

# The Impact of Globalization on Regional Development Urban and Rural Sustainable Development in Indonesia

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## ABSTRACT

This study is aimed to examine how sustainable regional development in urban and rural areas is affected by globalization and what strategy can be implemented to address these condition. The economic development orientation that emphasizes growth has also exacerbated regional disparities, especially between rural and urban areas. The theory of urban planning development and rural planning development becomes the focus of this study. This study employs a comprehensive literature review approach to explore and synthesize the prevailing theories of rural planning and sustainable development. The study found that the imbalance between urban and rural development, which is inseparable from the influence of globalization. The model of sustainable development is expected to address the challenges that arise. It is necessary to linkage rural and urban areas through the provision of food and other materials for consumption and production, to strengthen local economic management, and to enhance the capacity of rural community economic institutions and organizations.

**Keywords:** Rural Planning, Urban Planning, Sustainable Development, Globalization, Indonesia

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## 1. INTRODUCTION

The term of development has various definition from various perspectives. [1] states that development is a process of change that encompasses the entire social system, including politics, economics, infrastructure, defence, education, technology, institutions, and culture. From these definitions, it can be observed that development in developing countries still shows disparities between urban and rural development, which impacts the welfare gap between cities and villages [2]. The occurrence of these disparities is inseparable from the influence of globalization. The era of globalization has created a borderless world among countries, which contributes to almost all aspects of a country's regional development [3].

In Indonesia, the economic development orientation that emphasizes growth has also exacerbated regional disparities, especially between rural and urban areas. Economic investments (infrastructure and institutional) are mostly directed toward serving urban areas that have relatively rapid growth. Rural economies do not receive proportional added value because urban areas merely serve as marketing channels for the flow of primary commodities from rural areas. This is understandable given the systematic depletion of rural resources by cities (backwash effect) and cities only benefiting from distribution services, often leading to regional leakages that hinder the economic growth of those areas [4].

Globalization is marked, among other things, by advancements in science and technology that gradually transform the world from a conventional era toward IT-based development [5]. These changes have also driven various aspects of life, so that social, economic, and educational aspects have also adapted to this transformation [5]. The main cause of the globalization era is the rapid development of information and communication technology, which has made human life easier and

more efficient. The integration of computer and telecommunications technology in the era of globalization has also brought about a revolution in information systems that has broken through physical boundaries between countries [6]. In the context of development geography, globalization can be seen as a phenomenon involving processes of social integration, economic integration, cultural integration, national policies, and political movements worldwide.

The concept of long-term or sustainable development is also expected to facilitate environmental issues. Sustainable development is a development paradigm directly related to environmental balance [7]. [8] states that the sustainable development paradigm is accepted as a political development agenda for all countries in the world. On the other hand, [9] states that the concept of sustainable development is a necessity to reconcile economic development, quality of life, and the environment within the framework of diverse and interrelated political systems at the international and global levels.

In the study of sustainable regional development, the Sustainable Development Goals (SDGs) serve as an interconnected and interdependent system [10]–[13]. Therefore, this study aims to further examine how sustainable regional development in urban and rural areas is affected by globalization and what strategy can be implemented to address those two different conditions.

## 2. LITERATURE REVIEW

### 2.1 *Urban Planning*

According to [14], the development of urban planning theory is highly dependent on the development of the city in question (urban development). [15], describe the cycle of urban development in three four phases of the curve, namely 1) The process of urbanization (marked by the migration of people from rural to urban areas, which began with the industrial revolution in the 18th century); 2) The process of urbanization or suburbanization (marked by the rapid growth of the service sector and manufacturing activities that tend to choose locations on the outskirts/outside the city center, leading to the growth of suburbs at this stage); 3) Suburbanization process (followed by a decline in the population in the city center); 4) Re-urbanization or de-urbanization process (a process caused by the development of suburbs into urban areas).

From this cycle, it can be seen that urban planning theory began to develop during the stages of urbanization and suburbanization, when the growth of suburban areas became apparent. The processes of reurbanization and deurbanization in the 21st century to the present day have been more influenced by the issue of globalization [14]. Cities around the world that have been influenced by globalization will automatically influence the perspective of urban planning. The report defines globalization as not a new phenomenon, but one that is new in terms of speed, scale, scope, and diversity [16]. Meanwhile, [17] states that the concept of globalization, which initially referred to economic activities, has also created new concepts in architecture and cities. These new concepts are related to borderless economic processes, including ideas, capital flows, labor, goods, raw materials, and tourism. On the other hand, this influences phenomena such as privatization, deregulation, digitalization, the opening of national companies to foreign capital, and the growing participation of national economic actors in the global market.

