cases ranging from job refusal to dismissal
- 2) Slow economic growth such as yields below optimal levels, selling value of domestic products lower than foreign products, consumption of foreign products much greater demand.
- 3) The amount waghered or earned is not enough for everyone's needs. This could be due to disproportionate wages, a large number of families and the like.

Based on the problems mentioned above, this research is very important to do, this is to know and analyze how the economic problems faced by the State of Indonesia and how are efforts or solutions in overcoming economic problems that occur in Indonesia?

METHOD

The research method used is a qualitative approach, and the type of research is descriptive, with the intention of obtaining an overview of the dimensions of correlation-synergy between the economy and existing reality. In the hope of awakening a complete substantive thinking (not dichotomous and partial) about the role of the economy in a country on economic development. After qualitative data is found, it will then be analyzed based on observations or discoveries in the field.

Thus, the author uses a descriptive qualitative method, which clearly describes the dimensions of correlation-synergy between economics and reality objectively describing the state of the subject/object based on the facts studied.

RESULTS AND DISCUSSION

Economic Problems Faced by the State of Indonesia

At this time the world economy continues to experience a slowdown. The world economy is hit by various kinds of economic turmoil such as the United States and China trade wars, geopolitical wars, and economic slowdowns in various countries, and other economic turmoil.

According to the IMF (2020), the world economy in 2019 grew by 2.9 percent or experienced slowing growth compared to the previous two years, namely 3.9 percent in 2017

and 3.6 percent in 2018. The value of world economic growth in 2019 is also below the IMF prediction in April 2019 which stated that the world economy grew by 3.3 percent (Banurea, 2021). The global economic slowdown is indicated by slowing economic growth in several advanced countries. In the group of developed countries, there was a slowdown of up to 0.5 percentage points (Banurea, 2021).

Economic development is the process of increasing total income and per capita income by taking into account population growth accompanied by fundamental changes in the economic structure of a country and the distribution of income for the population of a country (Yusuf & Setiawan, 2022). Thus economic development cannot be separated from economic growth, economic development encourages economic growth, and vice versa, economic growth facilitates the process of economic development. Furthermore, economic development is defined as a process that causes the per capita income of the population to increase in the long run.

In an economic perspective based on article 33 of the 1945 Constitution, prosperity in society can be said to be social welfare that must be achieved as an indicator of the success of the implementation of economic democracy (Sambas, 2009) Based on this, it is the government's obligation to prosper its people.

In general, in developing countries such as Indonesia, the problem of low income with poverty is a major problem in economic development. Thus in economic objectives, the two problems are stated together so that they become one sentence namely increase in national income and poverty reduction,

As a developing country, Indonesia has a large population and cannot be spared from these problems. This is evidenced by the large number of poor people, the majority of whom live in rural areas that are difficult to access. Poverty can be interpreted as where a person cannot meet his daily needs due to various causes, one of which is the low level of income obtained.

In a broad sense, poverty is an economic inability not limited to not being able to meet basic needs but also in general not being able to meet the needs of clothing, food and shelter (Saskara, 2016) In addition, poverty is also related to limited employment opportunities and usually those who are categorized as poor, unemployed (unemployed), and their level of education and health is generally inadequate.

The very crucial problems faced by the State of Indonesia include:

1. Low Economic Growth in Indonesia

Economic growth of a country is one of the indicators to measure the success of the country's development. Economic growth can be seen from the level of production of goods and services that can be produced within a certain period of time. Economic growth in developing countries such as Indonesia is often hampered by funding and investment problems. Indonesia still relies on foreign investment funds to support its economic activities.

Economic activities in each region will vary, a high concentration of economic activity in certain regions is one of the factors that cause development inequality between regions. Economic growth in areas with high economic concentration tends to be rapid, while areas with low economic concentration tend to have a tendency to develop levels and economic growth is also low (Djadjuli, 2018).

Weak economic growth is also influenced by rising world oil prices. The increase in world oil prices was caused by the scarcity of crude oil. The scarcity is caused by the depletion of oil reserves and hampered oil distribution. The increase in oil prices caused the prices of other basic necessities to also rise. As a result, people's purchasing power decreases and people's economic activity decreases.

2. Poverty

Poverty is a condition where people cannot meet their basic needs. The basic necessities of life are clothing, clothing, shelter, education and health. It is difficult to make it happen if people live in poverty and high unemployment, due to the inequality of control of productive resources is still very real (Halim, 2020).

