



Beyond economic growth: How Indonesia's 2045 vision prioritized reducing income inequality?

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Abstract

This study aims to identify critical success factors for reducing income inequality in Indonesia by analysing the country's 2045 vision. This study employs a qualitative research design that utilises secondary data sources. Strength, Weakness, Opportunities and Threats (SWOT) analysis is used as the primary analytical tool to examine the critical success factors that influence Indonesia's economic growth in achieving its 2045 vision. The study reveals that Indonesia faces numerous challenges in reducing income inequality. However, by leveraging its strengths, Indonesia can reduce income inequality and become one of the world's top economies. Furthermore, the study identifies potential opportunities that could contribute to Indonesia's economic growth. The study concludes that Indonesia needs to focus on strength-opportunities (SO) strategies to achieve its 2045 vision and reduce income inequality by taking advantage of its strengths and potential opportunities. The study's findings have practical implications for policymakers and business leaders in Indonesia. The government needs to prioritise country strength to promote economic growth and reduce income inequality. Additionally, the private sector could explore the potential opportunities in the digital and manufacturing transformations to contribute to Indonesia's economic growth.

Keywords:

*Economic growth
Income inequality
Indonesia 2045 vision
Indonesia
SWOT analysis.*

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1. Introduction

There have been many studies on income inequality throughout the world, examining trends and patterns over time and across different countries and regions, for example [Piketty, Postel-Vinay, and Rosenthal \(2006\)](#) study on income inequality in Paris and France and [Ravallion \(2014\)](#) study on income inequality in the developing world. [Ravallion \(2014\)](#) had made some good points against the policy. How decision-makers respond to criticism of growth- and poverty-promoting policy changes may be very important. Global income inequality has increased in recent decades. According to the [World Inequality Report \(2021\)](#) share of global income going to the top 1% has increased from 16% in 1980 to 21% in 2020. Income inequality varies widely across different countries and regions. Some countries, such as Scandinavian countries and Japan, have relatively low levels of income inequality, while others, such as the United States and South Africa, have very high levels of income inequality ([World Inequality Report, 2021](#)).

Indonesia is a diverse archipelago nation situated between the continents of Asia and Australia. There are 34 provinces distributed across five main islands and four archipelagos, and there are 16,056 islands total. The country's population has grown to 268.1 million in 2019, with a population growth rate of 1.31%, making it one of the most populous nations in the world (World Bank, 2022). The World Bank revealed inequality in Indonesia has not altered significantly over the past 15 years; it has remained between 0.3 and 0.4 (moderate). Moreover, urban inequality is greater than rural inequality. Differences in regional development (developing and trailing), such as in South Kalimantan and Central Kalimantan, lead to regional inequality (Harris & Yunani, 2019). As high inequality tends to lower people's welfare, it correlates with how severe poverty is (Sallm, 2021; Yang & Qiu, 2016).

The term "income inequality" refers to a situation where the distribution of income within a community is unequal (Novianti & Fithriyah, 2022). Income inequality occurs when the state's gross domestic product is spread out among its households in an unbalanced way. One of the factors that contributed to the unequal income distribution in a developing nation was population growth, which led to a lower per capita income (Todaro & Smith, 2011). An early researcher named Kuznets (1955) looked at inequality cross-sectionally across a number of nations and discovered an "inverted-U" pattern. The inverted-U Kuznets curve is used to visualise both the income inequality index and the rate of economic development. Kuznets came to the conclusion that there was little inequality at the start of the country's development since the average income per capita was still modest. However, when the average income rises, income inequality will also increase. The relationship between income inequality and economic growth is the most important one in economics, especially when it comes to development economics (Hamid, 2017). Whether there is a positive or negative correlation between income inequality and economic development is still a matter of debate. Thus, it is crucial to understand the relationship between income inequality and economic growth, as higher income inequality is often found in developing countries (Klasen, 2016).

Rising income inequality is a recent trend in most nations worldwide, possibly due to several factors, such as the declining percentage of labour income in developed and developing countries. The Gini coefficient, which measures income inequality, has a close correlation with the percentage of the workforce (Mills, 2009). Indonesia's income inequality is affected by various factors such as financial technology (Adiputra & Satria, 2021), decentralisation policies (Rodríguez-Pose & Tselios, 2009; Santi & Iskandar, 2021), economic growth, investment, the human development index, and open unemployment (Nabila & Laut, 2021). The Gini index is an indicator used to measure income inequality in a country, with 0 indicating perfect equality and 100 implying perfect inequality (Bandyopadhyay, 2017; Banerjee, 2010; Checchi, 2000). Indonesia's average Gini index from 1984 to 2021 was 35.76 index points, with a minimum of 29.5 index points in 2000 and a maximum of 40.8 index points in 2013. In 2021, Indonesia's Gini index was 37.90, indicating a moderate income inequality gap that still exists in the country (Figure 1).