It can be said that urban planning cannot escape globalization or the trend toward the emergence of Global Cities. Therefore, the development of an urban area is expected to be more innovative and cross-sectoral, with a greater emphasis on community participation rather than the urban system as a whole. This is because globalization also influences the mindset of urban dwellers, making them more open and forward-thinking, aligned with the global economic situation [16].

[17] also describes several symptoms of change in cities in the 21st century as a result of globalization, including:

1. The process of deurbanization (the development of suburbs into urban areas) is driven by two factors. First, there is a trend of rapid growth in suburban areas because many people with very high incomes prefer to live in suburban areas, creating a new class in the social hierarchy of society. Second, mass production activities in suburban industrial areas are growing rapidly because the priority for the use of end products is in household activities, driven by the growing trend of working from home and the high number of young women working professionally from home using communication technology.
2. The concentration of immigrant and new professional populations, driven by peak economic activity, has led to the emergence of new professions alongside the growth of the manufacturing and service sectors, such as brokers in various fields. Global economic activity also demands a greater presence of expatriates. This urban population tends to settle in specific urban areas.

## 2.2 Rural Planning

Historically, rural planning focused predominantly on land use and resource management, often with top-down approaches that overlooked local agency. Traditional rural planning models have predominantly centered on land use regulation, infrastructure development, and resource allocation, often characterized by top-down governance structures [18]. However, the recognition of local agency and contextual specificity has led to the emergence of alternative, participatory frameworks.

Participatory Rural Planning (PRP) has gained prominence as a paradigm shift from expert-driven models to inclusive processes that empower local communities [19]. Grounded in the principles of bottom-up development, PRP emphasizes stakeholder engagement, local knowledge, and community-led decision-making. [20] highlights that participatory approaches improve planning legitimacy, foster social cohesion, and result in more sustainable and contextually appropriate interventions. Furthermore, the integration of participatory methods aligns with broader discourses on democratization and social justice in planning [21]. Rural planning increasingly adopts a territorial and place-based approach, emphasizing the importance of spatial identities, local culture, and regional specificities [22]. This perspective advocates for planning strategies tailored to the unique characteristics of each locality, fostering sustainable development that respects local contexts. It encourages a holistic view that integrates social, economic, and environmental dimensions within a geographical framework, facilitating tailored interventions that support local resilience and community vitality.

### 2.3 Sustainable Development

The concept of sustainable development has evolved substantially since its formal articulation in the late 20th century. Its core principles emphasize the interdependence of environmental protection, social equity, and economic viability. The 1987 report by the World Commission on Environment and Development, known as the Brundtland Report, provided the seminal definition of sustainable development: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" [23]. This holistic perspective underscored the necessity of integrating environmental conservation with social and economic objectives, laying the groundwork for subsequent theories and policies.

The United Nations' Sustainable Development Goals (SDGs), adopted in 2015, encapsulate a comprehensive, global agenda for sustainable development, integrating goals related to poverty alleviation, environmental protection, social inclusion, and economic growth [24]. The SDGs serve as an operational framework guiding national and local policies, emphasizing the interconnectedness of development challenges and the importance of integrated, participatory approaches. In rural contexts, SDGs have catalyzed innovative strategies that promote sustainable livelihoods, resilient infrastructure, and community empowerment. Selected literature was systematically reviewed, with key information extracted including theoretical propositions, conceptual frameworks, contextual applications, and critiques. Data were organized thematically to trace the evolution of ideas, identify convergences and divergences among theories, and highlight emerging trends.

## 3. METHODS

This study employs a comprehensive literature review approach to explore and synthesize the prevailing theories of rural planning and sustainable development. The primary aim is to critically analyze existing academic discourses, identify key conceptual frameworks, and assess their relevance and evolution within contemporary contexts. The research employs a qualitative, interpretive methodology grounded in the systematic review of scholarly literature. This approach facilitates an in-depth understanding of theoretical developments, their interrelations, and their application to rural planning and sustainability issues. The study does not involve primary data collection but relies on secondary sources to construct a coherent narrative of theoretical advancements.