It is this cycle of poverty that must be broken by an even and unequal process of economic growth. And accompanied by the growth of the financial sector that can reach the poor themselves, so that the combination of economic growth and financial sector growth is expected to break the chain of poverty which in turn can reduce the number of poor people in Indonesia (Ginting & Dewi, 2013).

Poverty is the result of reduced daily income. People are generally affected by the decline in purchasing power of basic necessities. As a result, people are unable to live their normal lives, so their standard of living decreases.

3. Unemployment

At the beginning of 2020, world economic growth declined, including Indonesia. This is due to the outbreak that hit all over Indonesia, namely the existence of Coronavirus Disease. Coronavirus (Indayani & Hartono, 2020). This is what causes a lot of unemployment everywhere.

In general, unemployment is defined as people who are not working. Unemployment is the core link of problems that can cause several problems in a country.

Unemployment is caused by an imbalance between the size of the labor force and the number of jobs or employment opportunities. As a result, many workers cannot be absorbed by employment, resulting in unemployment.

To achieve these expectations, the government needs to implement policies in the field of employment, such as improving the quality of labor or human resources, creating jobs, encouraging investment and capital growth, providing employment information, and providing training and skills for the workforce.

4. Income Gap

Income is used by the community to meet its various needs. In society to meet his needs. There are high-income groups and low-income groups in society. High-income people can meet their basic needs, ranging from primary, secondary, and tertiary needs. At the same time, low-income people cannot meet their basic needs even though they have the most basic needs.

According to Solow's theory, the standard is only able to explain how a country's economy can grow, but not enough to explain the gap in per capita income levels between countries in the world (Widiansyah et al., 2017).

Differences in groups of people with certain incomes raise the issue of income disparity. Therefore, the government needs to play a role in equitable distribution of income.

This will cause a decrease in people's purchasing power for goods and services. Inflation has an impact on sluggish economic activity, lack of public confidence in government performance, rupiah depreciation and instability in the country's economy. The origin of inflation can be classified into 2 namely demand-driven inflation and cost-driven inflation.

5. Foreign Debt

Indonesia has a huge foreign debt, more than 100 billion dollars. Every ministry has debts. Indonesia is the country with the third largest foreign debt in the world after Brazil and Mexico. Debt that continues to accumulate causes various economic problems, such as the value of the rupiah that continues to fall.

In 2022, the government's debt position reached IDR 7,123.6 trillion or 39.6 percent of GDP (Deputi Bidang Ekonomi, 2022). Indonesia's government debt must be repaid after careful calculation and consideration of Indonesia's financial situation. The debt collection process has been arranged in such a way that regulations are made so that government agencies are not arbitrary in receiving debts.

In the midst of times like this, the government seems to be in debt to cover the state budget deficit in order to continue to achieve state development so that the economy continues to function, besides that interest in global sukuk is also renewed released by Indonesia.

The increasing interest in sukuk issued by Indonesia is a good thing because it means that many foreign investors believe in the development of the Indonesian economy, but on the other hand the government must also be able to pay interest to these foreign investors.

Foreign debt that is supposed to help the government carry out development backfires and incurs additional costs that slow the country's growth.

Despite being impacted by rising debt in the second quarter, Indonesia still has an external debt rating that can be considered stable for investment due to its relatively good medium-term economic growth prospects and high, relatively low debt levels. Thus, the Indonesian state can give a good impression to those who want to invest so that Indonesia can develop in the midst of a pandemic like this.

6. Budget Deficit

With the outbreak of corona virus Disease 19, the government experienced a budget deficit and the state, both politically, economically, and socially, became unstable which then caused a budget deficit (Ronaldo, 2019). This has caused Indonesia to experience a slowdown in economic growth.

The Indonesian state budget is always in deficit, deficit is when the budget expenditure is greater than the budget revenue. This is one of the reasons our country's debt continues to grow. The main causes are corruption, wasteful government practices and poorly targeted subsidies.

7. Industrial Incompetence

Most industries in Indonesia only assemble goods. Even if there is a large industry, it must be foreign-owned. The industry is still heavily dependent on foreign economies, sources of raw materials and technology. The country has enormous human and natural resources.

But since the country can't handle it, the country has to ask for foreign aid. As a result, part of the profits are sent abroad while Indonesia only collects income from taxes and labor wages.

8. Inability to Manage Human Resources

Although Indonesia's population is the 4th largest in the world, the quality is still very poor. So Indonesia always lacks experts and must bring them from abroad. While most Indonesians who work abroad can only be helpers.