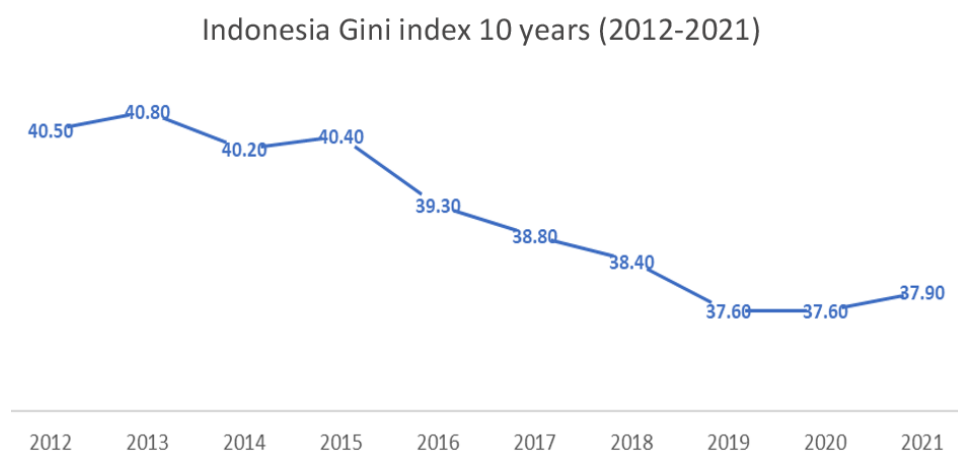


Figure 1. Gini index for Indonesia from the world bank.

Indonesia's economy has seen significant growth since the late 1990s, and it is currently Southeast Asia's biggest economy and the tenth largest in terms of purchasing power parity (World Bank, 2022). The Indonesia government has been pushing forward with its plans to make Indonesia a manufacturing hub for Southeast Asia through the Making Indonesia 4.0 Roadmap (Investments, 2018). The plan aimed to boost competitiveness by incorporating innovations such as artificial intelligence, robotics, and sensor technology (Fardah, 2021). Indonesia's economic planning follows a 20-year development plan segmented into five-year medium-term development plans. Each year has different development priorities. The country's economy will be further strengthened by the present medium-term development plan's emphasis on increasing human capital and competitiveness abroad.

People's wellbeing improves with greater income levels in a nation or area. Indicators of community wellbeing are typically based on national income and per capita income (Arsyad, 2010). The COVID-19 pandemic has impacted Indonesia's economy, pushing it to lower-middle-income status as of July 2021. However, the economy has started to recover, with gross domestic product (GDP) growing by 3.7% in 2021, wiping out the 2.1% contraction in 2020. Economic Research and Regional Cooperation Department (2023) this can be seen in Figure 2, where the GDP experiencing major decrease from 2019 to 2020, but it started to recover in 2021 and further increased in 2022.

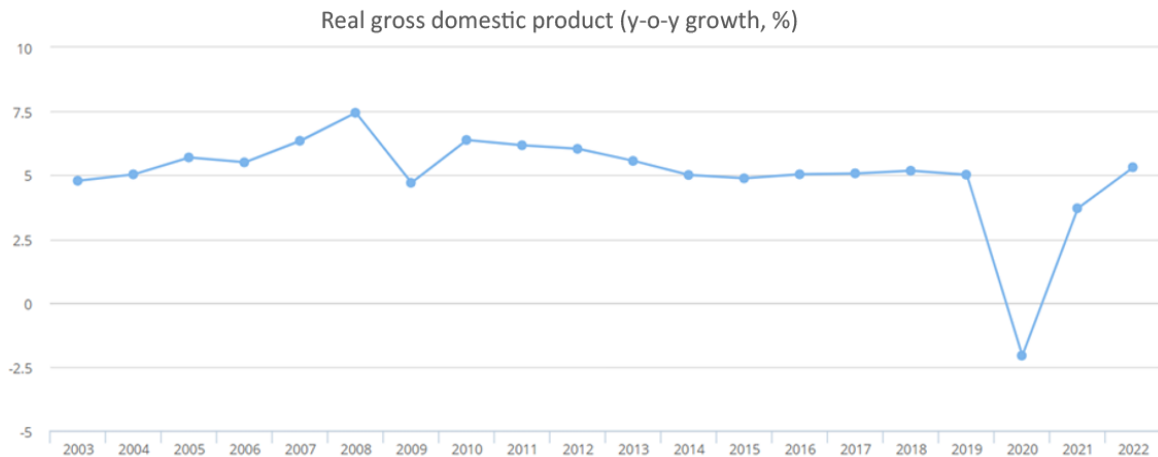


Figure 2. Real gross domestic product from CEIC database.

The GDP is anticipated to increase by 5.0% in 2022 and 5.2% in 2023, indicating that the economic recovery will likely continue. Private consumption, investment, and net exports have shown growth, with recovering global demand for goods boosting Indonesia's primary commodity exports, including coal, palm oil, and nickel.

According to President Jokowi's predictions, Indonesia will have a population of 309 million people, a GDP of \$9.1 trillion, and a population growth rate of 6% by 2045, when it will celebrate its 100th year of independence (The Jakarta Post, 2017). Indonesia is currently the 15th largest economy in the world, with a GDP of approximately \$1.05 trillion in 2022. Indonesia past 10 years GDP (2012-2021) are shown in the following diagram in Figure 3.