## 4. RESULTS AND DISCUSSION

### 4.1 Urban Regional Strategies for Achieving Sustainable Development

In order to achieve sustainable development, strategic measures are needed. The problem of economic development disparities between regions is not unique to Indonesia; several other countries are experiencing similar issues. For example, Thailand has a problem with its western region lagging behind its eastern region, particularly Bangkok compared to other cities. Therefore, the Thai Investment Promotion Agency has established incentive policies for sectors that develop new technologies in underdeveloped regions. These incentives include value-added tax exemptions, import tax exemptions for capital goods, and longer land use rights [25].

Another example is China, where the economic growth of the eastern coastal regions is faster than that of the central and western inland regions. The main cause of this disparity is the low level of investment in the western regions, especially since the Deng government established special economic zones in the coastal regions in the 1980s [26]. Therefore, since 1998, the Zhu Rongji

government has established a policy to address regional development disparities called Xibu da Kaifa or "Go West," even though the western region's GRDP ratio is around 43 percent of the eastern region. China's strategy is to increase public investment in the western region on a large scale [25].

In Indonesia, policies to accelerate development in the KTI region have been in place since the end of Soeharto's administration. In 1996, a policy was established to create Integrated Economic Development Zones (KAPET), followed by the appointment of a State Minister for the Acceleration of KTI Development in 2000. The KAPET program had good objectives, similar to the program in China. It was stipulated that in the KTI, per capita GRDP and HDI should approach the national average; investment and export contributions should be at least 20 percent of the national total (Firdaus, 2013). There are 12 KAPETs established in Kalimantan, Sulawesi, NT, and Papua. However, these 12 KAPETs have failed to achieve their set targets [27].

In the case study of DKI Jakarta, challenges in regional development arise due to various factors [28]. As per Myrdal's theory in [29], regional disparities are closely linked to the capitalist system driven by profit motives, which promotes concentrated development in areas with high profit potential, while other regions remain neglected. According to Myrdal, the uneven development that causes this inequality is due to the backwash effect being higher than the spread effect.

Investment is one of the factors causing the backwash effect in a region. Investment is a transfer of capital that tends to increase regional inequality. In developed regions, increased demand stimulates investment, which in turn increases income and leads to a second round of investment and so on. Better investment opportunities in development centers can create capital scarcity in underdeveloped regions [29]. This scarcity of capital will cause inequality between developed and underdeveloped regions [28].

In addition to investment, the concentration of economic activities in certain regions will also affect development inequality between regions [30]. The concentration of economic activities that has recently been massively implemented by various regions, including DKI Jakarta, is agglomeration. Agglomeration occurs when an industry chooses a location for its production activities that allows it to operate in the long term, so that the community will benefit greatly if they follow suit by establishing businesses around that location [31]. High agglomeration tends to drive faster regional economic growth, thereby promoting regional development through increased job creation and higher income levels for the community [30]. However, regions with low agglomeration levels tend to lag behind.

Another strategy is to implement fiscal decentralization policies aimed at reducing regional disparities. Decentralization is not only associated with the failure of centralized planning and the popularity of growth strategies focused on equity, but also with the recognition that development is a complex and uncertain process that is difficult to control and plan from the center [32]. [30] argues that with the implementation of regional autonomy and decentralization of development, regional development, including in underdeveloped areas, can be further promoted because authority lies with local governments and communities. In addition, each region is also given additional funding allocations in the form of "Block Grants" in the form of balancing funds. Thus, it is hoped that the overall regional development process will be improved and at the same time reduce development disparities between regions.

#### **4.2 Rural Area Strategies for Achieving Sustainable Development**

[33] states that globalization and modernization have in fact touched the lives of rural communities through the process of liberalization. Law No. 6 of 2014 on Villages, a product of the legal politics of the reform era, was born amid the growing tide of globalization. One of the objectives of the regulation on village autonomy is to respond to the process of globalization. Village autonomy is based on customs, encompasses the physical and spiritual lives of villagers, and does not originate from the government. Village autonomy means the autonomy of the local community or society in organizing themselves. However, the essence of local autonomy differs from sovereignty, as local

autonomy is the autonomy of the local community concerning various local government affairs. Thus, the village area is understood as a legal entity where a community resides and has the authority to conduct its government.