9. Lack of Mastery of Science and Technology

Mastery of science and technology in Indonesia is still very lacking. This is because the number of professionals in Indonesia is still very small. Instead, they prefer to work abroad because the income is much higher. The lack of mastery of science and technology makes Indonesia unable to manage its own natural resources.

10. Corruption

Corruption is a serious problem in our country. Almost in every sector there is corruption and bribery, both small and large. As a result, there are many types, from government programs that go awry, to law enforcement that goes awry and squanders money.

11. Food Issues

The government's failure to control food prices has pushed up food prices, especially basic commodities. Along with that, the area of agricultural land is shrinking due to the conversion of land into housing.

It is ironic considering that Indonesia is a very fertile agricultural country. One of the causes is the lack of attention to the welfare of farmers. To meet current food needs, the government must import from abroad.

12. Centralized Development

Indonesia is really growing rapidly. But unfortunately, only part of the area was built while the other part was abandoned. This leads to social inequality and increasingly dense urban areas. If the government implements integrated development, each region will grow faster and can also accelerate Indonesia's progress.

Efforts/Solutions in Overcoming Economic Problems that Occur in Indonesia

Broadly speaking, we find four economic systems that develop and grow according to the conditions and ideology of the country concerned. The four economic systems are the traditional economic system, the centralized economic system, the market economic system, and the mixed economic system. Through this economic system, we can apply it according to the economic situation of a country to solve economic problems.

1. Traditional Economic System

This economic system is an economic system that is organized together for the common interest (democracy), according to the usual procedures adopted by previous ancestors.

In this system, all necessary goods and services are provided by the community itself. You must be asking what is the duty of government in this traditional economic system?

In the traditional economic system, the government's duties are limited to protection in the form of defense and maintenance of public order. In other words, economic activity i.e. what and how much, how and for whom the good is produced, is determined by society.

2. Centralized Economic System

In this economic system, the government is very active, all the necessities of life, including security and defense, are planned by the government centrally. The deployment was carried out by areas under central command.

So the questions of what and how much, how and for whom the goods are produced, are all solved by the government at the central level. Freedom to conduct economic activities is restricted so that individual initiative cannot flourish.

In general, this centralized economic system applies to countries of communist ideology. But because it is not in accordance with the wishes of the people, it has recently been abandoned.

3. Market Economy System

In a market economic system, economic life is said to take place freely according to market mechanisms. Everyone is free to produce goods and services, thus encouraging people to work harder and more efficiently.

Only in this way can manufacturers get maximum profit. If goods or services can be marketed, then producers will eventually adjust to the desires and purchasing power of consumers.

One of the characteristics of a market economic system is the presence of free competition. As a result, the strong become stronger, while the weak become more and more helpless. To remedy this situation, the government intervened through laws and regulations deemed necessary, so that a controlled market economy system was formed, and no longer a free economy.

4. Mixed Economic System

Mixed economic systems are often applied in developing countries. In this system, private and government parties are also recognized. This means that in addition to the private economic sector, there are also state planning agencies that regulate the direction and development of the economy.

This mixed economic system is basically a combination of a centralized economic system with a market economic system.

5. Implementation of the National Economic Recovery Program

Facing threats that endanger the national economy and/or financial system stability and national economic rescue are the main steps taken by the central government in restoring the national economy. The implementation of the National Economic Recovery (PEN) program aims to accelerate the handling of threats that endanger the national economy and maintain financial system stability (Hakim, 2022).

The program was prepared as a form of government response in maintaining, improving, and protecting business actors in carrying out their business activities. The target recipients of the PEN Program start from the most vulnerable households, then the business sector including Micro, Small and Medium Enterprises (MSMEs) (Aisyah, 2020). The implementation of the PEN Program is expected to minimize the impact caused by the Covid-19 pandemic, especially business actors and workers affected by termination of employment.

CONCLUSION

In the current era of globalization, economic development must involve all parties, especially the role of the government which must be more dominant because the government has rules and capabilities that support the growth and development of a region's economy, so that regional economic development develops which ultimately increases the income level of the population, employment opportunities increase, purchasing power increases and the community can enjoy the results of regional economic development aforementioned.

Economic problems faced by the State of Indonesia include low economic growth in Indonesia, poverty, unemployment, income gap, foreign debt, budget deficit, industrial incompetence, inability to manage human resources, lack of mastery of science and technology, corruption, food crisis and centralized development.

Efforts to overcome economic problems in Indonesia are by means of traditional economic systems, centralized economic systems, market economic systems, mixed economic systems and the implementation of national economic recovery programs by the government.

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