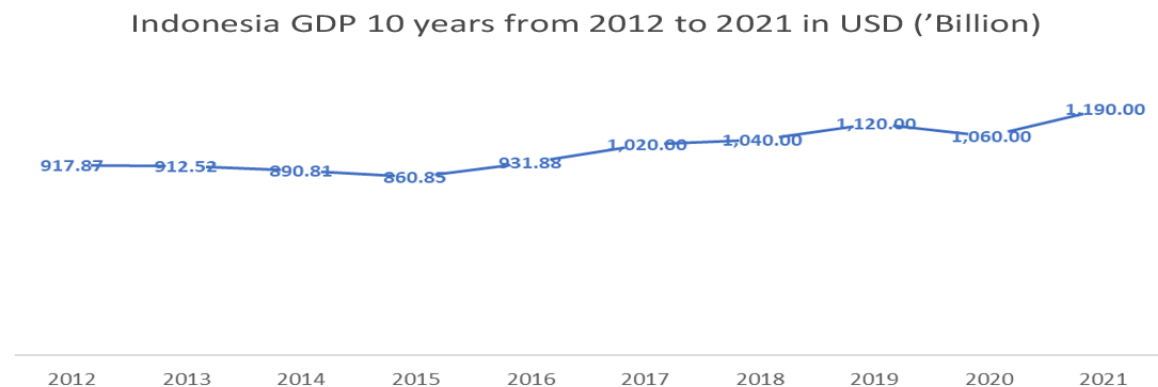


Figure 3. GDP 10 years (2012 – 2021) for Indonesia from the world bank.

Based on Figure 3, it shows that the Indonesia GDP for the past ten 10 years is in the upward trend with some fluctuations due to domestic and global economic conditions. If not because of COVID-19 pandemic, the GDP for 2020 and 2021 should be higher. Based on this GDP upward trend, the Indonesian Vision 2045 is within reach as a matter of time. In 2012, Indonesia's GDP was \$917.87 billion USD, and it remained relatively stable at around that level in 2013. In 2014, Indonesia's GDP experienced a slight decrease to \$890.81 billion USD. However, the following year in 2015, the GDP decreased to \$860.85 billion USD, which was likely due to a slowdown in global economic growth and weak domestic demand (World Bank Group, 2015).

In 2016, Indonesia's GDP recovered and rose to \$931.88 billion USD, which was attributed to a series of government policies aimed at boosting economic growth, including infrastructure development and deregulation (Asian Development Bank, 2018). This upward trend continued in 2017 and 2018, when

Indonesia's GDP reached \$1,020 billion USD and \$1,040 billion USD, respectively, reflecting sustained economic growth. In 2019, Indonesia's GDP further increased to \$1,120 billion USD, marking the highest level in the past 10 years. This was driven by increased government spending and a pickup in private consumption.

However, the COVID-19 pandemic hit the Indonesian economy hard in 2020, causing a contraction of 2.1% compared to the previous year. The pandemic's impact was felt across various sectors, including tourism, trade, and investment. Despite the pandemic's impact, Indonesia's GDP is projected to increase to \$1,190 billion USD in 2021, indicating a potential recovery. According to Reuters news on 17th February 2021, The government has put in place a number of policies to aid in the revival of the economy, such as fiscal stimulus plans and vaccination campaigns.

Overall, Indonesia's GDP has shown a positive trend over the past 10 years, with a few fluctuations due to various domestic and global factors. The country has implemented policies aimed at supporting sustained economic growth, and while the pandemic has presented significant challenges, the government's measures may help the economy to recover in the coming years. To become the world's fourth-largest economy, Indonesia would need to surpass countries like Germany, the United Kingdom, and India, which are currently ranked fourth, fifth, and sixth, respectively (Seth, 2022). Indonesian President Joko Widodo, also known as Jokowi, expressed confidence in Indonesia's potential to become the world's fourth-largest economy by 2045. The prediction was based on calculations made by the Office of the Coordinating Economic Minister, the Finance Ministry, and the National Development Planning Board (Office of Assistant to Deputy Cabinet Secretary for State Documents & Translation, 2017).

Indonesia is putting a lot of effort into changing the way things are constructed in an effort to escape the middle-income trap. The 2045 vision of the Indonesian government depicts this goal. By implementing structural changes, maximising the benefits of technological advancement, and boosting economic competitiveness, economic growth is predicted to increase by 5.7% annually. With a 5.7% annual growth objective, Indonesia hopes to reach high-income status by 2036 and rank as the fifth-largest economy in the world by 2045. By 2045, this rapid rise will gradually raise the percentage of Indonesians in the middle class to around 70% (Bappenas, 2019).

Indonesia has made significant progress in recent years in improving its economic and business environment. The country has implemented structural reforms, improved the ease of doing business, and made great promotions to attract foreign investment. The government's current economic plan, known as the Indonesia 2045 Vision, outlines a roadmap for the country to become one of the world's largest economies by 2045. Thus, the objective of this paper is to analyze the critical success factors that are associated with Indonesia's 2045 vision in terms of reducing income inequality.