In addition, [25] believes that agricultural development can contribute to increasing community income (reducing poverty). One strategy for developing agricultural commodities to support regional development with a focus on commodities was pioneered by Japan with the launch of the One Village One Product (OVOP) program in 1979 for Orta Prefecture. The program is implemented based on three main principles: “thinking globally while acting locally,” “independence and creativity,” and “fostering human resources” (Chimudu, 2007). The success of this program was followed by several neighboring countries, which launched similar programs, such as Thailand's One Tambon One Product (OTOP) program in 2001 [34]. Malaysia was also inspired by this program, launching the One District One Industry (ODOI) program with a focus on building the entrepreneurial spirit of rural communities.

In Indonesia, the regional-based agricultural commodity development program was adopted under the name OVOP, similar to Japan's model. Examples of its implementation include vegetable development in Cianjur and Boyolali, which, after evaluation, were found to increase rural community income [25]. Additionally, IPB has successfully developed the Agribusiness Development Center (ADC) model, which bridges the upstream sector with the market for high-value horticultural commodities. Suryadharma Ali stated that OVOP is a strategy to address crises amid globalization pressures, as villages have significant potential but remain centers of poverty and unemployment [35]. Unfortunately, there is a major gap in this program, namely the issue of funding to implement the program, which is still largely borne by the government. Given the increasingly tight budget conditions at present, self-financing efforts should be prioritized so that the government can focus more on utilizing the budget, such as for infrastructure development.

#### **4.3 Differences in Sustainable Development Patterns between Urban and Rural Areas**

In the economic development of a region, villages and cities play important roles. If these roles can be carried out properly, then economic interdependence between villages and cities can be achieved. The importance of this village-city interdependence in the regional network for creating sustainable economic growth is highlighted by [36] through the concept of agropolitan. This concept emphasizes that village development can be achieved effectively if the village is linked to urban development within the region. The function of cities is more focused on being centers of non-agricultural activities and administrative centers, rather than centers of growth. Meanwhile, districts [37] function as development units.

The issue of rural-urban linkages arises alongside the empirical reality of the inseparable connection between rural and urban areas, which also encompasses urbanization issues. These linkages are expanding across various levels. The interdependence between villages and cities is evident in the reality that rural residents become consumers of urban goods and services, while urban residents also become consumers of goods and services produced in rural areas. Despite the numerous criticisms of the established interdependence patterns, the interaction between villages and cities is mutually beneficial in a symbiotic relationship [38]. The differences in development patterns between rural and urban areas can be illustrated in the table below, as presented by [36]:

URBAN	<----->	RURAL
• agric. trade/transport center	<----->	• agricultural production
• agric. support services	<----->	• agricultural intensification
-- production inputs		-- rural infrastructure
-- repair services		-- production incentives
-- information on production methods (innovation)		-- education and capacity to adopt/adapt innovation
• non-agric. consumer markets	<----->	• rural income and demand for non-agric. goods and services
-- processed agric. products		
-- private services		
-- public services (health, education, admin.)		
• agro-based industry	<----->	• cash crop production and agricultural diversification
• non-agric. employment	<----->	• all of the above

Figure 1. Interdependence and Interconnection Between Rural and Urban Areas [36].

Classifying rural and urban areas is crucial for determining the type of intervention to be implemented. Both areas have high interdependence in the demand and supply chain. Beyond economic considerations, the interdependence between these two areas is also important for addressing urbanization issues with political implications.

## CONCLUSION

Indonesia, as a developing country, shows that there is still an imbalance between urban and rural development, which is inseparable from the influence of globalization. Globalization is a unique phenomenon in human civilization that continues to evolve within the global community and is an integral part of the global human process. As such, the concept of sustainable development is expected to address the challenges that arise. Sustainable development is necessary to meet current needs without compromising the ability of future generations to meet their own needs. One of the objectives of rural development is to accelerate economic progress and industrialization in rural areas. To increase rural community income, the provision of food and other materials for consumption and production needs through the linkage between rural and urban areas, strengthening local economic management, and enhancing the capacity of rural community economic institutions and organizations. Meanwhile, urban development is more oriented toward improving the quality of services to surrounding areas.

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