1.1. Indonesia 2045 Visions

After a long struggle for independence, Soekarno-Hatta proclaimed Indonesia's independence on August 17, 1945, to realise an independent, united, sovereign, just, and prosperous Republic of Indonesia. To accelerate the realisation of the vision of the Republic of Indonesia, President Joko Widodo initiated "Indonesia's Dream 2015-2045", which includes: (1) Indonesian human resources whose intelligence surpasses that of other nations in the world; (2) an Indonesian society that upholds pluralism, culture, religiosity, and ethical values; (3) Indonesia becoming a centre of education, technology, and civilization in the world; (4) society and government officials free from corrupt behaviour; (5) the establishment of infrastructure that is evenly distributed throughout Indonesia; (6) Indonesia becoming an independent and most influential country in the Asia-Pacific region; and (7) Indonesia becoming a barometer of world economic growth (Bappenas, 2019). In Indonesia 2045: Berdaulat, Maju, Adil, and Makmur report developed by Kementerian PPN Indonesia, the Vision of Indonesia in 2045 was developed with four pillars, namely:

1.1.1. Human Development and Mastery of Science and Technology

In enhancing human resources and increasing productivity and life expectancy, the quality of education from elementary school to university is important. The educational curriculum will follow the developments and needs of the times and the use of technology must be maximised to increase productivity, speed, and flexibility in the labour market.

1.1.2. Sustainable Economic Development

The government is always looking at ways to make the economy better in the region and around the world by improving investment, industry, trade, services, maritime, and tourism. The government plans to build sustainable infrastructure to make sure that all areas, even remote ones, have the same economic opportunities.

1.1.3. Development Equity

The government plans to achieve this through various measures, such as improving transportation and access to remote areas, increasing virtual and digital connectivity, and developing infrastructure in rural areas.

It prioritizes equitable development across the country for the benefit of all citizens, particularly those in rural and remote areas.

1.1.4. Strengthening National Resilience and Governance

The government plans to reform institutional and bureaucratic processes, prioritising public interest and enhancing the state's security. The country should also maintain an active foreign policy, promote democracy, combat corruption, and improve the quality of the legal system.

These four pillars are built upon Pancasila and the 1945 Constitution as the foundation for the nation-state and constitution, with the aim of protecting all Indonesians and advancing the welfare of the people, educating the nation, and participating in the implementation of world order based on independence, eternal peace, and social justice. Jokowi explained in the 16th National Working Meeting, that to achieve this goal, the government has planned three major steps. (1) building infrastructure in the next ten years to strengthen Indonesia's competitiveness by reducing logistics and transportation costs. (2) developing processing industries based on the country's raw materials, which would require a halt in exporting raw materials and a focus on importing partially or fully processed products. (3) developing service industries, with tourism as a potential strength. Jokowi stressed that the development of human resources is crucial in every 10-year segment, particularly in the demographic bonus period of 2030–2035, where more than half of Indonesia's population will be at a productive age. Jokowi believes that developing human resources is key to realizing Indonesia's Golden Era in 2045, regardless of who holds the presidency. To achieve this goal, Indonesia would need to maintain a high rate of economic growth, attract immense foreign investment, improve infrastructure, and address issues such as corruption and bureaucratic inefficiency. Additionally, Indonesia would need to invest in education and innovation to develop a highly skilled workforce capable of driving the country's economic growth (Office of Assistant to Deputy Cabinet Secretary for State Documents & Translation, 2017).

1.2. Indonesia Income Inequality Challenges

In order for Indonesia to reach its 2045 goals, there are numerous major challenges of income inequality in Indonesia, including (i) unequal opportunity, (ii) unequal jobs, (iii) excessive wealth concentration, and (iv) low resilience (World Bank, 2016). According to the Indonesian Central Statistical Bureau, by the end of 2021, income inequality had grown in 16 of the 34 provinces at the regional level. High income inequality in Indonesia, a socially divided country, could lead to political unrest and harm the long-term growth of the economy in the region (Amri & Nazamuddin, 2018). At least one-third of inequality is due to factors outside an individual's control, leading to an unfair start in life that can lead to fewer opportunities throughout the life cycle. In the labour market, high-skilled workers receive increasing wages, while the rest of the workforce has few opportunities to develop skills and is trapped in low-productivity, low-wage informal jobs. Additionally, high wealth concentration drives inequality higher, benefiting the elite and leading to a widening wealth gap. Last but not least, shocks disproportionately impact poor and vulnerable households, making it more difficult for them to generate incomes and make investments in the necessary health care and education (World Bank, 2016).

2. Methodology

Helms and Nixon (2010) state that the majority of scholars, including Ansoff (1965), Andrews (1987), Porter (1991) and Mintzberg, Ahlstrand, and Lampel (1998), agree that a SWOT analysis is a strategic planning tool used to identify and evaluate an organisation's strengths, weaknesses, opportunities, and threats. It also lays the foundation for achieving the desired alignment of organisational variables or challenges. By categorizing favorable and unfavorable internal and external concerns in the four quadrants of a SWOT analysis grid, strategists may better grasp how strengths can be exploited to realize new possibilities and how weaknesses might delay development or increase organizational threats. Furthermore, SWOT analysis may be used to provide ideas for overcoming threats and weaknesses, as well as future plans (Helms & Nixon, 2010). For this paper, this SWOT analysis has been used to analyze the critical success factors that are associated with Indonesia's 2045 vision in terms of reducing income inequality.

2.1. SWOT Analysis on Indonesia

A SWOT analysis was conducted to analyse the internal and external factors that might influence Indonesia's journey to achieve its 2045 vision.

<p>Strength (S)</p> <ul style="list-style-type: none"> • Abundant natural resources (oil, gas, gold, coal, palm oil etc) • Stable politics • Large and growing domestic market • Strategic location • Skilled and competitive labor 	<p>Weaknesses (W)</p> <ul style="list-style-type: none"> • Corruption • Lack of efficient transportation system • High poverty rate • Lack of access to high quality education and healthcare in rural area • Complexity of business application process
<p>Opportunities (O)</p> <ul style="list-style-type: none"> • Manufacturing transformation • Digital transformation • Tourism sector as a new source of growth 	<p>Threat (T)</p> <ul style="list-style-type: none"> • Natural disaster • Global economic uncertainty and instability • Geopolitical uncertainty and terrorism

Figure 4. SWOT analysis on Indonesia.

Figure 4 illustrates a SWOT analysis of Indonesia, which provides an overview of the country's strengths, weaknesses, opportunities, and threats. The SWOT analysis provides a useful framework for understanding Indonesia's current economic situation and identifying areas for improvement and potential risks.

2.2. Strength

2.2.1. Abundant Natural Resources

Indonesia is rich in natural resources, including coal, minerals, oil, and gas, making it an attractive destination for companies in the energy, mining, and manufacturing sectors. In 2022 Indonesia produced 687 million tonnes of coal and exported 494 million tonnes (Reuters, 2023) and it ranked in the top five countries in producing coal. Indonesia is also an important producer of minerals for the electric cars production such as tin, nickel, cobalt and bauxite (Huang, 2022). In addition, Indonesia has oil reserves amounting to 2.5 billion barrels for the year 2021 (EIA, 2021). Indonesia also has 49.7 trillion cubic meters of gas reserves in 2022 (EIA, 2021).

2.2.2. Stable Politics

Indonesia has maintained its political stability since President Joko Widodo (Jokowi) took over as the Indonesian President in 2014. Under Jokowi, Indonesia has executed structural reforms and built a political system that serves the people. Jokowi knew what Indonesia needed to execute in order to progress further. As such, Jokowi concentrated on economic growth, infrastructure development, healthcare facilities and education quality (Salim & Negara, 2018).

2.2.3. Large and Growing Domestic Market

Indonesia has a population of over 270 million people, making it the fourth populous country in the world. The country's middle class is also expanding rapidly, providing a significant domestic market for business. Indonesia currently is the largest economy in Southeast Asia and also a member of the G20. In terms of the fastest growing economy in Asia, Indonesia is in third place just behind India and China (Acclime, 2022).

2.2.4. Strategic Location

Indonesia is blessed with its strategic location as it is located between the Indian and Pacific oceans making Indonesia an ideal hub for trade and commerce in the Asia Pacific region (Verico, 2021). The Strait of Malacca which has long been a vital gateway for commerce to and from Asia, located between Indonesia, Malaysia and Singapore. The Strait of Malacca is the fastest shipping lane that connects the trade route between Asia, India, Middle East and Europe.

2.2.5. Skilled and Competitive Labor

Indonesia has a large and skilled labor force of 144 million people (Statista, 2022), with competitive wages compared to other countries in the region. As such, it can easily attract foreign direct investment as Indonesia has an abundant supply of white collar and blue collar workers. Indonesia is able to offer competitive wages as Indonesia itself has low living cost as compared to other neighbouring countries in South East Asia.

2.3. Weaknesses

2.3.1. Corruption

According to data from World Economics website in 2021, corruption remains a significant issue in Indonesia, with many officials accused and executed of bribery, embezzlement, and other forms of corruption. To estimate the amount of government corruption in each economy, Transparency International's Corruption Perceptions Index (CPI) is used, which rates nations and territories based on the perceived corruption of their public sector. The CPI scales from 0 to 100, with 0 representing extreme corruption and 100 representing no impression of government corruption. The Corruption Perception in Indonesia is 34, indicating a significant level of corruption. Server's prior study in 1996 revealed that the majority of corruption practices in Indonesia involve resource leakage, which is concerning for the country's corruption issue.

2.3.2. Lack of Efficient Transportation System

The transportation system in Indonesia has been a longstanding challenge for the country. Indonesia's transportation system is often characterized by congestion, limited access to public transportation, and poor road conditions. These issues can have significant impacts on economic development, as well as the daily lives of Indonesians. According to a statement of Associate Professor (Parama, 2020) (Institut Teknologi Bandung, School of Business and Management) to The Jakarta Post in 2020, transportation is becoming a major issue with the 270 million population and diverse demographic of the scattered archipelago. Jakarta has long struggled with traffic congestion, with private vehicles accounting for more than 70% of vehicle use in the city, resulting in economic losses and environmental damage due to heavy pollution. Traffic congestion in Greater Jakarta costs around Rp 65 trillion (US\$4.6 billion) per year, according to data from the National Development Planning Agency (Bappenas, 2019).

2.3.3. High Poverty Rate

As of 2021, according to The Jakarta Post, the poverty rate in Indonesia was around 9.71% which equals 26.50 million people in September 2021. This represents a significant improvement compared to past decades, where the poverty rate in Indonesia was much higher. However, poverty remains a challenge in Indonesia, particularly in rural areas and among certain marginalized groups. The COVID-19 pandemic has also had a significant impact on the country's economy and on poverty levels.

2.3.4. Lack of Access to High-Quality Education and Healthcare

Lack of access to high-quality education and healthcare is a significant challenge facing many rural areas in Indonesia. Some key issues highlighted for high-quality education is shortage of qualified teachers and limited educational resources, which can lead to lower educational outcomes for students and access to digital platforms. For healthcare, rural areas in Indonesia often have limited access to healthcare facilities and medical professionals, which can make it difficult for people to receive the medical care they need.

2.3.5. Complexity of Business Application Process

Indonesia ranks no 72 in the ranking of ease of doing business for the year 2022 (WSJ, 2022). Its neighbouring countries such as Singapore rank number 2 and Malaysia rank number 24. As such, Indonesia needs to revamp its business application process in order to attract more foreign direct investment into the country.

2.4. Opportunities

2.4.1. Manufacturing Transformation

According to the Asian Development Bank (2018), the manufacturing sector employs more than 17 million people, makes up 14.1% of all jobs, contributes 20.2% of GDP, and is responsible for 42.5% of all exports. It shows that in the Indonesian economy, manufacturing contributes substantially to growth. Mr. Agus Gumiwang Kartasasmita, Indonesia's Minister of Industry, said that in order to make Indonesia 4.0, the country has chosen seven priority sectors. These sectors are food and beverages, chemicals, textiles, electronics, medical devices, and automobiles. By 2022, they could account for 70% of the manufacturing GDP, 65% of manufacturing exports, and 60% of industrial workers (Katriana, 2022). Referring to its ministries, Indonesia has also set its top 10 national priorities, which consist of: (1) enhancing the logistics ecosystem; (2) redesigning industrial zones; (3) opening up more opportunities; (4) empowering small-medium enterprise (SMEs); (5) building a future-ready national digital infrastructure; (6) attracting foreign investors; (7) enhancing the quality of local talents; (8) building an innovation ecosystem; (9) encouraging technology investments; and (10) harmonising policies (NEC Indonesia, 2021).

2.4.2. Digital Transformation

In achieving the 2045 vision, the National Development Planning Minister of Indonesia, [Antaranews.com](https://antaranews.com) (2021), mentioned that digital transformation would contribute to helping Indonesia achieve its economic transformation by 2045. In addition, Suharso also states that digital transformation is essential for realising an

inclusive and sustainable economic transformation. Referring to Statistics Indonesia (BPS), the information and communication technology industry makes a sizable contribution to the country's GDP, with digital economic activity accounting for half of this contribution (Suci & Kenzu, 2021). Meanwhile, Herman (2022), the Minister for Economic Affairs, mentioned that to increase national competitiveness, digital acceleration was crucial. It is expected that Indonesia's digital economy will have doubled in size to US\$146 billion by 2025. Accelerated digital transformation will enable individuals and enterprises to take advantage of new market possibilities and help them reach their full potential in terms of long-term growth and global competitiveness (Sanya & Yumna, 2022).

2.4.3. Tourism Sector as a New Source of Growth

According to the 2019 Economic Report on Indonesia, the tourism industry could contribute to the country's economic changing. This is demonstrated by the fact that tourism-related foreign currency earnings, which are derived from travel and transportation, increased to USD 18.4 billion in 2019 from USD 14.5 billion in 2018, growing at a rate of USD 14.5 billion annually for more than 5 years. The number of people employed in the tourism industry has also grown by 10.3% since last year, making it Indonesia's fourth-largest employer. Due to its growing competitiveness, this industry has the ability to further boost the national economy. In addition to that, employment in the tourism sector has also increased by 10.3% compared to 2018, which indicates that tourism is Indonesia's fourth-largest source of employment. This sector's increasing competitiveness highlights its potential to further stimulate the country's economy. The Travel and Tourism Competitiveness Index (TTCI), which indicates that Indonesia's competitiveness has significantly increased during the previous 10 years, has moved its rating from 81st in 2010 to 40th in 2019. Bali, one of Indonesia's leading tourist destinations, has been recognised as the world's fourth-most popular destination by Trip Advisor Travellers Choice 2020 and ranked ninth in Agoda's Top 10 City Destinations 2019. Other destinations with potential include Lombok, Labuan Bajo, Borobudur, Raja Ampat, and Lake Toba. Despite these successes, Indonesia only accounted for 1.07%, which is equivalent to 16.1 million of global tourist visits in 2019, indicating that there is still significant untapped potential in the tourism industry as global tourism is projected to increase to 1.8 billion, which is equivalent to 300 million tourists by 2030.

2.5. Threats

2.5.1. Natural Disaster

Indonesia, which is among the largest archipelagic nations globally, is facing a severe threat from natural disasters and climate change-related risks (Djalante, Garschagen, Thomalla, & Shaw, 2017). The frequency of extreme events accompanied by casualties and damages has surged over the past decade. Earthquakes, including the devastating one in Lombok, Nusa Tenggara Barat, and a subsequent tsunami in Central Sulawesi, as well as droughts, floods, and flash floods, have become recurrent incidents across Indonesia (BNPB, 2020). The Badan Nasional Penanggulangan Bencana (BNPB) reports that more than 26 million individuals have been displaced and over 7,000 have lost their lives in the last decade, in addition to significant economic losses. The destruction of vital infrastructure that holds enormous economic value can result in severe financial losses and negatively impact people's lives. For example, electricity disruptions during a disaster can adversely affect daily activities, including healthcare and food supply (Prasojo, Surtiari, & Prasetyoputra, 2021). According to the BNPB (2019), there were a number of disasters that caused economic losses totaling \$80 trillion in 2019.

2.5.2. Global Economic Uncertainty and Instability

According to Chinn, Ferrara, and Giacomini (2017) and Converse (2017), unstable international capital flows are the main cause of global economic uncertainty, which makes output, investment, and productivity in emerging market economies more unpredictable. Factors such as oil and commodity price shocks, changes in investor sentiment, and political events like the US presidential election and Brexit can trigger global uncertainty (Benigno, Canofari, Di Bartolomeo, & Messori, 2020). Benigno et al. (2020) added that a rise in US interest rates and the US-China trade war were two additional factors that contributed to the high level of global uncertainty in 2017. Additionally, the COVID-19 pandemic poses a significant threat to the global economy. These occurrences have resulted in heightened volatility in global financial markets, negatively impacting market exchange rates. Indonesia is at risk of facing a significant depreciation of the rupiah, increased refinancing costs, insufficient hedging of debt in foreign currencies, and a decline in profit margins. These risks weaken the balance sheet of the business world, especially the natural resources sector (World Bank, 2018).

2.5.3. Geopolitical Uncertainty and Terrorism

According to a report by Price water house Coopers in 2018, geopolitical uncertainty and terrorism were ranked as the top five global business threats, surpassing other risks such as exchange rate volatility and changing consumer behavior. Geopolitical risk refers to tensions between countries, such as diplomatic feuds and international wars, which can disrupt market and business cycles and lead to financial pressures on firms.

This category of risk includes both the potential for actualizing geopolitical events as well as the advanced risk resulting from recent geopolitical developments, which may have an effect on global relations and further have a negative financial impact on businesses. Political instability, terrorism, and social unrest have long been known to have negative effects on the economy where they occur. Political conflicts and terrorism create economic uncertainty and exacerbate the inherent risks that firms face when making economic decisions. Theoretically, wars and military conflicts disrupt trade between countries involved, increasing the cost of international trade. According to empirical evidence, the effects of conflicts on trade can be long-lasting and take years to reverse. Geopolitical tensions and their impact on the economy have been extensively studied at both the international level and in emerging countries (Balcilar, Bonato, Demirer, & Gupta, 2018; Caldara & Iacoviello, 2018; Cheng & Chiu, 2018; Colino, 2013; Glick & Taylor, 2010; Lee, Olasehinde-Williams, & Akadiri, 2021; Omar, Wisniewski, & Nolte, 2017; Zhou, Gozgor, Huang, & Lau, 2020).

3. Results

Based on the SWOT analysis derived above, it can be concluded that Indonesia has several strengths and opportunities that can support its economic growth. Some of the strengths are abundant natural resources, stable politics, a large and growing domestic market, a strategic location, and skilled and competitive labour. Meanwhile, some of the opportunities are transformation in the manufacturing sector, digital transformation, and the tourism sector as a new source of growth. These strengths and opportunities can help Indonesia achieve its 2045 vision and become one of the top economies in the world.

The difference between rich and poor in digital access could make the income gap in the region bigger, which is still a problem for developing countries like Indonesia, especially in remote areas (Porfaraj, 2018). But closing the digital divide is important because it can help businesses like small and medium-sized businesses, e-commerce, food businesses, and transportation services. Access to the Internet can also help improve education, reduce income inequality, and help the economy grow (Noh & Yoo, 2008; Tchamyou, Asongu, & Odhiambo, 2019). Some studies show that access to the internet can make incomes more equal, but other studies show the opposite. Factors such as education level, regional conditions, and income can influence the digital divide. Therefore, investments in infrastructure and the digital business sector are necessary to narrow the digital divide and reduce income inequality (Martin & Robinson, 2007). Tchamyou et al. (2019) found evidence that the use of the internet in primary and secondary education can reduce income inequality. This implies that education and internet use should complement each other to produce skilled workers who can effectively use technology. Based on Richmond and Triplett (2018), economic and political factors may contribute to the impact of the internet on income inequality. Whereas, Omar and Inaba (2020) suggested that internet access can promote financial inclusion, which contributes to reducing income inequality.

Based on Hakim and Rosini (2022), there are a limited number of regions in Indonesia that experience poor internet access, including Papua, North Maluku, South Sumatra, Bengkulu, and West Sulawesi. Most of these places are made up of islands and mountains, which makes building and putting up internet infrastructure very hard. They also say that access to the internet has helped reduce the difference in income between regions, both those with high GDP and those with low GDP. This is a particularly significant finding in light of Indonesia's growing gig economy, where many low-income individuals have utilised internet access to participate in e-hailing services and e-commerce sectors. Based on these findings, by expanding internet access in the region and enhancing the digitization transformation in Indonesia, it could further reduce the income inequality in the region and further enhance their GDP growth. The government may help by providing digital infrastructure and also providing exposure to the small businesses in running their businesses via an online platform. Other than business, digitalization also helps provide a better quality of education. Thus, it is not only able to help boost the economy in that area but is also able to provide a high-quality education and prepare the students for a better future.

Szirmai, Naude, and Alcorta (2013) mention that manufacturing is a crucial driver of economic development due to its higher productivity compared to other sectors, a positive correlation between industrialization and per capita income levels, economies of scale and technological progress, and opportunities for capital accumulation. The manufacturing sector is the fastest-growing sector and has greater potential for specialisation and forward and backward linkages with other sectors. This has been supported by Kaldor's law, which emphasises the importance of the industrial sector in economic growth, with the first law stating that higher growth of industrial output leads to a greater rate of economic growth and the second law, known as the Kaldor-Verdoorn law, highlighting the deterministic relationship between manufacturing productivity and output growth (Marconi, De Borja Reis, & De Araujo, 2016).

According to Su and Yao (2017), the manufacturing sector is a crucial driver of economic growth, especially for middle-income economies. The study shows that the manufacturing sector has a positive effect on all other economic sectors, including services, and that a larger share of manufacturing in the economy can speed up technological progress and encourage private savings. This finding is relevant to Indonesia, as the country's manufacturing sector is a significant contributor to the economy, providing employment, generating GDP, and driving exports. By investing in Industry 4.0 technologies and optimising processes, the Indonesian manufacturing sector can enhance productivity and competitiveness, leading to higher economic growth.

Additionally, the government's policies and programmes to support Industry 4.0 adoption, such as tax incentives and funding programmes, can help accelerate the pace of technological accumulation in the manufacturing sector, further boosting economic growth. Therefore, fostering the manufacturing sector's growth should remain a priority for Indonesia to achieve sustained economic development.

Indonesia has a lot of material, natural, and cultural capital that could be turned into a tourism industry. Tourism has a big effect on the Indonesian economy (Utomo et al., 2020). In order to preserve the resources of Indonesia, rural tourism can be further promoted among the local people as it is a community-based form of tourism. According to Álvarez-García, Durán-Sánchez, and de la Cruz del Río-Rama (2018), rural tourism is an alternative to developing the tourism sector in less-developed areas, as it is able to increase their income through new activities without jeopardising the traditional activities of the local people. Rural tourism is an act of sustainability as it is able to meet the demands of present-day inhabitants and tourists without needing to sacrifice the needs of future generations (Aref & Gill, 2015; Peira, Longo, Pucciarelli, & Bonadonna, 2021; Tafani, 2022). It is supported by Gao and Wu (2017) that rural tourism should not just be seen as a way to travel but to keep rural life and culture alive and grow them. In Indonesia, growing tourist villages are one way that rural tourism is expressed. This has been the path of tourist growth in rural regions since 2021, according to the Coordinating Ministry for Economic Affairs. The objective is to boost economic development and human welfare, end poverty and unemployment, protect the environment and natural resources, and advance culture. The growth of tourist villages is anticipated to stimulate social, cultural, and economic change in the communities by accelerating village development in an integrated manner (Ariyani & Fauzi, 2023). The Central Bureau of Statistics estimates that there were 18,313 tourism villages in Indonesia in 2021. However, only 2.73 percent of these have turned into tourist villages. In comparison to the growing number of tourist settlements each year, this figure is negligible. Thus, by fostering rural tourism in less developed areas, it is possible to raise local incomes while preserving cultural traditions and directly contributing to economic progress. To develop the area and provide enough infrastructure without harming the resources and culture, however, it would require cooperation between the locals and the government. In addition to infrastructure development, a local financial development programme can also be introduced to support the communities in the area. This can be done by providing loans to the communities, organisations, and businesses in under-resourced communities. Financial education, training related to business, and low-interest loans can be introduced to encourage economic potential and build local wealth.

4. Conclusion

Based on the analysis, Indonesia has already shown strong growth in its manufacturing sector. The government's focus on prioritising seven key sectors in manufacturing will likely further bolster the industry. By increasing the country's manufacturing output, Indonesia can become a more attractive location for foreign investors looking to take advantage of the country's skilled labour force, abundant natural resources, and strategic location. Additionally, the government's commitment to enhancing the logistics ecosystem and redesigning industrial zones can help improve the efficiency of the manufacturing industry in Indonesia.

As for the digital transformation opportunity, the growing importance of digital technology in the global economy presents a major opportunity for Indonesia. The country has already made significant strides in developing its digital economy, with contributions from the information and communication technology industry accounting for a significant portion of its GDP. By continuing to invest in digital infrastructure and supporting the growth of digital enterprises, Indonesia can become a more competitive player in the global economy. The expected doubling of Indonesia's digital economy by 2025 is a promising sign that the country is on the right track.

In addition, the tourism sector presents another promising opportunity for Indonesia's economic growth. With foreign exchange earnings from tourism on the rise and employment in the sector growing, it is clear that tourism is becoming an increasingly important industry for the country. By investing in infrastructure and promoting Indonesia's unique cultural and natural attractions, the government can help make the country an even more attractive destination for travellers. The tourism sector has the potential to create jobs and stimulate economic growth in areas beyond the major urban centres, which could help reduce regional economic disparities.

Overall, Indonesia has a strong foundation for economic growth, with abundant natural resources, a large domestic market, and a skilled labour force. The government's commitment to supporting key industries and investing in infrastructure and digital transformation can help Indonesia reach its full potential and become an even more important player in the global economy.

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